

Committee: Cabinet

Date: 20 February

Wards: All

Subject: Future Homecare Arrangements for Merton (New Framework and Procurement Process)

Lead officer: John Morgan; Executive Director for Adult Social Care, Integrated Care and Public Health

Lead member: Cllr Peter McCabe, Cabinet Member for Social Care and Health

Contact officer: Chima Amiaka, Interim Commissioning Manager, Adult Social Care, Integrated Care and Public Health

Recommendations:

- A. That Cabinet approves the commissioning of Future Homecare Arrangements for a term of five (5) years without the option to extend.
 - B. That Cabinet approves the inclusion in the terms and conditions of the contract a requirement to pay London Living Wage for all staff engaged in delivering services under the contract.
 - C. That Cabinet delegates authority to the Executive Director for Adult Social Care, Integrated Care and Public Health, in consultation with the Cabinet Member for Social Care and Health, the award of contracts to the successful bidders at the conclusion of the tender process.
 - D. That Cabinet notes the Fair Cost of Care Annex B: Merton domiciliary care report and Annex C Market Sustainability Plan which are being published on the Council's website and will be submitted to the Department of Health and Social Care by the 31 March 2023 in order to comply with the Government's requirements.
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PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report sets out the planned approach to securing provision of Home Care Services to customers within LB Merton who are assessed as requiring such care and support. To meet the Council's statutory duties under the Care Act 2014 the services will be designed to enable customers to live as independently as possible, for as long as possible, as engaged and active citizens while living in their own homes. The report sets out the intention to recommission homecare service for a period of five years from 01 October 2023 to 30 September 2028 without the option to extend. This report reflects the Council's commitment to ensuring that wider ASC reforms provide for improvements in homecare provision across Merton.
- 1.2 The report proposes, following the Council's decision to become London Living Wage accredited, that the tender for Home Care services is advertised with a requirement that the successful bidders pay all

employees wholly or substantively engaged in the delivery of services under the contract London Living Wage as a minimum.

DETAILS

- 1.3 The current contractual arrangements for the provision of Homecare services were awarded on 11 December 2017, with an estimated total annual value of £9.30m and are based on requirement for providers to pay National Living Wage (NLW) as a minimum. The contracts commenced on 01 February 2018, with the option to extend, (exercisable solely at the Council's discretion), by two further increments of 12 months each making for a potential contract period of up to 7 years. The majority of Home Care service care packages (approximately 80%) are delivered across three geographical zones, 'West', 'Central' and 'East' by the 'Prime' Providers who were awarded Lots 1, 2 & 3 respectively. The Prime Providers are;
- Westminster Homecare Ltd for Lot 1 (West)
 - JC Michael Groups Ltd for Lot 2 (Central)
 - Carewatch Kingston and Merton for Lot 3 (East)
- 1.4 In addition, the Council awarded contracts to 38 supplementary providers. However, it must be noted that for a range of business reasons (such as the provider taking a decision to close their business or the provider not accepting any packages), that 17 providers are no longer providing home care to LB Merton, leaving only 21 providers under Lot 4.
- 1.5 Any care package which, legitimately, cannot be accepted by the relevant Prime provider is offered to one of the 'Supplementary' providers who successfully bid for Lot 4. Supplementary providers are expected to operate across all three zones. Provision was also made for specialist Home Care services (for example a customer with an acute loss of hearing and vision) which is delivered, as appropriate, by one of the 'Specialist' providers who successfully bid for Lot 5. The Council awarded contracts to 13 specialist Home Care providers. However, it must be noted that for a range of business reasons (such as the provider taking a decision to close their business or not accepting any packages) that 8 providers are no longer providing specialist home care services to LB Merton customers, leaving only 5 providers under Lot 5.
- 1.6 The services provided for through these contracts include but are not limited to the following tasks:
- washing and bathing; dressing and undressing; assistance with eating and drinking; assistance with getting in/out of bed (including the use of a hoist if required) + other aspects of personal care;
- cleaning of rooms; vacuuming; changing bed linen/making beds; disposal of household rubbish; cleaning of crockery and utensils etc; general tidying and other aspects of cleaning and general home care.
- 1.7 Existing packages of homecare that were in place at the outset of the current contract were not transferred to the new providers and as a result approximately 10% of home care packages are currently spot-purchased from providers who were not awarded contracts in 2017/18. The current

arrangements have generally worked well, although the three main geographic providers have had varying capacity to take on new packages of homecare and as a result more use has been made of the supplementary providers than was originally envisaged. At any one time there are around 650 individuals for whom a homecare service is being commissioned.

- 1.8 It has been noted that it is currently difficult to attract carers to work in the western part of the borough as there are fewer carers living in this area. In addition, the western part of the borough is not as easily accessible due to limited transport options relative to other parts of Merton. Our brokerage team have, as a result, found it challenging to get providers to accept care packages in the west of the borough. Most of Merton's home care providers and care workers are based or live in the eastern part of the borough. Consequently, there are fewer workforce capacity issues with retention of care staff towards the eastern parts of Merton.
- 1.9 Throughout the life of the existing contracts, the Adult Social Care Contracts Team has led on the quality assurance of all contracted providers using a range of methods including: contract review meetings, unannounced quality assurance, visits to providers, and intelligence received from a range of partners such as CQC, public health and health partners. Through use of such methods a series of actions have been agreed with providers and have been implemented by them with the aim of ensuring continued quality assurance and service improvement.
- 1.10 Prime providers were required to enrol for the Council's electronic call monitoring system (CM2000) to track use of commissioned capacity so that we are clear that people are getting the care that they need. However, Supplementary and Specialist home care providers were recommended to enrol for electronic call monitoring system (CM2000) though it was not compulsory due the size of their businesses. Currently 7 providers (including 3 Prime Providers) are enrolled to the Council's contracted CM2000 although some of the other providers are using their own electronic call monitoring systems. The Council has recently upgraded its contracted version of CM2000, which provides a range of benefits for the Council (including ensuring we are paying only for actual hours delivered, more efficient billing of customers for assessed financial contributions and improved contract monitoring ensuring greater compliance to commissioned times). The Contracts Team are currently working with the majority of the providers not yet using electronic care monitoring to increase uptake to aid with the transfer of care when new contracts are let.
- 1.11 As we have emerged from the pandemic the number of hours of care being delivered has been increasing, reflecting both increasing need and complexity for existing service users and increasing numbers of individuals coming into the social care system. Approximately 8,400 hours of care are delivered each week, which comprises of 7,556 hours per week for contracted providers and 844 hours per week that are spot purchased. Please see Table 1 below for more details.

Table 1: Weekly home care hours delivered

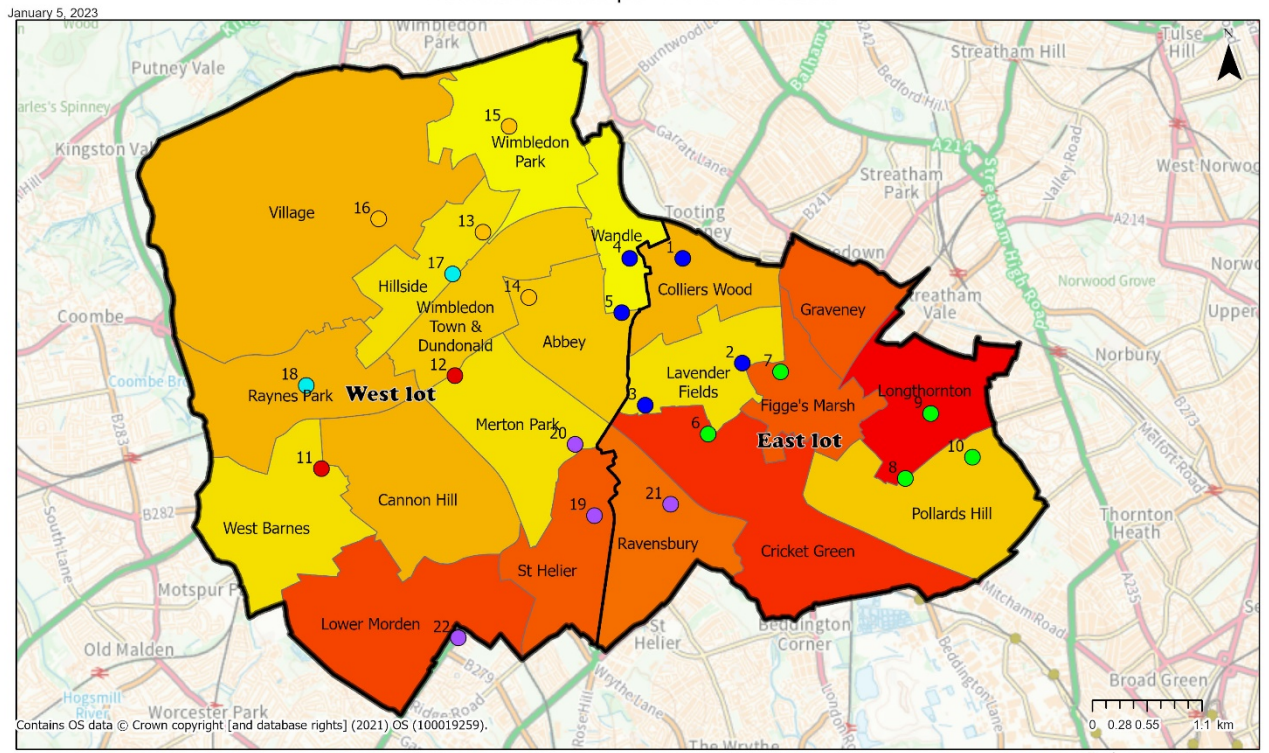
Details	1hr calls	45min calls	30min calls	Total weekly hours
Contracted providers	1,255	3,033	3,269	7,557
Spot purchase providers	140	339	365	844
Total weekly hours	1,395	3,372	3,634	8,401

Source: Snapshot week ending 03/07/2022

- 2.1 Home care rates are reviewed annually and based on the National Living Wage, with changes aligned with the rate calculator embedded within the contract to determine fair rates including annual inflationary uplifts required throughout the term of the contract.
- 2.2 As noted above, the existing contractual arrangements commenced in February 2018 and the initial five-year term was due to expire in February 2023. The terms of the contract allowed for two 12-month extensions, which, if enacted would mean that the contracts could run up until February 2025. However, for a number of practical operational reasons, the Council opted not to seek to extend the existing contractual arrangements by the one or two years allowed, but rather to agree a shorter extension period of 8 months to allow new contracts to be mobilised for October 2023.
- 2.3 The Council opted to end the existing contract on 30th September 2023 and commence a new homecare service on 1st October 2023, as February is not the optimum time to be mobilising new home care contracts. This procurement enables a comprehensive assessment of home care service provision needs, a revision of the geographical model and incorporation of fair cost of care findings and market sustainability plan as part of the wider adult social care reforms.
- 2.4 A geographically focused model will be continued; however, it is proposed that it is reconfigured into 2 zones to resolve issues of the current model, relating to areas of the borough where it is more difficult to commission new packages of care. The boundary between the two zones will match the relevant boundaries as in Maps 1 and 2 below.
- 2.5 The proposed geographical configuration based on borough wards is illustrated below in Maps 1 & 2. A snapshot of the homecare hours and number of customers illustrate how the proposed arrangement is split relatively evenly between the two areas (see Tables 3 and 4). These maps also include the placement of GP surgeries within the Primary Care Network clusters. Twelve GPs surgeries are located within Zone 1, while 9 GP surgeries are located in Zone 2. One GP surgery, which serves the Lower Morden area is located just outside the border of Merton within the London Borough of Sutton. Table 2 lists the Surgeries. The colour coding shows which Primary Care Network each practice is part of.

MAP 1

Homecare hours per Ward in Merton



Homecare Hours		
Yellow	300 - 350	Dark Red
Light Orange	350 - 400	Red
Orange	400 - 450	Dark Red
Dark Orange	450 - 500	Red
Light Red	500 - 550	Dark Red
Red	550 - 600	Red
Dark Red	600 - 650	Dark Red
Bright Red	650 - 700	Bright Red
Bright Red	700 - 750	Bright Red
Bright Red	<800	Bright Red



MAP 2

Number of Clients per Ward in Merton

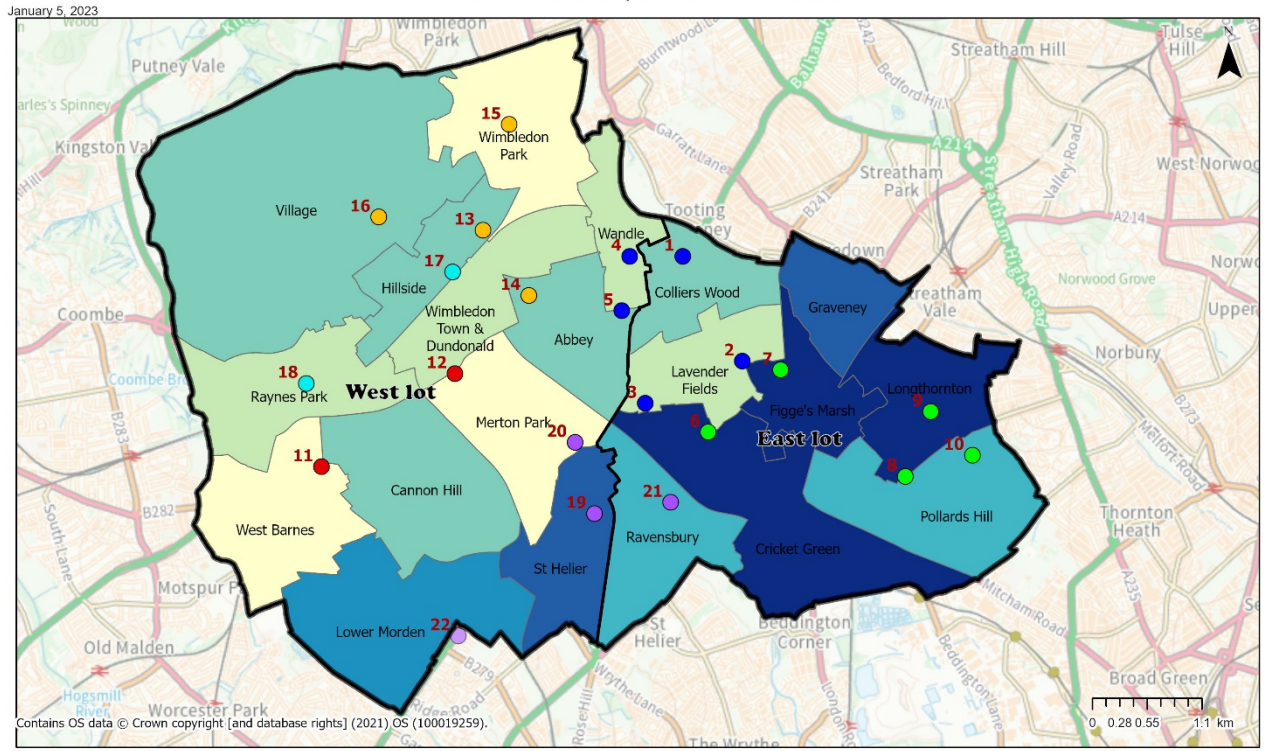


Table 2 Primary Care Network GP clusters

Primary Care Network (PCN)	Reference number	Practice name
North Merton	1	Colliers Wood Surgery
	2	Mitcham Family Practice
	3	Mitcham Medical Centre
	4	Riverhouse Surgery
	5	Merton Medical Practice
East Merton	6	Cricket Green Medical Practice
	7	Figges Marsh Surgery
	8	Tamworth House Medical Centre
	9	Rowans Surgery
	10	Wide Way Medical Centre
South West	11	Grand Drive Surgery
	12	Nelson Medical Practice
North West Merton	13	Alexandra Road Practice
	14	Wimbledon Medical Practice
	15	Vineyard Hill Road Surgery
	16	Wimbledon Village Surgery
West Merton	17	Francis Grove Surgery
	18	Lambton Road Medical Practice
Morden	19	Central Medical Centre
	20	Morden Hall Medical Centre
	21	Ravensbury Park Medical Centre
	22	Stonecot Surgery

Table 3 Planned Hours and No. of Customers

Zone 1	Planned Hours	No of Customers
Abbey	326.25	26
Cannon Hill	366.00	26
Hillside	251.50	26
Lower Morden	622.00	38
Merton Park	251.00	19
Raynes Park	378.25	24
St Helier	580.75	44
Village	393.50	28
Wandle	235.50	20
West Barnes	255.50	19
Wimbledon Park	230.25	17
Wimbledon Town & Dundonald	310.00	24
Zone 1 Total	4200.50	311

Table 4 Planned Hours and No. of Customers

Zone 2	Planned Hours	No of Customers
Colliers Wood	364.25	26
Cricket Green	674.00	46
Figge's Marsh	593.75	46
Graveney	578.00	44
Lavender Fields	294.75	23
Longthornton	778.50	48
Pollards Hill	343.75	34
Ravensbury	513.00	35
Zone 2 Total	4140.00	302

NB: The out of borough figures for planned home care hours and number of customers is 60 hours and 8 customers respectively.

- 2.6 To ensure that the Homecare service is well-structured and that the tenders is accessible to a wide variety of providers, it is proposed the tender will be offered in five Lots as described below:
- Lot 1 – 2 Prime providers
 - Lot 2 – 2 Prime providers
 - Lot 3 – Maximum of 6 Supplementary Providers (deployed across all zones)
 - Lot 4 – Mental Health for working age adults (specialist provision - deployed across all zones)
 - Lot 5 – Personal Support Services for children, young people and adults with learning disabilities (specialist provision – deployed across all zones)
- 2.7 Prime Providers: Appointment of two providers to each geographic area rather than the current one per area, will enable reduction of the risk that new care packages cannot be commissioned via the geographic lots. This approach will also allow for resident choice as individuals will have the option to express a preference for one of the two providers. There will be an increased emphasis on encouraging local provision, by requiring registered locations in the borough, and on local employment, including links with local further education colleges and other local recruitment channels.
- 2.8 Supplementary Providers: A maximum of 6 supplementary providers, who can cover the whole borough will be contracted. A smaller number of ‘back-up’ SME local providers will make contract management arrangements more manageable.
- 2.9 Specialist Providers: Mental Health for working age adults. Specialist provision refers to instances where a Social Worker or other professional has assessed a customer and determined that the standard service does not meet his/her requirements. This Lot will consist of providers offering specialist services for people with mental health needs. Specialist providers will not be restricted to operating in any specific zone(s) and will work across the whole borough.

- 2.10 Specialist Providers: Personal Support Services for children, young people and adults with learning disabilities. This Lot will consist of providers offering specialist services for children, young people and adults with learning disabilities customers. Specialist providers will not be restricted to operating in any specific zone(s) and will work across the whole borough. The inclusion of young people in this Lot allows for continuity of care when young people with long term care needs are transitioning from Children’s Social Care to Adult Social Care.
- 2.11 There will be an emphasis on a ‘reablement’ type model, with an increased emphasis on re-enabling customers with options explored to incentivise reductions in package size over time. There is no guaranteed number of hours offered to any provider. However, a high expectation will be placed on prime providers to meet demand first. Their ability to deliver will be monitored and managed closely by the Contract Management team.
- 2.12 Electronic call monitoring: All Prime Providers and Supplementary Providers will be required to use CM2000. The system electronically monitors the provision of care to all customers. Visits commissioned are recorded electronically in real time. The system also generates electronic timesheets and invoices, again based on actual care delivered. The CM2000 system generates alerts and will be monitored by the Provider on a daily basis.
- 2.13 There will be an emphasis on maximising social value through robust use of the Council’s social value policy and toolkit. Prime, Supplementary and Specialist providers will be required within contracts to detail how they will maintain Merton’s Social Value objectives within their contracts. The performance of the providers on social value will form part of the contract monitoring, undertaken by the Contract Monitoring team.
- 2.14 The government is implementing wide-ranging reform of Adult Social Care. In December 2021 it published a White Paper, [People at the Heart of Care](#), that outlined a 10-year vision that puts personalised care and support at the heart of Adult Social Care. Ensuring market sustainability and moving towards a fair cost of care are some of the first steps in the journey to achieve this. Local authorities are required to start preparing markets for wider reform and thereby increase market sustainability. As part of these preparations and to evidence work being done to prepare their markets, local authorities have been required to carry out a cost of care exercise for 18+ domiciliary care to determine the actual median cost of delivering care within the local area. Merton completed a cost of care report produced in line with Department for Health and Social Care (DHSC) guidance, which sets out how:
- the exercise was carried out;
 - providers were engaged; and
 - the resulting cost of care for the local area has been determined - this includes the approach taken for return on operations.
- 2.15 The draft Annex B and Annex C cost of care reports are presented in Appendix 1 and 2. Merton noted significant issues with data quality and some unreliable results due to the small number of returns impacting on the median calculation. This was a common issue across London and Nationally. To improve understanding of the actual cost of delivering care in Merton the Council has

surveyed the 18+ domiciliary care providers within the borough. The Council engaged extensively with providers to maximise the rate of response to the exercise, however, 20% of the homecare providers responded. We therefore consider the cost information produced as being not fully representative of Merton's homecare market which includes a wide range of different sized providers. We consider that costs tend to vary significantly from provider to provider, with factors such as the size of the organisation, variations in staff pay rates and use of agency staff. The latest DHSC guidance is that Annex B and the final version of the Market Sustainability Plan should be published by 01 February 2023. The median cost of care for Merton identified through using the Cost of Care methodology was £23.80 per hour.

- 2.16 As detailed below in Table 6 this rate compares reasonably closely to the total cost per standard hour rate planned for the new contracts, which has been calculated at £23.30. DHSC guidance on the implementation of timescales for Cost of Care will need to be reflected in the pricing arrangements for the new contracts (in addition to the usual inflation related uplift arrangements).
- 2.17 The Council is now accredited with the Living Wage Foundation as a London Living Wage (LLW) employer and it is therefore proposed that all our successful bidders for the new contracts are required to pay LLW as a minimum. Bidders will be required to agree to a homecare rate proposed by the Council, which will be initially fixed until April 2024 and then increased annually by an amount equivalent to the percentage year on year change in London Living Wage (LLW).

2.18 Homecare rate calculation based on London Living Wage (LLW).

Table 6: Homecare rate calculator 2023/24 applicable at the start of the contract

Item	Proposed Rate 23/24 (1hr)	Comments
Contact time	11.95	Must be at least equal to the prevailing London Living Wage rate
Travel Time	1.99	Assumes 10 minutes travel time hourly contact time rate
Travel Cost	1.65	Minimum bus fare applicable for travel in Merton
Staffing on costs	3.39	24.3% of contact and travel time to cover pensions, Training, sick pay and holiday pay, etc...
Business Running Cost	3.64	21% of contact, travel time and staffing on costs - at the discretion of the Council.
Profit	0.68	3% of overall cost - at the discretion of the Council.
Total cost per std hour	23.30	
Bank holiday rate	31.68	36% more than the basic rate

2.19 The hourly rate will be prorated for 45 minutes and 30 minutes in a straight line, which means that 45 minute visits will be commissioned at three-quarters of the hourly rate and 30 minute visits at half the hourly rate. This is a change from the current contract, where 45 minute and 30 minute visits are paid at a proportionally higher rate than the hourly rate. Provided demand remains more or less the same as at present, annual home hours and costs are detailed in the table below with the total annual number of hours delivered being c.438,000.

Table 7: Annual home hours and costs

Item	Annual hours delivered	Rate/hr	Annual cost
Standard	428,401	23.30	9,981,743
Bank holiday	9,600	31.68	304,128
Total	438,001	n/a	10,285,871

2.20 Projected spend including an assumed inflationary uplift of 5% from Year 2 to Year 5 is as detailed in Table 4 below:

Table 8: Projected spend including inflationary uplift of 5% from Year 2 to Year 5

Item	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year (4)	Year (£)	Total
Annual spend	10,285,871	10,800,165	11,340,173	11,907,182	12,502,541	56,835,932

- 2.21 The projected cost that will be declared in the tender documents over 5 years is £51,429,355, with the sum of £5,406,582 being added for inflationary uplifts. The total value of the contract including inflationary uplifts is therefore projected to be £56,835,932. A higher ‘ceiling’ value will be advertised to allow for fluctuations in demand over the life of the contract.
- 2.22 Unison’s Ethical Care Charter, attached to this report as Appendix 3, sets out a series of commitments that support improved working conditions for the home care workforce with the presumption that this translates into improved quality of care. Currently 12 London Boroughs have signed up to the Charter as well as a number of councils nationally. The implementation of the Ethical Care Charter alongside LLW is strongly recommended by the Living Wage Foundation as an additional demonstration of the Council’s commitment to the employees of contracted providers. The commitments set out in the Ethical Care Charter will be incorporated into the contract and the successful bidders will be required to comply with those commitments.
- 2.23 The Charter is set out as three stages, with an expectation from Unison that stage 1 is implemented immediately and that there is a clear plan in place for adoption of stages 2 and 3. It is usual, therefore, for Local Authorities to sign up to the Charter on this basis, with some elements being implemented immediately and with a clear plan in place to implement the remaining elements over an agreed timescale.. All elements of stage 1 will therefore be incorporated into the service specification for immediate implementation along with most elements from stages 2 and 3. The elements relating to the provision of permanent contracts and an occupational sick pay scheme will require further negotiation with the successful bidders as experience elsewhere has shown that there are risks to successful delivery, and the potential for unintended negative impacts on the workforce, if this negotiated approach is not taken. The terms of the contract will require that these final elements be agreed and implemented no later than 18 months after the contract start date. The approach to the phasing in of the Charter for the supplementary and specialist providers (Lots 3 to 5) will be tailored to reflect the volume of work each provider has been commissioned to provide.

ALTERNATIVE OPTIONS

OPTIONS	ADVANTAGES	DISADVANTAGES
1. Do nothing	Provides short term continuity.	The present contract provision comes to an end September 2023, therefore this situation would not be tenable.
2. Utilise the remaining extension options until January 2025 without going out to the market.	Minimal work in preparing a Variation Report (GW3) to extend the contract by a further 18 months until January 2025.	The current home care model no longer adequately meet residents needs as the Council is struggling to commission home care packages in the western part of the borough. Contracted prime providers are struggling to recruit carers as the current contract only requires a minimum payment of National Living Wage rate to carers rather than London Living Wage rate. This has led to a situation where some of the supplementary providers pick up more hours per week in comparison to prime providers.

<p>3. Carry out a separate procurement as described in this report (the recommended option)</p>	<p>A separate procurement would enable a comprehensive assessment of home care service provision as needed. This would provide the opportunity for a revision of the geographical model, impact of Adult Social Care reform such as incorporation of fair cost of care findings and market sustainability plan exercises as well as introduction of London Living Wage rates as a minimum payment to carers.</p>	<p>May be a lengthier process to get the new home care arrangements in place.</p>
<p>4. Merge the commissioning of ASC home care service (future home care arrangements in Merton) with the children's home care service (personal support services).</p>	<p>Reduced administrative and ongoing contract management costs.</p> <p>More attractive offer to larger providers – the high volume of home care hours commissioned across the ASC and Children's Department would appeal to well established and experienced home care providers who can guarantee a high-quality service.</p> <p>Economies of scale and the potential to share capacity across ASC and Children's Department.</p>	<p>ASC preferred commissioning model is significantly different from the Children's Department model in a way that while the former is based on geographical partitioning of the borough, the latter is based on specific services.</p> <p>Some of the elements commissioned within the Children's Department are not offered in the ASC model, which makes the service so different and would require 2 different specifications.</p>

CONSULTATION UNDERTAKEN OR PROPOSED

- 3.1 All homecare providers on the present framework were informed of the Council's intention to recommissioning all of Merton's homecare contracts in October 2022. As part of the ongoing cost of care exercise all homecare providers were invited to submit cost of care information so that median value for costs of care could be established for Merton.
- 3.2 All homecare providers registered in Merton will be invited to discuss the findings of the exercise in online meetings to be held in March 2023. The annex B Care homecare report will be published on 1st February 2023 as per the funding conditions set out by DHSC. As the specification of framework is developed there will be further consultation with providers to sensitize its development to the needs of customers and providers within the local market.

TIMETABLE

Milestone	Target Date
Presentation of Gateway 1 report to Procurement Board	17 Jan 2023
Fair Cost of Care Submission Market Sustainability Plan	1 Feb 2023
Presentation of report to Cabinet	20 Feb 2023
Call in expires	28 Feb 2023
Complete preparation of tender documents including specification, Method Statements, Evaluation Matrix, Form of Tender, Pricing Schedule, terms and conditions.	28 February 2023
Invite tenders	6 March 2023 to 10 April 2023
Evaluation of submissions	13 April 2023 to 19 May 2023
Prepare Contract Award/ Gateway 2 Report	15 May 2023 to 26 May 2023
Presentation of Gateway 2 Report to Departmental Procurement Group	7 June 2023
Procurement Board Meeting (Gateway 2 report to be submitted by 15 June)	20 June 2023
Submit Contract Award/ Gateway 2 Report to Director for sign off	22 June 2023
Notify bidders of outcome	3 July 2023
Standstill period	13 July 2023

Contracts award via Portal	14 July 2023
Mobilisation (Lead in period) ends	30 September 2023
Contract Start Date	1 October 2023

FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 4.1 Estimated value of the new contract over 5 years is £56.84m (Standard contract value £51.43m and Inflationary uplift from year 2 to year 5 - £5.41m). The current service value is funded from Adult Social Care Placement budget. The procurement requirement and its associated delivery will be funded in the same way. Information in this document is based on planned packages of care.

LEGAL AND STATUTORY IMPLICATIONS

- 5.1 This report is recommending that Cabinet approves the commissioning of Future Homecare Arrangements as described in the report above for a term of five (5) years without the option to extend. These are services which fall under the Light Touch Regime (LTR) and as the value of the procurement is over the threshold, Part 3 of the Public Contracts Regulations 2015 apply. The LTR provides a flexibility for the Council and how it conducts the procurement and the approach being recommended in this report would be permissible under Part 3.
- 5.2 The delegation in recommendation B is permissible under section 9E of the Local Government Act 2000.
- 5.3 In accordance with CSO 19.2.4, once awarded, information about the contract must be published on both the Council's Existing Contract's Register in-line with the Local Government Transparency Code 2015 (and any subsequent amendments), as well as Contracts Finder in-line with Crown Commercial Services guidance.
- 5.4 It is a requirement, in accordance with DHSC guidance, that Merton's Fair Cost of Care (Annex B) and the Market Sustainability Plan are published on Merton's website.

CRIME AND DISORDER IMPLICATIONS

- 6.1 There are no specific implications that would affect this tender.

RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 7.1 All organisations to be awarded contracts will have to confirm that they have a Health and Safety policy that compliments the Council's corporate procedures for effective health and safety and risk management. Tender documentation to be submitted by all bidders will be assessed against criteria that will be developed by the Council to ensure that any bidder who is awarded a contract complies with all statutory regulations in all matters related to the homecare service.

7.2 The Council will ensure compliance to the contract specification and contract standards through use of a robust monitoring procedure that will be developed for this service. This will use at least the following methods:

- The Provider will be responsible for managing its performance and for collating all performance data at the required level of frequency as set out in the service specification, which will form part of any monitoring requirements.
- The Provider must submit the required contract monitoring data (Key Performance Indicators) on a quarterly basis. The quarterly monitoring report will be followed up by a service review meeting, initially on a quarterly basis, but which may also be held at other times as appropriate and may be initiated by either the commissioners or the provider. If a provider is failing to deliver the service as set out in the contract, the Contract Monitoring Officer may choose to meet with the provider more frequently and the provider will be required to facilitate this.
- The Council will carry out quarterly and annual contract management meetings. Contract monitoring may involve analysing Key Performance Indicators and documentation relating to customers and other stakeholders, staff files, insurance documents and any other relevant paperwork.
- The Provider is required to capture data that evidence that the service is delivered in a way that reflects the diversity of the London Borough of Merton's population, and the service is accessible to all who need it.
- The Provider shall inform the Council when any serious service complaint arises or in the event of any serious incident which may impact on the service. Complaint investigation responses from the provider will be reviewed at contract monitoring meetings.
- The provider must ensure that the views of individuals and stakeholders are routinely sought, collated, evaluated and utilised to support service delivery / development. The outcomes of such feedback must be routinely made available to the Council.
- The Council will work with the Provider to develop performance levels that challenge but are achievable and measurable from time to time as may be required to effectively manage performance.

BACKGROUND PAPERS

8.1 This report should be read in conjunction with the following papers:

- The Council's Contract Standing Orders.
- The Council's Procurement Strategy.

APPENDICES

- 9.1 The following documents are to be published with this report and form part of the report:
- Appendix 1: Cost of Care Annex B Merton domiciliary care report.
 - Appendix 2: Cost of Care Annex C Draft Merton Market Sustainability Plan Jan 2023.
 - Appendix 3: Unison's Ethical Care Charter.

Appendix 1: Cost of Care Annex B Merton domiciliary care report

Introduction

The government is implementing wide-ranging and ambitious reform of Adult Social Care. In December 2021 it published a White Paper, [People at the Heart of Care](#), that outlined a 10-year vision that puts personalised care and support at the heart of Adult Social Care. Ensuring market sustainability and moving towards a fair cost of care are some of the first steps in the journey to achieve this. Local authorities are required to start preparing markets for wider reform and thereby increase market sustainability.

As part of these preparations and to evidence work being done to prepare their markets, local authorities have been required to carry out a cost of care exercise for 18+ domiciliary care to determine the actual median cost of delivering care within the local area. This cost of care report is produced in line with government guidance and sets out how:

- the exercise was carried out
- providers were engaged; and
- the resulting cost of care for the local area has been determined - this includes the approach taken for return on operations (ROO).

This exercise presented Merton significant issues with data quality and some unreliable results due to the small number of returns impacting on the median calculation. The Council intend to continue to work with providers to agree 2022/23 rates that are sustainable for the Merton market.

To improve understanding of the actual cost of delivering care in Merton the Council has surveyed the 18+ domiciliary care providers within the borough. Merton engaged extensively with providers to maximise the rate of response to the exercise, however, 20% of the homecare providers responded. We therefore consider the cost information produced as it not fully representative of Merton's homecare market which includes a wide range of different sized providers. We consider that costs tend to vary significantly from provider to provider, with factors such as the size of the organisation, variations in staff pay rates and use of agency staff.

Cost of Care Provider Engagement and Response

Supporting information on important cost drivers used in the calculations:	18+ domiciliary care
Number of location level survey responses received	10
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	50

All homecare providers registered within Merton were invited to participate in this cost of care exercise. They were contacted by email in May 2022 alerting them to the requirement for all local authorities to start preparing local markets for implementation of wider charging reforms, and specifically the requirements for increased market sustainability through Fair Cost of Care funding. The government required the Council to collect consistent data from local providers on actual costs to enable subsequent analysis. The Council decided to use the MS Excel based Fair Cost of Care Toolkit, co-designed by Local Government Association (LGA) and ARCC-HR Ltd.

This tool was also used by the other five South West London boroughs to support a consistent approach to the costing exercise with neighbouring Councils. Providers were invited to participate in Homecare CoC Toolkit demonstrations and Q&A webinars. Providers were then individually contacted by phone to encourage participation and to gauge any issues they might have with the process. Some providers stated that they found the toolkit too complicated. Other providers were positive about the exercise however they claimed capacity issues prevented them engaging in the exercise fully.

To assist Merton home care provider's submit cost of care data returns, further invitations to participate were sent in a Cost of Care Forum in mid July 2022, in partnership with Richard Ayres of Care England (part of the Care Provider Alliance). This provided guidance on completing the exercise from the industry perspective. After another telephone call round to all providers, a further webinar forum was organised for the end of July, with an invitation for both Merton and South-West London providers, to participate in a forum, in which Richard Ayres of Care England presented on the homecare toolkit.

Merton is concerned that fundamental issues related to data quality, lack of clarity in the guidance and the pursuit of the mathematical median calculations produced cost of care figures that are neither fair or sustainable. The cost data collated for DSHC is presented without real context and the insight that it gives is not in our judgement an accurate reflection of the true costs of care within Merton. Since the end of data collection deadlines background circumstances which directly affect the providers operating costs have changed significantly. With rising inflation, living and running cost increases we consider that the data submitted through this exercise is less than accurate. Further developments relevant to homecare provider costs include:

- Energy costs: on 8 September 2022, central government announced a policy to provide financial support for households (“energy price guarantee”) alongside a new 6-month scheme for businesses and other non-domestic energy users. The details of the scheme are yet to be published.
- Inflation: rate of inflation is unpredictable and continuously changing. The inflation rate for 2022/23 is not a reliable benchmark for determining fees in future financial years; it is necessary to have a dynamic approach to working with providers to understand actual costs.
- London Living Wage: on 22 September, the Living Wage Foundation announced an uplifted London Living Wage rate for the 2022/23 financial year of £11.95.

Base Cost and Inflation

Ten Merton providers submitted cost information at 2022/23 prices, however the inflation rate applied to the 2021/22 cost base is not known as the data collection tool did not require providers to submit 2-years data. As Merton moves towards the cost of care, inflationary pressures in the market will need to be closely monitored along with the impact of other changes to the social care charging system. The rate will be updated to reflect actual inflation increases at the point of implementation. The cost of care exercise is not a replacement for the fee setting / annual uplift process. As such the exercise will inform fee future rates and demonstrate a move towards the median cost of care but will not replace the current process. The actual fee rates paid will still differ due to factors such as personalisation of care, quality of provision and wider market circumstances. The outputs of this exercise therefore will be one element to inform future negotiations, taking into consideration other known market factors including inflation, demand, capacity, benchmarking, quality and, importantly, affordability for Merton and availability of funding.

Approach to Return on Operations

The cost of care exercise is required to report monetary amounts per contact hour for return on operations (ROO). Merton notes a significant variation in Return on Operations costs submitted by home care providers and likewise with respect to Return on Capital. The ROO is the reward and incentive for operating the care and support services in a care home and the ROC is the return that investors require to invest in a business, it reflects the inherent level of risk of operating in the care home market. Calculation of the ROO involves judgement, and Merton should retain flexibility to vary the return paid to any individual provider depending on the individual business and the prevailing market conditions at the time it is being applied. Levels of ROO applied by providers vary greatly and given this variation, to arrive at median cost, the Council made the decision to adjust to a flat rate of 3% in line with the value cited by the UKHCA.

This approach ensures a consistent and fair basis to the calculation of ROO and provides a fair level of operating profit for providers.

Merton Cost of Care Tables

Cost of care median estimates from Annex A

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	18+ domiciliary care
Total Careworker Costs	£16.64
Direct care	£10.84
Travel time	£1.52
Mileage	£0.76
PPE	£0.22
Training (staff time)	£0.15
Holiday	£1.42
Additional non-contact pay costs	£0.00
Sickness/maternity and paternity pay	£0.18
Notice/suspension pay	£0.03
NI (direct care hours)	£1.12
Pension (direct care hours)	£0.40
Total Business Costs	£6.47
Back office staff	£4.85
Travel costs (parking/vehicle lease et cetera)	£0.06
Rent/rates/utilities	£0.65
Recruitment/DBS	£0.07
Training (third party)	£0.07
IT (hardware, software CRM, ECM)	£0.17
Telephony	£0.12
Stationery/postage	£0.06
Insurance	£0.12
Legal/finance/professional fees	£0.09
Marketing	£0.04
Audit and compliance	£0.02
Uniforms and other consumables	£0.04
Assistive technology	£0.00
Central/head office recharges	£0.02

Other overheads	£0.00
CQC fees	£0.09
Total Return on Operations	£0.69
TOTAL	£23.80

Lower quartile/median upper quartile number of visits

<u>Homecare Mins per visit</u>	<u>Count</u>	<u>Lower Quartile</u>	<u>Median</u>	<u>Upper Quartile</u>
15	0	0	0	0
30	7	244	273	482
45	7	89	140	399
60	9	53	78	349

Cost per contact hour, the cost per visit for each of 15,30,45 and 60minute visits

Care Hourly Cost	£25.40		
<u>Total Visits</u>	<u>Total Cost</u>	<u>Mins</u>	<u>Hours</u>
0	£0.00	15	0.25
3444	£43,738.80	30	0.5
2018	£38,442.90	45	0.75
2334	£59,283.60	60	1

Count observations lower quartile, median and upper quartile

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	Count of Responses	Lower Quartile	Median	Upper Quartile
Total Careworker Costs		£7.72	£17.71	£23.38
Direct care	9	£1.84	£9.90	£11.47
Travel time	7	£1.66	£2.27	£3.07
Mileage	7	£0.69	£0.94	£2.23
PPE	6	£0.30	£0.61	£1.50
Training (staff time)	7	£0.15	£0.16	£0.40
Holiday	8	£1.17	£1.43	£1.61
Additional non-contact pay costs	2	£0.12	£0.14	£0.15
Sickness/maternity and paternity pay	8	£0.18	£0.22	£0.51
Notice/suspension pay	6	£0.30	£0.45	£0.60
NI (direct care hours)	8	£0.93	£1.19	£1.39
Pension (direct care hours)	9	£0.38	£0.40	£0.45
Total Business Costs		£3.85	£6.76	£11.58
Back-office staff	8	£2.79	£4.85	£7.88
Travel costs (parking/vehicle lease etc)	6	£0.06	£0.13	£0.33
Rent/rates/utilities	8	£0.27	£0.65	£1.41
Recruitment/DBS	8	£0.05	£0.07	£0.17
Training (third party)	7	£0.05	£0.07	£0.12
IT (hardware, software CRM, ECM)	8	£0.07	£0.17	£0.45
Telephony	8	£0.07	£0.12	£0.24
Stationery/postage	8	£0.04	£0.06	£0.07
Insurance	8	£0.06	£0.12	£0.15
Legal/finance/professional fees	7	£0.06	£0.09	£0.17
Marketing	8	£0.03	£0.04	£0.06
Audit and compliance	5	£0.03	£0.04	£0.06
Uniforms and other consumables	6	£0.04	£0.06	£0.09

Assistive technology	3	0.05	£0.05	0.07
Central/head office recharges	5	£0.02	£0.07	£0.11
Other overheads	2	£0.07	£0.08	£0.09
CQC fees	7	£0.09	£0.09	£0.11
Total Return on Operations	8	£0.93	£1.44	£1.76
TOTAL		£12.50	£25.91	£36.72

Data submitted by providers was subject to verification and validation process with providers requested to clarify the issues and anomalies within submissions, however, there was insufficient time to comprehensively review cost data and there is no robust way of scrutinising central overheads. This particularly concerns us as even within the limited sample size we noted that some providers have included costs that we would not cover in the rates we presently pay.

In our judgement the median rate simply selects a random value in the middle of the range of prices submitted by providers which does not accurately reflect the market rate. This is particularly evidenced by a recurrent anomaly we found of median calculations producing higher rates for standard care than for 'enhanced' care categories for both residential and nursing care. In practice of course, enhanced rates should be higher than standard rates. Merton therefore considers that the median calculation method produces results that do not reliably reflect market costs. We also consider the guidance for these reports and data gathering processes to be unclear. For example there was no clear criteria for moderation (e.g. adjusting for ROO / ROC). Within the DHSC guidance it recommends that council's query outliers with providers, however in this there is no clear line between a cost being inefficient or this being considered a true outlier.

In recognising shared elements of the regional care market, Merton advised providers that we are working closely with other South-West London boroughs of Croydon, Kingston, Sutton, Richmond and Wandsworth in undertaking the cost of care exercises and the development of our separate provisional Market Sustainability Plans. In doing so boroughs have shared learning on data methodologies, coordinated their approach to engagement with providers, shared one another's median costs of care and developed a shared understanding of the risks, issues and opportunities regarding care market sustainability across the sub-region. Moving forward the intention is to continue to work together to develop as consistent as possible overall strategic direction to support a sustainable care market in south-west London, taking collective action where appropriate but also recognising the need for local level decisions and action. Merton will continue working with providers to agree local fee rates that are sustainable in the context of the Merton market for 2022/23.

Appendix 2: Annex C Merton Market Sustainability Plan Jan 2023

Section 1: Assessment of the current sustainability of local care markets

a) Assessment of current sustainability of the 65+ care home market

Care Homes

In addressing demand in the care homes market Merton currently retains one block contract for the provision of 50 residential and nursing beds for older people. All block beds with our block contract provider are currently fully utilised. The Council spot purchases all other care home placements for older people. In the latest information from Capacity Tracker the median occupancy rate for homes within the scope of this cost of care exercise is presently 92%. Occupancy levels fell during the first year of the pandemic but have now recovered to broadly pre-pandemic levels. The ONS estimate of the proportion of self-funders is 41.9% and we are currently undertaking an exercise to test this figure.

We are not aware of any care home operating in the borough that is financially distressed and the generally high levels of occupancy are likely to be a factor in this. The present threshold rates for the Residential Care are £805.08 and nursing is £1014.27 (inclusive of FNC) respectively. Within Merton there are areas of the borough where it is more difficult for us to place individuals within a care home setting. This is due to the different nature of care home provision in those areas as a result of higher demand from privately funded individuals. Our Brokerage Team report their most significant challenge in placement finding as increasingly relating to residential care placements with a number of providers inclining towards the provision of nursing care only. Our longer-term strategy will focus on the development of further Extra Care capacity as an alternative to residential care, rather than trying to reverse the decline in the number of residential beds, which means this will remain a pressure for the medium term.

In terms of service availability and quality there are a number of care homes who have or are about to undertake renovation improvements. Examples of these refurbishments, includes one care home where there has been a room out of use, due to a flood damage which occurred several months ago and is now being repaired for use. In another example there is a care home undertaking works that secures fire safety and site security improvements. We have noted an increase in safeguarding alerts over the past 6 months. There have also been some concerns raised regarding the administration of medication with our Care Home Pharmacy team having to undertake medication audits at care homes following concerns about resident wellbeing. In terms of work force we have noted many of Merton care homes have continual vacancies for their managerial staff. Although the majority of care homes within Merton are CQC rated as Good, the turnover of care home managers generally is an issue that we are seeking to address. Although not specific to any type of care home, recruitment challenges impacting the retention of managers, deputy managers and clinical leads, often mean homes are being covered by interims. This can impact the continuity of care that residents receive. The care homes have been willing to work in partnership with our Contracts Team to review and improve their quality assurance processes and provide supporting

evidence their actions to sustain good standards and improvements. The Contracts Team also works with internal and external partners who may raise safeguarding concerns based on their observations when visiting a care home or within the course of their interactions with the care provider. Merton will continue to work collaboratively with providers in a supportive manner to achieve positive quality assurance outcomes for Merton residents. Recognising neighbouring boroughs share many elements of the same care market, Merton works within the South-West London Cost of Care group with Croydon, Kingston, Sutton, Richmond and Wandsworth. We are presently working closely together in undertaking the cost of care exercises and developing our provisional Market Sustainability Plans. In doing so the group has shared learning on methodologies, coordinated their approach to engagement with providers, had regard to one another's median costs of care, and developed a shared understanding of the risks, issues and opportunities regarding care market sustainability across the sub-region.

The intention is to continue to work together to develop a consistent strategic to supporting a sustainable care market across south-west London, taking collective action where appropriate but also recognising the need for independent local level decisions and actions. Merton the biggest sustainability challenge to this market as being under supply of care.

b) Assessment of current sustainability of the 18+ domiciliary care market

Commissioned home care

The present home care Framework Agreement commenced February 2018 and is due to end February 2023, however the Council has exercised an option to extend these contracts for a period of 8 months until September 2023.

The Framework is structured into multiple lots – three main geographic lots (West, Central and East zones), a back-up lot and a specialist lot. One prime provider was appointed to each of the geographic lots, while there was also provision for a back-up and specialist lots at the outset of the contract. Existing packages of homecare that were in place at the outset of the contract were not transferred to the new providers and as a result a range of spot-purchasing arrangements remain in place. The current arrangements have generally worked well, although the three main geographic providers have had varying capacity to take on new packages of homecare and as a result more use has been made of the back-up providers than was originally envisaged. At any one time there are around 650 individuals for whom a homecare service is being commissioned and in any one year, taking account of new packages being set up and packages coming to an end, the total number of people to whom a service is provided is approximately double this number. Approximately 7,500 hours of care are delivered each week, equating to around 391,000 hours of care per annum. As we have emerged from the pandemic the number of hours of care being delivered has been increasing, reflecting both increasing need for existing service users and increasing numbers of individuals coming into the social care system. The total gross cost of the service provision is around £8.3m pa, which means that homecare expenditure is a significant element of the Department's total spend on commissioned care as well as being significant with respect to the Council as a whole.

As stated above the current framework has multiple lots – three main geographic lots being West, Central and the East Zones respectively. Each lot has a prime provider with there being an additional award to the supplementary providers. For a range of business reasons (such as business closure or the provider not accepting any packages), several providers are no longer providing home care to LB Merton customers. Any care package which, legitimately, cannot be accepted by the relevant Prime provider is offered to one of the ‘Supplementary’ providers who are expected to operate across all three zones. Provision of specialist Home Care services (e.g. for a customer with an acute loss of hearing and vision) is delivered, as appropriate, by one of the ‘Specialist’ providers from the relevant Framework Lot.

Home care market

The spread of CQC registered providers across the borough is relatively even, with 11 registered in CR4 East, 10 registered in SM4 Central, 2 registered in SW16 East, 9 registered in SW19 West and 2 registered in SW20 West.

It is difficult to attract carers to work in the western part of the borough due to the limited range of public transport arrangements relative to other parts of London and our brokerage team have found it challenging to get providers to accept packages in the west of the borough. Areas like Wimbledon village tend to have larger properties and less housing density which means for example in a 30min call, a carer is unlikely to have another call within close proximity, thereby making it less viable to create a ‘round’. Most of Merton’s home care providers and care workers are based or live in the eastern part of the borough. Consequently, there are fewer workforce capacity issues with retention of care staff towards the eastern parts of Merton. We find larger home care providers struggle to recruit carers due to reluctance of local residents to pursue a career within the social care field. This creates consistent capacity issues in the western part of Merton, as most carers have to travel across borough to support residents in these areas.

Most of the carers who work within Merton tend to come from minority ethnic backgrounds and the majority of home care providers in Merton are SME organisations, including a number of franchise businesses, with many carers doubling up also as owners of their businesses. Nevertheless, according to the PAMMS market insight tool the financial risk for providers in the borough is generally Low to Moderate and we have seen a relatively small number of providers, commissioned or otherwise, leave the market.

Many home care providers struggle to retain ‘Outstanding’ or ‘Good’ CQC rating with more being rated as requiring improvement or inadequate over a long period of time due to the high turnover of carer staff. The prevailing issues which we have gathered from our quality assurance work and our discussions with CQC inspectors seem to be the timing of visits/late visits/missed visits, recording by carers not being of a satisfactory standard (e.g. communication logs not matching time sheets,) pre-employment checks not being suitably robust (e.g. no references on file, out of date DBS checks). It is also common for some carers to be employed by more than one home care provider who utilize zero-hour contracts. These arrangements may hamper continuity of workforce and the sustained quality in care provision. Providers

report that some cases, carers turn down shifts they had already accepted in favour of a late offer from a higher paying agency. Smaller organisations also struggle to secure resources to recruit, train and professionally develop carers. We find that smaller agencies tend to use electronic care monitoring/electronic document management systems less and rely on paper-based systems. This increases the complexity of determining whether customers are receiving care at the commissioned times.

At present most home care providers guarantee carers are paid the National Minimum Wage rate, but not the London Living Wage rate. This tends to encourage carers to move regularly between agencies to secure marginally better pay rates. The present home care rates Merton pay to providers track closely to the median rates established under this Cost of Care exercise. This compromises the sustainability of retaining carers in this part of London particularly at this time of rising inflation and increases in the cost of living. Within the recommissioning of homecare services during 2023 we intend therefore setting a requirement to pay the London Living Wage and will price accordingly. These workforce challenges suggest the need for local, regional and national promotion of the social care sector in order to attract more local residents to pursue this as a career. Carers need to be guaranteed a certain number of hours within their contracts in order to commit, rather than just being offered zero-hour contract arrangements. They also need good rates of pay that guarantee sustainable employment and economic wellbeing.

As above, in recognising the shared elements of a regional care market, Merton is working within the South-West London boroughs of Croydon, Kingston, Sutton, Richmond and Wandsworth closely to undertake the cost of care exercises and develop our provisional Market Sustainability Plans. We are also working together on a first South West London workforce strategy, recognising the shared significance of this issue.

Section 2: Assessment of the impact of future market changes (including funding reform) over the next 1-3 years, for each of the service markets

Care Home market

In respect of the care home market in Merton, the key strategic challenge is managing under supply of care beds, particularly in the winter months. Currently, the London Borough of Merton has one block contract for the provision of residential and nursing beds for older people. Merton then spot purchases all other care home placements for older people. All block beds with our block contract provider are currently fully utilised. Capacity tracker shows that across older people care homes within the borough there is only approximately 8% of beds available. Taking account of the sections of the market that are 'out of reach' for publicly funded placements, this means that there is currently a risk that we have insufficient in-borough provision within the market to meet our projected demands particularly during the winter period. We are seeking to address this by working in partnership with providers and have invested in the market by offering a 5.9% uplift in prices for 2022/23 to address supply issues and to support sustainability.

With respect to future market changes and the impacts of the charging reforms we anticipate significant pressures on the Council's budgets as a result of the changes to the thresholds. Given the relatively high proportion of privately funded residents indicated by the ONS model our view currently is that it is likely to take a number of years for any material shift in the ability of the market to provide access to private funders at publicly funded rates.

With regard to the Care Homes market, Merton will be undertaking further quantitative and qualitative assessment of the impact self-funders have on the market across the borough. In terms of dialogue with Care home providers with regards to this Cost of Care exercise and market sustainability, within the discussions we have had with providers on issues such as inflation uplifts, cost of living increases, we have indicated that the Cost of Care work will be used, along with a range of other information and data to inform future fee setting exercises. Merton will continue to work with the Dignity in Care Forum which was established to develop partnership working with providers focused on improving care outcomes. This will support sustaining service improvements and the sharing of best practice for carers and providers within the borough. Merton will also use this opportunity to better understand needs of self-funders on providers and the market more widely.

Home Care market

To address demand pressures in homecare and to enable a more strategic response to national policy, including Cost of Care, we intend recommissioning our homecare contracts within the next 12 months. In seeking to finalise a new service model prior to going out to tender we recognise that the cost of care will be a key consideration in establishing the sustainability of the homecare market.

The logic of connecting the implementation of the Cost of Care requirements to the recommissioning of the services is a key factor in Merton's proposed homecare recommissioning. We will need to determine the implementation timescale and reflect this in the pricing arrangements for the new contracts (in addition to the usual inflation related uplift arrangements). The current contractual arrangements are based on providers paying National Living Wage (NLW) as a minimum. Merton's ambition is to incorporate London Living Wage (LLW) as a minimum into all new contracts. For our home care contracts this is currently estimated to create a cost pressure of between £1.1million and £1.5million per annum.

As part of the recommissioning process Merton will assess the viability of signing up to the Ethical Care Charter developed by Unison. This sets out a series of commitments that support improved working conditions for the home care workforce with the presumption that this translates into improved quality of care. A number of commitments relate to good practice and will be incorporated into the specification in any case, but there are specific commitments around fixed hours contracts and occupational sick pays schemes that have potential cost implications. In terms of supporting the local economy, we will seek to frame the service specification and tender requirements to enable local SME sized organisations to be able to bid competitively. As referenced in section 7 below Merton will do more to understand

what the optimal geographic make up of Lots are for the new arrangements. There is a complex interplay between alignment with other relevant services (Primary Care being a key one); ease of rostering and operational delivery; maximising active / green travel options; and ease of recruitment.

Integration and alignment: As alluded to above, as well as geography, there is also a need to consider how we optimise integration / alignment with a range of other services delivered to vulnerable individuals in their own homes and local communities.

Reablement and maximising independence

We have a successful Reablement model that has a strong track record in reducing and delaying the need for ongoing care and support. In developing the new service model, we want to look at ways in which that focus on maximising independence can be incentivised both in the way that the service is specified but also potentially in payment structures, although the evidence on whether payment based incentivisation has the desired impact is mixed.

Section 3: Plans for each market to address sustainability issues identified, including how fair cost of care funding will be used to address these issues over the next 1 to 3 years

This cost of care exercise has highlighted concerns Merton has with regards to the feasibility of materially moving towards a calculated cost of care in the short to medium term. Our view is that the cumulative cost of implementing the charging reforms will add pressure to Councils budget at a time when wider cost reductions are widely expected. Until such time as we understand the full impact of the charging reforms, other pressures on the Council's budget and the amount of grant to be provided by Government we are unable to set out any definitive plans for increasing rates paid to providers beyond allowing for inflationary pressures. The calculated cost of care is only one aspect of our overall approach to setting rates.

The response rate for data returns from our homecare provider was relatively low, despite significant engagement work, and therefore we have attributed less weight to this data in the determination of the cost of care in Merton. The median rates produced in the exercise are significantly higher than the current rates we are paying although for home care this is masked somewhat by the incrementally higher rates we pay for 45 minute and 30 minute visits, which increase our average price paid. With respect to the present Cost of Care funding allocation we have used 25% of the funds to support the preparation of our plans and then targeted the remainder at providers as one-off additional payments for 2022/23. Given the concerns set out above we view this as being a prudent and sustainable approach in the short term.

Our approach for 2023/24 and beyond will be set out comprehensively in the final version of our Market Sustainability Plan.

(a) 65+ care homes market

Merton now set up a programme group driving forwards implementation of the charging reforms. This group will provide financial and operational modelling for the impact of these reforms and include within this an ongoing analysis of our care homes market, and a better understanding of self-funders within Merton's care homes. We shall assess the operational changes needed for care management and supplier systems. We are also modelling the financial impact on the Council – both for staffing (financial assessment, care management, support staff etc.) and the financial impact of the changes to the Care Cap and the implementation of Section 18(3). Further information on the output of this work will be provided in the updated version of this Market Sustainability Plan in February 2023.

(b) 18+ domiciliary care market

We intend recommissioning our home care contracts during 2023 and this will give us an opportunity to work with the market to agree a service delivery model and set a rate for care which is sustainable for providers and the Council over a longer term period. While there is more work to do on our future service model, the key characteristics of a future model are likely to be:

- Continuation of a primarily geographically focused model but configured differently to better match Primary Care Networks, and to seek to resolve issues with the current model relating to areas of the borough where it is more difficult to commission new packages of care.
- Appointment of two providers to each geographic area rather than the current one per area, in order to reduce the risk that new packages cannot be commissioned via the geographic lots. This will enable for a smaller number of 'back-up' providers to be commissioned.
- An increased emphasis on a 'reablement' type model, with options to incentivise reductions in package size over time.
- Continued use of our Electronic Call Monitoring (ECM) solution as a key tool for managing cost and quality.
- Securing a small number of specialist providers to support people with learning disabilities, people with mental health problems and other cohorts.

- Increased emphasis on local provision, by requiring registered locations in the borough, and on local employment, including links with local further education colleges and other local recruitment channels.
- Maximising social value through robust use of the Council's social value policy and toolkit.

Further information on the future model will be provided in the updated version of this Market Sustainability Plan in March 2023.