

Market Sustainability and Fair Cost of Care Fund – Review next steps

Introduction

We recognise and are grateful for the significant efforts of local authorities to meet the Market Sustainability and Fair Cost of Care Fund 2022-23 grant conditions, and for the participation of providers who supported their local authorities to collect data and qualitative information.

This note is intended to update the sector on the next steps for year one of the Fund, including details on our review process, and the submission and publication of final Market Sustainability Plans and Cost of Care Reports (Annex B).

We have been reviewing local authorities' Cost of Care data exercises (Annex A), Annexes B, provisional Market Sustainability Plans and spend reports. Our review process is designed to assure the Department of local authorities' compliance with the grant conditions tied to October's submission deadline, including that 2022-23 funding allocations have been spent appropriately.

The Department's review process between now and February 2023

As part of the review process, we are contacting local authorities when we need to check on compliance with our grant conditions. We are looking particularly at the use of funding to increase fee rates paid to providers in line with the objectives of the Fund in year one. For clarity, this refers to our published grant condition, which specifies that at least seventy-five per cent of the allocation of funding in year one is spent on increasing fee rates.

We will also contact local authorities where we have specific questions on the results of their cost of care exercises, to understand where the greatest market sustainability risks lie, and to understand what strategies local authorities are using to address these. We will continue to contact local authorities during December and January and, as per our grant conditions, require them to engage with the support made available and requests for further information.

We are working with local government representatives to produce high-level content recommendations for local authorities to consider including in their final Market Sustainability Plans.

Our review of provisional Market Sustainability Plans is not intended to provide local authorities with a judgement on their individual plans. We may contact local authorities where it is evident that more detail is required for their provisional Market Sustainability Plan to meet our grant conditions.

Reviewing these returns supports the Department's understanding of the key issues facing 65+ residential and 18+ domiciliary care in different local authority areas. This in turn helps us understand market sustainability and risk with regards to these services, and will be used to help inform our policies moving forwards. The Department will, of course, complete this review confidentially and without identifying an individual local authority or provider in any future policy decisions or documents.

We expect local authorities to continue working, and sharing information, with their providers on Annexes A, B and final Market Sustainability Plans until the submission and publication deadlines, while we carry out our review process.

Cost of care exercises

We can now confirm that Cost of Care reports need to be published on local authorities' GOV.UK webpages by 1 February 2023. We will update our guidance to reflect this shortly. Local authorities are required to email the Markets Reform mailbox (marketsreform@dhsc.gov.uk) to inform the

Department of where their exercises have been published, including a link to their published exercise by this date.

We will not mandate any amendments to Annexes A or B, provided they have been completed in line with our guidance. It is local authorities' responsibility to ensure their exercises are reflective of local markets. The Department will only contact local authorities where our analysis of their Annex A flags an apparent error or inaccuracy for clarification, and to offer support with the appropriate corrections.

We recognise the challenges associated with carrying out cost of care exercises, and have taken on board feedback that some local authorities feel their data samples are not reflective of the actual local cost of care. We expect local authorities to work closely with, and consult, providers on their cost of care returns to arrive at a shared understanding ahead of publication. **This means local authorities can and should be sharing information from their cost of care exercises with providers to facilitate joint working and transparency in advance of the final resubmission and publication deadline.**

We recognise that while it may be possible to resolve some issues with data and calculation issues quickly, this may not be the case universally. Where a local authority can work with their providers to improve their exercises, they will need to resubmit them to DHSC. We will shortly confirm how returns can be resubmitted. Local authorities must declare *what* amendments have been made to Annex A, and explain *why* in Annex B, which will also need to be reuploaded. **The deadline for resubmissions of Annexes A and B is 1 February 2023.**

Where a local authority has not been able to resolve data issues, they should ensure they set out their challenges in Annex B, along with any action they have taken to address these. Should a local authority need to update their Annex B in light of this, the deadline for resubmission is 1 February 2023.

As set out in our guidance, published in March 2022, the outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation. We expect local authorities to use the insight gained from their cost of care exercises to support their commissioning and contract negotiation for the relevant services in practice.

Final Market Sustainability Plans

Local authorities are still required to submit and publish their final Market Sustainability Plans and should continue to develop these, working closely with providers. The Department will make minor changes to the template for final Market Sustainability Plans and will share this shortly. The updated template will reflect delays to charging reform, where we had previously asked for an assessment of the impact of these reforms locally (Section 2 of the template) and will require local authorities to set out detail of their work with providers during the production of the Plan.

We will also confirm the submission and publication dates for final Market Sustainability Plans shortly. As with cost of care reports, local authorities will be required to report to the Department where final Market Sustainability Plans have been published, including a link to the published Plan, by emailing the Markets Reform mailbox (marketsreform@dhsc.gov.uk).