

## Report to the Cabinet

Meeting to be held on Thursday, 4 February 2021

### Report of the Head of Service - Policy, Information and Commissioning (Live Well and Age Well)

#### Part I

Electoral Division affected:  
(All Divisions);

### Adult Social Care - Fees and Charges 2021/2022

(Appendix 'A' refers)

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#### Executive Summary

This report sets out the county council's proposed fee uplifts for adult social care services for 2021/22 and the increases in charges for service users, the financial impact of which have been reflected in the Medium Term Financial Strategy.

Appendix 'A' provides a schedule of the current rates and the proposed rates from 5 April 2021.

The Council has engaged with care providers and with partners in the Clinical Commissioning Groups and NHS Commissioning Support Unit in reaching the recommendations in this report.

This is deemed to be a Key Decision and the provisions of Standing Order C19 have been complied with.

#### Recommendation

Cabinet is asked to approve the following uplifts, with effect from 5 April 2021:

- (i) **Residential and nursing care**  
Weekly Older Peoples approved residential care rates:

Nursing Standard	4.05%
Nursing Dementia	4.05%
Residential Standard	4.05%
Residential Higher	4.05%
Residential Dementia	4.05%

Mental Health and Learning Disability Residential/Nursing 3.55%

For self-funders living in the county council's in-house older peoples residential homes: 4.05%.

(ii) **Homecare (all client groups)**

Where care has been commissioned off-framework, an inflationary uplift of 4.06%.

Framework providers to receive 4.06% uplift on contract anniversary in November 2021

(iii) **Supported Living**

Waking Hour Rate 3.75%

Sleep in Rate (per shift) 3.75%

(iv) **Extracare**

Sheltered schemes with 24 hour domiciliary care – 4.06%

Other schemes to receive uplift of 4.06% on contract anniversary if no pre tendered rate applicable.

(v) **Direct Payments** – 4.06%.

(vi) **Carers** – 2.18%.

(vii) **Shared Lives** – 2.18%.

(viii) **Day Care** – 3.45%.

(ix) **Respite and Individual Service Funds** – Uplift in line with the relevant service (e.g. homecare/residential care).

(x) **Charging Policy** – subject to financial assessment under the Care Act 2014, service users are charged the actual cost of residential, nursing and day care. For all other non-residential care, a standard rate is used. Subject to recommendations (i) to (ix) above being approved, it is proposed to increase the rate for all other non-residential care by 4.06%.

## Background and Advice

Lancashire County Council commissions support from around 800 providers supporting approximately 35,000 carers and adults in community and residential based settings, at an annual cost of approximately £465 million which represents in excess of 40% of the Council's overall revenue budget.

On an annual basis, the council reviews its fees for adult social care services and the schedule of charges for those who use them. This report summarises the key issues

facing the sector over the next year, and makes recommendations for uplifts to fees paid to providers for 2021/22, and charges paid by service users.

The past year has seen an unprecedented challenge to the care sector, due to the ongoing effects of the COVID-19 pandemic. This has manifested itself in increased costs for providers in terms of staffing and, in some cases, reduced income due to reduced occupancy and attendance levels. The county council has provided financial support to the care market during these difficult times through the Financial Assistance Scheme (£9m+), administering the government Infection Control Grant (approximately £30m) and provision of personal protective equipment (approximately £6m). At the time of writing this report, it is hard to estimate the continuing impact of the pandemic on the care market in 2021/22, and if any additional funding will be available from central government.

However, the county council has been proactive in engaging with the care market to understand their challenges and financial pressures. All providers were invited to engage with us and the responses of those who took part are summarised in this report.

Lancashire County Council commission a number of packages of care that are jointly funded with our NHS Clinical Commissioning Groups. Recommended fees to providers in this report will also apply to those jointly funded care packages, and engagement has taken place with Clinical Commissioning Groups in finalising the recommendations contained in this report.

## **Uplifts**

There are a number of cost pressures which we have taken account of in setting the level of uplifts.

The National Living Wage remains a significant element of any provider's overall cost pressures. However, whilst National Living Wage was expected to increase by more than 5%, in the Government's spending review in November 2020 a lower increase than anticipated of 2.1% was announced, rising from £8.72 to £8.91 per hour for people aged 23 years or older on 1 April 2021. There are smaller increases for those aged under 23.

The National Living Wage increase does not represent the only cost pressure involved in delivering services. Whilst labour costs constitute a significant component, there are other areas of providers' cost bases that are forecast to change.

The uplifts proposed are therefore weighted averages of National Living Wage, pension auto-enrolment, inflation for non-staffing related costs, and also include an element which acknowledges the additional costs and/or pressures providers may still be incurring in their response to COVID-19 in the next financial year.

## **Residential Care**

Lancashire County Council commissions care from over 400 residential and nursing homes, and funds placements for over 4,800 people.

It is recommended that the weekly Older People's approved residential care rates are increased in line with the table below.

	<b>2020/21 Fee</b>	<b>2021/22 Fee*</b>	<b>Increase</b>
NURSING	£559.41	£582.07	4.05%
NURSING DEMENTIA	£660.77	£687.54	4.05%
RESIDENTIAL STANDARD	£487.73	£507.49	4.05%
RESIDENTIAL HIGHER	£553.83	£576.27	4.05%
RESIDENTIAL DEMENTIA	£595.07	£619.18	4.05%
<i>*The annual fund for room premiums remains available and the fee remains unchanged at £10 per room per week for all new placements. It is the Provider's responsibility to ensure that the room premium is applied for and set up at the time the placement in the compliant room is made. Should a provider make a retrospective claim for room premiums the maximum period the county council will backdate is the later of the compliant room placement start date or 3 months from the date the request is made.</i>			

For other client groups such as Mental Health and Learning Disability residential and nursing provision, a rate of 3.55% is proposed and, in turn, the standard fee level increased to £619.17 per week.

For self-funders living in the county council's in-house older peoples residential homes, it is proposed that fees increase by 4.05%.

Through the Healthier Lancashire and South Cumbria Partnership, the county council will be implementing a joint Health and Social Care service specification for older adults' residential and nursing care from 1 April 2021. The specification has been co-produced with residential and nursing providers and the proposed 2021/22 fee rates will be applicable. The service specification has been developed with the aim of simplifying care delivery across health and social care, meaning that the same service standards will be expected from commissioners, irrespective whether they are Local Authority or NHS.

The service specification also has the aim of reducing the time needed to spend on administrative tasks and consolidating reporting requirements, allowing more time to be spent with service users.

## **Homecare**

Homecare is delivered by over 280 providers across Lancashire to more than 6,000 people.

Some providers are contracted through a pre-agreed "framework" contract, where their initial fees were agreed at the start of the contract in November 2017, along with the annual uplift each November up to November 2020.

Other providers are contracted for individual packages of care and described as "off framework". Fees are agreed with "off framework" providers at the start of the package of care and are then subject to an annual uplift. "Off framework" providers are used when "framework" providers are unable to meet demand.

#### *Homecare On-Framework*

It is proposed that an uplift of 4.06% is applied at the anniversary of the contract start date in November 2021, in line with off-framework Homecare.

#### *Homecare Off-Framework*

It is proposed that, where care has been commissioned off-framework, an inflationary uplift of 4.06% is applied.

### ***Supported Living***

#### *Waking hours*

It is recommended that all supported living rates are increased by 3.75%. This increases the approved rate to £16.64 per waking hour.

#### *Sleep-in payments*

It is recommended that sleep-in payments rates are increased by 3.75%. This increases the approved rate to £63.48 per sleep-in shift.

### ***Extra Care***

Lancashire County Council commissions 5 purpose built extra care and 8 sheltered housing schemes with 24 hour domiciliary care.

#### *Purpose built extra care schemes*

Tenders included Year 1 and Year 2 prices. It is recommended that an uplift of 4.06% is applied on the contract anniversary where no tendered rate is available. This is in line with off-framework home care.

#### *Sheltered housing schemes with 24 hour domiciliary care*

It is recommended that an uplift of 4.06% is applied in April 2021, in line with off-framework Homecare.

### ***Carers***

Lancashire County Council supports approximately 7,300 carers through a Personal Budget awarded as a Direct Payment, depending on the level of support ('higher' or 'lower') they require. The scheme was introduced in April 2015, and is intended to help people in their role as a carer, typically towards a relative or partner.

The proposal is to uplift the annual payments in line with National Living Wage (2.18%) to £249.62 lower rate and £368.99 for the higher rate.

## ***Shared Lives***

Shared Lives is a service provided by the council for adults with learning or physical disabilities and for older people. The service currently supports approximately 300 people. Care is family based and provided by individuals and families. Shared lives care is provided in a number of ways from a simple overnight or day support, a week stay with a family or a permanent placement.

The proposal is to uplift all Shared Lives carer fees by 2.18% in line with the National Living Wage increase. Shared Lives carers are individuals operating in their own homes, and therefore would not experience the cost pressures experienced by businesses with their premises and administrative overheads, hence the lower recommended uplift in fees.

## ***Day Time Support***

Lancashire County Council supports approximately 1,100 people, both older adults and people with a learning disability, through a variety of day time support services. Support is delivered in a variety of locations from traditional accommodation based services, through to outdoor activity centres by approximately 60 providers.

During 2018/19, the county council established an open list of pre-qualified service providers who were contracted to meet our quality standards, and prices were agreed with individual providers at that time and have remained the same to date. Services are delivered in a variety of different ways and can be paid for by the hour or by session.

It is proposed to uplift fees for all day providers by 3.45% on the next contract anniversary. Contract anniversaries will differ, depending on when the provider first contracted with the council on the approved list.

## ***Individual Service Funds***

Individual Service Funds are a way for adults to manage their Personal Budget to meet changing needs, in line with their social care plan. They are managed by approved care providers, on behalf of people, to purchase a range of care services.

It is recommended to uplift fees for Individual Service Funds in line with the relevant service being purchased with it (e.g. residential and supported living). Individual Service Funds will be uplifted in line with the rates detailed earlier in this report for those services.

## ***Council Commissioned Respite/Short Breaks***

Lancashire County Council provides support for carers to take a break from their caring responsibilities, or can support an individual through a short period of crisis, through its respite or short breaks services. These services can provide a place within a supported living setting or residential home for a short period of time.

It is recommended to uplift fees for Respite/Short Breaks in line with the relevant service being used. That would mean that residential respite and supported living respite will be uplifted in line with the rates detailed earlier in this report for those services.

### ***Direct Payments***

Direct payments allows people to receive a Personal Budget on a pre-payment card from the county council, to allow them to arrange and fund their own care needs. This can be by employing a personal assistant, or purchasing their own care direct from a registered care provider. More than 3,600 people receive Direct Payments.

It is recommended that an inflationary uplift of 4.06% is applied to all weekly Direct Payments.

### ***Out of County Placements***

In order to avoid distorting prices in neighbouring council areas, the uplifts described in this report will not be applied to placements made outside of the county council's borders.

Instead, the county council will honour the host authority uplifts, upon receipt of confirmation of the host authority uplift.

### ***Packages Jointly Funded with Health***

In cases where Lancashire County Council has been nominated as the lead commissioner for jointly funded packages, care services are paid according to the council's schedule of fees. The relevant clinical commissioning group is then invoiced for their agreed share of the package of care. The uplifts detailed above will apply to the whole care package and not just the county council share.

### ***Charging Policy***

Subject to the outcome of a detailed financial assessment under the Care Act 2014, which determines an individual's ability to pay, service users are charged up to the actual cost of residential, nursing and day care.

For all other non-residential care services (including Home Care, Supported Living and Direct Payments), the current maximum hourly charge of £13.71 will be uplifted to £14.27 (4.06% increase), effective from 5 April 2021. For non-residential care, the majority of service users are financially assessed either as 'nil charge payers' or their charge is capped at their calculated weekly net disposable income level where that is lower than the cost of their care.

This Charging Policy continues with the decision made by Cabinet in November 2017, to use a single charge rate for non-residential care, rather than the actual fees paid to service providers. The single charge rate has not been amended to reflect the last two uplifts to contractual fee rates paid to providers.

## Consultations

The Council has engaged with care providers delivering care in Lancashire across the whole spectrum of care services. The engagement process and methodology was undertaken during November 2020.

Providers were advised that an engagement process would be undertaken at the Provider Webinar held on 30 October 2020. A cost survey template was sent to approximately 800 providers who hold county council contracts, asking for details of expected cost increases in 2021/22 and, in addition, the same providers were invited to a series of 6 online group sessions with commissioning staff to discuss their current and anticipated cost pressures.

## Cost survey analysis

- Provider responses were used to form basis of required uplifts including Covid related costs.
- CPI inflation forecast for 2021 is 1.8%.
- Revised National Living Wage from April 2021 is £8.91 representing a 2.1% increase. At point of survey providers had assumed 5%.
- Provider responses averaged and moderated.
- Types of costs in different market areas vary in the proportion of the total costs of a service. For example, a residential provider has more premises related costs whilst a homecare provider has more employee related costs. This results in slightly different overall percentage increases in different market areas.

## Cost survey results

Market Areas	National Living Wage at 2.1% and COVID related costs	Number of returns
Day Support	3.45%	3
Home Care	4.06%	5
Res & Nursing - Older people	4.05%	12
Res/Nursing – Learning Disability	3.55%	4
Supported Living	3.75%	7

## Verbal feedback from Online Group Sessions with providers

- General appreciation of Lancashire County Council response to financial and other support during pandemic.
- Main cost increases expected to be staffing due to NLW increases.
- Residential and Nursing providers report reduced occupancy rates from 95%+ down to 80% and lower. Affecting ability to recoup fixed cost base.
- Day Support similarly affected with attendance levels much reduced.



- Home Care providers less affected by reduced demand but some instances where they have experienced it.
- Insurance costs mentioned by some providers as having significantly increased but relatively a small proportion of their total cost.
- Additional staffing required to manage social distancing, increased staffing costs.
- Additional management time due to requirements for Covid response, information and returns etc.
- Providers appreciative of the fee sessions and would welcome ongoing discussion forums with commissioners (the county council and NHS) to shape market going forward.

### **Implications:**

This item has the following implications, as indicated:

#### **Financial**

The fee uplifts described in this report will cost approximately £12 million and, due to a change in the mix of services being used to support our service users, results in an additional cost pressure of £2.1 million per annum in the Adults Services budgets. This will be slightly offset by additional income from the uplifted charges of approximately £0.3m per annum. The additional pressure has been built into the Quarter 3 Medium Term Financial Strategy.

It should also be noted that the county council is currently forecasting to require structural reserve funding to support an overall funding gap in 2021/22. In addition, the council faces continued financial pressures over the period of the Medium Term Financial Strategy and will require further savings to be identified to offset this and other cost pressures.

Notwithstanding these pressures, the county council continues to increase fees to support Lancashire providers.

#### **Legal**

The Care Act 2014 places a duty on local authorities to promote the efficient and effective operation of the market for adult care and support as a whole.

The statutory guidance sets out that *"a local authority must not charge more than it costs to provide or arrange for the service, facility or resource"* the guidance also requires that charging must be *"Sustainable for local authorities in the long-term"*.

Fee uplifts proposed in this report have been set at a level that reflects current market conditions, including the impact of COVID-19, following a period of engagement with providers. The fee uplifts incorporate changes to the national living wage, in addition to other factors such as changes in employers' contribution rates for pension auto-enrolment and general inflation.

In order that the county council complies with its obligations under the Public Contracts Regulations 2015, fee uplifts shall be implemented in accordance with the relevant contractual provisions for each of the services.

### **Risk management**

There would be a risk to the viability of individual providers and the overall sustainability of the care market in Lancashire if fee uplifts are not offered each year, to reflect both new and inflationary based cost pressures.

The county council has undertaken a thorough consultation exercise with a wide range of providers to inform the development of the fees proposed for 2021/22.

The county council, in making these recommendations, has made a thorough assessment of the comments received from providers and has also assessed the extent of other cost pressures on the care market at this time and in the coming year.

### **List of Background Papers**

Paper	Date	Contact/Tel
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None		
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Reason for inclusion in Part II, if appropriate		
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