

Report to the Cabinet

Meeting to be held on Thursday, 3 February 2022

Report of the Executive Director of Adult Services and Health and Wellbeing

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Caring for the vulnerable;

Adult Social Care - Provider Fees Uplift Report 2022/2023

(Appendix 'A' refers)

Contact for further information:

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Brief Summary

This report sets out the county council's proposed fee uplifts for adult social care services for 2022/23, the financial impact of which has been reflected in the Medium Term Financial Strategy.

Appendix 'A' provides a schedule of the current rates and the proposed rates from 4 April 2022.

The county council has engaged with care providers and with NHS partners in the Lancashire based Clinical Commissioning Groups and the Midlands and Lancashire 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 4 April 2022:

Market area	Proposed increase
i Residential and nursing care	
Weekly older people's approved residential care rates	
▪ Nursing Standard	5.56%
▪ Nursing Dementia	5.63%
▪ Residential Standard	5.48%

	▪ Residential Higher	5.67%
	▪ Residential Dementia	5.72%
	▪ Mental Health and Learning Disability Residential/Nursing	5.72%
ii	Homecare (all client groups)	
	▪ Off framework providers	4.10%
	▪ Framework providers	£1.33 per hour
iii	Supported Living	
	▪ Waking hour rate	6.07%
	▪ Sleep in rate (per shift)	6.06%
iv	Extracare	
	▪ Sheltered schemes with 24 hour domiciliary care	6.07%
	▪ Other schemes inc purpose built Extracare	6.07%
v	Direct Payments	4.10%
vi	Carers	6.62%
vii	Shared Lives	6.62%
viii	Day Care	5.77%
ix	Respite and Individual Service Funds	Uplift in line with relevant service (e.g. homecare/residential care)

Detail

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 £465m, which represents in excess of 40% of the Council's overall revenue budget for 2021/22.

On an annual basis, the council reviews its fees for adult social care services. This report summarises the key issues facing the sector over the next year and makes recommendations for uplifts to fees paid to providers for 2022/23.

The County Council has continued to experience unprecedented challenges in the care sector, due to the ongoing effects of the COVID-19 pandemic. This has manifested itself in increased costs for some providers in terms of staffing and, in some cases, reduced income due to reduced occupancy and attendance levels. Home care has seen particular challenges in increased demand against challenges in recruitment and retention. 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 £46.7m), testing and vaccine grants of (approximately £14.7m, and most recently the Workforce Retention and Recruitment grants (approximately £13.4m). At the time of writing this report, it is difficult to estimate the continuing impact of the pandemic on the care market in 2022/23, and if any additional funding will be available from central government.

The county council have continued to be proactive in engaging with the care market to understand their challenges and financial pressures.

Lancashire County Council commissions a number of packages of care that are jointly funded with our NHS Clinical Commissioning Groups. Recommended fees to providers detailed within the 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 have been taken into account 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 approximately 2%, in the Government's spending review in November 2021, they announced a much higher increase than anticipated of 6.6%, rising from £8.91 to £9.50 per hour for people aged 23 years or older on 1 April 2022. There are similar percentage 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, changes to national insurance and inflation for non-staffing related costs.

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.

	2021/22 Fee	2022/23 Fee*	Increase
NURSING	£582.07	£614.43	5.56%
NURSING DEMENTIA	£687.54	£726.25	5.63%
RESIDENTIAL STANDARD	£507.49	£535.30	5.48%
RESIDENTIAL HIGHER	£576.27	£608.94	5.67%
RESIDENTIAL DEMENTIA	£619.18	£654.60	5.72%

**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.

For other client groups such as Mental Health and Learning Disability residential and nursing provision, a rate of 5.72% is proposed and, in turn, the standard fee level increased to £654.60 per week.

For self-funders living in the county council's in-house older people's residential homes, it is proposed that fees increase by 5.48%.

Homecare

Homecare is delivered by approximately 160 providers across Lancashire, to more than 6,000 people.

About 80% of our homecare is commissioned from one of 46 providers who 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 a pre-agreed 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

In November 2021, it had been agreed by Cabinet to invite all framework providers to submit a price uplift request to be applied from November 2021 to March 2022. This was a proactive response to the fragility in the market, largely due to the effects of the pandemic. The outcome of this exercise was to award each provider on the framework a flat rate increase of £1.33 per hour on their current framework hourly rate funded from the government Workforce Grant. It is proposed that we continue to apply a fixed amount uplift of £1.33 per hour to all providers on the framework from April 2022. This represents a 7.9% increase on the average framework rate.

Homecare Off-Framework

It is proposed that, where care has been commissioned off-framework, an inflationary uplift of 4.10% is applied.

Supported Living

Supported living accommodation offers independent living, with care and support, for working age adults with a learning and/or physical disability. Accommodation is provided through apartment schemes, bungalows and some shared living. The county council supports approximately 1,900 people through this type of care and support. Support is provided through individual support hours and where 24 hour support is required via 'sleep-in' payments.

Waking hours

It is recommended that all supported living rates are increased by 6.07%. This increases the approved rate to £17.65 per waking hour.

Sleep-in payments

It is recommended that sleep-in payments rates are increased by 6.06%. This increases the approved rate to £67.33 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 6.07% is applied on the contract anniversary where no tendered rate is available. This is in line with the supported living uplift recommendation.

Sheltered housing schemes with 24-hour domiciliary care

These services have been retendered with new contract to commence at the end of April 2022 therefore the uplift will apply from the beginning of April 2022, until the commencement of the new contracts. It is recommended that an uplift of 6.07% is applied in April 2022, in line with supported living uplift recommendation.

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 (6.62%) to £266.14 lower rate and £393.42 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 6.62% 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 5.77% from 4 April 2022.

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

The 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. This means 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 allow 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 4.10% is applied to all weekly Direct Payments. This is below the % uplifts detailed for other services proposed in this report but is based on an assumption that individuals are able to recruit and retain staff to act as Personal Assistants, without incurring the overheads involved in commissioning and paying for other service models. Further work is needed in the year ahead to determine whether this continues to be a reasonable assumption.

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.

Consultations

The Council has engaged with care providers delivering care in Lancashire across the whole spectrum of care services. The engagement process was undertaken during November/December 2021.

A cost survey template was sent to approximately 800 providers who hold county council contracts, asking for details of expected cost increases in 2022/23 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.

Although the cost survey was publicised and all providers were invited to respond, the return rate was disappointing and there were insufficient number of returned templates to allow any meaningful analysis. However, the verbal feedback during the online sessions gave some useful information.

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 National Living Wage increases and National Insurance increase.
- Some concerns from residential providers on increased energy costs.
- 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 experiencing increased demand but reporting particular difficulty in recruitment and retention of staff.
- 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-19 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 £25m and, due to a change in the mix of services being used to support the council's service users, results in an additional cost pressure of £8m per annum in the Adults Services budgets. The additional pressure has been built into the Quarter 3 Medium Term Financial Strategy.

It should be noted that the county council is expected to reach a break even position for this financial year due to additional national government funding. However, the council will need to draw on reserves to set a balanced budget for 2022/23. 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.

Fee setting arrangements in 2023/24 and beyond

The government has recently announced proposals to provide specific grant funding to local authorities to recalibrate existing approaches to fee setting. This is to fulfil recent policy commitments made in Build Back Better: Our Plan for Health and Care.

This is likely to mean a major shift in how councils set provider fee levels in future – possibly as early as 2023/24. The initial grant funding expected in 2022/23 is designed to ensure local authorities can prepare their local care markets for reform. This will involve further engagement with providers to carry out local 'cost of care' exercises and produce a plan for sustainability. It can also be used as the basis for calculating increases fee rates where appropriate.

At the time of writing this report, further detailed guidance is awaited on how this will work, but both funding and guidance is expected early in 2022/23.

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 regular consultation with a wide range of providers to inform the development of the fees proposed for 2022/23.

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

It is likely that there will be continuing pressure on the care market in the short to medium term and there is no guarantee that these fee uplifts will resolve the issues currently being experienced by care providers in terms of recruitment and retention of staff. There is a continuing risk of provider failure and/or of providers handing back contracts should they feel that it is not viable for them to continue to provide services. Commissioning staff will continue to monitor the market and engage with providers in to mitigate any risk where possible.

It should be noted that any increase in fees paid to providers will mean an increase in care charges to some service users although the majority of people will pay an assessed charge taking into consideration their ability to pay.

List of Background Papers

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