



Wolverhampton Adult Social Care -
Provider Care and Support Review
2024/25

Adults Scrutiny Panel

20 February 2024

Purpose

Action Required:

Adults Scrutiny Panel are asked to endorse Option 3 – this is the preferred option that will support the Council to provide market stability in the care sector whilst also being financially prudent.

Adults Scrutiny Panel is asked to consider:

- The cost drivers affecting the Adult Social Care market in Wolverhampton
- Provider engagement and feedback
- The current market risks for sufficiency and sustainability
- The cost impact and that new rates will create an ongoing expectation in the external market

Background and Context

Care fees must balance the **Council's legal duties**:

- Legal duty under section 5 of the Care Act 2014 to promote the effective and efficient operation of Adult Social Care markets.
- Legal duty of setting a balanced budget

All adult social care providers will be impacted by the increase to the National Living Wage (NLW) and Consumer Price Index (CPI) inflation.

The Council is not obliged to offer price increases for either contracted provision or spot purchase arrangements, however under our duty for sustaining the market fee increases are routinely applied on an annual basis.

In future the Council will incorporate indexation clauses to contracted care and support as a mechanism to adjust prices. Linked indices will need to be considered for each service type procured. This will eliminate the need for contracted care to be uplifted outside of contract terms and will allow the market to plan for throughout the contract period.

Scope of the 2024/25 Review

The following care and support services are in scope for the 2024/25 provider review:

- Home Care, Reablement and Home-Based Respite
- Direct Payments – Agency Rate, Employed Personal Assistant Rate, Self-Employed Personal Assistant Rate
- Individual Service Funds
- Extra Care
- Residential and Nursing
- Supported Living
- Day Care

Other care contracts are out of scope for the 2024/25 review (i.e. advocacy, equipment, healthwatch etc)

Note: although not a care type itself, consideration must be given to the treatment of top ups and joint funded packages with health

Drivers to Inform Options

National Cost Drivers:

- From April 2024, the National Living Wage (NLW) for people aged 23 and over will increase from £10.42 per hour to £11.44 per hour – a 9.79% increase.
- Consumer Price Index (CPI) inflation has reduced in the last few months (currently 3.9%) and is forecast to reduce to the governments 2% target within the next four months
- Assumption is that 70% of provider costs are payroll related and subject to any increase in the NLW and the remaining 30% are subjected to general inflation (CPI) – this will result in a composite percentage impact

Provider Feedback (outside of the known impact for NLW and CPI)

- 55% of all providers cited utility (energy) costs as a significant pressure. 100% of care homes identified this.
- 32% of all providers stated recruitment and retention as a key cost pressure with 18% also citing agency costs
- 27% of all providers highlighted the need to retain pay differentials when the NLW increases
- 27% of all providers identified insurance costs, rising to 67% for care home providers

Other Factors

- Benchmarking data suggests that fee levels are broadly in line with comparators across all in scope service types
- CQC quality rates have previously been used to influence preferred options, however increasing costs do not directly improve quality and therefore a more targeted approach is being proposed that has a cost impact but is not passed through to providers in cash terms

Other Considerations

Contracted services via Procurement

- Service types = home care, community activities for adults with complex needs, supported living (Burton Crescent), disabilities supported living framework (multiple providers), supported living (Firsbrook), supported living forensic framework (multiple providers), shared lives, accommodation for young adults (Fir Tree)
- The need to ensure compliance with procurement regulations – regulation 72 where the contract value cannot be exceeded by more than 50%
- Exercises have been completed to determine the position against each contract given historical and forecasted uplifts – contracts are compliant against reg 72 but the use of contract extensions may be problematic dependent on the rate at which care costs continue to be increased.
- Rates are tendered and have historically been uplifted annually. There are currently no contractual clauses for indexation

Non-procured services with standard rates

- Services types = Direct Payments (DPs) and Individual Service Funds (ISFs)
- DP personal assistant rates (employed and self-employed) are only impacted by the NLW and not CPI
- These services are not procured and therefore are exempt from procurement regulations

Negotiated rates

- Service types = residential and nursing
- The Council has “standard” rates which sets the expected market price
- Rates are negotiated on a case-by-case basis - different options need to be considered

Other Considerations

Jointly funded packages and placements

- Packages and placements that are commissioned and contracted by the Council are to be uplifted by a percentage the Council has implemented. Health are/will be engaged on the proposed rate.
- Joint packages/placements where health pay providers directly should be uplifted in line with Council funded care and support. Any disparity between the Council uplift and any uplift given by health will be subject to the provider challenging the increase. Note: historically the Council has applied a higher uplift than health

Top-ups

- Top-ups are only agreed at the start of a placement and cannot be introduced later
- The provider has the ability to increase the top-up without the agreement of the Council and the Council will not assist with the payment of any top-up or any increase
- The review options exclude top-ups and therefore they will not be uplifted

System Constraints

- The corporate social care system that processes and facilitates financial information (currently CareFirst) through to Agresso for payment means that:
 - Hourly rates must be divisible by 4
 - Weekly rates must be divisible by 7

Options Considered

Option No.	Description
1	Do Nothing <ul style="list-style-type: none">Do not apply an increase to current fee rates paid to externally commissioned care providers
2	Baseline position applied to all options: <ul style="list-style-type: none">NLW increase from £10.42 to £11.44 per hour – 9.79% increaseApply CPI inflationComposite rate based on a 70:30 ratio (70% payroll costs, 30% non-payroll costs)
3	Option 2 with the exception of DP personal assistant rates (employed and self-employed) <ul style="list-style-type: none">Personal assistant rates are not subject to the impact of inflation and therefore are to be uplifted solely in line with the increase to the NLW
4	Option 3 with the exception of residential and nursing <ul style="list-style-type: none">Care home fees are negotiated rates on a case-by-case basis. Further potential options have been explored.

Residential and Nursing Options

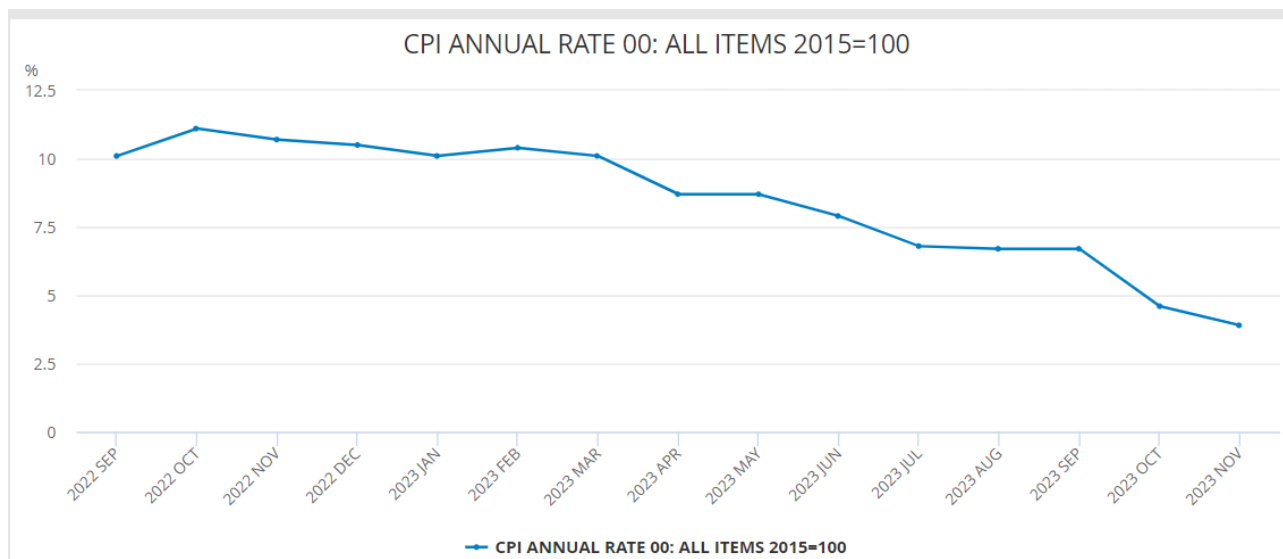
Baseline option is to increase placements below or at the local authority rate – composite rate applied on the basis of 70% payroll costs (NLW impact) and 30% non-payroll costs (CPI impact). Further options applied over and above include uplifting:

Option No.	Description
4a	Uplift placements that started on or before the autumn statement, all other placements are not uplifted - assumes that providers will know the increase to the NLW and rate of inflation, and will immediately factor this into placement costs that will be negotiated
4b	All placements with the exception of complex needs – complex placements are not automatically uplifted due to the range of needs and funding arrangements. Provider requests would be considered on a case by case basis subject to sufficient evidence being provided of an increase in costs.

Options Analysis

	Option	Benefits	Disbenefits
1	Do Nothing	<ul style="list-style-type: none"> No cost impact 	<ul style="list-style-type: none"> Doesn't fulfil the Council's legal duty to sustain the external care market
2	NLW + CPI applied to all care and support	<ul style="list-style-type: none"> Meets base cost impacts in 2023/24 Recognises all providers face same / similar challenges Aligns to regional intentions 	<ul style="list-style-type: none"> Doesn't account for nuances between care types (i.e care homes being negotiated) and potential options to be more targeted, or that not all care is impacted by both the NLW and inflation
3	NLW + CPI to all provision except DP PA rates – uplifted by NLW only	<ul style="list-style-type: none"> Meets base cost impacts in 2023/24 Recognises all providers face same / similar challenges Recognises that personal assistant rates are solely impacted by the NLW and not inflation Aligns to regional intentions 	<ul style="list-style-type: none"> Doesn't account for nuances between care types (i.e care homes being negotiated) and potential options to be more targeted
4a	Option 3 except care homes – uplifted if started after the Autumn Statement	<ul style="list-style-type: none"> Potential cost saving in comparison to options 2 & 3 Mitigates where providers have increased placement costs ahead of April 2024 assuming that future known impacts are already built into prices 	<ul style="list-style-type: none"> The Council is unable to confirm the assumption that providers have already factored in known cost pressures Likely that providers do not build in costs but rather wait until uplifts are applied, leading to a risk of not sustaining the care home market and provider challenge.
4b	Option 3 except care homes – complex placements not uplifted	<ul style="list-style-type: none"> Potential cost saving in comparison to options 2 & 3 Approach would allow providers to challenge and costs to be negotiated based on individuals needs. This would have a potential cost saving compared to options 2 and 3 	<ul style="list-style-type: none"> Cost analysis shows the saving would be minimal and that the likelihood of provider challenge is high given the known cost impacts Provider requests would be resource intensive to review and on the basis of fairness would likely to be approved

Consumer Price Index (CPI) Inflation



Source - ons.gov.uk

- The 2023/24 care and support provider review factored in inflation at 10.5% given the known position at the time and the forecast of it remaining high
- In the last 12 months, inflation has significantly reduced and there are forecasts for the government's target of 2% to be reached in by April 2024
- This presents options for the rate at which the Council incorporates inflation into the care and support provider review

Inflation options for consideration:

- Apply inflation as at the latest published rate – 4% in December 2023
- Apply inflation at 2% on the basis that it is forecasted to reach this level within the next four months
- Apply inflation at the rate published on 14 February 2024 – due to the internal approval timelines this would be too late to account for in both the fee review and feeding into the Council's budget so should be discounted

Financial Impact – Option 3 (Preferred Option)

Service Type	2023/24 Rate £ph / £pw / £per session	2024/25 Rate £ph / £pw / £per session	2024/25 % Uplift
Home Care	18.84	20.28	7.45%
Reablement	20.12	21.64	
Home Based Respite	18.00	19.36	
Direct Payments – Agency	18.00	19.36	7.45%
Direct Payments – Employed PA	12.80	14.08	9.79%
Direct Payments – Self-Employed PA	15.68	17.24	
Individual Service Funds	Dependent on Care Type	Dependent on Care Type	7.45%
Residential Older People	551.18	592.27	7.45%
Residential Dementia	592.55	636.72	
Nursing Older People	620.76	667.03	
Nursing Dementia	667.10	716.87	
Supported Living	18.00	19.36	7.45%
Day Care – sessional rate	34.32	36.88	7.45%
Day Care – hourly rate	18.00	19.36	

Financial Impact of the Preferred Option

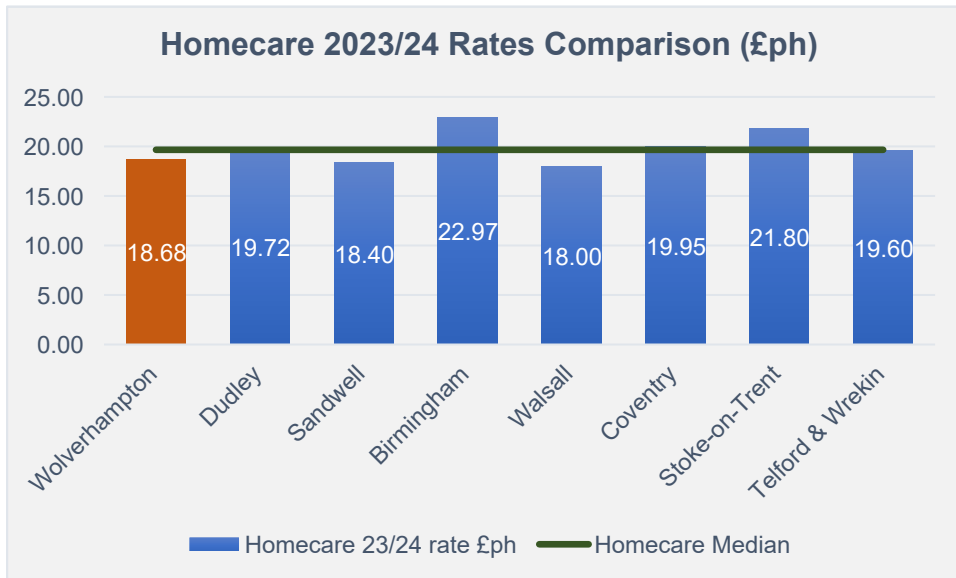
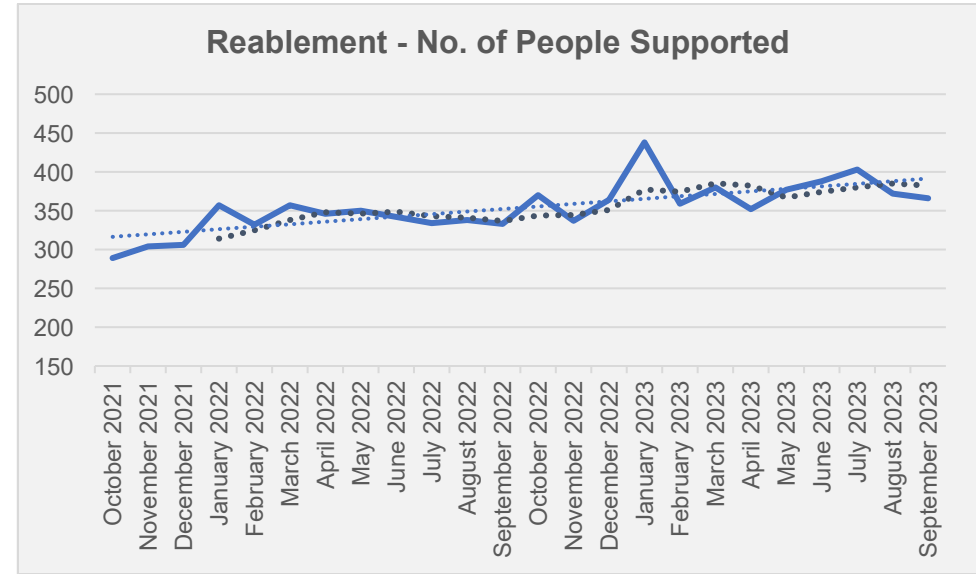
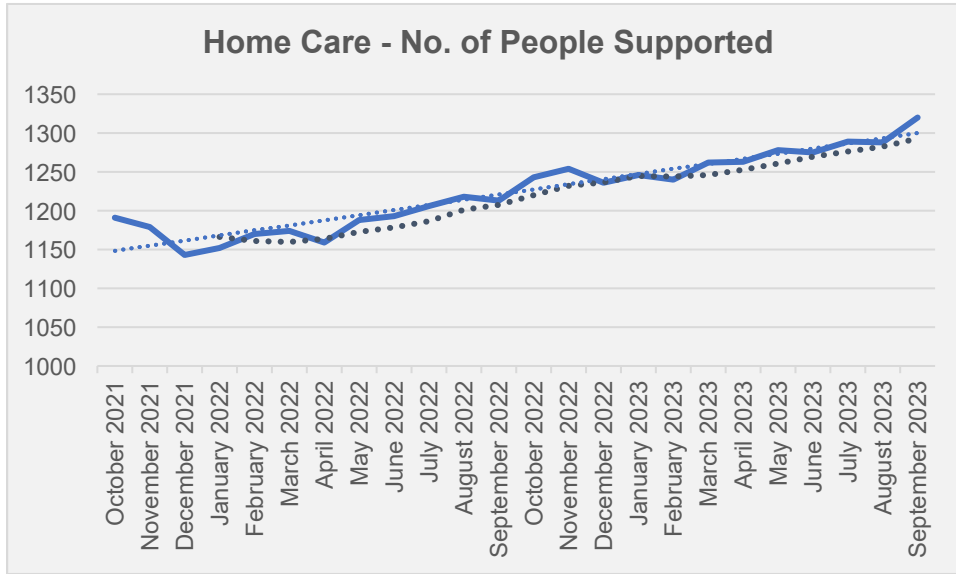
Area	Current Forecast 23-24 £000	Net Demographic growth 24-25 £000	Fee review cost 24-25 £000
OP Care Purchasing	29,750	1,341	2,645
LD Care Purchasing	34,728	729	2,742
MH Care Purchasing	6,695	295	530
PD Care Purchasing	7,784	537	672
	78,957	2,902	6,589

- The assumed cost of demographic growth for 2024-2025 is a £2.9 million increase on the current forecast
- This consists of increases to expenditure (£4.1 million) and income (£1.2 million).
- The cost of the Fee Review is estimated at £6.6 million based on the current forecast.
- As detailed above the Fee Review includes an assumption of 2% for inflation. If the Jan 24 inflation figure of 4% was used, this would cost an additional £420,000
- Taking into account the Q3 position the overall cost to the Council is estimated at £8.9 million.

- The budget will also include growth to cover various items identified as not having budgets in 2024-2025, these total £213,000 and include the One Wolverhampton contribution of £100,000.
- The Discharge grant will be available at the same level as in 2023-2024 (£2.1 million), however the increase on this grant and the MSIF are required to fund the growth detailed above and will therefore not be available to fund additional expenditure in 2024-2025.

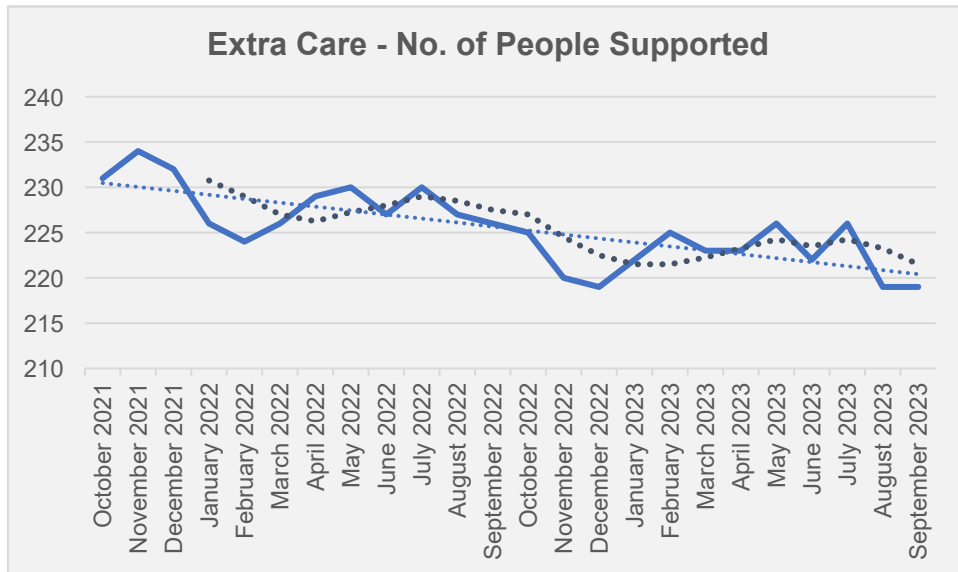
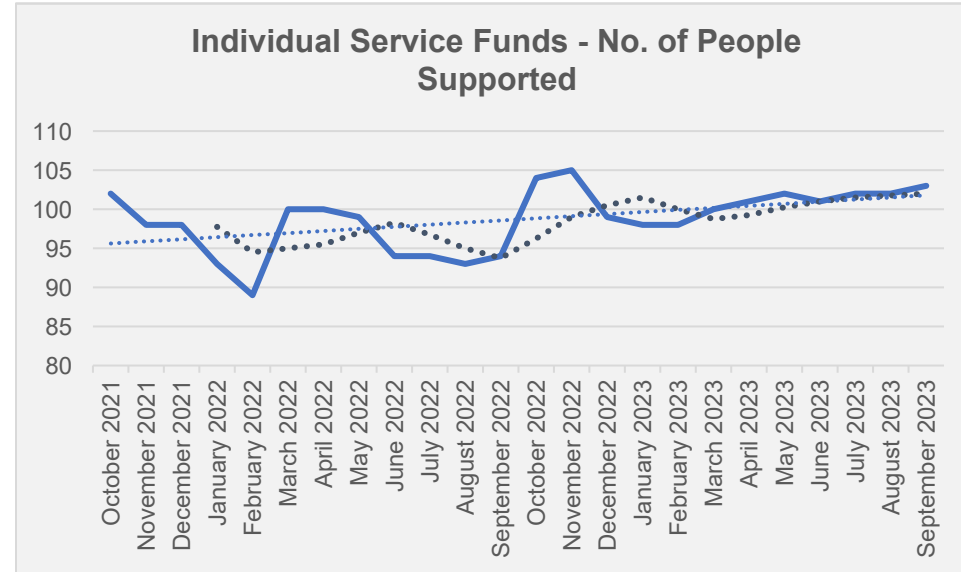
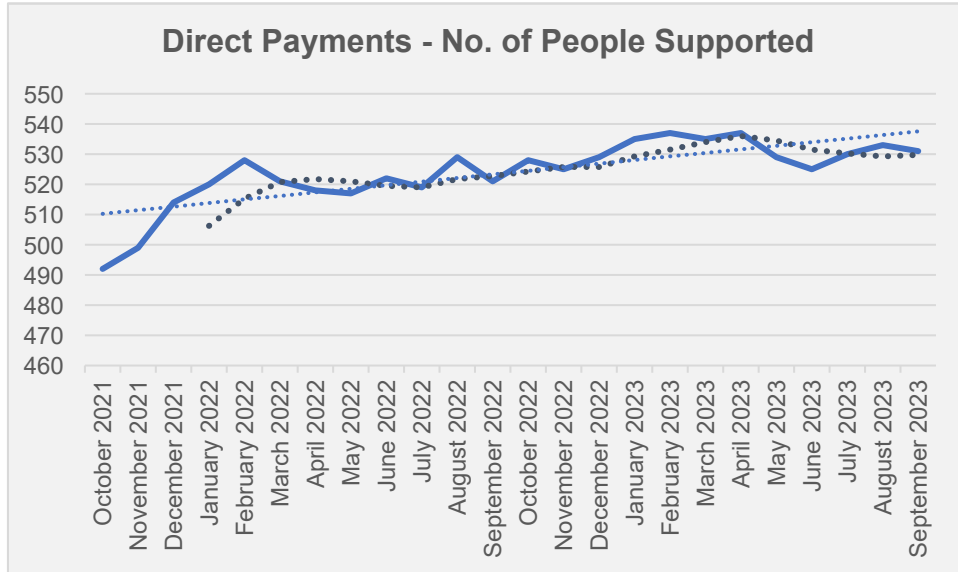
Appendices – Demand and Benchmarking Data

Homecare, Reablement and Home-Based Respite



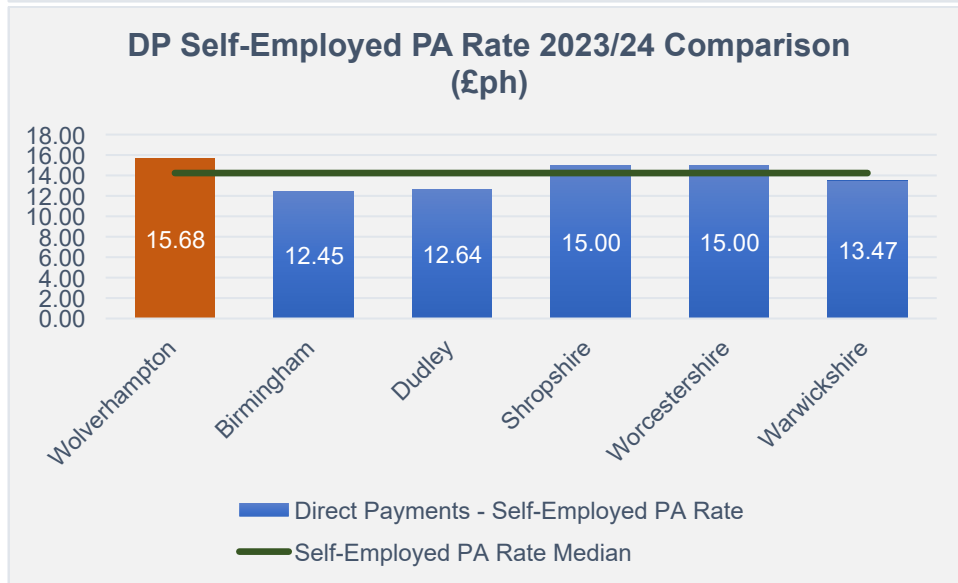
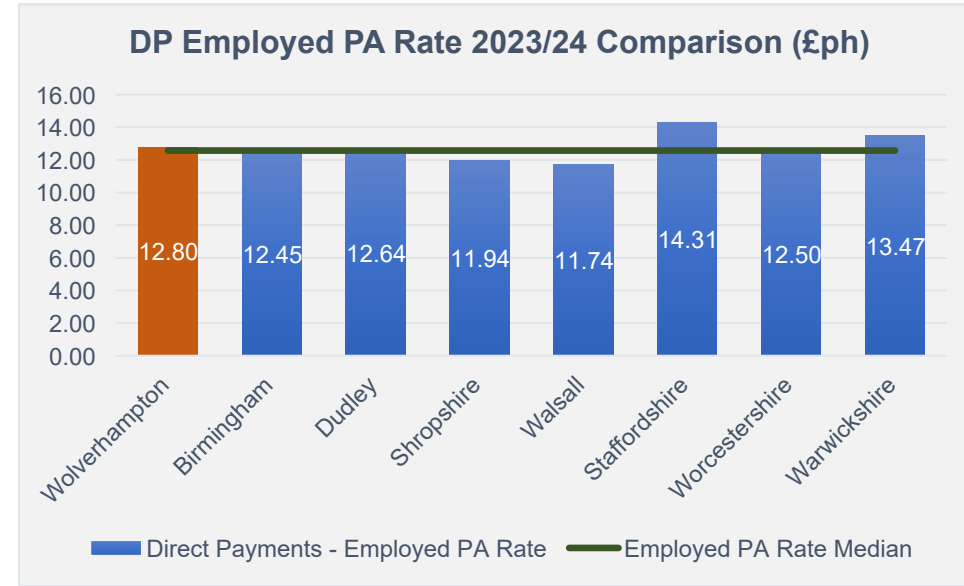
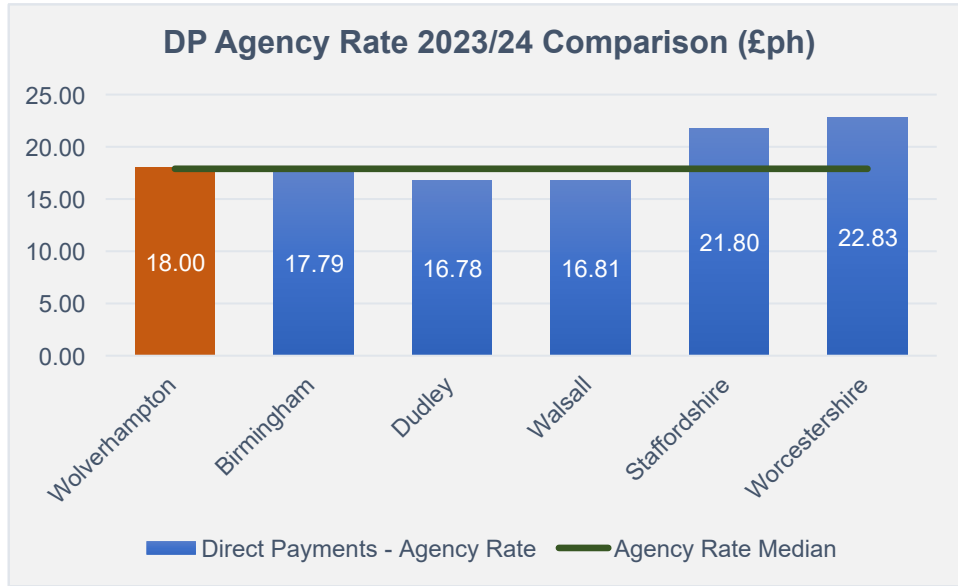
- Current rates are tendered and specific to individual providers
 - Homecare £18.36ph to £18.84 ph
 - Reablement £19.60ph to £20.16ph
 - Home-based respite £17.64ph to £18.00ph
- Note: home-based respite historically linked to the supported living rate
- Historically uplifted as a composite rate of NLW and CPI Inflation on a 70:30 ratio for payroll and non-payroll costs respectively

Direct Payments, Individual Service Funds & Extra Care



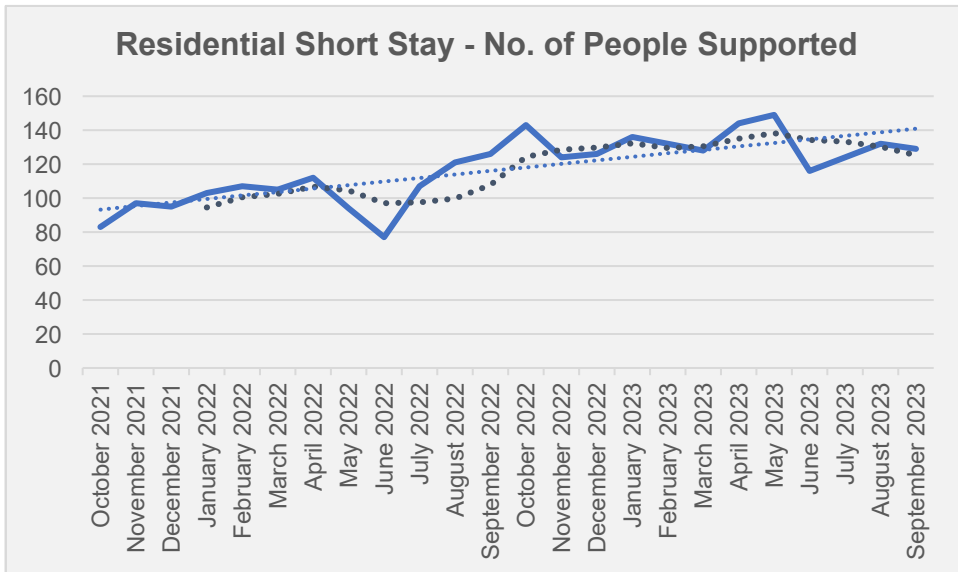
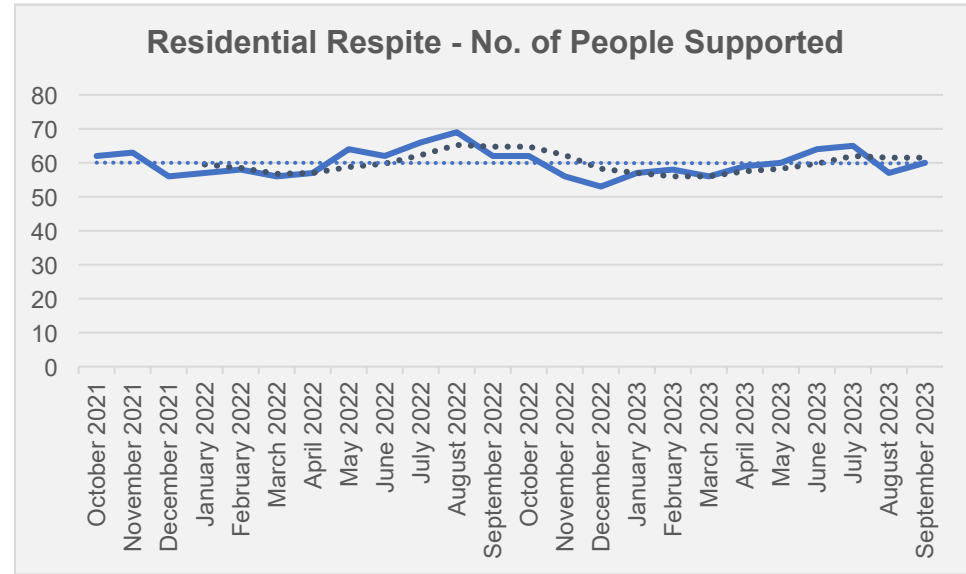
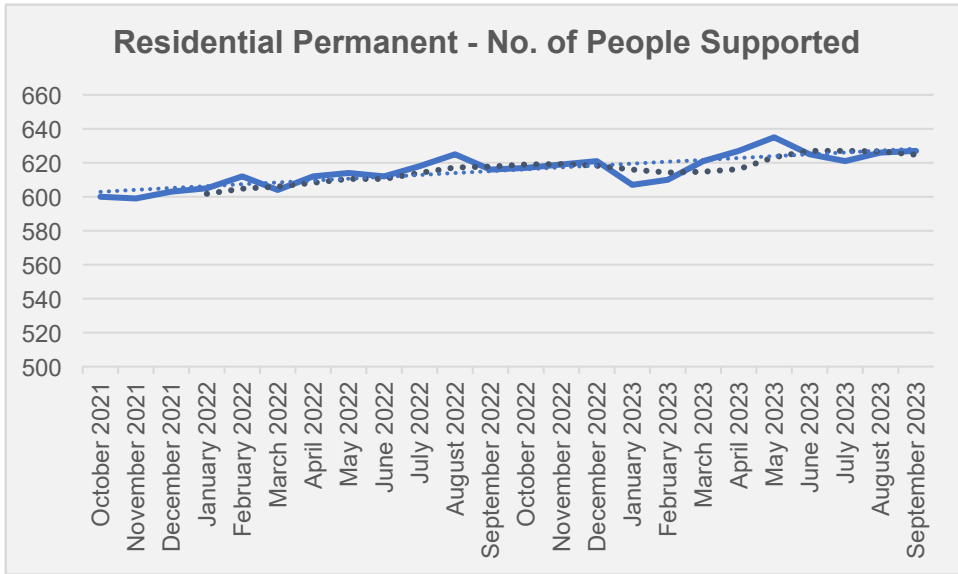
- **Current Rates:**
 - DP Agency Rate £18.00 ph
 - DP Employed PA Rate £12.80 ph
 - DP Self-Employed PA Rate £15.68ph
 - ISF rate £18.00 ph
- Note: DP agency and ISF rate historically linked to the supported living rate
- DP PA's can be paid different rates – would be better to standardise wage
- Previously uplifted as a composite rate of NLW and CPI Inflation on a 70:30 ratio for payroll and non-payroll costs respectively although PA rates should be payroll only

Direct Payments Benchmarking



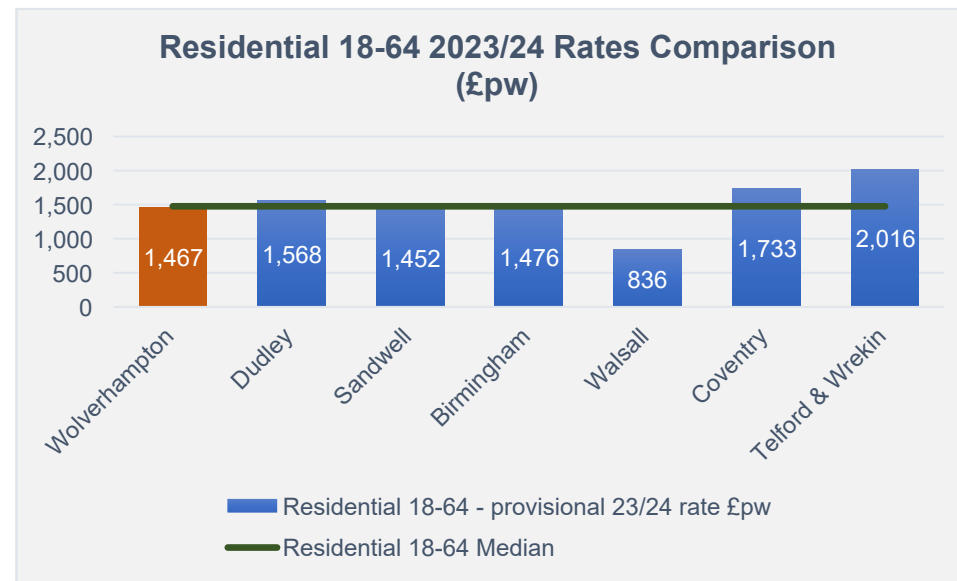
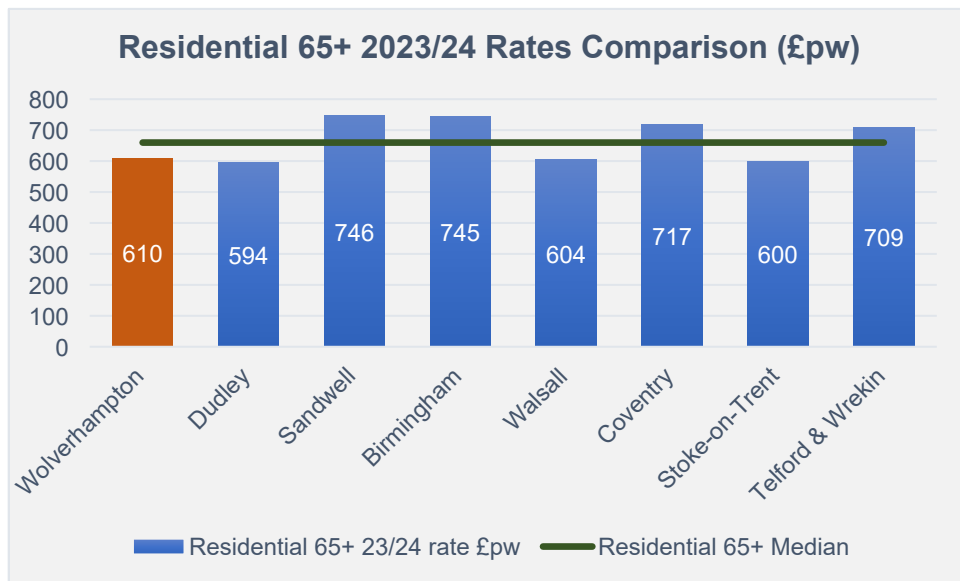
- Current Rates:
 - DP Agency Rate £18.00 ph
 - DP Employed PA Rate £12.80 ph
 - DP Self-Employed PA Rate £15.68ph
 - ISF rate £18.00 ph
- Note: DP agency and ISF rate historically linked to the supported living rate
- DP PA's can be paid different rates – would be better to standardise wage
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Residential - Demand



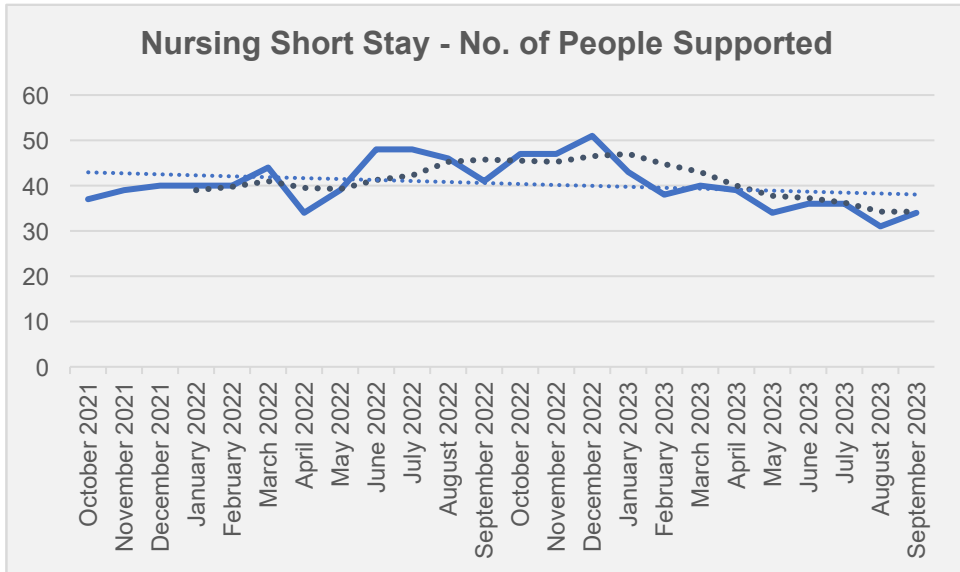
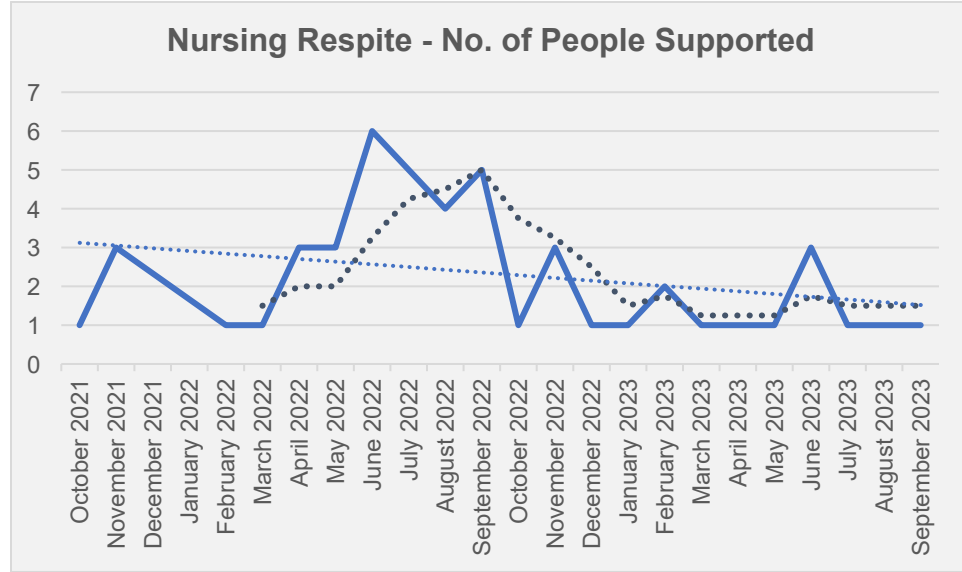
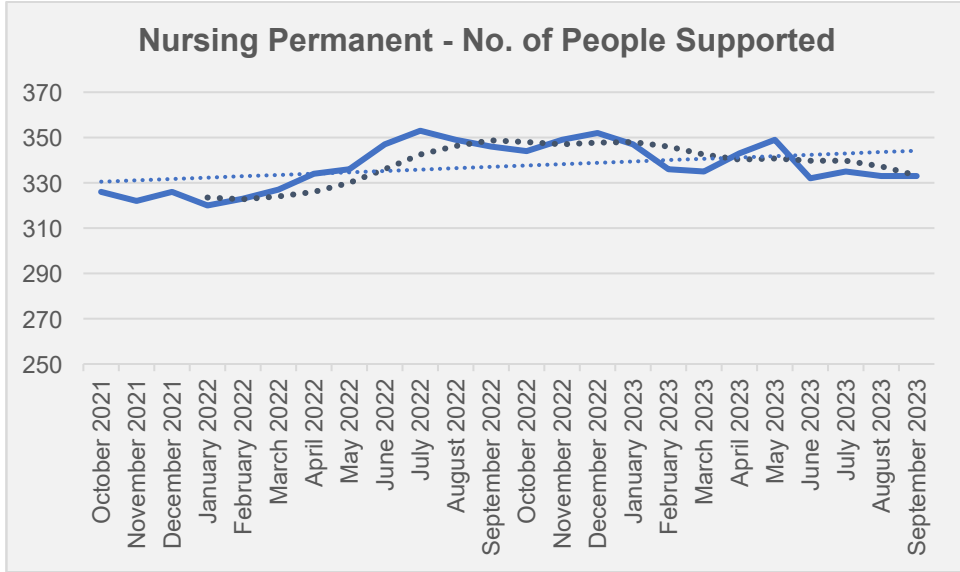
- Non-contracted, rates are negotiated unless provider agrees to pay LA rate
- LA rates 2023/24:
 - Residential OP - £551.18
 - Residential OP Dementia - £592.55
 - Residential Under 65s – individually negotiated
- Previously uplifted as a composite rate of NLW and CPI Inflation on a 70:30 ratio for payroll and non-payroll costs

Residential - Benchmarking



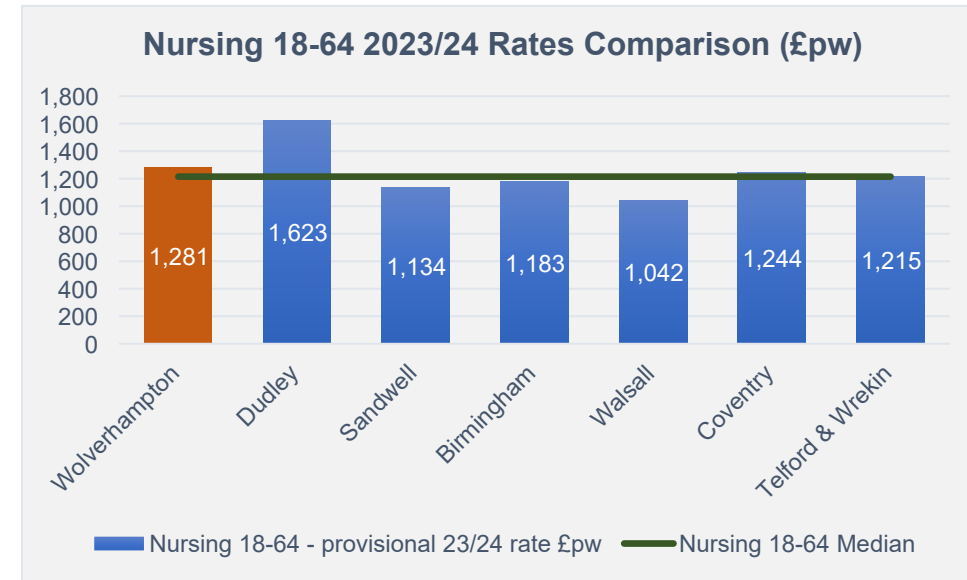
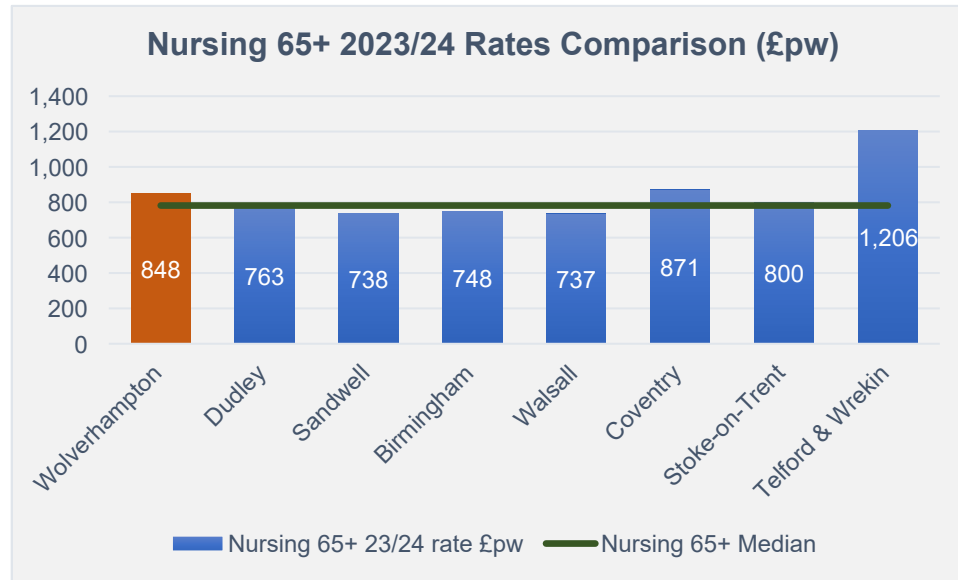
- Benchmarking data taken from regional MSIF summary produced by WMADASS
- Rural counties excluded from the data set on the assumption that they are not comparable
- Rates shown are provisional average costs

Nursing - Demand



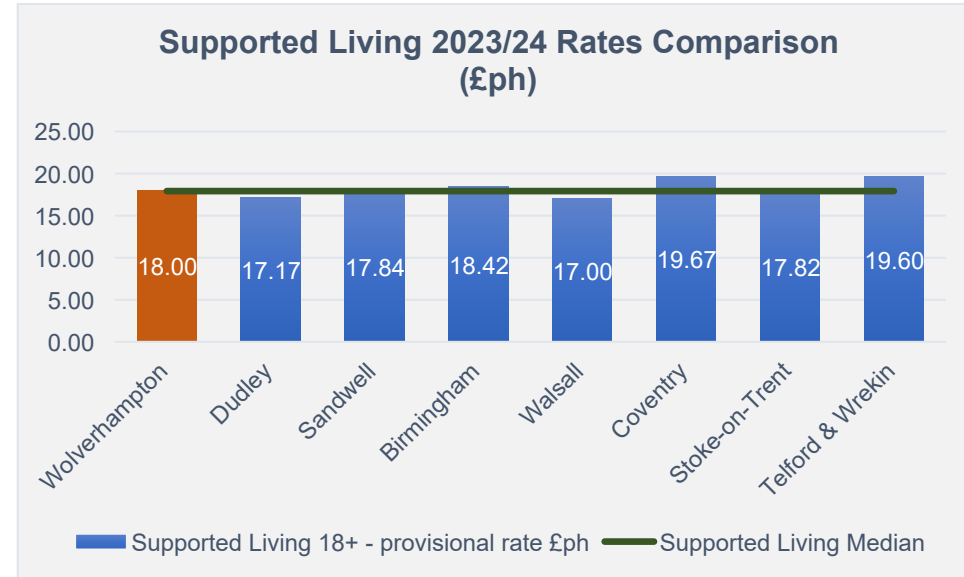
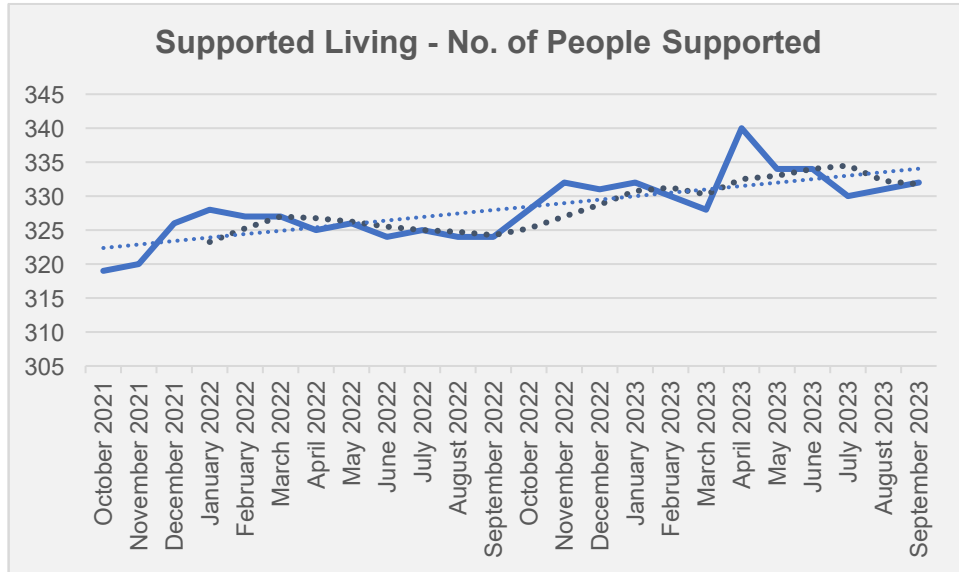
- Non-contracted, rates are negotiated unless provider agrees to pay LA rate
- LA rates 2023/24:
 - Nursing OP - £620.76
 - Nursing OP Dementia - £667.10
 - Nursing Under 65s – individually negotiated
- Previously uplifted as a composite rate of NLW and CPI Inflation on a 70:30 ratio for payroll and non-payroll costs

Nursing - Benchmarking



- Benchmarking data taken from regional MSIF summary produced by WMADASS
- Rural counties excluded from the data set on the assumption that they are not comparable
- Rates shown are provisional average costs

Supported Living



- Current Rate £18.00 per hour
- Historically uplifted as a composite rate of NLW and CPI Inflation on a 70:30 ratio for payroll and non-payroll costs respectively