

Cabinet (Resources) Panel

21 February 2024

Report title	Care and Support Provider Review 2024-2025	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Jasbir Jaspal Adults and Wellbeing	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Becky Wilkinson, Director of Adult Social Services (DASS)	
Originating service	Commissioning	
Accountable employee	Andrew Wolverson	Deputy Director of Commissioning and Transformation Tel 01902 5550 Email Andrew.Wolverson@wolverhampton.gov.uk
Report to be/has been considered by	Adults Leadership Team	18 January 2024
	Strategic Executive Board	30 January 2024
	Adult Member Briefing	5 February 2024
	Fulfilled Adults Lives	20 February 2024
	Scrutiny Panel	

Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the proposed increases in care fee levels for 2024/2025 as set out in Table1 to ensure sufficiency and sustainability across the external Adult Social Care market.
2. To approve increases with effect from 1 April 2024 to align to corporate payment systems

Table 1 – Proposed Care Fees for 2024/25

Type of Care Provision	Recommendation	Current Rate 2023-2024 £	% Increase	Proposed Rate 2024-2025 £
Home Care	Increase to reflect the cost impact of the National Living Wage (NLW) and Consumer Price Index (CPI) inflation. To be applied to care and support delivered through the CWC19112 – Home Care – Light Touch Flexible Framework, as well as spot purchased care commissioned outside of the contract.	18.84* (Hourly rate)	7.45	20.28* (Hourly rate)
Home Care – Reablement		20.12 (Hourly rate)	7.45	21.64* (Hourly rate)
Home Based Respite		18.00 (Hourly rate)	7.45	19.36* (Hourly rate)
Direct Payments for Adults, Carers and Children’s – Agency Rate	Aligned to the Supported Living rate. Increase to reflect cost impact NLW and CPI Inflation.	18.00 (Hourly rate)	7.45	19.36 (Hourly rate)
Direct Payments for Adults, Carers and Childrens – Employed Personal Assistant	Increase to reflect cost impact of the NLW.	12.80 (Hourly rate)	9.79	14.08 (Hourly rate)
Direct Payments for Adults, Carers and Childrens – Self-Employed Personal Assistant	Increase to reflect cost impact of the NLW.	15.68 (Hourly rate)	9.79	17.24 (Hourly rate)
Individual Service Funds	Aligned to the Supported Living rate. Increase to reflect cost impact of the NLW and CPI Inflation.	Dependent on care type	7.45	Dependent on care type
Residential Care – Older People	Increase to reflect cost impact of the NLW and CPI inflation. All placements are spot-purchased rather than through a framework or contract.	551.18 (Weekly rate)	7.45	592.27 (Weekly rate)
Residential Care – Older People with Dementia		592.55 (Weekly rate)	7.45	636.72 (Weekly rate)
Nursing Care – Older People		620.76 (Weekly rate)	7.45	667.03 (Weekly rate)
Nursing Care – Older People with Dementia		667.10 (Weekly rate)	7.45	716.87 (Weekly rate)
Residential and Nursing – under 65 years old		Individually Negotiated	7.45	Increase to current placements
Supported Living Disabilities Framework	Increase fees to reflect the cost impact of the NLW and CPI Inflation. To be applied to the CWC19045 – Supported Living for Adults with Disabilities contract and spot purchased care outside of the contract.	18.00 (Hourly rate)	7.45	19.36 (Hourly rate)

Type of Care Provision	Recommendation	Current Rate 2023-2024 £	% Increase	Proposed Rate 2024-2025 £
Supported Living Forensic Framework	Increase fees to reflect the cost impact of the NLW and CPI Inflation. Applied to CWC20029 – Supported Living Framework for Individuals with Forensic History or Significant Complex Behaviour	21.28 (Hourly rate)	7.45	22.88* (Hourly rate)
Supported Living Block Contracts	Increase fees to reflect the cost impact of the NLW and CPI Inflation	Negotiated with provider	7.45	Negotiated with provider
Day Care Sessional Rates	Increase fees to reflect the cost impact of the NLW and CPI Inflation.	34.32 (Sessional rate)	7.45	36.88 (Sessional rate)
Day Care Hourly Rates	Increase fees to reflect the cost impact of the NLW and CPI Inflation. Ensure that the rate is consistent with the supported living rate and proportionate to 1:1 1:2 1:3 staffing ratios	18.00 per hour for 1:1 staffing 9.00 per hour for 1:2 staffing 6.00 per hour for 1:3 staffing	7.45	19.36 per hour for 1:1 staffing 9.68 per hour for 1:2 staffing 6.46 per hour for 1:3 staffing

The proposed percentage uplifts have been applied to 2023-2024 rates and rounded up so that hourly and weekly rates are divisible by four and seven respectively. This is to allow corporate systems to accurately and correctly facilitate payment to providers. Actual rates will be communicated with each individual provider through implementation.

*This is the current maximum rate. Where providers have tendered lower than this rate then the same percentage uplift and rounding will apply.

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. Engagement has been undertaken with providers and the feedback received has informed the fee review amongst other factors such as the increase to the National Living Wage (NLW), Consumer Price Index (CPI) inflation and the legal duties for a sustainable market and setting a balanced budget.
2. This report will be presented to Fulfilled Adult Lives Scrutiny Panel on 20 February 2024. The Panel's comments will be fed in verbally at the meeting of the Cabinet (Resources) Panel on 21 February 2024.
3. Any proposed care fee increases will create an ongoing expectation to continue paying fees at this new minimum level.
4. All other care contracts not explicitly referred to within this report are out of scope for the care and support provider review 2024-2025 and therefore any price adjustments to such contracts are managed through separate mechanisms.

5. New contracts, including re-tendering, will include indexation clauses which will set out the mechanism for adjusting prices throughout the contract period. Indexation may include linking prices to changes in the National Living Wage (NLW) and indices for inflation, to be determined based on the specific nature of services being procured.

1.0 Purpose

- 1.1. The purpose of the report is to set out the proposed increase to adult social care fees for 2024/2025 for in scope externally commissioned care and support services, including direct payments and individual service funds.

2.0 Background and Context

- 2.1 The Council has a legal duty under section 5 of the Care Act 2014 to promote the efficient and effective operation of a market in services for meeting care and support needs. When considering fee uplifts, the Council must align this duty to its other legal duty of setting a balanced budget.
- 2.2 All adult social care providers across Wolverhampton will be impacted by the government's increase to the National Living Wage (NLW) and inflation measured through the Consumer Price Index (CPI). Through stakeholder engagements, the provider market has also identified that other cost pressures also persist across the adult social care sector, including staff recruitment and retention, and specific expenditure for services such as insurance.
- 2.3 Whilst the Council is not obliged through contracts to offer price increases to the market, under its duty for sustaining the market annual increases are usually applied to account for known financial pressures. Going forward, new contracts will include indexation clauses which provide the mechanism by which to adjust prices throughout the contract period. Linked indices will need to be considered for each specific service type being procured. This approach will better allow the market to plan for the future.
- 2.4 The challenges to the adult social care market remain and consideration of price increases have been carefully analysed to ensure affordability. The recommendations also account for provider feedback and benchmarking with comparator authorities.
- 2.5 It is important to note that any annual increase to care fees set a future expectation and become recurrent expenditure.

3.0 Provider Engagement and Feedback

- 3.1 Care providers operating in Wolverhampton were written to in November 2023 to ask for input and feedback to inform the fee review process. Provider communication recognised the known cost pressures of the increase in the National Living Wage from £10.42 to £11.44 an hour (for those aged 23 and over) – a 9.79% increase, and the current rate of inflation as measured by the Consumer Price Index (CPI). Other key themes identified by providers are:
 - 55% of responses cited utility (energy) costs as a significant cost pressure. This increases to 100% of care homes who responded.

- 32% stated that recruitment and retention is a key cost pressure, with 18% of providers also identifying agency costs
- 27% of providers stated the need to maintain pay differentials.
- 27% of all providers identified insurance costs as a key cost pressure, rising to 67% for care home providers.

Additional cost pressures highlighted by the provider market include rent, business rates, food costs, interest on loans, transport and fuel costs, software, training, building maintenance, infection control and personal protective equipment.

4.0 Assessment of Market Sufficiency and Sustainability

4.1 Care providers, nationally and locally, continue to face significant challenges that present risks to market sufficiency and sustainability. All providers will face similar cost pressures due to:

- The increase to the National Living Wage (NLW) for people aged 23 and over, where the rate per hour will increase from £10.42 to £11.44, a 9.79% increase
- The rate of inflation and rising prices. Cost pressures have been highlighted by providers as having increased above the rate of general inflation, specifically insurance and utility costs.
- Recruitment and retention, which continues to be a major challenge and risk area across all care markets. Pay terms within the social care sector do not compare favourably in comparison to competing markets, for example health or retail. The outcome being the inability of offer an attractive job prospect to the labour market.

4.2 Demand for long-term adult social care and support in Wolverhampton has increased by around 4% in the last twelve months and 8% over the previous two years. Notably, this is heavily influenced by a 9% increase for home care over the same period. Demand has also increased for permanent residential care (3.4%) and supported living (2.8%); all other long-term care and support services have remained relatively static.

4.3 Quality across the Wolverhampton care market differs dependent on the type of care and support. 68% of care home providers are rated as outstanding or good by the Care Quality Commission (CQC), as are 67% of home care providers commissioned through the Council's framework. Across all non-residential care providers, the quality is slightly lower with 62% of providers rated as outstanding or good. The care sector representing the greatest concern is nursing where 48% of providers are currently rated as inadequate. This risk could materialise through sustained periods of provider suspension, the inability to accept new placements and worst-case provider closures, which may be difficult to manage to ensure people remain safe and receive the care and support they require. Adults commissioning have developed a new Quality Assessment Framework in response which be applied across all of the care market.

- 4.4 Non-residential care has demonstrated market sufficiency over a prolonged period of time, and forecasts combined with local intelligence suggest that there is unlikely to be capacity gaps in the short to medium term. The likely market segments where capacity may be an issue is for long term nursing and residential, the latter in particular. Whilst there is some headroom in terms of usable capacity in the market, the highest risk relates to the Council's ability to support people in residential care.
- 4.5 The Council must act to support providers off set known cost pressures and ensure it is supporting sustainability across the care sector. The local authority recognises all providers are facing similar financial challenges.

5.0 Methodology

- 5.1 The Council has used all available information to determine the recommended care fees for 2024/25. The following have all been considered:
- Provider feedback
 - Increases to the National Living Wage and associated costs from April 2024
 - Recent historical inflation and forecasted inflation for 2024-2025
 - Demand projections for adult social care
 - Benchmarking data against neighbouring authorities and CIPFA (Chartered Institute of Public Finance and Accountancy) comparators
 - Risks to market sufficiency and sustainability
- 5.2 From April 2024 the National Living Wage (NLW) hourly rate for those aged 23 and over, increases from £10.42 to £11.44, a 9.79% increase. The fee review has included this uplift across pay related costs within the overall cost of care and support.
- 5.3 The Consumer Price Index (CPI) which measures inflationary rises in the economy, peaked at 10.7% in November 2022 and has reduced in the current financial year to 3.9% as at November 2023. The review factors in inflation, applied to non-pay related costs that are subject to inflationary pressures.

6.0 Home Care, Reablement and Home-Based Respite

- 6.1 External provision of home care, which includes reablement and home-based respite is predominantly provided in Wolverhampton through the CWC19112 – Home Care – Light Touch Flexible Framework.
- 6.2 The Council currently supports 1,663 people across these services, equating to 22,500 hours per week. Hourly rates have been increased annually through the provider care and support review, with tendered rates currently ranging from £18.36 to £18.84 per hour. Reablement is paid at a higher rate of between £19.60 and £20.16 per hour, to incentivise providers to expedite people from hospital and reduce delays to discharge. Home-based respite is aligned to the hourly rate paid for Supported Living.

- 6.3 Benchmarking data for neighbouring and comparator local authorities shows that rates in Wolverhampton are similar to that of other Councils.
- 6.4 The recommended uplift of 7.45% is based on a composite rate that accounts for the increase to the NLW and CPI inflation. This is to be applied to care and support delivered through CWC19112 – Home Care – Light Touch Flexible Framework as well as care commissioned through spot purchase arrangements.

7.0 Direct Payments and Individual Service Funds

- 7.1 People can choose to arrange their own care and receive cash payments through a Direct Payment. They are intended to give individuals greater choice and control over who or how their care is delivered. The Council currently supports 523 via Direct Payments
- 7.2 The Direct Payment rates differ across three main types of support. The agency rate is higher than that for Personal Assistants (PA) due to the overhead costs of providers and is aligned to the rate for Supported Living. In addition, the fee rates recognise there are different costs associated with an employed PA in comparison to a self-employed PA, also on a cost incurred basis. Furthermore, the Personal Assistant rates are only subject to the increase in the NLW whereas the agency rate is affected by both the NLW and CPI inflation.
- 7.3 Individual Service Funds also allow individuals in partnership with providers and the Council to take more control over how their care is received. As per the Direct Payment agency rate, it is also aligned to the current Supported Living rate. The Council currently supports 323 people through Individual Service Funds.
- 7.4 The Direct Payment agency and Individual Service Fund rate is aligned to Supported Living, which is recommended to increase by 7.45% to account for the increase to the NLW and CPI inflation. Personal assistant rates for Direct Payments are recommended to increase by 9.79% as they are solely impacted by the increase to the NLW.

8.0 Residential and Nursing

- 8.1 The Council commissions and contracts residential and nursing placements on a spot purchase basis, brokered centrally through our Personalised Support Team (PST). Individual contract rates are established based on the eligible assessed needs of the person.
- 8.2 Reference rates are used as part of the determination of contract awards and are uplifted to ensure they reflect current market prices. Whilst the Council does contract placements at these rates, individual contract negotiations result in some placements being agreed that are either above or below the reference rates. The 2023-2024 reference rates are:
- Residential Older People - £551.18 per week
 - Residential Dementia - £592.55 per week
 - Nursing Older People - £620.55 per week
 - Nursing Dementia - £667.17 per week

- 8.3 Reference rates are exclusive of Funding Nursing Care (FNC) which is payable by health. Weekly care costs for residential and nursing for people under 65 years of age are individually negotiated based on need and do not have standard rates.
- 8.4 The Council currently supports 639 people in permanent residential care and 322 people in permanent nursing care.
- 8.5 In terms of sufficiency and sustainability, the care home market represents the greatest risk with concerns for provider viability and the impact this has on meeting the needs of individuals who require these services, including managing any sudden closures. As well as provider feedback, where homes have raised concerns of sustainability, the risk is also demonstrated through capacity and quality data, with capacity potentially being a future risk for residential and quality an issue across nursing.
- 8.6 The Council gave the provider market a significant increase, above the impact of the NLW and CPI inflation, last year to account for quality and gaps to comparator authorities. This has resulted in recent benchmarking data showing that Wolverhampton is now much closer aligned to comparator authorities.
- 8.7 It is recommended that an uplift of 7.45% is implemented based on a composite rate that accounts for the increase to the NLW and CPI inflation.

9.0 Extra Care

- 9.1 A review was conducted of the model of Extra Care schemes in Wolverhampton resulting in an agreement for existing Extra Care Schemes to adopt Individual Service Funds (ISF's) for each resident. This enables flexibility and clarity about each individual resident's care. The ISF rate proposed for these schemes will be set at the Supported Living rate.
- 9.2 All bar one scheme has now transferred over to ISFs with the remaining scheme due to follow before the provider care and support review is implemented in April 2024.
- 9.3 The Council currently supports a total of 220 people in Extra Care.
- 9.4 The recommended fee uplift is the same as that recommended for ISFs in section 7.4.

10.0 Supported Living

- 10.1 The Council has two frameworks for the delivery of Supported Living and also provides care and support through numerous spot purchase arrangements.
- 10.2 The CWC19045 – Supported Living for Adults with Disabilities framework delivers care and support to people with disabilities. This service supports people to become as independent as possible and have a focus on reablement and enablement as well as delivering 24/7 care where required for people who live in supported living schemes.

- 10.3 The second framework, CWC20029 – Supported Living Framework for Individuals with Forensic History or Significant Complex Behaviour, delivers care and support to adults who present with significant complex challenging behaviour.
- 10.4 The Council currently supports 335 people in Supported Living at a rate of £18.00 per hour. Current Supported Living rates are comparable when benchmarked with comparator authorities.
- 10.5 The recommended fee uplift has been set based on a composite rate of 7.45% accounting for the increase to the NLW and CPI inflation.

11.0 Day Care

- 11.1 Day care supports vulnerable adults who are at risk of isolation as well as supporting carers of vulnerable adults to have a planned break from caring roles and allow them to partake in normal acts of daily living.
- 11.2 The Council currently supports 189 people via day care.
- 11.3 Previous benchmarking attempts have concluded that direct price comparison is not possible due to the wide variety of models used across local authorities. The fee review is therefore being recommended based on the known cost impacts of the increase in the NLW and CPI inflation, an increase of 7.45%.

12.0 Reason(s) for Preferred Option

- 12.1 The recommended increase to care fees satisfies both of the Council's legal duties in relation to market sustainability and setting a balanced budget. The Council recognises the significant challenges within the market, has accounted for known information and data, and has maximised the available budget to pass through to care providers.
- 12.2 The preferred option accounts for key cost pressures, namely the NLW and CPI inflation.

13.0 Evaluation of Alternative Options

- 13.1 Option 1: Do nothing. This is not an option the Council has considered given the known cost pressures of the increase to the NLW and inflation. This would not demonstrate the Council's legal duty of supporting market sufficiency and sustainability.
- 13.2 Option 2: for residential and nursing placements that start on or before the government's autumn statement are not uplifted. This assumes that care home providers, following the government's intentions being announced, will factor in known cost pressures for all future placements during negotiation with the Council. Given that the assumption has not been validated with the provider market and providers may not factor in known costs before they manifest, but rather as they impact then the option has been discounted on the basis the Council would not be fulfilling its duty for market sustainability.

13.3 Option 3: for residential and nursing placements for people under 65 years of age are not automatically increased. This provision is not funded at or against standard rates and is for people who have complex needs. Care costs are individualised based on the persons eligible assessed need and are negotiated with providers on a case-by-case basis. Similarly to option 2, the Council cannot assume that providers have future proofed costs by accounting for known cost pressures and therefore to ensure equitability and sustainability this option has also been discounted.

14.0 Financial Implications

14.1 The projected net cost of associated with the care fee uplift detailed in this report is in the region of £6.6 million. This projection is based on current care packages but excludes the impact of demographic growth. It is projected that demographic growth could cost circa an additional £2.9 million in 2024-2025.

14.2 The 2024-2025 Budget and Medium-Term Financial Strategy 2024-2025 to 2026-2027 report which will be presented to Cabinet on 21 February 2024 and Full Council on 28 February 2028, incorporates growth for Adult Services totalling £10.7 million. This growth includes funding for the impact of the recommended fee uplift, demographic growth and other cost pressures across Adult Services.

14.3 Therefore, subject to final budget approval, the projected cost of the fee uplift outlined in this report can be met from budgets held within Adult Services.
[AS13022024/G]

15.0 Legal Implications

15.1 The Council has a legal duty under section 5 of the Care Act 2014 to promote the efficient and effective operation of a market in services for meeting care and support needs. When considering fee uplifts, the Council must align this duty to its other legal duty of setting a balanced budget.

15.2 The recommended increases to care fees will mean that care providers are supported to meet their legal obligations to pay the increase in the National Living Wage. The inflationary increase will also support care providers to manage non-pay costs that have risen in line with inflation.
[DP/13022024/A]

16.0 Equalities implications

16.1 The provider care and support review is applicable to all in scope, externally commissioned care and support across all of the city and as such there are no specific equalities implications arising from this report that have not already been taken into account.

17.0 All other implications

17.1 None

18.0 Schedule of background papers

18.1 None

19.0 Appendices

19.1 Appendix 1 - Summary of current Adult Social Care Provision

19.2 Appendix 2 - Benchmarking Data