



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Adults Social Care & Health
LEAD OFFICERS:	Strategic Director of Adults and Health
DATE:	Thursday, 9 March 2023

PORTFOLIO/S AFFECTED:	Adults Social Care & Health
WARD/S AFFECTED:	(All Wards);
KEY DECISION:	Y

SUBJECT: EB Provider uplift fees – Adult Social Care Provider Fees for 2023/24 Financial Year

1. EXECUTIVE SUMMARY

Blackburn with Darwen Borough Council commissions support for over 2268 local adults and older people, with eligible social care needs, per annum. The majority of commissioning relates to external care and support services provided by independent sector providers and the voluntary, community, faith and charitable sector. The net commissioning budget for these services is currently £46.6m for 2022/23, and is subject to pressures that have been well documented nationally due to increasing demand for services, the impact of increased cost of living, rising energy costs and fair costs for care services. In addition 22/23 continued to be a challenge for the sector as a result of the issues faced by providers during the Covid 19 pandemic with the sector experiencing the enduring impact on the care market and the price of care. Covid 19 has resulted in a long term change to the care economy and a general increase in the acuity of care needs, and general care costs which are much higher than in previous years. In addition the care sector along with the whole economy is subject to escalating inflation in respect of the cost of living including but not limited to fuel, energy and food price increases.

As such the costs of social care provider fee uplifts in 2023/24 are expected to be significant. This report sets out the rationale, financial context and analysis underpinning the award of rate uplifts to external providers for the 2023/2024 financial year, in order to meet rising costs associated with increases in inflation and workforce costs including National Living Wage and Real Living wage, and fees which address the lack of parity of provider rates across the Lancashire and South Cumbria Health and Social Care system. Our low starting base compared to near neighbours is a significant risk with the potential for some providers to exit the market impacting on the local authority's ability to meet its statutory duties.

Following the publication of the Government's White Paper on reforms to the Adult Social Care system the Council received an interim Market Sustainability and Fair Funding Grant allocation to:

- conduct a fair cost of care exercise to determine the sustainable rates for care and identify how close the Council are to these sustainable rates;

- to engage with our providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market and improve market management to ensure markets are well positioned to deliver reform.

In 2022 the Council commissioned and worked with an external consultancy company to undertake its Fair Cost of Care (FCoC) Exercise with providers in the market who were deemed to be 'In-scope'. The FCoC outcome and Market Sustainability plans (MSP) were submitted to the DHSC on 14th October 2022. Since then the government have announced a delay in the implementation of the Social Care Reforms for Adult Social Care for a period of 2 years until October 2025 and additionally, the fair cost of care requirements for years 2023/24 and 2024/25 have also been postponed.

Whilst the requirement to 'move towards' paying a fair cost of care is delayed, the FCoC exercise did inform our local intelligence in respect of the challenges and opportunities within our care market. We understand the pressures providers are facing as a consequence of the rises in the cost of living and as a local authority we do recognise the need to increase our fees, alongside other actions in order to support providers to meet those challenges.

Additionally, the government further announced the requirement for LA's to publish their FCoC outcome and draft MSP by 1st February 2023 and this links closely with our proposed 2023 fees and engagement with the market.

In the Autumn Budget Statement the Government also announced additional funding for Social care, details of which were confirmed in the Local Government Finance Settlement for 2023/24. This funding includes the Market Sustainability grant which has been allocated specifically for local authorities for care market provider fees.

All these factors have been taken into account alongside the issue of affordability and the 2023/24 provider uplifts have been recommended in line with the current Medium Term Financial Plan detailed at Finance Council on 27th February 2023.

2. RECOMMENDATIONS

That the Executive Board:

1) Approve a percentage increase in fees for the following services:

- Residential and nursing care including Intermediate Care beds, fee increase of **10.70%** effective from 1 April 2023.
- Older People and Physical Disability Domiciliary Care, framework fee increase of **13.55%** from **£17.14** to **£19.46** per hour effective from 1 April 2023.
- Shared Lives, day support fee increase of **11.1%** in line with current Consumer price index (CPI) and to keep pace with the National Living Wage increase effective from 1 April 2023.
- Shared Lives, weekly banding fee increase of **11.1%** in line with current Consumer price index (CPI) effective from 1st April 2023.
- LD Supported Living Providers, fee increase of up to **12.5%** capped at the hourly rate of domiciliary homecare providers. This represents an increase to **£19.46** per hour effective from 1st April 2023.

- Direct Payments, Personal Assistant, fee increase of **9.3%** to **£10.90** per hour in line with the Real Living Wage increases.

2) Further approves that:

- Direct Payments - it is proposed to revise the existing direct payment agency rates (standard, enhanced and exception), in line with Domiciliary rates proposed above.

3) Further approves that:

- The Extra Care schemes that are commissioned on a block contract basis will receive an uplift of **3%** in line with the standard inflationary uplift provided for within the Council's budget effective from 1 April 2023 where they have been agreed in the contract.
- Where 1:1 hours are contracted separately they will remain aligned to the domiciliary care rate of **£19.46**.

3. BACKGROUND

The Finance Council meeting of 27th February 2023 confirms the Medium Term Financial Strategy and funding available in 2023/24. The increased budget for Adult Social Care detailed within the Council's Financial Plan includes specific grants such as the Social Care Grant and Market Sustainability Grant which enables the Executive Board to approve the hourly rates and contract changes for social care providers in 2023/2024, applicable from April 2023.

The FCoC exercise which has been undertaken has further informed our local intelligence and links into our Local plan and Market position statement in respect of the challenges and opportunities within our care home market. As a LA we must recognise the need to increase our fees, alongside other actions in order to support providers to meet the challenges they face including: Occupancy levels, Quality, Workforce, Number of self funders/top ups and increasing population preference for 'Care at Home' but we also recognise that any increases need to be affordable, and providers may also need to develop their own business models.

This FCoC exercise has also left significant areas of our market provision out of scope. This provision is outlined in our Market Position Statement and demonstrates the wider variety of care provision to meet needs within our Borough. These providers will equally expect a similar approach and funded increases to their fee rates. The Council is committed to working with providers on our future plans and will seek to engage with providers to work through future plans together; however the costs associated with uplifting all care provision to the FCoC are unaffordable within the Council's existing resources, particularly given our low starting base.

As part of our annual fee setting process within the Council's budget setting and consultation, we have considered our final fee levels giving regard to;

- the Fair Cost of Care
- other challenges within our local market
- and wider economic factors

A key factor in determining the fees rates for providers are workforce costs. The National Living Wage announcements include an increase of 9.7%, with effect from 1st April 2023 (for workers aged 23 and above). The increase in NLW has a significant impact on our external social care providers, including both residential and domiciliary care. The recently announced National Living Wage increase to

£10.42 in 2023/24, an increase of 9.7% on the previous year, and the increase for Real Living Wage at 10.1% to £10.90, is significant.

In respect of both the national living wage and real living wage it should be noted that wages are just one component of and not the full cost of delivering services. This proportion varies depending on the type of provision, with residential care labour costs expected at around 70% of total provider cost. Whilst labour constitutes a significant component there are other aspects of providers' cost base that are met by the overall rate paid by the Council and which may also be subject to change.

In previous years the local authority has endeavoured to meet the cost increase of National Living Wage. However given the challenges providers face across the country to recruit, retain and invest in the social care workforce, the Council's fee setting process for 2023/24 will also consider contracting specific areas of commissioned providers to pay carers at the Real Living Wage.

The commissioning budgets included in the 2023/24 budget, and in the Medium Term Finance Plan (MTFP), include provision for increases in provider hourly rates and contract changes which support the cost challenges faced by providers and narrow the fees gap across the system.

4. KEY ISSUES

Residential and Nursing Care

Local Authorities are required to set sustainable rates for the care they commission. Within BwD we had 26 residential/nursing care providers in scope for the FCoC and we received responses from 7 providers in total. Having collated and analysed the data submitted, it was evident that the low response was not sufficient to provide an accurate median on which to base future pricing. However, in recognising the need to increase our fees and in acknowledgment of the information supplied by the 7 providers as part of the FCoC exercise an overall uplift of 10.70% is proposed. This represents a 12.4% increase to the staffing element of the fee to enable providers to pay their staff the Real Living Wage minimum of £10.90 per hour and further inflationary increases on Food, utilities and other non-pay related costs using the FCoC median values from the provider submissions. Overall this represents a 10.70% increase to the weekly fee for residential and nursing providers. This proposal is considered sufficient to contract with providers to pay carers Real Living Wage of £10.90 per hour.

It should be noted that the market is funded in a number of ways: council supported placements, Health funded residents through, NHS Free Nursing Care, NHS Funded Continuing Health Care, joint-funded placements, additional care payments via the council and Health and self-funded clients. Providers can also secure additional income through third party top-ups.

Whilst we acknowledge that the proportion of self-funders and/or third party top-ups is much smaller in Blackburn with Darwen than in other LA areas due to the Borough's population demographic, this still applies to a number of placements within our Care homes. Total income for each home is under-pinned by occupancy levels and in previous years many local homes within the Borough have continued to enjoy very high levels of occupancy. However occupancy levels within our local homes have reduced significantly during the Covid 19 pandemic which requires providers to review their existing business models. The FCoC exercise measured occupancy levels within the Borough's homes at around 80% which should provide for income levels which support sustainability.

The enhanced quality scheme within the Borough further supports the financial viability of the sector and has been reviewed alongside the Fair Cost for Care exercise to confirm if the scheme remains fit for purpose. The revised scheme for quality is being implemented within our homes and enabled

providers to be paid enhanced rates for a range of quality standards. All rates including all the quality scheme rates are uplifted by 10.70%.

Domiciliary Care for Older People and adults with a Physical Disability

This service framework supports circa 729 frail, disabled and vulnerable local adults and older people in their own homes with intimate and essential personal care. Examples include getting in and out of bed, dressing, managing nutrition, using the bathroom and mobilising around their home.

The sustainability of the home care market has continued to be under scrutiny recently, given widespread funding pressures and cost constraints. In addition the home care market has seen significant challenges in terms of the recruitment and retention of care sector workforce. All provider organisations, be they private or charitable, need to generate a level of surplus for reinvestment into the business and this has proved hard to achieve for a significant number of providers.

Within BwD we had 9 providers in scope for the FCoC exercise and we received responses from 4 which represents a full response rate of 44% and is considered a good representation of the market given this covered a very high level of the Home care hours commissioned and returns which were broadly consistent.

Information gathered in the FCoC exercise has been reviewed to propose an increase of 13.55% from £17.14 to £19.46 per hour. This proposal is considered sufficient to contract with providers to pay Real Living Wage to carers of £10.90 per hour. All providers will be asked to contract/sign up to paying their staff the Real Living Wage.

Further to this, a supplement of 25% will be applied to this rate for the handful of cases where care is provided within a specified rural location. This is in acknowledgement of additional travel and rota considerations.

Learning Disability Provision within a supported living environment

This service supports adults with a learning disability and/or mental health condition in small group homes or apartments to remain as safe and independent as possible. This is generally provided by a constant 24/7 staff presence or occasionally through outreach support, depending on the needs of the individuals. Most provision within Blackburn with Darwen is contracted mainly through block contracts with some 1:1 support hours. Work will continue with providers on switching to the new model of service which will include review of core, background, 1:1 and sleep in hours.

It is proposed that an uplift of up to 12.5%, capped in line with Domiciliary care providers to £19.46 per hour. This will enable providers to pay Real Living wage with some further consideration for inflation. This brings these providers in line with the current rates of our nearest Local Authority neighbours.

Learning Disability/Mental Health domiciliary care for people living alone or with family/carers:

This service supports adults with a learning disability and/or mental health condition within their own homes to remain as safe and independent as possible. This may include physical, emotional and social support. It is proposed that an uplift of 10.45%, capped in line with Domiciliary care providers at £19.46 per hour will enable providers to pay Real Living wage with some further consideration for inflation. This brings these providers in line with the current rates of our nearest Local Authority neighbour.

Extra Care

This service provides 24hour on-site support for older people in dedicated extra care housing schemes. The current provision for these schemes is subject to a block contract with an independent provider.

In terms of the recent and new extra-care provision at Riverside Heights and Albion Mill, the care contract has been devised on a new model of block and individually commissioned hours tied to the Older People and Physical Disability domiciliary care contract.

The Extra Care schemes that are commissioned on a block contract basis will receive an uplift of 3% being the standard inflationary uplift provided for within the Councils budget, effective from 1st April 2023 and where an uplift has been agreed in the contract. Where 1:1 hours are contracted separately they will remain aligned to the domiciliary care rate proposed above.

Shared Lives

Shared Lives provides family based care and respite for adults with a disability and older people. It is a highly cost effective option with excellent outcomes for the individual, when compared to residential care or supported living. Weekly rates for shared lives care were reviewed in 2018 and three bandings applied. These will be increased in line with the CPI rate of 11.1% and will be reviewed as part of the wider review of Shared Lives services to be undertaken in 2023. An increase of 11.1% is proposed for the day care support hourly rate to bring the hourly rate to £10.48 per hour to keep pace with National Living Wage requirements.

Direct Payments

The purpose of a Direct Payment is to provide service users with choice and control in designing an individualised package of care and support. Currently, direct payment rates and thus the amount paid to the individual are calculated on an individual basis depending on the service the individual chooses to engage, agencies for example have different rates. It is proposed that the Personal Assistant rate is increased by 9.3% to £10.90 in line with the Real Living Wage whilst the agency rates (standard, enhanced and exception) are aligned to the approved Domiciliary rates proposed above.

5. POLICY IMPLICATIONS

The Care Act 2014 requires that local authorities should work towards the long term sustainability of the care market through setting realistic fee rates and understanding the true cost of providing care locally.

The proposed fee uplifts have been set at a level that takes into account current market conditions in Blackburn with Darwen. They incorporate changes to the living wage in addition to other factors such as escalating costs relating to the current economic climate.

6. FINANCIAL IMPLICATIONS

The table below sets out the gross cost of the fee uplifts proposed in this paper using activity as at September 2022 to estimate the overall costs:

	£
Residential & Nursing (inc Intermediate Care)	2,654,767
Domiciliary care	1,351,766
LD/MH and Supported Living	1,569,641
Shared Lives	72,747
Extra Care	106,373
Direct Payments	620,503
Day Care/Other Accommodation	60,482
Total Fee Uplift Cost	6,436,280

The fee uplifts detailed in this paper for our external providers for the 2023/2024 financial year are proposed in order to meet the rising costs associated with increases in the National Living Wage, Real Living Wage, general price increases and look to move towards a fair cost of care and fee rate that addresses the lack of parity of provider rates across the Lancashire and South Cumbria Health and Social Care system.

All these factors have been taken into account alongside the issue of affordability and the 2023/24 provider uplifts have been recommended in line with the commissioning budgets included in the 2023/24 budget, and provision in the Medium Term Finance Plan (MTFP). For 2023/2024 the overall cost of the proposed uplifts is £6.4m and can be contained within the Council's agreed budget for the year.

The proposed rates seek to bring Blackburn with Darwen rates closer to other Local Authority rates within the Lancashire and South Cumbria Integrated Health and Care System.

Any future cost of the provider fee uplifts for 2023/2024 on final completion of contract negotiations will need to be met from within the overall budget for Adult Social Care. A comprehensive range of Demand Management strategies and alternative ways of delivering services remains in situ within the portfolio to contain ongoing financial pressures from increased costs associated with provider fees, demand and demographic change.

The effective date of the 2023/2024 uplifts is specified within the recommendations above in line with the payment periods for the new financial year.

7. LEGAL IMPLICATIONS

Section 5 of the Care Act 2014 requires local authorities to promote the efficient and effective operation of a market in services for meeting care and support needs in their area. This proposal will assist the Council's efforts to ensure that there is a stable market to provide for the care needs of the local community. This includes the need to ensure that providers can remain viable, and can attract and retain staff to provide the care to the required standard.

8. RESOURCE IMPLICATIONS

The resource implications of implementing these proposals will be absorbed by the Strategic Commissioning – People team with regards to contractual changes; and to Finance Team to administer payment changes.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. (*insert EIA attachment*)

10. CONSULTATIONS

Providers have been consulted through provider meetings and discussions with individual organisations. Providers have been written to with details of proposed uplifts and the opportunity to provide feedback on the proposed rates. Feedback has been minimal however most providers felt that the uplifts fall short of meeting the costs of paying staff the Real Living Wage and the additional inflationary burdens expected on insurance premiums, utilities, food and fuel costs. Providers also provided feedback that the rates do not address the disparity between Blackburn with Darwen rates and other Local Authority rates within the Lancashire and South Cumbria Integrated Health and Care System.

Occupancy levels have also dropped significantly since the start of the pandemic with many providers now operating on 80% occupancy and not the 90% pre-covid levels. Some providers that experience lower occupancy levels felt that the fee model should be reflective of this reduction.

Feedback from providers is very clear and the challenges faced by providers is understood and recognised within the Local Authority and across the Health and Social Care system, however any fee increase must be affordable within the financial resources allocated to the Local Authority.

Not all providers of care were in scope for the Government's Fair Cost of Care review and the Council intends to extend this to other areas in the coming financial year. The Council remains committed to working alongside our providers to ensure a care market that provides choice, and quality provision which is sustainable.

Supported living increase will also be applied to night time rates as well as daytime rates, however there is no increase planned for sleep ins until the wider Supported Living model is reviewed.

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	1
-----------------	----------

CONTACT OFFICER:	Zoe Evans, Head of Strategic Commissioning, Finance and Performance
DATE:	
BACKGROUND PAPER:	

