



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Adults Social Care & Health, Executive Member for Finance and Governance
LEAD OFFICERS:	Strategic Director of Adults and Health, Strategic Director of Finance and Resources
DATE:	Thursday, 7 March 2024

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

SUBJECT: Adult Social Care Provider Fee Uplifts for 2024/25

1. EXECUTIVE SUMMARY

Blackburn with Darwen Borough Council commissions support for over 2300 local adults and older people per annum, with eligible social care needs. 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 commissioning budget for these services is currently £66m for 2023/24, and is subject to pressures that have been well documented nationally due to increasing demand for services, increasing acuity of care needs, the impact of increased cost of living, rising energy costs and fair costs for care services including the National and Real living Wage increases. As such the costs of social care provider fee uplifts in 2024/25 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 2024/2025 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 provide some parity of provider rates across the Lancashire and South Cumbria Health and Social Care system. In the last 2-3 years the Local Authority has increased rates to ensure that our previously low starting base compared to near neighbours is no longer the case. The proposed rates for 2024/25 have been benchmarked across the region and the local authority now seek to maintain comparable rates across the system to reduce the risk of providers exiting the market impacting on the local authority's ability to meet its statutory duties.

In 2022/23 Local Authorities were required to undertake a Fair Cost of Care (FCoC) exercise as part of the implementation of Social Care Reforms and were allocated Market Sustainability and Fair Funding Grant to ensure that this work could be undertaken. During the course of 2022/23 and 2023/24 the Local Authority has reported on and published, where required, all the relevant plans and grant spending returns for care market management including FCoC outcomes, Market Position Statement and Market Sustainability Plans and utilisation of Market Sustainability and Improvement Funds (MSIF)

Whilst some of the initial social care reforms have been delayed by central government, the MSIF funding has continued into 2023/24 with an expectation that the local authority will provide a Market Sustainability Plan and increase provider rates to 'move towards' paying a fair cost of care.

The primary focus of the MSIF for 2023/24 was to support local authorities to make tangible improvements to ASC services in their area, in particular to build capacity and improve market sustainability. As such the funding must be utilised to demonstrate improvements in one or more of the following areas:

- Increasing fees rates paid to ASC providers in local areas
- Increasing ASC workforce capacity and retention
- Reducing ASC waiting times

The Government also allocated further MSIF funds during the course of 23/24 financial year (Sept 23) to be spent in full before the close of 2023/24 financial year, again focused on improving in the 3 key areas: Provider fees, Workforce Capacity and Waiting times. As such the 2023/24 MSIF allocations for BwD have been utilised, predominantly to improve provider fees, informed by local intelligence from the FCoC outcome and Market sustainability plans.

In the Budget settlement for 2024/25 the Government have allocated further MSIF funds for the same purpose and this has been included within the Medium Term financial plan alongside further provision for the increased costs of provider uplifts.

All these factors have been taken into account alongside the issue of affordability and the 2024/25 provider uplifts have been recommended in line with the current Medium Term Financial Plan detailed at Finance Council on 26th February 2024.

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 **8.48%** effective from 1 April 2024.
- A revised schedule of rates relating to the Residential and Nursing Care Quality Assurance scheme including a minimum fee increase of 8.48% as above.
- Older People and Physical Disability Domiciliary Care, framework fee increase of **10.1%** from **£19.46** to **£21.44** per hour in line with the Real Living Wage increase, effective from 1 April 2024.
- Shared Lives, day support fee increase of **8.4%** in line with the National Living Wage increase effective from 1 April 2024.
- Shared Lives, weekly banding fee increase of **8.4%** in line with National Living Wage increase effective from 1st April 2023.
- LD Supported Living Providers, fee increase of **10.1%** in line with Real living wage increase and equivalent to the hourly rate of domiciliary homecare providers. This represents an increase to **£21.44** per hour effective from 1st April 2024.
- Direct Payments, Personal Assistant, fee increase of **10.1%** to **£12.00** per hour in line with the Real Living Wage increases.
- Direct Payments - it is proposed to revise the existing direct payment agency rates (standard, enhanced and exception), in line with Domiciliary rates proposed above.

2) Further approves that:

- Supporting People and other specialist services commissioned on block contracts are increased by 4.7% in line with Consumer Price Index (CPI)

3) Further approves that:

- The Extra Care schemes that are commissioned on a block contract basis will receive an uplift of **8.6%** to support providers to pay at NLW effective from 1 April 2024 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 **£21.44**.

3. BACKGROUND

The Finance Council meeting of 26th February 2024 confirms the Medium Term Financial Strategy and funding available in 2024/25. The increased budget for Adult Social Care detailed within the Councils 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 2024/2025, applicable from 1st April 2024.

The FCoC exercise, Market Sustainability plans and benchmarking which have been undertaken during the last two years 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.

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 rates are unaffordable within the Council's existing resources.

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 calculation
- other challenges within our local market
- and wider economic factors
- benchmarking of care provider fees within the L&SC Health and Social care system

A key factor in determining the fees rates for providers are workforce costs. The National Living Wage announcements include an increase of **9.8%**, with effect from 1st April 2024 (for workers aged 21 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 £11.44 in 2024/2025, an increase of 9.8% on the previous year, and the increase for Real Living Wage at **10.1%** to £12.00 per hour, 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 and in 2023/24 moved towards meeting the additional cost of the Real Living Wage for significant parts of the sector. However, given the challenges providers face across the country to

recruit, retain and invest in the social care workforce, the Councils fee setting process for 2024/25 will also consider contracting and enforcing specific areas of commissioned providers to pay carers at the Real Living Wage.

The commissioning budgets included in the 2024/25 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 & RISKS

Residential and Nursing Care

Local Authorities are required to set sustainable rates for the care they commission. Within BwD we have 34 residential/nursing care providers. 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 and taking into account the 23/24 uplift we propose an increase of 8.48% effective from 1st April 2024.

This proposal provides inflationary uplifts of 10.1% to the pay element of the fee to enable providers to pay their staff the real living wage minimum of £12.00 per hour, with further inflationary increases on food and utilities of 4.7%. Overall, this represents an 8.48% increase to the weekly fee for residential and nursing providers. It will be a requirement for providers of Residential and Nursing care to pay care staff at the RLW from 2024/25 in order to receive the payment rates agreed, and all providers will be asked to sign up to paying their staff the RLW. The Council will consider the required changes to contracting arrangements, and subsequent implementation and enforcement of terms for providers to pay carers at the real living wage during 2024/25.

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 tops 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. Whilst occupancy levels within our local homes reduced significantly during the Covid 19 pandemic which required providers to review their existing business models, current occupancy levels are in the region of 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 provider uplifts for 2024/25. The council will continue to monitor the quality of our care homes in line with the quality assurance framework however the council proposes to implement a revised fee structure to reduce the number of different rates within the scheme thereby reducing the administrative burden and uncertainty of fluctuating rates for providers based on periodic assessment of quality.

We will continue to monitor quality using the quality assurance framework however the payment structure has been simplified to reduce the number of different rates within the scheme. All rates have been reviewed to ensure that no one provider receives an uplift on existing weekly rate which is less than the overall 8.48% agreed for this sector. For example: a Residential provider on the Enhanced QAS rate of £649.83 per week would have received £704.94 per week with standard uplift applied. Under the new scheme they would receive the Residential Standard rate at £710.30 per week.

The new rates also bring our payment structure closer to our nearest neighbours and those operated within the L&SC system. New rates will be effective from 1st April 2024 and are detailed below:

	2023/24 Rate £ pw		2023/24 NEW bandings	2024/25 Rate @11.55%
Res non QAS	545.36			
Residential QAS	623.67			
Res enhanced QAS	649.83	Residential Standard	636.75	710.30
Res QAS dementia	660.07			
Res enhanced QAS dementia	687.74	Residential with Dementia	673.90	751.74
Nursing non QAS	600.11			
Nursing QAS	670.30			
Nursing enhanced QAS	709.18	Nursing Standard	689.74	769.40
Dementia nursing QAS	705.96			
Dementia nursing enhanced QAS	747.07	Nursing with Dementia	726.51	810.43

Domiciliary Care for Older People and adults with a Physical Disability

This service framework supports circa 930 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.

The new framework for Domiciliary Care has been in full operation during 2023/24 and includes 12 providers on both Tier 1 and Tier 2.

The FCoC outcome for homecare was £19.46 per hour and this rate was agreed for 23/24 with the intention for providers to be contracted to implement the real living wage. Whilst the contract has not yet been revised the requirement to pay staff RLW has been agreed and remains. As such the proposed rate increase is based on an increase for RLW of 10.1%. This proposal represents an overall fee increase of 10.15% from £19.46 to £21.44 (10.1% rounded to be divisible by 2) per hour effective from 1st April 2024.

This proposal is considered sufficient to contract with providers to pay real living wage to carers of £12.00 per hour. It will be a requirement for providers of Domiciliary Care to pay care staff at the RLW from 2024/25 in order to receive the payment rates agreed and all providers will be asked to sign up to paying their staff the RLW. The Council will consider the required changes to contracting arrangements, and subsequent implementation and enforcement of terms for providers to pay carers at the Real Living Wage during 2024/25.

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 is continuing with providers on switching to a 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 10.1%, capped in line with Domiciliary care providers to £21.44 per hour is agreed. 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 10.1%, capped in line with Domiciliary care providers at £21.44 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 arrangement with an independent provider. Extra Care block contracts are also the subject of a fundamental review and will be retendered during the course of the year, subject of a separate report to the Executive Board.

It is proposed that the Extra Care schemes that are commissioned on a block contract basis will receive an uplift of 8.60% on the contracted rate. This recognises the RLW increase and the fixed location of Extra Care provision as opposed to Dom Care agencies who manage travel costs within their fee, (so equivalent to 85% of the RLW) effective from 1 April 2024, 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 £21.44.

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 National Living Wage increase of 8.4% and will be further considered as part of the wider review of Shared Lives services to be undertaken in 2024. An increase of 8.4% is proposed for the day care support hourly rate to bring the hourly rate to £11.44 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 10.1% to £12.00 in line with the Real Living Wage whilst the agency rates (standard, enhanced and exception) are aligned to the approved Domiciliary rates proposed above.

In addition to the weekly Direct Payment the Council provides separate further consideration for the cost of PA annual leave, payroll, pension and redundancy costs etc. These are separate elements and commissioned and paid on an adhoc basis, as required.

Direct Payment respite provision remains unchanged, pending a full review to be undertaken in 2024/25

Supporting People

Supporting People and other specialist services which are commissioned on block contracts attract and increase of 4.7% in line with inflation and based on the Consumer Price Index (CPI) as at October 2023. These providers are block contracted by the LA to provide a range of services to support vulnerable people in the Borough and will be subject to full review during 24/25.

Day Care Services

Proposed fee increase of 4.7% in line with the October 2023 CPI rate.

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 October 2023 to estimate the overall costs:

	Proposed Increase	Budget	Additional Cost
	%	£	£
Residential & Nursing (inc Intermediate Care)	8.48%	17,294,001	1,466,531
Residential & Nursing - QAS Review	11.55%	12,144,110	1,452,874
Domiciliary care	10.15%	11,807,251	1,198,436
Supported Living	10.15%	13,309,273	1,350,891
Shared Lives	8.40%	805,976	67,702
Learning Disability accommodation based (SL)	9.80%	60,002	5,880
Supporting People & Specialist Commissions	4.70%	1,267,150	59,556
Extra Care	8.60%	3,233,167	278,052

Direct payment	10.10%	6,510,929	657,604
Day Care	4.70%	539,083	25,337
Total Fee Uplift Cost		66,970,941	6,562,864

The fee uplifts detailed in this paper for our external providers for the 2024/2025 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 rates that are comparable to 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 2024/25 provider uplifts have been recommended in line with the commissioning budgets included in the 2024/25 budget, and provision in the Medium Term Finance Plan (MTFP). For 2024/2025 the overall cost of the proposed uplifts is £6.6m

The proposed rates seeks 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 2024/2025 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 2024/2025 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.

To the extent that the contracts are covered by the Public Contracts Regulations 2015 these modifications would be permitted by regulation 72(1) either under paragraph a) with a specific review clause or paragraph e) as they are not substantial as defined in the regulations.

8. RESOURCE IMPLICATIONS

The resource implications of implementing these proposals will be absorbed by the Strategic Commissioning team with regards to contractual changes; and the 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 some 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.

Whilst occupancy levels have increased in the last year following the pandemic with many providers now operating on 80% occupancy, some providers feel that this level of occupancy does not provide financial stability and they would seek to return to pre-covid levels exceeding 90% however the care market is changing and individuals have a preference for 'care at home'. Some providers that experience lower occupancy levels feel that the fee model should be reflective of reduced occupancy.

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.

The Council remain 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
DATE:	26th February 2024
BACKGROUND PAPER:	