

From: Richard Smith, Corporate Director Adult Social Care and Health

To: Clair Bell, Cabinet Member for Adult Social Care and Public Health

Subject: **Fee Uplifts for Adult Social Care Providers for 2023/2024**

Key decision: **23/00029**

Classification: Unrestricted

Past Pathway of report:

Future Pathway of report: Adult Social Care Cabinet Committee – 15 March 2023

Electoral Division: All

Summary: This report sets out the proposed approach for fee uplifts for Adult Social Providers for 2023/2024.

Recommendation(s): The Cabinet Member for Adult Social Care and Public Health is asked to:

- a) **APPROVE** the fee uplifts for Adult Social Care Providers for 2023/2024; and
- b) **DELEGATE** authority to the Corporate Director Adult Social Care and Health to take relevant actions within the overall budget allocation, including any changes to the percentage rates, as necessary to implement the decision.

1. Introduction

- 1.1 This report sets out the planned approach to uplifting fees paid to care providers delivering Adult Social Care services, for 2023/2024. It is proposed that, in a departure from past practice in recent years, differing standard percentage uplifts are applied to specified framework contracts according to the services provided. Additionally, where more appropriate to the service, an agreed percentage “pot” is allocated to award price uplifts as required and evidenced by individual providers. Appendix 1 provides further detail on the rationale for this approach.
- 1.2 The fee uplifts need to be finalised by 3 March 2023 to enable them to be applied to the Council’s Adult Social Care case management system in time for providers to be able to submit invoices for the revised rates from April 2023.
- 1.3 In order to apply the required systems changes, the decision could not reasonably be deferred to the next meeting of the Adult Social Care Cabinet Committee. The decision will be reported in retrospect to the committee meeting on 15 March 2023.

2. Background

- 2.1 In previous years during and since the COVID Pandemic, practice has been to increase provider fees across services at a standard, blanket, percentage rate, in accordance with stipulations in the contracts, either relating to average changes in the CPI (Consumer Price Index) or other review clauses.
- 2.2 Due to the various pressures facing the sector, this year we are proposing to depart from flat rate percentage approach in favour of a variable percentage in line with the budget availability and the Adult Social Care Making a Difference Every Day approach. Leads from Commissioning and Finance have scoped the impact of each service, applying the percentage award to fees based on contractual requirements.
- 2.3 The Homecare sector has the greatest current issues with supply and cost control owing to market pressures specific to it. This has led to an increasing reliance on non-contractual spend, with 45% of homecare packages purchased off contract in January 2023 compared to 18% at the beginning of the 2021/22 financial year.
- 2.4 Conversely, failing to increase fees for framework providers sufficiently leads to a reduction in framework capacity and supply, an increasing reliance on non-framework provision, and significantly increased costs. To a lesser extent, there have been similar impacts on the Older Person's residential and nursing care market. It is therefore proposed to apply differing standard percentage rates to different services to ensure markets are managed appropriately. The rates calculated, and the cost implications, are set out in Table 1.
- 2.5 The decision supports Priority 4 of the Council's Framing Kent's Future, to ensure the sufficiency of the market of social care in Kent, and work with providers to address the supply issues in certain parts of the county where geographic or workforce challenges impact on provision".

3. Market Sustainability and Improvement Fund

- 3.1 The additional differential element of the prices provision (the element above 5%) proposed for the Older People's Residential and Nursing and Homecare Contracts is to be funded from the new ringfenced grant - Market Sustainability and Improvement Fund (MISF). Although the full grant conditions are still to be published, an explanatory note has recently been issued by the Department of Health and Social Care (DHSC).
- 3.2 The purpose of the grant is described as follows:

This contributes to our fundamental objectives of increasing capacity within the adult social care sector across different types of care and contributing to the reduction of delayed discharges. Local authorities will have flexibility to use the MSIF to drive improvements across a range of priority areas, to best address local sustainability and improvement needs. These are:

- Increasing adult social care capacity
- Reducing waiting times
- Increasing workforce capacity and retention
- Increasing fee rates to close the cost of care gap in an area.

3.3 In light of the recent explanatory note from the DHSC this has allowed us to reconsider the apportionment of the MIS, but does not alter the overall proposed growth allocations for demographic and price provisions agreed in the budget at County Council on 9 February 2023. It is therefore now proposed to use £4,184k of the overall grant funding of £10,274k for the prices allocation and in particular to meet the objective of increasing fee rates in accordance with the criteria of the grant. The remaining amount of £5,938k will fund a proportion of the demographic growth.

4. Other Options Considered and Discarded

4.1 There were three options identified as to how fee uplifts could be managed this year:

- **Apply standard percentage uplift across all service provisions:** this was discarded as it would not allow sufficient funding to be allocated to homecare provision to address the specific market pressures highlighted above, so that off-contract spend can be controlled in an effort to reduce overall costs.
- **Apply no uplifts across all services:** this was also discarded as market pressures and inflationary costs are already impacting on providers.
- **Apply differing standard percentage uplifts applied to specified framework contracts according to the services provided.** Where more appropriate to the service, an agreed percentage “pot” is allocated to award price uplifts as required and evidenced by individual providers. Providers on individual contract would receive no automatic uplift, although funding would be available to consider increases where sufficient evidence as to costs and financial viability are provided. This is the proposed option.

4. Financial Implications

4.1 Table 1 below shows the percentages, proposed as a proportion of the overall budget provision of £30,635k, of which £26,204k is funded from base funding and £4,431k is funded from the Market Sustainability and Improvement Fund. It should be noted that the grant is not guaranteed in future years so there will be a budget pressure created if this is not repeated.

4.2 The first section represents those services where a standard percentage uprate will be provided to all framework providers. Providers within both these and other services, on individual (non-framework/INDI contracts) will receive no automatic uprate to their fees although, additional funding is available for individual price negotiations. Allocation of this funding will be governed by the

development of a standard approval process based on the financial viability and benchmarking of the provision in question.

- 4.3 The exception to this is Equipment provision for which provision has been made based on 5% of the net equipment forecast and included as part of the Provision for Other Price Negotiations.

Table 1 – Price Uplift – Budget Impact 2023/2024

| <u>Proposed Allocations to Framework Providers</u> | <u>%</u> | <u>KCC</u> | <u>Mkt Sus & Imp Fund</u> | <u>Total</u> |
|--|-----------|-----------------|-------------------------------|-----------------|
| | | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| - | | - | - | - |
| Homecare/Care and Support in the Home (CSiH) | 10% | 1,421.6 | 1,421.6 | 2,843.2 |
| Older Persons (OP) Residential | 7% | 3,600.4 | 1,440.1 | 5,040.5 |
| Older Persons (OP) Nursing | 7% | 1,558.8 | 623.5 | 2,182.3 |
| Learning Disability, Physical Disability, Mental Health (LDPDMH) Residential | 6% | 5,618.8 | | 5,618.8 |
| ** Supporting Independence Service (SIS) / Supported Living | 6% | 5,465.4 | | 5,465.4 |
| Supported Accommodation | 6% | 234.4 | | 234.4 |
| | | | | |
| Total - Direct Allocation to Framework Providers | | 17,899.4 | 3,485.2 | 21,384.6 |
| | | | | |
| Provision for Other Price Negotiations | | 5,938.4 | | 5,938.4 |
| | | | | |
| Direct Payments Provision | 7% | 2,365.8 | 946.2 | 3,312.1 |
| | | | | |
| | | | | |
| Total | | 26,203.6 | 4,431.4 | 30,635.1 |

** It should be noted that a combination of policy and contractual stipulations mean that, whilst the general uprate for Supported Living (SL) and Supporting Independence Services (SIS) payments is 6%, payments for sleep night support need to be increased by 9.68% to maintain parity with the National Living Wage set amounts for this year. The funding implication has been costed and accounted for within the financial provision available, and these elements will be uprated individually.

5. Legal implications

- 5.1 There have been no legal implications identified as it is for local authorities to set their own prices in the light of current market activity and status. Given current economic circumstances, this is a significant price rise compared to previous years, however other Councils are enacting similar, or higher, increases, in recognition of the unprecedented pressures affecting the sector.

6. Equalities implications

- 6.1 An Equalities Impact Assessment (EQIA) has been completed and is attached as Appendix 2. This is a live document and will continue to be updated as required, but the EQIA outlines how certain client groups will be impacted by the decision, where the full cost of the care is paid, or where the assessed contribution is greater than the full cost. It also sets out the mitigating factors in these instances.

7. Data Protection Implications

- 7.1 A Data Protection Impact Assessment is not required as there are no material changes to the way in which personal data is handled, nor the way in which it is used. Similarly, this work does not involve data profiling or changes to the way in which special category data is handled.

8. Other corporate implications

- 8.1 Some of the services referred to within this report are also provided to transition age clients – those aged between 18-25 – which are overseen by the Children Young People and Education (CYPE) Directorate. The proposed price uplifts will apply to all adults over the age of 18.

9. Conclusions

- 9.1 Unprecedented pressures on Adult Social Care providers, in the context of a Consumer Price Index running at 10.5% in the twelve months to December 2022, warrants a substantial increase. Even at the levels proposed, the reality of increases faced by the sector may not be fully covered; however, data shows that the market for some services is under comparatively greater pressure. In such instances, failing to apply a higher, exceptional, increase to framework providers will only further serve to exacerbate the market forces driving a greater reliance on individual contract provision at greater cost.
- 9.2 In light of the extraordinary market conditions and the challenges facing care providers, the Council has allocated as much of an increase it is able to afford given the extremely challenging financial situation the Council is facing..
- 9.3 The fee uplifts need to be finalised by 3 March 2023 to enable them to be applied to the Council's Adult Social Care case management system in time for providers to be able to submit invoices for the revised rates from April 2023.
- 9.4 In order to apply the required systems changes, the decision could not reasonably be deferred to the next meeting of the Adult Social Care Cabinet Committee. The decision will be reported in retrospect to the committee meeting on 15 March 2023.

10. Recommendations

10.1 Recommendations: The Cabinet Member for Adult Social Care and Public Health is asked to:

- a) **APPROVE** the fee uplifts for Adult Social Care Providers for 2023/2024; and:
- b) **DELEGATE** authority to the Corporate Director Adult Social Care and Health to take relevant actions, within the overall budget allocation, including any changes to the percentage rates, as necessary to implement the decision.

11. Background Documents

Budget Meeting, County Council – Thursday 9 February 2023

<https://democracy.kent.gov.uk/documents/s116380/Council%20Covering%20Report%202023-24%20Budget.pdf>

12. Relevant Officer

Simon Mitchell
Interim Head of Adults Commissioning
03000 417156
Simon.Mitchell@kent.gov.uk

Relevant Director

Richard Smith
Corporate Director, Adult Social Care and Health
03000 416838
Richard.Smith3@kent.gov.uk