

**ANNUAL RESIDENTIAL/NURSING, HOME CARE AND OTHER
CARE MANAGEMENT SERVICES FEE SETTING 2021/2022**

Report of Deputy Chief Executive (Section 151 Officer) & Interim Director Health and
Adult Social Care (DASS)

1. Introduction and Purpose of the Report

- 1.1 This report outlines the 2021/22 fee setting recommendations for the most significant areas of externally commissioned services within Adult Social Care.

The following services are included within the scope of this report:

- Residential and Nursing Care Homes
- Homecare provision offered within an individual's home
- Day Care services
- Learning Disability Services
- Other Non-residential care management services

- 1.2 As a result of the COVID-19 pandemic the local adult social care sector in Stockport has experienced an extremely challenging year which has included unprecedented financial challenges in 2020/21. The requirement for increased Personal Protective Equipment (PPE), increased staffing levels and physical changes to care homes to facilitate safe visiting, alongside reduced volumes have meant that providers have required substantial financial support. Some support has been made available through one-off government allocations to local authorities but the pressure on providers has been substantial and this financial pressure is likely to continue as vaccines are being rolled out to vulnerable groups.

- 1.3 The report is designed to be considered in the context of budget setting proposals and describes the recommended fee increase for 2021/22. This will allow for implementation at the start of the financial year and will provide financial certainty to the market, supporting care providers with their cash flow, as well as supporting the process for assessment of client contributions. It will also prevent internal inefficiency caused by the need to make back payments as well as conforming to good commissioning, procurement practices and will meet both policy and legislative requirements.

2. Background

- 2.1 The Care Act requires local authorities to help develop a market that delivers a wide range of sustainable high-quality care and support services that will be available to their communities. It requires local authorities to pay a fair price for care for efficient and effective providers. Local authorities are required to pay a fee level that ensures providers are able to meet their statutory responsibilities, for example, national minimum wage. At the same time local authorities must

ensure that the services commissioned are cost effective and offer value for money. When buying and arranging services, local authorities must consider how they might affect an individual's wellbeing. There are risks for the Council and its partners in failing to sustain an appropriate choice of provision at the required quality.

- 2.2 The external market for care and support is of fundamental importance to the local health and social care system for those that require care and support. This provision is key to supporting an individual to maintain their independence and quality of life in the most appropriate setting that suits their needs.

A key driver for supporting the external market is its ability to reduce the number of hospital admissions and respond appropriately to hospital discharges as well as meeting our statutory responsibilities. This has been a particular focus for commissioners in the current financial year during the impact of the COVID-19 pandemic. The Council has worked together with the local Foundation Trust and the CCG to review and improve the responsiveness of the discharge to assess (D2A) process.

As a result of the COVID-19 pandemic, like other areas across the Country the external care market in Stockport faces challenges with respect to sustainability and capacity. Prior to the pandemic, in February 2020, the care home occupancy across Stockport was 97%, that figure is 89% in January 2021. Analysis indicates that this is primarily a reduction within the element of the market in Stockport that is primarily aimed at those funding their own care.

- 2.3 Stockport continues to work to understand the local care market; and to support and develop it accordingly. Stockport is in an advanced position with respect to understanding and managing its care market. A risk and sustainability tool has been developed to provide an early warning system to identify risks associated with sustainability and provider failure. This is a key mechanism to understanding and managing the market here.

There is good support to our provider market as needed, in order to secure continuity of care, including promoting the financial support available. We have ensured Infection Control Fund monies have been distributed promptly and equitably throughout the adult social care provider market in Stockport.

- 2.4 Following on from the significant investment made in uplifting fees across residential and nursing homes in 2019/20 and the changes in demand and occupancy in Stockport, there has been an improvement in the availability of provision within the local area. However, there continue to be challenges in securing affordable provision within the Borough.

- 2.5 The main difficulty cited by providers continues to be the recruitment and retention of a suitable care workforce. This shortage also applies to registered managers but more acutely, qualified nursing staff which has been exacerbated by increasing demand for nurses through the COVID-19 pandemic. Whilst this is a national challenge, providers have also consistently noted that recruitment difficulties are more acute in Stockport due to the demography of the area.

- 2.6 The backing offered by commissioners through quality support and guidance alongside financial investment in the Stockport market for adult social care has continued to impact positively on the quality of provision available to residents. The proportion of care home beds in the Borough rated as Good or Outstanding by Care Quality Commission (CQC) is 87% of premises that have been inspected. This is the 3rd highest level for authorities across Greater Manchester. The CQC have changed their approach to delivering inspections as a result of the COVID-19 pandemic and are targeting providers where concerns have been raised in the reduced number of inspections that are taking place. In terms of domiciliary support the substantial quality improvements in provision across Stockport have been maintained with 97% of providers rated as good or outstanding, which is the same figure as January 2020.
- 2.7 Through the ongoing development of the Ethical Framework and investing in home support the Council has enabled more people to continue to live in their own communities with domiciliary support. Stockport Council has continued to drive down the time taken for people to receive support in their own home following the decision that the support is needed. The COVID-19 pandemic has had a limited impact on the demand for new packages of support for people living in their own homes, with numbers of people and hours provided remaining stable at over 16,000 hours of planned provision per week in the Borough.
- 2.8 The Council has consolidated the implementation of the 'Home First' approach which has been adopted as part of the new operating model across Adult Social Care. As anticipated, the demand and level of complexity of support required in the community has increased and is likely to continue to do so. Through the implementation of the Operating Model, Adult Social Care is helping the people of Stockport live their best lives possible through promoting independence within our communities, working with our partners and empowering our staff to use an asset-based approach to provide high quality support for residents that is appropriate for their level of need.
- 2.9 Under the Care Act 2014, local authorities are required to facilitate a vibrant, diverse and sustainable market for high quality care. In line with these requirements and the Council's commissioning approach the Ethical Framework for Home Support now accounts for over 90% of the support provided in Stockport.
- 2.10 The Council provides support to 855 people with learning disabilities. The Council supports over 300 people in their own tenancies. With an additional 115 supported tenancies ranging from individual apartments to large shared houses. There are also people who have their own places and receive domiciliary support akin to the support an older person might receive to help with personal care and daily living requirements. A small proportion of people receive specialist residential services to meet their needs.
- 2.11 Providers of learning disability services are facing very similar pressures to those experienced by other providers around recruitment and retention. The needs of people with learning disabilities coming through into adult services are continuing to increase in complexity, which leads to increasing challenges within commissioning and provision.

- 2.12 With respect to day services, the Council directly commissions services with eight providers on the day services framework and a smaller number of providers who offer specialist day services. The day service providers on the framework are mainly focused on delivering support to older people and people with a learning disability, of whom around 400 currently receive a service. These providers offer a diverse range of services, which are available on weekdays and evenings and some services operate at weekends. These services are community based, operating either from a centre or through a structured activity format at different venues across the borough.
- 2.13 Day services have been impacted significantly through the COVID-19 pandemic, with providers being limited in their capacity by social distancing guidance. Financial and other support has been offered to day service providers through 2020/21 in connection with these challenges with the aim of ensuring that providers are able to continue to support as many people as possible through the impact of the pandemic as well as being able to restart their previous level of provision once circumstances allow.

3. Financial Context

- 3.1 The local adult social care sector has experienced unprecedented financial challenges in 2020/21 due to Covid-19. This has been recognised via increasing costs and reduced income across bed based and community based provision.
- 3.2 The Council has responded to these financial challenges to supporting local adult social care providers through a number of schemes which focuses on financial support for the entirety of the local care market rather than just supporting providers with additional financial costs / reduced levels of income for clients who are in receipt of services from Adult Social Care.
- 3.3 The financial package the Council is offering to support care providers during Covid-19 in 2020/21 includes £6m of Infection Control Funding (ICF), predominantly supporting external care home and community care providers through a combination of funding passported to providers, alongside a financial reclaim process into the ASC COVID-19 funding panel, aligned to the national grant conditions.
- 3.4 In addition to this, further temporary financial support from the Council has been established through:
- An offer of occupancy protection to support the continued financial viability of local care home providers who have been more significantly impacted by Covid-19.
 - Additional financial support to local bed based and community care providers for additional costs due to Covid-19, which could not be met through ICF allocations.
 - Supporting homecare providers up to planned levels of care where they were unable to attend a visit due to Covid-19.

- Supporting Day Care providers up to planned levels of care and from November 2020 through an attendance protection model. This is to ensure the financial sustainability of the local market where levels of attendance have been significantly impacted due to the national guidelines associated with Covid-19 and the subsequent ability for providers to accept clients back into provision.

This temporary funding is in addition to the more standard commissioning of services for clients who continue to be in receipt of bed based and community based services.

- 3.5 Alongside these commitments the wider financial scarring impact of Covid-19 on the Council should be highlighted which has significantly impacted on a wide range of Council services, through increased expenditure and reduced levels of income. This is being reported through the Councils Medium Term Financial Plan (MTFP) updates and budget setting papers.

4. National Context

- 4.1 Recent announcements from Central Government aligned to the National Living Wage and Real Living Wage / UK Living Wage are set out in the table below:

Description	20/21 (Per Hour)	21/22 (Per Hour)	Increase (£)	Increase (%)
National Living Wage	£8.72	£8.91	0.19	2.2
Real Living Wage	£9.30	£9.50	0.20	2.2

- 4.2 These uplifts form an important consideration aligned to fee setting, to continue to support the Adult Social Care market to deliver high quality, cost effective care. The Consumer Price Index (CPI) at Q2 2020/21 was 0.5%.
- 4.3 These national rate increases continue to be in the context of additional funding into Adult Social Care being on a more non recurrent basis through for example Adult Social Care grants, which provides greater financial uncertainty to the Council when preparing recurrent fee setting increases. In addition the planned three year funding settlement for Local Authorities has been reduced to a one year settlement, which creates further financial risks and challenges aligned to recurrent investment.

5. Residential and Nursing Care

- 5.1 Local providers have experienced significant financial pressures through additional costs and reduced levels of income due to Covid-19, which the Council has responded to as highlighted above. This includes for example additional insurance premiums, food costs and staff costs to minimise staff movement within and between homes to reduce the risk of spread of infection.
- 5.2 There continues to be a challenge due to local market conditions to secure beds at the Councils ceiling rate prices. Transparency aligned to vacancy management and commissioned bed rates with Providers continues to be embedded in operational processes alongside future demand modelling, in part aligned to the

ongoing work of client reassessments impacted by the Hospital Discharge Programme.

- 5.3 Recent benchmarking on current 2020/21 ceiling rates within the North West region continues to place Stockport within the top two Authorities for current ceiling rates within more complex Residential Care provision and all Nursing provision.
- 5.4 Additional investment to support the local care home sector needs to be considered from within additional recurrent funding via ceiling rate increases due to inflation and more permanent financial impacts due to Covid-19 on care home settings and non recurrent funding aligned to any residual Covid-19 related costs in financial year 2021/22.
- 5.5 A further consideration is the level of activity at April 2021 to use as a baseline to extrapolate the cost of the additional investment. This is more challenging for 2021/22 fee setting due to the impact of Covid-19 and the Hospital Discharge Programme, where from the 19th March 2020 a significant number of temporary placements aligned to discharge from Hospital have been commissioned by Stockport CCG, following national guidance. A programme of work is taking place to complete health and social care assessments to review clients within these temporary placements and to commission services aligned to individuals longer term needs.
- 5.6 The indicative annual cost of the proposed uplift is £0.802m, which equates to on average a 4% increase to ceiling rate beds and a 2.2% increase to beds which already include an enhanced rate, aligned to RLW increases. The analysis underpinning the ceiling rate increases are set out below:
- Care staff hourly wages increased from £9.30 to £9.50, in line with recently announced RLW increases;
 - Non care staff hourly rates increased from £8.72 to £8.91, in line with the recently announced NLW increases;
 - An increase of 4% to the number of direct care hours included within the cost of care calculations;
 - Non staffing costs increased by 4%, significantly above the Consumer Price Index (CPI) rate of increase of 0.5%.

The table below illustrates the proposed increase:

Service Type	Per Week			
	20/21 (£)	Uplift (£)	Uplift (%)	21/22 (£)
Standard Residential	530	21	4.0	551
Residential EMI	627	25	4.0	652
Standard Nursing	646	25	3.9	671
Nursing EMI	662	26	3.9	688

*No ensuite - £14 reduction, if also a shared room £64 reduction.

**In addition to the rates above Nursing Care providers also receive Funded Nursing Care (FNC), the current standard 2020/21 weekly rate is £183.92, which represents a significant inflationary increase from the initial 2019/20 FNC rate. It is anticipated there will be a further FNC increase for 2021/22, which is to be confirmed.

5.7 Alongside the proposed recurrent ceiling rate increases is for non recurrent funding in 2021/22 to be earmarked to support with predominantly non recurrent Covid-19 additional financial commitments, to manage the financial scarring impact of Covid-19. Claim submissions will continue to be managed through the ASC Covid-19 funding panel.

6. Homecare

6.1 There has also been a financial impact of Covid-19 on homecare services, due to planned visits that could not be fulfilled due to Covid-19 and additional costs including for example PPE. Financial support has been provided by the Council to mitigate these additional commitments.

6.2 Forecasting 21/22 baseline activity of hours of commissioned homecare is more challenging for fee setting, while work continues to recommission services through the HDP.

6.3 The proposed uplift of the Homecare hourly rate is aligned to the Real Living Wage increase and more longer term financial impacts to front line and back office functions, alongside additional non pay commitments, attributable to Covid-19. The proposed uplift is 3% with an indicative annual cost of £0.385m.

The table below illustrates the proposed increases:

Service Type	Per Hour			
	20/21 (£)	Uplift (£)	Uplift (%)	21/22 (£)
Homecare Standard Rate	16.68	0.48	2.9	17.16
Homecare Ethical Rate	17.56	0.52	3.0	18.08

6.4 Further to this proposed recurrent increase and aligned to the Residential and Nursing Care proposals, would be consideration for non recurrent funding earmarked in 2021/22 to support with predominantly non recurrent Covid-19 additional financial commitments, to manage the financial scarring impact of Covid-19. Again this would be managed through the ASC Covid-19 funding panel from non-recurrent funding

7. Other Care Management Services

7.1 Services include: Learning Disabilities and Physical Disabilities Residential and Nursing Care, Individual Service Funds, Day Services, Learning Disabilities Outsourced Tenancies, Mental Health Residential and Nursing Care and Non Residential Care services and Extra Care Housing, Direct Payments (Council commissioned services).

- 7.2 A blended approach has been applied as a partial basis for fee setting based on the proportionate contract rates aligned to pay and non-pay elements of service contracts.
- 7.3 The pay element has been calculated using the 21/22 NLW rate of £8.91 per hour, an increase of £0.19p from the £8.72 rate for 20/21. Taking into consideration the impact on National Insurance and Superannuation the overall increase is 2.2% for the pay element. A non-pay uplift of 0.5% has been applied in line with Q2 20/21 Consumer Price Index (CPI).
- 7.4 The blended percentage increase based on pay and non-pay is 1.6%. In addition to the baseline increase is recognition of additional staffing and non-pay costs due to Covid-19 through for example additional staffing costs to minimise the risk of spread of infection. There is also recognition of supporting providers who continue to progress towards a minimum hourly rate aligned to Real Living Wage.
- 7.5 On this basis the average increase on overall contract values is 3.5%. The indicative financial impact of this is being prepared based on anticipated contract values. Initial calculations based on 2021/22 fee setting analysis, would equate to an increased cost of between £1.4m - £1.6m.
- 7.6 In addition would be non-recurrent funding to support with more non-recurrent financial scarring impacts of Covid-19 on care management providers. This would be managed through reclaims into the ASC Covid-19 funding panel.

8. Personal Assistant (PA) rates

- 8.1 Baseline PA rates were increased to £11.00 including oncosts in 2020/21 aligned to NLW increases. Given the increase announced in NLW, the proposed baseline rate for 2021/22 is £11.23 as set out in the table below.

Service Type	Per Hour			21/22 (£)
	20/21 (£)	Uplift (£)	Uplift (%)	
Personal Assistant Rate	11.00	0.23	2.1	11.23

- 8.2 Indicative modelling based on an assumption of the proportion of PA's impacted by the base rate increase forecasts an increase cost of £0.050m.

9. Summary of Proposed Uplifts

- 9.1 A summary of the proposed uplifts to care management services and required investment is illustrated in the table below:

Service	21/22 Uplift	Investment (£m)
Residential & Nursing Care	4.0%	0.802
Homecare	3.0%	0.385
Other Care Management Services	3.5%	1.500
PA Rates	2.1%	0.050
Total		2.737

10. Care Management Services – Non-Recurrent Funding

- 10.1 It is proposed a minimum of £1.000m is aligned from non-recurrent funding, to support care providers with additional Covid-19 costs into 2021/22.
- 10.2 This recommendation would be reviewed alongside any further extension of Central Government funding to Adult Social Care in 2021/22 to support with additional Covid-19 commitments.
- 10.3 Alongside this proposal consideration is being given for the Council to contribute through ASC capital grants towards planned developments within local care homes, this would be accessed through a bidding process. Further information will be provided on this during Q4 of 2020/21.

11. Risks

11.1 The key risks arising from the 2021/22 provider uplifts are:

- The residential / nursing market does not respond positively to the proposed increases and other interventions resulting in the value and number of enhancements increasing;
- The current COVID-19 pandemic continues, despite the rollout of vaccines and Central Government funding is not provided to local authorities and providers to address the associated challenges;
- The duration of care homes stays exceed the Council's forecasts, resulting in the timescales and costs being greater than anticipated;
- Individual negotiations are unsuccessful and cost reductions are not experienced when clients exit services and new placements are made;
- Quality is not maintained and developed as a result of the level of fee uplift and other support interventions;
- Providers do not pass onto their employees the increased basic pay rates;
- The non-recurrent funding to ASC ceases and/or significantly reduces impacting on future MTFP support. This will be monitored and updated through the MTFP planning assumptions.

11.2 The above risks will be mitigated by ongoing negotiations with providers through individual meetings and engagement through care home forums alongside health colleagues from Stockport CCG. The monitoring of the approach is through the Practise Scrutiny Group and improved business intelligence information to be developed in line with the new operating model for Adult Social Care. In addition, the work of the commissioning team, alongside CCG colleagues, will continue to develop the provider market, seeking to maintain the positive trajectory in terms of quality alongside driving value for money in provision across Stockport.

- 11.3 As a result of the COVID-19 pandemic, a funding panel has been established to review the applications from providers in Stockport for additional expenditure directly resulting from the impact of the pandemic in line with Central Government guidance on Infection Control Funding. This ensures that funding provided is proportionate, transparent and consistent across the market. Both commissioners and accountancy staff meet regularly to review the submissions that have been made by providers to the funding panel. The Council been proactive in contacting providers who have not submitted applications for financial support to ensure that all providers benefit from this support.
- 11.4 There has also been a process agreed to ensure that homes that are experiencing occupancy rates below 90% can request support through a block booking arrangement. This can provide those homes with significant vacancies a guarantee of 90% occupancy and allow for the necessary security of cash flow for the medium term in return for the Council being able to access those beds at short notice and Council ceiling rates.

12. Conclusion & Recommendations

- 12.1 The local authority has responsibility for facilitating the local care market and managing provider failure. It needs to provide choice, supply and quality services for all people in the Borough and specifically commission care and support services including care homes and home care. The current market is fragile and challenged by the different pressures that it is trying to manage, in particular as a result of the ongoing COVID-19 pandemic. The overall vision is about how these services can develop in a way that does not destabilise the market but still enables this to evolve and develop, supported by contracting and procurement activities.
- 12.2 As detailed in this report the approach taken in 2019/20 was markedly different to previous years and went towards redressing imbalances between those providers that have a closer fee structure to that of the Councils. This year's approach is intended to continue consolidate and build on this approach in a cautious way as providers, alongside the health and social care economy locally seek to achieve a stable, sustainable future as the direct impact of the COVID-19 pandemic diminishes.
- 12.3 Adults & Health Scrutiny Members are asked to provide comment on the approach and proposed fee increases for 2021/22 ahead of this paper being presented to Cabinet for approval on the 9th February 2021.

BACKGROUND PAPERS

There are none.

Anyone wishing to inspect the above background papers or requiring further information should contact Vincent Fraga on Tel: 0161-474-4401 or by email on vincent.fraga@stockport.gov.uk