

Adult Social Care Discretionary Fee Review 2025/26

Report to the Director of Health and Care

Recommendations

1. It is recommended that the Director of Health and Care approves the uplift of fees to providers of adult social care services in people's homes and the community as set out in Table 1, with both the fee uplifts and the associated increases in client contributions effective from 06 April 2025.

Table 1: Summary of recommended fee uplifts for adult social care services in the community 2025/26

Market sector	Fee uplift (%)	Additional funding required (£M)
Home care (contracted and direct payments)	7.0	5.334
Supported Living (contracted and direct payments)	7.0	2.771
Extra Care (contracted and direct payments)	7.0	0.461
Personal Assistants (contracted and direct payments)	8.3	0.834
Day opportunities - older people - (contracted and direct payments)	7.0	0.143
Day opportunities - working age adults (contracted and direct payments)	7.0	0.741
Other services in the community (contracted and direct payments)	7.0	0.128
Total		10.412

2. It is recommended that the Director of Health and Care approves the uplift of fees to providers of care home services to adults contracted through Lots 3,4,5,8,9 & 10 of the Dynamic Purchasing System Agreement For The Supply Of Residential And Nursing Care Home Services at 7.13% with both the fee uplifts and the associated increases in client contributions effective from 06 April 2025. Any

and all future fee uplifts after 2025/26 will be subject to care providers engaging with a cost of care exercise. The total cost of this recommendation would be £4.032M.

3. It is recommended that the Director of Health and Care considers two options for the uplift of fees to providers of care home services to adults, contracted through Lots 1,2,6 & 7 of the Dynamic Purchasing System Agreement For The Supply Of Residential And Nursing Care Home Services as set out at paragraphs 55-60 in this report, and approves option 2, with both the fee uplifts and associated increase in client contributions effective from 06 April 2025. The total cost of this recommendation would be £6.754M.
4. The total cost of all the above recommendations would be £21.198M
5. The recommendations have given due regard to the Council's legal duties, cost pressures facing care providers, engagement with care providers, the sustainability of different sectors and the market as a whole, and the funding available in the Medium-Term Financial Strategy. The report sets out in detail how the recommendations have given due regard to these factors for each adult social care sector in Staffordshire.

Background and context

6. The Council is not obliged through its contracts to offer fee uplifts to providers of adult social care services, but it does have the option for discretionary fee reviews. The practice over recent years has been to carry out these reviews annually, ahead of each financial year.
7. Whilst communicating the outcome of last year's discretionary fee review the Council indicated that its "working assumption" was that the fee uplift for 2025/26 would be "in the order of a further 2%", subject to further review, in order to give "reasonable planning assumptions. The recommendations in this report mean that all care providers will receive a fee uplift of at least 2%.

Legal considerations

8. Section 5(1) of the Care Act 2014 requires a local authority to promote the efficient and effective operation of a market in services for meeting care and support needs with a view to ensuring that any person in its area wishing to access services in the market — (a) has a variety of providers to choose from who (taken together) provide a variety of services; (b) has a variety of high quality services to

choose from; (c) has sufficient information to make an informed decision about how to meet the needs in question.

9. Section 5(2) of the Care Act 2014 requires that a local authority must have regard in particular to various factors. They include (among other things) the importance of ensuring the sustainability of the market (in circumstances where it is operating effectively as well as in circumstances where it is not) (section 5(2)(d)). They also include the importance of fostering continuous improvement in the quality of care services and the efficiency and effectiveness with which such services are provided and of encouraging innovation in their provision (section 5(2)(e)) and the importance of fostering a workforce whose members are able to ensure the delivery of high quality services (section 5(2)(f)).
10. Under section 149 of the Equality Act 2010, public authorities must have due regard to the need to achieve the three equality needs whenever they exercise their functions. The three equality needs are (a) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (b) the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and (c) the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. Consideration of the Council's Public Sector Equality Duty are set out in a Community Impact Assessment at Appendix 1 to this report.

Financial considerations

11. The Council has engaged with the market to determine the cost pressures facing care providers in 2025/26. This engagement preceded and informed the development of the recommendations in this report.
12. Care providers in Staffordshire face increasing costs in 2025/26, in particular from increases in the National Living Wage (NLW), increases in employers' National Insurance contributions and from general inflation.
13. The Council needs to consider its legal duties and the cost pressures facing care providers together with its duty to set and operate within a balanced budget.
14. The Council's Medium-Term Financial Strategy (MTFS), approved by the Council on 13 February 2025, includes a total amount of £16.413M for fee uplifts. There is also a further £7.605M available to

cover the costs of 'price drift' of older people's care home placements, explained later in this report. Funding for fee uplifts has been considered in the context of all other competing pressures. The Director of Health and Care has delegated authority to commit funding for adult social care services within the parameters of the approved MTFS for Health and Care.

15. In the context of the available funding, consideration of fee uplifts must balance the sustainability of different sectors against one another: the level of fee uplifts to some sectors affects the Council's ability to offer fee uplifts to others.
16. It should also be noted that any fee uplifts offered in year create an ongoing expectation to continue to pay fees at this new rate as a minimum: i.e. annual fee uplifts become recurrent expenditure.

Services in people's homes and the community

17. At January 2024 the Council funds care for 6,231 people in their homes and the community, with 327 care providers, both in Staffordshire and out of county, as shown in Table 2.

Table 2 Services in people's homes and the community

Service	Number of people	Number of providers
Home care (contracted and direct payments)	3,495	128
Supported Living (contracted and direct payments)	705	103
Extra Care (contracted and direct payments)	252	11
Day opportunities - older people (contracted and direct payments)	265	27
Day Opportunities - working age adults (contracted and direct payments)	768	50
Personal Assistants (contracted and direct payments)	533	N/A
Other (contracted and direct payments)	294	10

18. The Council has used a tool circulated by the Local Government Association to estimate the expected increase in costs for 2025/26 for services in people's homes and the community. This produced an estimate of 7.51%, based on the following data and assumptions. This is within, although towards the lower end, of care provider estimates submitted during the discretionary fee review engagement.

a. Increases to staffing costs

- Responses from providers showing the proportion of staff in each hourly pay bracket as shown in Table 3.
- An allowance for a 6.73% pay rise for staff in the lowest pay bracket in line with the increase in the NLW and to enable payment at the 2025/26 NLW.
- An allowance for pay rises for staff in higher hourly pay brackets recognising that they are already closer to the 2025/26 NLW. It is acknowledged that this might reduce pay differentials between staff groups of increasing seniority.
- This makes allowance for an overall pay rise of 4.68% which exceeds the Office of Budgetary responsibility forecast of 3.5% for 2025/26¹ and reflects that a higher proportion of staff in adult social care services are paid at or close to the National Living Wage than in the general workforce.

Table 3 Providers of services in people's homes and the community responses showing the proportion of staff in each hourly pay bracket

Hourly pay brackets	% staff	Allowance for pay rise
£11.44 - £11.69	33%	6.73%
£11.70 - £11.95	17%	5.38%
£11.96 - £12.21	32%	4.31%
≥£12.22	18%	3.45%

- An increase in staffing costs of 4.33% due to an increase in employers' National Insurance contributions from 13.8% to 15.0% and a reduction in the threshold at which these are paid from £9,100 to £5,000.
- An increase in staffing costs of 0.14% due to an increase in pension costs of 3%.
- An overall increase in staffing costs of 9.15% from the combined effect of pay rises, increase in National Insurance Contributions and pension costs.

b. Increases to non-staffing costs

- Inflation of 2.6% applied to non-staffing costs – based on a range of CPI forecasts¹.

c. Overall increase in costs

- A ratio of 75:25 staffing and non-staffing costs has been used for services who are employers, based on care provider responses to the discretionary fee review engagement and consistent with cost of care estimates.

¹ OBR Economic and fiscal outlook – October 2024 1.11; [Bank of England Monetary Policy Report November 2024](#); [Forecasts for the UK economy January 2025.pdf](#)

- A split of 95:05 staffing and non-staffing costs has been used for Personal Assistants.
19. The Council has refreshed cost of care estimates for services in people's homes and the community to check that the baseline fees to which uplifts are applied are appropriate and to allow adjustments, where necessary, to uplifts to ensure that 2025/26 fees are equitable between sectors.
 20. A **discretionary fee review engagement** with providers of adult social care services in people's homes and the community was carried out during autumn 2024. This included a survey as well as individual correspondence from providers. The survey went live on the 18 November 2024 and closed 27 days later on the 15 December 2024. The link to the survey was sent out from the Council's Fee Review inbox to all contracted providers on the 18 November 2024. A further follow up email was sent on the 25 November 2024. Following this a further email was sent on the 28 November 2024. In addition, the above emails were also sent from commissioning leads for each service to encourage providers to respond.
 21. This was prior to the development of any proposals for a fee uplift and the responses have been used to inform the recommendations for a fee uplift in 2025/26. Details of the responses are included at Appendix 2a and a summary is set out below:
 - Responses were received from 78 care providers, of which 48 were from home care, 19 from Supported Living and 11 from day opportunities for working age adults.
 - The Council funds an average of 71% of care across the services who responded to the survey.
 - Care providers identified that their biggest financial pressures are the increase in National Living Wage and employers National Insurance contributions followed by recruitment and retention and inflation.
 - Responses stated that an average of 82% of staff earned below the 2025/26 National Living Wage of £12.21, with those staff costs totalling an average of 73% of total provider costs.
 - There was a range of responses to the question about staffing to non-staffing cost ratios. The average was 75:25 which has been used for this year's calculations.
 - The average profit margin assumption was 11%, with 11 providers stating their profit margin assumption was 0%. 32% of respondents gave a response of 10% or below, with other responses ranging up to 80%.
 - In addition to the completion of the survey by providers, the Council have received a further 36 letters from providers directly

requesting varying fee uplifts. These requests range from 6.7% - 15.0% with an average of 9.9% across care home providers and providers of services in people's homes and the community.

22. The various sectors providing services in people's homes and the community currently appear to be sustainable with a good supply of services available in Staffordshire:
 - 84% overall of those services that have been rated are rated "outstanding" or "good" by the Care Quality Commission.
 - 97% of home care packages are sourced within timescale, and the mean time to source a package is 4.7 days; 76% of Supported Living placements are sourced within timescale, and the mean time to source a placement is 13.8 days.
 - There have been 8 provider failures of services in people's homes and the community in the last 12 months, less than 1% of contracted providers. For 5 providers this was due to financial viability, for the other 3 providers it was due to quality concerns.
23. Recommended fee uplifts for 2025/26 are shown in Table 4. The expected overall increases in costs of 7.51% (8.82% for Personal Assistants) have been offset by small productivity saving of 0.51%. This is based on a "sense-check" with Nexxus Care, the Council's Local Authority Trading Company which provides a range of these services, which has established that this is manageable. The total cost of these recommendations would be £10.412M.
24. Contracts not included in scope of the 2025/26 discretionary fee review are:
 - Care services for prisoners, which have been recently tendered, with a contract including a price fixed for the first 12 months.
 - Fixed Equipment Maintenance, for which the contract has provision for a review on the first anniversary in October 2025.
 - Reablement and Carers Advice, which is funded through the Better Care Fund (BCF), with the uplift for the BCF determined by HM Government.
 - Community Equipment, which is funded by a Section 75 arrangement with the contract, administered by Staffordshire and Stoke on Trent Integrated Care Board.

Table 4 Services in people's homes and the community recommended fee uplifts 2025/26

Service	2024/25 fee	Recommended uplift	2025/26 fee
Home care (contracted and direct payments)	£23.32 per hour (standard)	7.0%	£24.95 per hour (standard)

	£24.02 per hour (enhanced)		£25.70 per hour (enhanced)
Supported Living (contracted and direct payments)	£18.24 - £19.66 per hour (Reference Rates – hourly rate) £101.10 - £112.78 per night (Reference Rate – sleep-in support)	7.0%	£19.52 - £21.04 per hour (Reference Rates – hourly rate) £108.18 - £120.67 per night (Reference Rate – sleep-in support)
Extra Care (contracted and direct payments)	£20.32 per hour	7.0%	£21.74 per hour
Day opportunities - older people (contracted and direct payments)	£60.99 per session	7.0%	£65.27 per session
Day opportunities - working age adults (contracted and direct payments)	Low - £57.52, Medium - £78.34, High - £127.90 per session	7.0%	Low - £61.54 Medium - £83.82 High - £136.85 per session
Personal Assistants (direct payments - the amount required to directly employ a PA)	£15.32 per hour	8.3%	£16.59 per hour
Other (contracted and direct payments)	Various	7.0%	

25. This recommendation gives due regard to:

- a. The Council's duty under the Care Act 2014 to promote the efficient and effective operation of a market of services to meet care and support needs.
 - Overall indicators suggest that the market is sustainable: quality is good, the Council has no difficulty sourcing care and there are very few provider failures.
 - The Council has covered the expected increase in costs facing care providers with the exception of a small productivity saving, which has been "sense checked with the Council's Local Authority Trading Company to ensure that it is manageable.
- b. The Council's Public Sector Equality Duty.
 - An equalities impact assessment impact has been completed to identify the likely equalities impacts of the discretionary fee review recommendations and is attached as Appendix 1. The purpose of the review is to ensure that people with protected

characteristics, especially those who are elderly and have disabilities, continue to have access to an effective and sustainable market for care and support.

- c. Cost pressures facing care providers.
 - These have been calculated using a tool circulated by the Local Government Association and a transparent set of assumptions based on responses to the discretionary fee review engagement.
- d. Responses to the discretionary fee review engagement and survey carried out during autumn 2024.
 - The responses have been used to inform the recommendations, in particular to calculate cost pressures faced by care providers, and update cost of care estimates.
- e. Affordability and the statutory duty of the Council to set a balanced budget and to operate within that budget.
 - The recommendations for fee uplifts to services in people's homes and the community have balanced use of the available funding and the sustainability of this sector against the use of funding for fee uplifts and sustainability of other sectors.

Residential and nursing care homes

26. At January 2024 the Council funds 2,820 residential and nursing care home placements with 510 care providers, both in Staffordshire and out of county. The numbers by each Lot within the Council's overall contract for such placements are shown in Table 5.

Table 5 Council funded care home placements

Lot	Number of placements	Number of providers
1. Residential care for older people	397	161
2. Residential care for older people with dementia	810	193
3. Residential care for physical disabilities	52	38
4. Residential care for learning disabilities / autistic spectrum disorders	401	174
5. Residential care for people with mental health problems	114	60
6. Nursing care for older people	303	92
7. Nursing care for older people with dementia	558	113
8. Nursing care for physical disabilities	38	24

9. Nursing care for learning disabilities / autistic spectrum disorders	28	19
10. Nursing care for people with mental health problems	89	37
Total	2,820	911²

27. Care home placements are commissioned through a Dynamic Purchasing System (DPS) through two arrangements:

- Block Booked Beds.
- Individual placements.

28. The contract states in Schedule 3 'The Call off Terms' (clause 2.8, 2.8a and 2.8b) that:

'2.8 The Council shall have the option (but shall not be obliged) to elect whether to unilaterally increase the Contract Price and the Statutory Contribution (but, for the avoidance of doubt, not any applicable Topping Up Payment) under a Call Off Contract relating to a Long Stay Placement (but not, any Short Stay Placement) as soon as reasonably practicable during the months of October to December (inclusive) during each year of the Contract Period or during the term of any applicable Call Off Contract.

2.8A If the Council elects to apply any such increase to the Contract Price and the Statutory Contribution for any relevant Long Stay Placement then it shall notify the Service Provider by way of a Unilateral Notice as soon as reasonably practicable prior to the commencement of the Council's next financial year as to the extent of any such increase and the basis on which it may apply and any such increase shall have effect from the date in April in each applicable year on which the Department for Work and Pensions (or any successor thereto) makes any changes to the prevailing rates of state benefits in force from time to time.

2.8B For avoidance of doubt, should the Council elect to unilaterally increase the Total Care Price and/or the Contract Price of one or more Call Off Contracts pursuant to paragraph 2.8 of Schedule 3 (The Call Off Terms) then any such increase shall not apply to the Topping Up Payment. Any increase to the Topping Up Payment proposed by the Service Provider shall remain subject to the provisions of paragraph 2.15 of Schedule 3 (The Call Off Terms).'

² Note that some providers have placements across multiple lots and the number of distinct providers is 510.

29. The Council funds nursing home placements net of Funded Nursing Care (FNC), which is paid by the NHS. The FNC component is subject to an annual uplift, which is nationally determined by the NHS. All of the figures in this report exclude FNC.
30. The Council also funds some 1:1 care in addition to bed prices, predominantly to meet health needs on behalf of the NHS. This has been excluded from this report. Fee uplifts for 1:1 care outside of bed prices will be agreed with the NHS and notified at a later date.
31. In January 2025 the Council approved new arrangements for commissioning care home placements. These included that the Council would set price ranges for care home placements to limit 'price drift' (see below) and make prices more consistent and equitable.
- For care home placements for older people (adults aged 65 and over) the price range will be based on the Laing Buisson industry standard model³. This will apply to new placements as well as the discretionary fee review for existing placements. In order to determine and implement an appropriate price range, the Council will develop and consult on a choice and cost effectiveness policy for care home placements.
 - For care home placements for adults aged under 65 there is little data available on which to develop a price range. The Council will therefore conduct a cost of care exercise with care providers that will use tools including Care Cubed as well as open book accounting to determine an appropriate price range for the purpose of new placements and the discretionary annual fee review for existing placements.
32. The Council has used a tool circulated by the Local Government Association Tool to estimate the expected increase in costs for 2025/26 for residential and nursing care homes. This produced an estimate of 7.13% based on the following data and assumptions. This is within, although towards the lower end, of estimates submitted by care providers during the Council's discretionary fee review engagement.
- a. Increases to staffing costs**
- Responses from providers showing the proportion of staff in each hourly pay bracket as shown in Table 6.

³ Care Cost Benchmarks: Financial year 2024/25 and projections for the financial year 2025/26, Thirteenth Edition.

- An allowance for a 6.73% pay rise for staff in the lowest pay bracket in line with the increase in the NLW and to enable payment at the 2025/26 NLW.
- An allowance for pay rises for staff in higher hourly pay brackets recognising that they are already closer to the 2025/26 NLW. It is acknowledged that this might reduce pay differentials between staff groups of increasing seniority.
- This makes allowance for an overall pay rise of 4.62% which exceeds the Office of Budgetary responsibility forecast of 3.5%% for 2025/26¹ and reflects that a higher proportion of staff in adult social care services are paid at or close to the National Living Wage than in the general workforce.
- An increase in staffing costs of 4.32% due to an increase in employers' National Insurance contributions from 13.8% to 15.0% and a reduction in the threshold at which these are paid from £9,100 to £5,000.
- An increase in staffing costs of 0.14% due to an increase in pension costs of 3%.
- An overall increase in staffing costs of 9.07% from the combined effect of pay rises, increase in National Insurance Contributions and pension costs.

Table 6 Summary of residential and nursing care home provider responses showing the proportion of staff in each bracket for hourly pay

Hourly pay brackets	% staff	Allowance for pay rise
£11.44 - £11.69	38%	6.73%
£11.70 - £11.95	11%	5.38%
£11.96 - £12.21	19%	4.31%
≥£12.22	32%	3.45%

b. Increases to non-staffing costs

- Inflation of 2.6% applied to non-staffing costs – based on a range of CPI forecasts⁴.

c. Overall increase in costs

- A ratio of 70:30 staffing and non-staffing costs has been used, based on care provider responses to the discretionary fee review engagement and consistent with the ratio used by the Local Government Association.

33. A **discretionary fee review engagement** with residential and nursing care home providers was carried out during autumn 2024. This included a survey as well as individual correspondence from providers. The survey went live on the 18 November 2024 and closed

⁴ OBR Economic and fiscal outlook – October 2024 1.11; [Bank of England Monetary Policy Report November 2024](#); [Forecasts for the UK economy January 2025.pdf](#)

27 days later on the 15 December 2024. The link to the survey was sent out from the Council's Fee Review inbox to all contracted providers on the 18 November 2024. A further follow up email was sent on the 25 November 2024. Following this a further email was sent on the 27 November 2024. In addition, the survey was discussed and the link shared at the Care Home Forums, which the Council facilitates in Staffordshire, on the 26 and 28 November 2024.

34. This engagement was prior to the development of any proposals within the Council for a fee uplift and the responses have been used to inform the recommendations for a fee uplift in 2025/26. Details of the responses are included at Appendix 2b and a summary is set out below:

- Responses were received from 60 providers, of which 31 were from individual care homes and 29 from providers who represented multiple care homes.
- Two thirds of respondents provided services for older people; one third provided services for adults under 65.
- The Council funds placements in 44% of the beds represented by the survey.
- The lowest viable occupancy rate identified by providers who responded was 60%; however, the most common response from providers was that they required a occupancy rate at 90-100% to be viable. 16% of providers identified vacancy rates for 2025/2026 as a potential risk.
- Providers identified that their biggest financial pressures are the increase in National Living Wage and employers National Insurance contributions followed by recruitment and retention and insurance.
- Responses stated that an average of 68% of staff earned below the 2025/26 National Living Wage of £12.21, with those staff costs totalling an average of 53% of the total provider costs.
- There was a range of responses to the question about staffing to non-staffing cost ratios. The average was 70:30 which has been used for this year's calculations.
- The average profit margin assumption was 10%, with 7 care homes stating their profit margin assumption was 0%. 72% of respondents gave a response of 10% or below, with the other responses ranging up to 25%.
- Providers identified that historic legacy placements are paid at fees lower than those that are financially sustainable.
- In addition to the completion of the survey by providers, the Council has received a further 36 letters from providers directly requesting varying fee uplifts. These requests range from 6.7% - 15.0% with an average of 9.9% across care home providers and providers of services in people's homes and the community.

35. The residential and nursing care home sector in Staffordshire currently appears to be sustainable with a good supply of services:

- 75.5 % of residential and 79.7% of nursing homes are rated “outstanding” or “good” by the Care Quality Commission.
- 91% of placements are sourced within target timescale and the average time to source a placement is 8.5 days for residential care and 8.9 days for nursing care.
- There have been 3 care home provider failures in the last 12 months, less than 1% of contracted providers. For one provider this was due to financial viability, for the other two providers it was due to a blend of quality concerns and financial viability.

36. There are important differences between residential and nursing care homes for adults aged under 65 and those for older people:

- For care homes for adults aged under 65 in Staffordshire the Council is their major customer: there are a few placements commissioned by the NHS and other local authorities and no self-funders. Conversely care homes for older people in Staffordshire typically derive around one third of their income from the Council, with a third from the NHS and other local authorities and a third from self-funders.
- Council funded care home placements for adults aged under 65 are typically long term: many years and decades. Council funded care home placements for older people are much shorted, with a median duration of 14 months.

Care home services to adults contracted through Lots 3,4,5,8,9 & 10 of the DPS

37. Placements commissioned through these lots are primarily for adults aged under 65 years with physical disabilities, learning disabilities / autistic spectrum disorders, and mental health problems. For these placements the Council has limited insight into the actual cost of care homes. There is no well-established national model (such as the Laing Buisson model) for this age group, and the recent requirement placed on local authorities by the government to carry out a cost of care exercise did not extend to placements for this age group.

38. The recommended fee uplift for 2025/26 is 7.13% to reflect the expected increase in costs. The total cost of this recommendation would be £4.032M.

39. Note however that in the absence of any information about the actual cost of care home placements for adults aged under 65 there

is a risk that this standard fee uplift might leave some care homes struggling to meet the costs of care whilst others have an excessive profit margin. The Council cannot continue to offer fee uplifts for care home placements for adults aged under 65 without a much better understanding about actual cost.

40. The Council will therefore conduct a cost of care exercise with care providers that will use tools including Care Cubed as well as open book accounting to determine an appropriate price range to inform future discretionary fee reviews. **Any and all future fee uplifts after 2025/26 will be subject to care providers engaging with this cost of care exercise and providing full financial details.**

41. This recommendation gives due regard to:

- a. The Council's duty under the Care Act 2014 to promote the efficient and effective operation of a market of services to meet care and support needs.
 - Overall indicators suggest that the market is sustainable: quality is good, the Council has little difficulty sourcing care and there are very few provider failures.
 - The Council has covered the expected increase in costs facing care providers.
- b. The Council's Public Sector Equality Duty.
 - An equalities impact assessment impact has been completed to identify the likely equalities impacts of the discretionary fee review recommendations and is attached as Appendix 1. The purpose of the review is to ensure that people with protected characteristics, especially those who are elderly and have disabilities, continue to have access to an effective and sustainable market for care and support.
- c. Cost pressures facing care providers.
 - These have been calculated using a tool circulated by the Local Government Association and a transparent set of assumptions based on responses to the discretionary fee review engagement.
- d. Responses to the discretionary fee review engagement and survey carried out during autumn 2024.
 - The responses have been used to inform the recommendations, in particular to calculate cost pressures faced by care providers, and update cost of care estimates.
- e. Affordability and the statutory duty of the Council to set a balanced budget and to operate within that budget.

- The recommendations for fee uplifts to care home services to adults contracted through Lots 3,4,5,8,9 & 10 of the DPS have balanced use of the available funding and the sustainability of this sector against the use of funding for fee uplifts and sustainability of other sectors.

Care home services to adults contracted through Lots 1, 2, 6 & 7 of the DPS: Block Booked Beds

42. The Council currently has 377 Block Booked Beds contracted with 50 care homes, of which 285 are active; 266 (93%) are filled with 19 (7%) voids in payments. The Council's commissioning intention is to increase the number of Block Booked Beds. Commissioning block booked beds enable the Council to secure supply which reduces the amount of time taken to source placements and enables the council to respond quickly to people in need of urgent support.
43. There two relevant considerations control of price and price variation, which are described below:

Control of price

Block Booked Beds are contracted at a fixed price. The price continues to apply as each new person is placed, and therefore prices only rise as a result of planned annual fee uplifts, and there is no in year 'price drift' (see below).

Price variation

44. 28 (11%) of Block Booked Beds are priced within the relevant 2024/25 Laing Buisson range, 222 (87%) are priced below the bottom of the relevant Laing Buisson range, and 3 (1%) are priced above the top of the relevant Laing Buisson range, as shown in Table 7.

Table 7 Prices for Block Booked Beds for older people

	Residential care for older people	Residential care for older people with dementia	Nursing care for older people	Nursing care for older people with dementia
2024/25 Laing Buisson bottom of range (net of FNC)	£873	£937	£935	£935
2024/25 Laing Buisson top of range (net of FNC)	£1,055	£1,120	£1,121	£ 1,121

Number below bottom of Laing Buisson range	37	79	51	55
Number within Laing Buisson range	11	5	3	9
Number above top of Laing Buisson range	0	0	3	0

45. The Council's commissioning intention is to make prices more consistent and equitable and to use the Laing Buisson industry standard model to develop a price range. The recommendations are therefore:

- For Block Booked Beds priced within the 2024/25 Laing Buisson range, a fee uplift of 7.13% to reflect the expected increase in costs.
- For Block Booked Beds priced below the bottom of the Laing Buisson range, a fee uplift of 9.13%, which includes a premium of 2% added to bring the price of these placements closer to the Laing Buisson range. Note that Block Booked Beds within the Laing Buisson range but less than 9.13% above the bottom of the Laing Buisson range will be uplifted to 9.13% above the top of the Laing Buisson range or by 7.13%, whichever is greater.
- For Block Booked Beds priced above the top of the Laing Buisson range, a fee uplift of 2.00%. Note that Block Booked Beds priced less than 7.13% above the top of the Laing Buisson range will be uplifted to 7.13% above the top of the Laing Buisson range or by 2%, whichever is greater.

46. The total cost of this recommendation is £1.045M

47. This recommendation gives due regard to:

- a. The Council's duty under the Care Act 2014 to promote the efficient and effective operation of a market of services to meet care and support needs.
 - Overall indicators suggest that the market is sustainable: quality is good, the Council has no difficulty sourcing care and there are very few provider failures.
 - The Council has covered the expected increase in costs facing care providers, taking into account the variation in price between placements: those placements that are lowest funded, with the highest risk to sustainability, have been recommended a higher uplift; and those placements that are already well remunerated, with the lowest risk to sustainability, have been recommended a lower uplift.

- b. The Council's Public Sector Equality Duty.
 - An equalities impact assessment impact has been completed to identify the likely equalities impacts of the discretionary fee review recommendations and is attached as Appendix 1. The purpose of the review is to ensure that people with protected characteristics, especially those who are elderly and have disabilities, continue to have access to an effective and sustainable market for care and support.
- c. Cost pressures facing care providers.
 - These have been calculated using a tool circulated by the Local Government Association and a transparent set of assumptions based on responses to the discretionary fee review engagement.
- d. Responses to the discretionary fee review engagement and survey carried out during autumn 2024.
 - The responses have been used to inform the recommendations, in particular to calculate cost pressures faced by care providers, and update cost of care estimates.
- e. Affordability and the statutory duty of the Council to set a balanced budget and to operate within that budget.
 - The recommendations for fee uplifts to care home services to adults contracted through Lots 1,2,6 & 7 of the DPS have balanced use of the available funding and the sustainability of this sector against the use of funding for fee uplifts and sustainability of other sectors.

Placements for older people (65+) (Lots 1,2,6 & 7 of the DPS): individual placements

- 48. The Council currently has 2,130 individual placements contracted.
- 49. There are two relevant considerations, control of price and price variation, which are described in the following paragraphs.

Control of price

- 50. The price of individual placements rises with the turnover of placements because the price of new placements typically exceeds the price of placements ending. This means that prices rise in excess of planned annual fee uplifts – a phenomenon referred to below as 'price drift'.

51. The impact of this price drift is shown in Table 8. The mean price of older people care home placements has increased substantially between March 2020 and January 2025 due to a combination of planned annual fee uplifts and 'price drift'.

Table 8 Price rises in care home placements for older people⁵

	Residential care for older people	Residential care for older people with dementia	Nursing care for older people	Nursing care for older people with dementia
Mean weekly price March 2020	£583	£592	£630	£820
Fee uplift 2020/21	2.79%	2.79%	2.79%	2.79%
Mean weekly price March 2021	£626	£620	£679	£871
'Price drift' 2020/21	4.59%	1.94%	4.99%	3.43%
Fee uplift 2021/22	1.79%	1.79%	1.79%	1.79%
Mean weekly price March 2022	£656	£646	£724	£883
'Price drift' 2021/22	3.00%	2.40%	4.84%	-0.41%
Fee uplift 2022/23	6.24%	6.24%	6.24%	6.24%
Mean weekly price March 2023	£730	£724	£824	£971
'Price drift' 2022/23	5.04%	5.83%	7.57%	3.73%
Fee uplift 2023/24	7.73%	7.73%	7.73%	7.73%
Mean weekly price March 2024	£818	£803	£930	£1,088
'Price drift' 2023/24	4.32%	3.18%	5.13%	4.32%
Fee uplift 2024/25	6.25%	6.25%	6.25%	6.25%
Mean weekly price January 2025	£883	£869	£971	£1,141
'Price drift' 2024/25 (to January 2025)	1.70%	1.97%	-1.84%	-1.38%
Overall price rise March 2020 to January 2025	£300	£277	£341	£321
Overall price rise March 2020 to January 2025	51.46%	46.79%	54.13%	39.15%
Overall fee uplift March 2020 to January 2025	27.20%	27.20%	27.20%	27.20%
Overall fee uplift March 2020 to January 2025	£158.79	£161.24	£171.59	£223.33

⁵ Data as at January 2025, and does not include FNC, specific payments for 1:1 care or Block Booked Beds

Overall 'price drift' March 2020 to January 2025	£141.21	£115.76	£169.41	£97.67
Overall 'price drift' March 2020 to January 2025	24.22%	19.55%	26.89%	11.91%

52. Ongoing 'price drifts' in 2025/26 will meet some of the expected increase in costs of residential and nursing care placements and reduce the requirement for a fee uplift. However, there will be a residual increase in costs that would need to be met by fee uplifts.
53. However, the variation in 'price drift' over the last five years creates a degree of uncertainty when forecasting of future 'price drift'. The commissioning approach approved by Cabinet in January 2025 is expected to address the 'price drift' in future years; however, given the timescales associated with implementation of this decision, it is not expected to address 'price drift' within 2025/26.
54. Two forecast 'price drift' scenarios have been modelled to inform options for a fee uplift, set out in Table 9:
- **Scenario A:** 'price drift' for 2025/26 continues on the trend for the previous five years. The total cost of this scenario is calculated to be £2.458M.
 - **Scenario B:** 'price drift' for 2025/26 for residential care home placements continues at the same level as 2024/25 and there is no price drift for nursing care home placements. The total cost of this scenario is calculated to be £1.475m.

Table 9 Price drift scenarios for 2025/26

	Residential care for older people	Residential care for older people with dementia	Nursing care for older people	Nursing care for older people with dementia
Scenario A: trend for previous 5 years	2.39%	3.32%	0.13%	0.47%
Scenario B: residential at same level as 2024/25; nursing zero	1.70%	1.97%	0	0

55. Each of these scenarios is plausible, as are other similar scenarios, but one must be assumed in order to determine an appropriate fee uplift. There are two alternatives for a fee uplift – based on an assumption of either scenario A or B - the relative advantages and disadvantages are shown in Table 10.

Table 10 Consideration of scenarios for fee uplift

	Advantages	Disadvantages
Scenario A	<ul style="list-style-type: none"> • Uses data from a five-year period for forecasting purposes, reducing the reliance on single years that may be unrepresentative. • Results in less risk that 'price drift' exceeds the assumption, creating a lower financial risk for the Council. 	<ul style="list-style-type: none"> • Forecasting may be less accurate if the five year trend is changing. • Results in less funding allocated to fee uplifts, reducing care providers' planned income and potentially less favourable for market sustainability.
Scenario B	<ul style="list-style-type: none"> • Uses most recent data for forecasting purposes, which may be more accurate if the trend is changing. • Results in more funding allocated to fee uplifts, increasing care providers' planned income and potentially more favourable for market sustainability. 	<ul style="list-style-type: none"> • Forecasting reliant on a single year, which may be unrepresentative. • Results in a greater financial risk that 'price drift' exceeds the assumption, creating a higher financial risk for the Council.

56. On balance the recommendation is to assume Scenario A. Methodologically it is preferable to use multiple data points rather than rely on a single data point for forecasting purposes. Also it avoids a higher financial risk to the Council which would be associated with an overspend leading to a requirement for rapid reductions in expenditure, which would in turn have a detrimental impact on the entire care market.
57. This means that the residual increase in costs that would need to be met by fee uplifts is as shown in Table 11.

Table 11 Residual increase in costs of scenarios for fee uplift

	Residential care for older people	Residential care for older people with dementia	Nursing care for older people	Nursing care for older people with dementia
Expected increase in costs	7.13%	7.13%	7.13%	7.13%
Forecast price drift	2.39%	3.32%	0.13%	0.47%
Residual increase in costs	4.74%	3.81%	7.00%	6.66%

58. The Medium Term Financial Strategy (MTFS) has £7.605M allocated to meet the cost of 'price drift' in 2025/26. With a requirement of £2.458M for 'price drift' under Scenario A there is balance of £5.147M remaining to support fee uplifts.
59. Whilst 'price drift' for individual placements may vary across care homes the recommendations have considered following as mitigation of any adverse impact to any particular provider:
- The median duration of a placement in Lots 1,2,6 & 7 of the DPS of the DPS is 14 months.
 - Any longstanding individual placements priced below the relevant Laing Buisson range will have a premium of 2% added to their fee uplift.
 - Care homes will have other sources of income – from the NHS, other local authorities and self-funders.
 - The contract has provision for a care home to request a review of a person's needs if they feel that those needs have substantially changed since the placement was agreed.

Price variation

60. The price of individual placements is highly variable and far exceeds the relevant Laing Buisson range, as shown in Table 112.

Table 112 Prices for individual care home placements for older people

At December 2024	Residential care for older people	Residential care for older people with dementia	Nursing care for older people	Nursing care for older people with dementia
Laing Buisson bottom of range (net of Funded Nursing Care)	£873	£937	£935	£935
Laing Buisson top of range (net of Funded Nursing Care)	£1,055	£1,120	£1,121	£1,121
Number below bottom of Laing Buisson range	264	782	151	229
Number within Laing Buisson range	127	162	83	146
Number above top of Laing buisson range	69	103	88	298
Lowest	£567	£537	£592	£553
Median	£850	£850	£950	£1,169
Highest	£3,066	£2,095	£2,216	£5,271

Potential options for fee uplift for this sector

61. The Council’s commissioning intention is to make prices more consistent and equitable and to use the Laing Buisson industry standard model to develop a price range. The recommendation therefore is for differential fee uplifts in 2025/26 in relation to this range. Two options are proposed, informed by Scenario A for ‘price drift’ set out above.

Option 1 (for care homes for older people aged 65+)

62. Option 1 would be to apply fee uplifts on the following basis:

- For placements within the 2024/25 Laing Buisson range the fee uplift is calculated based on the residual increase in costs for the lot – that is the difference between the expected increase in costs and the ‘price drift’. The expectation is that Council expenditure on care home placements below the Laing Buisson range in each lot will increase by 7.13% overall as a result of the combination of the fee uplift and ‘price drift’.
- For placements below the bottom of the Laing Buisson range the fee uplift has been calculated based on the residual increase in costs with the addition of a premium of 2.0% to bring them closer to the Laing Buisson range. Note that for placements priced within the Laing Buisson range but less than the value of the fee uplift above the bottom of the range will be uplifted either by the residual increase in costs plus 2% or by the residual increase in costs, whichever is higher. The expectation is that Council expenditure on care home placements below the Laing Buisson range in each lot would increase by 9.13% overall as a result of the combination of the fee uplift and ‘price drift’.
- For placements above the top of the Laing Buisson range there would be no fee uplift. This is because these placements are already well remunerated, being above the industry standard. Note that placements priced less than the residual increase in costs above the top of the Laing Buisson range will be uplifted to the top of the range plus the residual increase in costs.

63. The funding for Option 1 for discretionary fee uplifts is summarised in 13.

Table 13 Discretionary fee uplifts for 2025/26 for care home placements for older people (Option 1)

	Residential care for	Residential care for older	Nursing care for	Nursing care for older

	older people	people with dementia	older people	people with dementia
Below bottom of Laing Buisson range (%)	6.74%	5.81%	9.00%	8.66%
Below bottom of Laing Buisson range financial impact (£M)	0.628	1.812	0.424	0.417
Within Laing Buisson range financial impact (%)	4.74%	3.81%	7.00%	6.66%
Within Laing Buisson range (£M)	0.321	0.331	0.394	0.593
Above top of Laing Buisson range (%)	0%	0%	0%	0%
Above top of Laing Buisson range financial impact (£M)	-	-	-	-
Total financial impact (£M)	0.949	2.143	0.818	1.010

64. The overall financial impact of option 1 is £4.919m.

Option 2 (for care homes for older people aged 65+)

65. Option 2 would be to apply fee uplifts on the following basis:

- For placements within the 2024/25 Laing Buisson range the fee uplift is calculated based on the residual increase in costs – that is the difference between the expected increase in costs and the 'price drift'. The expectation is that Council expenditure on care home placements below the Laing Buisson range in each lot would increase by 7.13% overall as a result of the combination of the fee uplift and 'price drift'.
- For placements below the bottom of the Laing Buisson range the fee uplift has been calculated based on the residual increase in costs with the addition of a premium of 2.0% to bring them closer to the Laing Buisson range. Note that for placements priced within the Laing Buisson range but less than the value of the fee uplift above the bottom of the range will be uplifted either by the residual increase in costs plus 2% or by the residual increase in costs, whichever is higher. The expectation is that Council expenditure on care home placements below the Laing Buisson range in each lot would increase by 9.13% overall as a result of the combination of the fee uplift and 'price drift'.

- For placements above the top of the 2024/25 Laing Buisson range there would be a fee uplift of 2%. These placements are already well remunerated, being above the industry standard, and therefore should not require a fee uplift. However, the consequence of not offering a fee uplift could be a significant risk of hand-backs of care placements to the Council, which would be very disruptive for the residents affected. Note that placements priced less than the residual increase in costs above the top of the Laing Buisson range will be uplifted to the top of the range plus the residual increase in costs or by 2%, whichever is greater.

66. The funding for Option 2 for discretionary fee uplifts is shown in Table 14.

Table 14 Discretionary fee uplifts for 2025/26 for care home placements for older people (Option 2)

	Residential care for older people	Residential care for older people with dementia	Nursing care for older people	Nursing care for older people with dementia
Below bottom of Laing Buisson range (%)	6.74%	5.81%	9.00%	8.66%
Below bottom of Laing Buisson range financial impact (£M)	0.628	1.811	0.424	0.417
Within Laing Buisson range financial impact (%)	4.74%	3.81%	7.00%	6.66%
Within Laing Buisson range (£M)	0.321	0.331	0.394	0.593
Above top of Laing Buisson range (%)	2%	2%	2%	2%
Above top of Laing Buisson range financial impact (£M)	0.088	0.134	0.083	0.485
Total financial impact (£M)	1.037	2.276	0.901	1.495

67. The overall financial impact of option 2 is £5.709m.

68. The advantages and disadvantages of Options 1 and 2 are set out in Table 15.

Table 15 Consideration of options for fee uplift

	Advantages	Disadvantages
Option 1	<ul style="list-style-type: none"> • Reduces prices differential in existing placements. • Clearly signals to the market the Council's intention to move to a consistent pricing strategy. 	<ul style="list-style-type: none"> • Deviates from indication given in last year's fee review letters, and therefore a greater risk of challenged from affected providers. • Greater risk of providers being unable to maintain placements for financial reasons, and therefore of 'hand-backs'
Option 2	<ul style="list-style-type: none"> • Still allows for a reduction in price differentials, but at a reduced rate. • Signals to the market the Council's intention to move to a consistent pricing strategy. • Aligns with indication given in last year's fee review letters. • Less risk of challenge from affected providers. • Less risk of 'hand-backs'. 	<ul style="list-style-type: none"> • Slower reduction in price differentials.

69. On balance the recommendation is for Option 2. A 2% fee uplift mitigates the risk of hand-backs whilst still sending a clear signal to the market that the Council intends to move towards greater consistency of pricing and a price range based on the Laing Buisson industry standard model. This option offers a smoother transition towards the commissioning intentions set out in the January 2025 Cabinet report, and therefore reduces the risk of adverse impact to residents in the highest cost placements compared with Option 1.
70. Option 2 represents an overall fee uplift of 4.54% for individual care home placements, with additional expenditure for the Council forecast as a result of 'price drift'.
71. There are 558 care home placements that will receive a 2% fee uplift. These should be sustainable because:
- a. The placements are already well remunerated, being above the industry standard.
 - b. The care homes will have other sources of income – from the NHS, other local authorities and self-funders.

- c. The care homes may have other Council funded placements that are priced within or below the Laing Buisson range and which will get higher fee uplifts.

72. This recommendation gives due regard to:

- a. The Council's duty under the Care Act 2014 to promote the efficient and effective operation of a market of services to meet care and support needs.
 - Overall indicators suggest that the market is sustainable: quality is good, the Council has no difficulty sourcing care and there are very few provider failures.
 - The Council has covered the expected increase in costs facing the sector as a whole, taking into account:
 - i. That in addition to the fee uplift prices are forecast to rise due to 'price drift' and that the combined effect will meet the expected increase in costs.
 - ii. The variation in price between placements: those placements that are lowest funded, with the highest risk to sustainability, have been recommended a higher uplift; and those placements that are already well remunerated, with the lowest risk to sustainability, have been recommended a lower uplift.
- b. The Council's Public Sector Equality Duty.
 - An equalities impact assessment impact has been completed to identify the likely equalities impacts of the discretionary fee review recommendations and is attached as Appendix 1. The purpose of the review is to ensure that people with protected characteristics, especially those who are elderly and have disabilities, continue to have access to an effective and sustainable market for care and support.
- c. Cost pressures facing care providers.
 - These have been calculated using a tool circulated by the Local Government Association and a transparent set of assumptions based on responses to the discretionary fee review engagement.
- d. Responses to the discretionary fee review engagement and survey carried out during autumn 2024.
 - The responses have been used to inform the recommendations, in particular to calculate cost pressures faced by care providers, and update cost of care estimates.
- e. Affordability and the statutory duty of the Council to set a balanced budget and to operate within that budget.

- The recommendations for fee uplifts to care home services to adults contracted through Lots 1,2,6 & 7 of the DPS have balanced use of the available funding and the sustainability of this sector against the use of funding for fee uplifts and sustainability of other sectors.

Financial implications

73. The total gross cost of the recommendations in this report is £21.198M. As a consequence of fee uplifts and 'price drift', client contributions are expected to increase – and will also increase due to larger numbers of people receiving care services as the population ages. £4.118M has been budgeted as additional income from client contributions in the Medium-Term Financial Strategy.
74. Total funding available for fee uplifts in the MTFS is £16.413M plus a balance of £5.147M, from the £7.605M after consideration is given to the calculated cost of price drift. This totals £21.560M and is sufficient to accommodate the total gross cost of the recommendations in this report, with a small contingency available against a higher than anticipated 'price drift' in individual care home placements for older people.

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