



COUNCIL CABINET 10 February 2021

ITEM 10

Report sponsor: Andy Smith, Strategic Director
for People Services
Report author: Catherine Young, Head of
Commissioning and Market Management

Adult Social Care Fees and Charges 2021/22

Purpose

- 1.1 Under the Care Act 2014, Councils have a duty to ensure that there is a sustainable and affordable social care market locally. This includes establishing fee levels that providers will expect to receive for commissioned care that is delivered to meet a person's needs. To ensure that the Council is aware of and taking account of the cost pressures affecting local providers of care, engagement and consultation with independent sector providers has been undertaken in recent months. This has been focused on those providers operating "standard" care i.e. not those dealing with more complex levels of care. This report summarises the engagement findings, the reported cost pressures and feedback from providers. The report sets out details of the funding model itself and the proposed rates for 2021/22 for standard residential / nursing care and for homecare services.
- 1.2 This report also sets out the proposed charges for Council-provided adult social care services for 2021/22, which forms the annual review referred to in the Council's Adult Social Care Charging Policy.
- 1.3 It should be noted that the full cost of care services is only paid by around a tenth of customers, the majority are subsidised following the outcome of a Financial Assessment.

Recommendations

- 2.1 To approve a **2.4%** fee increase for independent sector standard residential care and nursing care weekly fee rates (net of the Registered Nursing Care contribution) from April 2021
- 2.2 To approve a **2.29%** fee increase for standard independent sector homecare services from April 2021.
- 2.3 To approve an increase to the charging rates for Council-provided services of **3.0%** from April 2021.
- 2.4 To approve an increase in existing Direct Payments, where an inflationary uplift is requested and evidenced, within a range where the minimum proposed would be **1.3%** in line with the levels of inflation cited under general RPI for October 2020 and the maximum proposed would be **2.29%** which mirrors the proposed uplift for homecare providers.

- 2.5 To approve that all the new rates will apply from 12 April 2021 (in line with the planned date of the rise in state benefits for 2021/22).
- 2.6 To delegate authority to the Strategic Director of People Services in consultation with the Cabinet Member for Adults, Health and Housing to agree fee levels for complex individual customers placed with specialist providers, within the overall budget of Adult Social Care Services.

Reasons

- 3.1 The Council must publish its intended fees for care taking into account market conditions and cost pressures. The Care Act requires this as part of Council's "market shaping" duties which also require Councils to hold sufficient intelligence about their local care market. General information and consultation feedback from independent sector care providers has therefore been gathered, analysed, largely focusing on specific inflationary and cost pressures affecting care businesses. The Council's fee rate models for residential care homes, as set out in Appendix 2 and home care, as set out in Appendix 3, have been adjusted and builds on the methodology used by the Council in previous years.
- 3.2 Maintaining income levels for Council-provided services is crucial to the management of the overall budget for the Council. This includes considering whether care services that are directly provided need to have their charges increased in line with inflation.
- 3.3 The Council previously decided to introduce the option to apply an annual inflationary uplift for Direct Payments to address a legacy systemic inequity whereby people electing to receive their funding by Direct Payment could be disadvantaged compared to those whose services are commissioned by the Council. This approach helps to ensure that Direct Payment arrangements are sustainable.
- 3.4 The proposed start date for all 2021/22 fees and charges aligns with the date that the Department of Work and Pensions (DWP) benefit rates are expected to change.
- 3.5 Specialist fee levels for people with more complex needs do not fit into the standard fee frameworks. Instead, these are individually set and agreed with providers.

Supporting information

4.1 Independent Sector fees

Under the Care Act, Councils have a duty to ensure that the fee paid to providers of care is able to create stability and sustainability within the local market. Councils are expected to engage with care providers and use market intelligence before setting fee levels. An engagement exercise has taken place whereby providers were encouraged to provide details of their cost pressures to inform the process. This took the form of issuing a survey, as part of a wider funding communication, so providers could share information as to where their projected increases and cost pressures were likely to be for 2021/22. This information was analysed and shared with Finance so that it could be taken into consideration in the fee models.

The National Living Wage for 2021/22 has now been confirmed:

[National Living Wage increase to protect workers' living standards - GOV.UK \(www.gov.uk\)](https://www.gov.uk/national-living-wage-increase-2021-22)

increasing by 2.2% for 2021/22 meaning the current rate of £8.72 will rise to £8.91 and include 23- and 24-year-olds – this was not included in the MTFP as it was assumed, at the time, there would be no increase.

4.2 Cost pressures reported by nursing and residential care homes

Feedback responses were received from fourteen Care Home providers where the key cost pressures were attributed to increases in payroll costs as a result of an assumed new NLW and the subsequent impact on more senior role salaries, recruitment and other costs such as regulation, training, apprenticeship levy, utilities, and insurance. Brexit was also mentioned by one Care Home as a potential cost pressure.

Whilst not covered by the inflationary increase process a number of providers' feedback included COVID 19 related cost pressures including cost hikes by PPE suppliers for their business as usual need, additional cleaning and contingency planning. There has been additional funding made available from central Government to support COVID 19 related cost pressures experienced by Adult Social Care providers.

4.3 Cost pressures reported by independent sector home care agencies

Feedback responses were received from eleven organisations with the key cost pressures identified being almost identical to that reported by Care Homes – these being salary increases due to an assumed higher NLW, recruitment and training. Other cost pressures included overheads, rent, service charges and insurance as well as regulation and the apprenticeship levy.

4.4 Proposed inflationary uplift - residential/nursing care homes

As the National Living Wage has now been confirmed, it is proposed that a composite inflationary figure of 2.2% is applied to 75% of the workforce.

An inflationary increase of 2.4% is proposed based on the above but with uplifts ranging from 3% to 6% being applied across a number of non-staffing, establishment and administrative overhead elements (see Appendix 2) and responds to key feedback from providers.

The cost of the Apprenticeship Levy will not impact on all providers as an organisation needs to have an annual pay bill of more than £3 million before they will need to pay 0.5% of the wage bill as the Levy. It is mainly for larger Care Homes which are part of large national bodies where this may be a cost pressure.

It is proposed that the existing rate of return remains at 3.23% following the increase of interest rates by 0.25% and the void allowance is retained at 10% and applied across all cost lines.

The table below compares 2020/21 and proposed 2021/22 fee rates for standard residential and nursing home placements.

Placement type	Current rate 2020/21 per week	Proposed rate 2021/22 per week (2.4%)
Standard Residential	£529.62	£542.33
Standard Nursing (net of RNCC)	£543.86	£556.91
Learning Disabilities – Residential *	£530.32	£543.05
Physical/Sensory Disabilities - Residential *	£597.48	£611.82
Mental Ill Health - Residential *	£467.22	£478.43
Dementia – Residential *	£573.23	£586.07
Drug/alcohol - Residential	£467.22	£478.43
Learning Disabilities - Nursing *	£531.68	£544.44
Physical/Sensory Disabilities - Nursing *	£600.16	£614.56
Mental Ill Health – Nursing *	£515.69	£528.07
Dementia – Nursing *	£ N/A	£ N/A
Drug/alcohol – Nursing *	£515.69	£528.07

* These rates only apply to historical care packages. New packages are no longer commissioned using these rates

4.5 Proposed inflationary uplift - Independent sector home care

As the National Living Wage has now been confirmed, it is proposed that a composite inflationary figure of 2.2% is applied to 75% of the workforce.

An inflationary increase of 2.29% is proposed based on the above plus 3% being applied across a number of non-staffing elements (see Appendix 3) and responds to key feedback back from providers.

The table below compares the standard rates for 2020/21 and the proposed rates for 2021/22 for domiciliary care and for the carer's sitting service, which is provided at the same rate:

Service Type	Unit	Current rate 2020/21	Proposed rate 2021/22 (2.29%)
Day Time Care	Per Hour	£15.21	£15.56
	Per ¾ Hour	£11.40	£11.66
	Per ½ Hour	£7.60	£7.77
	Per ¼ Hour *	£5.17	£5.29
Night Time Care	Per Hour	£16.83	£17.20
	Per ¾ Hour	£13.95	£14.27
	Per ½ Hour	£11.27	£11.53
	Per ¼ Hour *	£7.70	£7.88
Weekend Care	Per Hour	£16.83	£17.20
	Per ¾ Hour	£13.95	£14.27
	Per ½ Hour	£11.27	£11.53
	Per ¼ Hour *	£7.70	£7.88
Sleep in (22:00-07:00)	Per Hour	£10.82	£11.07
	Per ¾ Hour	£8.11	£8.30
	Per ½ Hour	£5.40	£5.52
	Per ¼ Hour *	£2.71	£2.77

* ¼ Hour calls are only commissioned for "safe and well" checks

The standard Homecare tender, currently advertised with contracts commencing June 2021, includes a revised pricing model which simplifies the current eight different rates to four. This benefits both the providers and the Council by reducing associated administrative costs. The model has potential to generate some savings for the Council whilst ensuring there are no financial sustainability issues caused for the provider market. The rates for 2020/21 are as below and will be subject to the proposed annual fee uplift agreed by Cabinet for the financial year 2021/22.

Description	Rate to be tendered	2021/22 rate (2.29%)
Weekday hourly rate (07:00-20:00hrs)	£15.96	£16.32
Weekday 15 minute call rate (07:00-20:00hrs)	£5.17	£5.29
Evening/Weekend hourly rate	£17.67	£18.07
Evening/Weekend 15 minute call rate	£7.70	£7.88

Lengths of call that are over 15 minutes will be paid at a pro rata amount of the relevant hourly rate. If calls overlap times for two different rates, they will be allocated the rate that applies at the start of the call.

4.6 Specialist Placements

Specialist fee levels for people with more complex needs are individually set and agreed with providers. Specialist providers have an opportunity to submit their revised fees annually for the forthcoming financial year. These requested fees are scrutinised and benchmarked by Commissioning Officers in terms of reasonableness, with reference to cost base information supplied by the provider and intelligence held by Commissioning, and any queries and issues are discussed with the provider. A fee level is then mutually agreed between the Council and the provider for the new financial year.

4.7 Proposed inflationary uplift - Direct Payments

Following requests received from Direct Payment holders, and where appropriate, it is proposed that existing Direct Payments may be uplifted in 2021/22 within a range - this being from 1.3%, which is the October 2020 level of RPI, to a maximum of 2.29%, which is the proposed rate for homecare providers. Any proposed uplift will need to be evidenced as linked to inflationary pressures associated with the cost of care, rather than increasing levels of individual need which would be dealt with via a social work review.

The rationale for proposing the range described above is that some flexibility is required for managing uplifts across the Direct Payment markets.

In mirroring the proposed homecare increase a better level for negotiating uplifts is made available up to 2.29% with those providers on a mixed economy of both managed services and Direct Payment customers whereby the Council is looking to transfer those Direct Payment customers to the managed service. Also, where the Council has no managed service alternative this allows for negotiation around an interim sustainable rate going forward until a managed service becomes available.

Where there is no 'mixed economy' then the lower 1.3% increase will be applied.

4.8 Charging for Social Care Services

Charges for customers receiving community-based support or residential and nursing care support are governed by the Council's *Adult Social Care Charging Policy* underpinned by the Care Act 2014 and supporting statutory guidance.

In line with the *Adult Social Care Charging Policy*, customers receiving community-based support will be charged for the full cost of their social care support, subject to the limit of their assessable income and except where the Council has to provide the service free of charge. With the exception of some fixed-charge services, all people who are asked to make a contribution towards their care undergo a Financial Assessment to determine the amount that they can afford to contribute. Most people receive a subsidy and are not asked to pay the full cost of their care.

4.9 Maximum contribution for community-based services

The Council has discretion under the Care Act 2014 to set a maximum contribution that a customer would be expected to pay towards the cost of their non-residential care. The Council has previously decided not to apply a cap, as set out in the *Adult Social Care Charging Policy*. No change is proposed.

Charges for Social Care Services	Limit 2020/21	Proposed Limit 2021/22
Maximum Contribution	No cap	No cap

4.10 Charges for external services

In accordance with the *Adult Social Care Charging Policy*, the new proposed costs for independent sector provision described above will be passed on in full to customers for whom the Council arranges support, subject to the outcome of their Financial Assessment.

4.11 Short-term residential care charges

The Council has previously chosen to set the charge for *Short Breaks in a Registered Care Home* for up to four weeks based on the minimum amount of benefit entitlement for the age of the customer less the statutory residential personal expenses allowance (£24.90 per week in 2020/21).

Where customers declare savings in excess of the upper capital threshold set by central government (£23,250 in 2020/21), the full cost charge is applied for short term residential care up to eight weeks, less an allowance of £40 per week to reflect the fact that the customer has to continue to maintain their own home.

Service Unit	Rate 2020/21	Proposed Rate 2021/22
Short Breaks of up to four weeks in a Registered Care Home Setting - under Pension Credit Age - over Pension Credit Age	£84.40 per week £148.85 per week	subject to confirmation of DWP rates in Feb 2021: £84.90 per week £152.20 per week
Short term residential care up to eight weeks where the customer has savings exceeding the upper capital threshold and declares this on an SS66 form.	£489.62 per week	£502.33 per week

4.12 Uplift for in-house services

It is proposed that the amount charged for care and administrative services provided directly by the Council should be increased in line with the increase in income for Adult Social Care included in the proposed Council Budget for 2021/22, which is **3.0%**

4.13 Bonsall View Short Breaks Service

The Council provides a Short Breaks service at Bonsall View for customers with complex needs.

A review of the Short Breaks service has been underway to review the fees and charges for the service. The outcome of the review and a recommendation for changing the charging structure are being reported separately.

It is proposed that the current Bonsall View charges are increased therefore by **3.0%**

Bonsall View	2020/21 rate	Proposed 2021/22 rate
Short Breaks	£353 per night	£363.59

4.14 Carelink

The Carelink charges were last reviewed in November 2012 when the funding stream changed and Housing Related Support (Supporting People funding) ended. The recommendations from that review were approved by Cabinet and the new charges introduced in April 2013. There have been very few changes to the charges since then. An inflationary increase was applied in 2020, however a more strategic review of the Carelink service continues, and a new service model is being implemented. It is proposed that an inflationary fee increase of 3% will be applied in 2021/22 to ensure the income levels for the service remain sustainable. Any further subsequent fee level increases will be the subject of a separate report to Cabinet.

It is proposed that the current Carelink charges are increased therefore by **3.0%**

4.15 Shared Lives

A review of the Shared Lives service will be undertaken to review the fees and charges for the service. The outcome of the review and a recommendation for changing the charging structure will be reported separately.

It is proposed that the current Shared Lives fees and charges are increased by **3.0%**.

Administration Charges

4.16 Deferred Payment Agreements

The Care Act 2014 introduced a new duty for every local authority to offer a deferred payment scheme, meaning that no one should be forced to sell their home during their lifetime in order to pay for their residential care. Derby City Council already operated such a scheme. The Care Act guidance and regulations set out what local authorities can charge in interest on any amount deferred and the administrative charges which may be recovered in relation to deferred payment arrangements.

4.17 Deferred Payment Agreement Set-up Charge

In the Care Act 2014 impact assessment, the Department of Health estimated that the cost to Councils of administering a Deferred Payment Agreement was £750. Local estimates of the costs incurred were in line with this, so for 2016/17, the Council set the charge for setting up a Deferred Payment Agreement at £750, and this has since been increased in line with the budgeted inflationary increase in income.

It is proposed to increase the set-up charge by **3.0%**

The Council has previously chosen not to charge an annual administration charge for managing a Deferred Payment Agreement as set out in the *Adult Social Care Charging Policy*. No change is proposed.

Deferred Payment Agreement	2020/21 rate	Proposed 2021/22 rate
Set-up charge	£844.12	£869.44
Annual administration charge	None	None

4.18 Deferred Payment interest rate

The Care Act 2014 regulations state that the interest rate applied to Deferred Payment Loans must be based on the cost of government borrowing - specifically, the 15-year average gilt yield - as set out by the Office for Budget Responsibility twice a year in their Economic and Fiscal Outlook report. The Care Act allows discretion for Councils to apply up to an additional 0.15% to this rate.

- From 1 Jan 2018 – 30 June 2018, the interest rate was based on the average gilt yield of 1.3% which was published in November 2017
- From 1 July 2018 until 31 December 2018, the interest rate was based on the average gilt yield of 1.7% which was published in March 2018
- From 1 Jan 2019 – 30 June 2019, the interest rate was based on the average gilt yield of 1.5% which was published in October 2018
- From 1 July 2019 until 31 December 2019, the interest rate was based on the average gilt yield of 1.3% which was published in March 2019
- From 1 Jan 2020 – 30 June 2020, the interest rate would have been based on the average gilt yield in the Economic and Fiscal Outlook report which was due to be published in November 2019, but it was initially delayed by the general election, and was never published. The previous rates, therefore, continue to apply.
- From 1 July 2020 until 31 December 2020, the interest rate was based on the average gilt yield of 0.9% which was published in March 2020.
- From 1 Jan 2021 – 30 June 2021, the interest rate will be based on the average gilt yield of 0.3% which was published in November 2020.
- From 1 July 2021 until 31 December 2021, the interest rate will be based on the average gilt yield to be published in March 2021
- From 1 Jan 2022 – 30 June 2022, the interest rate will be based on the average gilt yield to be published in November 2021

In the event that the 15-year average gilt yield value is not available for a specific period, then the previous rate will continue to be applied until a new rate becomes available.

In line with a number of other local authorities in the region, the Council has previously decided to charge the maximum interest rate for deferred payments allowed under the Care Act 2014. No change is proposed.

Deferred Payment Agreement	2020/21 rate	Proposed 2021/22 rate
Interest rate premium	0.15%	0.15%

Interest will be compounded daily.

4.19 Self-funder community care administration charge

As laid out in the *Adult Social Care Charging Policy*, Derby City Council applies charges to cover the administrative costs incurred when it organises community-based services on behalf of people who are able to pay for the full cost of their care (except where the local authority is required to arrange care and support free of charge).

4.20 The implementation of an administration charge in relation to people whose needs are to be met in care homes was originally delayed nationally until April 2020 at the earliest, but it now appears that no further progress will be made until after the Brexit process has been completed.

It is proposed to increase the self-funder set-up and maintenance charges by **3.0%**. The proposed rates for 2020/21 are as follows:

Service	Rate 2020/21	Proposed Rate 2021/22
Setting up a community care package	£102.41	£105.48
Annual maintenance for a community care package	£94.53	£97.36
Setting up a residential care package	Deferred	Deferred
Annual maintenance for a residential care package		

4.21 **Community Deputyship and Appointeeship service**

Where people do not have capacity to manage their own money (as evidenced by a Mental Capacity Assessment), they need someone to act on their behalf. Typically, a family member or close friend will take on this role, but some people living in the community do not have anyone in their circle of support willing to take on the role. A number of independent sector organisations offer this service for a fee, and social workers will normally seek to signpost customers and their families to these services. As a last resort, the Council is able to act as a Deputy or Appointee.

4.22 The basic Appointeeship service for someone living in the community involves receiving benefits on behalf of the customer, paying out a regular personal allowance and providing support to customers to pay their own bills. The enhanced Appointeeship service additionally includes debt management and paying utility bills on behalf of the customer. These additional tasks take more time and therefore the enhanced service has a higher charge.

4.23 Deputyship involves making decisions on behalf of the customer rather than just managing their money for them. The Court of Protection sets out the charges for Deputyship. On the rare occasions when we agree to apply for Deputyship on behalf of a customer, the charges from the court will be passed on to the customer, in addition to the enhanced Appointeeship service charge.

4.24 It is proposed to increase the community Appointeeship service charges by **3.0%**. The proposed charges, which are subject to a Financial Assessment as described under the Care Act 2014, are:

Appointeeship Service	Rate 2020/21	Proposed Rate 2021/22
basic service (per month)	£28.12	£28.96
enhanced service (per month)	£50.64	£52.15

Public/stakeholder engagement

- 5.1 Further to engagement undertaken for 2020/21 it was noted that providers felt that they should be consulted prior to any fee increases being proposed. The process historically was to consult on a proposed fee increase and then request feedback on this from providers. For 2021/22 providers have been consulted on their envisaged key business related cost pressures and these have been considered whilst modelling the proposed inflationary uplifts.

Therefore the approach for developing Council fee rate proposals for independent sector providers with “standard” terms and conditions during 2020 changed to that used from 2013 to 2019 in that contracted providers were invited to identify their key business related pressures by returning a short survey (see Appendix 1) *prior* to the proposed inflationary increase being modelled. There was a better response to these surveys with fourteen Care Homes responding this time compared to only one last year and eleven Homecare providers responding this time compared to three last year. The information returned in the surveys was provided to assist the analysis for the fee model (Appendices 2 and 3).

Other options

- 6.1 The Council could determine not to award any inflationary increase to the fees it pays for in-house and independent sector care. This is not being recommended as having a sustainable and viable social care market is vital to ensuring that the Council can discharge its statutory duties in relation to vulnerable adults.
- 6.2 The Council could decide not to increase the charges it levies for in-house and independent sector care. This is not being recommended as it would create an unmanageable pressure in the adult social care budget.
- 6.3 The Council could decide not to exercise the powers granted in the Care Act 2014 to levy administrative charges for certain activities. This is not being recommended as it would create an unmanageable pressure in the adult social care budget.

Financial and value for money issues

- 7.1 The proposals in this report will help the Council to provide its statutory services within the available budget. The proposed fee increases for external care providers has taken into account inflationary pressures, specifically in relation to the ongoing National Living Wage rises. Other measures such as demand management activity, diverting people into alternative low cost services, and using preventative approaches such as Local Area Coordination and Talking Points will also be utilised to help manage cost pressures.

Legal implications

- 8.1 The public sector equality duty, under section 149 of the Equality Act 2010, requires public bodies to have due regard to the need to eliminate discrimination and promote equality of opportunity for groups including disabled and older people. By ensuring that a fair price for care is paid and charged for, the Council will fulfil its duty by ensuring that older or disabled people are able to access care locally and from a

viable, sustainable and high quality care sector.

8.2 Consultation on the Adult Social Care Charging Policy took place in 2020 the outcome of which has informed the content of this report; similarly, an equality impact assessment (EIA) of the impact of the Adult Social Care Charging Policy has been carried out. The EIA and a summary of its findings can be found on the Council website here:

<https://www.derby.gov.uk/community-and-living/equality-diversity/equality-impact-assessments/>

Climate implications

9.1 None arising from this report.

Other significant implications

10.1 Equalities Impact

The people affected by these charges have protected characteristics under the Equality Act – however, everyone making a contribution towards the cost of their support undergoes a Financial Assessment to determine how much they can afford to contribute. Very few people pay the full rate for these services.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu, Head of Legal Services	20 Jan 2021
Finance	Janice Hadfield, Acting Head of Finance	13 Jan 2021
Service Director(s)	Kirsty McMillan, Director of Integration and Direct Services	13 Jan 2021
Report sponsor	Andy Smith, Strategic Director for People Services	14 Jan 2021
Other(s)	Jackie Costello, Lead Commissioner	13 Jan 2021
	Sharon Green, Head of Direct Services	13 Jan 2021
	Colyn Kemp, Head of Business Intelligence	13 Jan 2021

List of appendices:	Appendix 1 – Care Provider Feedback Form Appendix 2 – Care Home Fee Increase Model Appendix 3 - Homecare Fee Increase Model
----------------------------	---

Appendix 1



Standard Fee
Increase 2021-22 Car

Appendix 2



2021-22 Care Home
Fee Increase Model.xls

Appendix 3



2021-22 Homecare
Fee Increase Model.xls