

Social Services & Wellbeing Directorate

Care Home Fee-Setting Policy

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1 Introduction

This policy sets out Bridgend County Borough Council's approach to reviewing and setting fees for local residential and nursing care homes.

The fee-setting process takes place on an annual basis and involves both commissioners and finance staff within the Council as well as discussion and consultation with providers.

2 Starting Point

Our starting point is with the relationship that we have with providers. This has been developed over a long period of time and been influenced by a range of factors.

The Institute of Public Care (IPC) document '*Let's Agree to Agree*'¹ focuses upon the older people's care home market and looks towards a longer-term approach. It sets out 5 helpful principles:

- An agreed price has to be negotiated as with any other contract.
- The essence of the approach is one of transparency and openness from both parties.
- Neither party has to do business with the other and therefore it is possible that they will not come to an agreement.
- There can always be agreed exceptions to the stated price.
- All parties are committed to delivering a sustainable care market.
Provided the above obligations are discharged, LAs may decide to fix their care home and domiciliary care fees at levels different from those in their Cost of Care data returns. – Auburn, J 2022.

Whilst ultimately it is the local authority that sets local authority fee rates, we are committed to working with providers to ensure that fee rates are fair and maintain a sustainable care home sector.

3 Background Information

We have three main sources of background information that help to inform our policy and approach in this area.

1. In 2022 the Cwm Taf Morgannwg Regional Partnership Board produced a Market Stability report for Residential and Nursing Care for Older People² that provided a wide range of information about the regional market and also data for each of the three constituent local authorities. It also covered the impact of the Covid-19 pandemic.

¹ IPC, 'Let's Agree to Agree: A toolkit for commissioners and providers to agree the cost of residential and nursing care for older people in Wales' 2018, <https://ipc.brookes.ac.uk/publications/lets-agree-to-agree> (Accessed 16th March 2023)

² Cwm Taf Morgannwg Regional Partnership Board 'Market Stability: Residential and Nursing Care for Older People.'

2. In early 2023, IPC conducted a Cost of Care exercise for residential and nursing care homes in Bridgend.³ This provided detailed information on the actual costs of care incurred by providers in 2021-22 and also information about their expectations for the period ahead (i.e. the financial year 2023-24). Subject to the agreement of the representatives of the Bridgend County Borough Council (BCBC) Care Home Provider Forum, we will look to repeat this exercise in 2026, prior to the ending of the current contracts (or sooner if there are exceptional circumstances, for example an unforeseen and/or significant change in costs to deliver care in residential and nursing care homes in Bridgend).
3. Also, we maintain a dataset of placements into care homes and the occupancy levels being maintained across the sector.

4 Local Authority Budget Setting

Local Authorities must set a balanced budget for each financial year, and there is a procedure laid out in legislation in order for us to do this.

Relevant Legislation includes:

- [The Local Government Finance Act, 1992](#)
 - Section 30 (6) (England and Wales). This states that all authorities must set their budgets before 11 March each year, in advance of the financial year which starts on 1 April.
 - Section 32 (2) (a) states that authorities must set a **balanced budget** for each financial year, via a specific process.

For more information on Local Authority Budget setting, please see this helpful [Research Briefing](#) from the House of Commons

The Westminster Government makes its statement on expenditure at least annually, and following this the Welsh Government publishes its provisional settlement for each local government in Wales, indicating how much funding each local authority will provisionally receive in the following financial year.

Once BCBC receive the Welsh Government's provisional settlement amount, alongside any other expenditure announcements (changes to the Real Living Wage, for example), this will allow BCBC to complete cost pressure analysis of its local services and provisions to understand how this budget can be allocated.

Overall budgets are set annually, and therefore our normal process is to agree fees and rates for services on an annual basis. We would only deviate from that if the sector are able to evidence significant financial hardship linked to unforeseen circumstances not factored into agreed rates for that year and funding is available to further vary the agreed rates.

³ IPC, 'Bridgend Care Homes Cost of Care Exercise – 2022'.

5 Fee-Setting and Cost Pressure Analysis for Residential and Nursing Care Homes in Bridgend

Statutory guidance to Local Authorities on the commissioning of social care services is set out within Welsh Government statutory guidance 'Commissioning Framework Guidance and Good Practice. Standard 10 (2010)⁴. This guidance sets out the factors a Local Authority should take into account when considering fees: The Guidance states,

'Commissioners will have to take into account the full range of demands on them and their strategic priorities, as well as the resources they have at their disposal in developing their commissioning strategies...'

'Fee setting must take into account the legitimate and future costs faced by providers as well as the factors that affect those costs and the potential for improved performance and more cost-effective ways of operating. The fees need to be adequate to enable providers to meet the specification set by the Commissioners together with regulatory requirements...'

'Commissioners must have a rationale to explain their approach to fee setting. The primary concern is that services operate safely and effectively to promote the welfare of the service users and carers and meet regulatory requirements.'

Section 74 of the Service Providers and Responsible Individual Regulations says that the Responsible Individual :

'...must report to the service provider on the adequacy of the resources available to provide the service in accordance with the requirements on service providers in Parts 3 to 15 of these Regulations.'

Following the cost-of care analysis undertaken during 2022/23 by IPC, BCBC recognises that costs can change for providers year-on-year (either increasing or decreasing) and that in order to sustain the market and the Local Authority, these changes need to be taken into account annually.

For residential and nursing care homes in Bridgend, the current cost pressures methodology is illustrated in **table one**, below.

This cost pressures methodology takes account of a range of costs and draws upon national data with regard to any variations in the various categories of cost. The weighting given to each cost pressure element was updated in 2023, following the IPC cost of care exercise and is informed by the evidence collected from this exercise.

⁴ Welsh Assembly Government: [Commissioning Framework Guidance and Good Practice](#). Accessed March 2023

Table One: BCBC Cost Pressures Analysis Tool for Residential and Nursing Care Homes

Please note: this is the current version of the tool. This is subject to change should sufficient evidence be provided to the Council that there have been significant changes to the care home cost profile. Any such proposed or requested changes to this tool will follow the required Council decision making processes.

Percentage weighting		Relevant inflationary factor to be applied
Type of Cost	%	
Employee Costs (inc. Pension and NI)	70.0%	Real Living Wage increase as at the April following the budget setting
Repairs, Maintenance and Premises Costs	10.0%	Most recent Consumer Price Index in line with BCBC's budget setting timelines
Gas, Electricity, Water, Rates	5.0%	Consumer Price Index (as above)
Food & Other supplies	5.0%	Consumer Price Index (as above)
Sub Total	90.0%	
Cost of Capital / Rate of Return	10.0%	
Total – Cost Pressures	100.0%	

In line with the aforementioned good practice framework and budget setting legislation, BCBC will review any changes to the cost of delivery for local care homes using this above tool. This will be completed annually in order to propose any changes to the local fee rates for residential and nursing care home placements for the next financial year, in line with the overall available budget and budget setting arrangements.

This will be calculated using the previous year's fee rates, with each of the above components adjusted, if required, (in line with current cost pressure evidence) and then combined to provide a weighted increase or decrease of the total fee rate for BCBC.

Any proposed changes to the BCBC fee rates will be shared with local care home providers, and their feedback on the proposed rates will be sought. This will be completed in line with BCBC's budget setting timetable.

Providers will then be advised of the final proposed rates, to be incorporated into the overall Council's budget-setting proposals once this has been approved by the Council.

Whilst we recognise that provider costs may change (increase or decrease) during the course of a year, the local authority budget and care home fees are set at the outset of each financial year and so we are not in a position to amend them in-year. However, if BCBC or the local care home sector are able to evidence substantial

changes in the cost profile or pressures within a financial year, BCBC will take this into consideration within the financial envelope of the Council's available budget.

Please note, BCBC may at any point review and alter any aspect of our methodology to understanding the costs for delivery of residential and nursing care homes in Bridgend.

6 Payment Categories

As commissioners, we recognise that people with different levels of need require different care of different amounts and from people with varying skillsets. Accordingly, we do pay different rates for homes that cater for people with specific needs. Our payment rates differ for residential placements and nursing placements. We pay additional fees on top of those paid for each of these categories for older people with mental health problems people who have specialist care needs (six categories in all).

7 Engagement

'Let's Agree to Agree' proposes that a standing committee be established between local authority commissioners, health board commissioners, local authority and health board procurement and finance staff and a set of providers who represent a cross-section of residential and nursing homes (including EMI homes) from a particular area. The proposed role of this standing committee is to examine the available data and ensure that the evidence supports the decisions that will eventually be made on the agreed rates for the costs of care.

In a relatively small locality like Bridgend it is possible to engage with all local care home providers rather than have representatives on a committee, and we do this through the Care Home Forum. However, effective engagement with providers around fee-setting needs to be part of an ongoing process of engagement that occurs throughout the year and covers the whole range of issues of interest to both parties. We look to engage with providers at an individual and collective level throughout the year. A programmed timetable of engagement topics, including fee-setting, helps to ensure that fee-setting is properly considered at the appropriate times, but also that it does not dominate the process throughout the year.

Alongside these formal engagements with the sector we will continue to maintain ongoing contact with individual providers through their operational and contract management arrangements.

Partners

As well as consulting with care home providers, we have strategic level discussions about the budget with providers in other sectors, our partners in the NHS and elsewhere. We look particularly to have more focused engagement around fee-setting with partner commissioners who also have responsibilities for funding some social care services (e.g. through NHS Continuing Care or through intermediate Care arrangements). These discussions can be less formal than those with providers but ensuring effective sharing of information is important. Partner commissioners may also join in with the provider engagement set out above.

Neighbouring authorities

Local authorities often place people in adjacent locations or even further afield either because of resident's preferences or because of pressure upon supply in their own locality. Some authorities will be net importers of people and others net exporters. However, in some markets the flow between the two (or more) authorities involved can be significant. Also, provider groups may have homes in adjacent areas. The impact of fee rates in one authority is likely, therefore, to affect the market elsewhere and local authorities need to be aware of the cross-boundary flows and the implications of these. The greater the flow the greater the need for engagement with neighbouring authorities on fee-setting.

BCBC have representation on the Welsh National Commissioning Board in order to understand fee levels in neighbouring areas in Wales, and the benchmarking work they complete. This helps to inform our awareness of fee rates across Wales – although it must be stressed that it is difficult to compare rates – as the financial circumstances for care homes in other local authorities will be different.

People who use services and families/carers

People who use services and the population generally will not usually be involved in the general consultation around budget-setting proposals. However, there are some aspects of fee-setting that can impact upon service users – for example the local authority fee-rates may cause a provider to decline to continue to contract with the local authority. Also, the fees set by the local authority may affect the level of top-up payments being made by a third party for a care home resident.

For these reasons, it is important that any decisions on the fee setting and overall budget includes reference and consideration of these issues.

8 Governance and Equality Impact Assessment

This policy will require approval from BCBC's Cabinet, prior to which an Equality Impact Assessment (EIA) Screening will be undertaken to assess any potential impact and determine if a full EIA is required.

9 Requirements

Whilst we are committed to reviewing fees on an annual basis as part of our wider budget-setting process we also have expectations of providers and what they should adhere to. We believe this is important to ensure there is a level of fairness within the process.

Welsh Government Real Living Wage Policy

The Welsh Government has re-affirmed its commitment to ensuring social care workers are paid in accordance with the current Real Living Wage.⁵ We take account of this in our cost analysis tool that uplifts wage costs by the RLW increase for that year. Accordingly we require assurance from all providers that all social care staff are paid at RLW levels.

⁵ 'Welsh Government, 'Implementing the Real Living Wage for social care workers in Wales', 2022, <https://www.gov.wales/implementing-real-living-wage-social-care-workers-wales>

Third Party Arrangements

Third party arrangements exist when a care homes fees are above the rate set by the Council and the resident themselves (or someone else on their behalf) pays the difference between the two. Whilst we understood that such an approach is permitted, we do expect providers to review these arrangements when any increase in local authority fee-rates is implemented.

Private placements

Similarly, with regard to private placements where the local authority has played no part in the placement, we do ask that care home providers review the rates they are charging when any increase in local authority funding takes place. We also expect care homes to advise people entering into a private placement of local authority eligibility criteria and of any difference between local authority rates and any rate they enter into as a private placement.