2025/26 Local Authority Adult Social Care Fee Uplift Submission

Executive Summary

This paper summarises the key financial pressures facing local care providers, based on insight gained by Partners in Care through surveys of local care provider members conducted in October and November 2024 and ongoing engagement with our members over the last year.

Partners in Care is a not-for-profit care association supporting independent adult social care providers across Shropshire, Telford & Wrekin and Cheshire. Established in 2003, we exist to represent, upskill and champion our local adult social care providers and their staff. We now have 272 members, the overwhelming majority (245) in Shropshire, Telford & Wrekin. Our 245 CQC registered members in Shropshire, Telford & Wrekin represent 77.5% of the 316 CQC registered care providers in Shropshire, Telford & Wrekin (as at 6 November 2024). In addition, we have 10 'out of area' members (i.e. care providers who are CQC registered outside Shropshire, Telford & Wrekin) who operate in Shropshire, Telford & Wrekin.

Key financial pressures facing care providers include:

- **Staff costs** – the 6.7% increase in the National Living Wage (NLW) for employees aged 21 and over from 1 April 2025 and the impact of changes to employers National Insurance contributions (NIC) from 6 April 2025 will directly impact on care providers' staff costs.
- **Staff recruitment costs** – continuing high staff turnover and vacancy rates, and ongoing challenges in recruiting and retaining staff, present an ongoing financial challenge to care providers. The sector is also facing a significant cost increase for DBS checks for new staff.
- **Energy/utility costs** – increased energy costs have and continue to impact on all care providers.
- **Other operating costs** – inflation as measured by the Consumer Prices Index (CPI) in the 12 months to November 2024 was 2.6%. Key inflationary cost pressures include insurance, IT and staff travel.

The evidence is clear that the fee rates currently being paid by Shropshire Council and Telford & Wrekin Council for local-authority funded care do not reflect the costs incurred by care providers to provide that care, and we therefore request that the local authorities seek to agree fee uplifts for 2025/26 that address this issue and also cover the financial impact of the increase in NLW from 1 April 2025 and changes to employers NIC from 6 April 2025.

Stef Kay	David Crosby
Chair, Partners in Care	Chief Officer, Partners in Care

December 2024

Background

Partners in Care conducted a survey of our local care provider members in October 2024 to explore the impact of current local authority fee rates on their businesses and gain their feedback and insights to support fee discussions with both Shropshire Council and Telford & Wrekin Council for the 2025/26 financial year.

As the majority of responses to the survey were received before the Government's Autumn Budget presented to Parliament by the Chancellor of the Exchequer on 30 October 2024, we conducted a further survey of our members in November 2024 specifically to gather their feedback on the financial implications of the Budget as well as the impact of the Employment Rights Bill 2024/25.

Detailed reports on the results of both surveys – including a full report and separate reports for each of the two local authorities on each survey – have been shared with the local authorities.

Partners in Care will again be circulating a template letter to our members for them to send to the local authorities (officers and elected members) and local MPs should they choose to do so, setting out the challenges that care providers are currently facing. Further details on these challenges are set out below.

Fair Cost of Care

For the 2024/25 financial year, Shropshire Council agreed a 6% uplift to its standard rates for care homes and domiciliary care. Telford & Wrekin Council agreed a 3.3% uplift for domiciliary care and an uplift of between 2.8%-4% for care homes. The rate of inflation as measured by the Consumer Prices Index (CPI) in the 12 months to April 2024 was 2.3%. However, the fee rate uplifts awarded by the local authorities for 2024/25 did not cover the cost of the mandated increase in NLW of 9.8% from £10.42 to £11.44 per hour from 1 April 2024 (for those aged 12 and over).

Care providers have continued to experience significant operational cost pressures over the last 12 months. Inflation as measured by the CPI rose by 2.6% in the 12 months to November 2024[1].

Only 14% of respondents to the fee survey undertaken by Partners in Care in October 2024 feel that the current local authority fee rates cover their actual weekly operating costs, a significant decrease from 19% in a previous Partners in Care survey undertaken in October 2023.

Nearly three-quarters (72%) of those respondents for whom the question was applicable cross subsidise local authority fee rate income with other business provision (e.g. self-funders, other private funded care through charities/other organisations, etc), a decrease from 77% in October 2023.

47% of all providers who responded to our October 2024 survey confirmed that they have reduced the amount of local authority funded placements/packages they accept in the past 12 months, an increase from 42% in the previous survey in October 2023. 71% of all respondents expect to further reduce the amount of council funded care they provide in the next 12 months if fee rates remain the same in 2025/26. Only 2% expect to increase the amount of council funded care they provide, compared to 6% in October 2023.

In our October 2024 survey we asked our members how confident they are in their financial situation/sustainability for the next 12 months. Confidence has significantly decreased over the past 12 months, with only 6% of respondents feeling extremely confident compared to 15% in October

[1] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/november2024

2023. The number of respondents feeling not confident at all has increased significantly from 16% in October 2023 to 26% in October 2024, and this was before the majority of respondents were aware of the financial impact of the Autumn Budget 2024.

In our follow-up survey of our local care provider members undertaken in November 2024:

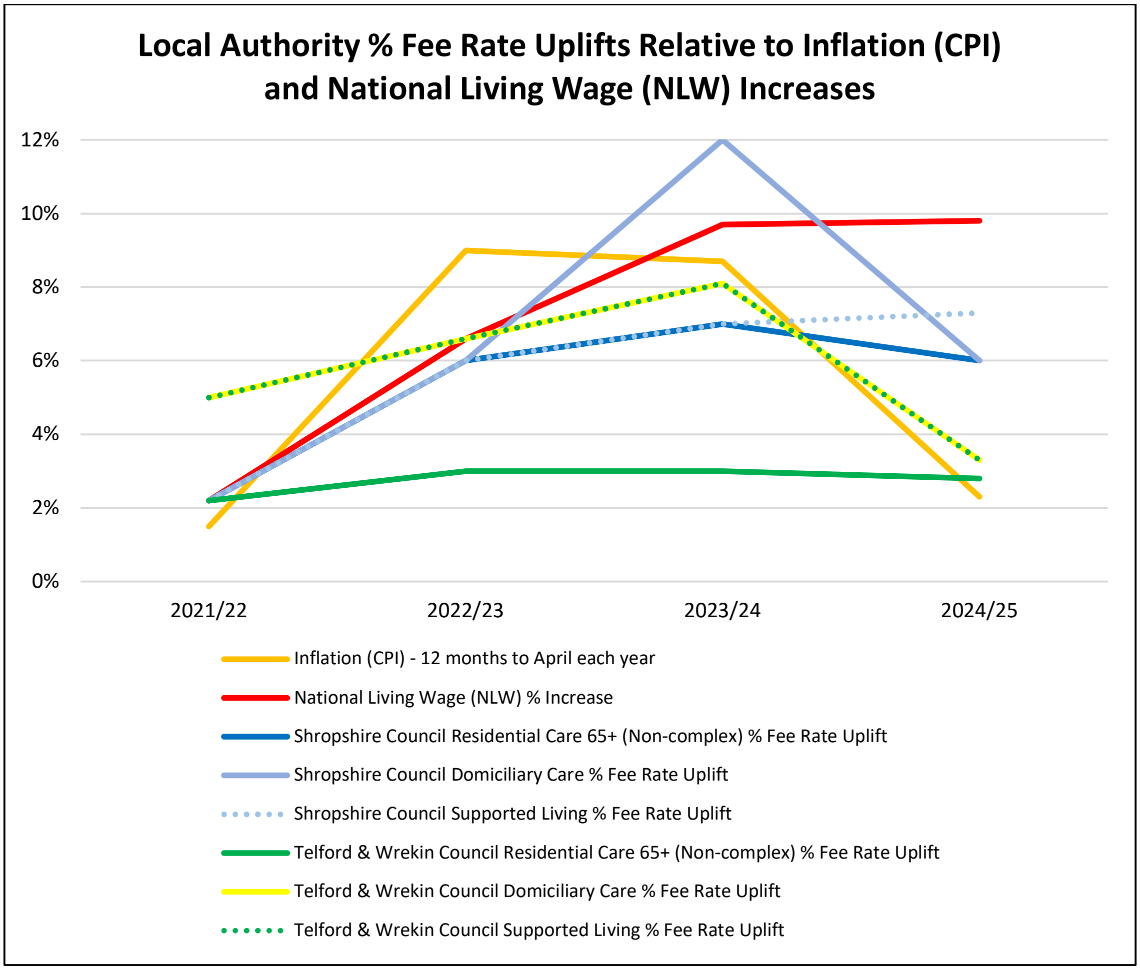
- Only 5% (three no.) of those respondents who answered the question felt that they will be able to meet the additional cost of the increase in the NLW from April 2025 if local authority fee rates do not increase to fully cover the additional cost.
- Only 3% (two no.) of those respondents who answered the question felt that they will be able to meet the additional cost of the changes to employers NIC, i.e. increased % contribution and lower threshold, from April 2025 if local authority fee rates do not increase to fully cover the additional cost.
- The estimated additional cost of the NLW increase and employers NIC changes in 2025/26 for those providers who have already calculated this ranges from £15k to £1 million, with an average of £231k across the 24 respondents who answered this question.
- A majority of providers who responded to the survey felt that the Employment Rights Bill 2024/25 is likely to have a significant financial impact on their organisation, with nearly a third (31%) stating that it will have a great deal of impact and a further quarter (26%) stating that it will have a lot of impact.

The financial impact of the Autumn Budget 2024 will create substantial challenges for care providers, the majority of whom will simply not be able to meet the additional costs if local authority fee rates do not increase to cover these, as evidenced by the responses to our November 2024 survey. Without sufficient financial support, the impact on the local care sector could be devastating, potentially leading to:

- Provider closures – increased wage costs may drive some providers out of the market.
- Workforce attrition – providers currently paying above the NLW of £11.44 per hour may be forced to revert to the new £12.21 per hour minimum (for employees aged 21 and over), leading to higher attrition as care workers seek higher-paying roles in other sectors. From our October 2024 survey we know that nearly four out of five (78%) respondents are already paying above the NLW with 78% of care home providers and 82% of domiciliary care providers already paying above the NLW.
- Negative outcomes for service users and increased pressure on the NHS – disruption in care services will inevitably impact the vulnerable populations our members serve, placing additional strain on the local healthcare system, particularly our local acute hospitals. Care providers play a vital role in hospital admission avoidance and expediting hospital discharge, and their ability to support these areas of work will be severely compromised. The local healthcare system in Shropshire, Telford & Wrekin is already under severe pressure and this is only likely to worsen if care providers exit the market and supply is impacted.

The evidence from our surveys clearly demonstrates that despite reasonable fee rate uplifts for 2024/25 – particularly from Shropshire Council – this has not had a significant impact on the financial position of care providers across Shropshire, Telford & Wrekin: the majority of care providers still feel that the current local authority fee rates do not cover their actual weekly operating costs, and 71% of all respondents to the October 2024 survey expect to further reduce the amount of council funded care they provide in the next 12 months if fee rates remain the same in 2025/26.

Local authority fee rate uplifts over the last three years since April 2022 have failed to keep pace with inflation or increases in the NLW. The chart and table below show the % fee rate uplifts for residential care 65+ (non-complex), domiciliary care and supported living for each local authority compared to inflation and the NLW since 2021/22. The chart and the table clearly show that the increase in NLW has generally outstripped the fee rate uplifts (apart from the Shropshire Council domiciliary care uplift in 2023/24) and that both local authorities' fee rate uplifts have been below inflation and/or the NLW increase for the last three years.



	2021/22	2022/23	2023/24	2024/25
Inflation (CPI) - 12 months to April each year	1.5%	9.0%	8.7%	2.3%
National Living Wage (NLW) % Increase	2.2%	6.6%	9.7%	9.8%
Shropshire Council Residential Care 65+ (Non-complex) % Fee Rate Uplift	2.2%	6.0%	7.0%	6.0%
Shropshire Council Domiciliary Care % Fee Rate Uplift	2.2%	6.0%	12.0%	6.0%
Shropshire Council Supported Living % Fee Rate Uplift	2.2%	6.0%	7.0%	7.3%
Telford & Wrekin Council Residential Care 65+ (Non-complex) % Fee Rate Uplift	2.2%	3.0%	3.0%	2.8%
Telford & Wrekin Council Domiciliary Care % Fee Rate Uplift	5.0%	6.6%	8.1%	3.3%
Telford & Wrekin Council Supported Living % Fee Rate Uplift	5.0%	6.6%	8.1%	3.3%

Key to colour coding: **Green** = Fee rate uplift above Inflation and NLW increases; **Amber** = Fee rate uplift only above one or other of Inflation or NLW increases; **Red** = Fee rate uplift below both Inflation and NLW increases

In December 2023 we proposed fee rates for 2024/25 that more accurately reflected the true cost of care provided by Partners in Care members across Shropshire, Telford & Wrekin – shown in the table below, along with the local authorities' current fee rates for 2024/25 where published, and proposed fee rates for 2025/26 with a 12.6% uplift applied which we believe is required to reflect the increase in the NLW and the financial impact of the employer NIC changes plus the current CPI inflation rate of 2.6%. **We hereby request that the proposed fee rates for 2025/26 set out below are applied.**

Service type	Proposed Minimum Fee Rate 2024/25	Standard Fee Rate 2024/25 – Shropshire Council	Standard Fee Rate 2024/25 – Telford & Wrekin Council	Proposed Minimum Fee Rate 2025/26
Residential care	£873 per week	£750 per week	No standard rate	£983 per week
Residential with dementia care/other complex needs	£930 per week	£850 per week	No standard rate	£1,047 per week
Nursing care	£1,275 per week	£900 per week	No standard rate	£1,436 per week
Nursing with dementia care/other complex needs	£1,298 per week	£1,000 per week	No standard rate	£1,462 per week
Homecare/Domiciliary Care – Urban areas	£26.99 per hour	£24.70 per hour	£20.24 per hour	£30.39 per hour
Homecare/Domiciliary Care – Rural areas	£28.22 per hour			£31.78 per hour

The Homecare Association's new calculation for the minimum price for homecare in England with effect from April 2025 is £32.14 per hour[2], a higher rate than the proposed minimum fee rates for 2025/26 outlined above.

With regard to **Supported Living** and specifically **Learning Disability** services:

- In January 2023 we proposed that there is a root and branch review of fee rates to ensure that these better reflect care providers' costs of providing care.
- Whilst Shropshire Council stated in its Fee Uplift letter to care providers dated 2 March 2023 that it would work with providers to do a root and branch review of Supported Living and Learning Disability rates, this work has still not yet been concluded and will almost certainly run into 2025/26.
- We are not aware of any work undertaken by Telford & Wrekin Council to review fee rates for Supported Living and Learning Disability services beyond the fee rate uplifts applied in April 2023 and April 2024 – uplifts of 8.12% in 2023/24 and 3.27% in 2024/25 for providers providing Supported Living and Supported Accommodation Care costs (excluding core costs or sleep ins) through the Flexible Contracting Arrangement, and uplifts of 3% in 2023/24 and between 2.8% and 3.5% in 2024/25 for care homes that the Council spot contracts with for adults aged between 18-65 years with learning disabilities and mental health.

[2] "A Minimum Price for Homecare – April 2025 to March 2026", The Homecare Association, December 2024

- **We again request a root and branch review of fee rates to ensure that these better reflect care providers' costs of providing care, and a commitment from both local authorities that this will be completed in a timely manner, ideally by the end of March 2025.**

Financial Pressures

In the fee survey undertaken by Partners in Care in October 2024 we asked care providers to tell us the main cost pressures facing their business at present. The highest impact cost pressures across all care providers were as follows – these were also the five highest impact cost pressures in the previous survey undertaken in October 2023.

- Increasing wage bills.
- The National Living Wage.
- Increasing energy/utility costs.
- Increasing mileage/travel costs for staff.
- Increasing staff recruitment costs.

- **Staff costs** – the 6.7% increase in the announced by the Chancellor of the Exchequer in the Autumn Budget Statement on 30 October 2024, from £11.44 to £12.21 per hour from 1 April 2025 (for employees aged 21 and over, with varying increases for those under 21), comes on top of the 9.8% increase in the NLW from £10.42 to £11.44 per hour from 1 April 2024. The increase in NLW will directly impact on care providers' staff costs. In addition, the changes to employers NIC contributions, which will increase by 1.2% from 6 April 2025 with a lowered threshold of £5,000 (equivalent to 8 hours at the new NLW rate), will add an additional £615 per annum per employee who works more than 8 hours per week, impacting part-time workers significantly. Whilst Employment Allowance is due to increase from £5,000 relief to £10,500 from 6 April 2025, this only applies to employers with Class 1 National Insurance liabilities of less than £100,000 in the previous tax year which automatically excludes large employers, and employers cannot claim this if more than half of their work is public sector-funded (unless they are a charity)[3]. Given that the majority of adult social care providers in Shropshire, Telford & Wrekin are small private companies, and c.70% of care is publicly funded, the majority of care providers locally are unlikely to benefit from the changes to Employment Allowance.

  If local authority fee rates do not increase to at least cover the increase in NLW and the changes to employers NIC, this will represent a real terms cut in fee rates. As previously stated, from our October 2024 survey we know that nearly four out of five (78%) respondents are already paying above the NLW due to the need to compete with other sectors, including retail (although supported living providers cannot afford to do so as they cannot cross-subsidise local authority-funded care through self-funders).

[3] https://www.gov.uk/claim-employment-allowance/eligibility

Whilst the increase in NLW affects all care providers, it is the over-riding cost driver for homecare/domiciliary care providers – it is a legal requirement which they are obliged to apply, and given that staff costs are the largest cost element for homecare/domiciliary care providers, the impact of the increase in NLW by £0.77 per hour for employees aged 21 and over with effect from April 2025 is potentially catastrophic for providers. **NLW has now increased from £8.21 per hour (for employees aged 25 and over) in 2019/20 to £12.21 per hour (for employees aged 21 and over) in 2025/26, an increase of 48.7%, significantly more than the rate of inflation over that period. Care providers have also been required to pay increased employers NIC based on the increases in NLW and this will be further compounded by the changes to employers NIC from 6 April 2025.**

Supported living providers are also particularly exposed to increases in NLW as all of the support they provide is a statutory requirement – supported living providers do not deliver any provision which is self-funded, unlike services for older people. Without the funding from local authorities, including the NLW increase (plus on-costs), the increased cost of employers NIC and the impact of inflation as a minimum, supported living providers ae likely to resort to handing back contracts which no longer stack up financially.

Year	**National Living Wage per hour *(and applicable starting age)***
2019/20	£8.21 *(25 and over)*
2020/21	£8.72 *(25 and over)*
2021/22	£8.91 *(23 and over)*
2022/23	£9.50 (*23 and over)*
2023/24	£10.42 *(23 and over)*
2024/25	£11.44 *(21 and over)*
2025/26	£12.21 *(21 and over)*

- **Staff recruitment costs** – continuing high staff turnover and vacancy rates, and ongoing challenges in recruiting and retaining staff, present an ongoing financial challenge to care providers as they continually seek to replenish their labour pools ("filling the leaky bucket"), and all of the available evidence suggests that this will continue for the foreseeable future, despite a further improvement nationally in headcount and vacancy rates in 2023/24, largely due to the continuing positive impact of international recruitment over the last 12 months ([4], [5]). However the future positive impact of international recruitment is in doubt due to changes to immigration rules affecting care workers coming to the UK from overseas which came into effect in March 2024 preventing care workers from bringing their dependents with them.

  In October 2024 Skills for Care estimated that there were 1,200 vacancies in the adult social care workforce in Shropshire, Telford & Wrekin (650 in Shropshire and 550 in Telford & Wrekin), a vacancy rate of 6.7% (5.7% in Shropshire and 8.6% in Telford & Wrekin)[6]. Vacancy rates reported by Skills for Care have decreased slightly over the last 12 months (from 8.6% across Shropshire, Telford & Wrekin/8% in Shropshire and 9.7% in Telford & Wrekin[7]), largely as a result of

[4] "The State of Health Care and Adult Social Care in England 2023/24", Care Quality Commission, October 2024 (https://www.cqc.org.uk/publications/major-report/state-care/2023-2024)
[5] "The State of Adult Social Care Sector and Workforce in England", Skills for Care, October 2024 (https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/publications/national-information/The-state-of-the-adult-social-care-sector-and-workforce-in-England.aspx)
[6] Adult Social Care Workforce Intelligence Data for Shropshire and Telford & Wrekin, Skills for Care, October 2024
[7] Adult Social Care Workforce Intelligence Data for Shropshire and Telford & Wrekin, Skills for Care, October 2024

international recruitment which has been reported by our members as having a positive impact over recent months in supplementing the local care workforce. However, as previously stated, there remain concerns as to whether this trend will continue following the changes to immigration rules affecting care workers coming to the UK from overseas which came into effect in March 2024.

In addition, in our October 2024 survey the average staff turnover rate over the last 12 months reported by respondents was 17%, and nearly a third (32%) of respondents stated that they are employing less staff than this time last year, a significant increase from 23% in October 2023. 36% of domiciliary care providers and 33% of care home providers stated that they now employ less staff than a year ago. Pay rates for care jobs, which are highly influenced by local authority fee rates, continue to be highly uncompetitive compared to other sectors including retail, and care providers are finding it increasingly difficult to cover shifts with unsocial hours.

Care providers also face a significant increase in the cost of Disclosure and Barring Service (DBS) checks for new staff members as a result of a 30.3% increase (£11.50) in the fee charged by the Disclosure and Barring Service for an Enhanced DBS Check with effect from 2 December 2024.

- **Energy/utility costs** – increased energy costs have and continue to impact on all care providers, but particularly care and nursing homes which operate 24/7 and due to the vulnerability of their residents must prioritise their health and wellbeing by ensuring that homes are well heated. Care and nursing homes also operate as full-time laundrettes, commercial kitchens and have lifts and medical equipment to support their residents. The key driver behind the increase in inflation as measured by the CPI from 1.7% in the 12 months to September 2024 to 2.3% in the 12 months to October 2024 was increased electricity and gas prices[8].

- **PPE** – following the cessation of the provision of free PPE to the social care sector in March 2024, care providers are now responsible for purchasing PPE to protect their staff and clients and minimise the risk of infection, including from COVID-19.

- **Other operating costs** – care providers have continued to experience significant operational cost pressures over the last 12 months. Key inflationary cost pressures include insurance – which was the fourth highest cost pressure reported by care home providers who responded to our October 2024 survey – IT and staff travel. Vehicle fuel costs continue to impact on homecare providers and their staff, and this is exacerbated by the rural nature of Shropshire and the fact that homecare fee rates do not currently include an allowance for travel time/costs, even though the care provider must pay these costs to their care staff. Care providers also have to factor in costs relating to premises, staff training, business development, management overheads, and profit/surplus provision.

Specific Issues Affecting Care Providers/Other Health and Care-related Organisations

We are concerned at increased reports from our members over recent months that they have bid for care packages at the local authority advertised standard rates but have not been awarded the package as it has been awarded to another provider who submitted a lower bid. With the use of e-brokerage systems, the allocation of care packages should be fair and transparent; neither should it become a 'dutch auction'.

Within the Shropshire Council area, we remain concerned that any care provider receiving a rate higher than the Council's published 2024/25 standard rates did not receive an uplift. Providers who were at the 2024/25 rates received the % increase or an increase that took them to the new

[8] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/october2024

standard rate. This policy continues to penalise care providers with longstanding residents/clients. Shropshire Council also stated in its Fee Uplift letter to care providers dated 2 March 2023 that it would:

- Work with providers to do a root and branch review of Supported Living and Learning Disability rates.
- Work with providers to redesign the domiciliary care market to ensure growth, flexibility and coverage; and consideration of a future ‘rural rate’.
- Work with providers to review the ‘usual’ rate for care home placements.

Whilst some work has taken place over the last 12 months to progress the above areas, it remains the case that – nearly a year on from our previous Fee Submission to the Council in December 2023 – none of these workstreams have yet been concluded and there does not appear to be any commitment from the Council as to when they will be concluded, meaning that the fundamental underlying issues of fee rates not reflecting the cost to care providers of providing care have yet to be addressed.

In addition, at the Shropshire Council Full Council meeting on 2 March 2023 it was resolved:

1. To work with all providers, including non-profit organisations, to retain and nurture appropriate provision for our most vulnerable residents.
2. Further, to work with providers to redesign the domiciliary care market to ensure growth, flexibility and coverage; and consideration of a ‘rural rate’.
3. To recognise the complication of the time lag using the previous year’s costings, and impact of inflation, and how this has added additional pressure where the discrepancy is unusually high such as in the 2023/24 negotiations. This should be given due consideration, and where possible, costs calculated as an average of the 2 years, and to also take account of inflation projections into the future.

Again, we are not aware that any of the above commitments have been concluded by the Council.

Other health and care-related organisations/services have also continued to face significant financial challenges over the last year and the increase in NLW and employers NIC from April 2025 present a further significant financial challenge. Day services and services such as Age UK Shropshire, Telford & Wrekin face the situation of having to review and potentially cut services unless local authority grant funding is uplifted to reflect the cost of the increase in NLW and employers NIC as a minimum, and this will only add to the demand for Health and Adult Social Care services locally.

<u>Summary</u>

The evidence is clear that the fee rates currently being paid by Shropshire Council and Telford & Wrekin Council for local-authority funded care do not reflect the costs incurred by care providers to provide that care, and we therefore request that the local authorities seek to agree fee uplifts for 2025/26 that address this issue. At the very least, fee rate uplifts need to reflect the increase in NLW and employers NIC from April 2025 and the impact of inflation; anything less will represent a real terms cut in fee rates.

Moreover, from feedback received to our survey conducted in November 2024 it is clear that the majority of care providers who responded to the survey will simply not be able to meet the additional costs of the increase in NLW and employers NIC from April 2025 and there is the very real prospect that providers will go out of business if they cannot cover these increased costs.

Partners in Care has written to the local MPs for Shropshire, Telford & Wrekin, Wes Streeting MP, Secretary of State for Health and Social Care, and Rachel Reeves MP, Chancellor of the Exchequer, setting out the need for fee rate uplifts for 2025/26 to reflect the additional costs that care providers will incur as a result of the Autumn Budget 2024 announcements.

We are aware of the continuing challenges the local authorities face in setting balanced budgets for 2025/26 given the downward pressure on local authority grant allocations from central Government. However, it is not acceptable for the local authorities to simply say that they cannot afford to pay care providers' fee rates that reflect care providers' costs of providing care. Care providers in Shropshire, Telford & Wrekin – which are a key part of the local community employing c.17,900 local people[9], more than the NHS – will ultimately make business decisions based on their financial viability and sustainability.

[9] Adult Social Care Workforce Intelligence Data for Shropshire and Telford & Wrekin, Skills for Care, October 2024