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### CARE HOMES GET 2.6% AVERAGE FEE UPLIFT FROM COUNCILS FOR 2009/10

Baseline fee rates for the 200,000 council supported elderly people in independent sector care homes across the UK have received an average uplift of 2.6% for financial year 2009/10, according to Laing & Buisson's annual survey published in the June edition of *Community Care Market News*<sup>1</sup>. This is a slight fall compared to the 3% increase seen in last year's round of uplifts.

As in previous years, Laing & Buisson found a large degree of variation in baseline fee increases offered by councils around the regions, with care homes in East Anglia (1.4%) and Greater London (1.6%) faring least well, compared to the north and north west of England (both 2.8%), Northern Ireland (2.9%), Scotland (3.0%) and Wales (4.6%); all of which were above the UK average of 2.6%. Care homes in Wales benefited from the highest average fee uplift (following on from a previous 'catch-up' increase of 5.3% in 2008), while care homes throughout England only managed a relatively modest 2.2% average raise.

There is further evidence of increasing numbers of councils using quality criteria to pay higher fees to well performing care homes and lower fees to poorly performing ones. Approaching one half of council respondents (compared to around a quarter last year) specifically stated that they make additional quality related payments. While many of the quality payments are based on the Care Quality Commission's 'star ratings', a number of councils have established in-house monitoring frameworks and benchmarking schemes to look at a combination of care quality, environment and staff training/accreditation. However, this increase serves to sharpen concerns within the sector that the stringency of some quality criteria may mean that a significant number of care homes will, in practice, receive below 'headline rate' fee increases.

The survey also showed that the declining trend in the volume of local authority care home placements is likely to continue for at least the next year, at a slightly faster rate than the previous year. Forty-two per cent of the councils that responded in 2009/10 said they expected that the number of older people supported by councils in care homes would be lower by the end of the financial year than at the start (compared with 36% when asked in 2008/09). Thirty-six per cent indicated no change (same as last year), while the remaining 22% (compared with 28% in the previous year) projected an increase in care home placements. On average across the UK as a whole, based on these returns, the number of older people supported by local authorities in care homes is projected to decrease by 1.1% between the start and the end of financial year 2009/10.

The survey indicates that there continues to be a trend towards the stricter application of eligibility criteria for public sector assistance. Almost three quarters of councils only offer support to people assessed as having Substantial needs or above, with 4% of councils only offering support to those assessed as Critical. Only one council offers support to people assessed to have Low needs with the remaining 21% offering support to those with Moderate needs or above.

Commenting on the survey, Laing & Buisson's senior analyst Alex Mitchell said:

"The settlement for 2009/10 could have been a lot worse from the point of view of care home operators. It appears, for this year at least, that cuts in funding such as those experienced in care homes in the Wirral have not been repeated across the country. While the average baseline fee

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<sup>1</sup> Community Care Market News is the UK's leading monthly subscription newsletter covering the independent social care sector, published by Laing & Buisson. [www.communitycaremarketnews.co.uk/](http://www.communitycaremarketnews.co.uk/)

uplift of 2.6% is slightly less than the previous year's, it has to be viewed against the background of the recession and the broad downturn in cost inflation which has now taken hold. With the adult National Minimum Wage rate set to rise by just 1.2% (7p per hour) in October, and with unemployment rising, the prospects are that payroll – the main cost item for care homes – will remain firmly in check this year. Taking all factors into account – including the additional cost of minimum paid holidays which rose from 24 to 28 days in April 2009 – Laing & Buisson estimates that elderly care homes costs are set to increase by 2 – 2.5% in 2009/10. Set against the average baseline fee increase of 2.6%, and likely higher fee uplifts for private payers, this means that efficient operators should on average be able to hold and even improve their margins slightly in 2009/10.”

”This ‘recession dividend’ for care homes must, however, be set in the context of chronic shortfalls in baseline fee rates which have existed more or less since councils took over responsibility for paying for care homes in 1993. Laing & Buisson’s latest ‘Fair Price for Care’ report in 2008<sup>2</sup>, in association with the Joseph Rowntree Foundation, found that the baseline fee rates paid by nearly all councils are insufficient to incentivise care home operators to develop the new capacity for state-funded care home residents that will undoubtedly be needed. That remains the case today. Even in bright spots such as Wales, with 2009/10 baseline fee uplifts well in excess of inflation in some council areas, this has only started to address the issue of chronic underpayment that has existed for many years. “

#### NOTES FOR EDITORS

Baseline fee rates are the weekly, per resident amounts that are offered to independent sector care homes by Councils with Social Services Responsibilities (CCSR), which pay for most publicly supported care home residents. Each of the 212 CCSRs throughout the UK sets its own baseline fee rates and there can be significant variations, even between adjacent councils. Fee rates for nursing care are typically £100 - £150 per week higher than for residential care, and there may be additional fee bandings based on dependency levels, achievement of quality indicators and location. About 10% of council funded residents benefit from a ‘3<sup>rd</sup> party top-up’ from family and friends, which enables them to enter care homes whose charges are higher than the council’s baseline fee rates.

The independent sector accounts for over 80% of long term care provision in residential settings, mainly in private sector (for-profit) homes. About 55% of older residents in independent sector care homes are funded by councils, 6% by the NHS and 39% privately.

The *Annual Survey of UK Local Authority Baseline Fee Rates 2009/10*, containing a full listing of the survey results, is available from Laing & Buisson priced £60. For details call 020 7923 0047 or see [www.laingbuisson.co.uk](http://www.laingbuisson.co.uk) .

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<sup>2</sup> W. Laing, ‘Calculating a fair market price for care: a toolkit for residential and nursing homes’ (Joseph Rowntree Foundation, 2008) can be downloaded at the following address: <http://www.jrf.org.uk/publications/calculating-efficient-cost-care-homes>