



**North Tyneside
Council**

Adult Social Care

North Tyneside Council
Quadrant East, The Silverlink North
Cobalt Business Park
North Tyneside
NE27 0BY

This matter is being dealt with by:

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Distribution

All care home providers operating in North Tyneside, and
Care North East (North Tyneside)

Appendix 4

25 February 2025

Dear Provider

Fee Increases 2025/26

I refer you to the above and to various items of correspondence we have received individually and also through representative organisations and Care North East (North Tyneside).

This year, as part of the process of reviewing fees paid for care home placements, the Authority has included consideration of the Employer's National Insurance Contributions (NIC) increases that the Chancellor announced on 30 October 2024, as part of the budget statement. I know there has subsequently been a lot of lobbying about this and the added cost that this will bring to care home providers, the care sector and businesses as a whole across the country.

I also refer you to the survey that was emailed to you on 4 February requesting information about the impact on your service of the changes to employers NIC. This feedback from over 50 providers has been reviewed by the Authority.

Equally, the Authority has been awaiting its confirmed budget settlement information from the government for 2025-26 and has lobbied hard nationally on this through the Local Government Association and the Association of Directors of Social Services

to ensure that this was factored into the settlement to local authorities. The settlement was received on 3 February 2025 and our analysis has confirmed that the Authority will not receive sufficient funding to meet our own direct costs, placing further pressure on our ability to deliver internal services and also funding increases to external providers.

So, in considering this and the overall position regarding fees paid in recent years and potential level of increases from April 2025, there are a number of things to take into account. The sector must take into account the previous high levels of fee increase provided by the Authority.

National living wage (NLW)

The Authority remains committed to ensuring that the increase from April 2025 takes full account of the 6.73% increase in the NLW and that this will be fully passed on to your frontline staff delivering the care and support in your services. The cost of this to the Authority is significant, leading to an increased cost of circa £4.9m.

Consumer Price Index (CPI)

As you know in previous years, the CPI percentage increase has been high and at similar levels to the NLW, and despite the significant pressures facing the Authority, we have managed to ensure the fee increases in 2023/24 and 2024/25 reflected this and the Authority provided significant cost increases. We have seen this come down now to a level of 3.00% (January 2025 – published February 2025) and it is the Authority's intention to continue to track this. The rate of CPI that is used by the Government in setting local authority funding is the September 2024 rate, which was 1.7%.

In the last two years, a different approach has been in place using an agreed basket of indicators to look at specific cost rises across different elements of cost, ie energy, food, insurance etc. The aim of this at the time was to recognise the range of cost pressures faced by the sector given the significant economic volatility, and to provide both parties with transparency and a clear mechanism to then calculate an overall percentage increase. However, this has not worked as intended and both parties have still had to negotiate increases on costs over and above the basket.

The Authority proposes to revert to using the published overall CPI rate. In 2025/26 we will use the January 2025 increase that is published in February 2025, but in subsequent years our preference would be to use the September increase of the

preceding year, as this is the CPI date that used by the Government to calculate the increase as part of the local government settlement. This will provide a position whereby the respective CPI increase dates are consistent and known well in advance of the new financial year which should help all parties plan more effectively and with greater certainty.

Proportion of NLW/CPI cost

In previous years a 70:30 split between NLW and CPI has been used, acknowledging the higher increase in cost related to staff. Over the last few years, when CPI has been high, this has not had a significant impact on the overall composite increase that is calculated. However, as CPI has now stabilised and fallen towards the government's long-term target levels, the Authority seek to review how this is apportioned across the cost base.

Through the "cost of care" calculations it is more appropriate that the split is 60:40, this is also borne out by the information received from care home providers in the recent MS Forms Survey. The plan is therefore to apply this ratio to the increase from April 2025.

Employer's National insurance Contributions (NIC)

The NIC changes come into effect from April 2025, and the Authority recognises concerns from businesses this is a tax on employers. However, we also note that the additional funding goes to the government to fund its overall spending plans as set out in the Budget. Its impact is far reaching and impacts on a vast majority of suppliers in the Authority's supply chain.

The Authority's position is that it is not in a financial position to fully fund this as part of fee or price increases across the various contracts and supply arrangements that are in place.

Notwithstanding this, and as detailed in Stephen Kinnock, Care Minister's letter dated 10 January 2025 – Adult Social Care, Local Authority Expenditure and Budget Setting, there is a reference to taking account of provider costs linked to NMW and NIC changes. This is to be done as part of market sustainability planning and ensuring there is sufficiency of provision in the local area to meet need.

You will also recall, that as part of the fee increase negotiations with Care NE (North Tyneside) in the lead up to April 2022, we included 0.7% to cover an increase in NIC

contributions that was planned at the time the negotiations were being undertaken. This increase was reversed later that year, yet that percentage increase remained in the overall calculation as an agreed position had been reached by then and did not want to de-stabilise the position. This increase has then also fed into future years increases in 2023-24 and 2024-25

Market Sustainability

The Authority's refreshed [Market Sustainability Plan](#) sets out our position on the care home and home care market in North Tyneside for older people. This underpins our "Home First" model to support more people to live and continue to live longer at home.

It also acknowledges in the care home sector that the borough has sufficiency of supply to meet current and future demand and notes the following as an extract from the plan, that:

We have 30 older person's care homes operating in North Tyneside with a stable number of homes operating

- We have had no care homes close in the last two years.
- Two care homes have been sold and purchased by new organisations – new organisations to North Tyneside.
- New care home – we have one new care home in North Tyneside, due to open in 2025/26. This will be mainly for self-funding / private clients but will take LA funded placements – the bigger impact is on other care homes that have a greater reliance on privately funded placements.
- Currently there are 1499 available beds with 138 declared vacancies (9.21%), this has reduced slightly from approx. 10%.

Looking at our demand, over the last 12 months, we have seen:

- Reducing demand for residential placements.
- Slight increase in number of nursing placements.
- Overall bed nights reducing.
- Large reduction in short term placements as alternatives are now available, especially as part of hospital discharge.
- Decommissioned step-down beds from care home sector with other arrangements in place to support people out of hospital and back home.

Affordability

Underpinning the consideration of changes in fee levels / rates paid to providers is affordability, and the Council budget available to support this. The Authority has been successful over the last 10 years in securing additional funding into the adult social care commissioning budget to deal with standstill and demand led pressures.

The standstill pressures have historically been linked to increases in the national living wage and the Authority has been able to include this in the fee uplift calculation. This is viewed as a central and core element of the calculation of funding and to ensure there is continued funding increases available for you to pass onto staff in line with the NLW percentage changes year on year. This is to support recruitment and retention issues within the sector

Alongside side this and to fund additional cost pressures in adult social care, North Tyneside, like lots of other local authorities, has relied on new grant funding coming through from DHSC, though in more recent years this has not covered the impact of the overall increased costs that have been put in place, and this places an additional burden on an already stretched local authority budget.

This continues to be the case in 2025/26.

Funding Increase – 2025/26

The Authority has received supplementary information from a number of different providers across different care settings and client group types. This information has been really helpful to support the content of this letter alongside other information received over the last three months.

The content of this letters sets out the factors the Authority is taking into account as part of its decision on an increase in fee levels and rates paid from 1 April 2025.

If you wish to make representation to the Authority on this, please do so by completing the survey form, see link below.



<https://forms.office.com/e/XdhYUhEckh>

If you are not responsible in your organisation for this financial information, can you please forward this on to the person or team that is responsible to complete and submit.

Please note the **deadline of 5pm on Monday, 10 March 2025** for this to be completed and submitted.

Other areas of Increase

The Authority has not seen any updates through the Department of Health and Social Care in relation to the funded nursing care increase. Once this is published, we will have a conversation with the North East and North Cumbria Integrated Care Board (NENC ICB) in relation to what this means for FNC payments to providers and placements we are responsible for.

Equally, in relation to Continuing Health Care, we will need to defer to NENC ICB in relation to both the local rates paid in North Tyneside and also the CHC premium that is paid to seek agreement and approval to change these.

Yours sincerely



Eleanor Binks

Director of Adult Services