

Care homes must prepare to negotiate as funding tightens

Article by Liam Fitzgerald, Senior associate at Anthony Collins

Amid the ongoing funding crisis, where funding shortfalls are compounding the impact of rising staff costs and inflationary increases in food and energy costs, more care homes are attempting to negotiate a better deal with their commissioning authorities. However, to what extent should they push without risking their contract being reallocated to another provider?

The lack of funding uplift for local authorities from central Government is having a domino effect on care providers. Amid significant cost increases from high inflation and the ongoing cost of living crisis, local authorities have significant financial challenges to manage when considering increases in funding for 2024-25. As a result, many residential care homes and other adult and children's social care providers are feeling the financial squeeze with many now operating at a loss.

Typically, care homes rely on indirect or direct funding from local authorities or the integrated care board (ICB) to meet the cost of care for vulnerable individuals unable to fund it themselves. However, following the removal of the [planned cap on care costs](#) in England by Chancellor Rachel Reeves, care homes have no choice but to increase fees to remain viable. Likely to increase the cost of personal care packages for vulnerable people in care homes and individuals supported by adult social care services. In some cases already people are being asked to pay top-up fees.

Many care homes are reluctant to request more funding from the commissioning authority for fear of getting fewer placements and the financially difficult position of local authorities themselves. However, care homes must continue aiming to provide good quality services, based on a sustainable funding plan.

To improve the chances of securing a sustainable funding agreement, care homes should prepare a strong business case. This must:

- Be arranged prior to the local authority's annual review.
- Outline the required uplift to maintain a sustainable placement.
- Provide full and transparent information, adhering to the procedures and timelines specified by the commissioning authority.

Care homes can carry out a benchmarking exercise to determine the fees being paid to comparable providers in their local area.



Care homes that aren't satisfied with funding uplift should be prepared to meet with the commissioning authority. Across-the-table negotiations could help care homes to secure the funding needed whilst maintaining healthy relationships.

In extreme cases, care providers can escalate matters if the uplift offered doesn't meet their requirements. This option should not be taken lightly and includes raising funding issues with the Local Government and Social Care Ombudsman or, as a last resort, through the court system. This latter measure in particular is time-consuming and costly and should only be used when all other alternatives have been explored.

With local authorities urgently in need of more funding from Government, systemic reform is desperately needed as growing needs and high costs place greater demand on public funding. Care homes must strike a balance between continuing to provide high-quality services and remaining financially sustainable – a challenge that's easier said than done.

For more information, contact [Liam Fitzgerald](#).

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