

## **TRAFFORD COUNCIL**

**Report to:** Executive  
**Date:** 22<sup>nd</sup> February 2017  
**Report for:** Decision  
**Report of:** Executive Member Adult Social Care and Community Wellbeing

### **Report Title**

Fair Price for Care : Outcome of the review of the price for homecare and residential and nursing care

### **Summary**

This report describes the process undertaken to determine a Fair Price for Care in Trafford.

This report outlines the approach adopted by Trafford Council and takes account of the low response traditionally received from the sector in determining the price for care. Consideration was given to national factors that will be impacting on the current market, in particular the increase of the national living wage and the impact of the retail price index.

Work undertaken over the last 4 years to assess a 'Fair Price for Care' in Trafford has led to a cumulative increase of:

- 8.4 % in homecare fees
- 11.3 % in residential and nursing care fees paid by the Council.

Trafford rates when benchmarked against Greater Manchester authorities are comparable to those within the sub region.

The recommendation is based on the cost pressures identified in section 5 of the report, namely:

- Affordability in the context of the financial challenges faced by the public sector
- Inflation at 2.6% in January 2017
- The impact of the increase in the National Living Wage
- Assessment of the sub regional authorities

Taking all of these factors into account the recommendation to the Executive is to approve a inflationary uplift for :

- the homecare market of 3.54% for 2017/18
- the residential and nursing care market of 3.2% for 2017/18
- that the new rates be agreed as the discretionary fee and charges for 2017/18

### **Recommendation**

**That Executive approves an inflationary uplift to the care fee rates paid by the Council of:**

- **3.54% for the homecare market for 2017/8**
- **3.2% for the residential and nursing care market for 2017/8**

**for the reasons set out in this report.**

Contact person for access to background papers and further information:

Name: Jill Colbert

Extension: 1901

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	The report impacts on the following corporate priorities; <ul style="list-style-type: none"><li>• Supporting Vulnerable People</li><li>• Low Council Tax and Value for Money</li></ul>
Financial	The recommendations will have a <b>financial impact of approximately £688k which</b> is £158k higher than that budgeted for in inflation. This is to be met from within the overall growth that has been allocated to the Adult Social Care budget.
Legal Implications:	Set out in the body of this report
Equality/Diversity Implications	The equality and diversity implications been taken into account.
Sustainability Implications	Not applicable
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	The recommendation in inflationary uplift for homecare represents a holding position whilst a different model is developed with providers that focuses on delivering more positive outcomes for Trafford residents.
Health and Safety Implications	Not applicable

## **1.0 Background**

- 1.1 Trafford has a vibrant social care market and the Council works with 35 different homecare providers, and there are also over 40 residential and nursing care homes in the borough. However, Trafford's social care market is not only experiencing the same challenges as the rest of the country, but also some challenges which are particular to Trafford. National challenges include the difficulty in recruiting and retaining homecare staff, primarily because of the way in which homecare is commissioned on a time-based, zero hours basis and the difficulty in recruiting nurses for nursing homes, resulting in homes exiting the market because of the financial implications of agency rates.
- 1.2 The challenges in the homecare market are exacerbated in Trafford, because we have both a thriving economy and a well-educated workforce. This means that there is a very small workforce from which home care staff can be recruited. Providers have told us that both recruitment and retention pose problems for them, as it is difficult to retain staff against competition from new supermarkets entering the market, as well as seasonal recruitment from shopping malls. This together with the ability of staff to choose when they work means that capacity fluctuates within the market at peak times.
- 1.3 Trafford is leading a Greater Manchester social care workstream to address both the fluctuating capacity issues within the market, and quality issues, with the view of developing a financially sustainable model.
- 1.4 Manchester City Council is leading the Greater Manchester workstream which seeks to address some of the issues being experienced by residential and nursing homes, and the consequent impact on both capacity across Greater Manchester together with the need to deflect residents away from accident and emergency.
- 1.5 Trafford Council continues to support the homecare, and the residential and nursing home sector to provide a high quality of care, working closely with the CCG to ensure that the right blend of social care and health expertise is provided to organisations in a timely manner to support them to improve or maintain a good quality service. The work of the team has been recognised by CQC.
- 1.6 Despite the problems that the social care market is experiencing, Trafford continues to be the location of choice for many new entrants to the market because of the location and leafy green nature of parts of the borough, together with the ability to attract people who wish to fund their own care, as well as those who require support from the Council.
- 1.7 Each year Trafford Council supports existing placements and makes new placements at a cost of approximately £15.6 million. This constitutes approximately 33% of the adult social care budget for 2015-16.
- 1.8 Trafford Council has engaged annually with the market to agree a "Fair Price for Care". The approach relied heavily on providers disclosing the make-up of their budgets in order to ascertain the costs pressures that the market was experiencing. However, year on year the number of respondents dropped considerably, rendering this approach unhelpful.
- 1.9 For this year, a different methodology was used to engage with providers. Based on previous years' submissions and CIPFA guidance, it was possible to estimate the impact of the National Living Wage on the staffing element of the budget, and the impact of the Retail Price Index on the remainder of the budget. This calculation informed the proposed inflationary uplift which was then consulted on with homecare, residential and nursing providers.

## **2.0 Legal Context**

- 2.1 The Care Act 2014, from 1st April 2015, replaced the piecemeal legislation across the previous sixty years. The Care Act 2014 gives effect to, amongst other things, the following provisions:
- Requiring the Council to promote individual wellbeing and apply the wellbeing principle in all cases where a local authority is carrying out a care and support function, or making a decision, in relation to a person.
  - The Council is responsible for preventing, reducing or delaying care and support needs
  - Requires that the Council must promote the efficient and effective operation of a market of services for meeting care and support needs. The Act places new duties on local authorities to facilitate and shape their market for adult care and support as a whole, so that it meets the needs of all people in their area who need care and support, whether arranged or funded by the state, by the individual themselves, or in other ways.
  - Specifies the requirements of a personal budget prepared for each adult needing care or support itemising the cost of meeting assessed need and individual financial assessment in terms of actual payment
  - Entitles an adult to express a preference for particular accommodation
- 2.2 In addition to these provisions, the Council has a responsibility for market shaping as prescribed by the Act. Supplementing the Care Act 2014, there is further legislative provision and statutory guidance which has been issued by the Department of Health. The relevant regulations are the Care and Support and Aftercare (Choice of Accommodation) Regulations 2014 (the Choice Regulations”) which state that a local authority has to meet the provision of preferred accommodation. The effect of the Act, regulations and guidance, is to require the Council to facilitate and shape their market for adult care and support as a whole.
- 2.3 The statutory guidance issued under the Care Act 2014 states that local authorities must focus on outcomes when pursuing market shaping and commissioning. This is set out in the guidance. These include:
- Councils should have regard to guidance on minimum fee levels
  - Councils must not undertake any actions which may threaten the sustainability of the market as a whole
  - Council should assure themselves and have evidence providers deliver services through staff remunerated so as to retain an effective workforce
- 2.4 The above replaces the previous legal framework under the National Assistance Act 1948. Whilst under the National Assistance Act 1948 the Council was under a requirement to settle the usual cost with care providers, the Care Act 2014 and guidance does not require this. However, the Council is under very similar obligations under the Care Act to the National Assistance Act 1948 as it is required to consider the cost of care and engage with the providers. Thus it remains lawful and is a useful tool in market shaping and complying with choice regulations.

### **3.0 Our Approach/Methodology**

- 3.1 Based on the low returns of previous years, the Council developed a transparent proposal for determining the inflationary uplift for 2017/8. This was based upon an analysis of the impact of the NLW and the RPI for the financial year. The calculation was shared by letter with providers and explained verbally through our regular Service Improvement Partnership meetings. Based on feedback from providers that they had already undertaken calculations to understand the impact on their organisations, providers were given a time frame within which to respond.

- 3.2 Responses were received from 4 homecare organisations, 1 local residential and nursing provider and 1 national nursing home provider.
- 3.3 Responses from the homecare providers were detailed and very helpful in identifying the differences between the Council's initial proposal, and the pressures that the homecare providers were under. Some responses requested a move towards a different model of commissioning – unfortunately, this was outside of the parameters of the review. Other responses detailed the impact of the apprenticeship levy of 0.5% and the impact of pensions.
- 3.4 Homecare providers were asked to extrapolate the additional impact of those factors for the financial year 2017/8 and unfortunately, no response was provided.
- 3.5 The Council decided that as the apprenticeship levy is applicable to all organisations – it is not a pass through cost – and is designed to encourage different organisational behaviour, we will seek to work with providers to look at how they can provide apprenticeships, rather than meeting the costs of their levies.
- 3.6 The local residential and nursing provider did not provide any detailed response, but commented that the proposal was not sufficient. The national provider gave a detailed response, asking for an inflationary uplift of 4.5%. This included the apprenticeship levy and does not take account of the variance in bed rates across Greater Manchester.

#### **4.0 Market Factors**

- 4.1 The homecare market in Trafford has been awarded a cumulative uplift of 8.4% over the last four years (a 1% uplift for 2013/14, a 1.5% uplift 2014/15, 1% in 2015/6 and 4.9% in 2016/7).
- 4.2 The residential and nursing care home market in Trafford has been awarded a cumulative uplift of 13.9% over the last five years (2.6% in 2012/13, 6% in 2013/14, 1.5% in 2014/15, 0% in 2015/16 and in 3.8% in 2016/7).
- 4.3 Discussions have taken place across Greater Manchester to determine the likely inflationary uplift to be offered to providers. Unfortunately, other authorities are still in the process of beginning those discussions and were unable to share details. However, colleagues across Greater Manchester have indicated that the inflationary uplift they were considering is well within the range of that being set by Trafford.
- 4.4 The only variation in inflationary uplifts across Greater Manchester is likely to be that for residential and nursing rates. This is because Trafford Council have set a higher bed rate as a result of the work that has been undertaken with the market to establish realistic costs.

#### **5.0 Recommendation and Rationale**

- 5.1 The initial proposal that went to homecare providers utilised information from providers on spend from previous years – this provided some clarity on the average breakdown of spend across the market, which was not dissimilar to that identified by CIPFA.

Calculations were made based upon the impact of the new National Living Wage (a 4.17% increase) and the rate of inflation (at that time RPI was at 0.9%) for 2017 -18.

It was recognised that 80% of costs are staffing costs and that 78% of these are in relation to those that would receive NLW. The increase in the NLW (from £7.20 to £7.50 - 4.17%) was applied to this element. For the remaining element an allocation of 1% inflationary uplift was awarded (this relates to all other pay and running costs - RPI was currently at 0.9%) This gives an overall inflationary increase of 2.98% which equates to a 40p increase, raising the

hourly rate to £13.98.

- 5.2 The initial proposal that went to residential and nursing home providers utilised information from providers on spend from previous years – this provided some clarity on the average breakdown of spend across the market, which was not dissimilar to that identified by CIPFA.

Calculations were made based upon the impact of the new National Living Wage (a 4.17% increase) and the rate of inflation (at that time RPI was at 0.9%) for 2017 -18.

It was recognised that 60% of the overall costs/price paid is for staffing costs and that 70% of these are in relation to those that would receive NLW. The increase in the NLW (from £7.20 to £7.50 - 4.17%) was applied to this element. For the remaining element an inflationary uplift of 1% was applied (this relates to all other pay and running costs - RPI was at 0.9%) This gives an overall inflationary increase of 2.33%

The proposed rates are set out in the table below :

Rates	Trafford 16/17	Increase %	Increase £	Trafford 17/18
Residential	£418.01	2.33%	£9.74	£427.75
Residential EMI	£450.76	2.33%	£10.50	£461.26
Nursing	£462.86	2.33%	£10.78	£473.64
Nursing EMI	£520.31	2.33%	£12.12	£532.43

- 5.3 Following on from the consultation with providers, the figures were revised upwards in the interests of market stabilisation. An increase rate of RPI to 2.6% for 2017/8 had also been announced.

- 5.4 The revised rates have been calculated on the same formula as described above, and are as follows:

Rates	Trafford 15/16	Increase %	Increase £	Trafford 16/17	Increase %	Increase £	Trafford 17/18
Residential	£402.71	3.80%	£15.30	£418.01	3.20%	<b>£13.38</b>	£431.39
Residential EMI	£434.26	3.80%	£16.50	£450.76	3.20%	<b>£14.42</b>	£465.18
Nursing	£445.92	3.80%	£16.94	£462.86	3.20%	<b>£14.81</b>	£477.67
Nursing EMI	£501.26	3.80%	£19.05	£520.31	3.20%	<b>£16.65</b>	£536.96
Home Care	£12.94	4.95%	£0.64	£13.58	3.54%	<b>£0.48</b>	£14.06

- 5.5 The impact of the revised rates is approximately £688k additional spend in the Council's budget.

- 5.6 Based on these estimates and given the issues listed below, a recommendation is made by officers of an increase in payment to :
- the homecare market of 3.54% for 2017/18
  - the residential and nursing care market of 3.2% for 2017/18
  - the above rates are the discretionary fees and charges for 2017/18.

Issues taken into consideration include:

- Recruitment: For a sector with high turnover and loss of staff, this is always a significant cost

- The impact of the National Living Wage
- Proportion of running costs spent on staffing
- Inflation is currently estimated at 2.6% . .
- Affordability: The impact of increased budget pressures for the Council in the context of an original budget gap for 2017/18 of £25.37 million is a major factor to balance against any increase in rates

## **6.0 Options**

### **6.1 Option 1: Do Nothing**

This option is not recommended.

The social care market has been recognised nationally as being extremely fragile and the Council has a statutory duty to maintain market stability and sufficiency under the Care Act 2014.

Not providing an inflationary uplift at a time when providers must pay the National Minimum Wage and the National Living Wage would only destabilise the market. In addition, people are living longer with very complex health care needs and Trafford requires a robust and skilled workforce to continue to provide high quality care for some of the most vulnerable people in our community

### **6.2 Option2: Offer an increase of 3.54% to the homecare market and 3.2% to the residential and nursing home market**

The rationale described in section 5 has identified that an inflationary uplift of this level will enable providers to meet the requirements of the National Minimum Wage and the National Living Wage and the additional pressures of inflation.

This will result in a financial impact of approximately £688k which is £158k higher than that budgeted for in inflation. This is to be met from within the overall growth that has been allocated to the Adult Social Care budget.

### **7.3 Option 3: Offer an increase other than that recommended**

The recommended increase is based on an analysis of the cost pressures on providers and includes an element of flexibility to ensure that market sustainability and quality is maintained whilst being affordable for the Council.

An increase of less than the recommendations could undermine market stability as providers will not be able to meet their mandatory responsibility to pay staff the National Living Wage, resulting in services becoming financially unviable. This would impact negatively on the local health and social care system, with a potential knock on effect for supporting timely discharge from hospital.

An increase of more than the recommendations would impact negatively on the Council's finances and would be unaffordable. The Council will have less money available to meet its statutory duties and to continue to support vulnerable adults.

## **7.3 The recommendation is to agree Option 2.**

**Key Decision:** Yes

**If Key Decision, has 28-day notice been given?** Yes

**Finance Officer Clearance** *(type in initials)*...JLF.....

**Legal Officer Clearance** *(type in initials)*...NB.....

**CORPORATE DIRECTOR'S SIGNATURE** *(electronic)*



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To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.