

TRAFFORD COUNCIL

Report to: Executive
Date: 20th February 2019
Report for: Decision
Report of: Executive Member for Adult Social Care

Report Title

Fair Price for Care for Older Peoples' Residential and Nursing Homes 2019-2020

Summary

Every year the Council sets a Fair Price for Care which determines the bed rate for the following financial year based upon an inflationary uplift to the current bed price. Consultation with the sector to set a bed rate traditionally produces a low response.

Based on engagement with the sector during the current financial year to understand the real costs of care the report makes recommendations regarding:

1. An annual inflationary uplift for current placements; and
2. Further work on understanding the variability in bed price across Trafford

The report provides details around the complexity of the business model underpinning the current care market in Trafford and necessary work to be undertaken.

Recommendation(s)

That the Executive approves an inflationary uplift for Residential and Nursing Home beds of 3.96% for 2019/20.

Contact person for access to background papers and further information:

Name: Karen Ahmed
Extension: 1890
Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Low Council Tax and Value for Money Economic Growth and Development: The residential and nursing residential and nursing care home uplift will contribute to improved workforce pay, conditions and retention, to stabilise the market, supporting growth for local providers and improved skills for local people Services focused on the most vulnerable people: This is a targeted service provided to the most vulnerable people, following a social care assessment. Trafford Plan to 2020 Integrating health and social care: We are working towards an integrated plan to align budgets for residential and nursing care to stabilise costs
Relationship to GM Policy or Strategy Framework	The GM Residential and Nursing Home Delivery Group is a joint programme which brings together a number of social

	<p>care and health led work streams related to activities around residential and nursing care homes into one coherent and co-ordinated programme.</p> <p>Across GM, there are over 560 residential and nursing homes with over 19,000 beds. These homes make a significant contribution to the functioning of the health and care economy but there is significant variation in the level of quality, responsiveness, and adaptability.</p> <p>GM commissioners are working with providers to improve the quality of services by creating a clear rapid quality improvement model and by investing in the implementation of that.</p> <p>GM commissioners will also look to improve access to health care in homes building on good practice in several localities, this will include nursing provision. Collectively GM will work to address some of the challenges that the sector faces by tackling the core issues head on. In addition, to support cohesion in activity and a clear approach for care home providers and the market, we will bring together a number of additional work streams progressing and delivered through various teams of the GMHSCP but whose main target for work is care homes, into one co-ordinated and coherent programme.</p> <p>Housing Strategy: We are working very closely with our colleagues in housing strategy to look at develop other models and look at a number of different options to support people living in the community with a wide range of needs and this will underpin the residential and nursing offer. This will be articulated in the new Older Peoples Strategy.</p>
Financial	<p>The proposed uplift of 3.96% on the current four rates is inclusive of the RPI of 3.3%, and is based on the assumed amounts of staff/running costs. It is recognised that an inflationary uplift of this level will support 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 an additional budgeted investment into the Residential & Nursing market of £0.970m. This would be met from within the overall allocation for inflation in the Medium Term Financial Plan (MTFP) that has been allocated to the Adult Social Care budget for 2019/20. This option is recommended for existing placements. The Council proposes to apply the inflationary uplift for 2019/20 to all current in borough Trafford funded individuals. The Council proposes to apply the host local authority uplift for out of borough placements.</p>
Legal Implications:	The legislative requirements are detailed in the 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	<p>The key risks for Trafford are around maintaining a sustainable care market within a nationally very fragile social care market. In order to do this we must set an appropriate inflationary uplift which enables providers to meet costs associated with the National Living Wage and inflation.</p> <p>The recommendation in inflationary uplift for residential and nursing care homes represents a holding position whilst a different model is developed with providers that focuses on</p>

	delivering more positive outcomes for Trafford residents and stabilising the market.
Health & Wellbeing Implications	Our residents are assessed as requiring residential or nursing care home provision when they are no longer able to live safely at home. It is essential to have a sufficient supply of residential and nursing care homes to meet our resident's health and well-being needs.
Health and Safety Implications	Not applicable

1.0 Background

- 1.1 Trafford has a vibrant social care market and the Council works with numerous different 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 nurses for nursing homes, resulting in homes exiting the market because of the financial implications of agency rates.
- 1.2 The challenges in the residential and nursing market in terms of staffing are related to both qualified and unqualified staff, and providers struggle to retain a high calibre workforce, particularly at a managerial level. This has led to poor Care Quality Commissioning (CQC) ratings in the domain of well-led and effective services for some providers.
- 1.3 The Council continues to support the residential and nursing home sector to provide a high quality of care, working closely with Trafford Clinical Commissioning Group (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 Care Quality Commissioning (CQC).
- 1.4 Despite the problems that the social care market is experiencing, the residential and nursing care is expanding in Trafford. Many of these new services are aimed at attracting self-funders from across Greater Manchester and Cheshire who are willing to pay a higher fee. The key issue is the affordability of beds as the new provision is priced at a cost substantially more than Trafford bed rates. The risk to the Council is that when self-funders are no longer able to afford their placement, even where they were not previously Trafford residents, it is the Council that has to take over funding responsibility. This is also the case when Trafford residents choose a more expensive placement as a lifestyle choice, agree to pay the difference and then are no longer able to pay for the difference in cost.
- 1.5 The Council has engaged annually with the market to agree a "Fair Price for Care". The previous approach relied heavily on providers disclosing their 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.
- 1.6 For last year 2018/2019, 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 residential and nursing care home providers.
- 1.7 Providers have requested that we engage in a more detailed methodology in the future as we look at how we remodel the market and stabilise the costs and quality within the residential and nursing home provision. However, due to the complexities of understanding all elements to establish a Fair Price for Care, it is necessary to give consideration 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.
- 1.8 For the purpose of this report it is essential that we draw a line under previous methodologies and attempt to engage with the sector in a more inclusive way and consider national factors impacting on the current market as well as the additional elements that make up the cost of care. As such the offer for 2019/2020 is a holding position whilst a wider piece of work is undertaken with Providers to further understand the impact and make the process more meaningful.

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.
- Requires the Council to ensure the provision or arrangement of services, facilities or resources to help prevent, delay or reduce the development of needs for care and support.
- 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 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 remuneration 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

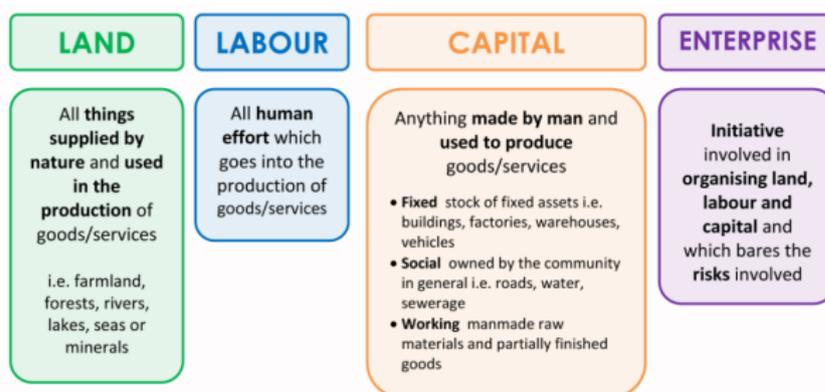
3.1 Based on the low returns of previous years, the Council developed a transparent proposal for determining the inflationary uplift for 2019/20. This was based upon an analysis of the impact of the National Living Wage and the Retail Price Index (RPI) as at October 2018. The calculation will be shared by letter with providers and explained verbally through our regular Service Improvement Partnership meetings. Providers will be given an opportunity to respond.

3.2 Alongside this, UNISON, the leading trade union for care workers in the UK, is campaigning for higher standards of care across all residential settings. As a result, UNISON's Residential Care Charter (URCC) is a set of principles for improving workforce pay and conditions for the homecare sector and improving the quality of care at home. The URCC sets out the minimum standards and employment conditions required to deliver decent care. Employment levels, pay, conditions and training directly impact the quality of care. A more stable, well-equipped workforce is essential to deliver high quality, consistent care. The URCC sets out solutions to raise the standard of care. (*Unison's Residential Care Charter - Appendix 1*).

The Council has consulted with providers regarding the impact of adopting the URCC and Providers have confirmed that they are already implementing much of the URCC. The Council has also completed an impact paper which outlines how Trafford Council could implement the URCC, including the risks, benefits and the cost implications. The executive member for adult social care, Councillor Harding, will be presenting a motion to Council in March 2019, which seeks commitment to

implementing URCC principles. If a commitment to the adoption of URCC principles is secured, this report sets proposals of how the URCC principles could be implemented and, subject to the Council's decision regarding the adoption of the URCC, a phased introduction of URCC as detailed in the report is proposed.

- 3.3 In addition to the engagement the Residential and Nursing contract will be reopened for comment. This will give the Council an opportunity to include contract variations and align to the URCC and the NHS contract.
- 3.4 The Council will continue to work closely with existing providers to redesign the current model and take a more sophisticated approach to costing for 2020/21. Providers recognise the financial circumstances within which the council operate and are keen to move towards a model which is affordable, sustainable and delivers good quality care.
- 3.5 Over the years, our Fair Price for Care process and our bed rates have inflated the hotel and workforce costs annually and yet there can be a discrepancy between the provider price and our bed rates. This is because we have not taken into account other elements detailed in the table at 3.5 below. We have done some work with providers and the true cost of care is not entirely reflected in a consideration of only hotel and staff costs. It does not take into account the cost of land and commercial models. Land and commercial costs are investment opportunities for providers, and the Council cannot be expected to bear the full costs of those investments. A new process for agreeing a costing model is required which takes into account those variables, and based on commercial acumen and local knowledge, reaches a reasonable compromise with providers where costs are apportioned appropriately, the market is sustained and the Council is not subsidising the growth of care companies. Because of these variables in the model, it requires further exploratory work is required and means that it is impossible to reflect a true cost.
- 3.6 As part of the redesign, the Council will need to consider the following four elements used in basic economics to show the costs of any product. Residential care costs are no different and should be understood in this way. This will be explored and considered in the preparation work for the 2020/2021 offer.



*IPC Diving Improvement and Innovation in Care

For residential care these four elements contribute to the costs of a care home. These all need consideration when understanding the price of care:

- Land: the land on which a home is built, whether owned by the operator or a third party.
- Labour: the carers, kitchen staff, cleaners, maintenance, managers and head office staff (where relevant).
- Capital: anything fixed that is needed to provide the service, such as vehicle costs, uniforms, food and buildings (see full list below). This either needs to be bought and paid for by the operator or leased from the owner. Either way, there is an annual cost. If the operator owns it, it will be the annual cost of depreciation to replace this fixed item at the end of its useful life (e.g. staff uniforms 1-3 years, the building 20-30 years). If the operator rents it, then there will be the cost of annual renting it (rent to the landlord).
- Enterprise: the operators return for organising the above three. It is worth noting that even the not for profit organisations are seeking to generate a 'surplus'.

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.

- 3.7 The need to deliver best value is a legal requirement for all local authorities. We need to deliver value for money across services and to 'make arrangements to secure continuous improvement in the way in which we exercise our functions, having regard to a combination of economy, efficiency and effectiveness'. One method of which is currently being used is block contract purchasing. Block contracts guarantees a given volume of business to a service provider, usually over a set period of time, and in advance of the service being delivered. Block contracts are usually larger, and therefore allow us obtain a cheaper price and the provider a guaranteed occupancy level or payment.
- 3.8 The local residential and nursing providers previously commented at the Service Improvement Partnership that the methodology used to calculate the inflationary uplift did not reflect the current challenges of the sector. Following this discussion, the Council set up a task and finish group to work with providers to look at how we can address the issues of quality, market sustainability and affordability through utilising mechanisms such as managing back office costs and common expenses such as agency costs, block purchasing, supporting the development of a Registered Manager's network and so on. Some of these areas are also being explored at a GM level, and some barriers have been identified to the position of the Council in supporting providers to manage costs as it is seen as "state aid". There will be opportunities for further exploration of these issues through a reframed task and finish group which considers the four elements described where we can consider the issues such as the uniqueness of Trafford and the consequent impact on price.

4.0 Market Factors

- 4.1 The residential and nursing care home market in Trafford has been awarded a cumulative uplift of 12.38% over the previous five years (1.5% in 2014/15, 0% in 2015/16, 3.8% in 2016/7, 3.2% in 2017/18 and 3.88% in 2018/19).
- 4.2 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.

5.0 Recommendations and Rationale

- 5.1 The residential and nursing providers will be offered 3.96% based on accommodating pressure due to the National living Wage uplift and the Retail Price Index (RPI) as at October 2018 of 3.3%.
- 5.2 This is based on the assumed amounts of staff/running costs. The National Living Wage uplift is applied to running costs, estimating staffing costs to be 60% of the total cost, and 70% of staff being paid at the National living Wage rate.
- 5.3 This calculation utilises 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.
- 5.4 Calculations were made based upon the impact of the new National Living Wage and the average predicted rate of inflation for 2019-20
- 5.5 The revised rates have been calculated on the same formula as described above, and are as follows:

Category	2018/2019 £	Increase (3.96%)	2019/2020 £
Residential	£448.13	£17.75	£465.88
Residential EMI	£483.23	£19.14	£502.37
Nursing	£496.20	£19.65	£515.85
Nursing EMI	£557.79	£22.09	£579.88

- 5.6 The estimated impact on the budget of the revised rates is £0.97m. This would be met from within the overall allocation for inflation in the Medium Term Financial Plan (MTFP) that has been allocated to the Adult Social Care budget for 2019/20.
- 5.7 Based on these estimates and given the issues listed below, a recommendation is made by officers of an increase in payment to:

- The residential and nursing care market of 3.96% for 2019-20

Issues taken into consideration include:

- Recruitment: For a sector with high turnover and loss of staff, this is always a significant cost, however this will increase in order to recruit and grow the workforce to meet increasing demand.
- The impact of the National Living Wage.
- Proportion of running costs spent on staffing.
- Inflation using the Retail Price Index as at October 2018.
- Affordability: The impact of increased budget pressures for the Council in the context of a budget gap of is a major factor to balance against any increase in rates.

6.0 Options

- 6.1 **Option 1** The Council and the Clinical Commissioning Group do nothing. This is not the recommended option. 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 Living Wage (£8.21 per hour, from 1st April 2019, for workers aged 25+) would only destabilise the market further. 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 to some of the most vulnerable people in our community.
- 6.2 **Option 2** The Council apply a 3.96% uplift on the current four rates which is inclusive of the Retail Price Index (RPI) of 3.3%, based on the assumed amounts of staff/running costs. It is recognised that an inflationary uplift of this level will support providers to meet the requirements of the National Living Wage and the additional pressures of inflation. This will result in an additional budgeted investment into the Residential & Nursing market of £0.970m. In conjunction with the uplift offer, and subject to the Council's decision in relation to the adoption of the URCC, it is proposed that a phased approach to principles of the URCC is implemented. This would be met from within the overall allocation for inflation in the Medium Term Financial Plan (MTFP) that has been allocated to the Adult Social Care budget for 2019/20. This option is recommended for existing placements. The Council will apply the inflationary uplift for 2019/20 to all current in borough Trafford funded individuals. The Council will apply the host local authority uplift for out of borough placements.

We therefore are proposing that for 2019/2020, we continue to source new placements for Trafford residents based upon individual need which are costed at best value. To do this we will seek to enter into mini block arrangements which reduce cost, guarantee an income to the provider and stabilise the market. In addition, where it makes sense and fits with family and individual choice, we will seek to procure and negotiate the best price for beds but which can fully meet the individual's needs whilst minimising travel time and ease of access for family and friends – at times we recognise that these may not always be in Trafford.

7. Reasons for the Recommendation

- 7.1 Approval of Option 2 will enable providers to meet the requirements of the National Living Wage and additional inflationary pressures whilst still remaining within the approved budget. It will also allow the Council time to undertake further work to further understand all elements and variables necessary to work towards a real cost of care price and the Greater Manchester Living wage.

Key Decision (as defined in the Constitution): **yes**

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

Finance Officer Clearance PD.....

Legal Officer Clearance DS.....

CORPORATE DIRECTOR'S SIGNATURE (electronic)



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

Appendix 1: Unison Residential Care Charter