

TRAFFORD COUNCIL

Report to: Executive
Date: 25th March 2015
Report for: Decision
Report of: Executive Member Adult Social Care and Community Wellbeing

Report Title

Residential and Nursing Care: Review of the 'Fair Price for Care' in Trafford

Summary

The report describes the process undertaken to engage Trafford's Residential and Nursing Home providers in the identification of a 'Fair Price for Care'. It outlines the methodology used. This is the fourth year we have applied this approach.

Consideration is given to both national and local factors that are impacting on the market, taking account of both cost pressures and mitigation. Work undertaken over the last 3 years to assess a 'fair price for care' in Trafford has led to a cumulative increase of 10.1% in residential and nursing fees paid by the Council. Trafford's rates when benchmarked against other Greater Manchester (GM) authorities are amongst the highest in the sub-region.

The recommendation is based on balancing the cost pressures in the market set out in Section 4.3 and the outcome of the formula applied in Appendix 1 against the following factors;

- Affordability in the context of the financial challenges faced by all public sector organisations
- A 10.1% cumulative increase over the last 3 years leading to Trafford paying amongst the highest rates compared to our neighbours.
- Inflation at a record low of 0.3% in January 2015 with a recent downward trend in energy and food costs
- Expansion of the local market with new providers bringing additional capacity in Trafford. On average there are approximately 70 spare beds each week.

Taking all of this into account the recommendation to Executive is to approve a 0% inflationary uplift for the Residential and Nursing market for 2015-16,

Recommendation

That Executive approve a 0% inflationary uplift for the Residential and Nursing Care market for 2015-16 for the reasons set out in this report. 5

Contact person for access to background papers and further information:

Name: John Pearce, Director Service Development

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Background Papers: None

Relationship to Policy Framework/Corporate Priorities	The report impacts on the following corporate priorities; <ul style="list-style-type: none">• Supporting Vulnerable People• Low Council Tax and Value for Money
Financial	The recommendation for an inflationary uplift of 0% within the residential sector does not have any financial implications.
Legal Implications:	Legal framework is set out in Section 2 of 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	Not applicable
Health & Wellbeing Implications	Market analysis indicates there is capacity within Trafford to enable access to suitable provision to support health and wellbeing of residents.
Health and Safety Implications	Not applicable

1.0 Background

- 1.1 Trafford's current residential and nursing market has developed over a number of years. The market in 2005 was deemed to be unable to support the future needs of Trafford residents but this has now progressed to a far more diverse market with several new providers having entered into the market. This has subsequently expanded the offer giving a wide range of choice for the residents of Trafford.
- 1.2 Residential and Nursing Care in Trafford is of a high overall standard as a result of many years' work to develop and stimulate the market and the skills of the sector's workforce. This is underpinned by Trafford's market management approach which is robust in nature and multi-tiered in relation to the monitoring of service provision.
- 1.3 Each year Trafford Council supports existing placements and makes new placements at a cost of approximately £14.6 million. This constitutes approximately 30% of the Adult Social Services 2015-16 Budget.
- 1.4 In 2012, Trafford Commissioners undertook a detailed review of the Residential and Nursing Care market and as part of this work started the process of engagement with providers to determine a 'fair price for care' in Trafford.
- 1.5 Following a number of initial meetings, it was agreed that in order to carry out this piece of work to determine the 'fair price of care' residential and nursing providers would work with the Council and each other to develop a framework based on the work of Laing and Buisson. This work established the current Trafford model to engage annually with providers on a 'fair price for care'.
- 1.6 The market capacity in Trafford has fluctuated over the past twelve months with a particular demand in relation to individuals who have dementia. There are currently 39 Residential and Nursing homes operating in Trafford, offering a total of 1271 residential and nursing beds. In the first part of 14/15 bed availability did drop on occasion to 35 vacancies each week. However, following a number of developments, in the last half of this financial year, the average number of available beds has risen and there is now an average of 70 beds/ placements vacant across the borough each week.
- 1.8 A recent piece of work carried out to determine the level of self funders, highlighted that over half of the available beds within Trafford are occupied by 'self funders'.
- 1.9 Residential Care Homes

Establishment	Provider	Location
Ann Challis Residential Home for Ladies	Jem Care Ltd	Urmston
Bickham House	Bickham House Trustees	Bowdon
Claremont Residential Home	Claremont Residential Home Ltd	Sale
De Brook Lodge	Ideal Care Homes Ltd	Flixton
Dover House Residential Home	Mrs C Conchie	Stretford
Fairways Residential Home	Knoll Care Partnership Ltd	Flixton
Ferrol Lodge	Mr Ian Nicoll	Sale
Handsworth	Methodist Homes for the Aged	Bowdon
Haylands	Jem Care Ltd	Urmston
Heathside	Mr & Mrs Meehan	Altrincham

Establishment	Provider	Location
Kara House	Trinity Merchants Ltd	Sale
Kilpeacon House	Mr & Mrs J R Skeath	Altrincham
Lynwood Lodge	Trinity Merchants Ltd	Sale
Mayfield	Stephen & Julie Gilmour	Sale
Oldfield Bank	Mr & Mrs L Leavy	Altrincham
Ravencourt	Miss B Richardson & Mrs J Richardson	Altrincham
The Cedars RH	The Cedars Rest Home Ltd	Bowdon
The Conifers Rest Home	Conifers Care Group	Old Trafford
The Knoll	Knoll Care Partnership Ltd	Flixton
Serendipity	Ideal Care Homes Ltd	Urmston
Victoria RH	Trinity Merchants Ltd	Sale
York Lodge RH	Mr Alan Machen and Mrs Ann Crowe	Urmston

1.10 Nursing Care Homes

Establishment	Provider	Location
Allingham House	New Care Projects LLP	Timperley
Beech House (Partington)	Rosewood Healthcare	Partington
Beverley Park	Beverley Park Nursing Home Ltd	Stretford
Bradley House NH	Bange Nursing Homes Ltd	Sale
Brookfield NH	Mrs M J Chell	Urmston
Faversham	Miss A Burke and Mrs A Wynn	Flixton
Flixton Manor	Flixton House Ltd	Flixton
Lady of the Vale	Sisters of St Joseph	Bowdon
Lime Tree House	Mountlands Trust Ltd	Sale
Manor Hey Care Home	New Care Projects LLP	Sale
Shawe House NH	Shawe House Nursing Home Ltd	Flixton
Shawe Lodge	Shawe House Nursing Home Ltd	Davyhulme
Sunrise Senior Living of Hale Barns	Sunrise Senior Living Ltd	Hale Barns
Timperley Care Home	Kingsley Healthcare	Timperley
Urmston Cottage	Urmston Cottage (MCR) Ltd	Urmston
Woodend N and R	Bupa Care Homes	Altrincham
Wyncourt	Mr & Mrs H Mattinson	Timperley

2. Legal Framework

2.1 The legal framework governing care and support in England has recently undergone fundamental reform. The Care Act 2014, in effect as from 1st April 2015, replaces 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 will have a new 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 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 renumerated so as to retain an effective workforce

2.4 The above will replace the current legal framework under the National Assistance Act 1948. The provisions of the National Assistance Act and Choice of Accommodation directions framework is set out below. Under the National Assistance Act 1948, the Council has a duty to make arrangements for providing residential accommodation and care for persons who by reason of illness and disability are in need of care and attention which is not otherwise available to them. The Council may discharge that duty by making arrangements with private providers of residential accommodation for those assessed to need it. The Council is also required, under s7a of the Local Authority Social Services Act 1970 to exercise its social services functions in accordance with Secretary of State's directions. The directions are the National Assistance Act 1948 (Choice of Accommodation) 1992 LAC (92) 27 ("the Choice Directions"). Under the Choice Directions, the Council is not required to place a person in their preferred accommodation if (amongst other things) to do so would cost the council more than it would usually expect to pay for accommodation for someone with the individual's assessed needs.

2.5 The directions are further supplemented by the Local Authority Circular 2004 (20), issued under s 7 (1) of the 1970 Act ("the Circular"). The Circular says that the usual cost should be set by councils at the start of a financial or other planning period, to be sufficient to meet the assessed care needs of supported residents in residential accommodation. A council should set more than one usual cost where the cost of providing residential accommodation to specific groups is different. In setting and reviewing their usual costs, councils should have due regard to the actual costs of providing care and other local factors. Councils should have due regard to the best value requirements under the Local Government Act 1999.

- 2.6 Under the Care Act 2014 and the Choice Directions, the Council needs to have regard to “Building Capacity and Partnership in Care.”, it refers, more than once, to the need for consultation and cooperation between commissioners and providers of care. It states out that fee setting must take into account the legitimate and current future costs faced by providers as well as the factors that affect those costs and the potential for improved performance and more cost effective ways of working. Local authorities should not use their position to drive down fees. Contract prices should not be set mechanistically but should have regard to providers’ costs and efficiencies, and planned outcomes for people using services, including patients.
- 2.7 Therefore under the NAA 1948 the Council was under a requirement for settling the usual cost with care providers. The Care Act 2014 and guidance does not require this. However, it remains lawful and a useful tool in market shaping and choice regulation compliance.
- 2.8 Therefore, in seeking to identify a usual cost the Council is under very similar obligations under the Care Act to the NAA 1948 which is to consider the cost of care and engage with the providers under the Care Act and guidance as it is under the Choice Direction.

3. Methodology

- 3.1 In order to determine the ‘fair price for care’ for 2015/16, a similar exercise to that carried out in the previous 3 years has been completed. All providers were provided with an opportunity to participate in the consultation. Letters inviting providers to engage in the process were sent out and sessions held with providers. Over the last two years the numbers of providers willing to engage in this process has fallen. This year only seven providers, which included only one nursing home, took part in the exercise despite several attempts to invite providers to engage. Feedback from providers has indicated concerns about sharing commercially sensitive data to populate the model.
- 3.2 The Council invited providers not willing to take part in the group discussions to attend individual meetings in order to capture their views or to make representations in writing. The exercise undertaken to map costs in the system used the same model which was agreed by a sub-group of providers linked to the original determination of the ‘fair price for care’ conducted in 2012.
- 3.3 The approach must be a fair, transparent and reasonable method for determining such a price. The Council must balance a range of factors impacting on market costs against issues such as affordability and benchmarking data against other authorities.
- 3.4 Key Components of the Trafford Model:-

Trafford’s model mirrors the structure of the Laing and Buisson approach and seeks to calculate the four main components of care costs:

1. Staffing costs
2. Repairs and maintenance costs
3. Other non-staffing current costs, and
4. Capital costs

- 3.5 It was agreed that capital costs would include a reasonable return for investors, including profit. Thus using the approach outlined above it can be reasonably assumed that a “Fair market price” could be calculated.
- 3.6 The main challenge has been capturing the evidence from the market needed to populate the model. Given the timeframe and the potential difficulty to obtain market data it was necessary to use an approach that could collect appropriate data to address the four main components mentioned above in an open and transparent manner.
- 3.7 Therefore an “open book” policy was adopted to capture the data. Given the reservations about being able to collect suitable meaningful data, individual providers volunteered to provide data about how much it costs to provide care in Trafford.
- 3.8 Providers engaging in the process have populated a standard template that captured the four main components of the model. It was agreed that the providers would capture this data from their latest published accounts.
- 3.9 In completing the model the Council and the providers agreed on the calculation of the key variables in the model. These are:-
- The model would calculate a cost per bed per week.
 - A rate of occupancy (or allowance for void beds) would be assumed and that this rate would not be 100%.
 - The cost of capital (rate of return on capital allowed) would be 12%. However in the light of current low level of interest rates it has been proposed this year that a rate of 8% would may be more realistic, which includes profit.
 - The data would be captured from the latest published set of accounts
 - Any inflationary uplift would be agreed to harmonise the data captured from the provider’s accounts to an agreed start date
 - Providers can introduce a notional amount of cost to reflect the management resource input into a home by the owners/providers that would otherwise have to be delivered by a paid employee
- 3.10 Appendix 1 shows calculations based on these factors with the analysis submitted by residential providers and a revised assessment by the Council to generate a ‘fair price for care’ in the residential sector. It has not been able to generate an equivalent for the nursing sector as only 1 provider engaged with the process. This exercise gives us a starting point

4. Market Factors

- 4.1 The Residential and Nursing home market in Trafford has been awarded a cumulative uplift of 10.1% over the last three years (2.6% in 2012/13, 6% in 2013/14 and 1.5% in 2014/15). These increases followed the application of the model undertaken to establish a ‘fair price for care’ and should be set against many neighbouring local authorities who continued to deliver an uplift of 0%. This has

ensured that Trafford Council is currently paying rates amongst the highest rates in Greater Manchester. This in the context of Trafford being the lowest funded authority in GM. The table below shows the benchmarking data collected through this process.

2014 / 15 - £ per week

	Trafford	Bury	Manchester	Rochdale	Salford	Stockport	Tameside
Residential	£402.71	£410.31	£398.35	£386.00	£381.74	£382.00	£400.00
Residential EMI	£434.26	£410.31	£418.35	£417.00	£381.74	£446.00	£400.00
Nursing	£445.92	£410.31	£425.60	£386.00	£381.74	£400.00	£519.79
Nursing EMI	£501.26	£410.31	£445.60	£432.00	£381.74	£421.00	£534.00

- 4.2 It is important to note that no two local authorities employ identical banding in regards to weekly rates for the service provision. One local authority pays rates dependent on the quality of the service, quality being ascertained through their own monitoring processes and another has different prices for those delivering services both on and off their approved provider framework. For the purpose of the table above the costs represent single occupancy rooms of a good quality and delivering services outside of any framework appointment.
- 4.3 The Council recognise that a number of factors will put pressure on residential and nursing markets both locally and nationally. In Trafford this has been mitigated by the three consecutive years of uplifts identified above. This will lessen and reduce the impact of cost pressures including:
- The National Minimum Wage
 - Reduction in training budgets of local authorities
 - Auto-enrolment in Pension Schemes
- 4.4 Similar to that of all care providers the National Minimum Wage (NMW) plays an important part in the calculation of a Fair Price for Care. Care is historically a low-paid job, with wages at or near the NMW, which has historically been:

Effective From	Adult Rate	% Increase on previous year
2014	£6.50	3.01%
2013	£6.31	1.94%
2012	£6.19	1.81%
2011	£6.08	2.53%
2010	£5.93	2.24%

- 4.5 The Low Pay Commission (LPC) in February 2015 recommended to the

government an increase of 3 per cent on the current adult rate. This will see the current rate of £6.50 rise to £6.70 from October 2015. This would support the Chancellors previous predictions in 2014 of having a minimum wage of £7.00 by 2016. It is proposed any increase in the minimum wage would take effect from 1st October so would only impact on provider costs for half of the 2015-16 financial year.

- 4.6 In previous exercises Residential and Nursing Home owners have highlighted the added burden of rising energy costs which has added further pressure upon the care sector. However inflation is at a record low of 0.3% as at January 2015 and there have been recent reductions in energy and fuel costs which will benefit the market.
- 4.7 The lack of growth in the housing market since 2008 has meant a lack of capital growth for many residential and nursing providers in their main asset (The Care Home). More recent evidence from national statistics has shown an upturn in the market that may start to benefit providers. Whilst this is very much influenced by location we are aware there has been strong growth in parts of Trafford and the borough is at the forefront of the recovery within the region.
- 4.8 There have been changes to workforce pensions which require all employers to enrol employees into a pension scheme adding a financial burden to providers. Staff wages contribute to approximately two thirds of the costs in an average residential or nursing home.

5. Local Factors

- 5.1 The work undertaken in Trafford with Residential and Nursing providers led to a calculation based on an average home being a 23 bed Residential Home and a 21 bed Nursing Home. Data supplied was also calculated on both an 88% and 92% occupancy rate.
- 5.2 The information submitted from the providers as part of this engagement included a request that Trafford recognise the financial pressures they are facing and seriously consider a significant increase in recognition of the costs that are attributed to providing such services. A 10% increase has been proposed by providers and this would lead to an additional financial burden for the Council of £1,460,000 in 2015-16.
- 5.3 Appendix 1 sets out the information submitted by care home providers on a collective basis and the cost per bed week based on assumptions and 88% and 92% occupancy levels. The cost per bed per week on these assumptions for 88% and 92% occupancy would be £493.10 and £476.14 respectively. We have reviewed the assumptions behind these figures and revised the calculation to adjust for 95% occupancy, an 8% rate of return on capital and 1% inflationary allowance. On this basis the revised cost of care per bed per week would be £422.27. We believe this is a more realistic cost per bed per week against which our current rates against which we should balance the mitigating factors not reflected in the formula e.g. affordability, benchmarking against GM authorities and bed availability.
- 5.4 Unfortunately, the Council were unable to populate the model for nursing homes as only one provider engaged with the process. However, the Council believe that the same factors in terms of cost pressures and mitigation apply to the nursing home market.

- 5.5 There has been a steady increase in third party top-ups (i.e. the amount over and above the rate Trafford Council pays for care that a provider will require to be paid by a resident) over the last three years and although rates are a decision for individual providers they do give an indication of market rates. There is a substantial difference in the rate of top ups across Trafford ranging from £7.50 per week to £703.29 per week. This pressure on top-ups has to be considered against an increase in available beds over the second half of the year and a reduction in capital costs and inflationary pressures for providers.
- 5.6 The work undertaken with the Residential and Nursing Home owners over the last three years has led to uplifts with a cumulative impact of 10.1% to mitigate the national and local pressures described in this report.

6 Recommendation and Rationale

- 6.1 The recommendation for an inflationary uplift of 0% is made based on balancing the cost pressures on the market against the mitigation identified. It is proposed also after considering the relevant factors including those identified in this report and engaging with providers. The providers who chose to engage with the council on this exercise have requested a 10% uplift in fees for 2015/16. The Council do not believe this is either affordable (it would cost an additional £1,460,000) or justified by the market factors set out in this report. Any decision on affordability needs to be set in the context of Council wide budget reductions of £21.5million for 2015-16. The £14.6million spent on residential provision equates to approximately 30% of the Adult Social Care budget and therefore affordability is a critical issue.
- 6.2 The cost pressures on the market and balancing factors that have been taken into consideration include;
- National Minimum Wage
 - Reduction in Local Authority Training Budgets
 - Auto-enrolment in Pension Scheme
 - Work undertaken over the last 3 years has seen a cumulative increase in rates of 10.1% compared to many authorities who have retained 0% uplifts.
 - Benchmarking data shows Trafford's rates are in the top quartile for Residential and Nursing care compared to GM authorities. Inflation is currently at its lowest level on record at only 0.3% in January 2015. Bank of England projections suggest it will remain below their target of 2% for at least the next 18 months. There has been a reduction in both fuel and food costs in recent months.
 - Market analysis shows that there is currently capacity within the Residential and Nursing sector (approx. 70 beds) although there has been an increase in top-ups with all Trafford homes now charging a top up. This reflects an occupancy level of approximately 94.5% in the borough.
 - Projections in relation to 'return on capital' have been reduced from 12% to 8% in the Council's modelling.
 - Recovery in the housing market will assist providers as the main capital asset, the care home, increases in value. In previous years the challenges created by a stagnant housing market have been factored in as a cost pressure on the market

7. Other Options

- 7.1 The seven providers who engaged in the process requested a 10.1% inflationary uplift. The Council, having carefully balanced all the factors, do not believe that is

- affordable or justified given the issues raised in this report
- 7.2 The calculation set out in Appendix 1 identifies Trafford Council's projection of a 'fair price of care' at £422.27 compared to the proposed Trafford basic rate for residential care of £402.71 (see chart in Section 4.1). We do not believe this gap is unreasonable when balanced against affordability issues in the context of the Council's budget reductions of £21.5million in 2015-16. Benchmarking against Greater Manchester Authorities also shows we are amongst the highest funders in the area.
- 7.3 An inflationary increase of up to 3% was considered during the budget setting process in the context of supporting the market balanced against the Council's financial position. Due to the issues identified in the report and the impact in terms of additional financial pressure on Council budget this option is not recommended.

Key Decision: Yes

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

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

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

CORPORATE DIRECTOR'S SIGNATURE (*electronic*)



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

Financial Calculations

See attached sheet