

TRAFFORD COUNCIL

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

Report Title

Homecare: Review of the 'Fair Price for Care' in Trafford

Summary

The report the review of Trafford's Homecare provision to support the identification of a 'Fair Price for Care'. It outlines the methodology used and 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 two years to establish a fair price for home care in Trafford has resulted in an uplift of 1% in rates for 2013/14 and 1.5% uplift in rates for 2014/15.

It should also be noted that there was a thorough procurement process to establish a new homecare framework in Trafford that took effect from July 2014 and all current providers applied to be part of that framework based on the rates available at that time.

The United Kingdom Home Care Association's (UKHCA) published their position statement on the cost of care on Wednesday 4th March 2015. This shows that whilst Trafford's rate is slightly below the national average of £13.66 per hour it is well above the North West average and the 5th highest of the 23 LA's in the region.

The recommendation is based on balancing the cost pressures in the market as set out in this report.

Recommendation

That Executive approves a 1% inflationary uplift for the Home Care market for 2015-16 for the reasons set out in this report.

Contact person for access to background papers and further information:

Name: John Pearce, Director Service Development

Extension: x5100

Background Papers: None

Implications:

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 1% within the home care market creates a financial pressure of £85k for 2015-16.
Legal Implications:	Legal framework is set out in Section 2 of the report
Equality/Diversity Implications	Equality and diversity implications have been considered as part of the process.
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 The Home Care market in Trafford is made up of a diverse range of providers operating through a Framework established in July 2014. Providers range from smaller independent companies up to national chains and franchises. The partnership between the Council and Providers over the last decade has helped stimulate innovation, diversification and the development of a largely qualified and skilled workforce.
- 1.2 Home Care in Trafford is of a high overall standard. This is as a result of many years' work to develop and stimulate the market and to skill the sector's workforce. Trafford's market management approach includes robust monitoring of the quality of the service delivered. The Council is also able to take action whenever standards are found to be below expectations.
- 1.3 As part of the review of Home Care services in Trafford carried out in 2012 a finance sub-group was established which was tasked to review the then pricing structure for commissioned Homecare Services in Trafford. In order to carry out this piece of work a framework for determining the 'fair price' of homecare was developed with home care providers based on the work of Laing and Buisson and the United Kingdom Home Care Association's (UKHCA) .
- 1.4 The UKHCA published their position statement on the cost of care on Wednesday 4th March 2015. This shows that whilst Trafford's rate is slightly below the national average of £13.66 per hour it is well above the North West average and the 5th highest of the 23 LA's in the region. As would be expected given the differences in cost of living, there is a substantial North/South difference in rates that evidences a positive position in Trafford. The current £12.81 per hour rate was agreed following an uplift of 1.5% as a result of the 'fair price for care' work carried out in 2014/15.
- 1.5 The work required providers to participate in 'open book accounting' in order to inform the work in setting and determining the price of Homecare for the financial year 2014/15 and to highlight the financial pressures placed on the market. All providers were invited to participate. However less than half of the providers engaged in the process.

2. Legal Framework (please replace)

- 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 remunerated 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 set and inform the ‘fair price for care’ in Trafford for 2015/16 the same exercise undertaken in previous years has been repeated. The work with home care providers commenced in December 2014 and was completed in February 2015. All providers were invited to participate in the exercise which resulted in the major providers operating in Trafford engaging in dialogue with us about the review. However, the number of those providers who submitted financial information was very low so it has not been possible to make a reasonable calculation based on the returns received. We have, therefore, undertaken our review by analysing the market and consideration of the market factors as outlined in section 4 of this report.
- 3.2 The current Framework price for Homecare is £12.81 per hour.

Home Care providers were asked to split the unit price of £12.81 per hour into three parts: -

- **Profit element** – it is reasonable that profit is taken from the unit price and it is considered that a reasonable amount is between 2.5% to 3.0%. It is also considered that the profit element should not fall below 2.5%;
- **Fixed cost element** – these are the administration and back office costs relating to the operation of the business. These costs are to an extent determined by the business model but it is reasonable to assume that an inflationary increase is applied to these costs;
- **Variable cost element** - these direct staff costs are the key driver. It is reasonable to assume that the costs of staff increase with time. Although it is not the responsibility of the local authority to fund wage increases for service providers it is reasonable to assume that service providers will be affected by increases in cost in the labour market, for example the national minimal wage and changes to legislation which impact on wage costs.

4. Market Factors

4.1 Over recent years Trafford has seen an increase in the number of purchased hours from the external market in line with the strategic priority to support people in their own homes if possible;

Financial Year	Purchased Hours	Cost	Increase
2010-2011	486,784		
2111-2012	621,442	7,768,025	
2012-2013	657,416	8,296.589	
2013-2014	666,204	8,534,073	36.85% 7.2% 1.3%

4.2 Demand on home care markets has been the subject of national media coverage in recent months. These national pressures have also been reflected in Trafford and impacted even further at the most critical times of bank holidays and the Christmas period.

4.3 The Council recognise that a number of potential cost pressures impact the Home Care market both locally and nationally. In Trafford this has been mitigated by our current high hourly rate in comparison to other Local Authorities in the region. This will lessen and reduce the impact of cost pressures arising from, factors including:

- The National Minimum Wage
- Reduction in training budgets of local authorities and recruitment of staff
- 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 Trafford expects a rise of 37% (13,500) in people aged over 65 and 64% (3,300) in people aged over 85 by 2030. This includes an increase of more than 1,400 people (55%) living with dementia and more than 6,500 people (38%) over 65 and living with a limiting, long-term illness. (Trafford's Market Position Statement 2014/15). This provides both an opportunity and a challenge for the market.
- 4.7 The home care market in Trafford faces particular challenges in relation to workforce compared to other boroughs in Greater Manchester. Lower unemployment rates and the impact on availability of workforce for low paid caring roles is a factor in Trafford and has been taken into account.

5 Recommendation and Rationale

- 5.1 The recommendation for an inflationary uplift of 1% is made based on balancing the cost pressures on the market against the mitigation identified. The providers who chose to engage with the council on this exercise have requested an uplift to £15.74 for 2015/16. This would equate to a 23% increase in costs to the Local Authority. Any decision on affordability needs to be set in the context of Council wide budget reductions of £21.5million for 2015-16.
- 5.2 The factors that have been taken into account include ;
- Auto-enrolment of Pensions: All staff will be auto-enrolled in a pension scheme in the coming year, and Employers must match contributions
 - Travel time payment: to meet NMW legislation, estimated at 11.4 minutes to every 1 hour of contact time. Potential increase to NMW from 1st October 2015.
 - Training: Previous funding cuts for NVQ/Diploma courses significantly increase Employer contributions.
 - 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.
 - Affordability: The impact of increased budget pressures for the Council in the context of budget savings of £21.5million for 2015-16 is a major factor to balance against any increase in rate.
 - Benchmarking data shows Trafford's rate of £12.81 is well above regional average and the 5th highest in the North West.
 - 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 substantial reduction in fuel costs in recent months.

6. Other Options

- 6.1 The providers who engaged in the process requested a 23% inflationary uplift to a rate of £15.74. We do not believe that is affordable or justified given the balance of costs and mitigation set out in this report.
- 6.2 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 mitigation set out in this report and the impact in terms of additional financial pressure on Council budgets 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)*



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