

TRAFFORD COUNCIL

Report to: Executive
Date: 23rd. March 2016
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

This report describes the process undertaken to engage Trafford's care market, in particular Nursing and Residential Care providers, through the Fair Price for Care exercise.

This report outlines the approach adopted for the fifth year running for Trafford Council and consideration is given to both national and local factors that will be impacting on the current market, taking into account both cost pressures, in particular the increase of the national living wage and other mitigating factors.

Work undertaken over the last 4 years to assess a 'Fair Price for Care' in Trafford has led to a cumulative increase of 10.1 % 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 0.3% in January 2016
- The impact of the Government introduction of a new Mandatory 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 residential and nursing care market for 2016/17 of 3.8%

Recommendation

That Executive approves a 3.8% inflationary uplift to the care fee rates paid by the council for the residential and nursing care market for 2016-17 for the reasons set out in this report.

Contact person for access to background papers and further information:

Name: Jill Colbert

Extension: 5100

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 increase of 3.8 % will have a financial impact of £816,005 which can be met within the approved 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	Market analysis indicates there is capacity within Trafford to enable access to suitable provision to support the health and wellbeing of residents.
Health and Safety Implications	Not applicable

1.0 Background

- 1.1 Trafford's current residential and nursing care 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 over the last ten years, 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 provides an overall high standard of care 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 Council's market management approach which is robust in nature and multi-tiered in relation to monitoring of service provision.
- 1.3 Each year Trafford Council supports existing placements and makes new placements at a cost of approximately £15.6million. This constitutes approximately 32% of the adult social care budget for 2015-16.
- 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 meetings in 2015, it was agreed that in order to carry out this piece of work to determine the 'fair price for care' for residential and nursing services, 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'.

2.0 Current Market Place – Residential and Nursing and Care

- 2.1 There are currently 15 Nursing Care and 23 Residential homes operating in Trafford as of 26th February 2016. Trafford Council have standard rates of £402.71 for residential care beds and £445.92 for nursing home beds. Care providers charge variable top-up fees to families and self-funders are charged at a variable rate too.
- 2.2 The vacancies of unutilised bed as of 29th February 2016 was 36 (10 nursing and 26 residential care beds).
- 2.3 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'.
- 2.4 Residential Care Homes

Establishment	Location
Ann Challis Residential Home for Ladies	Urmston
Ascot House	Sale
Bickham House	Bowdon
Claremont Residential Home	Sale
De Brook Lodge	Flixton
Dover House Residential Home	Stretford
Fairways Residential Home	Flixton
Ferrol Lodge	Sale
Handsworth	Bowdon
Haylands	Urmston
Heathside	Altrincham
Kara House	Sale

Establishment	Location
Kilpeacon House	Altrincham
Lynwood Lodge	Sale
Mayfield	Sale
Maybarn House	Altrincham
Oldfield Bank	Altrincham
The Cedars RH	Bowdon
The Conifers Rest Home	Old Trafford
The Knoll	Flixton
Sunrise	Halebarn
Victoria RH	Sale
York Lodge RH	Urmston

As of 4th March 2016 from Controcc

2.5 Nursing Care Homes

Establishment	Location
Allingham House	Timperley
Beech House (Partington)	Partington
Beverley Park	Stretford
Bradley House NH	Sale
Brookfield NH	Urmston
Faversham	Flixton
Flixton Manor	Flixton
Lady of the Vale	Bowdon
Lime Tree House	Sale
Manor Hey Care Home	Sale
Shawe House NH	Flixton
Shawe Lodge	Davyhulme
Timperley Care Home	Timperley
Woodend N and R	Altrincham
Wyncourt	Timperley

As of 4th March 2016 from Controcc

3.0 National Context

3.1 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
- 3.2 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.
- 3.3 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
- 3.4 The above replaces the previous 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. The Council has a duty to make arrangements for meeting the needs, including providing residential accommodation and care, for those who by reason of illness and disability need it. 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 Directions 1992 (“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.
- 3.5 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 of care fees 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.
- 3.6 Under the Care Act 2014 and the Choice Directions, the Council needs to have regard to the Department of Health document “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 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.
- 3.7 Therefore under the National Assistance Act 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 complying with choice regulations .

- 3.8 In seeking to identify a usual cost the Council is under very similar obligations under the Care Act to the National Assistance Act 1948 which is to consider the cost of care and engage with the providers.

4.0 Our Approach/Methodology

- 4.1 The feedback from engagement in 2015 from residential care and nursing care providers was a preference for the Council to use the Laing and Buisson framework to engage annually with providers on a 'fair price for care'. The Laing and Buisson is a nationally recognised framework which provides local authorities with a basis to establish the actual costs of care home provision.

- 4.2 Providers engaging in the process have populated a standard template that captured the main components of the model. It was agreed that the providers would capture this data from their latest published accounts.

- 4.3 Providers were notified of this in 1st December 2015 and since this was already an agreed approach a timescale was determined;

- *Laing and Buisson framework sent to all providers -17th February 2016*
- *Completed submission deadline for providers -2nd March 2016*
- *Analysis and report -7th March 2016*
- *Report for publication-10th March 2016*
- *Report presented to Council Executive -21st March 2016*

- 4.4 It was intended to analyse the information and data provided by nursing and residential care home providers to establish the actual costs of care incurred during the 12 month period 2015/16. A further analysis would bring into consideration the impact of the National Living Wage of £7.20 from April 2016.

- 4.5 The Council's intention was to generate a fair price for care based on the returns from providers to ensure that the needs of Trafford providers have been reflected in the calculation. The data identified provider's actual costs: it identified four current costs (for the financial year 2015 -6, which included direct and in- direct staffing costs, repairs and maintenance and capital costs including the return on investment .Due to the low rate of response received from residential and nursing care providers, the Council has adopted another approach in order to ensure that local providers received an inflationary uplift in a timely manner ensuring both market stability and the continued provision of care for our residents.

- 4.6 The Council has generated a Fair Price for Care for the residential and nursing sector based on an analysis of the current costs of care, the proportion of staffing costs within that cost and the financial impact identified as a result of inflationary increases and the impact of the National Living Wage. This was then sense checked against the returns from providers to ensure that the proposal was in general keeping with information from local providers.

5.0 Market Factors

- 5.1 The residential and nursing care home market in Trafford has been awarded a cumulative uplift of 10.1% over the last four years (2.6% in 2012/13, 6% in 2013/14 and 1.5% in 2014/15 and 0% in 2015/16).

5.2 Table 1 shows the range of the costs of beds paid across some authorities in Greater Manchester and highlights the variation in these.

Table 1- 2015 / 16 - £ per week

	Trafford	Bury	Manchester	Stockport	Tameside
Residential	£402.71	£410.30	£425.66	£382.00	£483.00
Residential EMI	£434.26	£420.94	£434.11	£446.00	£440.00
Nursing	£445.92	£425.15	£446.94	£400.00	£581.00*
Nursing EMI	£501.26	£509.71	£579.80	£421.00	£602.00*

*This rate is likely to include a nursing care element.

	Bolton	Oldham	Wigan	Rochdale	Salford
Residential	£401.24	£380.50	£342.00	£401.24	£413.93
Residential EMI	£442.35	£422.50	£434.00	£442.35	£413.93
Nursing	£401.24	*CCG	£380.00	£401.24	£413.93
Nursing EMI	£401.24	*CCG	£434.00	£401.24	£413.93

* This rate is determined by the CCG

5.3 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. This will lessen and reduce the impact of cost pressures in particular the National Minimum and Living Wage rates.

5.3 The National Minimum Wage (NMW) has played 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 National Minimum Wage, and therefore the move to introduce a National Living Wage from the 1st. April 2016 will have a significant impact on the costs of the salaries for all care providers

5.4 In previous exercises, residential and nursing home owners have highlighted the added burden of rising energy costs that has added further pressure upon the care sector. However inflation is still low at 0.3% as at January 2016.

6.0 Recommendation and Rationale

6.1 Of the 38 residential and nursing care providers we commissioned, only 7 responded within the timescales.

6.2 Because of the low returns from the engagement exercise, estimates were made based upon the spend on residential and nursing home care to establish the local impact of the National Living Wage and inflation.

6.3 It was estimated that approximately 60% of the residential and nursing home budgets were

apportioned to staffing costs. This figure was sense checked against the returns. Of this proportion, a figure of 70% of staff were estimated to be eligible for the National Living Wage, based on the information provided in the returns about the staffing structures of their organisations. The council has assumed that a 7.4% increase against this proportion of the salary costs will enable the providers to meet the requirements of the National Living Wage.

6.4 Inflationary pressures for the remainder of the costs have been estimated at 1%, which the council considers ought to enable providers to meet inflationary pressures across the service and enable providers to allocate an inflationary uplift to their staff members to maintain staffing consistency and quality. The council also considers that this element is essential for market stabilisation.

6.5 The impact of applying these inflationary uplifts is as follows:

	Budget	% uplift	implication
	£		£
Estimated proportion of care staff below NLW	9,319,632	7.4% (rounded)	691,457
Remainder of care staff plus running costs	12,154,175	1% (rounded)	124,548
Total	21,473,807	3.8%	816,005

6.6 Based on these estimates and given the issues listed below, a recommendation is made by officers of an increase in payment to residential and nursing home providers of 3.8%

- 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 is currently low at only 0.3% in January 2016. The Bank of England projections suggest it will remain below their target of 2% for at least the next 18 months.
- Affordability: The impact of increased budget pressures for the Council in the context of a budget gap of £22.6 million is a major factor to balance against any increase in rates

6.7 Initial discussions with some other local authorities indicated that they would be proposing inflationary uplifts for the National Living Wage of 3.8%. However this has yet to be confirmed.

7.0 **Options**

7.1 **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 residential and nursing care home 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, who can no longer be safely supported at home

7.2 Option2 ; Offer a 3.8% increase

The rationale described in section 6 has identified that an inflationary uplift of this level will enable residential and nursing home 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 £ 816,005 which can be met within the approved budget.

7.3 Option 3: Offer an increase other than 3.8%

The increase of 3.8% is based on an analysis of the cost pressures on residential and nursing care homes 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 3.8% could undermine market stability as residential and care homes 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 3.8% 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) NB

Legal Officer Clearance (type in initials) MJ

CORPORATE DIRECTOR'S SIGNATURE (electronic)



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