

TRAFFORD COUNCIL

Report to: Council Executive
Date: 23rd March 2016
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

This report outlines the review of Trafford's Homecare provision to support the identification of a 'Fair Price for Care'. It summarises the methodology we have used over the last 4 years and makes recommendations for an inflationary uplift.

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 three years to establish a fair price for home care in Trafford has resulted in an uplift of 3.5% over the last three years – a 1% uplift for 2013/14, 1.5% uplift in rates for 2014/15 and 1% in 2015/6.

The Laing and Buisson Toolkit was adapted and used to establish actual costs of care for Homecare. The Toolkit covers these three areas:

- Care staff cost
- Non staff cost
- Management/administrative staff cost

The recommendation of 4.9% is based on balancing the cost pressures in the market within the available budget as set out in this report.

Recommendation

Executive is recommended to approve a 4.9% inflationary uplift for the Home Care market for 2016-17 for the reasons set out in this report.

Executive is recommended to approve the consideration of an alternative methodology to set homecare prices for 2016/7 as part of a Greater Manchester approach.

Contact person for access to background papers and further information:

Name: Jill Colbert
Extension: 5100

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 4.9% will have a financial impact of £449,019 for 2016/17 which can be met within the approved budget.
Legal Implications:	Contained in 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 the 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 and due to be re-procured in 2017. 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.
- 1.4 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 2016/17 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. National Context

- 2.1 The national 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 has 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 Under the Care Act 2014 and the Choice Regulations, the Council needs to have regard to the Department of Health guidance “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.
- 2.5 Therefore under the National Assistance Act 1948 (NAA 1948) the council was under a requirement to have regard to the actual costs of providing care so that it could have regard to those costs in setting the fees it pays to care providers (known as the usual costs). The Care Act 2014 and guidance does not require this. The Care 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. However, the usual costs process remains lawful and a useful tool in market shaping and complying with regulations about choice.
- 2.6 Therefore, in seeking to identify a usual cost the council is under very similar obligations as it was under the previous regime to consider the cost of care and engage with the providers to understand as far as possible their financial models.

3. Methodology

3.1 The Council agreed in 2015/16 with providers to use the Laing and Buisson framework to engage with providers on determining a ‘fair price for care’ for 2016/17. The Laing and Buisson is a nationally recognised framework which provides local authorities with a basis to establish the actual costs of care which include the following areas;

- Care staff cost
- Non staff cost

- Management/administrative staff cost

3.3 Providers were notified of this on 7th December 2015 and an agreed approach and timescale were 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*

3.4 The engagement exercise had limited success – 6 returns were received. Unfortunately, there were also a number of incomplete submissions which meant that the returns provided partial information to inform the exercise. This was comparable to last year where the number of those providers who submitted financial information was also very low. It has not been possible to make a reasonable calculation based on the returns received for the last two years. We have, therefore, undertaken our review by analysing the market and consideration of the market factors as outlined in sections 4 and 5 of this report and sense checking our analysis against the returns received.

3.5 Discussions with colleagues across Greater Manchester have identified homecare as one of the services that would benefit from a more collaborative approach. These discussions are in the early stages but it is anticipated that a shared service specification, outcomes and pricing framework will be key elements of this approach.

4. Market Factors

4.1 Over the last 3 years, Trafford Council has awarded a cumulative inflationary uplift of 3.5%.

4.2 Over the last six years Trafford has seen a consistent increase in the number of purchased hours . This has changed in 2015 – 2016 with Trafford’s renewed focus on using the reablement approach to increase independence and reduce the dependency on purchased services.

Financial Year	Purchased Hours	Cost
2010-2011	486,784	£ 6,138,346
2011-2012	621,442	£7,768,025
2012-2013	657,416	£8,296.589
2013-2014	666,204	£8,534,073
2014-2015	689,838	£8,836,825
2015-2016	612,206 (predicted))	£7,921,945 (predicted)

4.3 The Council recognise that a number of potential cost pressures impact upon 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 and the National Living Wage.
- Recruitment of staff

- 4.4 Similar to that of all care providers, 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.
- 4.5.1 The Low Pay Commission (LPC) in February 2015 recommended to the government an increase of 3 per cent on the current adult NMW rate. This will continue to apply for young people aged 24 and under. From April 2016, the National Living Wage will be £7.20 an hour for workers aged 25 and older. The United Kingdom Home Care Association (UKHCA) estimate that the National Living Wage will apply to 86.3% of the workforce because of the age profile.
- 4.5.2 UKHCA has long campaigned for higher homecare costs. They have calculated that the current average cost of homecare is £13.66 per hour but estimate that the impact of introducing the National Minimum Wage and the National Living Wage means that local authorities should pay closer to £16.70 an hour. This would result in a £753m increase in funding from councils nationally and they have requested that government fund this difference.
- 4.7 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.
- 4.8 The home care market in Trafford also faces particular challenges in relation to its workforce compared to other boroughs in Greater Manchester. Lower unemployment rates and the impact on availability of a workforce for low paid caring roles is a factor in Trafford and has been taken into account.

5 Recommendation and Rationale

- 5.1 As a result of the low returns from the engagement exercise, estimates were made based upon the amount spent on homecare to establish the local impact of the National Living Wage and inflation.
- 5.2 It was estimated that just under 80% of the provider's budget was apportioned to staffing costs. This figure was sense checked against the returns. Of this proportion, a figure of 78% of homecare staff were estimated to be eligible for the National Living Wage, based on the information provided by the UKHCA on the age profile of the workforce and the information provided by the returns on the staffing structure. In order to achieve the increase required by the National Living Wage, a percentage increase of 7.4% has been applied to this element of the budget.

5.3 Inflationary pressures for the remainder of the costs have been estimated at 1%, which enables providers to meet inflationary pressures and any additional staffing cost pressures across the service. This is intended to stabilise the market, as it is recognised that the provider may be required to allocate an inflationary uplift to their staff members to maintain staffing consistency and quality.

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

	Budget	% uplift	implication
	£		£
Estimated proportion of care staff below NLW	5,575,161	7.4% (rounded)	412,364
Remainder of care staff plus running costs	3,588,483	1% (rounded)	36,655
Total	9,163,644	4.9%	449,019

5.5 Based on these estimates and the factors taken into consideration below, officers have made a recommendation of an increase in payment to homecare providers of 4.9%

- 5.6 The factors that have been taken into account 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 is currently at 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 for 2016/7 is a major factor to balance against any increase in rates.

5.7 Across Greater Manchester, there are a variety of approaches being taken in offering inflationary uplifts. Because of the variation in current costs, inflationary uplifts clearly have a differential impact. Initial discussions have indicated that across Greater Manchester, the proposed hourly costs could be within a range from £13.06 to £14.32. Our proposed hourly rate would be within this range at £13.57.

6. Options

6.2 **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 the homecare market 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 homecare workforce to meet the key strategic priority of enabling people to live independently in their own homes for longer.

6.3 Option 2: Offer an increase other than 4.9%

Offering an increase lower than 4.9% is likely to result in homecare agencies being unable to meet their mandatory obligations to meet the requirements of the National Living Wage. This means that agencies will close and we will not be able to meet our statutory responsibilities to provide care in order to meet the needs of vulnerable people in our community.

Offering an increase higher than 4.9% would increase the costs of homecare above and beyond a reasonable rate and is not affordable.

This option is not recommended.

6.4 Option 3: Offer a 4.9% increase.

The rationale described in section 5 has identified that an inflationary uplift of this level will enable homecare 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 £449,019 which can be met within the approved budget.

6.5 The recommendation is to offer a 4.9% increase in order to meet the full impact of the living wage.

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)



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