

TRAFFORD COUNCIL

Report to: Executive
Date: 19th March 2018
Report for: Decision
Report of: Executive Member for Adult Social Care

Report Title

Fair Price for Care : Outcome of the review of the price for homecare and residential and nursing care.

Summary

This report outlines the approach adopted by Trafford Council to determine a Fair Price for Care and takes account of the low response traditionally received from the sector in determining the price for care. 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.

Work undertaken over the last 4 years to assess a 'Fair Price for Care' in Trafford has led to a cumulative increase of:

10.9 % in homecare fees.

8.5 % 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.
- Averaged predicted inflation (RPI) for 2018/9 at 3.5%.
- The impact of the Government introduction of the next stage for the 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 homecare market of 4.07% for 2018/19.
- The residential and nursing care market of 3.88% for 2018/19.
- That the new rates be agreed as the discretionary fee and charges for 2018/9.

Recommendation

That Executive approves an inflationary uplift to the care fee rates paid by the council of:

- **4.07% for the homecare market for 2018/9.**
- **3.88% for the residential and nursing care market for 2018/9.**

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 recommendations will have a financial impact of approximately £916k which is within the budgeted inflation amount included in the 2018/19 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	The recommendation in inflationary uplift for homecare represents a holding position whilst a different model is developed with providers that focuses on delivering more positive outcomes for Trafford residents.
Health and Safety Implications	Not applicable.

1.0 Background

- 1.1 Trafford has a vibrant social care market and the Council works with 38 different homecare providers, and there are also over 40 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 homecare staff, primarily because of the way in which homecare is commissioned on a time-based, zero hours basis and the difficulty in recruiting nurses for nursing homes, resulting in homes exiting the market because of the financial implications of agency rates.
- 1.2 The challenges in the homecare market are exacerbated in Trafford, because we have both a thriving economy and a well-educated workforce. This means that there is a very small workforce from which home care staff can be recruited. Skills for Care have recently informed us that the existing unemployed population require support for as long as 2 years before they will become work ready. Providers have told us that both recruitment and retention pose problems for them, as it is difficult to retain staff against competition from new supermarkets entering the market, as well as seasonal recruitment from shopping malls. This together with the ability of staff to choose when they work means that capacity fluctuates within the market at peak times.
- 1.3 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 CQC ratings in the domain of well-led and effective services for some providers.
- 1.4 Trafford has led a Greater Manchester social care workstream to address both the fluctuating capacity issues within the market, and quality issues, with the view of developing a financially sustainable model. The modelling has identified that there needs to be significant changes to key aspects of the model which include workforce skills, outcomes and price.
- 1.5 Tameside Metropolitan Borough Council is leading the Greater Manchester workstream which seeks to address some of the issues being experienced by residential and nursing homes, and the consequent impact on quality across Greater Manchester, together with the need to deflect residents away from accident and emergency services. The focus of future work is on improving quality in the market given the current problems.

- 1.6 Trafford Council continues to support the homecare, and the residential and nursing home sector to provide a high quality of care, working closely with the 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 CQC.
- 1.7 Despite the problems that the social care market is experiencing, the residential and nursing care home market is expanding in Trafford. Many of these new services are aimed at attracting well-off self-funders from across Greater Manchester and Cheshire who are willing to pay a higher fee. This has resulted in a significant over-provision of beds in Trafford and we currently have an over-provision of 300 beds, not including the 150 bed unit planned for Sale. The key issue is the affordability of beds as the new provision is priced at a cost substantially more than our 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 Trafford Council that has to take over funding responsibility. This is also the case when Trafford residents choose a more expensive placement, agree to pay the difference and then are no longer able to pay for the difference in cost.
- 1.8 Trafford 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.
- 1.9 For last year and this year, 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 homecare, residential and nursing care home providers.
- 1.10 Providers have requested that we engage in a more detailed methodology in the future as we look at how we remodel the homecare service and stabilise the costs and quality within the residential and nursing home provision.

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 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.

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 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 2018/9. This was based upon an analysis of the impact of the NLW and the predicted average RPI for the following financial year. The calculation was shared by letter with providers and explained verbally through our regular Service Improvement Partnership meetings. Based on feedback from providers that they had already undertaken calculations to understand the impact on their organisations, providers were given a time frame within which to respond. Due to a technical hitch, whilst homecare providers received the e-mail/ letter, it subsequently transpired that residential and nursing providers did not receive the original e-mail/letter and so it was agreed to reissue the letter and extend the consultation period.
- 3.2 Responses were received from 3 homecare organisations and further discussions were held at a well-attended meeting.
- 3.3 The responses from homecare providers varied from suggesting a different pricing approach with a £250 one-off payment for new cases, to a substantially increased hourly rate close to the UKHCA rate. Providers were concerned that the continued approach to setting a rate could fundamentally impact on the sustainability of the sector and their ability to recruit.
- 3.4 It was agreed that the Council will continue to work closely with existing providers to redesign the current model and take a more sophisticated approach to costing. 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. A new framework will be established from August 2018 which will identify providers who wish to continue delivering the current model and those who will work with us to design a new model. The contract length will reflect the difficulty new initiatives have had in terms of gaining traction because of recruitment issues.
- 3.6 The local residential and nursing providers 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 offered to 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 block purchasing, supporting the development of a Registered Manager's network

and so on. One provider also commented by e-mail highlighting issues such as the uniqueness of Trafford and the consequent impact on price. There will be opportunities for further exploration of these issues through the task and finish group.

4.0 Market Factors

- 4.1 The homecare market in Trafford has been awarded a cumulative uplift of 10.9% over the previous four years (a 1.5% uplift 2014/15, 1% in 2015/16, 4.9% in 2016/17, 3.54% in 2017/18).
- 4.2 The residential and nursing care home market in Trafford has been awarded a cumulative uplift of 8.5% over the previous four years (1.5% in 2014/15, 0% in 2015/16, 3.8% in 2016/7 and 3.2% in 2017/18).
- 4.3 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. However, colleagues across Greater Manchester have indicated that the inflationary uplift they were considering is within the 'ball park' of that being set by Trafford.

5.0 Recommendation and Rationale

- 5.1 The original offer which was put out to both homecare and residential and nursing providers was based on a blended rate of:
- 4.4% for that proportion of costs estimated to be made up of payments to employees in receipt of the national living wage (NLW). This represents the governments uplift for 2018/19.
 - 3% as a proxy forecast for inflation for all other costs.

Following consultation, and on reviewing the upward forecast for the average RPI for 2018/19, a figure of 3.5% as an estimate for the forecast rate of inflation is now proposed for all care categories.

5.2 Homecare Provider Rate Calculations

The proposal that went to homecare providers utilised 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.

Calculations were made based upon the impact of the new National Living Wage (a 4.4% increase) and an estimate for likely rate of inflation for 2018 - 19.

The initial proposal that went to homecare providers was an uplift of 3.88%, with a framework price of £14.61. The uplift was calculated as follows:

- 3.0% as a forecast for the average rate of inflation over the 2018/19 financial year, applied 37.6% of costs.
- 4.4 % applied for the national living wage uplift, applied to 62.4% of costs.

5.3 Following on from the consultation with providers, the figures were revised upwards in the interests of market stabilisation and a final proposal of an inflationary uplift of 4.07%.

This figure is based upon the recognition that 80% of costs are staffing costs and that 78% of these are in relation to those that would receive NLW. The increase in the NLW (from £7.50 to £7.83 - 4.4%) was applied to this element. For the remaining element an allocation of 3.5% inflationary uplift was awarded (this relates to all other pay and running costs based upon the average forecasted RPI for 2018/19. This gives an overall inflationary increase of 4.07% which equates to a 57p increase, raising the hourly rate to £14.63. (see table 1 below)

Table 1

Homecare	£'000
62.4% of costs relates to NLW	3,806
Remaining budget subject to average RPI at 3.5%	2,293
Homecare gross budget	6,099
Living wage implication at 4.4%	167
Implication as a percentage increase of gross budget	2.75%
Implication of RPI	80
Implication as a percentage increase of gross budget	1.32%
Total Percentage Increase	4.07%

5.4 **Residential and Nursing Provider Rate Calculations**

The proposal that went to residential and nursing home providers utilised 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.

Calculations were made based upon the impact of the new National Living Wage and the average predicted rate of inflation for 2018-19.

It was recognised that 60% of the overall costs/price paid is for staffing costs and that 70% of these are in relation to those that would receive NLW. The increase in the NLW (from £7.50 to £7.83 - 4.4%) was applied to this element. For the remaining element an inflationary uplift was applied (this relates to all other pay and running costs – average RPI was forecasted at 3.5% for the 2018/19 financial year) this gives an overall inflationary increase of 3.88%. (see table 2 below).

Table 2

Residential & Nursing	£'000
Residential	8,160
Nursing	8,341
Residential & Nursing gross budget	16,501
42% Relates to NLW Costs	6,930
Remainder subject to average RPI at 3.5%	9,571
Living wage implication at 4.4%	305
Implication as a percentage increase of total budget	1.85%
Implication of RPI	335
Implication as a percentage increase of total budget	2.03%
Total Percentage Increase	3.88%

5.5 The revised rates have been calculated on the same formula as described above, and are as follows:

Rates	Trafford 16/17	Increase %	Increase £	Trafford 17/18	Increase %	Increase £	Trafford 18/19
Residential	£418.01	3.20%	£13.38	£431.39	3.88%	£16.74	£448.13
Residential EMI	£450.76	3.20%	£14.42	£465.18	3.88%	£18.05	£483.23
Nursing	£462.86	3.20%	£14.81	£477.67	3.88%	£18.53	£496.20
Nursing EMI	£520.31	3.20%	£16.65	£536.96	3.88%	£20.83	£557.79
Home Care	£13.58	3.54%	£0.48	£14.06	4.07%	£0.57	£14.63

- 5.6 The estimated impact of the revised rates is £916,495 additional spend in the Council's budget.
- 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 homecare market of 4.07% for 2018/19.
 - The residential and nursing care market of 3.88% for 2018/19.

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.
- Average predicted rate inflation for 2018/19 is currently estimated at 3.5%
- Affordability: The impact of increased budget pressures for the Council in the context of a budget gap of £22.9 million is a major factor to balance against any increase in rates.

6.0 Options

6.1 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 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.

6.2 Option 2: Offer an increase of 4.07% to the homecare market and 3.88% to the residential and nursing home market

The rationale described in section 5 has identified that an inflationary uplift of this level will enable 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 £916,495 which can be met within the approved budget.

6.3 **Option 3: Offer an increase other than that recommended**

The recommended increase is based on an analysis of the cost pressures on providers 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 the recommendations could undermine market stability as providers 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 the recommendations 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.

6.4 **Reasons for the Recommendation**

The recommendation is to agree Option 2. This option will enable providers to meet the requirements of the National Living Wage and additional inflationary pressures whilst still remaining within the approved budget.

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).....JLF.....

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.