

## TRAFFORD COUNCIL

**Report to:** Executive  
**Date:** 16<sup>th</sup> March 2020  
**Report for:** Decision  
**Report of:** Executive Member for Adult Social Care

### Report Title

Fair Price for Care for Older Peoples' Residential and Nursing Homes 2020-21 : consultation update

### Summary

Every year the Council sets a Fair Price for Care which determines the bed rate for the following financial year. On the 27<sup>th</sup> January 2020, Executive approved the following for consultation and further consideration in the light of the consultation :

1. an inflationary uplift for purchased Residential and Nursing Home beds of 3.83% for 2020/21.
2. new bed rates for new spot placements from the 1<sup>st</sup> April 2020.
  - £560 for a spot purchased residential bed
  - £626 for a spot purchased nursing bed

Providers were advised of the proposals on the 16<sup>th</sup>. January 2020 and the consultation period ran from the 4<sup>th</sup> to the 25<sup>th</sup>. February 2020.

In addition a full EIA on the recommended proposals was undertaken.

### Recommendation(s)

That the Executive:

- Considers the outcome of the consultation
- Considers the response to the consultation
- Considers the EIA
- Approves the following bed rates for 2020/21
  1. An inflationary uplift of **3.83%** for existing beds
  2. New bed rates for new spot placements from 1<sup>st</sup> April 2020.
    - **£560** for a post purchased residential bed
    - **£626** for a spot purchased nursing bed

Contact person for access to background papers and further information:

Name: Karen Ahmed  
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Background Papers: None

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| <p>Relationship to Policy Framework/Corporate Priorities</p> | <p><b>Successful and Thriving Places</b><br/>         The residential and nursing care home uplift will contribute to improved workforce pay, conditions and retention, to stabilise the market, supporting growth for local providers and improved skills for local people<br/> <b>Services focused on the most vulnerable people:</b> This is a targeted service provided to the most vulnerable people, following a social care assessment.<br/> <b>Trafford Together Locality Plan :</b> We are working towards an integrated plan to align budgets for residential and nursing care to stabilise costs.</p>  |
| <p>Relationship to GM Policy or Strategy Framework</p>       | <p>The GM Living Well at Home Delivery Group is a joint programme which brings together a number of social care and health led work streams related to activities around home care and residential and nursing care homes into one coherent and co-ordinated programme. The Delivery Group is chaired by Diane Eaton and Mark Fitton (the DASS from Stockport).</p> <p>This new approach enables the development of clear care pathways designed to support people to live as independently in their own homes for as long as possible. The impact of this will be to prevent the disruption to people’s lives and relationships by reducing the need for a move to residential care for all but the most vulnerable and complex residents.</p> <p>Across GM, there are over 560 residential and nursing homes with over 19,000 beds. These homes make a significant contribution to the functioning of the health and care economy but there is significant variation in the level of quality, responsiveness, and adaptability.</p> <p>Across GM, there will be new quality ambitions, based on CQC ratings, set for the following financial year, based on the significant improvements already achieved across Trafford and Greater Manchester. Pilots, such as those aimed at improving the resilience and retention of managers, to support the improvement of the Well Led domain in CQC ratings, will be rolled out more widely.</p> <p><b>Commissioning Strategy and Market Position Principles:</b> Our vision for the market and our commitment to coproduction is articulated in “Trafford Together,” our locality plan. This is a jointly agreed document which sets out the system wide changes we need to make to achieve our ambition over the next 5 years. This plan will be consulted upon during the year of engagement. The plan states that “[I]n Trafford under the banner of the ‘Living Well at Home Programme’ we will integrate service provision to ensure better outcomes for Trafford residents and the ‘system’ in which we operate. We will adopt the principles of the locality plan by delivering person centred care that preserves independence by supporting more people to remain at home. We will continue to reduce admissions to residential and nursing care.<sup>1</sup></p> <p><b>Housing Strategy and Ageing Well:</b> We are working very closely with our colleagues in housing strategy and in public</p> |

<sup>1</sup> Trafford Together Locality Plan v.6.11.19, para 6.14, p.33

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|  | <p>health to look at a number of different options to support people living in the community with a wide range of needs so that people only enter residential care when they need that level of care and support, rather than because their living accommodation does not meet their needs or they are lonely. These approaches are articulated in our Ageing Well and new Older Peoples Strategies.</p>   |
| Financial  | <p>The proposed uplift of 3.83% takes into account increases in staff and running costs. It is recognised that an inflationary uplift of this level will support providers to meet the requirements of the National Living Wage and the additional pressures of inflation.</p> <p>The proposed new bed rates for spot placements are £560 for residential and £626 for nursing.</p> <p>The impact of the above will result in an estimated additional budgeted investment into the Residential &amp; Nursing market of £0.700m for 2020/21 with a full year effect in 2021/22 being £1.150m. This would be met from within the overall allocation for inflation and demography in the Medium Term Financial Plan (MTFP) that has been allocated to the Adult Social Care budget for 2020/21.</p> <p>The Council proposes to apply the host local authority uplift for out of borough placements.</p> |
| Legal Implications:                                | <p>Pursuant to s151 of the Local Government Act 1972, the council is required to make arrangements for the proper administration of its financial affairs.</p>   |
| Equality/Diversity Implications                    | <p>Decision-makers are under a legal duty to have due regard to the need to eliminate discrimination against care home residents (as well as providers/staff), promote equality of opportunity between such persons and others and foster good relations between such persons and others. Therefore, it is important to take care that all the new rates are adequate to promote a diverse and high quality care home market, in particular because of the risk that otherwise there could be an adverse impact on the welfare of vulnerable residents and/or staff and their ability to enjoy a quality of life comparable with those less vulnerable.</p> <p>Vulnerable residents include in particular the elderly, women and disabled persons. Staff are largely female.</p> <p>A fuller report on equality/diversity implications is attached at Appendix 1.</p>                                |
| Sustainability Implications                        | Not applicable.  |
| Resource Implications e.g. Staffing / ICT / Assets | Not applicable.  |
| Risk Management Implications                       | <p>The key risks for Trafford are around maintaining a sustainable care market within a nationally very fragile social care market. In order to do this we must set an appropriate inflationary uplift which enables providers to meet all reasonable costs incurred in providing services.</p>  |
| Health & Wellbeing Implications                    | <p>Our residents are assessed as requiring residential or nursing care home provision when they are no longer able to live safely at home. It is essential to have a sufficient supply of residential and nursing care homes to meet our resident's health and well-being needs.</p>   |
| Health and Safety Implications                     | Not applicable   |

## 1.0 Background

- 1.1 The Executive report of the 27<sup>th</sup>. January fully outlined the background and legal context relevant to the residential and nursing care home market.
- 1.2 The report also proposed a different approach to setting a bed rate for 2020/21 which was set within a clearly articulated commissioning approach rooted in a sustainable approach to managing the market and working towards a local bed price which is both equitable and sustainable. Key elements which have been taken into consideration, alongside affordability, include existing bed prices, the pricing differential between the lower and the higher prices demanded by some providers, the aetiology of those prices and the ability of the Council to influence and shape the market in a health and social care system which is dominated by self-funders willing to pay higher bed rates
- 1.3 Because of the complexity of the factors influencing the market and bed prices, a number of interlinked approaches were proposed as our strategy for 2020/21 and beyond. These included continuing to reduce our call on the residential and nursing sector provision as we strengthen our reablement approach and the use of discharge to assess beds.
- 1.4 Trafford Council have also developed a number of approaches to maintain market stability and sufficiency. We have committed to entering the care market through purchasing residential and nursing care homes on an incremental basis and directly commissioning the care. This approach will ensure stability and sufficiency of beds in Trafford for Trafford residents.
- 1.5 The Council will block purchase provision where we are approached by providers at financial risk either through individual circumstances or where a new business is being started. Initially these discussions and opportunities will focus on those homes that offer placements for people with nursing and more complex needs in order to meet the needs of our local residents. Block contracts with our local providers will provide security for providers by offering a fixed rate for beds, generally at a lower rate than our proposed new bed rates, and will also cover voids to ensure financial stability. We will review our position and extend these arrangements through an open tender later in the year.
- 1.6 Our analysis of the business models utilised by providers gained through one to one discussions throughout the year and formal responses from providers has highlighted the reasons for the significant variation in bed prices which we have in Trafford. The range of prices from less than £500 to over £900 for placements which essentially meet similar levels of individual need, are primarily driven by the business models of newer providers who now seek to offset the costs of the buildings and land through higher rates. Well-established providers are able to charge less, but still recoup a reasonable profit margin. The FPFC approach is an attempt to bring a fair and equitable approach to the market, and ensure that the providers who currently charge a lower rate for new placements are not disadvantaged or financially destabilised.
- 1.7 Our analysis also shows that providers remain financially stable through maintaining existing bed rates with an inflationary uplift for the life of that resident whilst increasing the bed price for new placements. Our FPFC reflects this approach.
- 1.8 The Executive report proposed that existing bed rates would receive an inflationary uplift which took into account increases to the National Living Wage and the RPI. Alongside this the bed rate for new placements would be significantly uplifted to reflect the costs of Trafford homes, in particular costs associated with land and capital. It was not anticipated that this increase would fully cover the costs incurred by the newer providers, but instead represent a reasonable contribution, in the professional opinion of officers.
- 1.9 The two-pronged approach was proposed to enable the stabilisation of the market, and the embedding of the Ethical Care Charter, in particular moving closer to the Real Living Wage, and was considered to be a fair payment for the cost of care taking into account (i) the financial information provided by care home providers, at the council's request, specifically for the purpose of assessing fair standard rates for 2020/21; (ii) financial information provided in previous years; (iii) financial and other information provided by care home providers in 2019 in one-to-one discussions with the council; (iv) the council's historical payments and regional payments, and the extent to which providers have accepted them; (v) the strength of the market locally; (vi) CQC ratings locally; (vii) inflationary pressures, in particular the estimated impact of the National Living Wage and the RPI; (viii) the facility for block-booking in the cases of fragile businesses; (ix) the differences between more established and newer providers, in particular in terms of their financial models; (x) the need for best value; (xi) the

desirability of prudence at a time of financial austerity alongside the need and duty to promote a diverse, high-quality market; (xii) central government and local policies, referred to in the body of that Report; (xiii) the professional opinion of council officers.

- 1.10 A number of options were proposed by officers, and these were consulted upon. In addition an Equalities Impact Assessment was undertaken.

## 2.0 Equality Impact Assessment

- 2.1 A detailed EIA is attached at Appendix 1

- 2.2 The EIA does not identify any negative impact arising from the new proposals.

- 2.3 Instead, the EIA identifies a combination of positive and neutral impacts. The positive impacts relate to the proposals increasing the bed rates significantly above inflation, enabling providers to move closer to the Real Living Wage, and therefore being able to retain a more stable workforce, benefiting residents, and of course staff who are able to command a higher salary. In addition, a more stable market benefits both staff and residents as the risk of home closure from financial causes is reduced through both the new bed rate from spot purchases and the opportunity to develop block placements.

- 2.4 Other benefits will be increased choice for residents as more homes locally become more affordable, and a reduced financial burden for some families as their contribution to more expensive placements may reduce.

- 2.5 Women would be key beneficiaries of the identified positive impacts as they make up the majority of the workforce and the majority of residents.

## 3.0 Consultation and Options

- 3.1 The following options were consulted upon from the 4<sup>th</sup> to the 25<sup>th</sup>. February 2020 :

**Option 1** The Council and the Clinical Commissioning Group do nothing.

This was not the recommended option. 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 Living Wage would only destabilise the market further. 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 to some of the most vulnerable people in our community.

**Option 2** The Council applies an inflationary uplift of 3.83% to all beds.

Whilst this option is affordable, it means that the Trafford bed rate will have limited relevance to the Trafford market. Some beds can still be purchased at our bed rate, but these are less and less available as current placements end, and providers apply inflated rates to new placements. We would therefore be in the position of trying to source beds outside of Trafford because of price, rather than choice or need and asking residents to financially contribute the difference in price, which may be an unaffordable or excessive burden on our residents.

This option was not recommended.

**Option 3** The Council adopt a two-pronged approach to a price increase for 2020/21,

An inflationary uplift of 3.83% which would result in the following revised rates:

| Category             | 2019/2020<br>£ | Increase<br>(3.83%)<br>£ | 2020/2021<br>£ |
|----------------------|----------------|--------------------------|----------------|
| Residential          | 465.88         | 17.84                    | 483.72         |
| Residential Dementia | 502.37         | 19.24                    | 521.61         |
| Nursing              | 515.85         | 19.76                    | 535.61         |
| Nursing Dementia     | 579.88         | 22.21                    | 602.09         |

And

- A new increased rate for all new spot placements, reflecting the operating model of providers in Trafford where existing bed rates, which are lower than the new bed rates, are maintained until the resident leaves the home, and a new increased bed rate is then implemented. The increased rates

proposed were an offer of £560 for Residential beds and £626 for Nursing beds.

This was the recommended option.

- 3.2 One response was received as part of the consultation exercise. This response detailed a number of historical issues raised by the respondent, and asked for these to be taken into account. In addition, with particular reference to the proposals for 2020/21, the respondent requested that the Council “..note in particular the following :

**“LaingBuisson analysis found the cost of an economically run home was between £623 to £726 depending on standard of accommodation and whether or not they are supporting people living with dementia.”**

You will no doubt note the significant gap between these rates and the rates currently paid by Trafford Council, and proposed within the attached documents, for the financial year 2020/21. I, and many others, have been drawing Trafford Council’s attention to this significant funding gap for the last 27 years. It needs properly and responsibly addressing by the Council with immediate effect, something which the latest proposals simply go nowhere near achieving, married with extremely weak attempts by the Council to justify their proposals, for the 27<sup>th</sup> year running.”

- 3.3 The response included correspondence from 2012 (a 14 page letter) and 5 emails – one dated 12/10/2018, one dated 25/10/2018 and 3 dated 25/1/20. This correspondence contained a number of similar themes related to fee setting and on the actual fee itself.

- 3.4 Broadly the historical documents raised similar issues

- The methodology by which the proposal that the fee was arrived at – the response recommends a number of tools, but in the main the Laing and Buisson tool. The respondent suggests that these tools would be more reliable than the Council attempting to do its own calculation. In particular the letter of 2012 suggests that using an arbitrary historical benchmark (the DSS rate of 1993) and inflating this year on year will not address the historical shortfall in fees.
- The gap between the fee rate set by the Council and that required by providers in order to successfully run a care home business. The respondent illustrates this over the years through a comparison with rates in a JRF report and Laing and Buisson documents and suggests that the Council should adopt these rates.
- The commitment of the Council to offer rates that meet local business needs or instead set rates that it can afford.
- The impact of low fees on the sustainability of businesses, together with quotes on the number of businesses exiting and entering the market, and the consequent impact on fees.

- 3.5 These are all important points and in fact are all areas that have been considered in reaching the fee rate.

### 3.6 **Methodology**

In previous years, the Council has attempted to use the Laing and Buisson model utilising information from local providers. This proved unsuccessful due to the low response from care providers. The Council then used a combination of methods detailed in the reports to reach an offer which was consulted upon. Uplifts have always been tailored to the relevant financial circumstances of that year, and have taken into account the NLW and the MLW requirements year on year.

This year the Council used a different national tool based on a partnership approach between providers and commissioning which takes into consideration some of the key variables which are relevant to Trafford. Again, the response from providers was low, but the Council had access to significant financial information to be able to better understand the market and the business model, and that is how the current recommended rates within the proposal was reached.

### 3.7 **Fair Price for Care and Real Price of Care**

The Laing and Buisson rate of £623 to £726 has been quoted as the cost of an economically run care home. It is assumed that this rate is a national average rate. The respondent is therefore suggesting that the Council is setting a rate that does not meet the real cost of care.

An analysis of bed rates paid by the Council evidence that homes are in fact charging fees that are not only below this figure, but also below the Council bed rate. It is assumed that these care homes are able to run their homes more efficiently and have a different business model than other providers. It is also noted that some care homes provide beds where the fee rates are significantly in excess of those rates at £1,300. Again it is assumed that this is down to the business model of the provider.

An analysis of the bed rates across the North West of England evidences (see Appendix 2) that the bed rates set by Trafford are similar to those set by other authorities in the area when all rates are considered. The new rebased rate is likely to render Trafford as one of the higher payers for next year. It may be assumed that the national bed rates may be skewed by figures from London and the South East where construction rates, land and other costs are significantly higher than the North West of England.

### 3.8 **Affordability and Bed Rates**

The Council is required by statute to set a balanced budget every year so realistically there will always be an affordability decision to be made in terms of setting any fee rates. This is always balanced against the financial pressures experienced by the market.

This year, in recognition of the wide variation across Trafford, the Council has sought to begin to incrementally raise the offer to providers through the use of a rebased bed rate for new spot purchases. This is intended to address the inequity in bed rates demanded by providers.

### 3.9 **Market Sustainability**

Trafford is an extremely attractive area for the residential and nursing care market and the number of entrants to the market far outweigh the number of exitors when the number of beds is used as a benchmark. The new providers do focus on self-funders and charge fees which are at the higher end of the market. This is of concern to the Council, as this does create a two-tier market and limit choice for our residents, not just in terms of fees but also in terms of the nature of the care provided. The new providers rarely offer provision for people with complex needs.

The Council addresses this within the limit of our legal powers. We work with providers who are at risk of exiting the market to maintain service stability – the support can take the form of specialist support or financial support in the form of a block bed arrangement. Many providers choose to exit the market for reasons other than financial. In addition the Council has made the decision to enter the market in order to develop the kind of provision that is lacking in Trafford due to the lack of appetite from many existing providers to adapt their care model.

## 4. **Reasons for Recommendation**

### 4.1 Having taken into account

- The full EIA
- The consultation responses

officers are continuing to recommend Option 3 because this will enable providers to meet the requirements of both the National Living Wage, and additional inflationary pressures together with embedding the Ethical Care Charter, whilst still remaining within the approved budget. It will give Trafford a bed rate that is acceptable to providers and enables residents to have more choice. The FPFC approach together with all the other components, including block contract arrangements, will enable more choice locally for Trafford residents.

## 5. **Supporting Documents**

Appendix 1 : Equalities Impact Assessment  
Appendix 2 : NW England bed rates 2019/20

**Key Decision** (as defined in the Constitution): Yes  
**If Key Decision, has 28-day notice been given?** Yes

Finance Officer Clearance .....HZ.....

Legal Officer Clearance .....SL.....



**[CORPORATE] DIRECTOR'S SIGNATURE** *(electronic)*

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