

CARING PLYMOUTH

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I. Background and Context

1.1 Following a full consultation with care home providers for people over 65 in 2014/15 on 31 March 2015 the fee structure for both residential care and nursing care was agreed by Cabinet. Included within the Cabinet paper was a proposal to work with the sector during 2015/16 to agree a three-year fee settlement that takes into account the requirements of the Care Act 2014.

1.2 Local Authorities are required to provide residential care for people over the age of 18 who are in need of care and attention, which is not otherwise available to them. In providing this care the Local Authority has to comply with the National Assistance Act 1948 (Choice of Accommodation) directions, which requires Local Authorities to provide such accommodation at the place of the clients' choosing provided that:

“The cost of making arrangements for him at his preferred accommodation would not require the authority to pay more than they would usually expect to pay having regard to his assessed needs.”

The Council has a responsibility to set a usual cost for care to comply with Directions issued under the Social Services Act 1970. The directions say that this 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. This is generally known as the 'usual cost' and is the basis on which Local Authorities should set the fees they will normally pay to care homes. In setting and reviewing their usual costs, councils should have due regard to ensure that the fee should be sufficient to meet the assessed care needs of supported residents in a care home and councils should have due regard to the actual costs of providing care and other local factors. Individuals should not be asked to pay more towards their accommodation because of market inadequacies or commissioning failures. Councils should also have regard to Best Value requirements under the Local Government Act 1999.

A council should set more than one usual cost where the cost of providing residential accommodation to specific groups is different.

On 31 March 2015 Cabinet agreed the new fee structure for both residential care and nursing care following a consultation with care home providers. Included within the Cabinet paper was a proposal to work with the sector during 2015/16 to agree a three-year fee settlement that takes into account the requirements of the Care Act 2014. The report was to be brought back to Cabinet during 2015.

1.3 The National Living Wage (NLW) was announced in the July 2015 Budget. From April 2016 employers will be required to pay staff over 25 the NLW at an hourly rate of £7.20; the intention is to raise it to £9.00 by 2020. Unlike the NMW, the NLW has not been set with reference to its employment impacts, but by decree.

1.4 Work based pensions, auto enrolment, has been rolled out to all employers for employees over the age of 22 and who earn a minimum of £10,000 per annum. The employer's contribution has been set at a minimum of 1%.

- 1.5 There are two components that will impact on the fee payable to a care home; annual inflation and a change in need of the service user. The change in need of the service user will be identified following the Care and Support Needs Assessment when carrying out the annual review. This could impact on the number of hours' support the service user requires which will determine their care category or whether they have exceptional care needs. Inflation will be determined by the rise in the NLW and other statutory requirements that are outside the control of the care home, such as council tax, TV licence, Care Quality Commission fees etc as well as other costs, for example, food, utilities, transport where the care home may have some control over increasing costs.

2 National Living Wage

- 2.1 The National Living Wage (NLW) was announced in the July 2015 Budget. From April 2016 employers will be required to pay staff over 25 the NLW at an hourly rate of £7.20. The intention is to raise it to £9.00 per hour by 2020. Unlike the NMW, the NLW has not been set with reference to its employment impacts, but by decree.
- 2.2 A report, published by the Joseph Rowntree Foundation (JRF) in October 2015 considered the impact on the care home sector of adopting either the Living Wage (LW) or the National Living Wage (NLW). The information gathered for this report was derived from Skills for Care, the workforce development body for adult social care in England. The care home sector refers here to both residential care and nursing homes for older people.
- 2.3 The report states "there are 30 occupational groups employed in care homes, ranging from senior managers through to technicians, care workers and a range of ancillary staff. The three largest groups in terms of employment are the senior care workers, care workers and ancillary staff and these are also the poorest-paid workers in the sector. They are predominately female, are on permanent contracts, are mainly over 25 (with an average age of 40) and they are mostly employed in the private sector".

Feedback from the workshop held with local care home providers in October mirrored the information in the report in that the majority of their care staff are over the age of 25 and therefore fall within the age range for the NLW. If employers had to opt to recruit more staff under the age of 25 there would be the potential of losing experienced and qualified staff.

- 2.4 The report states "in terms of pay, the median hourly earnings for the three groups of workers in 2014 were £7.60, £6.75 and £6.50 respectively. About 1.5 per cent of senior care workers, 4.2 per cent of care workers and 13.9 per cent of ancillary staff were being paid less than the NMW (the main cause of underpayment was not paying staff appropriately for sleepover)".

As part of the consultation with care home providers last year Plymouth City Council agreed an hourly composite rate of £8.79 for 2015/16. This includes a combination of senior care workers, care workers, ancillary staff, day and night time working, national insurance, sickness, leave and training cover etc. This figure is based on the NMW at £6.50ph for the lower paid staff. The impact of the NLW is not just on the lowest paid staff but there are incremental impacts on senior staff's pay.

- 2.5 In Plymouth there are 58 residential and nursing care homes for older people and 45 care homes for people 18 to 64. Based on a previous report commissioned from an independent organisation and findings included in the report to Cabinet on 31 March 2015, care homes in Plymouth have greater reliance on the public sector purchase of beds than on the private sector compared to neighbouring authorities due to the higher levels of deprivation. The JRF report writes "it is not reasonable to expect self-funding residents in care homes to pay more for the cost of the LW settlement. First, such individuals, it is

claimed, are already cross-subsidising residents whose fees are paid by local authorities. Although there is not full transparency within the sector, there is a growing public awareness of this practice. Second, those deemed able to fund their own care are not necessarily rich. Finally, under the Dilnot proposals the number of self-funders will fall and the local authorities will be required to fund more care places.”

- 2.6 The benefits to the residents of paying the NLW could be improvements in staff retention, improving the consistency of staff thereby improving quality of care for the individual.

3. Work Based Pensions

- 3.1 Work based pensions have been introduced for all employees aged between 22 and the state pension age and who earn at least £10,000 a year. The minimum employer contribution is 1%, which is to increase, with starting dates having been dependent upon the number of staff employed and the date the business was set up.

Feedback from the workshop held with local care home providers in October identified that in addition to the employer contribution there are costs attached to administering the pensions, finding a pension provider to accept the schemes within smaller care homes is proving difficult and the experience of some care homes is that employees opt in and out adding to the administration costs.

4. Fee Rates

- 4.1 Fee rates for care homes for adults 65 and over

		2015/16	2016/17	2017/18
		Current	New national living wage (incl MTFP)	New national living wage (incl MTFP)
Nursing	Standard	£474	£501	£519
	Complex	£501	£531	£550
Residential	Standard	£450	£475	£491
	Enhanced	£467	£494	£512
	Complex	£485	£514	£533

Nursing fee rates do not include Funded Nursing Care (2015/16 £112 per week)

5. Adults 18 to 64

- 5.1 There are no banded rates for adults aged 18 to 64 due to the diversity and individualism of the care required for each person. We are currently working with the external market to develop a pricing tool which will help front line workers to calculate the fee based on the number of hours care, and the type of care, that an individual service user requires following their assessment of need. This will also enable us to apply parity across the care homes to ensure that we are treating all providers fairly and equitably.

The tool identifies the two areas of cost:

1. Accommodation, which will include such costs as management, utilities, transport, return on capital or rent, CQC registration, council tax, office costs, ancillary staff such as cooks, cleaners, drivers etc, and
 2. Direct care support, which takes account of the hours a person requires one to one support or two to one support where the individual is at risk or other people around them are at risk, where external support is provided for them and where their care can be provided within group activities etc.
- 5.2 The tool will enable front line workers to identify where and why costs have increased or decreased to provide the necessary evidence for authorisation. It will provide the means for challenging care home quotes and have the required breakdown in costs to enable annual inflationary changes to be applied.

6. Future Years' Inflationary Increases

- 6.1 The 31 March 2015 Cabinet report recommended working with the sector during 2015/16 to develop a three year settlement that takes into account the requirement and implications of the Care Act 2014 and to bring back recommendations to enable both PCC and care homes to financially plan for the future.
- 6.2 There are two components that will impact on the fee payable to a care home; annual inflation and a change in need of the service users. The change in need of the service user will be identified following the Care and Support Needs Assessment when carrying out the annual review. This could impact on the number of hours' support the service user requires which will determine their care category or whether they have exceptional care needs. Inflation will be determined by the rise in the NLW and other statutory requirements that are outside the control of the care home, such as council tax, TV licence, CQC fees etc as well as other costs where the care home may have some control over increasing costs, for example, food, utilities and transport.
- 6.3 It is proposed that for three years an inflationary uplift is applied to care homes based on:
- a) The percentage increase in the NLW for care and ancillary staff.
 - b) Accommodation costs to be uplifted by the change in the annual rate provide by the Consumer Price Index (CPI).
- 6.4 It is proposed that in January of each year the inflationary increases/decreases are identified for each element of care costs resulting in a bottom line inflationary figure to be applied in the following financial year.

7. Financial costs

- 7.1 Based on current trends, the numbers of clients in residential care in October 2015 and payment based on the NLW, the proposed fee levels for 2016/17 the cost has already been built in to the Medium Term Financial Plan.

The table below shows the additional amounts that have been included for the NLW and inflation on both expenditure and income.

	2016/17			
	National Living Wage	Inflation on exp 1%	Inflation on income	Total
	(long and short stay)	(not wages)		
Adults 65+	£1,099,000	£79,000	(£216,000)	£962,000
Adults under 65	£764,000	£53,000	(£42,000)	£775,000
Totals	£1,863,000	£132,000	(£258,000)	£1,737,000

Medium Term Financial Plan (MTFP)

The uplift for the NLW for future years has been assumed as an equal annual uplift between years, reaching £9.00 per hour by 2020. For the MTFP, this shows as:

2016/17 - £7.20

2017/18 - £7.65

2018/19 - £8.10

and have been built into the budgets included in the MTFP.

Recommendations

- To support an increase in the fees Plymouth City Council is paying to care homes to incorporate the rise from the NMW to the NLW starting April 2016 and to include the cost of the auto enrolment for pensions.
- To support a three year strategy for uplifting fees by percentage of increase in the NLW and changes in the Consumer Price Index (CPI).
- To support the development of the Plymouth Pricing Tool for adults under 65 in care homes.