

Cabinet (Resources) Panel

20 March 2018

Report title	Care and Support Provider Fee Review 2018-2019	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Sandra Samuels OBE Adults	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	David Watts, Adult Services	
Originating service	Commissioning	
Accountable employee(s)	Sarah Smith Tel Email	Head of Strategic Commissioning 01902 55 5318 sarah.smith@wolverhampton.gov.uk
Report has been considered by	People Leadership Team Strategic Executive Board	12 March 2018 12 March 2018

Recommendation for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the proposed increase in fee levels for 2018-2019 to meet the additional costs (employee and employer) resulting from the increases to the National Living Wage (NLW).

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. The engagement with current care and support providers as part of the fee review which builds upon the open book exercise undertaken 2017-2018.
2. The intention to review the terms of the Ethical Care Charter.

1. Purpose

- 1.1 The purpose of this report is to set out the proposed increases 2018-2019 for the following care and support providers, Direct Payment cost rate, and to outline the methodology used to develop the new rates.

2. Background

- 2.1 Section 5 of the Care Act establishes a duty on local authorities and Directors of Social Services to ensure a sustainable market of care in their areas. This covers all care sectors and providers of care and includes the growing sector of individual service users using personal budgets to employ Personal Assistants.
- 2.2 In 2017 the council developed a methodology that collected and collated the actual cost rates from the providers through an open book exercise, which comprised of the NLW and this informed the fee uplift for 2017-2018 at an additional cost of £1.1 million.
- 2.3 The council have undertaken a further fee review exercise which builds on this work by considering the impact of the increases to the NLW from April 2018.
- 2.4 Whilst there has been growth built into the Medium Term Financial Strategy (MTFS) up to 2018-2019 for the NLW the service will work with finance through the budget setting process to inform the MTFS of future potential increases related to the NLW.

Domiciliary Care and Direct Payment Service

- 2.5 The Domiciliary Care and Direct Payment service delivers care and support to people in their own homes.
- 2.6 A snapshot taken as of 5 March 2018, this highlighted 13,000 planned hours of domiciliary care per week for 65+ and 7,000 planned hours of direct payments per week for all age services.
- 2.7 The existing domiciliary care contracts were subject to a tender process which were awarded to 12 tier one providers in May 2016 and bids were based on a maximum hourly rate of between £13.72 - £13.92 per hour. These rates were reviewed in 2017 and Cabinet (Resources) Panel gave approval to increase the cost rate to a standard rate of £14.12.
- 2.8 The existing contracts are on a framework agreement; this establishes terms and conditions covering each contract that may be awarded during the lifetime of the agreement. However, there is no guaranteed amount of work and providers are expected to undertake all work issued to them.
- 2.9 Staffing represents an average of 60% of costs for Providers and is therefore influenced by factors such as the National Living Wage (NLW) and the ability of Providers to recruit and retain staff at the hourly rates offered.

- 2.10 In July 2017, Cabinet approved the principles of the Ethical Care Charter, suggested by Unison, which fix minimum standards and protect the dignity and quality of life for those people and the workers who care for them. Following feedback from providers regarding implementation it is the intention of the council to review the terms of the Ethical Care Charter with Unison.

Residential and Nursing placements

- 2.11 Residential Care services deliver personal care and accommodation to people within a Care Quality Commission (CQC) registered setting.
- 2.12 During week commencing 5 March 2018 there were 500 individuals aged 65+ in receipt of a residential service and 260 individuals aged 65+ in a nursing home. In addition there were also 1,800 weeks short stay/respite care beds purchased in residential and 630 weeks purchased in nursing care.
- 2.13 The existing contracts are on a spot basis and this is essential as entry by residents into care homes is subject to legislation which allows individuals to enter a care home of their choosing "The Care and Support and Aftercare (Choice of Accommodation) Regulations 2014.
- 2.14 The council requires a range of high quality residential and nursing beds within the city, but providers are incurring high vacancy levels for care workers and nursing staff.
- 2.15 Some of the councils service users will require nursing care and will therefore be cared for in a registered nursing home. The council does not fund the nursing element of an individual's care package. This is funded and paid directly by the NHS via the Funded Nursing Care (FNC), currently £155 per week for 2017-2018, this is excluded from the standard rates shown in the option tables below.
- 2.16 National intelligence and local provider forums tell us that the main challenges the market is experiencing are the recruitment and retention of staff into the care sector.
- 2.17 There are several reasons for this, one of which is pay rates for care staff at, or just above National Living Wage (NLW).
- 2.18 Staffing represents on average 60% of costs for care providers and is therefore influenced by factors such as the current NLW and the ability of providers to recruit and retain staff at the hourly rates offered.

Extra Care

- 2.19 Extra care housing is a nationally recognised model of extending the range of housing options available to older people with care and support needs and is commissioned by

local authorities across the country.

- 2.20 Currently, the council has eight contracts in place with four extra care service providers for the provision of 270 funded places. The services are provided on a 'block' basis, which means that each provider is funded to accommodate and support a specified number of people with eligible care needs at any one time. The number of funded places in Wolverhampton is in line with that commissioned by peer local authorities.
- 2.21 There are eight extra care schemes across the city, all have a ten-year contract that runs from 2012 to 2022 with an option to extend until 2023. To enable people to live at the schemes for as long as possible, the contract allows for additional care above 25 hours per person per week to be purchased at a rate of £9.12 per hour.

Supported Living

- 2.22 The supported living accreditation framework delivers care and support to people with disabilities. These services support people to become as independent as possible and have a focus on reablement and enablement. These services provide 24/7 care where required for people who live in supported living schemes.
- 2.23 Accreditation to the supported living framework was awarded on 01/08/2016 for one year with extension options of one plus one years.

Band One	Substantial needs – up to £13.00 per hour
Band Two	High level needs – from £13.07 to £13.80 per hour
Band Three	Intensive support for complex needs between £13.80 - £17.72 per hour

- 2.24 These rates were confirmed as part of the tender process.
- 2.25 There are 28 accredited supported living providers on the supported living framework. There is no guaranteed amount of work for providers on the framework. Band One is not used as most people are assessed as requiring Band Two support. The framework is being opened to increase the providers available who can meet specialist forensic needs. A snapshot taken as of 5 March 2018, highlighted 11,000 hours of supported living per week.

Residential Provision for People under 65 years with complex needs

- 2.26 There are currently 150 placements in residential provision for people under 65 years with complex needs. This provision is not funded at a set rate with providers. The cohort accessing this provision have complex needs with disabilities and each package is based on the social care assessed needs and negotiated with the provider and as a result funding levels vary for each individual placement.

3. Overview of the Wolverhampton Market

- 3.1 The Care Act 2014 places duties on Local Authorities to facilitate and shape a diverse, sustainable and quality market and it is therefore important that the rates set for Wolverhampton create a balance between value for money and market sustainability whilst maintaining an acceptable level of quality.
- 3.2 The Act gives the local authority powers and duties in the case of provider failure to ensure that continuity of care is maintained for people that use care and support services.
- 3.3 The council is committed to support people, wherever possible, to live independently in their own homes for as long as possible and is working with the market to develop a range of services to support this.
- 3.4 Care providers increasingly care for people with complex and multiple needs. Recruitment in both the home care and care home sector is difficult for many providers.
- 3.5 From 1 April 2018 the hourly rate of the National Living Wage for those of 25 years and over, will increase from £7.50 to £7.83, rising to £9.00 an hour by 2020.
- 3.6 In the last 12 months two contracted domiciliary care providers and two care homes have exited the Wolverhampton market due to financial instability and changes to their business model. By actively reviewing the fees and considering the impact of the changes to the NLW the council is seeking to secure the future stability of the care and support market locally in Wolverhampton.

4. Evaluation of alternative options

- 4.1 The legislative NLW is intended to recognise the dignity of work and the importance for individuals, families and society of people being able to earn a living.
- 4.2 The council is required to provide appropriate care and support services to meet the statutory requirement and the needs of individual service users.
- 4.3 In 2017 the council developed a methodology that collected and collated the actual cost rates from the providers, which comprised of the NLW and this informed the fee uplift for 2017-2018 at an additional cost of £1.1 million.
- 4.4 Due to increases to the NLW from April 2018, the council have undertaken a further fee review exercise. The review has considered four options for each service area, which are:

Option One	Do nothing. Do not increase fee levels.
Option Two	Increase fee levels to meet the additional costs (employee only) resulting from the increases to the National Living Wage.
Option Three	Increase fee levels to meet the additional costs (employee and employer) resulting from the increases to the National Living Wage.
Option Four	Increase fee levels to meet the additional costs (employee and employer) resulting from the increases to the National Living Wage plus an additional 10% as proposed by the Ethical Care Charter.

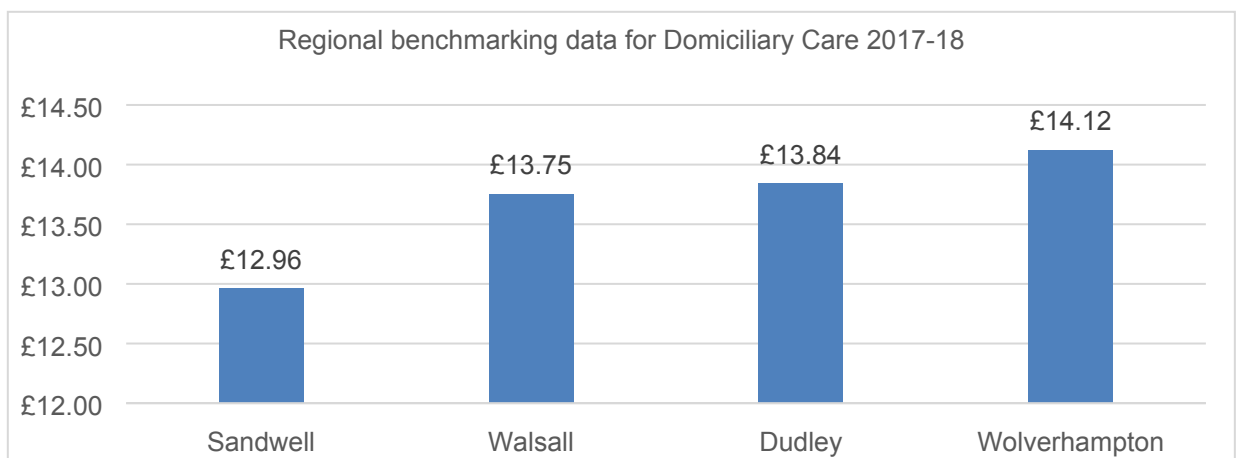
5. Regional Benchmarking

- 5.1 Benchmarking data has been reviewed against neighbouring authorities in the Black Country area to support the process. The council recognises that several potential cost pressures impact upon the care market both locally and nationally, this has been mitigated by the rates in comparison to other local authorities in the region.

Domiciliary Care

- 5.2 The table below outlines the regional benchmarking data for domiciliary care 2017-2018, which indicates that Wolverhampton is paying above the average regional rate of £13.58 per hour however these rates do not take into account planned increases in the NLW from April 2018.
- 5.3 It should be noted that Wolverhampton has implemented electronic homecare monitoring and only pays for actual hours delivered rather than paying for estimated hours based on provider invoices.

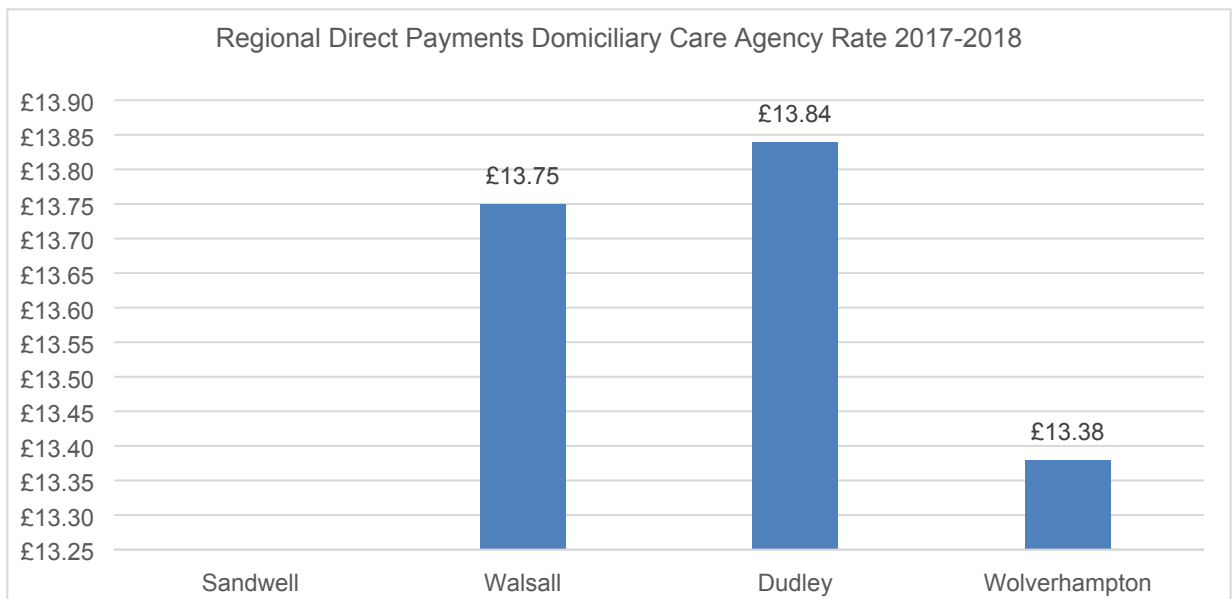
Table 1: Regional benchmarking data for domiciliary care 2017-2018



Direct Payments

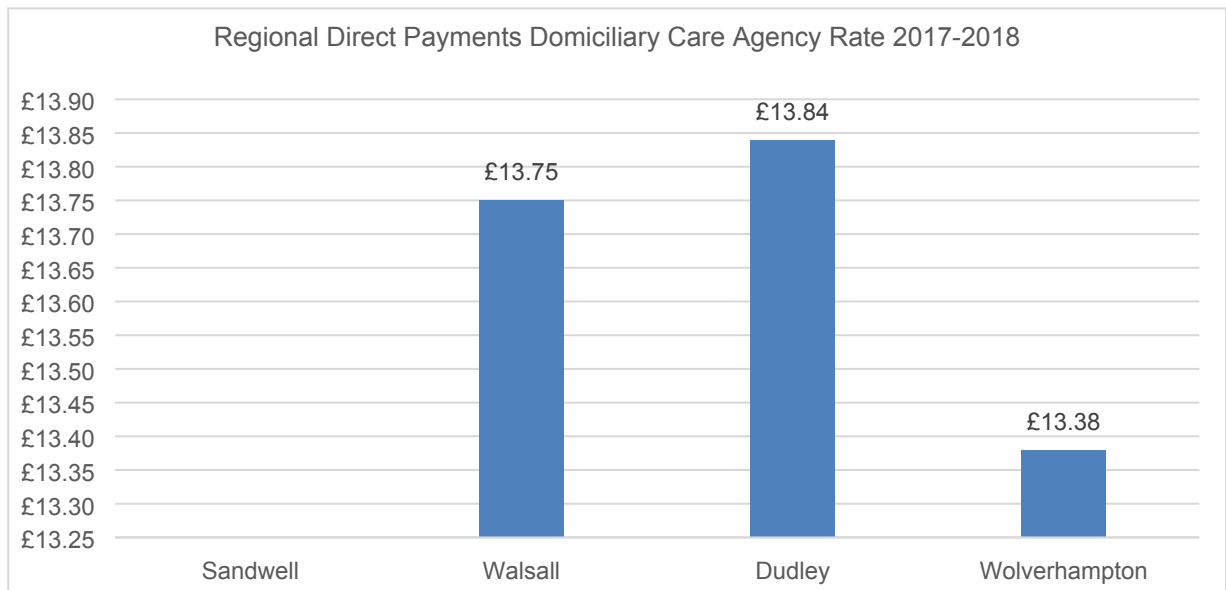
- 5.4 Direct Payments are cash payments made to individuals who have been assessed as being eligible for funded care and support in line with the Care Act (2014) eligibility criteria; they are intended to give individuals greater choice in their care as they enable individuals to choose not to receive services purchased by the council instead choosing to receive a payment in lieu of these to arrange their own support.
- 5.5 At present the Wolverhampton agency direct payment rate is £13.38 per hour and for the Personal Assistants is £10.40 per hour, which are in line with the current regional rates. The agency Direct Payment rate is higher as agencies are paid to administer the payroll for care workers, travel cost, national insurance, holiday and sick pay, and for a PA the care worker is employed directly by the individual and does not incur any administration costs.
- 5.6 A benchmarking exercise was carried out to understand the Direct Payment Domiciliary Care Rate for agencies and Personal Assistant rate.

Table 2: Direct Payments - Domiciliary Care Agency rate for 2017-2018:



NB: Sandwell does not have a set rate, this is agreed on an individual basis.

Table 3: Direct Payment – Personal Assistant rate for 2017-2018:

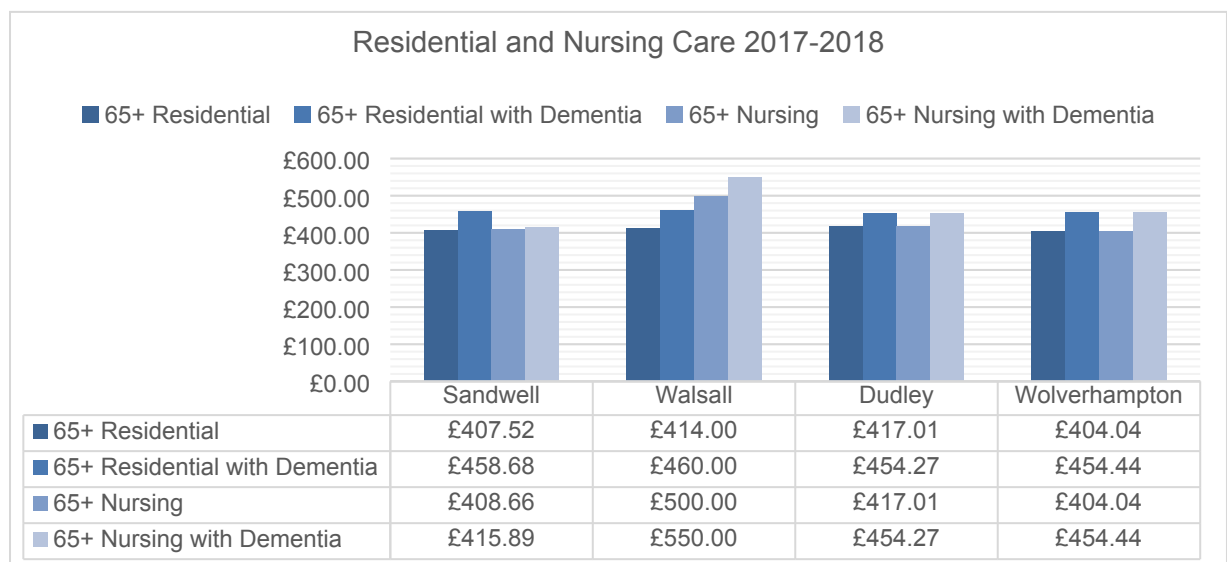


NB: Sandwell does not have a set rate, this is agreed on an individual basis.

Residential and Nursing Care - 2017-2018

5.7 The table below outlines the regional benchmarking data for residential and nursing care 2017-2018 excluding Funded Nursing Care (FNC).

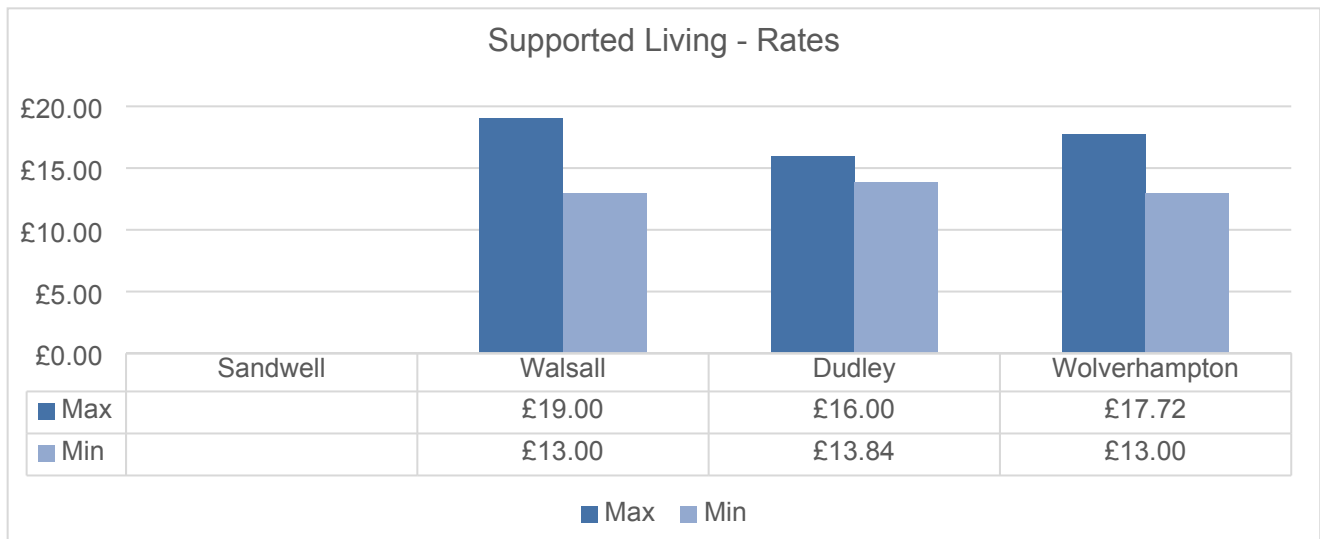
Table 4: Regional benchmarking data for residential and nursing care 2017-2018



Supported Living

- 5.8 The costing model across the region varies, some local authorities operate a fixed hourly rate and others a banding costing model. However most local authorities' rates are determined based on the level of support needs by individual customers; this is translated in number of hours (amount of care) required by each client and providers rates will be determined depending on tendered rates. The table below outlines the regional benchmarking data for supported living 2017-2018.

Table 5: Regional benchmarking data for Supported Living 2017-2018



NB: Sandwell does not have a set rate, this is agreed on an individual basis.

Residential Provision for People under 65 years with complex needs

- 5.9 This type of provision has not been subject to a set fee review. During 2017-2018 providers who wished to have a review of fees could formally request this. The process involved the requirement to submit open book accounts to enable the council to determine if a request for a fee increase was applicable.

6. Care and Support Provider Engagement

6.1 Engagement was undertaken to ensure current providers had an opportunity to provide feedback about the approach. This included:

- Requesting feedback on the fee methodology development. This did not include information about the calculated rates at this stage.
- An opportunity for providers to share evidence of their costs where they differ from those included in the fee methodology, for benchmarking purposes only.

6.2 The council received feedback from providers in the form of requests for fee review in 2017-2018.

Key themes include:

- Increase in National Living Wage
- Requirement of auto enrolment of staff in pensions
- Introduction of the apprentice levy
- Workforce pressures, including higher costs for recruitment, training and retention
- Increasing pressure on workforce capacity from sectors such as retail and hospitality, who can provide comparable or better remuneration packages and terms and conditions
- Increase in utility costs
- Annual CQC fee increase and increased costs of compliance
- Higher management and administrative costs as contracts and service delivery become more complex
- Shortage of care workers

7. Reasons for decision(s):

- 7.1 To ascertain the cost of care provision in the Wolverhampton market, several costing options have been modelled and considered to inform the setting of fee rates for 2018-2019, taking into account the National Living Wage and the Ethical Care Charter. The options for each service type are outlined below.

Domiciliary Care

- 7.2 The options for domiciliary care are as follows:

Option	Methodology for increase	Cost increase per unit	Proposed Hourly Rate £
Option 1	Do nothing. Do not increase fee levels	-	14.12
Option 2	National Living Wage increase to the employee	0.33	14.44
Option 3	National Living Wage to the employee and employer	0.39	14.48
Option 4	National living wage to employee and employer plus 10% as currently proposed by the Ethical Care Charter	1.18	15.28

- 7.3 The recommended options for domiciliary care is option three - increase fee levels to meet the additional costs (employee and employer) resulting from the increases to the National Living Wage.

Direct Payments Domiciliary Care and Personal Assistant

7.4 The options for Direct Payments Domiciliary Care and Personal Assistant rates are:

Option	Methodology for increase	Proposed Hourly Rate Direct Payments Domiciliary Care £	Proposed Hourly Rate Direct Payments Personal Assistant £
Option 1	Do nothing. Do not increase fee levels	13.38	10.40
Option 2	National Living Wage increase to the employee	13.68	10.72
Option 3	National Living Wage to the employee and employer	N/A	N/A
Option 4	National living wage to employee and employer plus 10% as currently proposed by the Ethical Care Charter	14.48	11.48

7.5 The recommended options for direct payments domiciliary care and direct payments personal assistants is option two - increase fee levels to meet the additional costs (employee) resulting from the increases to the National Living Wage. Option 3 is not applicable for direct payments.

Residential Care and Nursing Care

7.6 The options for Residential Care and Nursing Care are:

Residential Care

Option	Methodology for increase	Current weekly rate 2017-2018 £	Proposed weekly increase £	Proposed new weekly rate 2018- 2019 £
Option 1	Do nothing. Do not increase fee levels	404.04	-	404.04
Option 2	National Living Wage increase to the employee	404.04	7.26	411.25
Option 3	National Living Wage to the employee and employer	404.04	8.58	412.58
Option 4	National living wage to employee and employer plus 10% as currently proposed by the Ethical Care Charter	404.04	25.96	429.94

Residential Care with Dementia

Option	Methodology for increase	Current weekly rate 2017-2018 £	Proposed weekly increase £	Proposed new weekly rate 2018- 2019 £
Option 1	Do nothing. Do not increase fee levels	454.44	-	454.44
Option 2	National Living Wage increase to the employee	454.44	7.26	461.65
Option 3	National Living Wage to the employee and employer	454.44	8.58	462.98
Option 4	National living wage to employee and employer plus 10% as currently proposed by the Ethical Care Charter	454.44	25.96	480.34

Nursing Care

Option	Methodology for increase	Current weekly rate 2017-2018 £	Proposed Weekly increase £	Proposed new weekly rate 2018- 2019 £
Option 1	Do nothing. Do not increase fee levels	404.04	-	404.04
Option 2	National Living Wage increase to the employee	404.04	7.26	411.25
Option 3	National Living Wage to the employee and employer	404.04	8.58	412.58
Option 4	National living wage to employee and employer plus 10% as currently proposed by the Ethical Care Charter	404.04	25.96	429.94

Nursing Care with Dementia

Option	Methodology for increase	Current weekly rate 2017-2018 £	Proposed weekly increase £	Proposed new weekly rate 2018- 2019 £
Option 1	Do nothing. Do not increase fee levels	454.44	-	454.44
Option 2	National Living Wage increase to the employee	454.44	7.26	461.65
Option 3	National Living Wage to the employee and employer	454.44	8.58	462.98

Option 4	National Living wage to employee and employer plus 10% as currently proposed by the Ethical Care Charter	454.44	25.96	480.34
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- 7.7 The recommended options for residential and nursing care is option three - increase fee levels to meet the additional costs (employee and employer) resulting from the increases to the NLW.

Supported Living

- 7.8 The options for Supported Living are:

Option	Methodology for increase	Proposed Hourly Rate £
Option 1	Do nothing. Do not increase fee levels	£13.20 – 13.80
Option 2	National Living Wage increase to the employee	-
Option 3	National Living Wage to the employee and employer	£13.80
Option 4	National Living wage to employee and employer plus 10% as currently proposed by the Ethical Care Charter	£14.91

- 7.9 The recommended option for supported living is option three – to increase fee levels to a minimum rate of £13.80 to meet the additional costs (employee and employer) resulting from the increases to the National Living Wage.

Residential Provision for People under 65 years with complex needs

- 7.10 Due to the range and variation of the funding arrangements for residential provision for people under 65 years with complex needs an automatic uplift of rates is not recommended.
- 7.11 Instead requests for a fee increase for an individual placement will continue to be considered on a case by case basis based on open book accounting

Extra Care

- 7.12 The options for Extra Care are:

Block contracts

Option	Methodology for increase	Estimated annual cost increase £000
Option 1	Do nothing. Do not increase fee levels.	-
Option 2	1% increase	27
Option 3	2% increase	54
Option 4	3% increase	81

- 7.13 The recommended option for extra care is option three - that the block contracts are increased by 2%.
- 7.14 It is also proposed that any additional care and reablement over 25 hours is paid in line with the increased domiciliary care rate to meet the additional costs (employee and employer) resulting from the increases to the National Living Wage.

Home-Based Respite

- 7.15 The options for the Home-Based Respite are:

Option	Methodology for increase delivered over 25 hours	Proposed Hourly Rate £
Option 1	Do nothing. Do not increase fee levels	-
Option 2	National Living Wage increase to the employee	N/A

Option 3	National Living Wage to the employee and employer	£13.80
Option 4	National Living wage to employee and employer plus 10% as currently proposed by the Ethical Care Charter	£14.98

- 7.16 The recommended option for supported living is option three – to increase fee levels to a minimum rate of £13.80 to meet the additional costs (employee and employer) resulting from the increases to the National Living Wage.

8 Financial Implications

- 8.1 The costs identified above are funded from Adults Services care purchasing which has a net controllable budget of £41.9 million in 2018-2019.
- 8.2 The MTFS includes growth of £1.1 million to support the increase in costs associated with the NLW across all care support plans.
- 8.3 The recommendations being considered in this report represent a total estimated increase in costs of £1.3 million. These costs will need to be contained within the total care purchasing budgets for Adults Services.
- 8.4 Whilst there has been growth built into the MTFS up to 2018-2019 for the NLW the service will work with finance through the budget setting process to inform the future potential increases related to the NLW.
[AJ/09032018/W]

9. Legal Implications

- 9.1 The increase would mean that care providers are supported to meet their legal obligations to pay the increase in the National Living Wage from 2 April 2018. The implementation of a cost rate increase supports local providers to meet the requirements of the National Living Wage and cost of living increases falls within the remit of the Care Act 2014. The Care Act 2014 has reiterated and strengthened this expectation with explicit requirements to maintain market sustainability and responsibilities for dealing with provide failure for both assisted and self-funding people.
[TS/09032018/R]

10. Equalities Implications

- 10.1 There are no equalities implications arising from this report.

11. Environmental Implications

11.1 There are no environmental implications from this proposal.

12. Human resources Implications

12.1 There are no human resources implications from this proposal.

13. Corporate landlord Implications

13.1 There are no corporate landlord implications for the council's property portfolio.

14. Schedule of background papers

14.1 None applicable