

30 March 2015**Agenda Item: 8****REPORT OF THE SERVICE DIRECTOR FOR ACCESS AND PUBLIC
PROTECTION****NEW RATES FOR INDEPENDENT SECTOR CARE AND SUPPORT
SERVICES****Purpose of the Report**

1. To seek approval of annual inflationary awards for care and support services commissioned by Nottinghamshire County Council from independent sector providers, including voluntary organisations. The report also seeks approval to undertake an in-depth analysis of provider costs to determine accurately the cost to the authority of external providers paying their staff the living wage, with the results of this study and recommendations to be brought to Adult Social Care & Health Committee late in 2015.

Information and Advice

2. In accordance with the National Health Service and Community Care Act 1990 the Council has contractual arrangements in place with independent sector care providers to govern the provision of care and support services.
3. The Department funds 3,320 people in long term residential and nursing care home placements¹. This includes those individuals who are residents of the County but who have chosen to live in a care home in another part of the country.
4. The Department commissions a range of care and support services such as home care and day care services from independent sector providers to help people to remain living independently in their own homes. Currently, there are approximately 6,370 people who meet the Fair Access to Care Services (FACS) eligibility criteria who are receiving community based care and support services across all service user groups².
5. People who receive these services are required to contribute to the cost of these services in accordance with their financial circumstances and based on a financial assessment. Some service users will be meeting the full cost of their care.

¹ As at the end of the last quarter (December 2014)

² As at the end of the last quarter (December 2014); service users considered 'Long Term' (ongoing package based on a community care assessment), so excludes those who only receive lower level services such as meals, equipment, and one off direct payments

6. Nationally and locally, care providers report difficulty in recruiting and retaining staff, as a result of demographic and industry change. Nottinghamshire County Council is working closely with providers to address these challenges and encourage a strategic and partnership approach to recruitment and retention. The level of carers' pay is regarded as one element of such a plan, and staffing costs are a large proportion of care businesses' outgoings.

Fees for Independent Sector Residential and Nursing Care Homes

Care Homes for Older People

7. During 2012, the authority completed a comprehensive review of its Fair Price for Care framework and banded fee levels for independent sector older persons' care homes, resulting in the approval of a new fee structure and fee levels in February 2013, including the application of an index related inflation formula, to be applied annually to independent sector older persons' care home fees with effect from April 2014.
8. Calculations based on the agreed index show that the inflation increase for older people's banded care homes for 2015/16 would be 0.9898%, i.e. 1%. It is proposed that this is applied to older persons' care home fees with effect from April 2015.

Care Homes for Younger Adults

9. Specialist care home placements, for example, for adults with physical and/or learning disabilities, head injuries, or challenging behaviour, have entailed individual negotiations through the application of the 'Care Funding Calculator' (CFC) for high cost placements. This tool is used by many local authorities and health commissioners when determining and reviewing fees in order to ensure value for money and to enable benchmarking across the region for the cost of complex care. The tool also provides a robust framework for agreeing a fair and transparent price for each placement based on the needs of the individual service user.
10. Alongside the implementation of the CFC, the Department has completed an accreditation process and has in place a contract for specialist services with those providers that are able to meet defined quality indicators and which meet the Council's specific commissioning objectives.
11. However, the CFC has not been applied to all care packages and all providers. All high cost residential packages not previously costed using the care funding calculator will be subject to review over the coming 12-24 months as part of an options for change proposal. Any new fee agreed using the CFC would be at 2015/16 rates, as the CFC does get updated nationally each year. Applying inflationary increase only to those providers who have already been subject to the CFC or are providing lower cost services anyway would be more likely to encourage all providers to adopt the funding calculator, however further work is required to detail the financial and commissioning implications of this. Therefore it is recommended that further work be undertaken to understand the consequences of applying inflationary increase in this area.
12. The authority will continue to work with providers to support them to make further efficiencies in their operating costs wherever possible.

Fees for Community-Based Care and Support Services

13. The Council continues to extend and expand its range of community-based support services such as home care and extra care for older people, and supported living for adults with learning disabilities in accordance with the key strategic objective of helping people to live independently in their own home for as long as possible.

Home Care and Extra Care Services

14. Home Care and Extra Care contracts with core providers were awarded in March 2014 and were implemented from April 2014, with fees set in accordance with tendered prices.
15. Issues taken account of by providers during the tender process, and which influenced the rates ultimately payable, were:
 - introduction of fixed hour contracts of employment with care staff where appropriate
 - payment for travel and for travel time
 - recruitment and retention
 - choice and involvement of service users and carers in support planning and in delivery of flexible services
 - quality assurance
 - providers' role in facilitating avoidable hospital admissions and prompt discharges
16. The contract with the core providers states that from 1 April 2015 and each subsequent April, and with due regard to its financial capability, the authority will consider a reasonable change to the hourly rate to recognise the impact of changes in cost of living standards and law. Providers are expected to hold such increases to the minimum possible, and the authority is to consider limiting the direct costs to be no greater than the annual percentage increase agreed for the authority's staff annual pay uplift, which was 1% in 2015.
17. Recent announcements by Government have indicated a substantial rise in the national minimum wage and the Council will need to understand the impact this may have on the domiciliary care sector. It is therefore recommended that further consideration be undertaken to determine what level of inflationary increase should be applied to this sector.

Supported Living

18. During March 2014, the authority completed a tender for care, support and enablement services, with contracts being awarded for learning disability, physical disability and mental health services.
19. Existing providers have been asked to sign up to similar terms and conditions as the new core providers in order to ensure that all supported living is working towards promoting independence and reducing the requirement for paid for support.

20. As detailed above it is recommended that the Council undertake further work to determine the level of inflationary increase if any should be applied to this sector in 2015/16.

Day Care Services

21. During 2012/13, the Department completed an accreditation of independent sector day care providers. One element of the accreditation considered the providers' compliance with the day service rates set by the Council and which are aligned to the Council's own day services.
22. Members will be aware that the Council's own day service provision was reviewed and reconfigured during 2011/12-2012/13. Further reductions in spend on internal services have been undertaken in 2014/15 and there are plans for further reductions in 2015/16. The actual cost of these services is being calculated based on these further reductions in spend aligned to current activity
23. It is proposed therefore that further work be undertaken prior to the Council agreeing any inflationary uplift to these services.

Shared Lives Services

24. As the Department developed and expanded its Shared Lives scheme, the fee rates payable to Shared Lives carers were reviewed during 2013/14. The new fee structure implemented in 2013/14 involved aligning fee levels with individual needs. Therefore it is recommended that no inflationary uplift is paid to these services

Direct Payments

25. As detailed in paragraph 17 above, the Council will need to understand the impact of national policy in relation to these payments prior to determining whether an inflationary uplift is required for 2015/16.

Costs of applying inflation awards

26. A summary impact of adding 1% inflation to banded older persons' care homes is given in the table below. The headline figures are as follows:

	£m
Expected cost of Care Packages 2015/16 (no inflation)	212.278
Inflationary uplift required	0.738
<i>Expected cost of Care Packages 2015/16 (with inflation)</i>	<i>213.016</i>

27. £1m is budgeted for within the Council's medium term financial plan for the contractual inflation increase agreed as part of the Fair Price for Care for older adults' care homes.

Other Options Considered

28. Given the authority's current financial constraints, and the obligation only to award an inflationary uplift for older adults' care homes, there is no contractual requirement to pay inflation in other areas of services. However consideration is being given to not restricting an increase for inflation to older adults' care homes only. It is recognised that providers have faced increasing costs, and to demonstrate equity with the approach to award inflation to older adults' care homes, consideration is being undertaken to also apply an increase to other care types. This may enable providers to increase wage levels for their staff and in turn promote recruitment and retention of their workforce. Further work is required to understand the financial and other consequences of such a decision.
29. All of the authority's contracted adult social care providers pay their staff at least the minimum wage, as they are required to do by legislation. A significant cost faced by care providers is that of staffing; the living wage is 21% higher than the minimum wage. The cost of applying the living wage across all of the authority's adult social care contracts is anticipated to be a very significant commitment given the current national funding constraints faced by the authority.
30. It is therefore proposed that a more in-depth analysis of costs is undertaken during the financial year 2015/16, with inflationary increases and the application of increased minimum wage and potential for living wage by providers to be considered by Committee in the summer of 2015.

Reason/s for Recommendation/s

31. The proposed fee increase of 1% for banded older people's care home services is in accordance with a previous decision made by Policy Committee.

Statutory and Policy Implications

32. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Implications for Service Users

33. During this time of significant financial constraints and the requirement on independent sector care providers to deliver further efficiencies, the Council continues to work with them to ensure that the services they provide are of good quality and meet outcomes for service users whilst at the same time delivering value for money. The Council undertakes annual quality audits with contracted providers which consider how providers are meeting outcomes for service users.
34. The Council undertakes annual reviews in relation to those people who require care and support services and who meet the Fair Access to Care Services (FACS) eligibility criteria. These reviews ensure that the services are meeting people's identified

outcomes. Unscheduled reviews are also undertaken as and where the needs of individuals change in order to ensure that the services they receive continue to meet their needs.

Financial Implications

35. The cost implications of applying a fee increase of 1% for banded older persons' care homes will be £0.738m p.a. based on the current numbers of Council funded residents across Nottinghamshire. This cost is included within the approved budget for 2015/16.
36. The additional cost of applying inflation to the other services specified in this report is not within the budget for 2015/16, so would represent an additional pressure in 2015/16 should the Council determine to meet this pressure.

Public Sector Equality Duty Implications

37. There are no anticipated disproportionate impacts on those with protected characteristics.

RECOMMENDATION/S

That Committee approves:

- 1) the application of an index linked inflationary increase of 1% for the adult social care services to older peoples care home placements payable from the start of the financial year 2015/16
- 2) an in-depth analysis of provider costs be undertaken to determine the cost to the authority of paying an inflationary uplift and the impact on external providers of paying their staff the new minimum wage with recommendations to be brought to Adult Social Care & Health Committee in 2015.

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Constitutional Comments (SLB 17/03/15)

38. Adult Social Care and Health Committee is the appropriate body to consider the content of this report.

Financial Comments (KAS 17/03/15)

39. The financial implications are contained within paragraphs 35 and 36 of the report.

Background Papers and Published Documents

None.

Electoral Division(s) and Member(s) Affected

All.