

Report to:	SINGLE COMMISSIONING BOARD
Date:	14 March 2017
Reporting Member / Officer of Single Commissioning Board	Clare Watson, Director of Commissioning
Subject:	REVISED FEES AND CHARGES 2017/18 - HOME CARE, CARE HOMES, SUPPORTED ACCOMMODATION PROVISION AND DAYTIME ACTIVITY
Report Summary:	<p>The purpose of this report is to outline proposals in relation to revised prices to meet the increasing cost of providing home care, care home beds, supported accommodation and daytime activities for vulnerable adults.</p> <p>The report will also outline proposals in relation to a schedule of revised charges to vulnerable adults for the services they receive for 2017/18.</p>
Recommendations:	<p>That the Board notes the content of the report and:</p> <ul style="list-style-type: none"> • Approve the revised home care costing framework and proposed new rate of £14.20 per hour, sleep-in rate of £98.91 per night, and £131.85 per night for waking nights, with the revised rates being applicable from 1 April 2017 • In accepting the new fees the Board also acknowledges the revised charges as set out in Section 5 of this report charges uplift already agreed by the Council for 2017-18 and approves the increase of 3.7% in charges for homecare in line with the fees uplift for this service. • Approve the revised care home fees highlighted in section 4 of this report from 1 April 2017 • Approve the revised supported accommodation contract prices highlighted in Section 4 of this report from 1 April 2017 • Approve the revised contract prices for the Dementia Day Service highlighted in Section 4 of this report.
How do proposals align with Health & Wellbeing Strategy?	The proposals and strategic direction are consistent and aligned.
How do proposals align with Locality Plan?	<p>The proposals and strategic direction are consistent and aligned.</p> <p>The service is consistent with the following priority transformation programmes:</p> <ul style="list-style-type: none"> • Healthy Lives (early intervention and prevention) • Enabling self-care • Locality-based services

- Urgent Integrated Care Services
- Planned care services

How do proposals align with the Commissioning Strategy?

The service contributes to the Commissioning Strategy by:

- Empowering citizens and communities
- Commission for the 'whole person'
- Target commissioning resources effectively

Recommendations / views of the Professional Reference Group:

Not Applicable. It was determined by Single Commissioning Management Team that the report would not be presented at PRG.

Public and Patient Implications:

These proposals look to secure the future provision of essential support to vulnerable people and their families/ carers within an increasingly fragile market. The health and social care economy is facing increasing numbers of older people and younger adults with complex and life limiting conditions and disabilities which in turn is adding further pressure to the services provided. The people who are now receiving care and support are those with more complicated and complex care and support needs that often need more expensive packages of care to meet their assessed eligible needs. Success in the treatment and care of adults with severe illnesses and disabling conditions has also meant that many more people in the borough are living longer; however they are living with one or more health issues that require help and support.

Quality Implications:

It is acknowledged that the current service models are at breaking point offering little financial incentive to attract the quality of staff to deliver such crucial services to vulnerable people living in the community. Service redesign proposals aim to increase the value and standing of workers in the care industry, improving pay and conditions and developing a clear career path for individuals to progress further their care careers such as into nursing, social work etc. Recruitment is increasingly problematic in the field of health and social care and has had a bearing on the quality and consistency of services delivered over the last few years – the increased costs are the start of driving improved quality in service delivery from committed and skilled workers delivering a wider range of service interventions.

**Financial Implications:
(Authorised by the statutory Section 151 Officer & Chief Finance Officer)**

The proposed fee increases detailed within this report will lead to an increase in net expenditure (after allowing for client contributions) in the Section 75 pooled budget of the Integrated Commissioning Fund from 1 April 2017.

It is estimated there will be additional net expenditure of £0.362 million within the Council when compared to the 2017/2018 approved net budget, the analysis of which is provided within sections (a) and (b) of the Executive Summary.

There is a further risk that the value of service user contributions received by the Council towards the Shared

Lives service (as explained within section 6.4) may reduce when compared to the value of existing contributions (approximate total of £ 0.255 million). The value will not be known until service user financial assessments have been completed. It should be noted that a sum of £ 0.120 million has been included within the Council's budget planning assumptions to mitigate this potential reduction. Clearly the sum may (or may not) exceed this sum.

In addition to the above impact on the Council there is a further impact on the section 75 pooled budget from a CCG perspective. The fee increases proposed in this report and other recent demand pressures will create an additional cost demand of approximately £1.020 million for Continuing Healthcare, the analysis of which is provided within section (c) of the Executive Summary.

The proposed increase in Care Home fees also assumes that the Funded Nursing Care rate for 2017/2018 remains at £156.25 per week. There is a risk that the rate could increase further in 2017/2018 creating a further financial pressure across the local health and social care economy. Further updates will be provided to Single Commissioning Board Members as appropriate.

In summary, there is a clear urgency to ensure that appropriate measures are implemented to mitigate the projected additional cost implications across the local health and social care economy as outlined within this report. Associated details will be reported within the monthly integrated economy financial monitoring report during 2017/2018.

Legal Implications:

(Authorised by the Borough Solicitor)

Adult care finance and social work practice have worked closely on this report and must continue to do so to ensure that they both fully understand each other's duties and responsibilities to ensure any challenge to the Council's charges can be backed up by good social work and administrative practice carried out in accordance with the requirements of the Care Act 2014.

Any exercise of discretion to charge in areas covered by the Care Act and associated regulations requires appropriate consultation of specific relevance to that area to ensure the Council is protected from successful challenge. The financial comments in relation to the Shared Lives Service and the subsequent review of the service and costs needs to be undertaken expediently. We also need to have a clear understanding of where the Council sits in terms of benchmarking and quality so we can assure ourselves regarding statutory value for money requirements and using resources efficiently and effectively.

How do the proposals help to reduce health inequalities?

It is widely recognised that the social conditions in which they each live (poverty, disability, damp or overcrowded housing, poor diet and so on) all have a negative impact upon health and wellbeing. These service areas all seek to address the social conditions within which people live their lives and therefore make a key contribution to reducing health

inequalities and improving social outcomes among the communities in which they work.

What are the Equality and Diversity implications?

It is not anticipated that there are any equality and diversity issues with this proposal. The increased costs will ensure that all workers will be paid at either the national minimum wage or National Living Wage (workers aged 25 and over) and support the service redesign proposals planned over the coming 12 months, thereby ensuring that individuals whose eligible assessed needs meet the national eligibility criteria will be offered a quality and diverse service from a highly skilled and valued workforce.

What are the safeguarding implications?

There are no anticipated safeguarding issues. Where safeguarding concerns arise as a result of the actions or inactions of the provider and their staff, or concerns are raised by staff members or other professionals or members of the public, the Safeguarding Policy will be followed.

What are the Information Governance implications? Has a privacy impact assessment been conducted?

Information governance is a core element of all contracts. The necessary protocols for the safe transfer and keeping of confidential information are maintained at all times by both purchaser and provider. Any procured service will include minimum requirements for training and qualification workers which includes standards and requirements for information governance, privacy and respect.

Risk Management:

There are a number of risks associated with this work. These are summarised as:

- Contracts need to as a minimum support providers adhere to the introduction of the National Living Wage, national insurance changes, and pension changes and the emerging problem relating to sleep-in payments
- Contracts need to support providers in meeting the costs associated with the burden of the increased regulatory and inspection burden
- Contracts need to support providers to address the increasing problem of recruiting sufficiently skilled staff, both social care and nursing, which is prevalent not just locally but nationally.

These risks will be mitigated through ongoing redesign of the service offer and increased funding across contract prices.

Access to Information :

The background papers relating to this report can be inspected by contacting;

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EXECUTIVE SUMMARY

- i) This report presents the proposed weekly fees for Care Homes within Tameside, Home Care hourly rate, uplift in Supported Living Contracts and charges to service users. The proposed fees for Care Homes and Home Care for 2017/18 are as follows:

	Residential £	Residential + Dementia £	Nursing only £	Nursing + Dementia £
Care and Hotel Costs				
Off Framework	444.00	481.90	447.70	485.60
On Framework	480.00	521.00	484.00	525.00
Enhanced	516.00	560.00	520.30	564.30

Prevailing FNC for 2016/17				
Off Framework			156.25	156.25
On Framework			156.25	156.25
Enhanced			156.25	156.25

Total Fees 2017/18				
Off Framework	444.00	481.90	603.95	641.85
On Framework	480.00	521.00	640.25	681.25
Enhanced	516.00	560.00	676.55	720.55

Proposed Rate per hour for 2017/18 (£)	14.20
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- ii) Details of the proposed increases in Supported Living Contracts are contained in **Appendix 3**.
- iii) The impact as a result of the proposed increases on the local economy is as follows:
- a) Analysed by fee type and other pressures:

TMBC	Projected Gross Impact on Current Cost Base £m	Additional Income from Service Users £m	Net additional Cost £m
Proposed Fee Increases			
Care Homes	0.727	0.218	0.509
Home Care	0.249	0.075	0.174
Supported Accommodation	0.321	0.006	0.315
Compliance with Working Time legislation - Sleep Ins			
Supported Accommodation	0.252	0.000	0.252
Compliance with Fairer Charging			
Shared Lives (indicative cost)	0.120	0.000	0.120
Total Increase	1.669	0.299	1.370
Forecast cost & demographic pressures contained in MTFS			1.008
Additional Pressure on 2017/18 Budget			0.362

b) By Budget

Budget Area	Net Budget 2017/18 £m	Forecast Net Expenditure £m	Variance to Net Budget £m
Care Homes	15.965	15.909	0.056
Home Care	4.165	4.232	-0.067
Supported Accommodation	7.691	8.042	-0.351
Shared Lives	0.404	0.404	0.000
Totals	28.225	28.587	-0.362

c) By Budget for Tameside & Glossop CCG

CCG	Current Cost Base 2016/17 £m	Forecast impact of fee increase £m	Forecast Recurrent Cost 2017/18 £m
Continuing Health Care	14.000	0.420	14.420
Forecast Cost & demographic pressures included in 2017/18 budget		0.000	0.000
Budget for CHC 2017/18			13.400
Cost pressure on 2017/18 budget			1.020

- iv) The report in section 6 updates charges to service users reflecting increases in fees paid to providers for services or an increase in line with assumptions contained within the Medium Term Financial Strategy used to set the 2017/18 revenue budget.

1. INTRODUCTION

- 1.1 The focus of this report is the setting of revised prices to meet the increasing cost of providing health and social care support to vulnerable adults. Work has been progressing over the past three months in relation to the impact of a number of cost pressures imposed nationally on current providers that significantly challenge the financial viability of what the Council and CCG have been paying to deliver these essential services. From a financial perspective the key cost pressures faced by providers are in the main related to the introduction of the National Living Wage and compliance with sleep-in payments.
- 1.2 Discussions with providers, whilst recognising the expectation that National Living Wage (NLW) and sleep-in rates are met, have been set against the background of the financial pressures faced by the health and social care economy and the challenge posed by the redesign of a whole system that if it doesn't change faces a projected funding gap of some £70 million projected over the next five years.
- 1.3 Much work has been done over the past few years to radically change the way that services are provided. For example, radical service redesign has taken place within the Council's Adult Services alongside a reduction in management capacity, a 20% reduction in contract costs and a single inflationary uplift in contract prices.
- 1.4 These reductions have been happening at the same time as demand for service provision has been rising - the increasing number of older people and younger adults with complex and life limiting conditions and disabilities has added a further pressure to the services provided. Although many people are encouraged to seek help from within their own families or communities many still require help and support. The people who are now receiving care and support are those with more complicated and complex care and support needs that often need more expensive packages of care to meet their assessed eligible needs. Success in the treatment and care of adults with severe illnesses and disabling conditions has also meant that many more people in the borough are living longer; however they are living with one or more health issues that require help and support.
- 1.5 This report will set out proposals for costs that will constitute the minimum requirements to meet the specific cost pressures imposed on providers following consultation with the provider sector.

2. FINANCIAL BACKGROUND

- 2.1. Local Authorities have been under constant reductions in their funding since 2010 and it is known that this will continue through to at least 2020. In the grant settlement for 2016/17 a four year fixed settlement was announced and therefore the Council's general grant support for the next three years will be as follows:

Year	Reduction in General Grant
2017/18	- £ 8.379 m
2018/19	- £ 4.784 m
2019/20	- £ 4.593 m
Cumulative loss	- £17.756 m (17.1%)

- 2.2. At the same time as grant reduces the Council is faced with rising costs, principally from inflation on its staffing and service costs and also from increases in the number of vulnerable children and adults that it must care for.

- 2.3. The general grants are a contribution towards the cost of all services provided by the Council, including adult social care, and therefore all services are affected by these grant reductions. In response to demands from Local Government for recognition of the financial pressures faced by councils on its care services the Government has announced a number of initiatives to assist with financial demands placed on adult services. These include:
- a) Grant known as the Improved Better Care Fund (iBCF);
 - b) A specific one-off Adult Social Care grant in 2017/18, paid from a reduction in the New Homes Bonus;
 - c) The ability to raise council tax by up to 3% in 2017/18, known as the adult social care precept.
- 2.4. For Tameside there will be an increase of £1m from the iBCF but it will lose £0.005m overall from the change in New Homes Bonus to Adult Social Care grant. The Council has taken the difficult decision to raise council tax by the maximum amount permitted without triggering a referendum. Therefore the overall impact is:

Income source:	Change in 2017/18
General grant	- £8.379m
Improved BCF	+ £1.000m
Adult Social Care grant	- £0.005m
Council Tax - Adult Social Care precept	+ £2.299m
Council Tax – general increase	+ £1.525m
Overall Loss	- £3.560m

- 2.5. The overall impact is that the Council must accommodate any increases in its costs from within a reduction in the available funding envelope. It is against this backdrop that the level of fees paid to providers has to be considered.

3. SERVICE BACKGROUND

Home Care

- 3.1 The focus of the home care service is to enable people to remain living in their own home, living as independently as possible, achieving and maintaining their potential in relation to their physical, intellectual, emotional and social capacity.
- 3.2 To achieve this, the current home care contract focuses on the provision of good quality outcome focused support appropriate to the needs identified in an individual support plan and to demonstrate this through assistance with the personal, practical and social/emotional tasks associated with ordinary living.
- 3.3 The local home care market is delivered exclusively via the external (independent) market with the in-house service focus being on the delivery of the Reablement Service. From March 2006, the delivery of the home care service was reorganised to operate within specified postcode zones across the borough. The borough, and the service, was divided into zones following consultation with the area teams and the home care providers – these four zones are in line with the neighbourhood approach currently being progressed through the Care Together programme.
- 3.4 The service was tendered in 2016 and contracts were awarded to six organisations with zoned contracts covering the four neighbourhoods - this however is supplemented by a further twenty one organisations approved to pick up the work the six zoned providers are

not able to cover. On the week commencing 16 January 2017, a total of 9,787 hours were commissioned for 976 service users (covering both social care and CHC packages). Payments are made on actual hours delivered and this tends to be approximately 100 less than the commissioned hours each week.

3.5 In 2016 as part of the annual fee setting process a revised cost framework was approved and the current rate of £13.67 per hour was agreed. The work to date has centred on updating the cost framework to reflect the revised NLW rate of £7.50 per hour along with other increases across other cost domains – this proposes a revised rate of £14.20 per hour for the financial year 2017-18. The proposal on the revised fees for 2017-18 is explored in detail at **Section 4** of this report.

3.6 As has been reported widely, the traditional Home Care model is seriously outdated in a modern health and social care system and it is widely recognised that we need to do something different – the plans in Tameside are in line with the thinking across Greater Manchester. Work with GM partners has produced clear principles in relation to what we would want from a new service offer. It is clear that there aren't that many examples to follow either locally or nationally – however with the existing home care contracts coming to an end on 30 October 2016 a tender was launched to attract a group of providers who will work closely together with us to deliver a dramatically different service. Six contracts have been awarded across the four Tameside neighbourhoods with a clear message that whilst the traditional model of home care will continue to operate for the first year work will commence with providers to develop a new service model that will include:

- Commissioning on the basis of outcomes allowing the provider to look not only at directly delivering care but opening up a whole range of options for meeting need such as
 - Negotiating with service users' families, friends, neighbours, communities what they can offer in terms of support to people to meet the individuals needs
 - Encouraging the greater use of technology (such as medication dispensers to reduce the number of physical calls required to ensure medication is taken),
 - Encouraging the use of adaptations and equipment;
 - Supporting people to access community activities available in their local neighbourhoods to ensure people can continue their interests whilst replacing where possible the for direct staff visits;
 - The use of telephone calls to replace a physical check call (but have the flexibility to call to the house in the absence of a response).
- The model of delivery will have a strong ongoing reablement emphasis in service delivery which would enable providers to reduce individual packages to ensure that they can deliver support for new referrals as well as respond flexibly to fluctuations in care needs of existing users in their zone.
- Commissioners working with providers to blend health and social care roles where it makes sense to do so and thereby design a 'therapeutic workforce'.
- Assessments will be outcome based and will indicate to providers an allocation of hours as a guide – there will be a move away from the current practise of detailing calls, tasks and time that support should be delivered.
- The provider will arrange with the services users and carers directly to agree support plans to meet the identified need with providers providing evidence to commissioners that outcomes continue to be met as the guide hours are reduced across individual packages.

- A further angle to this is that providers will be charged with becoming actively involved in positively promoting care as a career of choice and offering this as a stepping stone into careers including nursing, social work and all associated caring options.

Care Homes

- 3.7 Care homes provide residential or nursing care to adults (or children) who stay in a residential setting who are unable to remain in their own home.
- 3.8 As a direct result of the National Health Service and Community Care Act 1990, the Council made a decision to externalise its stock of residential care homes to ensure resources were maximised and investment in the condition and fabric of the buildings could take place.
- 3.9 Fees were set by the Council on an annual basis up to 2007 when a five year agreement was put in place covering base fee levels along with premiums based on room size, presence of an en-suite bathroom, and quality (based on three levels). The fees had a guaranteed uplift built into the contract which was based on the retail price index (all items apart from mortgages referred to as RPIx) published by the Office of National Statistics. This five year arrangement was set to ensure stability in the market given the aggressive and acquisitive practices then being followed by some operators elsewhere at the time. At the time the principle concern was to ensure that the Council continued to have access to a supply of accommodation at an affordable price without being exposed to the risks of sudden increases in prices which some authorities had faced.
- 3.10 In preparing for a new contract period a revised proposal was put to the market, but feedback from providers raised a number of constructive and helpful views and opinions but concluded that they did not believe that the proposed reduction in fees took account of the actual cost of care. Ernst & Young were therefore engaged to assist the Council and Tameside & Glossop CCG to undertake an exercise to calculate the usual cost of care and from this to determine a fee structure, to support the development of a price and quality framework and to agree the procurement approach and timeframe. In addition, this approach was informed by a number of court decisions which had heightened the importance of following a correct process in this area.
- 3.11 The agreed model was that the Council and CCG would jointly undertake a competitive procurement exercise to appoint approved providers who can meet the Council's quality standards. It was anticipated that there would be approximately 1,200 beds on the proposed Framework. It was noted that providers on the framework would be able to use their beds as they please so some beds would be occupied by residents who are not funded by the Council or CCG.
- 3.12 In relation to cost the work established that there would be three levels of fee:
- (a) A basic fee determined by applying 'cost of care' methodology to the information supplied by the local providers of residential care. These homes will be required to achieve compliance with Care Quality Commission regulatory standards.
 - (b) A standard fee for homes which are on the framework. These homes would be required to achieve the standards set out in the Framework contract.
 - (c) A quality enhanced fee for homes on the framework who met the criteria for the quality enhanced payment.
- 3.13 The agreement included provision for fees to be reviewed annually with due regard to changing costs of provision and affordability considerations. The driving force of changes in future price would be the change in the local market cost of care for provision and the overall financial settlement of the Council.

- 3.14 During the consultation process a number of providers questioned the position in relation to top-up fees. Whilst the Council and CCG considered the fee levels set for the provision of services defined within the contract price to be sufficient to meet the basic needs of the contract in accordance with the actual cost of care evaluation, it was recognised that providers would be allowed to charge for additional services which are over and above the contracted service. The additional services must be genuinely optional – since many residents would be unable to pay them - and agreed in advance with the service user or family member and would be covered by a Relevant Residents Agreement or a Third Party Agreement.
- 3.15 Work has been ongoing for the past few months to establish revised fees for 2017-18 that not only incorporate the agreed formula for annual uplifts but address the additional pressures around meeting the NLW and increased pension contributions. The proposal on revised fees for 2017-18 is explored in detail at **Section 4** of this report.

Supported Accommodation

- 3.16 Supported accommodation largely refers to people requiring 24 hour support to meet their complex needs in their own homes. Support is primarily delivered to people living in group homes, or larger blocks of self-contained individual flats, and only to a small extent some people living on their own in their own house. The balance of provision has changed over the years with larger schemes of self-contained flats being developed in place of some group home settings, thereby increasing the number of people enjoying self-contained accommodation rather than having to share their living space whilst providing savings as economies of scale of supporting higher numbers in one location are realised with a reduction in support provision.
- 3.17 Care and support is provided either by the Council's in-house Homemaker Service or by one of a number of external providers. The Council generally provides services in-house where needs are more complex as the Council can provide this support at a lower cost than the private sector. Where needs are less complex, generally the Council's costs are higher than external providers.
- 3.18 External provision has been procured from the independent sector over the past 20 years via open tenders with awards made using a combination of cost and quality considerations.
- 3.19 With the pressure on the Council's funding these contracts have seen a reduction of 20% in contract values over the period 2011/12 to 2015/16 with providers working with the reduced funding made available over the period. In addition to the 20% reduction in contract values the Council offered no annual inflationary uplifts on contract prices for four of the five years in this period (a single increase of 2% was passed on for the year 2014/15).
- 3.20 The contracts have however been affected in cost terms with the introduction of the NLW from April 2016 along with increased contributions in relation to pensions and National Insurance. A number of providers approached commissioners in early 2016 in relation to the financial impact these factors were having on their cost base and approval was given to increase the contract price on three out of the eight contracts for 2016/17. The additional cost to the annual contracts value was £230,038 which represented a 2.7% increase over the value for 2015/16. It has to be noted that despite having a dialogue with one provider over the impact of the NLW on the contract value no information was provided and an assumption was therefore made that there would be no increase in the contract value over 2015/16.
- 3.21 This said, providers have approached us again with the need to provide the additional cost of meeting the increased payments in relation to NLW at £7.20 for 2016/17 and the additional Pension and NI costs. The implications of this are set out in section 4 of this report.

- 3.22 With the announcement in the Chancellor's Autumn Budget of the increase to the NLW from April 2017 (increase from £7.20 to £7.50 per hour) discussions have been taking place to establish the implications on contract prices for 2017-18. The proposal on revised fees for 2017-18 is explored in detail at **Section 5** of this report.

Sleep In Duties

- 3.23 These discussions with supported accommodation providers have in addition been used to explore their organisations' approach in relation to the rates paid for sleep-in duties. Case Law has established that "sleep-ins" are covered by the National Minimum Wage (NMW) regulations – the implications are that even if a worker is allowed to sleep at work but are required to stay at their workplace then all their hours are covered by NMW regulations.
- 3.24 It is however clear that this is a very complex area of the law and the discussions held to date with existing contractors have shown that different approaches based on the individual organisations taking their own legal advice. From discussions with existing providers the current situation in Tameside is that some organisations introduced paying sleep-ins on an hourly rate from January 2016 (and are seeking recompense to cover this additional cost), some have been looking to introduce sleep-in rates based on hourly rates as part of these discussions, and some are holding firm with their current practise of paying a flat rate allowance for sleep-ins.
- 3.25 The discussions have also centred on how any additional costs can be mitigated against and providers have been asked to review the need for sleep-ins at every property, particularly where a waking night is also in place. These discussions will also look at alternative options and new approaches using the technology available with robust on-call arrangements to eradicate the need for a physical presence overnight. This research and work will need further time but it is expected that a level of saving will have been delivered by adopting different approaches by the end of September 2017.
- 3.26 The discussions in relation to sleep-ins with providers are presented in greater detail in **Section 5** of this report.

Dementia Day Service

- 3.27 Adult Services has provided a specialist day service for people with dementia at Wilshaw House since October 1997. The overall aim of the service is to enable people to live as independent and fulfilling a life as possible in the community. The service is focused on a number of key objectives: enhancement of physical, mental, social and life skills; the provision of reliable practical emotional or psychological support to increase people's choice and control over their daily lives; enriching the range of experiences in a service user's daily life through the opportunities and social contact offered; reducing social isolation and supporting carers in their caring role.
- 3.28 Creative Support is the current provider of this service and approached commissioners in relation to the impact the NLW and revised on costs were having on their ability to deliver the service within the contract price as no allowance could have been built into the cost model on the impact of the NLW being implemented from April 2016. Creative Support have continued provision at Wilshaw House throughout the period as there have been ongoing discussions with providers throughout the year on the impact of costs related to changes in NLW, pension contributions and revised NI payments.
- 3.29 The discussions in relation to revised cost for the Wilshaw House Dementia Day Service are presented at **Section 5** of this report.

4. POLICY CONTEXT

- 4.1. The national framework governing care and support in England has recently undergone fundamental reform. The Care Act 2014, in effect as from 1 April 2015, replaces 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.
 - The council is responsible for preventing, reducing or delaying care and support needs.
 - 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.
- 4.2 The duty on councils to assess any citizen who requests an assessment of their social care needs remains as a fundamental part of the Care Act as does the introduction of a new national minimum eligibility criteria for receiving adult social care services.
- 4.3 Once an assessment is completed the Council must determine whether a person is eligible to receive services provided by or commissioned by the Council. Previous to the Care Act local councils had discretion regarding the level of need they deemed eligible using the Fairer Access to Care Services (FACS) eligibility criteria. In Tameside services provided to those people meeting category 1 and 2 of the FACS criteria, that is those people with critical and substantial needs.
- 4.4 The FACS eligibility criteria was replaced with the introduction of the Care Act's National Minimum Eligibility Criteria which means that all councils must now assess people and provide services to those people who meet the national criteria.
- 4.5 In addition to these provisions, the Council has a new 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 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.
- 4.6 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.
- 4.7 Under the Care Act 2014 and the Choice Regulations, the Council needs to have regard to the Department of Health guidance "*Building Capacity and Partnership in Care*" it refers,

more than once, to the need for consultation and cooperation between commissioners and providers of care. It states that fee setting must take into account the legitimate and current future costs faced by providers as well as the factors that affect those costs and the potential for improved performance and more cost effective ways of working. Local authorities should not use their position to drive down fees. Contract prices should not be set mechanistically but should have regard to providers' costs and efficiencies, and planned outcomes for people using services, including patients.

- 4.8 Under the National Assistance Act 1948 (NAA 1948) the Council was under a requirement to have regard to the actual costs of providing care so that it could have regard to those costs in setting the fees it pays to care providers (known as the usual costs). The Care Act 2014 and guidance does not require this. The Care 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. However, the usual costs process remains lawful and a useful tool in market shaping and complying with regulations about choice.
- 4.9 Therefore, in seeking to identify a usual cost the Council is under very similar obligations as it was under the previous regime to consider the cost of care and engage with the providers to understand as far as possible their financial models.

5. FINANCIAL INFORMATION

Care Homes

- 5.1 Building on the work undertaken in previous years to set the cost of care where the methodology developed relied on local provider staffing and cost data, the proposed fees for 2017/18 have relied on baseline data from 2016/17 and then inflationary movements in pay and price taken into account. This simplifies the approach to annual fee setting taken in previous years where Care Home providers were asked to supply a range of information on their current cost base which was then used to determine the level of fee uplift. This was an onerous exercise on providers as a result the level of response was often poor.
- 5.2 From a pay perspective the single biggest influence is the rate of pay for Care Staff. Care Staff account for 72% of the direct staffing where direct staffing costs are 56% of total costs of operating a care home. The key factor driving the pay rates of Care Staff is the NLW which was introduced on the 1 April 2016 at a rate of £7.20 per hour. The increase in the NLW was announced in the 2016 Autumn Statement where the rate will increase to £7.50 from 1 April 2017. In addition to the NLW the National Minimum Wage (NMW) increased from £6.70 to £6.95 effective from 1 October 2016 and is projected to increase to £7.14 based on past trends from 1 October 2017. Taking account of the age mix in care staff for care homes in Tameside derived from the Skills for Care National Minimum Dataset Care Costs together with planned and expected increases in pay rate pays costs are projected to increase by 4.06% over the coming financial year. It has been assumed that other staffing groups will also be affected in a similar way driving up all staff costs by a similar amount to maintain pay parity.
- 5.3 To account for non-pay inflation the movement in Consumer Price Inflation (CPI) has been used. Over the year to November 2016 CPI was 1.20%. The rate of 1.20% has been used to increase the non-pay part of the fees for 2017/18.
- 5.4 The existing contract for care home beds in Tameside was commissioned by Tameside MBC on behalf of Tameside & Glossop CCG and Tameside MBC. The contract covers placements made by Tameside MBC for residential and nursing placements as well as NHS funded placements. This means that the placement fees set per bed per week is led by

Tameside MBC in consultation with Tameside and Glossop CCG and providers for both Residential and Nursing placements. The practise of setting nursing fees has historically included an assumption about the cost associated with the level of nursing provision required by placements in addition to the care and hotel costs. Nationally the level of Funded Nursing Care (FNC) is set by the Department of Health which for 2015/16 was £112 per bed per week. At the time of approval of care homes fees for 2016/17 there had been no announcement of the level of FNC for 2016/17 but on 13 July 2016, following a major review of FNC, an interim rate of £156.25 was announced effective from 1 April 2016, a 40% increase in FNC compared to the 2015/16 rate. The FNC rate announced in July 2016 was an interim rate as there were concerns that agency nursing costs had unduly influenced the proposed rate and as a result a further review is underway to confirm the rate for 2016/17. The further review is due to be completed by the end of January 2017 but as yet no date has been given when the final rate for FNC for 2016/17 will be announced nor what the rate for FNC will be for 2017/18.

- 5.5 Taking account of the recent changes in FNC, that no rate has been set for 2017/18 and to be absolutely transparent about the fee structure in place in the Tameside health and social care economy following a challenge by one provider that the full increase in FNC had not been fully passed on, the Care and Hotel Costs have been separated from nursing costs. The nursing costs have now been assumed to be equivalent to the prevailing rate of FNC. No assumption has been made about the FNC rate for 2017/18 so it assumed that FNC will remain at the interim rate of £156.25. Once the FNC rate for 2017/18 is announced the rates paid to providers will be adjusted up or down depending on the outcome.
- 5.6 For the past four years Nursing Fees have been set on an all-inclusive basis covering Care, Hotel and Nursing costs irrespective of the prevailing rate of FNC. To set the care home fees for 2016/17 a range of detailed information from Care Homes was used that included running cost and actual staffing levels for care and nursing staff. The 2016/17 'On Framework' Nursing Fee of £621.00 included £150.08 of nursing support, based on 7 hours of nursing time and 1.1 hours of care per bed per week at the prevailing hourly pay rate plus staffing oncosts plus margin. This compares to the FNC rate of £156.25 resulting in a shortfall of £6.17 for that fee band that is due to be paid to providers. If the numbers of individuals in receipt of FNC are considered on the same basis the estimate cost to the economy is £189k. This sum is accounted for in overall cost of the proposed fee increase in paragraph 4.1.9 below. Tameside MBC have received a legal challenge that the full increase in FNC, £112.00 to £156.25, should be passed onto care home providers. Tameside MBC believe that there is a strong case backed by legal advice that the fees approved in July for 2016/17 already include a significant proportion of the increase in FNC as outlined above. Should TMBC not successfully defend the legal challenge there will be an additional annual cost to the health and care economy of £318,000.
- 5.7 Taking account of the fee uplift proposals for pay and non-pay and accounting for the nursing costs the proposed fees for 2017/18 are as follows (**Appendix 1** provides details of the cost model):

	Residential £	Residential + Dementia £	Nursing only £	Nursing + Dementia £
Care and Hotel Costs				
Off Framework	444.00	481.90	447.70	485.60
On Framework	480.00	521.00	484.00	525.00
Enhanced	516.00	560.00	520.30	564.30

Prevailing FNC for 2016/17				
Off Framework			156.25	156.25
On Framework			156.25	156.25
Enhanced			156.25	156.25

Total Fees 2017/18				
Off Framework	444.00	481.90	603.95	641.85
On Framework	480.00	521.00	640.25	681.25
Enhanced	516.00	560.00	676.55	720.55

The small difference between the residential and nursing fees for Care and Hotel Costs is due to nursing consumables that cannot be included in the funded nursing care.

- 5.8 Comparing the proposed fees for 2017/18 to the fees approved in July 2016 the increase is as follows:

	Residential £	Residential + Dementia £	Nursing only £	Nursing + Dementia £
Total Fees 2017/18				
Off Framework	444.00	481.90	603.95	641.85
On Framework	480.00	521.00	640.25	681.25
Enhanced	516.00	560.00	676.55	720.55

Current Fees				
Off Framework	432.90	468.90	574.40	611.40
On Framework	468.00	507.00	621.00	661.00
Enhanced	503.10	545.00	667.50	710.50

Year on year percentage change in Fees				
Off Framework	2.56%	2.77%	5.14%	4.98%
On Framework	2.56%	2.76%	3.10%	3.06%
Enhanced	2.56%	2.75%	1.36%	1.41%

- 5.9 The financial impact of the proposed increase in fees is as follows, the assumed additional annual costs takes no account of any additional income recovered from service users so should be considered to be a worst case position.

Current Forecast Outturn for Rersidential and Nursing 2016/17 placements (£m)	25.137
Expected percentage increase from current mix of placements	2.89%
Forecast additional full year cost for 2017/18 (£m)	0.727

- 5.10 The current contract with Care Home providers in Tameside is due to expire at the end of November 2017. A new approach to commissioning care home beds is being developed that will take account of among other things the development of Integrated Neighbourhoods, the acuity of placements to care homes, wider market capacity issues and future development of the care home fee model. It is likely that Tameside will work at a GM level to ensure that best practise and other emerging models are accounted for in the new contract.

Home Care

- 5.11 In setting the hourly rate for Home Care for 2016/17, a revised model was developed that took account of the implementation of the NLW in April 2016 where typically the staff costs accounted for 77% of the total rate this resulted in a home care hourly rate of £13.67 payable to providers for actual hours delivered. In setting the proposed rate for 2017/18 the direct staffing costs have been inflated by the increases in NLW and NMW reflecting the age mix of home care staff in Tameside (4.06%) and the movement in CPI at November 2016 (1.20%).
- 5.12 Taking account of these factors the proposed hourly rate for 2017/18 is £14.20 an increase of 3.88%. **Appendix 2** contains details of the model used to arrive at the proposed hourly rate.
- 5.13 Based on the currently level of paid home care hours the estimated additional annual costs is £249,100, detailed as follows:

Current Home Care Rate per hour (£)	13.67
Proposed Rate per hour for 2017/18 (£)	14.20
Number of Paid homecare hours per annum	470,000
Additional Cost (£)	249,100

- 5.14 In addition to the hourly rate described above, there is a need to refresh the rates for sleep-ins and waking nights – the proposal is that these are brought in line with the revised Direct Payment levels to ensure consistency across community rates. The rates for 2017/18 would therefore be set at £98.91 per night for sleep-ins (currently £56.41 per night), and £131.85 per night for wake-ins (currently £95.87). In reality very few (if any) sleep-in or wake-in nights are purchased. Given the extremely low use of these duties the impact on the budget is negligible.
- 5.15 People in receipt of home care are expected to pay towards the cost of that care. People with savings and assets (not including their home) in excess of £23,250 will be expected to pay the full cost of their care which will incorporate the rise if fees proposed. Others will be expected to pay a proportion according to their income and assets. A full financial assessment is carried out for all users of social care services and this is reviewed on an

annual basis to ensure that people continue to have the ability to pay and are not left unable to meet their day to day living costs at home.

Supported Accommodation

- 5.16 In reviewing the contract sums paid to providers operating supported accommodation recognition has to be given to a range of staff cost pressures, where staff costs account for up to 90% of the costs of operating these services. Particular cost pressures on the contracts are the ongoing costs of the NLW first introduced in April 2016 and a new pressure where the payments to staff providing night cover at premises has changed following recent employment tribunal rulings which have been confirmed by HMRC. Traditionally night cover in supported accommodation been met by “sleep ins” and/or “waking nights”, the former has been traditional paid as an allowance, where typically £40 might be the going rate for a 9 hour shift. The decision of recent Employment Tribunal cases, *Esparon T/A Middle West Residential Care Home v Slavikovska* and *Whittlestone v BJP Home Support Ltd*, have held that where an employee is contracted to “Sleep In” the time should be treated as working time and paid at the prevailing hourly rate. The consequence of employers not paying sleep ins at the prevailing rate are punitive charges levied by HMRC.
- 5.17 To understand the potential financial liability that might fall on the Council from providers changing payment methodology for sleep ins, costs of providers have been shared with the Council on an open book basis. Providers have recognised that the full additional cost of paying staff for sleep ins is not financially sustainable for the Council and that providers are open to work with the Council to develop solutions to mitigate costs.
- 5.18 The proposed contract sums for 2017/18 are based on paying the full cost of paying any additional cost associated with the NLW uplift at 1 April 2017 and paying the current level of sleep ins at an hourly rate. The adjusted contract price is the target that providers are expected to move towards over the course of this financial year where it is expected that providers will reduce the additional cost of sleep ins by 25%. All other contracts have been adjusted by the percentage increase in NLW at 1 April (4.17%) and CPI at November 2016 (1.2%) applied on a ratio of 85:15 for staff costs/non staff costs.
- 5.19 Details of the supported accommodation contracts are contained in **Appendix 3** with the proposed cost across all contracts for 2017/18 is expected to be £9.221m a 6.63% increase of £0.573m on 2016/17.

Impact proposed Care Home and Home Care fee increases on Tameside & Glossop CCG

- 5.20 The proposed increase in Care Home Fees and Home Care Rates will also have an impact Tameside & Glossop CCG’s financial position. The CCG funds individual packages of care in Care Homes, through Home Care and specialist placements. Whilst some of these placements in Care Homes and support at home are within the borough there are a number of placements out of borough due to the complexity of the individual’s needs. To estimate the financial impact of the proposed increases in fees paid to Care Homes and Home Care providers on CHC and non CHC individualised budgets it has been assumed that there will be 3% increase in baseline expenditure in scope. So based on the forecast expenditure for 2016/17 of £14m the pressure on the 2017/18 budget is estimated to be in the region of £0.420m.
- 5.21 The CCG budget for CHC for 2017/18 is £13.4m, taking account of the impact of the proposed fee increase and the underlying level of expenditure of £14.42m there is a pressure on this budget of approximately £1m.

Dementia Day Service

- 5.22 The annual contract price for the Dementia Day Centre at Wilshaw House for 2015-16 was £344,719
- 5.23 In the discussions with Creative Support the breakdown of cost of the contract for 2016/17 was provided and uplifts were applied in relation to staff rates of pay to meet the revised National Living Wage with the additional on costs relating to this hourly rate (NI, Pensions etc). This led to a revised annual contract cost for 2016-17 of £359,809 which represents an increase £15,090 (4.4%).
- 5.24 Applying the same approach of the increased rate for the NLW and associated costs the revised contract price for 2017/18 would be £367,176 which represents an increase of £7,367.9 (2.04%).

Direct Payments Personal Assistant Rates

- 5.25 Once a package of care has been agreed with a service user a personal budget is calculated which takes account of the cost of the care and in particular how the care will be provided. Users can choose to take their personal budget as a Direct Payment which allows the person to have their personal budget paid into their account and for them to determine how to spend the money to meet their needs in a more flexible way.
- 5.26 Some people choose to use their Direct Payment to commission care directly from a domiciliary care agency and the amount calculated for this is the standard home care fee that is detailed earlier in this report.
- 5.27 Care costs for people wishing to pay for their care from other sources either by acting as a direct employer themselves or using a brokerage agency such as Pay Partners are calculated as a Personal Assistant (PA) Rate.
- 5.28 The table below shows the proposed Direct Payment Personal Assistant fees for the forthcoming financial year.
- 5.29 Payments for personal assistants and other associated payments that are made through the Direct Payments system are relatively high in comparison to other local authorities in Greater Manchester and across the North West and it is proposed that these payments are frozen for the coming year to bring them closer in alignment with Greater Manchester neighbours.

DIRECT PAYMENTS			
		2016/2017	2017/2018
DIRECT PAYMENTS (PA)	Per hour	£10.82	£10.82
DIRECT PAYMENTS (Provider)	Per hour	£13.67	£13.67
DIRECT PAYMENTS	Sleep in	£56.41	£56.41
DIRECT PAYMENTS	Night Sit	£95.87	£95.87
DIRECT PAYMENTS RESPITE	Respite weekly rate	£423.59	£423.59
MANAGED ACCOUNT	Weekly	£28.00	£28.00

Shared Lives Scheme

- 5.30 The Shared Lives Scheme offers placements to adults in need of long term, respite and day care. The care is offered by trained carers in their own homes in a similar way to fostering schemes for children.
- 5.31 The fees uplift will be subject the Council's general fees uplift of 2.5% that is subject to a separate budget report being considered by Council at the end of February.
- 5.32 The table below indicates the new rates for Shared Lives for 2017/2018 that will be paid to carers.

SHARED LIVES			
	Fees	2016/2017	2017/2018
RESPIRE	Per night	£43.37	£44.45
LONG TERM	Per week	£386.00	£395.65
DAY SUPPORT	Per 5 hrs or part thereof	£6.72 (5 hours £33.60)	£6.89 (5 hours £34.45)

6. CHARGES TO SERVICE USERS

- 6.1. It is anticipated that the Council will adopt a general uplift in charges for services it either provides or commissions of 2.5% for the financial year 2017-2018 on 28 Feb 2017. This 2.5% increase will apply to all non-residential social care services (except home care) and will result in increases to charges that are listed in the table below.
- 6.2. Home care charges will increase by 3.7% to reflect the increase in fees to the homecare providers, the justification for which has been detailed earlier in this report.

FEES AND CHARGES 2017-2018			
Non-Residential Fees			
CHARGES		2016-17	2017-18
HEMECARE			
DAY CARE MEALS	per day	£2.94	£3.01
DAYCARE DRINKS	per day	£0.92	£0.94
DAYCARE ATTENDANCE	per day	£2.39	£2.45
DAYCARE TRANSPORT	each way	£1.68	£1.72
COMMUNITY ALARMS	per week	£6.02	£6.17
RESPIRE CARE CUMBERLAND ST	per night	£10.79	£11.06
HEMECARE	per hour	£13.07	£13.55
HEMECARE	Sleep in	£46.09	£47.79
HEMECARE	Night Sit	£78.35	£81.25
MAXIMUM CHARGE	Maximum weekly charge for non-residential services	£419.00	£429.47

STANDARD DISREGARD	Per week	£13.24	£13.57
DEFERRED PAYMENTS			
DEFERRED PAYMENT ADMIN FEE**		£600	£600
INTEREST**		2.5%	2.5%

**The current administration charge for deferred payments must remain cost neutral to the cost of administering the scheme and this has not changed in 2016/2017. The same is true of the interest rate for the scheme which has remained stable at 2.5%.

- 6.3. The increase in charges for residential and nursing care will reflect the actual cost of care detailed in the fees uplifts already stated earlier in this report and detailed in the table below:

RESIDENTIAL FEES			
Non Framework Care Homes			
		2016/2017	2017/2018
Residential Single	Off Framework	£432.90	£444.00
Residential EMI	Off Framework	£468.90	£482.80
Residential Shared	Off Framework	£389.60	
Nursing Single	Off Framework	£574.40 inc FNC (£156.25)	£603.95 (inc FNC £156.25)
Nursing EMI	Off Framework	£611.40 inc FNC (£156.25)	£641.85 (inc FNC £156.25)
Nursing Shared	Off Framework	£517.00 (inc FNC £156.25)	
On Framework Care Homes			
Residential Single	On Framework	£468.00	£480.00
Residential EMI	On Framework	£507.00	£522.00
Nursing Single	On Framework	£621.00 (inc FNC £156.25)	£646.40 (inc FNC £162.50)
Nursing EMI	On Framework	£661.00 (inc FNC £156.25)	£687.40 (inc FNC £162.50)
Enhanced On-Framework Homes			
Residential Single	On Framework	£503.10	£516.00
Residential EMI	On Framework	£545.00	£561.10
Nursing Single	On Framework	£667.50 (inc FNC £156.25)	£688.00 (inc FNC £162.50)
Nursing Single EMI	On Framework	£710.50 (inc FNC £156.25)	£732.00 (inc FNC £162.50)

Shared Lives

- 6.4 The fee for the long term support element of the Shared Lives service has been calculated based on the cost of service. The rate against which individuals will be charged has been calculated as £190.81 per week. This fee has been determined from the actual fee paid to carers which is £386 per week as the cost of service minus Housing Benefit contributions (£195.19 per week). The composition of this fee is as follows:

- £195.19 per week Housing Benefit claim for board and lodgings (this is not subject to charging assessment).
- £148.96 per week Disability Living Allowance (middle rate), Severe Disablement Premium and the meal element of Housing Benefit.
- £41.85 per week currently paid by Tameside MBC.

- 6.5 Consultation on the introduction of a new rate against which individuals will be financially assessed was undertaken during February 2017. This consisted of a letter sent to service

users and carers on 3 February 2017. This contained details of the fee £190.81 and an invite to a 'drop in' session for service users and carers to discuss proposals and ask any questions. The 'drop in' was arranged for the 7 February 2017 10am-2pm. Due to poor attendance at the drop in session a further letter was sent to service users and carers on the 15 February prompting feedback and offering 1:1 sessions to discuss.

- 6.6 Based on feedback about the subject material being complicated a further letter was sent to service users and carers on the 17 February providing more detailed information and a user friendly guide which incorporated how the fee of £190.81 was calculated and describing the process around governance and the financial assessment process. This guide offered contact details to share views, feedback and discuss any concerns regarding the proposal.
- 6.7 Response rates were poor and people felt that they could not comment fully until they were financially assessed and understand the actual charge.
- 6.8 The fees for long term, short term and day care services have been determined as:

	2017-18 Rates
Long Term Care	£190.81
Respite Care (per night)	£27.26
Day Care	£5.68 per 5 hour session

- 6.9 All charges whether residential or non-residential are subject to a full financial assessment and appropriate income, savings and capital are taken into consideration when determining the actual charge that service users will be required to pay.

7. EQUALITIES

- 7.1. It is not anticipated that there are any equality and diversity issues with this proposal. The increased costs will ensure that all workers will be paid at either the National Minimum Wage or National Living Wage (workers aged 25 and over) and support the service redesign proposals planned over the coming 12 months, thereby ensuring that individuals whose eligible assessed needs meet the national eligibility criteria will be offered a quality and diverse service from a highly skilled and valued workforce.
- 7.2. There are fundamental principles inherent in all proposals for delivering health and social care support to vulnerable adults:
 - The receipt of health and social care services is based on eligibility. All adults over the age of 18 have the right to request an assessment of their need either as a potential service user or as a carer of someone who needs care and support. Once an assessment has been completed a decision will be made as to which needs someone has that are eligible to be met according to the national eligibility criteria laid out in the Care Act.
 - That wherever possible identified eligible need is met by family, friends, neighbours and the wider community.
 - That whatever eligible needs are left unmet by other parties must be met by either providing services directly to meet the need or by commissioning services from elsewhere. In doing so every effort should be made to use the most cost efficient service available to meet the eligible needs identified including the use of assistive technology and appropriate equipment.
 - That people are expected to pay what they can afford to pay for the services that they are in receipt of taking full account of any income, savings and assets that they have.

- 7.3. Applying the national eligibility criteria robustly will ensure that only those people who have identifiable needs will receive help and support. This will ensure that all people will be treated fairly and equitably according to the needs that they have. People who have needs that are not deemed eligible will be offered other advice and signposted to other organisations who may be able to help.

8. RISK MANAGEMENT

8.1 There are a number of risks associated with this work. These are summarised as:

- Contracts need to as a minimum support providers adhere to the introduction of the National Living Wage, national insurance changes, and pension changes and the emerging problem relating to sleep-in payments.
- Contracts need to support providers in meeting the costs associated with the burden of the increased regulatory and inspection burden.
- Contracts need to support providers to address the increasing problem of recruiting sufficiently skilled staff, both social care and nursing, which is prevalent not just locally but nationally.
- There is a risk of challenge from providers that in setting the fees for Care Homes, Home Care and Supported Living that they do not adequately reflect the local cost of delivering these services.
- That the Health and Social Care economy is not successful in defending the legal challenge to the payment of FNC at the lower cost and could incur additional costs of up to £318k per annum.

8.2 A further risk is that the uplifts being proposed in this report are not sufficient to stabilise the current markets, particularly home care, and that providers make a decision to exit the local market. The proposed fee increases have been calculated using local market and provider intelligence in an attempt to determine a local fee that is reasonable to both the commissioners and the providers.

8.3 These risks will be mitigated through ongoing redesign of the service offer and increased funding across contract prices.

9. SUMMARY

8.1 The health and social care economy has seen unprecedented reductions in funding over the past five years.

8.2 As a result of these reductions all services have been subject to review to establish where efficiencies can be achieved and/or where services can be provided differently. This includes consideration of services where there are statutory and non-statutory duties and responsibilities.

8.3 The demand to meet savings targets have progressed at a time when providers have in the main been facing increased operating costs. The most significant increase in costs have been those recently experienced specifically in relation to the introduction of the National Living Wage to a sector that has for many years been operating on wage levels at or close to minimum wage levels, but also in relation to increased pension contributions.

8.4 Work has been progressing over the past three months to work with providers to reflect these additional costs in realistic prices that can continue the delivery of what are essential services for the vulnerable adults concerned. The methodology adopted has included revising cost of care framework that reflect local factors, whilst in the case of the supported

accommodation has adopted open book accounting methodology to establish the impact on costs of these additional requirements.

- 8.5 This work has resulted in the proposed uplifts that are presented in this report. The costs to the health and social care economy for care home and home care costs are estimated to be £0.976million, with further increase for the supported accommodation contracts of £0.573m.

9. RECOMMENDATIONS

- 9.1 As detailed on the report cover.

Appendix 1

Base price for Care Home Fees 2017/18 = Care & Hotel Costs					
	Residential & Dementia £	Specialist Dementia £	Nursing only £	Nursing + Dementia £	Notes
Assumed Staffing Hours per Bed					
Qualified nurse staff	-	-	-	-	
Care staff	18.90	22.90	18.90	22.90	For Residential assumes a ratio of 7:1\12:1 day\night and for Dementia 6:1\10:1 day\night
Catering/Kitchen staff	2.59	2.59	2.59	2.59	based on information submitted by homes
Cleaning/Laundry/Domestic staff	2.97	2.97	2.97	2.97	based on information submitted by homes
Management / administration / reception / activity staff	2.12	2.12	2.12	2.12	based on information submitted by homes
Staffing Costs					
Qualified nurse staff	-	-	-	-	
Care staff	142.40	172.54	142.40	172.54	Uses NLW of £7.20 as a baseline for care staff, adjusted for estimated percentage for those aged under 25 and maintaining the differential to higher paid staff
Catering/Kitchen staff	19.59	19.59	19.59	19.59	uses average hours per bed submitted by homes and maintains pay differential after applying NLW
Cleaning/Laundry/Domestic staff	22.09	22.09	22.09	22.09	uses average hours per bed submitted by homes and maintains pay differential after applying NLW
Management / administration / reception / activity staff	23.83	23.83	23.83	23.83	uses average hours per bed submitted by homes and maintains pay differential after applying NLW
Direct Staffing Costs	207.91	238.05	207.91	238.05	
Staffing Oncosts	50.94	58.32	50.94	58.32	Assumes staffing on cost for pensions and national insurance of 24.5%
Total Staffing Costs	258.85	296.37	258.85	296.37	
Accommodation & Administrative Costs					
Food and Kitchen Supplies	27.80	27.80	27.80	27.80	Entirely based on average derived from returns made by homes
Domestic and Cleaning Supplies	4.53	4.53	4.53	4.53	
Medical Supplies - Incontinence	-	-	3.22	3.22	
Medical Supplies	2.59	2.59	2.59	2.59	
Utilities & Insurance	25.52	25.52	25.52	25.52	
Repairs & Maintenance	20.68	20.68	20.68	20.68	
Service Contracts	1.85	1.85	1.85	1.85	
Waste / Cleaning Services	3.48	3.48	3.48	3.48	
Equipment Rental	4.47	4.47	4.47	4.47	
Telephone	1.73	1.73	1.73	1.73	
Administration	24.08	24.08	24.08	24.08	
Staff Expenses	3.08	3.08	3.08	3.08	
Legal & Professional	6.21	6.21	6.21	6.21	
Total Accommodation and Administrative Costs	126.02	126.02	129.24	129.24	
Total Operating Costs	384.87	422.39	388.09	425.61	
Returns					
Return on Land & Buildings	57.30	57.30	57.30	57.30	Uses the sale price of a sample of 22 Care Homes recently for sale in the Greater Manchester area weighted by the size of home, using a return on capital of 7%
Profit	38.49	42.24	38.81	42.56	Assumes a profit margin of 10% on total operating costs
Total Returns	95.79	99.54	96.11	99.86	
Charge price per Bed	480.66	521.93	484.20	525.47	
Proposed Base Fee*	480.00	521.00	484.00	525.00	

* equivalent to "on framework rate"

Appendix 2

Homecare Model			
Hourly Pay Rate		£ 7.43	
Weekend Rate	plus 0.00%	£ 7.43	
Travel Time allowance	11.4 minutes		£ 8.84
Bank Holiday Premium	plus 50.00%		£ 0.10
Gross Pay			£ 8.94
ADD			
National Insurance	9.50%		£ 0.85
Pension	1.00%		£ 0.09
Holidays	10.74%		£ 0.96
Training & Supervision	1.73%		£ 0.15
Direct Pay Costs			£ 10.99
Travel Payments	0 miles	£ 0.35	£ -
Sub-total before Overheads			£ 10.99
Overheads	25.50%		£ 2.80
Sub-total before Profit			£ 13.79
Profit Margin	3.00%		£ 0.41
Chargeable Rate per hour			£ 14.20

Comments and assumptions

national living wage applies from 1st April 2016 for those aged 25+, based on NMDS data estimated that 88.73% of the homecare work force are 25+, the applicable average is £7.43
No enhancements for weekend working

based on national historical information that home care workers contact time was only 81% of every hour, and travel accounted for the balance, being equivalent to 11.4 minutes of every hour
Based on paying the eight bank holidays at x1.5

based on current NI employer rates

workplace pension schemes start at 1% rising to 3% by 2018, applying to staff 22+ and earning 10k+ per annum, assumed to 1% from 1st April

employees have a statutory entitlement of 5.6 weeks paid leave per annum that needs to be covered by other means, 5.6/52.14

Assumes training of 1.00% and 0.73% for supervision based on industry standards

HMRC's rate for use of private vehicles is £0.45, though a rate of £0.35 is deemed reasonable by UKHCA, how much travel is allowed is dependant on the geography of the area and most importantly whether travel is paid. As Tameside is a small geographical area and contract areas are small travel payments will be negligible.

sickness cover, recruitment, uniforms, local office expenses, head office expenses, supervision and management

typical margin of 3-5%, assumed the lower end, consistent with UKHCA

Proposed rate per hour in paying the NLW from 1st April 2016

Appendix 3

Contract Title	Provider	2016/17 Annual Contract Price £	Requested 2017/18 Annual Contract Value £	Target Contract Value £	Contract	Contract Term	Notes
Supported accommodation for adults with a learning disability living in their own home	Alternative Futures Group	1,854,428	1,924,609	1,924,609	For 9 properties and 43 tenancies	1 April 2016 – 31 March 2018, with a 2 year extension to 31 March 2020	Contract has been inflated by increase in NLW and CPI
	Alternative Futures Group	1,666,000	2,293,654	1,986,273	For 10 properties and 36 tenancies	1 June 2015 – 31 March 2018 with a 2 year extension to 31 March 2020 (AF did have an outstanding claim for implementation of NLW from April 2016, which inflates the 2017/18 increase)	AF have requested an above inflation increase to compensate for not increasing their contract in 2016/17 to cover NLW and includes an adjustment to cover Sleep Ins. The target contract value assumes that 25% of the cost of the increased cost of Sleep Ins can be reduced by alternative service delivery
	Affinity Trust	1,407,737	1,567,737	1,525,207	For 9 properties and 28 tenancies	1 June 2015 – 31 March 2018 with a 2 year extension to 31 March 2020	AT have requested an increase that accounts for the increase in NLW and includes an adjustment to cover Sleep Ins. The target contract value assumes that 25% of the cost associated with Sleep Ins can be reduced by alternative service delivery
	Turning Point	1,873,254	1,911,385	1,911,385	For 7 properties and 32 tenancies	1 June 2015 – 31 March 2018 with a 2 year extension to 31 March 2020	TP have requested an increase that accounts for the increase in NLW, Sleep Ins are included in their core hours so there is no additional cost to the contract.
The provision of a Supported Accommodation Service for Young Adults with Learning Disabilities	Alternative Futures Group	335,593	351,516	344,391	For 1 property and 5 tenancies	16 February 2015 – 15 February 2018 with a 2 year extension to 15 February 2020	AF have requested an increase to cover increase in NLW and to cover Sleep Ins, The target contract value assumes that 25% of the cost associated with Sleep Ins can be reduced by alternative service delivery
The provision of personalised extra care support for people with a physical and/or sensory disability aged 18 – 55	Liberty Support	139,618	163,975	163,975	For 1 Property and 20 tenancies	Contract Commences 1st April 2017	n/a
The provision of An Intensive Support Service for Adults with Learning Disabilities	Creative Support	812,042	841,374	841,374	For 2 Properties and 11 tenancies	Contract Commences 1st April 2017 for 5 years with a possible 2 year extension	n/a
The provision of Social care and housing-related support within twenty four (24) hour supported accommodation for people with mental health needs	Turning Point	558,800	523,625	523,625	For 3 Properties and 33 tenancies	1 April 14 – 31 March 2017 with a 2 year extension to 31 March 2019 (Lyne View has closed £45k offset by inflation)	TP have requested an increase that accounts for inflationary increases offset by the closure of the Lyne View site
Total Contract Value		8,647,472	9,577,875	9,220,839			
Percentage Increase on 2016/17 contract value				6.63%			