

Decision maker:	Cabinet member health and wellbeing
Decision date:	Monday, 25 February 2019
Title of report:	Care Provider annual fee increase April 2019 - March 2020
Report by:	Head of Care Commissioning

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Wards affected

(All Wards);

Purpose and summary

To approve the annual uplift for home care and supported living providers to take effect from the 1 April 2019. Due to the pressures with the home care market the council has reviewed the annual uplift and amended the model to reflect on going development of the adult social care pathway, managing demand and financial pressures on providers. The council would like to invest in the market in order to create a sustainable and responsive market across the county.

Recommendation(s)

That:

- (a) an increase in the urban hourly rate from £16.20 to £17.36 (7.18%) and rural hourly rate from £16.20 to £20.05 (20.20%) for council approved providers of home care effective from 1 April 2019 is approved; and**
- (b) an increase from £16.20 to £17.01 (5%) and a new rate of £13.78 on the 24 hourly rate for council approved providers of supported living services effective from 1 April 2019 is approved.**

Alternative options

- 1. No fee increase is given to providers. This is not recommended as the council is contractually bound to review its fees annually and to meet its obligations under the Care Act to manage the local care market.
- 2. A minimal increase is given to take into consideration the increase in the national minimum wage. This is not recommended as providers are struggling to recruit staff at minimum wage level and this is impacting directly on their capacity to deliver home care service across the county.
- 3. The council could pay a higher increase. This is not recommended as the council needs to invest in the market whilst ensuring it is affordable.

Key considerations

- 4. Home care and supported living were previously commissioned under the same closed framework (Home and Community Support- HACS). Due to the different challenges in each service area, it was decided to separate them and to have two open approved lists. This arrangement was introduced in January 2018.

Home Care

- 5. The council directly commissions home care for around 800 people at any one time delivered by 45 providers who are registered with the Care Quality Commission and have been approved by the council.
- 6. The local home care market is made up of small providers with over 60% delivering less than 300 hours a week of directly commissioned care who collectively deliver in the order of 12,000 hours a week of home care commissioned by the council at a weekly cost in the region of £185k per week.
- 7. The redesign of the adult social care pathway and introduction of a strength based approach to assessment has resulted in a reduction of 10.5% in the hours of home care purchased during the last six months of 2018.
- 8. It is important to note that this reduction does not mean individuals are without care; their needs are addressed by alternative means including support arranged via the council's community broker service. The reduction in number of care hours commissioned by the council impacts on the operational and financial viability of providers. This exacerbates the difficulty in securing short duration care calls in rural areas.
- 9. During 2018 four providers withdrew from delivering directly commissioned care on behalf of the council. The principal reasons cited were the council fees are financially unviable and significant difficulties with staff recruitment and retention. Providers have also identified other cost pressures including increases to the national living wage, pension contributions and costs associated with service delivery including CQC registration fees.

10. The broker team has increasingly struggled to place packages, particularly in certain rural locations including the south of the county and Golden Valley during 2018/19.
11. The increase in rates is not just a response to ongoing market pressures but is part of further development of the adult social care pathway.
12. The United Kingdom Home Care Association (UKHCA) suggests an hourly rate of £18.01 to ensure regulatory compliance and provider financial viability. The council's hourly rate is £16.20. The previous fee model did not fully account for a number of factors including the distance travelled between rural calls.
13. In comparison with neighbouring councils, Herefordshire currently pays 50p to £1 less per hour for urban packages and £2 to £4 less for rural packages according to regional and national returns.
14. The council has worked with providers to identify the costs of delivering a service of the required quality. The recommended fee increase takes into account these pressures and the increase is based on the following changes to the 2018/19 model:
 - NLW increased to £8.21
 - Change to calculation of holiday pay so it is based on Pay including NI and Pension costs, not excluding them.
 - Change the mileage rate to 3 miles at 40p per mile rather than 35p per mile, this is used within the model to calculate the hourly figure.

The rural rate increase of 20.20% is based on:

- The three changes above plus:
- Increase the amount of travelling time we pay to 12.9 minutes from 7.5 minutes, this was amended to reflect the fact that travel between calls is longer for rural calls compared to urban.
- Increase the allowance for rural travel to six miles, acknowledging the mileage within the model needs to be higher than the 3 miles in the modelled in the urban rate.

Supported Living

15. The council contracts with a total of 17 supported living providers who collectively support a total of 138 service users.
16. The additional increase for home care reflects the extra costs incurred travel time and mileage associated with delivering high frequency, short duration care calls not so prevalent with supported living providers.
17. There is also the additional management costs involved in rostering staff and the required electronic call monitoring system (which is not required for supported living services)
18. CQC fees are now calculated based on the number of service users being cared for by the care provider. In general home care providers have more clients than supported living providers who are deliver more hours to a much smaller number of customers.
19. The council will work with providers to ensure that the fee increase is used to support the recruitment and retention of care staff.
20. The council investment into the market will ensure that quality care is delivered within its

communities supporting an already pressured care sector.

- 21.** The Skills for Care regional returns for social care state the care sector in Herefordshire has approximately 450 vacancies at any one time. Ensuring a sufficient workforce with the necessary skills and experience is one of the major challenges for providers and the council. This requires investment in both the home care and supported living sectors to ensure a stable and responsive market.
- 22.** It is important to note that the social care workforce is growing both nationally and regionally. Skills for Care estimated in 2016/17 that the sector contributes £41.6 billion per annum to the English economy and £4.4 billion in the West Midlands region. The majority of the sector comprises of local business employing people who work and live in the county and make a significant contribution to the local economy.

Community impact

- 23.** The recommendations support two of the four priorities of the corporate plan to:
- Enable residents to live safe, healthy and independent lives. Although people maybe in a care home, they still need to have their outcomes met, living in a safe environment.
 - Secure better services, quality of life and value for money. The increase in the rates will help support providers to meet the challenges faced with increasing costs.
- 24.** The recommendations in this report will seek to help support, sustain and develop the county's care home market both now and in the future.
- 25.** The proposal also contributes to the Adults wellbeing plan to support people to remain as independent at home for as long as possible.
- 26.** The full impact of the increase in payments to care providers will not be passed on to the majority of people who receive these services as the council's charging policy sets the amount people can be charged based on their available income following a financial assessment.

Equality duty

- 27.** Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

28. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.
29. The Equality Act 2010 established a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the public sector equality duty when taking any decisions on service changes. The recommendations in this report will support a better pay for women who are overly represented in the care workforce.

Resource implications

30. Funding for an uplift in fees of 5% has been included in the proposed base budget for 2019/20.
31. Funding for an additional uplift of 2.17% to all home care fees, and a further uplift of 13.02% to fees for home care packages in rural areas is to come from additional funding for adult social care announced in the Chancellor's autumn budget statement.
32. The additional funding announced in the autumn budget statement is confirmed for 2019/20, but not for future financial years; representing a budget risk of £368k in future years if social care funding is reduced.
33. The potential budget risk will be assessed when future funding announcements are made during the 2019/20 financial year and any remaining risk will be mitigated through future budget and fee uplift decisions.
34. The hourly new rates can be broken down as below for April 2019:

Urban rate 2019	Rural rate 2019	Supported Living rate 2019	24 hour rate
£17.36	£20.05	£17.01	£13.78

Revenue or Capital cost of project (indicate R or C)	2019/20	2020/21	2021/22	Future Years
<i>5.00% Uplift to all Home Care & Supported Living Packages</i>	566	566	566	Ongoing
<i>2.18% Uplift to all Home Care Packages</i>	166	166	166	Ongoing
<i>13.02% Uplift to Rural Home Care Packages</i>	202	202	202	Ongoing
TOTAL	934	934	934	Ongoing

Funding streams (indicate whether base budget / external / grant / capital borrowing)	2019/20	2020/21	2021/22	Future Years
<i>Base Budget</i>	566	566	566	Ongoing
<i>Additional Social Care Funding announced in Autumn Budget Statement</i>	368	368	368	Ongoing

Revenue budget implications	2019/20	2020/21	2021/22	Future Years
<i>Potential Budget pressure if ASC funding is reduced</i>	0	368	368	Ongoing
TOTAL	0	368	368	Ongoing

Legal implications

35. The Care Act 2014 places a duty on councils to “promote the efficient and effective operation of a market in services for meeting care and support needs.” In delivering this statutory obligation, councils must ensure the sustainability of the market and that there are sufficient high quality services available to meet the care and support needs of adults in their area.
36. Councils are under a general duty to implement preventative services that reduce the need in adults for care and support and the need for support to carers. Supporting people to live as independently as possible for as long as possible is a guiding principle of the Care Act 2014.
37. Statutory guidance accompanying the Care Act 2014 makes it clear that the way services are commissioned has a direct impact upon shaping the market and requires that councils must consider how to ensure that there is still a reasonable choice for people who need care and support and to ensure that their fee levels do not compromise the service providers ability to employ people on at least minimum wage with sufficient training
38. Section 9 Care Act 2014 places a duty on the council to assess adults triggered by the appearance of need. It then places a duty to meet the needs of adults meeting the eligibility criteria under sections 18-20 of the Act. Detailed Assessment regulations, statutory regulations and case law underpin this duty.
39. Therefore the legal implications of these proposals are likely to contribute to the sustainability of the care at home market locally.

Risk management

40. The proposals in the report will minimise the risk of future provider failures by investing in the market and responding to stabilise an already pressured market.
41. The risk and pressure of the market in particular the workforce concerns are documented within the directorates risk register, the increase in fees to be paid is a one of the mitigations and response to the identified care market concerns.

42. The council has considered the risk and opportunities detailed in the report below:

Risk / opportunity	Mitigation
The fee increase will not be passed to the care worker.	Most providers are paying above the NMW. The council will expect providers to identify how they have invested into the workforce.
The fee increase alone does not help the workforce pressures.	The council recognises that many factors influence the care workforce and therefore several other elements have or will be put in place to support the market, including care heroes branding for recruitment and retention support, adapting commissioning models, training support, development of a technology strategy to consider future models and approaches that need minimal staff
Budget pressures with increases in demand on adult social care support.	Adults operational pathways is based on a strength based approach which is delivering reductions on the hours being commissioned and ensuring that formal care is commissioned only when it is needed
There will be a budget risk of £368k in future years if social care funding is reduced.	Work will continue to deliver a strength based approach and these risks have been factored into future budget provision.

Consultees

43. The council carried out consultation with a number of Providers with a workshop being held with a number of Providers to discuss in more detail the councils current model. The following attended:

Eclipse, Ashfield care, Aspire, Altogether care, Sil and Mortimer Home Care.

44. The council recognise additional travelling time and associated costs for delivering in a rural county and have amended the model to reflect these pressures as described in paragraph 14.

45. Providers wanted the council to acknowledge that they do not pay minimum wage, the council does understand this, however to accurately reflect what the providers pay staff across the care sector would be difficult identify an agreed hourly rate and any amendment to this within the financial model would have become unaffordable to the council.

46. The Providers who have contributed to this proposal are aware of the indicative fee increase and the majority have been supportive.

47. The political groups have been consulted and feedback has been received from the Independent group who confirmed that they are supportive of the proposal.

Appendices

None

Background papers

None