



Derby City Council

**COUNCIL CABINET**  
**14 February 2018**

**ITEM 11**

Report of the Cabinet Member for Integrated  
Health and Care

**Adult Social Care Fees and Charges 2018/19**

**SUMMARY**

- 1.1 Engagement and consultation with independent sector care home and home care providers operating under the Council's standard (rather than specialist) terms and conditions has been undertaken in recent months with the aim of informing the Council's decision-making about setting 2018/19 standard fees. This report summarises the reported cost pressures and the consultation feedback from providers. This includes the impact of ongoing changes to the National Living Wage since April 2017. The report sets out details of the funding model itself and the proposed rates for 2018/19.
- 1.2 This report also sets out the proposed charges for Council-provided residential and community care services for 2018/19, which is the annual review set out in the Council's Adult Social Care Charging Policy.
- 1.3 The proposed Council Budget for 2018/19 includes inflationary increases of 3.0% for income arising from Residential and Nursing placements, 3.0% for income arising from Homecare services and 3.0% for income arising from all other Adult Social Care fees and charges. It must be noted that the full cost of these services is only paid by around a fifth of customers, the majority are means tested. This report sets out the proposed charges for 2018/19 after applying these increases for the Council's own care services.
- 1.4 A review of the Shared Lives service is underway which will consider potential changes to the charging structure for the service. The outcome of that review will be reported separately.
- 1.5 A review of the Carelink service is underway which will consider potential changes to the charging structure for the service. The outcome of that review will also be reported separately.

**RECOMMENDATION**

- 2.1 To approve a **3.8%** fee increase for independent sector standard residential care, dementia residential and nursing care weekly fee rates (net of the Registered Nursing Care contribution) from April 2018.

- 2.2 To approve a **3.8%** fee increase for standard independent sector homecare services from April 2018.
- 2.3 To approve from April 2018 an hourly rate of **£10.18** For Sleep In's to cover the rulings that at least minimum wages should be paid to workers.
- 2.4 To approve an increase to the charging rates for all other services of 3.0%, in line with the increase in income for Adult Social Care included in the proposed 2018/19 Council budget.
- 2.5 To approve that all the new rates will apply from 09 April 2018 (in line with the date of the rise in state benefits for 2018).

<b>REASONS FOR RECOMMENDATION</b>
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- 3.1 The Council's fee rate model for residential care homes and home care, as set out in Appendixes 4 and 5, builds on the methodology previously used by the Council. General information and consultation feedback from independent sector care providers has been focused on specific inflationary and cost pressures affecting their businesses.
- 3.2 Maintaining the directorate's income is crucial to the management of the overall budget for the Council.
- 3.3 The proposed start date aligns with the date that the Department of Work and Pensions (DWP) benefit rates change.



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Report of the Strategic Director for People Services

**SUPPORTING INFORMATION**

**4.0 Fee rate Methodology and Consultation feedback**

- 4.1 The methodology for developing Council fee rate proposals for independent sector providers with “standard” terms and conditions during 2017 was similar to that used from 2013 to 2016. Consultation was held with providers in early November to review the survey following which, minor changes to look at the impact of the apprenticeship levy and property age were added. In addition specific meetings were held with interested providers to better understand current cost pressures. All providers were then encouraged to evidence their cost base and pressures by returning a questionnaire (see Appendixes 2 and 3). The proposed fee rates and methodology were then distributed for consultation (see Appendixes 4 and 5) assisted by the information gathered in the questionnaire.
- 4.2 Six independent sector residential and nursing home establishments returned the questionnaire and the Derbyshire Care Homes association also provided a written response outlining their understanding of cost pressures. A similar process for home care providers was also followed and four providers returned the questionnaire.
- 4.3 **Cost pressures reported by nursing and residential care homes**  
There were a number of common themes from the 10 questionnaires returned. All establishments declared average inflationary increases in the cost of general supplies and services. The majority experienced lower occupancy levels compared to previous years with average occupancy rates at 67%. Though rates ranged from 40% to 100%
- Those responding stating that on average 55% of residents are funded by Derby City Council. Self funders, the NHS and other Councils made up the remaining 45% of occupied bed spaces.
- 4.4 All homes that returned the questionnaire stated that their main expenditure related to the cost of employing and managing carers, nurses and domestic staff - on average, homes stated that 80% of their total staffing costs related to this group. The impact of this appears to be varied across the homes who responded, although all report it would have an impact in terms of increased costs. It appears from the feedback that most management salaries are already above the minimum wage, but some homes were concerned that the rises in more junior salaries is beginning to cause a knock-on effect in terms of differential pay grades. Some Nursing Homes also reported cost pressures regarding agency Nursing staff.

**4.5 Other factors in care home costs**

Repairs and upkeep of properties were described as a cost pressure by most of the homes particularly around ensuring that homes met current health and safety regulations. Interestingly the age of property was not a significant factor in spend as even relatively new premises had incurred improvement costs. Some homes also mentioned higher than inflation rises in insurance costs.

**4.6 Cost pressures reported by independent sector home care agencies**

Five home care providers took the opportunity to submit a questionnaire, and four more specialist home care providers wrote to the Council with their feedback on cost pressures. The main factor that home care agencies raised related to the planned increase in hourly pay due to the increase in the National Living Wage. Those who responded stated that approximately 83% of staff employed by the organisations will need to have their pay inflated from April 2018. Additional pressures were noted in relation to all employee-related costs such as recruitment, retention packages and training. Another cost pressure cited was the cost of establishing and maintaining office bases. Again the rate of return on investment was felt to be too low.

**4.7 Proposed 2017/18 inflationary pressures**

**a) Consultation process**

All care home and home care agencies were written to at the end of December 2017 with the proposed inflationary increase for 2017, expressed as 3.8% for Care Homes and 3.8% for Home Care providers.

**b) Feedback from consultation**

The proposed fee uplift figures for Home Care and Residential Care were sent to providers for consultation between the 18th December 2017 and 5<sup>th</sup> January 2018. We had only received one response to this consultation which was from Mediline, one of our Domiciliary Care Framework Providers who gave the following response: *When reviewing the profile of Derby City Care workers – 81% are aged over 25. However, if you tried to pay people under this age the lower NMW, they will leave! This is proven and understandable as to put into context – if you have a 22 year old care worker with QCF/NVQ in social care and 2 years of experience, would they accept a position with your company to be paid £5.60/hour when they can see a new starter with no experience and no qualifications getting paid £7.50/hour for doing exactly the same role?. Therefore, 75% of our cost is going to be impacted by a 4.4% increase to the LW and furthermore a 1% increase to employer pension contributions so in real terms 5.4%. In addition, indirect staff will expect an increase to ensure the differential is maintained as if this does not occur, the skilled people who coordinate and manage the care delivery will leave resulting in a catastrophic failure. Inflation increased to a 5 year high of 3.1% in November which will impact adversely on all commodities within our supply chain and whilst as evidenced from the above, this represents a relatively small percentage of cost, it is more important to consider within the wider context of the impact upon the care sector; The CBI have announced that in general, pay rises will outstrip inflation within the UK despite low unemployment figures. This will be a further factor that will adversely impact upon the recruitment and more importantly retention of workers within the Care Sector if the requisite increases are not awarded by Local Authorities and subsequently paid by providers to their staff.*

**4.8 Independent sector residential/nursing care homes**

It is proposed that the Council applies a 3% inflationary uplift in most general cost areas within the model, including utilities. This rate anticipates the average inflation that may be applicable during 2018/19.

It is proposed that for staffing, agency and recruitment costs, the Council should inflate all wage-related costs within the model to reflect the increase of 33p per hour in the National Living Wage from April 2018 for employees likely to be working in homes over the age of 25. It is assumed however that there will already be a number of management and senior care posts operating well above the new minimum wage rates which will therefore see no change to the salaries. Therefore a composite inflationary figure is proposed of 4.03% which is based on the new hourly rate affecting 75% of the workforce. It is proposed this is applied to all staffing-related expenditure lines within the model – staffing costs, agency costs, recruitment and training costs.

The cost of the Apprenticeship Levy will not impact on all providers as an organisation needs to have an annual pay bill of more than £3 million before they will need to pay 0.5% of the wage bill as the Levy. It is mainly larger Home Care and Care Homes which are part of large national bodies which reported that this may be a cost pressure.

It is proposed that the existing rate of return remains at 3.23% following the increase of interest rates by 0.25% and the void allowance is retained at 10% and applied

across all cost lines. Interest rates have broadly remained the same during 2017; it is therefore proposed that a rate of return is maintained that is slightly higher than projected interest rates.

When the factors above are applied, the proposed overall inflationary uplift is **3.8%**.

#### 4.9 **Independent sector home care**

Employee costs remain the main single biggest expenditure item for home care agencies. There continue to be staff recruitment issues potentially affecting this sector, given competition from other employers (such as retail) where salary levels are competitive, incoming providers have also reported some difficulties in recruiting staff, particularly those from diverse backgrounds. As with care home rates, it is proposed that staffing, agency, training and recruitment costs within the model should be inflated to reflect the increase in the National Living Wage from April 2018 for employees over the age of 25 and whom are not already paid above the minimum wage (as above). A composite inflationary figure is therefore proposed of 4.03% which is based on the new hourly rate affecting 75% of the workforce. For all other areas of expenditure, as above, 3% inflation is proposed, providing an overall inflationary uplift figure in the model of 3.81% which has been rounded to provide an inflationary increase rate of **3.8%**.

#### 4.10 **Fee rate proposals – independent sector care homes**

The table below compares 2017/18 and proposed 2018/19 fee rates for standard residential, specialist dementia residential and nursing home placements.

Placement type	Current rate 2017/18 per week	Proposed rate 2018/19 per week
Residential	£476.21	£494.32
Nursing (net of RNCC)	£489.04	£507.62

We have previously paid a small additional dementia rate for customers with dementia placed at homes that have applied and met the Council's dementia standard criteria. The Council no longer operates this enhanced payment for any new customers or homes, so this additional fee has been removed.

#### 4.11 **Fee rate proposals – independent sector home care**

The table below compares the standard rates for 2017/18 and the proposed rates for 2018/19:

Service type	Unit	Current rate 2017/18	Proposed rate 2018/19
Day Time Care	Per Hour	£13.80	£14.32
	Per ¾ Hour	£10.35	£10.74
	Per ½ Hour	£6.90	£7.16
Night Time Care	Per Hour	£15.27	£15.85
	Per ¾ Hour	£12.65	£13.31
	Per ½ Hour	£10.22	£10.65
Weekend Care	Per Hour	£15.27	£15.85
	Per ¾ Hour	£12.65	£13.13

**4.12 Sleep in rates**

Recent employment case law has made many organisations move from paying staff a flat rate of about £40-£50 per night for providing sleeping night cover to paying at least the National Living Wage (NLW) of £7.83 an hour. This roughly doubles the cost to providers of night time cover. To cover the additional cost of Sleep in cover it is proposed to have an hourly rate of £10.18 which is the NLW plus 30% on costs to ensure providers will break even when providing sleep in cover. Work has been taking place over the past year once this issue was identified to minimize the financial impact of this to the Council, work has been underway to minimize the use of sleep ins by reviewing the customer needs, sharing waking night cover or using technology to monitor night movements.

**4.13 Charging for Social Care Services**

Charges for customers receiving community-based support or residential and nursing care support are governed by the Council's *Adult Social Care Charging Policy* underpinned by the Care Act 2014 and supporting statutory guidance.

- 4.14 In line with the *Adult Social Care Charging Policy*, customers receiving community-based support will be charged for the full cost of their social care support, subject to the limit of their assessable income and except where the Council has to provide the service free of charge. With the exception of some fixed-charge services, all people who are asked to make a contribution towards their care undergo a Financial Assessment to determine the amount that they can afford to contribute. Most people receive a subsidy and are not asked to pay the full cost of their care.

**4.15 Charges for external services**

In accordance with the *Adult Social Care Charging Policy*, the new proposed costs for independent sector provision described above will be passed on in full to customers for whom the Council arranges support, subject to the outcome of their Financial Assessment.

**4.16 Charges for In-house services**

The Council sets charges for the social care services that it provides directly so that where possible they are aligned with market prices.

**4.17 In-house long-term residential care home charges**

It is proposed to increase the charge from the current £476.22 per week to match the 2018/19 independent sector rate for residential homes of £494.32 per week.

**4.18 In-house short-term residential care charges**

The Council has chosen to set the charge for *Short Breaks in a Registered Care Home* for up to four weeks based on the minimum amount of benefit entitlement for the age of the customer less the statutory personal expenses allowance.

Where customers declare savings in excess of the upper capital threshold set by central government (£23,250 in 2017/18), the full cost charge is applied for short term residential care up to eight weeks, less an allowance of £40 per week to reflect the fact that the customer has to continue to maintain their own home.



Service Unit	Rate 2017/18	Proposed Rate 2018/19
Short Breaks of up to four weeks in a Registered Care Home Setting - under Pension Credit Age - over Pension Credit Age	£134.45 per week £80.75 per week	£81.75 per week £138.10 per week
Short term residential care up to eight weeks where the customer has savings exceeding the upper capital threshold and declares this on an SS66 form.	£436.22 per week	£454.32 per week

#### 4.19 Maximum contribution for community-based services

The Council has discretion under the Care Act 2014 to set a maximum contribution that a customer would be expected to pay towards the cost of their non-residential care. The Council has previously decided not to apply a cap, as set out in the *Adult Social Care Charging Policy*. No change is proposed.

Charges for Social Care Services	Limit 2017/18	Proposed Limit 2018/19
Maximum Contribution	No cap	No cap

#### 4.20 Community-based care charges

The following tables list the current charges and the proposed charges for each service with a 3.0% increase applied to homecare and 3.0% applied to all other community services. Where applicable, the proposed charges have been rounded down.

Service Unit	Rate 2017/18	Proposed Rate 2018/19
Day Care - Older People (Morleston)	£48.30 per day	£49.74 per day
Day Care - Aspect	£116.86 per day	£120.36 per day
Day Care - Inspire	£89.87 per day	£92.56 per day
Alternative Living Scheme	£20.69 per hour	£21.31 per hour
Transport	£3.66 per day	£3.76 per day



- 4.21 Meals are charged at full cost, so the charge will match the price agreed with the provider, which may or may not just be inflated by the general rate.

<b>Service Unit</b>	<b>Rate 2017/18</b>	<b>Proposed Rate 2018/19</b>
Meals – hot *	£6.18 per meal	£6.36 per meal
Meals – cold	£4.06 per meal	£4.18 per meal

There is currently a subsidy for hot meals provided at Derby City Council day centres:

* Hot meals provided at Day Centre	£3.66 per meal	£3.76 per meal
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4.22 **Carelink**

The Carelink charges were last reviewed in November 2012 when the funding stream changed and Housing Related Support (Supporting People funding) ended. The recommendations from that review were approved by Cabinet and the new charges introduced in April 2013. There has been no further change to the charges since then.

A review of the Carelink service has been underway to consider the business model for the service. It has resulted in a separate report that recommends changes to the charging structure.

4.23 **Shared Lives**

A review of the Shared Lives service has been underway to review the fees and charges for the service. The outcome of the review and a recommendation for changing the charging structure are being reported separately.

4.24 **Administration Charges**

**Deferred Payment Agreements**

The Care Act 2014 introduced a new duty for every local authority to offer a deferred payment scheme, meaning that no one should be forced to sell their home during their lifetime in order to pay for their residential care. Derby City Council already operated such a scheme. The Care Act guidance and regulations set out what local authorities can charge in interest on any amount deferred and the administrative charges which may be recovered in relation to deferred payment arrangements.

#### 4.25 Deferred Payment Agreement Set-up Charge

In the Care Act 2014 impact assessment, the Department of Health estimated that the cost to Councils of administering a Deferred Payment Agreement was £750. Local estimates of the costs incurred were in line with this, so for 2016/17, the Council set the charge for setting up a Deferred Payment Agreement at £750, and this has since been increased in line with the budgeted inflationary increase in income.

It is proposed to increase the set-up charge by 3.0%

The Council has previously chosen not to charge an annual administration charge for managing a Deferred Payment Agreement as set out in the *Adult Social Care Charging Policy*. No change is proposed.

Deferred Payment Agreement	2017/18 rate	Proposed 2018/19 rate
Set-up charge	£772.50	£795.67
Annual administration charge	None	None

#### 4.26 Deferred Payment interest rate

The Care Act 2014 regulations state that the interest rate applied to Deferred Payment Loans must be based on the cost of government borrowing - specifically, the 15-year average gilt yield - as set out by the Office for Budget Responsibility twice a year in their Economic and Fiscal Outlook report. The Care Act allows discretion for Councils to apply up to an additional 0.15% to this rate.

- From 1 Jan 2017 – 30 June 2017, the interest rate was based on the average gilt yield of 1.2% which was published in November 2016
- From 1 July 2017 until 31 December 2017, the interest rate was based on the average gilt yield of 1.5% which was published in March 2017
- From 1 Jan 2018 – 30 June 2018, the interest rate will be based on the average gilt yield of 1.3% which was published in November 2017
- From 1 July 2018 until 31 December 2018, the interest rate will be based on the average gilt yield to be published in March 2018
- From 1 Jan 2019 – 30 June 2019, the interest rate will be based on the average gilt yield to be published in November 2018

In line with a number of other local authorities in the region, the Council has previously decided to charge the maximum interest rate for deferred payments allowed under the Care Act 2014. No change is proposed.

Deferred Payment Agreement	2017/18 rate	Proposed 2018/19 rate
Interest rate premium	0.15%	0.15%

Interest will be compounded no more frequently than weekly.

**4.27 Self-funder community care administration charge**

As laid out in the *Adult Social Care Charging Policy*, Derby City Council applies charges to cover the administrative costs incurred when it organises community-based services on behalf of people who are able to pay for the full cost of their care (except where the local authority is required to arrange care and support free of charge).

- 4.28 The implementation of an administration charge in relation to people whose needs are to be met in care homes has been delayed nationally until April 2020 at the earliest.

It is proposed to increase the self-funder set-up and maintenance charges by 3.0%. The proposed rates for 2018/19 are as follows:

Service	Rate 2017/18	Proposed Rate 2018/19
Setting up a community care package	£93.73	£96.54
Annual maintenance for a community care package	£86.52	£89.11
Setting up a residential care package	Deferred to 2020/21	Deferred to 2020/21
Annual maintenance for a residential care package		

**4.29 Deputyship and Appointeeship service**

Where people do not have capacity to manage their own money (as evidenced by a Mental Capacity Assessment), they need someone to act on their behalf. Typically, a family member or close friend will take on this role, but some people do not have anyone in their circle of support willing to take on the role. A number of independent sector organisations offer this service for a charge, and social workers will normally seek to signpost customers and their families to these services. As a last resort, the Council is able to act as a Deputy or Appointee.

- 4.30 The basic Appointeeship service for someone living in the community involves receiving benefits on behalf of the customer, paying out a regular personal allowance and providing support to customers to pay their own bills. The enhanced Appointeeship service additionally includes debt management and paying utility bills on behalf of the customer. These additional tasks take more time and therefore the enhanced service has a higher charge.
- 4.31 Deputyship involves making decisions on behalf of the customer rather than just managing their money for them. The Court of Protection sets out the charges for Deputyship. On the rare occasions when we agree to apply for Deputyship on behalf of a customer, the charges from the court will be passed on to the customer, in addition to the enhanced Appointeeship service charge.

- 4.32 It is proposed to increase the Appointeeship service charges by 3.0% The proposed charges, which are subject to a Financial Assessment as described under the Care Act 2014, are:

<b>Appointeeship Service</b>	<b>Rate 2017/18</b>	<b>Proposed Rate 2018/19</b>
basic service (per month)	£25.75	£26.52
enhanced service (per month)	£46.35	£47.74

<b>OTHER OPTIONS CONSIDERED</b>
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- 5.1 The Council could determine not to award any inflationary increase to the fees it pays for in-house and independent sector care. This is not being recommended as having a sustainable and viable social care market is vital to ensuring that the Council can discharge its statutory duties in relation to vulnerable adults.
- 5.2 The Council could decide not to increase the charges it levies for in-house and independent sector care. This is not being recommended as it would create an unmanageable pressure in the adult social care budget.
- 5.3 The Council could decide not to exercise the powers granted in the Care Act 2014 to levy administrative charges for certain activities. This is not being recommended as it would create an unmanageable pressure in the adult social care budget.

**This report has been approved by the following officers:**

<b>Legal officer</b>	Olu Idowu, Head of Legal Services
<b>Financial officer</b>	Pete Shillcock, Group Accountant, Resources
<b>Human Resources officer</b>	n/a
<b>Estates/Property officer</b>	n/a
<b>Service Director(s)</b>	Pervuez Sadiq, Service Director – Adult Social Care Services Kirsty McMillan, Service Director – Integration & Direct Services
<b>Other(s)</b>	Sharon Green, Head of Direct Services

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications Appendix 2 – care home provider questionnaire Appendix 3 – home care provider questionnaire Appendix 4 – care home Model Appendix 5 – home care Model

Appendix 2



Care Home rate  
consultation question

Appendix 3



Dom Care rate  
consultation question

Appendix 4



final Care Home  
model 2018\_19.xls

Appendix 5



Homecare Inflation  
2018\_19 FINAL.xlsx

## IMPLICATIONS

### Financial and Value for Money

- 1.1 The proposals in this report will help the directorate to provide its statutory services within the available budget. The proposed fee increase for external care providers has taken into account inflationary pressures, specifically in relation to the ongoing national living wage rises. The proposed increases will be met by use of the Improved Better Care fund that the Council receives, part of which is to help support the local care market. Other measures such as demand management activity, such as diverting people into alternative low cost services and using preventative approaches such as Local Area Coordination and Talking Points will also be utilised to help manage cost pressures.

### Legal

- 2.1 The public sector equality duty, under section 149 of the Equality Act 2010, requires public bodies to have due regard to the need to eliminate discrimination and promote equality of opportunity for groups including disabled and older people. By ensuring that a fair price for care is paid and charged for, the Council will fulfil its duty by ensuring that older or disabled people are able to access care locally and from a viable, sustainable and high quality care sector.
- 2.2 Consultation on the Adult Social Care Charging Policy took place in 2015 the outcome of which has informed the content of this report; similarly, an equality impact assessment (EIA) of the impact of the Adult Social Care Charging Policy has been carried out. The EIA and a summary of its findings can be found on the Council website.

### Personnel

- 3.1 There are no personnel implications as a result of this report.

### IT

- 4.1 There are no IT implications as a result of this report.

### Equalities Impact

- 5.1 The people affected by these charges have protected characteristics under the Equality Act – however, everyone making a contribution towards the cost of their support undergoes a Financial Assessment to determine how much they can afford to contribute. Very few people pay the full rate for these services.

### Health and Safety

- 6.1 There are no health and safety implications as a result of this report.

## **Environmental Sustainability**

- 7.1 There are no environmental sustainability implications as a result of this report.

## **Property and Asset Management**

- 8.1 There are no property and asset management implications as a result of this report.

## **Risk Management and Safeguarding**

- 9.1 There are no risk management or safeguarding implications as a result of this report.

## **Corporate objectives and priorities for change**

- 10.1 This report supports Council Plan objectives that all people in Derby will enjoy good health and well-being via good quality services that meet local needs.