

## **Establishing Fee rates for 2016/17 for Care Homes commissioned by Derby City Council**

This paper sets out the proposed methodology to be used to set fee rates for care homes commissioned by Derby City Council from April 2016/17. The Council would request that any feedback to the proposals is received no later **than Friday 15th January 2016**, so that it can make final recommendations to the Council's Cabinet in time for the new financial year in April 2016.

Feedback should be provided to Leighann Woodhouse, Senior Service Quality & Brokerage Officer, [leighann.woodhouse@derby.gov.uk](mailto:leighann.woodhouse@derby.gov.uk) or by telephone – 01332 642942.

**Standard Care Home Fee Rates** - Each year the Council sets a fee rate for all new commissioned beds. All care homes that are currently paid on either the elderly or dementia rates have been invited to engage with the development of the cost model to be used to determine fees for 2016/17. The proposed cost model builds on that which was used for 2015/16, identifying costs against the main areas of care home expenditure expressed as "cost per resident per week". It also uses information provided by twelve residential and nursing homes who completed a questionnaire that had been devised with input from providers. In addition, one home provided details of all their actual costs over the previous 12 months which has been used to sense check the overall assumptions about costs.

The Council now seeks views on the specific proposed elements of the cost model as detailed below.

**2016/17 inflationary pressures** - For staffing, agency and recruitment costs, the Council proposes to inflate all wage related costs within the model to reflect the increase in the National Minimum Living Wage from April 2016 for employees over the age of 25. A composite inflationary figure is proposed of 5.9% which is based on the new hourly rate affecting 75% of the workforce (taking into account those already above minimum wage and those under 25).

During the calendar year of 2015, inflation has been extremely low, and in some months, ONS data has indicated negative inflation rates. Although inflation remains low, the Council proposes to apply a 1.5% inflationary uplift in most general cost areas within the model, including utilities.

We propose to retain the same rate of return and void allowance that have been previously assumed in the model across all cost lines. Low inflation has meant that interest rates have broadly remained the same, or fallen, and indications from homes suggest that occupancy levels have remained high throughout the year.

The cost model is below, which shows that when the factors above are applied, the proposed overall inflationary uplift is **4.78%**. Given wider Council budget pressures,

**Appendix 2**

we believe this represents a fair and reasonable rate demonstrating our on-going commitment to the care sector.

**Appendix 2**

	<b>15/16</b>	<b>16/17 Inflation</b>	<b>16/17 fee</b>	<b>Staffing costs inflation</b>		
<u>Care Costs</u>	£	%	£	75%	241.2329	7.20%
Staff costs	321.64	5.90%	340.62	25%	80.41096	2.00%
Agency	9.19	5.90%	9.74		321.6439	
Motivator provision	0.24	1.50%	0.25			<b>5.90%</b>
Staff clothing	0.48	1.50%	0.49			
Staff training, recruitment	0.16	5.90%	0.17			
Food	27.91	1.50%	28.33			
Consumables and equipment	0.16	1.50%	0.16			
Medical expenses and care services	1.57	1.50%	1.59			
Travelling expenses	0.09	1.50%	0.10			
Entertainment	1.05	1.50%	1.07			
<u>Establishment costs</u>						
Waste disposal	0.86	1.50%	0.87			
Council tax, water and insurance	5.94	1.50%	6.03			
Fire equipment and environmental health	1.43	1.50%	1.45			
Heat and light	19.20	1.50%	19.49			
Change of resident	0.08	1.50%	0.08			
Cleaning and consumables	2.21	1.50%	2.24			
Bedding and linen	4.06	1.50%	4.12			
Crockery, cutlery and utensils	0.10	1.50%	0.10			
Repairs and renewals	2.72	1.50%	2.76			
Funding repairs	0.22	1.50%	0.23			
Residents Xmas gifts	0.06	1.50%	0.07			
Fixture and fitting replacement	3.68	1.50%	3.74			
Funding from F&F Reserve	0.00	1.50%	0.00			
Service contracts	6.72	1.50%	6.82			
Electrical modifications	0.47	1.50%	0.48			
Sundry expenses	4.63	1.50%	4.70			
Gardening	0.08	1.50%	0.08			
<u>Administrative overheads</u>						
Office stationery	0.89	1.50%	0.90			
Contribution to head office costs	9.59	1.50%	9.73			
Sundry office expenses	0.43	1.50%	0.43			
Telephone and communications	1.55	1.50%	1.57			
Professional charges	0.32	1.50%	0.33			
Registration fees	2.75	1.50%	2.79			
Capital Cost	9.01	0.00%	9.01			
	£		£			
<b>Total Cost</b>	<b>439.50</b>		<b>460.52</b>			
<b>Composite Inflation (%)</b>			<b>4.78%</b>			

