



Derby City Council

COUNCIL CABINET
8 February 2017

ITEM 13

Report of the Cabinet Member for Integrated
Health and Care

Adult Social Care Fees and Charges 2017/18

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 2017/18 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 from April 2017. The report sets out details of the funding model itself and the proposed rates for 2017/18.
- 1.2 This report also sets out the proposed charges for Council-provided residential and community care services for 2017/18, which is the annual review set out in Council’s Adult Social Care Charging Policy.
- 1.3 The proposed Council Budget in 2017/18 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 fees and charges. It must be noted that the full cost is only paid by around a fifth of customers, the majority are means tested. This report sets out the proposed charges for 2017/18 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 3.41% 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 2017.
- 2.2 To approve a 3.3% fee increase for standard independent sector homecare services.

- 2.3 To approve increases to the charging rates for 2017/18 of 3.0% for residential and nursing placements, 3.0% for homecare services and 3.0% for all other fees and charges.
- 2.4 To approve that all the new rates will apply from 10 April 2017 (in line with the date of the rise in state benefits for 2017).

REASONS FOR RECOMMENDATION

- 3.1 The Council's fee rate model for residential care homes and home care, as set out in Appendix 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 2016 was similar to that used from 2013 to 2015. Two workshops were 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 Appendix 2 and 3). The proposed fee rates and methodology were then distributed for consultation (see Appendix 4 and 5) assisted by the information gathered in the questionnaire.
- 4.2 10 independent sector residential and nursing home establishments returned the questionnaire and the Derbyshire Care Homes association also proved 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 with three home care providers accepting the invitation to have a face to face meeting.
- 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 88%. Eight of the 10 homes who responded provide nursing care.
- 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. Derby City placements ranged from 69% to 28% of occupied beds.
- 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. Pressures were reported in relation to the amounts spent on recruitment and training, although their main concern was a further increase due to the new National Living Wage being set by the government from April 2017 for those over 25. 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 (the questionnaire did not however gather specific details on this). Some Nursing Homes also reported cost pressures regarding agency Nursing staff with some stating increases of over 30%.

Although asked to, not all respondents had estimated the cost per week of the increased National Living Wage (to be expressed as the increase in weekly fee per resident). The average of the estimates provided was £9.66 per week and they ranged from £1.26 to £17.53.

4.5 Other factors in care home costs

Rate of return – a question was asked about this in the questionnaire and the homes and Derbyshire Care Homes Association replied stating that they felt the Council's allowance was inadequate. Most said they would be expecting a 10-15% return, with one larger organisation stating just over 3%.

The auto-enrolment into work place pension schemes was another area that the questionnaire explored. Although some homes provided details of the impact of this, others stated they had already absorbed the costs in previous years.

Information was sought from homes about whether staffing levels have increased over recent years due to a perceived increase in the complexity of care needs for people residing in residential and nursing homes. Information provided was not however conclusive, with most homes stating they had seen either no change or a small increase in the ratio between residents to staff in the previous 12 months; others stated they had seen a small decrease in ratios. More analysis would be needed on this for this to be a factor within the fee setting model, particularly given that the Council does not provide referrals for all available beds (45% being occupied by self funders or other statutory agencies).

Repairs and upkeep of properties were described as a cost pressure by some 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

Four 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 80% of staff employed by the organisations will need to have their pay inflated from April 2017. 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. Whilst hourly rates were felt to be prohibitively low, providers reported that the portion of the hourly payment applied to shorter visits made services more viable.

4.7 Proposed 2017/18 inflationary pressures

Consultation process

All care home and home care agencies were written to at the end of December 2016 with the proposed inflationary increase for 2017, expressed as a %.

Feedback from consultation

The proposed fee uplift figures for Home Care and Residential Care were sent to providers for consultation between the 22nd December 2016 and 13th January 2017. Only one response to the consultation was received this was from a Homecare provider who undertook some analysis of their costs and typical care packages to suggest that a fee uplift of 4.65% should be implemented in order to stabilise the market. The 4.2% increase reflected in the rise of the minimum wage should be reflected for all employees in the sector. The significant impact of the Apprenticeship Levy on larger providers was also raised by the same provider. Whilst these cost pressures are recognised, the proposed fee uplift is above inflation and represents an option which is affordable for the Council.

4.8 Independent sector residential/nursing care homes

During the calendar year of 2016, inflation has been extremely low; however there are indications that during 2017 inflation could rise to 4%. Although inflation remains low, it is proposed that the Council applies a 2.9% inflationary uplift in most general cost areas within the model, including utilities. This rate anticipates the average inflation that may be applicable during 2017/18.

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 30p per hour in the National Living Wage from April 2017 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 3.64% 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 additional cost of the Apprenticeship Levy will not impact on all providers as an organisation will need 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 2.88% is increased to 3.23% in anticipation of an increase in the coming year of interest rates by around 0.25% and the void allowance is increased to 10% from the 6% that have been previously assumed in the model is applied across all cost lines. Interest rates have broadly remained the same during 2016; it is therefore proposed that a rate of return is maintained that is slightly higher than projected interest rates. The void allowance proposed reflects the decrease in occupancy levels reported by those homes that completed the questionnaire.

When the factors above are applied, the proposed overall inflationary uplift is **3.41%**.

4.9 Independent sector home care

Employee costs remain the main single biggest expenditure item for home care agencies. There continue to be well-documented media and industry reports about the 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 2017 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 3.64% which is based on the new hourly rate affecting 75% of the workforce. For all other areas of expenditure, as above, 2.9% inflation is proposed, providing an overall inflationary uplift of **3.3%**.

4.10 Fee rate proposals – independent sector care homes

The table below compares 2016/17 and proposed 2017/18 fee rates for standard residential, specialist dementia residential and nursing home placements.

Placement type	Current rate 2016/17	Proposed rate 2017/18
Residential	£460.52	£476.22
Residential (dementia)	£498.44	£515.44
Nursing (net of RNCC)	£472.91	£489.04

As in previous years, the dementia rate is only payable for placements of customers with dementia placed at homes that have applied for dementia status and that have met the Council's dementia standard criteria.

4.11 The table below compares 2016/17 and proposed 2017/18 standard fee rates for other residential and nursing home placements.

Placement type	Current rate 2016/17	Proposed rate 2017/18
Mental Ill Health – Residential	£406.27	£420.12
Mental Ill Health - Nursing (net of RNCC)	£448.42	£463.71
Learning Disabilities – Residential	£461.14	£476.86
Learning Disabilities - Nursing (net of RNCC)	£462.31	£478.07
Physical or Sensory Impairment –Residential	£519.52	£537.24
Physical or Sensory Impairment - Nursing (net of RNCC)	£521.85	£539.65
Drugs/Alcohol – Residential	£406.27	£420.12
Drugs/Alcohol - Nursing (net of RNCC)	£448.42	£463.71

4.12 Fee rate proposals - independent sector home care

The table below compares the standard rates for 2016/17 and the proposed rates for 2017/18:

Service type	Unit	Current rates 2016/17	Proposed rates 2017/18
Day Time Care	Per Hour	£13.36	£13.80
	Per ¾ Hour	£10.02	£10.35
	Per ½ Hour	£6.68	£6.90
Night Time Care	Per Hour	£14.78	£15.27
	Per ¾ Hour	£12.25	£12.65
	Per ½ Hour	£9.89	£10.22
Weekend Care	Per Hour	£14.78	£15.27
	Per ¾ Hour	£12.25	£12.65
	Per ½ Hour	£9.89	£10.22
Sleep-in Care	Per hour	£8.48	£8.76

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 are not asked to pay the full cost of their care.

4.15 Charges for external services

In accordance with existing policies, 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 £460.52 per week to match the 2017/18 independent sector rate for residential homes of **£476.22** per week.

4.18 In-house short-term residential care charges

The Council has previously chosen to set the charge for *Short Breaks in a Registered Care Home setting* based on the minimum amount of benefit entitlement for the age of the customer less the statutory personal expenses allowance for breaks of up to 4 weeks.

Where customers declare savings in excess of the upper capital threshold set by central government (£23,250 in 2016/17), the full cost charge is applied for short term residential care up to eight weeks, less an allowance of £40 per week to reflect that the customer has to continue to maintain their own home.

These rates have previously been based on Income Support rates but from 2015/16, they have been based on Employment and Support Allowance (ESA)

Service Unit	Rate 2016/17	Proposed Rate 2017/18
Short Breaks of up to four weeks in a Registered Care Home Setting - under Pension Credit Age - over Pension Credit Age	£80.45 per week £130.70 per week	tbc Feb 2017 – awaiting information from DWP
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.	£420.52 per week	£436.22 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 2016/17	Proposed Limit 2017/18
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 2016/17	Proposed Rate 2017/18
In house home care	£16.17 per hour	£16.65 per hour
Day Care - Older People (Morleston, Coleridge and Bramblebrook)	£46.90 per day	£48.30 per day
Day Care - Aspect	£113.46 per day	£116.86 per day
Day Care - Inspire	£87.26 per day	£89.87 per day
Alternative Living Scheme	£20.10 per hour	£20.69 per hour
Transport	£3.55 per day	£3.66 per day
Meals – hot	£6 per meal	£6.18 per meal
Meals – cold	£3.95 per meal	£4.06 per meal

4.21 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 or review of the charges since then, and no changes in pricing for 2017/18 are recommended as part of this report,

A further review the Carelink service is currently underway which will consider the business model for the service and may recommend changes to the charging structure. The outcome of this review will be reported separately.

4.22 Shared Lives

The current financial assessment and charging structure for the Shared Lives service is means tested. The means test used differs from the Care Act 2014 financial assessment. A review of the Shared Lives service is underway, which as well as looking at the charging approach will also determine whether the service should be means tested under the Care Act 2014 financial assessment in future.

It is proposed to increase the current charges for each service by 3.0%.

Service Unit	Rate 2016/17	Proposed Rate 2017/18
Shared Lives - Day Support (7 hour period)	£48.83	£50.29
Shared Lives - Overnight stay (24 hour period)	£60.02	£61.82
Shared Lives - Long Term stay maximum cost	£407.88 per week	£420.11 per week

The review of the Shared Lives service will also consider whether it would be appropriate to introduce tiered charging rates linked to higher levels of support needed by more complex cases. The outcome of the review and any recommendations for changing the charging structure will be reported separately.

4.23 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.

4.24 Deferred Payment Agreement Set-up Charge

In the national 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.

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	2016/17 rate	Proposed 2017/18 rate
Set-up charge	£750	£772.50
Annual administration charge	None	None

4.25 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 will be based on the average gilt yield of 1.9% which was published in November 2016
- From 1 July 2017 until 31 December 2017, the interest rate will be based on the average gilt yield to be published in March 2017
- From 1 Jan 2018 – 30 June 2018, the interest rate will be based on the average gilt yield to be published in November 2017

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	2016/17 rate	Proposed 2017/18 rate
Interest rate premium	0.15%	0.15%

Interest will be compounded no more frequently than weekly.

4.26 Self-funder community care administration charge

Derby City Council charges to cover 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.

- 4.27 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.

The proposed rates for 2017/18 are as follows:

Service	Rate 2016/17	Proposed Rate 2016/17
Setting up a community care package	£91	£93.73
Annual maintenance for a community care package	£84	£86.52
Setting up a residential care package	Deferred to 2020/21	Deferred to 2020/21
Annual maintenance for a residential care package		

4.28 Protecting property of adults being cared for away from home

Local authorities must take all reasonable steps to protect the moveable property of an adult with care and support needs who is being cared for away from home in a hospital or in accommodation such as a care home, and who cannot arrange to protect their property themselves; this could include their pets as well as their personal property for example, private possessions and furniture. Local authorities must act where it believes that if it does not take action there is a risk of moveable property being lost or damaged.

If costs are incurred, or if there are on-going costs, the local authority can recover any reasonable expenses they incur in protecting property under this duty from the adult whose property they are protecting. The Council will seek to collect any such reasonable expenses in full from the customer.

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 to these services. As a last resort, the Council is able to act as a Deputy or Appointee.

- 4.30 The basic Appointeeship service 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. 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 Appointeeship charge for complex cases.
- 4.32 The proposed charges, which are subject to a Financial Assessment as described under the Care Act 2014, are:

Appointeeship Service	Rate 2016/17	Proposed Rate 2017/18
basic service	£25 per month	£25.75 per month
enhanced service	£45 per month	£46.35 per month

OTHER OPTIONS CONSIDERED

- 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:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu, Head of Legal Services Pete Shillcock, Group Accountant, Resources n/a n/a Perveez Sadiq, Service Director – Adult Social Care Services Kirsty Everson, Acting Service Director – Integration & Direct Services Keith Watkins, Senior Office Manager – Integration & Direct Services
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Appendix 2



Dom Care rate
consultation question

Appendix 3



Care Home rate
consultation question

Appendix 4



APPENDIX 4 fee
Process Dec 2016 car

Appendix 5



APPENDIX 5 fee
Process Dec 2016 hor

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 new national living wage rises. The proposed increases will be contained within existing budgets through demand management activity, such as diverting people into alternative low cost services and using preventative approaches such as Local Area Coordination.

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 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.