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Intelligence

## **Adult Social Care Fees and Charges 2019/20**

### **Purpose**

- 1.1 Under the Care Act 2014, Councils have a duty to ensure that there is a sustainable and affordable social care market locally. This includes establishing fee levels that providers will expect to receive for commissioned care that is delivered to meet a person's needs. To ensure that the Council is aware of and taking account of the cost pressures affecting local providers of care, engagement and consultation with independent sector providers has been undertaken in recent months. This has been focused on those providers operating "standard" care i.e. not those dealing with more complex levels of care. This report summarises the engagement findings, the reported cost pressures and feedback from providers. The report sets out details of the funding model itself and the proposed rates for 2019/20 for standard residential / nursing care and for homecare services.
- 1.2 This report also sets out the proposed charges for Council-provided adult social care services for 2019/20, which forms the annual review referred to in the Council's Adult Social Care Charging Policy. A review of the Shared Lives and Carelink service is underway which will consider potential changes to the charging structure for the service. The outcome of that review in terms of any changes on fees will be reported separately.
- 1.3 It should be noted that the full cost of care services is only paid by around a tenth of customers, the majority are subsidised following the outcome of a Financial Assessment.

### **Recommendations**

- 2.1 To approve a **3.11%** fee increase for independent sector standard residential care and nursing care weekly fee rates (net of the Registered Nursing Care contribution) from April 2019.
- 2.2 To approve a **2.7%** fee increase for standard independent sector homecare services from April 2019.
- 2.3 To approve an increase to the charging rates for Council provided services of **3.0%** from April 2019.

- 2.4 To approve that all the new rates will apply from 08 April 2019 (in line with the date of the rise in state benefits for 2019/20).

## **Reasons**

- 3.1 The Council must publish its intended fees for care taking into account market conditions and cost pressures. The Care Act requires this as part of Council's "market shaping" duties which also require Councils to hold sufficient intelligence about their local care market. General information and consultation feedback from independent sector care providers has therefore been gathered, analysed, largely focusing on specific inflationary and cost pressures affecting care businesses. The Council's fee rate model for residential care homes and home care, as set out in Appendixes 3 and 4, has been adjusted and builds on the methodology used by the Council in previous years.
- 3.2 Maintaining income levels for Council-provided services is crucial to the management of the overall budget for the Council. This includes considering whether care services that are directly provided need to have their charges increased in line with inflation.
- 3.3 The proposed start of all charges date aligns with the date that the Department of Work and Pensions (DWP) benefit rates change.

## **Supporting information**

### **4.1 Independent Sector fees**

Under the Care Act, Councils have a duty to ensure that the fee paid to providers of care is able to create stability and sustainability within the local market. Councils are expected to engage with care providers and use market intelligence before setting fee levels. An engagement exercise has taken place whereby providers were encouraged to provide details of their costs pressures to inform the process. This took the form of issuing a survey so providers could share financial information as to where their projected increases and cost pressures were likely to be for 2019. Surveys that were returned have been analysed, and in addition discussions have taken place with interested care home and homecare providers to allow a further discussion on the issues. The final proposed rate was also consulted upon.

### **4.2 Cost pressures reported by nursing and residential care homes**

From the surveys returned, the rise in the National Living Wage by 4.9% was the main cost pressure highlighted and some homes also highlighted a high increase in auto pension enrolment for staff. The homes returned figures showing that costs for direct care staff were expected to rise in 2019/20 by an average of 5% but in the main, domestic, kitchen and management/ administrative staff costs would reduce.

Average occupancy levels were 83% and 90% for 2017/18 and 2018/19 (to date) respectively. The homes which responded to the questionnaire indicated that the planned Care Quality Commission (CQC) regulatory fees would only have a small impact on their overall costs. From a specific meeting that took place as part of the engagement process, further significant cost pressure themes emerged including:

- difficulties in recruiting and retaining new staff after investment
- insufficient staff capacity and quality resulting in safety and dignity of the residents being compromised
- increased requirements around mandatory training and meeting current and new regulations
- equipment costs where most residents need profiling beds, rise/recliner chairs for example
- higher costs in meeting residents care/health needs (staff ratios/training)
- funding not enough to sustain
- Utilities and service contracts had also increased.

#### 4.3 Feedback also indicated other 'knock on' issues such as:

- significant delays in payment from the Council affecting cashflow
- relatives not paying 'top ups' or not turning up for appointments
- free training being withdrawn from the Council
- Additional time pressures caused by care planning audits and waiting for Occupational Therapy assessments.

#### 4.4 **Cost pressures reported by independent sector home care agencies**

Again the National Living Wage was cited as one of the highest cost pressures going forward for 2019/20 (with some organisations indicating significant increases being required). In addition, providers were concerned about the salary differentiation closing between workers and managers as a result. Other pressures included increases in the NEST Government Pension Scheme and CQC regulatory fees – and whilst significant for a couple of larger providers this wasn't the case for all.

From the specific engagement meeting held with interested providers, similar cost pressures to Care Homes emerged around recruitment and retention of staff and the loss of investment resulting in new starters leaving early in their employment. Again, feedback also indicated other 'knock on' issues such as significant delays in payment from the Council affecting cash flow with an indication that the 8% late payment charge may be levied on the Council to manage this impact. Providers also indicated that more 'private' packages (i.e self funders) were being sought as those were perceived as being more viable than those individuals referred by the Council. More detailed analysis would be needed to understand this perception better.

#### 4.5 **Proposed inflationary uplift - residential/nursing care homes**

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 38p per hour in the National Living Wage from April 2019 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 4.0% 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 for larger Care Homes which are part of large national bodies 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.

It is proposed that the Council applies a 0% inflationary uplift in most general cost areas within the model, and a 1% inflationary uplift for utilities.

When the factors above are applied, the proposed overall inflationary uplift is **3.11%**. The table below compares 2018/19 and proposed 2019/20 fee rates for standard residential and nursing home placements.

| Placement type        | Current rate 2018/19 per week | Proposed rate 2019/20 per week |
|-----------------------|-------------------------------|--------------------------------|
| Residential           | £494.32                       | £509.69                        |
| Nursing (net of RNCC) | £507.62                       | £523.40                        |

#### 4.6 Proposed inflationary uplift - Independent sector home care

Employee costs remain the main single biggest expenditure item for home care agencies. There continues to be staff recruitment issues potentially affecting this sector, given competition from other employers (such as retail) where salary levels are comparable.

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 2019 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 4.0% which is based on the new hourly rate affecting 75% of the workforce. For all other areas of expenditure, as above, 0% inflation is proposed in most general cost areas within the model, and a 1% inflationary uplift for indirect office costs, providing an overall inflationary uplift figure in the model of **2.7%**.

The table below compares the standard rates for 2018/19 and the proposed rates for 2019/20:

| Service type    | Unit         | Current rate 2018/19 | Proposed rate 2019/20 |
|-----------------|--------------|----------------------|-----------------------|
| Day Time Care   | Per Hour     | £14.32               | £14.70                |
|                 | Per ¾ Hour   | £10.74               | £11.02                |
|                 | Per ½ Hour   | £7.16                | £7.35                 |
|                 | Per ¼ Hour * | £4.86                | £4.99                 |
| Night Time Care | Per Hour     | £15.85               | £16.27                |
|                 | Per ¾ Hour   | £13.13               | £13.48                |

|              |              |        |        |
|--------------|--------------|--------|--------|
|              | Per ½ Hour   | £10.65 | £10.92 |
|              | Per ¼ Hour * | £7.25  | £7.43  |
| Weekend Care | Per Hour     | £15.85 | £16.27 |
|              | Per ¾ Hour   | £13.13 | £13.48 |
|              | Per ½ Hour   | £10.65 | £10.92 |
|              | Per ¼ Hour * | £7.25  | £7.43  |
| Sleep in     | Per Hour     | £10.18 | £10.45 |

\* ¼ Hour calls are only commissioned for medication-only visits

#### 4.7 **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.

- 4.8 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.

#### 4.9 **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.

#### 4.10 **Charges for Council provided residential care**

The Council sets charges for the social care services that it provides directly so that where possible they are aligned with market prices. In-house residential care is provided at the same rate as independent sector placements because it would be inequitable to charge more or less for Council-provided care home places. It is therefore proposed to increase the charge by 3% from the current £494.32 per week to match the 2019/20 independent sector rate for residential homes of £509.69 per week.

#### 4.11 **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 2018/19), 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 2018/19 | Proposed Rate 2019/20                             |
|-------------------------------------------------------|--------------|---------------------------------------------------|
| Short Breaks of up to four weeks in a Registered Care |              | subject to confirmation of DWP rates in Feb 2019: |

|                                                                                                                                                       |                                     |                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Home Setting<br>- under Pension Credit Age<br>- over Pension Credit Age                                                                               | £81.75 per week<br>£138.10 per week | £82.55 per week<br>£141.65 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. | £454.32 per week                    | £469.69 per week                    |

#### 4.12 **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.

| <b>Charges for Social Care Services</b> | <b>Limit 2018/19</b> | <b>Proposed Limit 2019/20</b> |
|-----------------------------------------|----------------------|-------------------------------|
| Maximum Contribution                    | No cap               | No cap                        |

#### 4.13 **Council provided Community-based care charges**

The following tables list the current charges and the proposed charges for each in-house service with a **3.0%** increase applied in line with the increase in income for adult social care included in the proposed 2019/20 Council budget. Where applicable, the proposed charges have been rounded down.

| <b>Service Unit</b>                 | <b>Rate 2018/19</b> | <b>Proposed Rate 2019/20</b> |
|-------------------------------------|---------------------|------------------------------|
| Day Care - Older People (Morleston) | £49.74 per day      | £51.23 per day               |
| Day Care - Aspect                   | £120.36 per day     | £123.97 per day              |
| Day Care - Inspire                  | £92.56 per day      | £95.33 per day               |
| Alternative Living Scheme           | £21.31 per hour     | £21.94 per hour              |
| Transport                           | £3.76 per day       | £3.87 per day                |

The future provision of these services is subject to a separate consultation and it may be that some of these services will no longer be available in 2019/2020.

#### 4.14 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 2018/19</b> | <b>Proposed Rate 2019/20</b> |
|---------------------|---------------------|------------------------------|
| Meals – hot *       | £6.36 per meal      | £6.36 per meal               |
| Meals – cold        | £4.18 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 | £3.76 per meal | £3.87 per meal |
|------------------------------------|----------------|----------------|

#### 4.15 **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.

#### 4.16 **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.

#### 4.17 **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.

#### 4.18 **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.

| <b>Deferred Payment Agreement</b> | <b>2018/19 rate</b> | <b>Proposed 2019/20 rate</b> |
|-----------------------------------|---------------------|------------------------------|
| Set-up charge                     | £795.67             | £819.54                      |
| Annual administration charge      | None                | None                         |

#### 4.19 **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 2018 – 30 June 2018, the interest rate was 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 was based on the average gilt yield of 1.7% which was published in March 2018
- From 1 Jan 2019 – 30 June 2019, the interest rate will be based on the average gilt yield of 1.5% which was published in October 2018
- From 1 July 2019 until 31 December 2019, the interest rate will be based on the average gilt yield to be published in March 2019
- From 1 Jan 2020 – 30 June 2020, the interest rate will be based on the average gilt yield to be published in November 2019

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 | 2018/19 rate | Proposed 2019/20 rate |
|----------------------------|--------------|-----------------------|
| Interest rate premium      | 0.15%        | 0.15%                 |

Interest will be compounded daily.

#### 4.20 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).

- 4.21 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 2019/20 are as follows:

| Service                                           | Rate 2018/19                        | Proposed Rate 2019/20               |
|---------------------------------------------------|-------------------------------------|-------------------------------------|
| Setting up a community care package               | £96.54                              | £99.43                              |
| Annual maintenance for a community care package   | £89.11                              | £91.78                              |
| Setting up a residential care package             | Deferred to 2020/21 at the earliest | Deferred to 2020/21 at the earliest |
| Annual maintenance for a residential care package |                                     |                                     |

#### 4.22 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.

- 4.23 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.
- 4.24 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.
- 4.25 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 2018/19</b> | <b>Proposed Rate 2019/20</b> |
|------------------------------|---------------------|------------------------------|
| basic service (per month)    | £26.52              | £27.31                       |
| enhanced service (per month) | £47.74              | £49.17                       |

## **Public/stakeholder engagement**

- 5.1 The methodology for developing Council fee rate proposals for independent sector providers with “standard” terms and conditions during 2018 was similar to that used from 2013 to 2017. All contracted providers were invited to evidence their cost base and pressures by returning a questionnaire (see Appendices 2 and 3). However only five independent sector residential and nursing home establishments and four independent sector home care organisations returned the questionnaire. The information returned in the questionnaires was used to assist the analysis for the fee model (appendices 3 and 4). In addition, meetings were held with interested providers on the 28<sup>th</sup> November to discuss their views and experiences of the pressures faced by the sector in more detail.
- 5.2 The proposed fee rates for 2019/20, expressed as **3.11%** for Care Homes and **2.7%** for Home Care providers, were then distributed for further feedback between 20th December 2018 and 7th January 2019.

- 5.3 Feedback on the proposed fee rates was received from three Care Homes (with one only querying the uplift in the model for senior and management staff which was clarified to them) and four Home Care organisations. The key concerns strongly highlighted from both market sectors were that the proposed fee rates were insufficient to meet pressures resulting from increased National Living Wage, pension, CQC requirements, recruitment and retention, training, apprenticeship levy and general running costs.

Feedback was also received outside the consultation process from one Nursing Home which echoed the above as well as highlighting cost pressures in specifically recruiting nursing staff and rises in food prices.

However, in consideration of the small number of providers who have responded, affordability for the Council and the Council's 2018/19 fee increase of 3.8% for both independent contracted Care Homes and Home Care organisations the proposed 2019/20 fee rates are deemed appropriate within the Directorate's parameters for these market sectors.

### **Other options**

- 6.1 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.
- 6.2 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.
- 6.3 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.

### **Financial and value for money issues**

- 7.1 The proposals in this report will help the Council 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. 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 implications**

- 8.1 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.

- 8.2 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 here: <https://www.derby.gov.uk/community-and-living/equality-diversity/equality-impact-assessments/>

## Other significant implications

### 9.1 Equalities Impact

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.

This report has been approved by the following people:

| Role                       | Name                                                             | Date of sign-off |
|----------------------------|------------------------------------------------------------------|------------------|
| <b>Legal</b>               | Olu Idowu, Head of Legal Services                                | 16 Jan 2019      |
| <b>Finance</b>             | Alison Parkin, Head of Finance                                   | 3 Jan 2019       |
| <b>Service Director(s)</b> | Perveez Sadiq, Director of Adult Social Care                     | 10 Jan 2019      |
|                            | Kirsty McMillan, Director of Integration and Direct Services     | 10 Jan 2019      |
| <b>Report sponsor</b>      | Andy Smith, Strategic Director for People Services               | 10 Jan 2019      |
| <b>Other(s)</b>            | Jackie Costello, Strategic Commissioning and Partnership Manager | 7 Jan 2019       |
|                            | Sharon Green, Head of Direct Services                            | 17 Jan 2019      |
|                            | Amy Jones, Head of Commissioning and Market Management           | 16 Jan 2019      |

|                            |                                                                                                                                                                |
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| <b>List of appendices:</b> | Appendix 1 – care home provider questionnaire<br>Appendix 2 – home care provider questionnaire<br>Appendix 3 – care home Model<br>Appendix 4 – home care Model |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### Appendix 1



2019-20 CARE HOME  
FEE SETTING CONSUL

#### Appendix 2



2019-20 HOME CARE  
FEE SETTING CONSUL

#### Appendix 3



2019-20 Care homes  
fee increase workings

#### Appendix 4



2019-20 homecare  
rate workings.xlsx