

Establishing Fee rates for 2017/18 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 2017/18. The Council would request that any feedback to the proposals is received no later **than Friday 13th January 2017**, so that it can make final recommendations to the Council's Cabinet in time for the new financial year in April 2017.

Feedback should be provided to Leighann Holland, Senior Service Quality & Brokerage Officer, leighann.holland@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 2017/18. The proposed cost model builds on that which was used for 2016/17, identifying costs against the main areas of care home expenditure expressed as "cost per resident per week". It also uses information provided by 10 residential and nursing homes who completed a questionnaire that had been devised with input from providers.

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 2017 for employees over the age of 25. A composite inflationary figure is proposed of 3.64% 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 2016, inflation has been extremely low, and in some months, ONS data has indicated negative inflation rates. Although inflation remains low there are indications it will rise during the coming year, the Council proposes to apply a 2.9% inflationary uplift in most general cost areas within the model, including utilities.

We propose to increase the rate of return by 0.5% to take into account possible interest rate rises and retain the current 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, though slightly lower than last year.

The cost model is below, which shows that when the factors above are applied, the proposed overall inflationary uplift is **3.41%**. Given wider Council budget pressures,

Appendix 4

Inflation	15/16	16/17 Inflation	16/17 fee	17/18	
<u>Care Costs</u>					
Staff costs	321.64	5.90%	340.62	3.64%	353.02
Agency	9.19	5.90%	9.74	3.64%	10.09
Motivator provision	0.24	1.50%	0.25	2.90%	0.25
Staff clothing	0.48	1.50%	0.49	2.90%	0.50
Staff training and recruitment	0.16	5.90%	0.17	3.64%	0.18
Food	27.91	1.50%	28.33	2.90%	29.15
Consumables and equipment	0.16	1.50%	0.16	2.90%	0.17
Medical expenses and care services	1.57	1.50%	1.59	2.90%	1.64
Travelling expenses	0.09	1.50%	0.10	2.90%	0.10
Entertainment	1.05	1.50%	1.07	2.90%	1.10
	362.51		382.51		396.20
<u>Establishment costs</u>					
Waste disposal	0.86	1.50%	0.87	2.90%	0.89
Council tax, water and insurance	5.94	1.50%	6.03	2.90%	6.21
Fire equipment and environmental health	1.43	1.50%	1.45	2.90%	1.50
Heat and light	19.20	1.50%	19.49	2.90%	20.05
Change of resident	0.08	1.50%	0.08	2.90%	0.08
Cleaning and consumables	2.21	1.50%	2.24	2.90%	2.30
Bedding and linen	4.06	1.50%	4.12	2.90%	4.24
Crockery, cutlery and utensils	0.10	1.50%	0.10	2.90%	0.10
Repairs and renewals	2.72	1.50%	2.76	2.90%	2.84
Funding repairs	0.22	1.50%	0.23	2.90%	0.23
Residents Xmas gifts	0.06	1.50%	0.07	2.90%	0.07
Fixture and fitting replacement	3.68	1.50%	3.74	2.90%	3.84
Funding from F&F Reserve	0.00	1.50%	0.00	2.90%	0.00
Service contracts	6.72	1.50%	6.82	2.90%	7.02
Electrical modifications	0.47	1.50%	0.48	2.90%	0.49
Sundry expenses	4.63	1.50%	4.70	2.90%	4.84
Gardening	0.08	1.50%	0.08	2.90%	0.08
	52.46		53.25		54.79
<u>Administrative overheads</u>					

Appendix 4

Office stationery	0.89	1.50%	0.90	2.90%	0.92
Contribution to Liversage Trust costs	9.59	1.50%	9.73	2.90%	10.02
Sundry office expenses	0.43	1.50%	0.43	2.90%	0.45
Telephone and communications	1.55	1.50%	1.57	2.90%	1.62
Professional charges	0.32	1.50%	0.33	2.90%	0.34
Registration fees	2.75	1.50%	2.79	2.90%	2.87
	15.52		15.75		16.21
Capital Cost	9.01	0.00%	9.01		9.01
Total Cost	£ 439.50		£ 460.52		£ 476.21
Composite Inflation (%)			4.78%		3.41%
Staff inflation					
75%	241.2329	7.20%			
25%	80.41096	2.00%			
	321.6439				
		5.90%			
	other Inflation	1.50%			
	258.60	4%	269.3595		
	82.02	2%	83.65957		
	340.62		353.0191		
		3.64%			

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