

ANNUAL RESIDENTIAL/NURSING AND HOME CARE FEE SETTING 2019/20**Report of the Borough Treasurer****1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 This report outlines the 2019/20 fee setting proposals for the most significant areas of externally commissioned services within Adult Social Care. The following services are included within the scope of this report.
- Residential and Nursing Care Homes
 - Homecare provision offered within an individual's home
 - Day Care services
 - Learning Disability Services
- 1.2 The report is designed to be considered in the context of budget setting proposals and describes the proposed fees for 2019/20. This will allow for implementation at the start of the financial year and will provide financial certainty to the market, supporting care providers with their cash flow, as well as supporting the process for assessment of client contributions. It will also prevent internal inefficiency caused by the need to make back payments as well as conforming to good commissioning, procurement practices and will meet both policy and legislative requirements.

2. BACKGROUND

- 2.1 The Care Act requires local authorities to help develop a market that delivers a wide range of sustainable high-quality care and support services that will be available to their communities. It requires local authorities to pay a fair price for care for efficient and effective providers. Local authorities are required to pay a fee level that ensures providers are able to meet their statutory responsibilities, for example, national minimum wage. At the same time local authorities must ensure that the service commissioned are cost effective and offer value for money. When buying and arranging services, local authorities must consider how they might affect an individual's wellbeing. There are risks for the Council and its partners in failing to sustain an appropriate choice of provision at the required quality.
- 2.2 The external market for care and support is of fundamental importance to the local health and social care system for those that require care and support. This provision is key to supporting an individual to maintain their independence and quality of life in the most appropriate setting that suits their needs. A key driver for supporting the external market is its ability to reduce the number of hospital admissions and respond appropriately to hospital discharges as well as meeting our statutory responsibilities. However, we know that like other areas across the Country the external care market in Stockport faces challenges with respect to sustainability and capacity.

- 2.3 In terms of Market Capacity, a lack of appropriate provision can have a serious impact on delayed transfers of care, but can also increase the likelihood of hospital admissions if people are not supported to remain in their own homes or in care or nursing homes in accordance with their needs and preferences. Poor quality can impact on safeguarding and a range of other factors including poor quality of life, further deterioration and ultimately greater pressure (and cost) to the whole Health and Social Care economy.
- 2.4 The care home market faces challenges with limited options for affordable provision but with the additional issue of 'top up' fees payable (these are additional payments made by family members to secure a placement). This creates a significant risk of overspend if not controlled. At present only a small number of homes in the Borough provide care at our standard rates without a fee enhancement being paid by the Council or a third party 'top up'. The financial impact on all permanent placement for the council paying enhancements is on average £159 per week. This would equate to a c£570k cost pressure to date in this financial year. With respect to third party top ups this is on average £164 per week, which would equate to a cost of c£600k since the start of the financial year to those responsible for these payments.
- 2.5 The main difficulty cited by providers is the problem of recruiting and retaining a suitable care workforce. This shortage also applies to registered managers and qualified nursing staff. Whilst this is a national challenge, providers have also consistently noted that recruitment difficulties are more acute in Stockport due to the demography of the area.
- 2.6 By building on our strong working relationships with domiciliary providers and on the back of the Council's existing investment, Stockport has been able to manage increasing demand as well as reducing the numbers of people waiting for support in their own home. With respect to Home Care provision, at the end of December 2018 there are 39 Providers in the borough delivering 16,282 hours of care per week to 1,539 people of all ages but primarily those over the age of 65. This level of home support commissioned in Stockport represents a significant increase on the level of provision at this time last year. Compared to December 2017, the Council is contracting for 2,500 hours per week more support, which is meeting the needs of over 200 more eligible people in Stockport. The increase in average size of the packages required in the last 12 months reflects the increasing complexity of the needs of the people who are being supported in the community across Stockport.
- 2.7 The 'Home First' approach that the Council is developing, builds across the Borough, the demand and level of complexity of support required in the community is likely to increase. Home First allows people to leave hospital rather than waiting on the ward for care assessments and rehabilitation planning, which can take time. Instead they receive those assessments and support at home, or in a specialist unit, care home or community hospital, to help them get back on their feet.
- 2.8 Under the Care Act 2014, local authorities are required to facilitate a vibrant, diverse and sustainable market for high quality care. As part of these requirements and in line with the Council's Commissioning Strategy the Ethical Home Support Flexible Purchasing System will be opened again on 4 January.

It is anticipated that there will be a number of successful submissions which will result in a significant majority of the commissioned home support hours being under the Ethical Framework by the end of March 2019.

- 2.9 With respect to people with learning disabilities the Council supports c 300 people in their own tenancies. With an additional 100 supported tenancies ranging from individual apartments to large shared houses. There are also people who have their own places and receive 'domiciliary support akin to the support an older person might receive to help with personal care and daily living requirements.
- 2.10 The Council provides support to 850 people with learning disabilities. Around 300 people receive support to enable them to live in their own tenancies. These supported tenancies are in 100 properties ranging from individual apartments to large shared houses. In addition, there are also people who have their own places and receive domiciliary support akin to the support an older person might receive to help with personal care and daily living requirements. A small proportion of people receive specialist residential services to meet their needs.
- 2.11 Providers of learning disability services are facing very similar pressures to those experienced by other providers around recruitment and retention. In addition, the needs of people with learning disabilities coming through into adult services are increasing in complexity.
- 2.12 With respect to day services, the Council directly commissions services with eight providers on the day services framework and a smaller number of providers who offer specialist day services. The day service providers on the framework are mainly focused on delivering support to older people and people with a learning disability, of whom 387 currently receive a service. These providers offer a diverse range of services, which are available on weekdays and evenings and some services operate at weekends. These services are community based, operating either from a centre or through a structured activity format at different venues across the borough.

3. FINANCIAL CONTEXT

- 3.1 The financial challenges faced by the Council and in turn Adult Social Care continue to be significant, with Council wide savings requirement of £47m over the four year Medium Term Financial Plan (MTFP) period from April 2019.
- 3.2 During 2018/19 Adult Social Care (the service) has continued to experience financial demands, the Q3 overall deficit position is £0.779m against a cash limit budget of £69.7m. Pressures within care management budgets across the service continue to contribute to this position. This is as a result of increased demand and complexity as well as a significant increase in short term placements and the number and value of enhanced rates paid for placements within Integrated Neighbourhood Services.
- 3.3 It is important to note the additional non -recurrent funding sources that are available to support the Service during 2019/20:

- Additional IBCF £1.809m – 2019/20 is the final year of the three year grant funding. The iBCF funding has been fully committed against three work programmes, system sustainability, market capacity and quality improvements. Included within this programme is an allocation in part support the proposed increases to residential/ nursing fees as well as Homecare fees as detailed in this report.
- Additional Funding for Social Care £2.192m – this is a new grant announced as part of the budget in November 2018 and is to support both Adult Social Care and Children’s Social Care. This will be used in part to support the 2019/20 fee setting for residential, nursing and homecare providers as detailed in this report.
- Adult Social Care Winter Pressures Grant - £1.283m. This will be included as part of the iBCF allocation in 2019/20. This is a continuation of resources made available in 2018/19 which have been fully utilised to deliver the hospital and social care winter plan for 2018/19. It is anticipated that the resource for 2019/10 will be required to support the economy wide plan for winter 2019.

4. 2019/20 APPROACH

Residential and Nursing Homes

- 4.1 In previous years, an annual exercise has been undertaken to review the weekly cost (contract rate) paid to providers for a placement. In recent years the Council has applied an uplift to the contract to reflect a small inflationary increase for non-staffing costs and to cover increases in statutory costs, for example the National Living Wage.
- 4.2 There are currently c920 active placements of which c650 are in Borough and c270 are out of borough. Of these open placements 46% attract an enhanced rate. A significant proportion of new placements are now made at an enhanced rate, the Council is increasingly challenged in securing care home placements current contract rate.
- 4.3 For 2019/20 a new approach is proposed for providers who have homes in Stockport. This approach has been a significant shift from the previous approach discussed in 4.1 above. This years approach will:
 - Reduce the number and value of enhancements paid by the Council;
 - Ensure that there is a financially sustainable market from a provider and Council perspective;
 - Continue to improve the quality in the market;
 - Support seven day access to services, including weekend and evening admissions;
 - Support the principles of Stockport Neighbourhood Care closer to home;
 - Ensure that Stockport has an ethical care market, building upon the Ethical Care Framework introduced for Homecare in 2018/19.
 - Support where possible the Councils pledge to ensure fee rates are sufficient to allow providers to pay the Real Living Wage, as described by the Living Wage Foundation.

4.4 In line with the development of the Older People's Housing Strategy, the model recognises that placements in standard residential beds will cease over time and as a result proposes a basic uplift of £38 per bed. The weekly rate for standard residential will be increased to £508 per week, this will recognise a basic pay rate of £9 per hour plus a 3% non staffing increase. Standard residential provision is a small proportion of the long term placements that the Council makes. In the period October 2017 to September 2018 standard residential placements were less than 5% of the residential placements made by the Council.

4.5 However, for high needs residential and nursing care the model will recognise the following changes:

- An increase in the basic pay rate from NLW to UK Living Wage £9 per hour from April 2019. It is expected that providers will pass this rate onto employees,
- An increase in the number of care hours to 25.8 for each bed type, which is an increase of between 3.6 and 4.8 hours per week,
- The introduction of a weekly amount for delivery of activities / activity coordination,
- An increase for non staffing costs of 3%.

4.6 The proposed contract rates for 2019/20 are;

	18/19 £	Uplift £	Uplift %	19/20 £
Standard Residential	470	38	8	508
Residential EMI	505	98	19	603
Standard Nursing	518	103	20	621
Nursing EMI	546	92	17	638

4.7 Assimilation principles will be introduced for the first time in 2019/20. This will see any Stockport based provider that has open arrangements that are:

- **Below** the new contractual rate be assimilated directly to the new rate.
- **Above** the new contract rate receive a basic uplift to reflect an increase in statutory costs and a small inflationary uplift. The Council assumes that where the rate paid to a provider is above the Councils 2019/20 contract rate that the provider is already paying an enhanced basic pay rate of £9 per hour to its employees. The basic uplift per bed type are:

Bed Type	2019/20 uplift per week
Standard Residential	18
High Needs Residential	19
Standard Nursing	19
High Needs Nursing	20

- 4.8 The cost of this proposal in 2019/20 for Stockport Providers is £2.220m. In addition it is assumed that Out of Borough Placements will increase by £0.376m. This will be funded through recurrent MTFP resources of £1.420m and non recurrent resources available to the Council of £1.176m.
- 4.9 The future years financial impact of the proposed fee uplift has been considered and the anticipated impact on the number of enhanced rates has been modelled. If the current cohort of client was to continue in future years then additional recurrent MTFP resources of £1.518m would be required in 2020/21. However, it is anticipated that in future the number of placements made at contract rate will increase resulting in the model being delivered within existing MTFP resources by the end of the financial year 2020/21. Full details of this modelling can be found at appendix one.

Homecare

- 4.10 There are currently two hourly rates available to Homecare providers, the basic rate in 2018/19 is £14.78 per hour and the enhanced rate for providers signed up to the ethical care framework is £15.61.
- 4.11 The two rates will continue in 2019/20 but will reflect an increase to the basic pay rate to £9 per hour plus other inflationary uplifts. In previous years the hourly rate has provided a basic pay rate which was half way between the National Living Wage and Real Living Wage (as described by the Living Wage Foundation). The 2019/20 fees are reflective of the Real Living Wage.

The 2019/20 rates are detailed in the following table.

	18/19 £	19/20 £
Standard Homecare Rate	14.78	16.16
Ethical Homecare Rate	15.61	17.04

- 4.12 The ethical homecare framework will be adjusted to reflect the need for providers to increase the hourly rate for workers to at least £9 per hour from 1 April 2019. For those providers off the ethical framework we will work with them to honour the spirit in which this uplift has been calculated to reflect an hourly rate for their workers that is also at least £9 per hour. Local Authority commissioners are committed to ensuring that as many existing providers are able to transition to the enhanced hourly rate as possible following a successful application and demonstration that meets the quality and ethical requirements of the framework.
- 4.13 The cost of the increase to the Homecare hourly rate is £0.990m. Of this amount £0.780m is available through recurrent MTFP resources, further

support of £0.210m will be provided through non recurrent IBCF funding or other resources announced as part of the budget in November 2018.

Day Care Services

- 4.14 The Council commissions day care services for both clients within the Integrated Neighbourhood Services and within Learning Disability Services. The Council proposes an uplift of 4% for providers within the Integrated Neighbourhoods to recognise the increase in inflationary pressures and statutory responsibilities. In addition, it is proposed that an uplift of 10% is provided to Day Care providers for Learning Disability clients. This is in recognition that there has not been an uplift to these providers in recent years.
- 4.15 The overall cost of these increases is £0.310m pa this will be funded through recurrent MTFP resources available to the service.

Learning Disability Service

- 4.16 The Council has worked with providers within the Learning Disability Service in recent years to set fee rates which are reflective of statutory responsibilities and inflation. It is proposed for 2019/20 that a 4% uplift is provided to recognise an increase in statutory costs and inflation. The cost of this increase is £0.660pa, this will be funded through recurrent MTFP funding available to the service. The Council will continue to monitor the changing legislative landscape that Learning Disability providers operate in, and will assess the impact that this may have on future fee levels.

5. RISKS

- 5.1 The key risks arising from the proposed provider uplifts are:
- The residential / nursing market does not respond as expected to the increased rates and other interventions resulting in the value and number of enhancements not reducing to expected levels.
 - The duration of stay exceeds the forecast, resulting in the timescales being longer than anticipated.
 - Individual negotiations are unsuccessful and cost reductions are experienced when clients exit services and new placements are made.
 - Quality does not continue to improve as a result of the proposed fee uplift and interventions.
 - There is failure to sign up to the Ethical Care Framework and failure to continue to improve quality and seven day services.
 - Providers do not pass onto their employees the increased basic pay rates.
 - The non-recurrent funding to ASC ceases and/ or significantly reduces resulting in future MTFP support. This will be monitored and updated through the MTFP planning assumptions

5.2 The above risks will be mitigated by improved negotiations with providers through the practise scrutiny group and improved business intelligence information. In addition the work of the commissioning team will continue to develop the provider market in Stockport.

6. CONCLUSION & RECCOMENDATIONS

6.1 The local authority has responsibility for facilitating the local care market and managing provider failure. It needs to provide choice, supply and quality services for all people in the Borough and specifically commission care and support services including care homes and home care. The current market is fragile and challenged by the different pressures that it is trying to manage. The overall vision is about how these services can develop in a way that does not destabilise the market but still enables this to evolve and develop, supported by contracting and procurement activities.

6.2 As detailed in this report the approach taken this year has been markedly different to previous years and has sought to redress the imbalance between those providers that have a closer fee structure to that of the Councils. This will it is envisaged improve to harmonise rates and provide a fair uplift to the range of providers in Stockport and itself to improving the wages of their employees and provide a more sustainable footing for their businesses.

6.3 The Scrutiny Committee is asked to provide comment on the approach and proposed fee increases for 2019/20 ahead of this paper being presented to Cabinet for approval in February 2019.

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Vincent Fraga on Tel: 0161-474-4401 or by email on vincent.fraga@stockport.gov.uk