

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Executive
Date:	19/2/2018
Subject:	Independent Sector Care Home Fees for 2018/19
Portfolio Holder(s):	Cllr Llinos Medi Huws
Head of Service:	Alwyn Rhys Jones – Head of Service
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Local Members:	All members

A –Recommendation/s and reason/s				
<p>From 6 April 2016, the framework for financial assessment and charging is now under the Social Services and Well-Being (Wales) Act 2014. The Local Authority is required to review independent sector care home fees annually to coincide with Central Government’s changes to benefits and pension levels.</p> <p>In setting fee levels for independent sector care homes, we need to show that we have fully considered the costs of the provision in determining our standard care fees. This is done in collaboration with the other Authorities in North Wales and the Health Board by utilizing a Regional Fee Methodology, as was done for 2017/18 fee setting. We will continue to use this model for 2018/19 which has reflected legislation changes in terms of pensions, national living wage and inflation.</p> <p>The North Wales Methodology (Appendix 1) has recommended an increase of between 3.35% and 3.55% across the four categories of care. The following fees are proposed for 2018/19:</p>				
<u>Table 1 - North Wales Methodology Recommendation</u>				
Category	2017/18	2018/19	Increase £	Increase %
Residential (Adults)	£526.87	£544.49	£17.63	3.35%
Residential (EMI)	£547.33	£565.99	£18.66	3.41%
Basic Nursing Care (Social Care Element)	£567.81	£587.50	£19.69	3.47%
Nursing (EMI) (Social Care Element)	£598.51	£619.77	£21.26	3.55%
All the above are based on 10% ROI for 2017/18 and 2018/19.				

As part of fee setting for 2018/19, Ynys Mon consulted on the fees proposed by the methodology for 2018 which a summary is in Appendix 2

The North Wales Adult Service Heads (NASH) agreed in a meeting on 26/1/2018 that the increases noted were consistent with the implementation of the fees model.

Following discussion with Head of Finance (Section 151), we are proposing to use the Regional methodology for:

- EMI Residential;
- Basic Nursing Care Social Care Element and
- Nursing EMI Social Care Element.

Implementing the model in full across all sectors was not deemed to be affordable. Having due regard to affordability of the increase, and the strategic direction the Council is taking in developing alternatives to residential care in the form of Extra Care Housing and care at home, we propose to set the rate for residential (Adults) care based on a lower return of investment of 9%.

Estimated annual pressure based on a 10% ROI for Residential Care = £ 208,184

Estimated annual pressure based on a 9% ROI for Residential care = £ 149,553

Estimated annual pressure based on a 8% ROI for residential Care = £ 90,121

Ynys Mon therefore recommends the following rates for approval:

Table 2 – Ynys Mon Proposed Fee's for 2018/19

Category	2017/18	2018/19	Increase £	Increase %	ROI
Residential (Adults)	£517.17	£534.77	£17.60	3.40%	9%
Residential (EMI)	£547.33	£565.99	£18.66	3.41%	10%
Basic Nursing Care (Social Care Element)	£567.81	£587.50	£19.69	3.47%	10%
Nursing (EMI) (Social Care Element)	£598.51	£619.77	£21.26	3.55%	10%

It will be necessary for the council to carry out consultation with local providers on the set fees. It may be necessary to consider individual submissions from providers as part of this process. Should there be clear evidence to indicate that the fee set is not sufficient in any individual case the council will need to consider exceptions to the fee rates. It is proposed that any such decisions are delegated to the Portfolio holder, Head of Finance and Head of Adult Social Care.

The Executive Committee is requested to:-

1. Acknowledge the North Wales Fee Methodology as implemented hitherto by the Authorities in North Wales as a basis for setting fees in Ynys Mon during 2018/19 (appendix 2);
2. Approve the recommendation to increase the fee level as noted in Table 2;
3. In line with other Authorities, authorise the Social Services and Finance Departments to respond to any requests from Homes to explore their specific accounts and to utilize the exercise as a basis to consider any exceptions to the agreed fees. Any exceptions to be agreed with the Portfolio Holder, the Head of Finance and the Head of Adults from within current budgets. If no agreement can be made this will be go back to the Executive.

B – What other options did you consider and why did you reject them and/or opt for this option?

Consideration to implement the North Wales Fees Model in full was given. On the basis of affordability for the council this was rejected, and the model proposed in table 2 recommended.

C – Why is this a decision for the Executive?

Local Authorities need to set care home fee levels in line with the national policy. This decision has financial implications for the Local Authority's budget and in terms of affordability in the prevailing financial climate.

CH – Is this decision consistent with policy approved by the full Council?

This decision is in line with the approval to work with other Local Authorities in North Wales and to implement the North Wales Fee Methodology to set fees annually.

D – Is this decision within the budget approved by the Council?

Based upon detailed discussion with the Finance Department, the estimated impact of these changes, and the department proposed budget for 2018/19, it is considered that these rates increases can be accommodated within budget.

This will require the department to maintain a focus on maintaining a reduction in the number of placements of this nature as has been evidenced in recent years.

DD – Who did you consult?		What did they say?
1	Chief Executive / Senior Leadership Team (SLT) (mandatory)	Presented to SLT on 22/1/2016, no further comments
2	Finance / Section 151 (mandatory)	Presented to SLT on 22/1/2016, no further comments
3	Legal / Monitoring Officer (mandatory)	Presented to SLT on 22/1/2016, no further comments
4	Human Resources (HR)	n/a
5	Property	n/a
6	Information Communication Technology (ICT)	n/a
7	Procurement	n/a
8	Scrutiny	n/a
9	Local Members	n/a
10	Any external bodies / other/s	n/a

E – Risks and any mitigation (if relevant)		
1	Economic	n/a
2	Anti-poverty	n/a
3	Crime and Disorder	n/a
4	Environmental	n/a
5	Equalities	n/a
6	Outcome Agreements	n/a
7	Other	n/a

F - Appendices:
Appendix 1 – The North Wales Methodology Appendix 2 – Summary of Consultation

FF - Background papers (please contact the author of the Report for any further information):

Appendix 1

Setting Residential and Nursing Care Fee Level 2018/19 - Feedback on the Fee Proposed the methodology

In September Adult Social services shared the North Wales Residential and Nursing fee model with all providers in order to receive feedback from providers. This consultation period came to an end on the 30/11/2017. We received a number of response from providers and Care Forum Wales.

Summary of Response	Comments
No reference to the following costs: Waste disposal, Uniforms, linen & crockery, Stationary, Motor & Travel, Subscriptions, Marketing and Sundry, Trade and clinical waste, Domestic and Cleaning materials, Medical supplies (including medical equipment rental)	This is covered in the element of the fee for 'Additional costs not covered elsewhere' We would like to explore opportunities over the coming financial year for developing relationships with care home Providers to ascertain a better understanding of actual costs and will review the existing methodology accordingly
Clarification requested on the reason for the removal of Furniture/Fittings including repairs and renewals.	The North Wales fee's group are committing to reviewing this element of the toolkit for 2019/20
Employer pension contribution is increasing to 2% in April 2018, also no account taken for the 1% employer pension contribution last year (impact of which was supposed to have been alleviated by the Social Care grant fund)	The 2017/18 methodology accounted for 0.7% employer pension contribution; based of qualifying employees and take –up within sample of care homes. We acknowledge that the employer's contribution is increasing in 2018/19 and accept that this element of the cost should be increased and so have reviewed the methodology The allowance is now at 1.5% based on the 7 th Edition Laing & Buisson toolkit. In relation to the Social Care Grant is used to contribute towards fee increases across the independent and third sector.
No account taken for the increase to the National Living Wage	Comment and draft methodology was published before the autumn budgets. Staffing rates have been inflated by the percentage uplift for National Living Wage since the Autumn Statement.

<p>EMI Care hours – Calculation (based on a 19 bed home) that this is funding for 2 carers to look after 19 EMI residents. 'Smaller homes couldn't have a qualified carer on duty at all times'.</p>	<p>The funding methodology for staffing provision provides for 50% of hours at a higher (qualified / senior level) as the regulatory requirement is for services to have at least 50% of staff with the appropriate qualification. We anticipate that Managers will take this into account when planning their staff rosters</p>
<p>Groceries & Household provisions at £28.46 per resident/week equate to £4.07 a day. This to provide a resident with 4 meals a day (and include household goods).</p>	<p>We would like to explore opportunities over the coming financial year for developing relationship with care home providers to ascertain a better understanding of actual cost and will review the existing methodology accordingly.</p>
<p>Fees in Gwynedd exceed those in Ynys Mon by around £20 per week, per client. No difference in cost between the two Counties.</p>	<p>This was a local decision for each local authority in 2017/18 to set the Return on Investment (ROI). Ynys Mon decided to alter the return of investment for Residential to 9% (a decision made based upon the overall affordability of the model) and keep all other categories at 10% consistent with the North Wales Fee Model. In other counties local authorities have chosen to both increase and decrease ROI depending on local issues and affordability.</p>
<p>Nurse recruitment difficult and very costly - cost has increased over the last 12 month. Nurses rates locally between £17 and £18 per hour.</p>	<p>Any provider that has evidence of cost over the fees to be implemented in Ynys Mon is invited to make arrangements to meet on a one-to-one basis to discuss these in an open book exercise</p>
<p>Formulae used to calculate care costs assume care assistant hours that are not achievable.</p>	<p>We would like to explore opportunities over the coming financial year with care home providers to specify quality standards including staffing levels and obtain an evidence of actual costs of delivery</p> <p>In addition, if any provider that has evidence of cost over the fees to be implemented in Ynys Mon is invited to make arrangements to meet on a one-to-one basis to discuss these in an open book exercise</p>
<p>Referred to Supportive communities Commissioning Framework and Guidance issued by the WAG in 2010 which states that commissioners should "understand" providers' cost and act to promote service sustainability. CFW questioned whether the fees proposed fully reimburse providers for their costs and if not how does the Authority expect providers to cover the remaining costs.</p>	<p>Any provider that has evidence of cost over the fees to be implemented in Ynys Mon is invited to make arrangements to meet on a one-to-one basis to discuss these in an open book exercise</p>

<p>Inflationary factors - CPI was 3% in September 2017 rather than the 2.3% stated</p>	<p>The original version of the regional methodology / toolkit which we shared, was drafted prior to the budget settlement. CPI within the current model is 3%</p>
<p>Registration - surprised that this line has only been inflated by CPI given the requirements under the Act for all providers to re-register and for providers to require DBS checks to be renewed every 3 years. The provider acknowledged that the regulations were published after the toolkit.</p>	<p>For registration, recruitment, groceries and house holding:</p>
<p>Recruitment - noted that no allowance other than for inflation. Reports from providers indicate an increasing turnover of staff and a parallel increase in the need to use agency staff.</p>	<p>The regional methodology does not inflate each non-pay cost line by its own specific rate of CPI, but use the overall CPI instead.</p>
<p>Furniture and fittings - questioned why this line has been removed without consultation. Detailed previous discussions regarding these costs going back to 2011 (please see letter for detail). Reference made to Laing & Buisson which continues to include three lines for maintenance capital expenditure, repairs & maintenance (revenue costs) and contract maintenance of equipment. Total for these items of £24.86 in NW toolkit versus £43 in Laing & Buisson (further detail of L&B's calculations are provided in the letter)</p>	<p>We would like to explore opportunities over the coming financial year for developing relationships with care home Providers to ascertain a better understanding of actual costs and will review the existing methodology accordingly.</p>
<p>Groceries and household provisions - does not feel £27.82 is realistic due to value being eroded by above average inflation. CPI last September was 3% rather than the 2.3%. For food it was 4.1%. Asked if information has been gathered from providers or whether a sample menu of purchases witching the cost allocated (that would be appropriate for a care home resident) can be provided by the Authority.</p>	
<p>Return on Investment - Reduction on a figure of £97.79 introduced in NE Wales in 2012/13. CFW figures based on Laing & Buisson were £184.37 last year, however CFW would be happy to agree a floor level for those homes which do not meet the outgoing minimum physical standards for new care homes. This would include a discount of £79.34 giving a total of £105.03 for return on capital for those homes that do not meet the national minimum standards.</p>	<p>The allowance made for this was agreed by the North Wales Directors of Finance as reasonable given the market conditions.</p> <p>In addition, the North Wales Leadership Group have agreed to look at the future models of care required to meet the population needs in North Wales and determine any additional support that can be offered for planned investment/development and de-commissioning of care home services at a local level.</p>
<p>Return on Investment - New standards being required in relation to items such as communal space and ensuite provision – the provider was asking</p>	

<p>what consideration has been given to these in the production of the toolkit figure.</p>	
<p>Return on Investment - current figure is based on 10%, Laing & Buisson uses 11%. L&B include a line in their toolkit for corporate overheads. On what basis was a decision taken not to include this in the toolkit</p>	<p>A standard return of 10% was agreed in principle by the North Wales Directors of Finance as reasonable given the market conditions; with a caveat that this may be reviewed and varied at a local level.</p>
<p>The 'reductions on Return on Capital perverse' at a time when Ynys Mon is looking to increase EMI provision and ask what consideration has been given to the likely effects on this aspiration of the Rol calculation?</p>	<p>In addition, the North Wales Leadership Group have agreed to look at the future models of care required to meet the population needs in North Wales and determine any additional support that can be offered for planned investment/development and de-commissioning of care home services at a local level.</p>
<p>Staff Costs - staffing hours in 2017/18 were split into two rates for care staff and senior care staff which resulted in the blended rate for the bottom 50% of workers effectively been reduced (from £10.17 in 2016/17 to £9.54 in 2017/18 and £9.98 proposed for 2018/19).</p>	<p>Staff costs - Staff pay and 'blended' rate for Care & Support Workers and Senior Care Workers. In 2017/8 the staffing element of the regional methodology was reviewed. This led to an increase in the number of staff hours included within the methodology and the following assumptions at a local level:</p> <ul style="list-style-type: none"> • Most Local Authorities adopted an approach aimed to set clear differentials in pay rates between entry level staff and those with additional qualifications and responsibilities – paid at a higher rate (for 2018/19 this is assumed at £8.97 + on-costs. This higher rate is based on the evidence from the staff cost survey undertaken in 2016/7 and inflated in subsequent years). A 50/50 split was assumed between these rates. • One Local authority retained the 'blended' rate, based on 2011 Care Forum Wales' submission and evidence of costs, which had been inflated by the percentage increase in NLW year on year. This results in a higher cost assumption for staffing <p>We now note that:</p> <ul style="list-style-type: none"> • 30% of staff working in care homes in North Wales are paid at National Living Wage rate • 20% have higher qualifications and/or take on senior duties • The remaining 50% have at least level 2 qualifications and that there is a pay differential for taking on additional responsibility and/or qualifications.

	<p>We recognise that each employer will choose to set pay rates in accordance with local pay rates and commensurate with duties. In the absence of any evidence of pay levels for staff with at least level 2 qualifications, we drafted a model of the staffing elements based on 20% at NLW, 30% at the senior rate obtained from the most recent staff survey and 50% of staff at midpoint of the two. This resulted in a 'blended' rate which is lower than that afforded by this (revised) version of the toolkit for 2018/9 and hence we have retained this calculation method.</p>
<p>Stabilising the workforce - Local authorities and Health Board set differing pay rates for internal staff and commissioned services. CFW ask that the local authority consider setting staff pay rates against the criteria used for their own staff. Health Board currently advertising for care staff at rates up to £10.15 per hour which is less than what local supermarkets are paying.</p>	<p>Local Authorities work to locally & nationally set pay grades. It is not appropriate for the local authority to intervene and set wage rates within commissioned services in the independent sector</p>
<p>Length of stay - length of time that people live in care homes is reducing but needs are becoming increasingly complex. This is leading to increased costs and CFW question how this has been taken into account in the toolkit?</p>	<p>We would like to explore opportunities over the coming financial year for developing relationship with care home providers to ascertain a better understanding of actual cost and will review the existing methodology accordingly.</p>
<p>Miscellaneous items - would be grateful if you could confirm where the following items appear in the toolkit : Waste disposal, Uniforms, linen & crockery, Stationary, motor & travel, subscriptions, marketing and sundry, Trade and clinical waste, domestic and cleaning materials, medical supplies (including medical equipment rental)</p>	<p>This is covered in the element of the fee for 'Additional costs not covered elsewhere' We would like to explore opportunities over the coming financial year for developing relationships with care home Providers to ascertain a better understanding of actual costs and will review the existing methodology accordingly</p>
<p>The Competition and Markets Authority report which has just been published and says that the current system for providing care is not sustainable without additional funding. The shortfall has led to care home propping up their finances by charging higher prices for those who self-fund their own care.</p>	<p>If any provider that has evidence of cost over the fees to be implemented in Ynys Mon is invited to make arrangements to meet on a one-to-one basis to discuss these in an open book exercise</p>
<p>Operating costs significantly in excess of fee income. Even though operating at near full capacity a loss is made each year which now cumulatively totals £724,000 over the period of our ownership (this figure does not include head office or finance costs nor any element of return on</p>	<p>If any provider that has evidence of cost over the fees to be implemented in Ynys Mon is invited to make arrangements to meet on a one-to-one basis to discuss these in an open book exercise</p>

capital). The home has been subsidised by other operations within the Group.	
Weekly fee under CHC (inclusive of the FNC) is currently fixed at £748.18 p/w and have have around 75% CHC funded residents. Requesting that a specialist category for this challenging/complex group of clients as Liverpool City Council have done (copy of letter from Liverpool City Council provided). Would welcome the opportunity to discuss this further.	This is a matter for the health board and should be directed to them accordingly
Cost of Special Dietary Requirements not taken into account on the tool kit.	This element will be review in 2019/20

Draft Fee Calculations 2018/19					
	Fee 2017/18	Indicative Fee 2018/19	Basis of Calculation	Increase per week	Overall % Increase
1. INDIRECT COSTS -standard for all categories of care					
Utilities (electricity, gas, TV, Council Tax, Water, Telephone)	£28.28	£29.13	CPI Sep 2017 = 3%		
Registration (Professional Membership, CRBs etc)	£1.24	£1.28	CPI Sep 2017 = 3%		
Recruitment	£2.40	£2.47	CPI Sep 2017 = 3%		
Contract maintenance of equipment	£3.48	£3.58	CPI Sep 2017 = 3%		
Maintenance of capital equipment	£21.38	£22.02	CPI Sep 2017 = 3%		
Gardener /handyman	£9.30	£9.71	NLW 4.4% increase on 17/18 rate		
Training	£2.39	£2.46	CPI Sep 2017 = 3%		
Non prescription medical supplies	£3.61	£3.72	CPI Sep 2017 = 3%		
Insurance	£6.02	£6.20	CPI Sep 2017 = 3%		
Groceries & household provisions	£27.62	£28.65	CPI Sep 2017 = 3%		
Sub-total Indirect Costs	£105.92	£109.22			
2. OTHER COSTS - standard for all categories of care					
Return on Investment	£97.16	£97.16	10% ROI		
Additional Expenses (not covered elsewhere)	£17.55	£18.08	CPI Sep 2017 = 3%		
Sub-total Other Costs	£114.71	£115.24			
3. STAFF COSTS					
Residential Homes					
Management /Admin	£47.89	£48.85	2% increase		
Senior Care Staff	£114.77	£120.65	10.5 hours x £11.49		
Care Staff	£100.17	£105.21	10.5 hours x £10.02		
Domestic Staff	£43.41	£45.32	NLW 4.4% increase on 17/18 rate		
Sub-total Residential Homes' Staff Costs	£306.24	£320.03			
TOTAL RESIDENTIAL	£526.87	£544.49		£17.63	3.35%
EMI Residential Homes					
Management /Admin	£47.89	£48.85	2% increase		
Senior Care Staff	£125.69	£132.13	11.5 hours x £11.49		
Care Staff	£109.71	£115.23	11.5 hours x £10.02		
Domestic Staff	£43.41	£45.32	NLW 4.4% increase on 17/18 rate		
Sub-total EMI Residential Homes' Staff Costs	£326.70	£341.53			
TOTAL EMI RESIDENTIAL	£547.33	£565.99		£18.66	3.41%
Nursing Homes					
Management /Admin	£47.89	£48.85	2% increase		
Senior Care Staff	£136.63	£143.62	12.5 hours x £11.49		
Care Staff	£119.25	£125.25	12.5 hours x £10.02		
Domestic Staff	£43.41	£45.32			
Sub-total Nursing Homes' Staff Costs	£347.18	£363.04			
TOTAL NURSING	£567.81	£587.50		£19.69	3.47%
EMI Nursing Homes					
Management /Admin	£47.89	£48.85	2% increase		
Senior Care Staff	£153.02	£160.86	14 hours x £11.49		
Care Staff	£133.56	£140.28	14 hours x £10.02		
Domestic Staff	£43.41	£45.32	NLW 4.4% increase on 17/18 rate		
Sub-total Nursing EMI Homes' Staff Costs	£377.88	£395.31	£17.43		
TOTAL EMI NURSING	£598.51	£619.77		£21.26	3.55%

Note: Due to affordability, IoACC have opted for an ROI of 9% for the Residential placements category, with an ROI of 10% for the other 3 categories. This reduces the fee for Residential placements for IoACC by £9.72 to £534.77. This reduces the fee for Residential placements for IoACC by £9.72 to £534.77.

Bases of Calculation:

- National Living Wage estimated to increase from £7.50 to £7.83 (4.4%) in April 2018
Therefore, costs of care staff, gardener/ handyman and domestic staff increased by 4.4%.
- CPI 3% in September 2017 (Bank of England)
- No allowance made for the Apprenticeship Levy in the calculation of pay costs. The levy only applies to businesses with staffing costs in excess of £3m, therefore it would be applied on a case-by-case basis.
- Administration/ management costs increased by 1% in line with public sector pay award.
- The calculation of the return on investment element is based on the same land and building values as 2017/18. It is assumed that the % return on investment will remain at the 2017/18 amount (10%)