

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Executive Committee
Date:	7 March 2016
Subject:	Independent Sector Care Home Fees for 2016/17
Portfolio Holder(s):	Councillor Aled Morris Jones
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Local Members:	Various

A –Recommendation/s and reason/s
<p>The Local Authority is required to review independent sector care home fees annually to coincide with Central Government’s changes to benefit and pension levels which come into effect on 06/04/16. 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.</p> <p>In order to set the weekly fees for Nursing and Residential Care, the Council has taken account of the factors noted below:-</p> <ol style="list-style-type: none"> 1. In accordance with the law and statutory guidance under section 21 of the National Assistance Act 1948, the Council is required to make arrangements for the provision of residential accommodation for people aged 18 and above who, due to their age, illness, disability or any other circumstances, need care and attention that is not otherwise available to them. Section 26 of the Act permits Councils to make such arrangements with the independent sector. <p>In discharging these functions, the Council is also required to operate under the Government’s Guidelines and Directions – the most relevant being the Choice of Accommodation Directions and “Fulfilled Lives and Supported Communities: Commissioning Framework Guidance and Good Practice” (2009). Standard 10 of the Commissioning Framework Guidance requires the Council, as a commissioner, to have understood the costs</p>

of social care services delivered directly and contracted, and to have acted to promote the sustainability of the service. Case law has clarified that commissioners should “understand” provider costs and act to promote the sustainability of the service, but this provision does not require Councils to set a fee which fully reimburses the providers for their costs; that commissioners investigate the true costs of providing care; that the nature and degree of those investigations are matters for the Council/Director of Social Services to determine.

2. The welfare of residents/service users should be considered – that services operate safely and effectively to promote the welfare of residents/service users;
3. The outcomes for the independent sector should be considered which could include factors such as the risks of closures and job losses, difficulties in recruiting and retaining staff, lack of staff training/development, lack of resources for the building itself, further loans.
4. Throughout the work of developing the methodology, considerable emphasis is placed on enhancing quality of care provided for care home residents and the numbers residing therein.
5. The regional data was compared and contrasted with the Wales Care Forum data and information on staffing hours in the Laing and Buisson Toolkit.

The North Wales Methodology has recommended an increase of between 3.77% and 4.48% across the 4 categories of care. The following fees are proposed for 2016/17 (see Appendix 2):

Category	2015/16 Fee	2016/17 Fee	Increase £	Increase %
Residential (Adults)	£465.90	£483.46	£17.56	3.77
Residential (EMI)	£509.72	£532.07	£22.35	4.39
Basic Nursing Care (Social Care Element)	£523.83	£546.27	£22.44	4.28
Nursing (EMI) (Social Care Element)	£549.00	£573.58	£24.58	4.48

The North Wales Adult Service Heads (NWASH) agreed in a meeting on 29/01/16, that the increases noted were consistent with the implementation of the fees model.

For high cost/ low volume placements increases consistent with the financial value of the increases above for residential and nursing placements was agreed. Therefore a fee

increase for specialist residential placements would be £17.56 and £22.44 for specialist nursing placements.

It will be necessary for the council to carry out consultation with local providers on the fees set. 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. Adopt the North Wales Fee Methodology as implemented hitherto by the Authorities in North Wales as a basis for setting fees in Anglesey during 2016/17 (Appendix 1).
2. Approve the recommendation to increase fee levels as noted in the above table.
3. For high cost/ low volume placements increases consistent with the financial value of the increases above for residential and nursing placements was agreed. Therefore a fee increase for specialist residential placements would be £17.56 and £22.44 for specialist nursing placements.
4. In line with other Authorities, authorize 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 Portfolio Holder, Head of Finance and Head of Adult Social Care from within current budgets.

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

Care Forum Wales (CFW) makes submissions to the North Wales Regional Fees Group annually to increase fees for the Care Homes Sector. The Forum's submission for 2016/17 can be seen in Appendix 1.

The methodology (Appendix 2) includes an analysis of the fees paid per resident/week under three main headings:

- Hotel;
- Other
- Staff costs

Nursing Homes Fees

Nursing home fees include two elements as described below:-

- The Local Authority's contribution (the **social care element**);
- The contribution by the National Health Service (referred to as **Nursing Care Contribution funded by the NHS – FNC**) and paid by the Betsi Cadwaladr University Health Board has been revised on a national level by the Welsh Government in 2013/2014.

The Nursing Care Sector in Wales has challenged the FNC rate paid by Health Boards in Wales and this has led to a legal process that remains live at present.

C – Why is this a decision for the Executive?

Local Authorities need to set care home fee levels in line with the national policy outlined in the Commissioning Guidelines published by the Welsh Government. 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?

Recent trends in residential and nursing placements in Anglesey show a year on year reduction in placements. In order to meet the fee pressure noted it is considered that 17 fewer placements will be required for 2016/17. Trends indicate that it is permissible that this level of reduction will occur in 2016/17. As a result the department proposes that fee increases are supported through continued focus on supporting people to live within their own homes, and therefore maintaining the reduction in placements of this nature.

DD – Who did you consult?

What did they say?

1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	Yearly report, fee pressure discussed and acknowledged
2	Finance / Section 151 (mandatory)	Supportive
3	Legal / Monitoring Officer (mandatory)	Timeline did not allow for comments within timescale
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	Care Forum Wales All other Local Authorities in North Wales and the Betsi Cadwaladr University Health Board with regard to the implementation of the North Wales Fee Methodology

E – Risks and any mitigation (if relevant)		
1	Economic	Sustainability of the local nursing/residential homes sector Mitigation: Implementation of the North Wales Arrangement with regard to fee setting in order to ensure consistency in determining the annual fee increase
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	The risk of legal challenge from the Care Homes Sector is mitigated by adopting a North Wales Approach to fee setting and through implementation of the North Wales Fee Methodology. Accepted that local consultation is still required.

F - Appendices:
Appendix 1 – The Reponse of the North Wales Fee Group to the presentation by Care

Forum Wales

Appendix 2 – Implement the North Wales Fee Methodology

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

None



Appendix 1

Care Home Fees 2016/17 in North Wales

Care Forum Wales represents over 400 social care providers in Wales. As you are considering your budget for 2015/16 we are writing setting out the pressures and costs on care homes for you to consider in your fee setting process.

National Minimum Wage increases

This will provide by far the biggest cost pressure on providers in 2016/17. The 2015/16 fees were calculated on the basis of the National Minimum Wage in place on 1 April 2015 of £6.50 per hour. This increased by 3.1% from 1st October 2015 to £6.70 which was recognised in a revised fee by Conwy, but no other local authority. This will increase to the National Living Wage of £7.20 from April 2016. This is an increase of 10.8% on 1 April 2015 and 7.5% on 1 October 2015. Since staffing is by far the biggest component of providers' costs this will have a significant impact which we would expect to be met in full by adjusting the staffing costs lines within the toolkit.

We also believe that dependency levels and thus safe staffing ratios have increased as has been evidenced in England by Laing & Buisson. Where care homes are paying for staffing hours over and above those accounted for in the toolkit the impact of the minimum wage increases is even greater.

Other staffing cost increases

Automatic enrolment into a pension scheme for staff aged 16-74 who an employer deducts tax and NI for has been introduced in a phased way from 1 October 2012. During the 2013/14 financial year all employers with 250+ employees are being required to roll out the scheme and smaller employers are being to put systems in place in anticipation of introduction in 2014/15. Indications so far (primarily from supermarkets) are that only a very small proportion of even low paid staff are opting out and therefore this will be an increased burden on employers.

Changes to eligibility for statutory sick pay and changes to the way benefits are calculated have also had an adverse impact on employers. For small organisations the costs of having one member of staff off on long-term sick leave and the lack of flexibility due to tax credits being calculated weekly rather than monthly has had an impact.

We are expecting to see further pressure from the withdrawal of funding for NVQ levels 3 and below for those over the age of 25 (the vast majority of the care workforce) from April 2016.



Other inflationary increases

With regard to inflation, Care Forum Wales has always asserted that RPI provides a better measure than CPI for the care sector, as 55% of the basket of goods used to calculate CPI are not purchased by the sector and included in the toolkit e.g. clothes, alcohol and spirit, sports and leisure activities and entertainment. RPI was 1.1% in 12 months to August 2015. An alternative approach would be to use individual inflation lines for food, fuel etc.

We have seen no change to the cost of buildings in the toolkit in recent years – on the assumption by local authorities that new entrants to the market were not needed. Given the creation and filling of new builds, combined with the closure of existing homes we would question this assumption. Construction costs rose by 1.3% in the second quarter of this year compared to last in addition to the rises in previous years that have not been taken into account.

Changes to the toolkit

We would repeat our concerns expressed in recent years about the return on investment baseline figures. We also remain unclear whether the listed item of maintenance of capital equipment is actually capital expenditure on maintenance. We are unclear whether or where revenue costs of repairs and maintenance are included.

Funded Nursing Care

We will make a further submission when the decision is announced with regard to the Funded Nursing Care judicial review appeal which was heard in November 2015.



The legal framework

We would remind you of the framework in which you make these decisions:

- The Fulfilled Lives, Supportive Communities Commissioning Framework and Guidance <http://wales.gov.uk/topics/health/publications/socialcare/circular/commissioningguidance/?lang=en>. We would particularly draw your attention to Standard 10: “Commissioners have understood the costs of directly provided and contracted social care services and have acted in a way to promote service sustainability.”
- The Guidance also requires in standard 4 the importance of working in partnership with others including providers: “Commissioning plans have been developed with partners and have involved all key stakeholders including users, carers, citizens and service providers in the statutory, private and third sector.”
- The Memorandum of Understanding *Securing Stronger Partnerships in Care* <http://www.wlga.gov.uk/english/health-social-services-publications/securing-strong-partnerships-in-care/> also says: “Rational fee-setting is vital to the sustainability and quality of care provision, and to the capacity of the Council to meet its full range of responsibilities and a wide range of needs, as well as to fix an acceptable level of Council Tax. It is essential that the specific issue of fee-setting is on the agenda for those regular local discussions between Council commissioners and independent providers of social care.”

These legal requirements apply to fee setting across social care including domiciliary care and all care home placements. Traditionally Care Forum Wales has provided additional evidence based on the block fees set for care homes for older people and this is what we have set out to do in this submission.

*Mary Wimbury,
Senior Policy Adviser
Decemeber 2015*

Fee Calculations 2016/17					
The figures below do not include FNC elements accepted by the Health Board					
	Fee 2015/16	Indicative Fee 2016/17	Overall % Increase	Increase per week	% Increase
INDIRECT COSTS					
Utilities (electricity, gas, TV, Council Tax, Water, Telephone)	28.00	28.00	Unchanged from 2015/16 (CPI Sept = 0%)		
Registration (Professional Membership, CRBs etc)	£1.23	£1.23	Unchanged from 2015/16 (CPI Sept = 0%)		
Recruitment	£2.38	£2.38	Unchanged from 2015/16 (CPI Sept = 0%)		
Contract maintenance of equipment	£3.45	£3.45	Unchanged from 2015/16 (CPI Sept = 0%)		
Maintenance of capital equipment	£21.17	£21.17	Unchanged from 2015/16 (CPI Sept = 0%)		
Gardener /handyman	£7.97	£8.65	2015/16 figure + 8.5% increase in NLW		
Furniture/Fittings including repairs and renewals	£12.77	£12.77	Unchanged from 2015/16 (CPI Sept = 0%)		
Training	£2.37	£2.37	Unchanged from 2015/16 (CPI Sept = 0%)		
Non prescription medical supplies	£3.57	£3.57	Unchanged from 2015/16 (CPI Sept = 0%)		
Insurance	£5.96	£5.96	Unchanged from 2015/16 (CPI Sept = 0%)		
Groceries & household provisions	£27.55	£27.55	Unchanged from 2015/16 (CPI Sept = 0%)		
Total Indirect Costs	£116.42	£117.10			
Other Costs -standard for all categories of care					
Return on Investment	£97.79	£97.79	Unchanged from 2015/16		
Additional Expenses (not covered elsewhere)	£17.38	£17.38	Unchanged from 2015/16 (CPI Sept = 0%)		
Sub Total	£115.17	£115.17			
RESIDENTIAL STAFF COSTS					
Management /Admin	£46.41	£47.42	2015/16 figure + 2.2% increase		
Care Staff	£150.67	£163.38	2015/16 figure + 8.5% increase		
Domestic Staff	£37.23	£40.39	2015/16 figure + 8.5% increase		
Sub Total	£234.31	£251.19			
TOTAL RESIDENTIAL	£465.90	£483.46		£17.56	4.92%
EMI RESIDENTIAL					
Local/Central admin costs (e.g. office rent)	£46.41	£47.42	2015/16 figure + 2.2% increase		
Care Staff	£194.49	£211.99	2015/16 figure + 8.5% increase		
Domestic Staff	£37.23	£40.39	2015/16 figure + 8.5% increase		
Sub total	£278.13	£299.80			
TOTAL EMI RESIDENTIAL	£509.72	£532.07		£22.35	4.38%
NURSING					
Local/Central admin costs (e.g. office rent)	£46.41	£47.42	2015/16 figure + 2.2% increase		
Care Staff	£208.60	£226.19	2015/16 figure + 8.5% increase		
Domestic Staff	£37.23	£40.39	2015/16 figure + 8.5% increase		
Sub total	£292.24	£314.00			
TOTAL NURSING	£523.83	£546.27		£22.44	4.28%
EMI NURSING					
Local/Central admin costs (e.g. office rent)	£46.41	£47.42	2015/16 figure + 2.2% increase		
Care Staff	£233.77	£253.50	2015/16 figure + 8.5% increase		
Domestic Staff	£37.23	£40.39	2015/16 figure + 8.5% increase		
Sub total	£317.41	£341.31			
TOTAL EMI NURSING	£549.00	£573.58		£24.58	4.28%