

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**14 March 2017**

**REPORT OF THE STRATEGIC DIRECTOR - ADULT CARE**

**INDEPENDENT SECTOR HOME CARE FEES 2017-18**

**ADULT SOCIAL CARE**

**1. Purpose of report**

To seek Cabinet approval;

- to increase fees for independent sector home care from 1 April 2017, by 4.35% on all hourly rates
- to increase all travel/visit rates by 4.35% from 1 April 2017
- make an inflationary payment of up to 4% for specialist home care placements where evidence is provided of inflationary pressures
- to introduce a new standard flat rate payment of £71.10 for sleep in provision in supported living services from 1 April 2017.

**2. Information and Analysis**

There are approximately 3,700 people currently in receipt of home care support from up to 50 independent sector home care providers, which is equivalent to 80% of the commissioned home care market.

The Derbyshire Homecare Association ("the Association") represent many of the home care providers. It has requested, on behalf of their members, that the Council consider an increase in fees for 2017-18 to assist with meeting costs associated with particularly the continued promotion of the National Living Wage. Adult Care has also received additional requests from other providers not represented by the Association for a fee increase to reflect inflationary pressures.

The Association have been invited to a meeting on the 2 March 2017 with the Council to be advised of the fee proposals set out in this paper. Cabinet will be advised of any feedback from the Association that may need to be taken account of when considering the fee proposals for 2017-18.

## **2.1 Costs Highlighted by Home Care Providers**

### National Living Wage

Providers have identified that the National Living Wage is due to increase by 4.2% for staff aged 25 and over from 1 April 2017 (from £7.20 per hour to £7.50 per hour). They note that they have very few staff aged under 25 and that they do not want a two level pay system, as this would be detrimental to recruitment and retention of under 25's to the industry.

#### Council response

In responding to the providers' request for an inflationary fee increase, the Council has identified the main budget headings that need to be considered when setting home care fee rates. Appendix 1 details these headings and proposed inflationary increases as set out below.

To reflect the National Living Wage the Council has decided to apply a 4.2% minimum wage increase for all staff costs including staff aged under 25.

### Auto pension enrolment

The required auto pension enrolment was another area that provider representatives felt the Council should build in to the fee rate increase. As part of these changes providers will need to make a pension payment of 1% for all eligible staff.

#### Council response

The auto-enrolment pension scheme has been subject to a national introduction over the past few years. It has been nationally accepted that the additional costs to a provider will be in the region of 1% on their staffing bill for 2017/18. It is therefore proposed that overall staff costs should be increased by 1% to enable providers to meet this new requirement.

### Travel time

The Association have highlighted that when Her Majesty's Revenue and Customs (HMRC) undertake checks of payment of wages by home care providers they are focused on ensuring that providers pay their home care staff at least the minimum wage for their travel time between calls. The Association would like the Council to ensure that the travel rates paid reflect journey time.

## Council response

The Council makes an additional payment per home care visit to assist providers in paying staff travel time and to meet the costs incurred by staff. The National Minimum Wage rules require home care providers to count travel time between visits towards the calculation of working time. Although travel expenses have remained steady the impact of the National Living Wage means that providers should have to pay staff more to compensate for the travel time element.

It is proposed that the current travel rates are inflated in line with the proposed standard 4.35% inflationary increase for home care which has been calculated to take account of the impact of the National Living Wage.

### Travel payments

As noted the Council pays an additional amount to providers for each home care visit to assist providers to meet costs associated with travelling from one call to the next. There are currently four values as shown in the table below:

Allocation of payment to be identified by Postal Wards	2016-17 Rate	Proposed <b>New</b> Rate increase of 4.35%	Proposed 2017-18 Rate
Urban	£1.80	4.35%	£1.88
Semi-Rural	£2.54	4.35%	£2.65
Rural	£3.13	4.35%	£3.27
Very Rural	£4.63	4.35%	£4.83

The highest travel payment is meant to encourage take up of new work in the more rural parts of the county. It is noted that encouraging providers to take on new work in isolated rural areas is always challenging. Difficulties in covering these home care calls can often result in delayed hospital discharge.

## Council response

The allocation of travel payments is dependent on the postal ward where a client lives. This assists with differentiating between whether the client lives in a more densely populated urban area or whether they live in a sparsely populated rural community.

## Training Days

The Association has previously challenged the number of training days allowed for in the Council's assumptions used when calculating the fee rates. The Council have previously funded up to 3 days training in the fee model whereas The Association would like up to 5 days in the calculation to reflect the required investment in training. They would also like a further 3 days each year to assist with meeting 9 other different training requirements.

### Council response

The Council notes the concerns highlighted by Providers that the calculation of fee rates should in their view take further account of the training requirements for their staff. It is therefore proposed that the number of training days is increased from 3 to 5 days in the fee calculation identified in Appendix 1.

The Council will continue to offer free access to Council run training courses many of which contribute towards the Care Certificate. The Council is also leading an initiative to promote and support workforce development. Appendix 3 details the current Council training offer.

## Staff recruitment and retention

Providers have also previously expressed concern about how low wages in the sector coupled with low unemployment in parts of the county and poor status of a career in social care impact on their ability to recruit and retain sufficiently well trained staff.

### Council response

It is nationally recognised that there are particular problems with encouraging people to consider a career in providing care. This is no different in Derbyshire with providers regularly alerting us to their problems with recruiting and retaining staff. The workforce has a high level of turnover and although some of this movement may be between jobs in the sector, providers are frequently losing staff in whom they have made a considerable investment in terms of training and development. This can create real instability in the market.

The recruitment and retention of staff is particularly problematic in the more rural parts of the county. The impact of the difficulties in recruiting staff is that Adult Care is unable to arrange packages of care.

In response to the workforce challenge Adult Care is leading in the establishment of The Derby City/ Derbyshire Talent Academy Programme.

This Talent Academy will co-ordinate a range of activities designed to meet the three Programme Deliverables set out in below:

1. Attraction and Recruitment
  - Increasing the numbers of people entering the health and social care workforce
  - Ensuring that people joining health and care have the right skills and values
2. Traineeships and Apprenticeships
  - Increasing the profile of careers in health and care
  - Engaging with schools and other education providers, Job Centre Plus, Princes Trust etc.
  - Supporting traineeships and work experience
  - Building up apprenticeship and higher apprenticeship numbers
  - Articulating the range of career pathways for care workers
3. Retention and Progression
  - Working across our future and existing workforce to train and develop people for a career in health and care
  - Preparation for the workforce changes that will be required as a result of the Derbyshire-wide STP.

It is considered that the proposals made within this report to increase home care fee rates coupled with Talent Academy initiative detailed above will help local providers to recruit and retain staff.

#### Increase in Care Quality Commission registration fee, business rates and other cost increases.

Providers have also expressed concerns about other inflationary pressures including concerns about a proposed increase of 60% on their yearly Care Quality Commission (“CQC”) registration fee.

#### Council Response

The CQC are required by the Government to achieve full chargeable cost recovery over a defined timescale which has led to this proposed increase in their yearly registration charge. In order to assist providers with meeting this overhead it is proposed to increase head office costs as shown in Appendix 1 by 2.31%. It is calculated that based on the average of 900 commissioned hours per provider per week this will enable providers over a year to build up the necessary funding to respond to the proposed CQC increase and to meet other inflationary pressures.

## Quality Premium

The Association noted that “The Quality Premium has not been consistently increased in line with standard fees, despite additional costs in staff wages for undertaking additional training to meet required standards”.

### Council response

The Quality Premium fee was introduced a number of years ago to promote improvements in the provision of homecare. The current standard payment of Quality Premium is calculated as an hourly tariff and this needs to be divisible by 12 to enable service to be commissioned and paid in 5 minute blocks (with a minimum call time of 15 minutes). This means any increases have to be a minimum of 0.12p.

The Council is committed to the continued payment of the Quality Premium to promote improved ways of working in the sector. Providers in receipt of Quality Premium payments have to achieve additional training standards as well as maintaining their status as being in receipt of the Derbyshire Dignity and Respect award. Failure to meet the required standards or poor compliance with the Council’s contract for the provision of home care can result in the provider having this additional payment being removed from all of their service activity

It is recommended to consolidate the impact of a minimum inflationary increase of 0.12p for Quality Premium on to day time homecare fee rate only. The sleep in rate will no longer be eligible for a quality premium as per the recommendation made later in this report in section 3 to introduce a flat rate sleep-in rate across home care service provision. The other service types listed in table in section 2.3 will have no increase on the Quality Premium value.

## **2.3 Proposals**

The impact of these proposals is shown below.

### **Proposed Non-Quality Premium rates 2017-18 from 1 April 2016**

<b>Service type</b>		<b>£ per hour</b>
<b>Day Time</b>	7am-8pm	<b>12.48</b>
<b>Night Time</b>	8pm-7am	<b>13.20</b>
<b>Weekends</b>		
<b>Sleep In</b>	10pm-7am	<b>71.10</b>
9 hours		
<b>Sitting Service</b>	Day	<b>9.60</b>

No Personal Care	
<b>Sitting Service</b> Weekend No Personal Care	<b>10.44</b>
<b>Living In Care</b> Per Week	<b>1148.00</b>

### Proposed Quality Premium rates 2017-18

Service Type	£ per hour
<b>Day Time</b> 7am-8pm	<b>13.32</b>
<b>Night Time and Weekends</b> 8pm-7am	<b>14.28</b>
<b>Sleep In 9 hours</b> 10pm-7am	<b>71.10</b>
<b>Sitting Service</b> Day No Personal Care	<b>10.32</b>
<b>Sitting Service</b> Weekend No Personal Care	<b>11.16</b>
<b>Living In Care</b> Per Week	<b>1211.00</b>

Allocation of payment to be identified by Postal Wards	Proposed 2017-18 Rate
<b>Urban</b>	<b>£1.88</b>
<b>Semi-Rural</b>	<b>£2.65</b>
<b>Rural</b>	<b>£3.27</b>
<b>Very Rural</b>	<b>£4.83</b>

## 2.4 Benchmarking

The proposed fee rates for the provision of home care in Derbyshire although lower than authorities local to Derbyshire they are in fact comparable once travel rates shown in the table above are included. The fee rates for the other local authorities are before any inflationary increases for 2016/17. It is understood that increases of 3-4% are being considered by other authorities.

Derbyshire	£12.48 - £ 13.32	(Proposed Day rate without travel payment)
Nottinghamshire	£15.25	inclusive of travel
Derby City	£13.36	inclusive of travel
Leicestershire	£15.27	Inclusive of travel

### **3. Impact of the Proposals on Specialist Home Care Fees**

The proposals made in this report, and summarised in Appendix 1, focus on the basic fee rates for the provision of home care. The Council also funds specialist home care services for people who live in supported living care settings.

Supported living is an alternative to residential care, providing home care support and accommodation to people who are assessed as eligible for adult care services. In a supported living service, the housing provider and support provider are separate, and the client is a tenant. Accommodation is homely not institutional with clients contributing directly to daily tasks around their own home.

Specialist home care providers receive higher hourly fee rates that reflect the greater investment in staff and training to meet an individual's needs. It is proposed that an increase in payments of up to 4% can be agreed with providers that provide specialist home care provision in supported living care settings where they can evidence that their costs have increased.

#### **3.1 Sleep-in Payments**

The Council currently contracts in exceptional circumstances for a staff member to be present at night (between 10pm-7am) in a client's home to provide support if required. The staff member is provided with a place to sleep and would provide assistance to clients when and if required.

Recent guidance from HMRC about payments for sleep-in staff has clarified that although asleep the workers are classed as being at work so are eligible to be paid at the minimum wage.

The Council has calculated that a 9 hour sleep in shift at National Living Wage with Employers National Insurance contribution and payment of pension at 1% would result in a service value of £71.10 per night.

There are currently a number of providers with different agreed sleep in rates ranging from £45 to £ 60 per week which are all below the Council's proposed rate of £71.10. Due to the size of this proposed increase in fee rate it is proposed to pay all providers this flat rate sleep-in of £71.10 rather than negotiate individual rates. This is an overall financial impact of £322,929 per annum equivalent to an increase of over 8% for sleep-ins.

### **4. Financial Considerations**

The proposed increase of 4.35 % on homecare fees and travel rates from 1 April 2017 would cost £1.415m.



The proposed increase of 4% from 1 April 2017 on specialist homecare fees will cost up to £0.932m.

The proposed introduction of a flat rate sleep in rate of £71.10 per night to assist Providers in meeting minimum wage rules will be an additional cost to Adult Care of £0.323m per annum.

The additional costs of £2.67m will be met from an allocation from the Council's Contingency Budget.

## **5. Social Value Considerations**

The majority of the organisations contracted to provide regulated Home Care services on behalf of Derbyshire County Council are local businesses. All of these businesses play a key role in their local communities providing connections between families and friends and offering local employment. Because providers are local to Derbyshire they can be responsive to the local communities they are based in.

The specialist home care providers referred to in this report are predominantly charitable organisations that place a great deal of emphasis on supporting and empowering their clients to be active member of their local community. This also includes supporting wider family connections, linking with welfare support and advice as well as promoting community inclusion and resilience.

## **6. Legal Considerations**

In accordance with the Care Act 2014, the Council is under a new duty to promote diversity and quality in the market of care and support provision. The Council is satisfied that the methodology used in calculating the proposed fee increase is equitable and properly reflects the increased cost pressures highlighted by the providers

## **7. Other Considerations**

In preparing this report the relevance of the following factors has been considered: environmental, prevention of crime and disorder, equality and diversity, human resources, health, property and transport considerations.

## **8. Key Decision**

Yes

## **9. Is it necessary to waive the call-in period?**

No

## **10. OFFICER'S RECOMMENDATION**

That Cabinet agrees:

- the proposed fee increases for the independent sector home care fees from 1 April 2017, by 4.35% on all hourly rates for home care
- an increase of 4.35% on all travel/visit rates from 1 April 2017
- to make an inflationary payment of up to 4% for specialist home care placements where evidence is provided of inflationary pressures;
- to introduce a new standard flat rate payment of £71.10 for sleep in provision in supported living services from 1 April 2017

**Joy Hollister**  
**Strategic Director – Adult Care**  
**County Hall**  
**MATLOCK**

## Appendix 1

### Proposed Home Care Fee Rate 1 April 2017

#### HOME CARE PROPOSALS FEE ANALYSIS

	2016/17 Rate	2017/18 Rate	Change	%
Wages	7.70	8.00	0.30	3.90%
Employers NI above £155 per week	0.31	0.35	0.04	12.90%
Pension 1%	0.08	0.08	0.00	0.00%
<b>Hourly Cost</b>	<b>8.09</b>	<b>8.43</b>	<b>0.34</b>	<b>4.20%</b>
Holiday Pay 4 weeks	0.62	0.65	0.03	4.84%
Sickness pay assume 2 weeks per year	0.31	0.32	0.01	3.23%
5 training days per year	0.09	0.16	0.07	77.78%
Bank holidays 8 days per year	0.25	0.26	0.01	4.00%
<b>Net Hourly Rate</b>	<b>9.36</b>	<b>9.82</b>	<b>0.46</b>	<b>4.91%</b>
Head office and profit	2.60	2.66	0.06	2.31%
<b>Total Hourly Rate</b>	<b>11.96</b>	<b>12.48</b>	<b>0.52</b>	<b>4.35%</b>

### Assumptions Used in Calculating Fee Rates

- Contribution towards hourly wage has been increased by 4.2 %
- Employers pay of 13.8% National Insurance at pay above £155 per week
- Holiday Pay is calculated at 4 weeks plus an additional 8 days bank holiday entitlement. This is equivalent to 5.6 weeks statutory minimum annual leave entitlement.
- Increased training day funding allocation from 3 to 5
- Head office costs - increased by 2.31%

### Travel rates

<b>New proposed allocation of payment to be identified by Postal Wards</b>		<b>Proposed New Rate increase of 4.35%</b>	
<b>Urban</b>	<b>£1.80</b>	<b>4.35%</b>	<b>£1.88</b>
<b>Semi-Rural</b>	<b>£2.54</b>	<b>4.35%</b>	<b>£2.65</b>
<b>Rural</b>	<b>£3.13</b>	<b>4.35%</b>	<b>£3.27</b>
<b>Very Rural</b>	<b>£4.63</b>	<b>4.35%</b>	<b>£4.83</b>