

Adult Social Care Committee

Item No.....

Report title:	Fee levels for adult social care providers 2018/19
Date of meeting:	15 January 2018
Responsible Chief Officer:	James Bullion, Executive Director of Adult Social Services

Strategic impact

Norfolk County Council (the Council) invests more than £280m a year in purchasing adult social care services from the market. The Council has legal duties under the Care Act 2014 to promote the effective and efficient operation of this market including its sustainability including setting and maintaining adequate fee levels.

Executive summary

The Care Act requires the Council to promote the effective and efficient operation of the care market to secure the sustainable supply of high quality care services for adults in Norfolk. The Council purchases almost all adult social care services from the care market investing more than £280m annually. The prices that the Council pays must continue to reflect the actual cost of care having due regard to inflationary pressures in order to secure sustainable supply.

The Council has adopted a number of key strategies and approaches that directly affect the care market including Living Well, Promoting Independence and the Commissioning and Market Shaping Framework. The Council will wish to have due regard to these policies and approaches in determining the proportion of funding it has available to invest in each sector of the market. Inflationary uplifts support promotion of growth in particular sectors and also ensures sustainability for example: incentivising care homes to support people whose dementia drives challenging behaviours and people who require nursing and improving efficiency in and stabilising the home care sector.

The Council has developed an inflationary pressures price adjustment mechanism working with the provider market. This mechanism enables prices to reflect increases in the national minimum/living wage announced in the Autumn budget statements as well as the estimate for Consumer Price Index (CPI) inflation calculated by the Office of Budget Responsibility (OBR) and actual wage rates from the National Minimum Data Set (NMDS). This means that the increases proposed are above the core price inflation included in the growth pressures for the Adult Social Care Committee (the Committee).

Additional growth pressures have been included within the budget plans for 2018-19 to manage both the recurrent increase in prices arising from the cost of care exercise and impact of the introduction of the national living wage in 2016-17 and to enable price uplifts to reflect additional costs from the 2017-18 increase in national living wage. This report sets out the recommended approach for 2018/19.

Recommendations

The Committee is recommended to consider and agree the approach to fee uplifts for the 2018/19 financial year as set out below:

- a) In respect of contracts where an inflation index or indices are referenced an uplift is implemented to match any changes in the relevant index or indices**
- b) In respect of contracts where there is a fixed price for the duration of the contract, no additional uplift in contract prices takes place**
- c) In other contracts, where the Council has discretion in relation to inflationary uplifts, that uplifts are considered in line with those set out in this report**

1. Proposal

- 1.1 The proposal is to implement fee uplifts for the 2018/19 financial year in accordance with specific contractual obligations where they exist and otherwise as set out in the table below:

Table 1 Inflation Uplifts by Sector

Sector	2018/19
Home Support spot providers*	1.17%
Home Support framework providers**	4.24%
Residential Care standard rate for older people	3.88%
Residential Care enhanced rate for dementia older people	3.88%
Nursing Care standard rate for older people	3.88%
Nursing Care enhanced rate for dementia older people	3.88%
Residential Care for working age adults	4.11%
Nursing Care for working age adults	4.11%
Day Care	3.00%
Supported Living	4.06%
Supported Accommodation	4.06%
Direct Payments***	6.21%
Other including carers	2.20%

*A home support spot provider has historically been paid a premium above block contract prices because there are no guaranteed commissioned hours however spot providers are not obliged to accept any hours offered by the Council

** A home support framework provider has gone through a procurement process in order to be selected as a preferred provider in any given area. They are contractually bound to provide commissioned hours and to work collaboratively with other providers to help join up services and make provision more efficient

*** Direct payments are frequently used to enable people to directly employ their carers. Rates must therefore reflect not only general inflation but also employment costs including changes in legislation including national minimum wage and auto enrolment pension

2. Evidence

2.1 The legal framework Care Act 2014

- 2.1.1 The Care Act places duties on local authorities to facilitate and shape their market for adult care and support as a whole, so that it meets the needs of all people in their area who need care and support, whether arranged or funded by the state, by the individual themselves, or in other ways.
- 2.1.2 The ambition is for local authorities to influence and drive the pace of change for their whole market leading to a sustainable and diverse range of care and support providers, continuously improving quality and choice, and delivering better, innovative and cost-effective outcomes that promote the wellbeing of people who need care and support.
- 2.1.3 The statutory guidance to the Care Act requires local authorities to commission services having regard to cost effectiveness and value for money. The guidance also states, however, that local authorities must not undertake any actions that might threaten the sustainability of the market as a whole, that is the pool of providers able to deliver the services required to an appropriate quality - for example by setting fee levels below an

amount which is not sustainable for providers in the long term. The guidance emphasises the need to ensure that fee levels are sufficient to enable providers to meet their statutory obligations to pay at least the national minimum wage and provide effective training and development of staff.

2.2 **Contracts**

2.2.1 The Council invests over £280m a year in securing the care services needed through a large number of contracts. These contracts contain legally binding provisions regarding fee levels and often the treatment of inflationary and deflationary pressures on the fee levels which vary from contract to contract. The various contractual requirements are described below.

2.2.2 At current usage rates the fee levels proposed in this report would add £10.478m a year to maintain the value of our total investment in the care market. This is considered to be essential to enable the Council to continue to discharge its legal obligations as well as securing stable supply in the longer term

2.3 **Indexation of prices**

2.3.1 These contracts specify an annual variation by reference to a specific price index or indices. In these cases the Council is contractually obliged to apply whatever the indexation requires by way of price variation.

2.4 **Fixed prices**

2.4.1 These contracts set a fixed price for the duration of the contract. The Council is not contractually obliged to adjust prices in these types of contracts.

2.5 **Pre-agreed tendered prices**

2.5.1 In these contracts the provider is required to set out in advance the prices they require over the life of the contract including their assessment of inflation with no facility for altering those prices. In these circumstances the Council is not contractually obliged to make any changes to prices but has a discretion to consider changes in wholly exceptional circumstances.

2.6 **Prices subject to annual inflation consideration**

2.6.1 These contracts typically require the Council to consider any changes in provider costs that may have occurred in the previous year and/or may occur in the forthcoming year and to make adjustments to reflect these changes at its discretion. In exercising its discretion the Council must have due regard to its market shaping duties under the Care Act. The proposed inflationary uplifts in respect of contracts where the Council is required to consider inflation each year the proposed uplifts are shown in Table 1 above.

2.7 **Home Support**

2.7.1 The overarching strategy for home support is to increase place based working, improving the ability to work in an integrated manner with local health services, improving supply and the efficiency of business operations. This work is ongoing and recognises the role of small, niche providers and the need to promote a diverse and sustainable care market however it also recognises the need to support more efficient ways of working if the Norfolk market overall is to remain sustainable.

2.7.2 Evidence suggests that there is inefficiency in some parts of the home support market driven by multiple suppliers operating in the same geography and the way in which the Council's own care arranging service has placed packages of care. A new framework approach has been developed together with a cost model that has enabled the Council to

establish pricing that reflects actual 2017/18 costs and in particular varying travel times. The framework pricing structure will be implemented in the central area in April 2018 and will be required to reflect inflationary pressures in that market. The proposed increase for 2018/19 is 4.24% which would result in framework prices for 2018/19 as shown in the table below:

Table 2 – Home Support Framework Pricing

	Band 1 0-3 miles	Band 2 3-6 miles	Band 3 6+ miles
Proposed 2018/19 Hourly Rate	£17.40	£19.68	£21.72

2.7.3 The price for spot purchased home support throughout 2017/18 has been £17.08 an hour. The Council has discretion in evaluating and applying any uplift to this rate. Commissioners wish to manage the Council's exposure to spot purchased home care as this does not secure or encourage stable long term supply. The Council's financial systems require the spot rate to be divisible by twelve (this enables five minute increments to be determined). In order to incentivise the shift towards investment in longer term secure framework supply, it is proposed to set the hourly spot rate accordingly. The spot rate will be raised to £17.28 which equates to a 1.17% increase as set out in Table 1 above.

2.8 Independent residential and nursing care

2.8.1 For residential and nursing care there is a requirement to complete a consultation process prior to the implementation of any usual prices for 2018/19. It is intended to commence this process on 17 January 2018 closing on 6 February 2018. It is proposed that implementation of the new prices will be undertaken through the exercise of delegated powers as approved at the 29 April 2016 Committee meeting.

2.9 Independent residential and nursing care for older people

2.9.1 In the case of residential and nursing care for older people provided by the independent market the Council undertook to award cost of care increases in 2016/17, 2017/18 and 2018/19. These increases are independent of any inflationary uplift.

2.9.2 Detailed below are the proposed usual prices for residential and nursing care provided by the independent sector for older people arising from the 2018/19 cost of care increase and inflationary pressures for older people. For completeness the inflationary element is also set out in Table 1 above.

Table 3 Residential and Nursing Care – cost of care and inflationary uplift

Older People	A	B	C	D	E
Single Room Only	2017/18 Usual Price	18/19 Cost of Care % increase	18/19 Price inflation % increase	18/19 Total % price increase	Proposed 2018/19 Usual Price
Band					
Residential - Standard	£468.10	2.21%	3.88%	6.09%	£496.61
Residential - Enhanced	£523.21	2.38%	3.88%	6.26%	£555.96
Nursing - Standard	£488.34 + FNC of	2.32%	3.88%	6.20%	£518.62 + FNC* ₁ of

	£155.05 = £643.39				£155.05 = £673.67
Nursing - Enhanced	£521.74 + FNC of £155.05 = £676.79	0.57%	3.88%	4.45%	£544.96 + FNC of £155.05 = £700.01

*1 The Funded Nursing Care (FNC) is set nationally by the Government and the figure included in the above table may be subject to change.

2.10 **Independent residential and nursing care for working age adults**

- 2.10.1 The Committee approved the process to undertake the cost of care exercise for working age adults at its meeting on 29 April 2016. As a result of the work undertaken a consultation report was sent to providers on 15 November 2017 indicating that the Council was minded to confirm the usual prices that were in operation in 2015/16, the interim prices in operation in 2016/17 and 2017/18 as its usual prices for those years. In addition an equality impact assessment was carried out. A summary of the feedback received and the equality impact assessment have been posted on the Council's cost of care page on the website.
- 2.10.2 The consultation lasted for 28 days concluding on 12 December 2017. The Council has taken into consideration all the feedback provided.
- 2.10.3 Having had due consideration of the consultation feedback the Executive Director of Adult Social Care in consultation with the Committee Chair and Group Spokespersons exercised delegated powers to confirm the usual price in operation in 2015/16 and the interim prices in operation in 2016/17 and 2017/18 as the Council's usual prices for those years.
- 2.10.4 In respect of the usual prices for residential and nursing care for working age adults for 2018/19 the council is proposing an uplift of 4.11% to its published usual prices for 2017/18. For completeness the proposed inflationary uplift is set out in Table 1 above.

2.11 **Usual prices for residential and nursing care from 2019/20 onwards**

- 2.11.1 The cost model developed as part of the cost of care process for older people will be reviewed during the course of 2018/19 to enable usual prices to be determined for 2019/20 and onwards. In addition work currently underway will develop a cost model for residential and nursing care in the working age adult sector intended to inform usual prices from 2019/20 onwards with the possibility of partial implementation during 2018/19.

2.12 **Day Care and Supported Living**

- 2.12.1 The annual cost for these services have been assessed and uplifts outlined in Table 1. These uplifts are above the OBR forecast for inflation over the next year and reflect the diversity of provision in the market and projected demand for these services going forward. Day Care and Supported living will be subject to review over the coming year.

2.13 **Approach for evaluating cost changes for 2018/19.**

- 2.13.1 The Council introduced a new provider dialogue process during 2016 and this has enabled the development of an inflation adjustment mechanism which underpins the proposed uplifts to support the Council in the exercise of its discretion as set out in Table 1 above.
- 2.13.2 The basis for evaluating price changes is set out below:

Table 4

Cost	Market Sector	Evidence
Pay	All	National minimum dataset
Prices	All	Office of Budget Responsibility November estimates for inflation in 2018-19
Pensions	All	Relevant auto enrolment rate

2.13.3 The key cost drivers affecting care provision are:

- a) General inflation, is based on the County Council's financial planning forecast of 2.2%. This is considered reasonable when compared to the Office of Budget Responsibility (OBR) November forecast for inflation of 2.4% in 2018 and 1.9% in 2019. The overall rate for 2018-19 is 2.1%
- b) The national living wage, which will increase from £7.50 to £7.83 from April 2018 represents a 4.4 % increase. The national minimum dataset information sets out actual pay rates which tend to be slightly above the national living wage. The Council recognises however that in order to compete in the labour market increases in pay rates in line with increases in the national minimum wage rates will be required. In addition the council recognises that pay differentials need to be supported to aid retention of skilled and experienced staff

2.13.4 It is proposed that Direct Payments budget is increased by 6.21 %. In previous years this has been in line with the Government departmental spending plans, which use the November Office of Budget Responsibility estimates. However, direct payments reflect costs relating to both services and direct employment. The increase therefore needs to enable those that directly employ staff i.e. as personal assistants, to pay in line with the national living wage. The proposal would enable the hourly rate for care to increase to £8.00. Other costs would be increased by inflation at 2.2%. In addition other mechanisms are in place that will ensure that an individual is able to meet their assessed unmet eligible needs, including reviews of needs and support plans to ensure that they accurately reflect those needs.

2.14 **Consideration of affordability – budget planning**

2.14.1 Having taken due consideration of cost pressures in the various care market sectors together with quality and sustainability the Council needs to take into consideration the level of increase that is affordable in the light of other pressures and priorities.

2.14.2 The financial context continues to be challenging. Overall, councils will see a reduction in central government support to local government of £16bn between 2010 and 2020, with a local impact of £218m. Independent estimates show the national social care funding gap is set to reach £2.1bn by 2020 and locally we are planning to deliver recurrent savings of over £50m by 2021, which is due in part to £33m of potential inflationary pressures and £24m of potential demographic pressures over the next four years.

2.14.3 The Strategic and Financial Planning paper to this Committee, sets out the wider financial position and the impact of the Autumn Statement 2016 and Local Government Finance Settlement. In addition to the future year savings agreed by the County Council in February 2017 the updated medium term financial strategy has identified a further gap of £100m between 2018 and 2022 requiring an additional £20m of savings to be identified within adult social care. Within the Autumn Statement the departmental spending plans set out that expenditure as a share of GDP is forecast to fall from 38.9% in 2017-18 to 27.7% in 2022-23.

2.14.4 The Council's plans are based on the government's spending plans.

- 2.14.5 National efficiency savings in public spending were revised to £1.4bn by 2019-20.
- 2.14.6 There is no specific support for the implications of legislative changes to national living wage on provision of social care. The future financing of social care will be set out in a Green Paper, which was intended to be published in 2017, however this has now been postponed until summer 2018.
- 2.14.7 To provide support for social care in 2016/17 the Government introduced the Adult Social Care precept, giving local authorities with social care responsibilities the flexibility to raise an additional 2% on council tax. For Norfolk County Council the precept is forecast to provide funding of £10.8m in 2018/19. The Council's medium term financial plans include budget assumptions for council tax increase. The Council is currently consulting on a council tax increase of up to 5.99% for 2018/19, made up of 3% increase for Adult Social Care and a 2.99% increase for general council tax.
- 2.14.8 In addition, the Government announced in the Spring Budget an additional social care grant, which would be provided on a one-off basis in 2017/18, 2018/19 and 2019/20. The criteria for managing this funding is that is part of the better care fund and must be spent to support protection of social care, help to sustain the care market and to help reduce delayed transfers of care from hospital. This totals £11.8m in 2018/19, but together with use of the improved better care fund (IBCF), which is to fund adult social care in general, the (IBCF) totals £27.7m in 2018-19. The plans for the use of the funding were agreed by the council and health partners in July 2017. The plans include £10.8m to help sustain the care market, with funding focused on managing legislative pressures that change previous sleep-ins rates, cost of care, implementation of the home support framework, and purchase of care packages.
- 2.14.9 In total the service is budgeting for additional net pressures of £33.9m in 2018-19.
- 2.14.10 The budget plans for 2018-19 have included growth for inflationary cost pressures for pay and non-pay budgets (price inflation at 2.2%); legislative changes, demographic cost pressures for adult social care of £6.134m.
- 2.14.11 The plans for adult social care services require savings to be delivered amounting to £27m in 2018-19 to enable services to be delivered within reduced funding and increased investment in the service to support unavoidable cost pressures.
- 2.14.12 In addition to core inflationary increase of £5.709m and the additional costs through cost of care of £1.8m, it is recommended that an additional £5.921m is included within cost pressures to manage the impact of national living wage. £2.1m has been allocated within the improved better care fund to support the introduction of the home support framework.
- 2.14.13 In overall terms this enables inflationary pressures on pay including the impact of the national minimum wage as determined by our cost model to be funded in full. It also enables the estimates of the likely increases faced by local care providers to be met based on the revised cost of care models.
- 2.14.14 Application of the process described in 2.13 in conjunction with factors including effective operation in the market, alternative ways of working and innovative business practice, as well as the overall affordability for the Council, have resulted in the proposed uplifts detailed in Table 1. (section 1.1)

3 Financial Implications

- 3.1 The financial impact of the recommended price uplifts, excluding cost of care totals is £10.478 m in 2018-19. This increase is included in the budget proposals set out to Committee elsewhere on this agenda. In addition the budget proposals to be agreed by County Council will include a further increase in fee levels for older people residential and

nursing in line with the cost of care exercise completed in 2016, this is included in the usual price proposals set out in Table 3 of this report. The additional cost of care increase totals £1.8m for 2018-19.

4. Issues, risks and innovation

- 4.1 The Care Act requires councils with adult social care responsibilities to promote the effective and efficient operation of the market so that sustainable value for money quality services are available to care consumers. If a provider fails the Council has specific responsibilities to ensure that services remain available to meet needs.
- 4.2 The Committee has approved a new Commissioning and Market Shaping Framework which supports the development of detailed sector based plans that will be further developed working with providers and care consumers to realise the Promoting Independence strategy.
- 4.3 Combined with the strengths based approach to care needs assessment and review greater effectiveness and efficiency will be secured.

5. Background

- 5.1 The Committee reports dealing with the Cost of Care considered on 29 April 2016 and 10 October 2016 are relevant to the proposals regarding uplifts in the residential and nursing care market sectors.
- 5.2 **Background Papers –**
[Usual price of residential and nursing care in Norfolk 29 April 2016](#) – p4
[Usual price of residential and nursing care in Norfolk 10 October 2016](#) - p55

6 Recommendations

- 6.1 **The Committee is recommended to consider and agree the approach to fee uplifts for the 2018/19 financial year as set out below:**
- a) **In respect of contracts where an inflation index or indices are referenced an uplift is implemented to match any changes in the relevant index or indices**
 - b) **In respect of contracts where there is a fixed price for the duration of the contract, no additional uplift in contract prices takes place**
 - c) **In other contracts, where the Council has discretion in relation to inflationary uplifts, that uplifts are considered in line with those set out in this report**

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

Officer Name:	Tel No:	Email address:
Steve Holland	01603 638353	steve.holland@norfolk.gov.uk
Susanne Baldwin	01603 228843	susanne.baldwin@norfolk.gov.uk



If you need this report in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.