

REPORT TO: Health Policy & Performance Board
DATE: 20th September 2016
REPORTING OFFICER: Director of Adult Social Services
PORTFOLIO: Health and Wellbeing
SUBJECT: The National Living Wage – Care Provider Contracts
WARD(S) Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 To provide the Board with details of the latest known position with regards to the impact that the introduction of the National Living Wage is having on Care Providers in Halton.

2.0 RECOMMENDATION: That the Board:

i) Note contents of the report.

3.0 SUPPORTING INFORMATION

3.1 In July 2015 the Chancellor of the Exchequer announced that the UK Government would introduce a compulsory minimum wage premium for all staff aged 25 and over.

The new mandatory national living wage (NLW) took effect from 1st April 2016 and pushed up the minimum hourly rate for all workers aged 25 and over from £6.70 to £7.20. Initially, this has been set at £7.20 an hour, but with a target of it reaching more than £9 an hour by 2020.

Part-time and full-time workers will benefit from its introduction.

The national minimum wage (NMW) will remain in place, and the compulsory national living wage (NLW) will be a top-up for workers aged 25 and over.

3.2 It should be noted that in order to help businesses afford the increases in wages the Chancellor of the Exchequer cut Corporation Tax by 2% to 18% and employers are also able to reduce the amount of national insurance contributions they pay for their employees by 50%, up to £3,000.

3.3 A finance model was developed and adopted across the North West Region which provided some initial analysis of the potential increased costs involved and impact.

In summary, as the age profile of workers was/is not clearly known, the finance model assumed potential percentages of 100%, 90% and 75% of the total workforce,

which showed that potential additional costs incurred, for Halton, would be between £1million to £1.3million in 2016/17, rising to between £4.6million and £6.2million by 2020/21.

Further details can be found at paragraph 5 of *Appendix 1*.

- 3.4 An options appraisal was carried out as to how the increase in costs could be met and was presented to Executive Board in February 2016.

It was agreed to enter into discussions with Care Providers to agree how the additional costs would be met.

- 3.5 Following discussions, taking into account that 41% of the increased costs could be met by the care providers (Domiciliary, Residential and Nursing Care), via the reduction in corporation tax and the reduction in national insurance contributions, in addition to the £0.5m cost, as outlined in the Medium Term Financial Forecast towards the cost of the NLW, a provisional offer of a 3.2% increase was presented to domiciliary and care home providers.

At this point all providers who found this financially compromising were offered the opportunity to follow an 'open book' accounting process whereby their accounts would be examined to prove financial hardship.

- 3.6 At the point of writing this report only 3 Domiciliary Care providers have asked for this to take place and work is currently ongoing with these providers, however financial hardship hasn't yet been evidenced or substantiated with any detailed cost information or accounts etc.

No residential/nursing care providers have taken up this offer.

It should also be noted that the Local Authority has not received any concerns from Service Users in respect of care providers increasing their contributions to fund any gap in costs.

It is therefore very difficult at this stage to evidence the actual impact the introduction of the NLW is having on care providers or Service Users in Halton.

- 3.7 As part of the on-going contract monitoring arrangements undertaken by the Quality Assurance Team, there is an opportunity for discussions to take place between the Local Authority and care providers concerning any related financial issues; this will continue.

Care Quality Commission (Registration) Regulations 2009: Regulation 13 – also covers financial position. In summary the intention of this regulation is to require providers to make sure they take all reasonable steps to meet the financial demands of providing safe and appropriate services. It goes on to state that in order to meet this regulation, providers must have the financial resources needed to provide and continue to provide the services as described in the statement of purpose to the required standards.

- 3.8 On-going work continues to take place with providers to try and fully understand the impact of not only the introduction of the NLW (NB. Provider Forum is due to be held on 8th September where this issue will be addressed/discussed further), but also looking at future capacity and demand across the whole of the Adult Health and Social Care economy in Halton as part of the Joint Strategic Needs Assessment and Market Position Statement work, in addition to exploring ways in which will can incentivise the market to produce better outcomes for people locally.

4.0 **POLICY IMPLICATIONS**

- 4.1 None identified.

5.0 **OTHER/FINANCIAL IMPLICATIONS**

- 5.1 Details of the possible financial implications were presented to Executive Board and these can be found in paragraph 5 of the *Appendix 1*.
- 5.2 The issue of NLW needs to be considered alongside high quality care and market stability in general and associated costs.

A contractual agreement has been in place for considerable time with a range of residential and nursing care providers in Halton and as there had been various National issues raised regarding a “fair price for care” fees it was agreed with care home providers that a review of fees take place in Halton during 2014/15 to ensure that they were financially sustainable for the Council and were able to support the continuance of high quality care and provide for market stability. The Council currently spends circa £18m per annum on residential and nursing home placements.

- 5.3 As a result external consultants were engaged in November 2014 to undertake this work. This was necessary because of the specialist nature of the financial work involved in determining the ‘Fair Price for Care’, to provide a level of independence and to engage consultants who have worked with other Councils facing similar issues.

- 5.4 The resulting report from the consultants provided the necessary analysis of the costs and prices associated with the provision of residential and nursing care provision in the Borough and the findings included that the fees currently paid were appropriate to cover the average costs of a care home in the Borough.

Further work was conducted with a view to maintaining market stability and it was agreed that a 0.82% inflation would be applied to fees in 2015/16, 2016/17 and 2017/18. This increase applied to Older People in residential and nursing care provision.

In respect of those service users in mental health and learning disability residential placements we have moved to an approach where a standard base fee is set but recognise that additional package costs may need to be negotiated.

As there are very few homes in the Borough for adults with physical disabilities it

was agreed that individual fees be agreed with each home.

6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 **Children & Young People in Halton**

None identified.

6.2 **Employment, Learning & Skills in Halton**

None identified.

6.3 **A Healthy Halton**

The Adult Social Care budget supports the delivery of services which contribute towards this priority.

6.4 **A Safer Halton**

None identified.

6.5 **Halton's Urban Renewal**

None identified.

7.0 **RISK ANALYSIS**

7.1 The option agreed by Executive Board i.e. sharing the financial burden with care providers, does mean that we share the risk. However, the position does need to be reviewed annually through open book accounting and increased information sharing and transparency with providers.

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 None identified.

9.0 **LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

| Document | Place of Inspection | Contact Officer |
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| The National Living Wage – Care Provider Contracts Executive Board Report 25/02/16 | Municipal Building | Sue Wallace-Bonner Director of Adult Services |