

REPORT TO: Executive Board
DATE: 23 February 2017
REPORTING OFFICER: Strategic Director, People
PORTFOLIO: Health and Wellbeing
SUBJECT: Adult Social Care Uplift for Providers 2017/18
WARD(S) Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 To inform the Board of the proposed annual uplift for domiciliary and residential care providers within Halton for 2017/18.

2.0 RECOMMENDATION: That approval be given to actively enter into discussions with Care Providers, with a view to offer 3% uplift for 2017/18.

3.0 SUPPORTING INFORMATION

3.1 The care sector is critical to the sustainability of the health and social care economy. A robust sector, which is able to recruit and retain high quality staff at an affordable rate, ensures that the Council is able to support adults to live as independently as possible in their own homes.

3.2 One of the main challenges for the sector has been the introduction of a new mandatory National Living Wage (NLW) for workers aged 25 and above from 1st April 2016. It was set at £7.20 an hour in 2016/17 and was expected to increase to £9 an hour by 2020. However this has since been revised slightly to reduce the increases each year, to an hourly rate of £8.80 in 2020. This is for both part-time and full-time workers.

3.3 In order to help businesses to afford the increases in wages the Chancellor of the Exchequer announced a cut in Corporation Tax by 2% to 18% by 2020. In addition employers will be able to reduce the amount of national insurance contributions (NIC's) they pay for their employees by 50% up to £3,000.

3.4 In addition changes in case law (Whittlestone v BJP Home Support Ltd) now require providers to pay the NLW for each hour worked in an overnight "sleep-in". These range between 8 and 10 hours and have

traditionally been paid at a lower blanket rate but are now required to be paid at a rate in which the hours worked overall are remunerated at NLW rate.

3.5 The uplift awarded to care providers for financial year 2016/17 was 3.2% which assumed an inflation uplift of 1% for Domiciliary Care & Direct Payment and 0.82% for Residential Care (based on the Fair Price for Care exercise undertaken by Red Quadrant in 2015) plus an increase in funding of £0.5m for NLW pressures. This additional funding assumed the care provider would also meet the additional cost burden by an equitable amount therefore sharing the expected cost of the NLW equally.

3.6 Both residential and domiciliary care rates in Halton are still competitive compared to other councils in the North West. Halton's average domiciliary rate for 2016/17 is £12.52 whilst the older people residential rate is £391.29. Appendix 1 compares Halton's average domiciliary and residential rate for 2016/17 against other North West Local Authorities. As the information gathered is confidential the councils have been anonymised.

4.0 **POLICY IMPLICATIONS**

4.1 None identified.

5.0 **FINANCIAL IMPLICATIONS**

5.1 The finance model, established to assess the potential impact of the cost of the NLW, has recently been updated by the revised hourly rates disclosed in the Autumn statement.

Staff cost %	Cumulative Total Cost Per Year				
	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
100%	1,345	2,192	3,371	4,549	5,755
90%	1,215	1,973	3,034	4,094	5,180
75%	1,012	1,644	2,528	3,412	4,316

5.2 The assumptions upon which the above model is based remain the same except for the following changes in the hourly rate:

- The hourly rate has reduced from £7.65 to £7.50 2017/18
£8.10 to £7.93 2018/19
£8.55 to £8.36 2019/20
£9.00 to £8.80 2020/21

5.3 The table above shows the expected additional costs of the NLW to be £758,000 in 2017/18, based on 90% of the workforce being

eligible. This is a reduction of £335,000 compared to the expected cost in April 2016, due to the hourly rate being reduced by 15p from £7.65 to £7.50. The reduction in the total cumulative cost in the NLW is £454k based on 100% of staff costs, £408k based on 90% of staff costs and £340k based on 75% of staff costs over the next 4 years.

5.4 Although the NLW has led to an increase in cost, the impact of this has reduced slightly from 2017/18. However the potential increase in costs identified in paragraph 5.1 above still need to be met from April 2017. Options to be considered are as follows

5.4.1 Take no immediately action, see what costs the Care Providers can absorb and wait for them to approach the Council.

5.4.2 Pay full cost to the Care Providers on receipt of evidence of the additional financial burden.

5.4.3 Actively enter into discussions with Care Providers to agree how the additional costs will be met. The Medium Term Financial Forecast includes an additional £0.5m each year from 2016/17 towards the cost of the NLW. The additional cost for 2017/18 is £758,000 (assuming 90% of staff is eligible for the NLW) therefore the council contribution of £500k plus £200k inflation would meet the majority of the additional cost burden on care providers.

5.4.4 If any individual Care Providers were to subsequently demonstrate financial hardship, through providing the Council with full open-book access to their records and financial accounts, then the position regarding the impact of the NLW in respect of that particular Provider would be reviewed.

5.5 It is recommended that the options outlined in paragraphs 5.4.3 and 5.4.4 above, be adopted. The additional funding of £0.5m made available by the Council, in addition to the inflationary increase in contract prices already agreed (as per paragraph 3.5) would enable an uplift of 3% to be made to both residential and domiciliary care providers.

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 options identified in 6.0 above have a number of risks associated with them and consideration needs to be given to the following:

- Taking no action may destabilise the care market as businesses are no longer sustainable as a going concern due to increased costs.
- The burden of the additional full cost on the authority will result in further efficiencies having to be made as no additional funding has been made available from government.

7.2 Sharing the financial burden with care providers will also share the risk. However, the position would 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 **REASON(S) FOR DECISION**

The Executive Board will be required to approve the uplift in the rate paid to providers to ensure the Authority meets its statutory duties under the Care Act.

10.0 **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

10.1 None Identified.

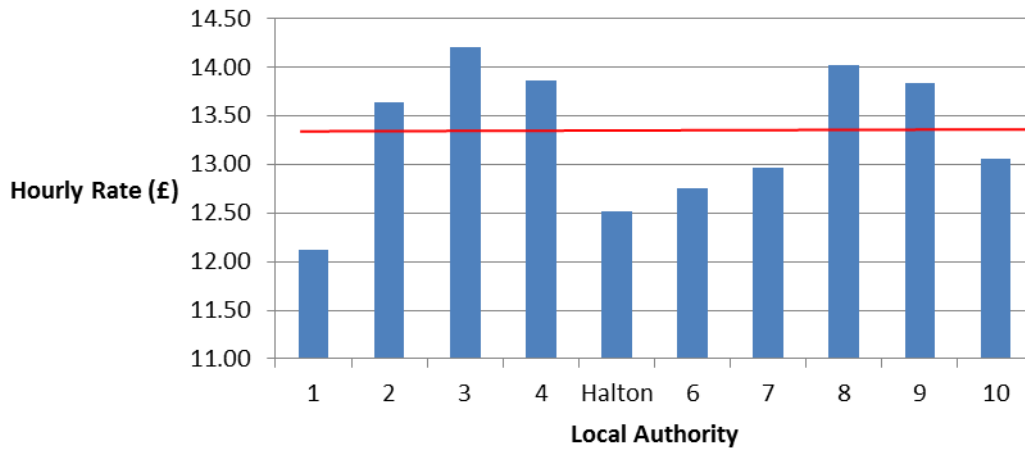
11.0 **IMPLEMENTATION DATE**

1st April 2017.

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

None.

North West Comparison of Home Care Rates 2016/17



North West Comparison of OP Residential Rates 2016/17

