

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**16 March 2020**

**Report of the Executive Director for Adult Social Care and Health**

**HOME CARE FEES 2020-21  
ADULT CARE**

**1. Purpose of report**

To seek Cabinet approval;

- to make an inflationary increase of 4.80% for independent sector home care provision from 1 April 2020
- to increase travel/visit rates by an average of 3.09% from 1 April 2020;
- to increase the fee rate for in-house home care and extra care provision from 1 April 2020 by 4.80%
- to make an inflationary increase of up to 4.80% for specialist home care placements where evidence is provided of inflationary pressures;

**2. Information and Analysis**

There are approximately 4,200 people currently in receipt of home care support from up to 50 independent sector home care providers, which is equivalent to 90% of the commissioned home care market, the other 10% of long term packages being provided by the Council's in-house service.

The Derbyshire Homecare Association ("the Association") represent many of the independent home care providers. It has requested, on behalf of their members, that the Council consider an increase in fees for 2020-21 to assist with meeting costs associated with the continued promotion of the National Living Wage. Adult Social Care has also received additional requests from other providers not represented by the Association for a fee increase to reflect inflationary pressures.

The Association were invited to a meeting held on the 14 January 2020 with the Council to discuss the sector's views about current market conditions and inflationary pressures. The views shared at this meeting have assisted the Council in detailing 2020-21 fee proposals described in this paper.

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

### National Living Wage

Providers have identified that the National Living Wage is due to increase by 6.2% for staff aged 25 and over from 1 April 2020 (from £8.21 per hour to £8.72 per hour a 51p increase). 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 51p increase on the calculation of hourly home care wages equivalent to 5.1% 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 requested that the Council should continue to build in to the fee rates.

#### 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 an additional 1% on top of the 2% already charged against their staffing bill. It is therefore proposed that the fee model used by the Council should reflect the auto pension enrolment value of 3% for all staff costs from 1 April 2020.

### 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 and allow them to meet their national minimum wage obligations.

#### 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. The impact of the National Living Wage means that providers should have to pay staff more to compensate for the travel time element.

### 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:

<b>Value per Home Care Visit</b>	<b>April 2019-20</b>	<b>Proposed 2020-21</b>	<b>Increase %</b>
Urban	£2.15	£2.30	6.98%
Semi-Rural	£2.93	£3.03	3.41%
Rural	£3.94	£3.98	1.02%
Extra Rural	£5.86	£5.90	0.68%
<b>Average</b>			<b>3.09%</b>

The values are linked to population density at ward level and the likely travel time between calls. The highest travel payment is meant to encourage take up of new work in the more rural parts of the county where travel time between calls and impact of weather and isolated nature of the calls can be difficult to cover. 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.

The Association explained that the urban travel rate does not necessarily reflect the true cost of travel. Often urban areas have heavier traffic, particular at certain times of day, more one way systems and difficulty parking near to a client's home. In these areas staff will sometimes use public transport as this may be quicker than using a car.

### Council response

The Council accepts the comments made by the Association and will apply a higher percentage increase to the urban travel payment when compared against other travel rates.

### Training

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 previously funded up to 3 days training in the fee model and following feedback from The Association the number of training days was increased from 3 to 5 days in the fee calculation.

The Association have welcomed the additional contribution detailed above but have noted that the cost of the national Quality and Credit Framework for Care level 2/3 is now £3,000 per worker and level 5 is £9,000. They note that it is possible to utilise the apprenticeship levy but they then have to spend 20% of their paid time off rota which providers argue is neither affordable nor possible due to workforce constraints.

#### Council response

The Council notes the feedback from Providers about the apprenticeship levy but is unable to respond beyond the support already available within the fee modelling and 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.

#### Staff recruitment and retention

Providers continue to report that recruitment and retention of Home Care workers is extremely difficult. They highlight concerns 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. In response to these difficulties there has been a national awareness campaign launched by the Government to promote a career in care work. Joined up Careers Derbyshire (previously known as The Derby City/ Derbyshire Talent Academy Programme) worked closely with Communication Leads and DWP/Job Centre Plus to ensure maximum impact locally. The Skills for Care "State of the Adult Social Care Sector and Workforce in England" (September 2019) noted that the national staff turnover rate is 30% and East Midlands region have a workforce vacancy rate of 8.8%, and this coupled with increased demand for services makes it difficult to respond to requests to provide services.

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 locally and although some of this movement may be between jobs in the sector, providers frequently lose staff in whom they have made a

considerable investment in terms of training and development. This volatility in the workforce creates instability in the market with Providers having to hand back work to the Council when they lose staff.

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 which can impact for instance on delaying hospital discharge.

In response to the workforce challenge Adult Care and the local NHS have established Joined Up Care Derbyshire (JuCD). JuCD is co-ordinating a range of activities designed to meet the three Programme themes:

- Attraction and Recruitment
- Traineeships and Apprenticeships
- Retention and Progression

Both Derbyshire County Council and Derby City Council have recruited project staff to specifically work with social care providers with a focus on attraction and recruitment.

#### 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 in their yearly Care Quality Commission (“CQC”) registration fee alongside general inflationary pressures.

#### Council Response

In order to assist providers with meeting these overhead costs it is proposed to increase head office costs as shown in Appendix 1 by 1.5% in line with inflation.

## **2.2 Council Proposals**

The Council is constantly reviewing how the Home Care Market can be supported to be more efficient and effective to promote the availability of high quality safe provision. The following details proposals and current service developments to enhance the market. Areas for development include:

#### Introduction of a new recording system.

The Council is currently introducing a new recording and scheduling system. It is the Council’s intention to use the recorded information to pay for each call

made. This will result in cashable savings following the removal of paper invoicing system. This new initiative would only start once it is tested with Provider representatives to ensure that provider cash flow is not disproportionately impacted.

#### Provider Response

Providers have expressed support for this new system although there have been some initial problems with transitioning to this new system.

#### Direct Care

The Council's Direct Care Service continue to shift priority from provision of long term to short term care. The Direct Care service will focus more on provision of short term care with an emphasis on assisting people who may have been unwell to regain skills. Direct Care will no longer take on new long term care packages unless there is no alternative provider available. Private Providers will have to increase their own workforce capacity to facilitate this shift to ensure this change in priority is a success.

#### Providers Response

Providers are encouraged by the opportunity to expand their service offer but have asked for it to be noted that they are restricted by difficulties with recruiting and retaining staff which limits their opportunities to grow their service.

#### Refresh the Provider List following a Procurement Exercise

The Council intends to undertake a procurement exercise to renew the provider list. The intention is to undertake this exercise to minimise any impact on the current market and our clients. This will be only undertaken once the new recording system has been fully implemented. It is likely that the Council will continue to operate a long list of providers who will bid for work as now, supplemented by some targeted block contracts in areas of the county where there are the greatest concerns about market supply.

#### Provider Response

Providers have expressed satisfaction with the Council's intention to undertake a Procurement exercise that is likely not to restrict provider numbers. They are especially supportive of the proposal to introduce targeted block contracts.

#### Hospital Discharge Incentive

The Council intends to continue to offer an enhanced rate of double time for a short period to home care providers to promote timely and safe hospital discharge when the in house Direct Care short term service is at full capacity.

This enhancement is predominantly only available over Christmas, New Year and Easter when Acute Hospitals are under pressure to manage hospital bed numbers. It is also possible to offer these enhancements to assist hospital discharge when and if a hospital faces unprecedented pressure on bed availability.

#### Provider Response

Providers acknowledge that this additional funding assists them to encourage their workers to take on additional work at short notice outside of their normal timetabled work.

### 2.3 Proposals

The home care fee rate proposals for 2020-21 have taken account of the feedback received from Home Care providers about inflationary pressures as detailed earlier in this report. Appendix 1 details how these inflationary pressures impact on the standard cost headings used in Derbyshire Home Care fee model to give a proposed inflationary uplift of 4.80% for 2020/21.

The proposed inflationary value of 4.80% on the hourly rate for the provision of Independent Sector Home Care is also used as a standard inflationary value for the other service types as shown in the table below.

<b>Service Type</b>	<b>Rate 2019 /20</b>	<b>Rate 2020/21</b>
Independent Sector Home Care Hours	£15.00 per hour	£15.72 per hour
Independent Sector Sleep In (10pm-7am)	£78.03 per night	£81.81 per night
Independent Sector Living In Carer	£1,329.02 per week	£1,392.79 per week
In-House Home Care Hours	£22.32 per hour	£23.40 per hour
In-House Extracare (Day)	£14.64 per hour	£15.36 per hour
In-House Extracare (Night)	£18.12 per hour	£18.96 per hour

### 3. Impact of the Proposals on Independent Sector Specialist 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 with their accommodation

costs being met by Housing Benefits. 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 than those recorded above which 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 4.5% 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.

#### **4. Financial Considerations**

The proposed increase of 4.80% on home care fees and 3.09% on travel rates from 1 April 2020 would cost £2.080m per annum.

The proposed increase of up to 4.80% from 1 April 2020 on specialist homecare fees for Supported Living Schemes will cost £1.526m per annum.

The total costs of £3.607m per annum can be met from the budget growth allocated for Adult Care fee increases as approved by Council on 5 February 2020.

#### **5. Legal Considerations**

The Care Act 2014 places a duty on the Council to promote an efficient and effective market, with a view to ensuring that any person in its area wishing to access services in the market:

- a) has a variety of providers to choose from who (taken together) provide a variety of services;
- b) has a variety of high quality services to choose from; and
- c) has sufficient information to make an informed decision about how to meet the needs in question.

In performing that duty, the Council must have regard to the importance of ensuring the sustainability of the market. Sufficient inquiries should be undertaken, to ensure the Council is properly informed of the local market conditions.

The Care and Support Statutory Guidance further details the duties on local authorities to facilitate markets that offer a diverse range of high-quality and appropriate services. The Council must assure itself that the fee levels do not compromise the provider's ability to (1) support and promote the wellbeing of people receiving care and support; (2) meet the statutory obligations to pay at

least the national minimum wage; and (3) provide effective training and development of staff.

The Council is satisfied that the methodology used in calculating the proposed fee increase properly reflects the increased cost pressures highlighted by the providers

## **6. 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.

## **7. Key Decision**

Yes

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

No

## **9. OFFICER'S RECOMMENDATION**

That Cabinet agrees:

- to introduce a new flat rate homecare fee for independent sector home care from 1 April 2020 of £15.72 per hour (equivalent to an increase of 4.80%);
- to increase all travel/visit rates by an average of 3.09% from 1 April 2020
- to make an inflationary increase of up to 4.80% for specialist home care placements where evidence is provided of inflationary pressures;
- to increase the fee rate for in-house home care and extra care provision from 1 April 2020 by 4.80%.

**Helen Jones**  
**Executive Director – Adult Social Care and Health**  
**County Hall**  
**MATLOCK**

## Appendix 1

### Proposed Home Care Fee Rate 1 April 2020

	Actual 2019/20	Proposed 2020/21	Change	
Wages	9.51	10.02	0.51	5.36%
Employers NI 13.8% (Based on 30 hr contract)	0.47	0.51	0.04	8.51%
Pension 3%	0.28	0.30	0.02	5.36%
<b>Hourly Cost</b>	<b>10.26</b>	<b>10.83</b>	<b>0.57</b>	
Holiday Pay 4 weeks	0.80	0.83	0.03	4.00%
Sickness pay assume 2 weeks per year	0.39	0.41	0.02	4.00%
5 training days per year	0.20	0.21	0.01	4.00%
Bank holidays 8 days per year	0.31	0.32	0.01	4.00%
<b>Net Hourly Rate</b>	<b>11.96</b>	<b>12.60</b>	<b>0.64</b>	
Head office and profit	3.07	3.12	0.05	1.50%
<b>Total Hourly Rate</b>	<b>15.03</b>	<b>15.72</b>	<b>0.69</b>	<b>4.59%</b>
<b><u>Rounded Rate</u></b>	<b>15.00</b>	<b>15.72</b>	<b>0.72</b>	<b>4.80%</b>

## **Assumptions Used in Calculating Fee Rates for 2020-21**

The following considerations are made to ensure Home Care Providers are able to recruit and retain staff.

- Contribution towards hourly wage has been increased by 51p to reflect the increase to National Living Wage threshold of 6.2% from 1<sup>st</sup> April 2020
- Employers pay of 13.8% National Insurance at pay above £183 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.
- 3% Pension Contribution
- Training day funding allocation at 5 days
- Head office costs - increased by 1.5%

## **Hourly Rate**

It is practicable to ensure the hourly rate is divisible by 12 to allow for payments to be made in 5 minute blocks. The Council is currently implementing a new recording and scheduling system which will likely facilitate a change in how fees are set from April 2021.