

Appendix B:

Future price change proposal

March 2015

1. Introduction

- 1.1 Devon County Council (“DCC”), (“the Council”) proposes to use its own Financial Model (“the Model”) to set rates for 2015/16. The Model is described in detail in Appendix A: *Financial Model appendix Explanatory notes (relevant to fee rate proposal for 2015/16)*.
- 1.2 The Model sets out the Council’s assessment of the actual cost of care and Usual Cost for 2015/16 residential and nursing banded placement rates.
- 1.3 The Council is proposing committing to a methodology for setting rates for 2016/17 and 2017/18 financial years by way of applying specific price change measures to the actual cost of care components used in the Financial Model for 2015/16.

2. Proposed Commitment

- 2.1 That the Council will reflect the effect of changes in prices on the actual cost of care by applying the Proposed Methodology below to the actual cost of care components used in the Financial Model for 2015/16 (please see Appendix A: *Financial Model appendix Explanatory notes (relevant to fee rate proposal for 2015/16)* for detailed description of these components.
- 2.2 That the Council will calculate the effect on the usual cost of care to set its annual banded rates for residential and nursing care placements in order to set revised rates for each financial year of 2016/17 and 2017/18 which will become effective from the first Monday in the month of April of that financial year.

3. Proposed Methodology

- 3.1 The Council will apply the percentage change in the National Minimum Wage on 1st October of the year prior to the financial year for which rates are being set, to the following cost component(s) of the Model:
 - Composite employee pay rates per hour for care staff
 - £ per bed per week allocations - domestic, cleaning, laundry, and catering staff

- 3.2 The Council will apply the annual percentage change in the Health & Social Care industry of the Average Weekly Earnings Index (not seasonally adjusted) as at September of the year prior to the financial year for which rates are being set, to the following cost component(s) of the Model:
- £ per bed per week allocations - management, admin and reception staff
- 3.3 The Council will apply the annual percentage change in the *04.3 Regular maintenance and repair of the dwelling* component of the Consumer Prices Index as at September of the year prior to the financial year for which rates are being set, to the following cost component(s) of the Model:
- Repairs, replacements & maintenance
- 3.4 The Council will apply the annual percentage change in the *01.1 Food* component of the Consumer Prices Index as at September of the year prior to the financial year for which rates are being set, to the following cost component(s) of the Model:
- Food
- 3.5 The cost heading of '*Utilities (gas, oil, electricity, water, telephone)*' crosses over more than one CPI component. In order to fairly reflect price changes affecting this cost heading, the Council proposes to apply the annual percentage changes in the following CPI components as at September of the year prior to the financial year for which rates are being set, weighted by the utilities expenditure profile in DCC's own care homes:
- *04.4 Water supply and misc. services for the dwelling @ 37%*
 - *04.5 Electricity, gas and other fuels @ 59%*
 - *08.2/3 Telephone and telefax equipment and services @ 4%*
- 3.6 The Council will apply the annual percentage change in the Consumer Prices Index (*overall index*) as at September of the year prior to the financial year for which rates are being set, to the following cost components of the Model:
- Other non staff expenses