

# Award of inflation on care home fees 2016/17

## Recommendation Report

### **1. Introduction**

The consultation for fees paid by the Council to care homes from April 2016 ran from 28th January to 12noon on 26th February 2016. The consultation launch was announced through PENPal, the Provider Engagement Network newsletter on 28 January 2016 and emailed to each provider on the DCC Procurement database on the same day. The full consultation documentation was lodged on the Devon County Council Provider Engagement Network Website for universal access.

The proposals set out in this consultation build on the three year commitment made by the Council, following the consultation that concluded in April 2015. It honours that commitment and addresses the impact of the National Living Wage. In so doing its intent is to build further resilience into the care home market and, in particular, to support investment in the workforce.

The consultation document and impact assessment is attached.

The offer defines separately the impact on both banded and non-banded fees and on market premia and third party top-ups.

#### Summary of the offer

- For banded fees the offer ranges from 5.9% to 6.5%
- For non-banded fees the offer is for 4.3%
- Third party top-ups and market premia are unaffected and will be maintained at their current level where negotiated.

These figures have been calculated to address the impact of the increase in the National Minimum Wage on 1st October 2015, the introduction of the National Living Wage from April 2016, nationally accepted measures of inflation at September 2015 and our commitment to lift banded fee rates by an additional 1.5% each year for three years (this being the second year).

Appendix 1 sets out the rationale that underpins this figure.

### **2. Provider response to the consultation**

There were just 12 responses received by the closing date. Some were very short, making one point and others extended over many pages and made complex and sometimes inconclusive arguments. All 12 were individual submissions, unlike in previous years where we have received a response on behalf of multiple providers. One of these was positive and noted that ‘...This was the most thorough exercise I have seen across the Country’.

### **3. Themes and response**

Themes are difficult to distil from such a small number of responses but two points are worth highlighting:

1. That a few providers said that the banded fee is insufficient in their specific circumstances.

#### **Response:**

It is not possible to adjust our fees model to take account of the circumstances relating to a specific home but the Council does apply market premia in appropriate circumstances.

2. 4 people argued that the new pension liability has not been recognised.

#### **Response:**

A 2% employer contribution to a workplace pension scheme is already included in the fee computation model, which is in excess of the current 1% minimum employer contribution required by auto enrolment rules.

### **4. Overall conclusions**

The number of responses to the consultation is very small.

The principal focus of the consultation was on the inflationary impact on the elements that constitute our fee structure and on the impact of the National Living wage.

Aside from the reference to pensions, no comment was received on the inflation calculation.

Unrelated to the consultation itself, the Council received a number of representations from providers (mostly national companies) about fee levels which argued for an increase in fee levels. The Council's offer was at, or slightly above, those requests in the majority of cases. This reinforces our view that the percentage increase set out in the consultation is reasonable.

The Council values all feedback and it does indicate a number of areas that merit further consideration as part of our wider approach to market sufficiency and to meeting our duties under the Care Act. The consultation set out a number of parameters that will be considered during the 2016/17 financial year.

### **5. Recommendation:**

That Devon County Council confirms that its offer to the market, including the 1.5% above inflation award to its banded fees, as follows:

For banded fees – a range from 5.9% to 6.5%

	Standard	Enhanced	Standard + nursing	Enhanced + nursing
	£ per resident per week	£ per resident per week	£ per resident per week	£ per resident per week
<b>2015/16 rates</b>	£442.00	£471.00	£474.00	£496.00
<b>Change %age</b>	5.9%	6.2%	6.1%	6.5%
<b>Change +/-</b>	£26.00	£29.00	£29.00	£32.00
<b>Excluding Funded Nursing Care</b>	£468.00	£500.00	£503.00	£528.00
<b>Funded Nursing Care</b>	£0.00	£0.00	£112.00	£112.00
<b>Proposed banded rates for 2016/17 (rounded to nearest whole £) Incl FNC</b>	<b>£468.00</b>	<b>£500.00</b>	<b>£615.00</b>	<b>£640.00</b>

For non-banded fees, which are negotiated individually, an award of 4.3%.

Third party top-ups and market premia to be left unchanged.

The Council, working with the NHS should review its approach to commissioning care homes during 2016, taking into consideration the wider representations received during the consultation, and to consult on that for 2017/18.

Should there be any extraordinary changes outside of that planned review the Council should consider whether any additional award should be made.