

SHEFFIELD CITY COUNCIL

EXECUTIVE DIRECTOR KEY DECISION RECORD

The following decision was taken on 12 April 2016 by the Executive Director, Communities.

Date notified to all members: 12 April 2016

The end of the call-in period is 4:00 pm on 18 April 2016

Unless called-in, the decision can be implemented from 19 April 2016

1. **Title**

Care Home Fees Review 2016/17

2. **Decision Taken**

The Executive Director, Communities agreed that:-

- (a) The Council recognises the financial pressures faced by care home providers as a result of the introduction of the National Living wage;
- (b) The fees in 2016/17 rise by 4.32% for residential care homes and by 4.80% for nursing homes; and
- (c) A joint working group is set up with the NHS/Clinical Commissioning Group and providers to establish what improvements can be made to current procedures.

3. **Reasons For Decision**

It is clear both from local and national information that the Care sector is facing significant financial challenges both as a result of the year on year increases in the National Living wage and in recruiting and retaining skilled staff.

The national minimum wage (over 21 years) rose in October 2015 from £6.50 to £6.70, a rise of 3%. However from April 2016 the National minimum wage will be replaced with a National living wage this will further increase to £7.20 an hour or around a further 7.5%.

In the past we have only considered the in year increase in the National Minimum wage as part of the fees calculation. However, this year we also needed to consider the impact of the change to the timing of the forthcoming National Living wage increase, which has effectively moved forward 6 months from October 2016 to April 2016. Therefore, this year, for the first time we will be making allowance for six months of next year's increase to the national living wage.

The recommendation this year is for a rise of 4.32% in residential home care fees and an increase of 4.80% in the fee for nursing homes.

Sheffield remains committed to the ethical “UK living wage” and options were explored to move closer to this higher amount. These had to be discounted at present because of budget limitations. However they remain an aspiration.

Market stability

In previous years, there has been sufficient confidence that the market would continue to develop and deliver modern, efficient accommodation to replace the capacity lost as less efficient care homes have closed.

This year there have been no new care home proposals and one residential home has closed. Our view is that the care home market is still in a stable position, with sufficient capacity for the short- to medium-term. However, we believe that given the cost pressures providers are under, there is a risk that a low fee rise could destabilise the market and lead to unplanned closures. These closures would reduce choice for people in Sheffield needing to move into a care or nursing home.

It was felt that a substantial fees increase is needed to support the existing care home market in Sheffield.

Nursing Staff

There is a nationwide shortage of nursing staff and homes are experiencing difficulties with recruitment and retention. A higher fee should give homes the headroom to retain staff with the resultant positive impact on quality of care.

The recommendation this year is for a fee rise of 4.32% in residential home care fees and an increase of 4.80% in the fee for nursing homes.

Currently we believe that there is still sufficient capacity in the local care home market. However in nursing homes in particular the occupancy levels are getting very high. Any unplanned closures could move this situation to a critical point where demand exceeds supply.

The financial commitments in the first two recommendations are designed to help off-set the National living wage and hopefully keep the market stable.

Joint working group

The third recommendation is that a working group of interested parties is set up to look at where improvements can be made in the current procedures to improve

quality or reduce costs.

As an example - part of the problem with nursing home capacity is that a large number of beds are unavailable at any given time due to CQC or SCC Quality restrictions. Whilst we cannot compromise quality a quicker co-ordinated approach might help these homes reach the required standard more quickly.

As a second example, anecdotally we are told by Providers that some older people are in expensive NHS beds when their needs could be better or equally met in a nursing or residential environment or indeed back in their own home. This clearly would benefit from closer investigation.

A small “task and finish” group set up look in these and other procedural issues might benefit all parties concerned and hence is included in this report as a final recommendation.

4. Alternatives Considered And Rejected

There were three options considered:

- 1) Recognise the full impact of both the National Minimum wage increase in October 2015 and the National Living wage increase in April 2016.
- 2) Recognise only the National Minimum wage increase in October 2015 and consider the increase in the National living wage in April 2016 as part next year's 2017/18 fees review.
- 3) For this year recognise the full impact of the National Minimum wage increase in October 2015 and the earlier introduction of the National Living wage in April 2016 rather than October 2016.

Consideration of the three options regarding fees 2016/17 was undertaken taking into account the following;

- Market factors as described in this report
- Costs of care as calculated in the report
- Current and projected supply and demand
- Provider feedback from engagement events & planned consultation
- The financial position of the Council.

5. Any Interest Declared or Dispensation Granted

None

6. Respective Director Responsible for Implementation

Executive Director, Communities

7. Relevant Scrutiny Committee If Decision Called In

Healthier Communities and Adult Social Care Scrutiny Committee