FORM 2

SHEFFIELD CITY COUNCIL

Executive Director Communities

Report of: Joe Fowler – Director of Commissioning

Report to: Laraine Manley Executive Director of Communities

Date: 12 April 2016

Subject: Care Home Market and Fees Analysis 2016/17

Author of Report: Steve Jakeman

Summary: This report:

- Describes the National Care home market and national demographics.
- Describes the local Care home market and Sheffield demographics
- Considers the impact of inflation and other cost pressures on care homes
- Considers the Council's financial position
- Makes recommendations on a the proposed level of care home fee increase for 2016/17

Recommendations:

1. That the Council recognises the financial pressures faced by care home providers as a result of the introduction of the National Living wage.
2. That fees in 2016/17 rise by 4.32% for residential care homes and by 4.80% for nursing homes.
3. That a joint working group is set up with NHS/CCG and providers to establish what improvements can be made to current procedures.

Summary

The review of fees last year concluded that the local care home market required a fee increase to stabilise it in the light of increasing costs for providers and a number of unplanned closures. This resulted in fee increases of 2.33% for residential care and 2.45% for nursing care. This percentage differential was to acknowledge provider feedback that staffing costs were a higher proportion of overall business costs for nursing homes than for residential homes.

The local care home market has remained relatively stable this year. We have seen only one unplanned closure; the Hawkhills care home which was operated by Sheffcare. This was a loss of 40 beds with falling occupancy being the reason cited. In contrast we have seen another local home expanding by another 25 beds built in a new wing.

Last year’s fee rise resulted in legal action being brought against by the Council by a group of 10 providers, the “Sheffield Care Association”. This action challenged the Local Authorities calculation of the usual cost of care. The Judge however ruled that our approach was lawful.

Although this action failed in court it did highlight the need to try and work more closely with providers in the future. Legal confrontation is time consuming and expensive for both parties and time would be better spent jointly seeking improvements to current procedures. There is no “us and them” with both parties clearly having a shared interest in providing high quality, cost effective care for the older people living in Sheffield.

Staff Costs

The National Minimum Wage (NMW) has a disproportionate impact on the care sector. This is because it is a lower wage sector and any mandatory increase in NMW has a knock on impact on the rest of the pay spine. We have acknowledged this increase in calculating fee rises in past years.

This year saw a surprise decision by the Government to replace the NMW with a new National living wage (NLW) from April next year. The combination of the 2015 increase in NMW in October 2015 and the increase in the NLW from April 2016 moves the adult minimum wage from £6.50 to £7.20 an overall increase of around 10.75%. This increase will have an impact on care home costs for 2016/17 and so has been reflected in this report.

The Laing & Buisson “Care of Older People report” 2015 suggests that a minimum of a 4% increase in fees is necessary in April 2016 and further increases of over 5% per year will be necessary to take account of the increase in the National Living wage from £7.20 to £9.00 by 2020.

It is recognised that the cost pressures discussed above relate to increases in the National Living Wage as opposed to the 'UK Living Wage'. The Ethical Commission currently recommends a UK Living wage of £7.85 and the introduction of the UK Living wage across the care sector remains a key ambition for the Council.

Non –Staff costs

For non-staff costs we use the Consumer Price Index (CPI) as the measure of non-staff inflation. Inflation remains low with September CPI at - 0.1%. Despite the talk in the Press regarding rises in interest rates, these currently remain very low with only moderate increases predicted for 2016/17.

The local care home market

In terms of the market, our view is that the residential care home market is in a reasonably stable position, with sufficient capacity for the short- to medium-term. However there have been some concerns expressed by the Clinical Commissioning Group (CCG) regarding the supply of Nursing care places. We believe that there is also sufficient capacity in this market, but at any given time a number of beds are unavailable due to quality restrictions either from our own inspections or those of the Care quality Commission (CQC).

Whilst any fee increase would not necessarily solve these quality problems it should help reduce the turnover of staff which has a particular effect both on the finances and the quality of care in nursing homes.

Should there be further unplanned closures over the next year this could have the impact of demand exceeding supply in the market. In this scenario it would be the market that would drive future price increases rather than the Local Authority. The recommendations for this year are therefore to try and maintain the current size and viability of the local care home market.

Consultation

As in previous years, extensive consultation has taken place with Providers and care home managers to understand as best as we can the issues and pressures facing the sector at this time.

The National Living wage is obviously a big concern and we try to address this as best as we can locally with the calculations and recommendations in this report.

Another key issue though is the recruitment and retention of staff, especially nursing staff. This can lead to an over-reliance on expensive agency staff. Unfortunately there is little the Council can do about this situation as it reflects the fact that there is a national shortage of nurses across the country.

However the recommendations on the level of this year's fee rise and the commitment to acknowledge future rises in the National Living wage should enable providers to maintain pay differentials which may help staff retention.

Recommendations

Recommendation 1

That the Council recognises the financial pressures on providers.

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.

Recommendation 2

The same calculation of increased costs has been used as in previous years. 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.

As a Council we still have the aspiration to pay the UK ethical living wage and will work with the full breadth of health and care providers to look at how the wider benefits of paying the living wage can be achieved within the context of the economic environment and the financial challenges faced by public services.

Recommendation 3

That joint work is undertaken in 2016/17 with the NHS/Clinical Commissioning Group and providers to ascertain whether efficiency improvement and savings can be made in the current procedures between NHS care and residential nursing care, improving the service to customers.

Background Papers: Report attached

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Richard Jones
Legal Implications
YES Cleared by: Steve Eccleston
Equality of Opportunity Implications
YES Cleared by: Simon Richards
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
Relevant Cabinet Portfolio Leader
Mary Lea
Relevant Scrutiny Committee if decision called in
Healthier Communities & Adult Social Care
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
YES/NO

Fees and Market Analysis: Care homes 2016-17

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Report to Executive Director of Communities

1. Management Summary

This report

- Describes the National Care home market and national demographics.
- Describes the local Care home market and Sheffield demographics
- Considers the impact of inflation and other cost pressures on care homes
- Considers the Council's financial position
- Makes recommendations on:

  – The proposed level of Care home fee increases for 2016/17.
  – A joint working approach with NHS/CCG and providers.

2. What does this mean for the people of Sheffield?

The City's Health and Wellbeing Strategy aims to support people to live at home for as long as possible. This strategy appears to be working as people in Sheffield are entering care homes later in their life.

The Council will continue to offer support to help people to live independently, safely and well in their own homes. The Council will also continue to support the development of homes that help people with support needs to live more independent lives.

Some people will still need the care that care homes provide, and the Council has a responsibility to ensure that the city has a sufficient choice of good quality provision. In recent years, the Council has taken robust action, with local and national partners, to drive improvement in care homes that do not provide the quality of care that Sheffield people deserve.

As a result of this the city currently offers a good choice of good quality care homes. However, the recent Government announcement of a National living wage and a national shortage of nurses in particular are putting pressure on the local care sector, especially on the nursing homes. Should this pressure result in further unplanned closures or staff reductions then this will restrict choice and potentially impact the quality of service provided to the people of Sheffield.

We believe that the fee increases recommended in this report are a reflection of the current state of the market and an acknowledgement of some of the major costs facing providers. We believe the increases will support the current size of the local care market and enable providers to continue to deliver the current level of provision and quality of care. We will continue to work with providers to ensure that is the case.

3. Outcome and Sustainability

As discussed above, the city's Health and Wellbeing Strategy aims to support more people to live independently at home for as long as possible. This outcome is being achieved as more people are entering care homes later in their lives.

Sheffield also has a relatively low rate of admission into residential and nursing care.

Sheffield is mirroring the national demographic picture, with increased numbers of older people living for longer. In public health terms this is a huge success story with most people now able to anticipate increased life expectancy. Over time though this will increase the requirement for Adult social care support.

4. Background and Context

4.1 National demographics

The key demographic trends nationally are:

4.1.1 Expansion of the very old population

At present 2.3% (1.56 million) of the UK populations is now aged 85+. This is estimated to rise to 2.8% (1.91million) by 2021. This is now well established data from the Office of National statistics and it is likely that this upward trend will continue. Nationally around 15% of people over 85 will live in a care home.

4.1.2 Willingness of families to provide informal care

Given societal trends, such as family break up, divorce/re-marriage, smaller families, greater labour mobility it could be expected that this willingness would be in decline. Surprisingly though this is not the case and the willingness of families to support older dependants remains reasonably constant. However because of these changes in society, it is likely carers will require more support to undertake this informal care.

4.1.3 Changes in health and dependency of very old people

In general although people are living longer they are also remaining healthy for longer, this differs slightly for men and women with women experiencing a slightly longer “healthy life expectancy”. Whilst this is very positive, it does mean that if people do enter care they tend to be in poorer health and have higher care requirements. The two main illnesses for people in care are incontinence (71%) and Alzheimer’s and dementia (46%).

The average length of time an older person lives in residential care is 30 months and in nursing care, 16 months.

What these demographics tell us is that whatever strategies are put in place to keep people healthy in their own homes, the demographic curve means that there will inevitably be upward pressure on demand for residential/nursing care in the future. Those people entering care later in life are likely to have higher needs.

4.2 National demand and Supply

In 2014 there were an estimated 433,000 older or physically disabled people living in residential settings.

The available capacity is estimated at 487,000, this has remained reasonably static for around five years but most recent figures (Oct 14- March 15) indicate that capacity has started to fall with 3000 fewer beds. At this stage it is impossible to say if this is a “blip” or a trend. However the fact that the market is at best remaining static in the light of increasing demand is likely to be an issue in the future.

The combination of the National Living wage announcement and the increases in the cost of nursing pay has led to some larger Providers, such as Four Seasons and BUPA issuing profit warnings or signalling their intention to downsize their operations.

There is also evidence of the emergence of a “North-South” divide with new investment preferred in the South of the UK where fee levels can be much higher than those in the North.

4.3 Fees

Local Authority fees continue to lag behind private fees and nationally are below the Laing & Buisson “floor” price. Local Authority fee increases last year averaged 1.9% but over the last 5 years have declined in real terms by around 6%. This has resulted in a decline in profitability of homes with a higher exposure to local authority residents from around 25% in 2010 to around 15% in 2015.

4.4 Costs

The biggest single impact on the care home sector will be the National living wage. The Government has committed to keep raising National living wage each year to reach at least £9 per hour by 2020/21. This means that keeping pace with this will continue to be an issue for at least the next five years.

This was a surprise decision by the Government and it is estimated will require a 5.7% compound fee increase over the next five years simply to meet the £9 figure..

4.5 Future state

Assuming national demographics continue as projected and supply stays stable or gradually reduces then it would appear that we are close to a situation of “Capacity shortage” i.e. Demand will outstrip supply. Once this happens then the market power will shift to the providers who will be able to set a price that the Local authorities will be compelled to pay if they wish to place new residents. It is predicted that this situation will be played out in around 200 Local authority areas over the next five years.

4.6 Local Demographics

The following information is based on data collected nationally by the Projecting Older people population information service (POPPI).

People aged 65 + as a percentage of overall Sheffield population

Sheffield	2015	2020	2030
No. of People	92000	97000	115000
% of population	2.24%	2.53%	3.34%

Number of people 65+ living in a residential or nursing care home.

Sheffield	2015	2020	2030
No of people 65 + living in care homes	2696	3002	3888

People aged 85 with dementia

Sheffield	2015	2020	2030
No of people 85+ in Sheffield	12700	14700	20600
No. of people 85+ with dementia	3010	3488	4937

These figures show that the population over 65 is projected to rise by a further 5000 by 2020 and 13,000 by 2030.

Currently 12,700 people are over 85 and this is expected to rise by a further 2000 by 2020 and then another 6000 by 2030 bringing the population of the 85+ age group to over 20,000.

At present around 7% of over 65 people in the City receive some adult social care support but as the numbers of older people increase, there will be a proportionate increase in demand for social care services.

It is estimated that nearly 7% of people aged over 65 years are living with some form of dementia, but the increases projected in the City's population means that by 2020 there will be an increase of around 1,000 more older people living with dementia and by 2030 there may be an additional 3,000 people living with this illness.

Despite the objectives of the Well-being strategy to keep people well at home. The growing population of older people is estimated to increase demand for care home places by around 1% a year and see residents presenting with increasingly complex and higher dependency needs.

4.7 Local market size and make-up

In Sheffield, providers range from small, long established operators with a single care home in a converted property, to large national organisations that run many purpose-built care homes – typically focused on areas of the city where land costs are lower.

Providers operate a range of different business models. Some operate with significant debts whereas others may have very little. National providers will cross-subsidise across their homes to manage local variations in demand and profitability. Larger providers can also exploit economies of scale.

There are currently 73 private care homes and 10 voluntary/not for profit homes in Sheffield providing 3,822 beds. (see below)

Care Type	Number of homes 2015	Number of beds 2012	Number of beds 2013	Number of beds 2014	Number of beds 2015
Nursing Homes	44	2,007	2,447	2,313	2,313
Residential Care homes	39	1,887	1,542	1,491	1,509
Total Private Care homes in Sheffield	83	3,894	3,989	3,804	3,822

In addition to these 83 homes, there are 6 homes that are registered with CQC as 'Caring for adults over 65 years' but provide a predominantly specialist service for Learning Disabilities and therefore have not been further included within this report.

Approximately 20 beds in the nursing sector have currently been block booked by the Health Service for winter pressure

There has been one unplanned closure (Hawkhills with 40 residential beds) over the last year. This closure was due to falling occupancy. Another care home is expanding with 25 new beds coming into the market in January 2016.

Year	2011/12	2012/13	2013/14	2014/15	2015/16
New Care homes	2	1	2	0	0
Unplanned closures	0	1	1	3	1

4.8 Adult Mental Health

Current position

152 people are placed in residential and nursing care this is funded through mental health purchasing budget with some contribution from SCCG at a cost

of £4.2 million (month 11, 2015). Not all of the 152 are placed in the Sheffield city area.

Current provision

Not all mental health accommodation based provision is registered with CQC, only service with carry out regulated activity are required to register with CQC.

CQC registered providers

There are 103 mental health beds for people under the age of 65. Hospital beds were discounted. Where a provider has more than one registration with CQC the provider can flex the provision to meet the demand/request for their service, therefor numbers of provision are not static.

Overall in the city there are 990 beds available this includes all providers with a mental health registration. The number of beds was determined using data from the 'a guide to residential and nursing care in Sheffield' Dec 14.

Accommodation based supported living.

In the city 59 people (June 2015) were receiving extra support through their Landlord. There are 4 'exempt landlords' providers for people with mental ill health in the city.

4.9 Local occupancy

As part of ongoing monitoring of occupancy levels, all residential and nursing homes are asked to submit their actual levels of occupancy every quarter. The figures below are taken from June, October and December 2015. A complicating factor is that at any given time there are a number of unavailable beds due to refurbishment or CQC/SCC restrictions. The impact of these beds being unavailable means that nursing home occupancy in particular is very close to a critical point.

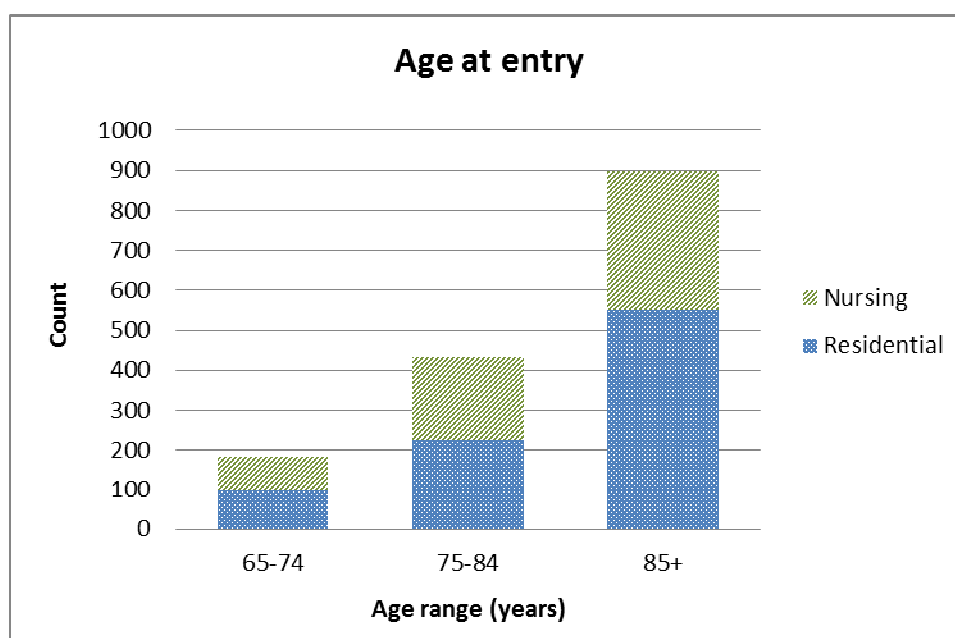
	Total no.of beds	Vacancies June 2015	Vacancies Oct 2015	Vacancies Dec 2015
Nursing	2313	173	199	177
Available beds		97	132	104
Occupancy level		96%	94%	95.5%
Residential	1509	120	220	102
Available beds		120	220	95
Occupancy Level		92.5%	86.5%	94%

Comparison of average occupancy levels

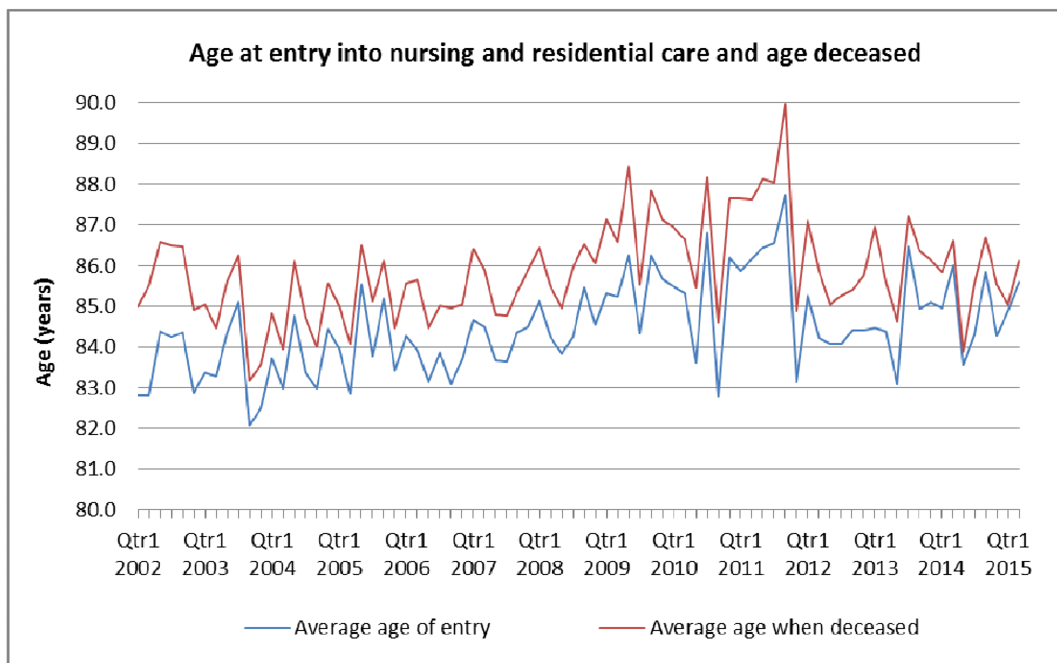
	Nursing	Residential
	% Occupancy	% Occupancy
Sheffield 2015/16	**92.5%**	**92%**
Sheffield 2014/15	**87.53%**	**88.57%**
Sheffield 2013/14	**83.00%**	**86.70%**
Sheffield 2012/13	**90.10%**	**88.30%**
North East	85.9%	88%
Yorkshire & The Humber	89.1%	89.4%
North West	91.8%	91%
West Midlands	85.8%	94%
East Midlands	89.3%	90.2%
East of England	91.9%	91.6%
Greater London	90.3%	93.9%
South East	89.3%	91.4%
South West	90%	90.5%
England 2012	89.8%	90.4%
England 2013	88%	90%
England 2014	89.6%	91.1%

Source: Laing & Buisson 2014

4.10 Profile of people in residential and nursing care



From this chart it can be seen that, 550 people (61%) currently living in residential Care are aged 85+ and 350 (39%) in nursing care.



Typically people living in care homes aged 85+ are likely to have greater care needs. This increases pressure on care homes but also means that people's stay in care homes tends to be shorter. The graph above shows the length of stay over the last 12 years.

<u>National – length of stay</u>

Residential Care	Nursing Care	Weighted Average
30 months	16 months	24 months

Source Laing & Buisson 2014

4.11 Future projected demand

The POPPI data shown earlier in this report is a simple projection of future demand purely based on demographics.

On the basis of these projections we would need approximately 1% more nursing and residential places per year going forward. The following tables show the impact of this and various other percentage rises on supply over the next 5 years.

Occupancy increase	Nursing					
	October 2015	2016/17	2017/18	2018/19	2019/20	2020/21
1.0%	2,135	2,156	2,178	2,200	2,222	2,244
2.0%	2,135	2,178	2,221	2,266	2,311	**2,313**
4.0%	2,135	2,220	2,309	**2,313**	**2,313**	**2,313**
6.0%	2,135	2,263	**2,313**	**2,313**	**2,313**	**2,313**
8.0%	2,135	2,306	**2,313**	**2,313**	**2,313**	**2,313**

Occupancy increase	Residential					
	October 2015	2016/17	2017/18	2018/19	2019/20	2020/21
1.0%	1,271	1,284	1,297	1,310	1,323	1,336
2.0%	1,271	1,296	1,322	1,349	1,376	1,403
3.0%	1,271	1,309	1,348	1,389	1,431	1,473
5.0%	1,271	1,335	1,401	1,471	**1,509**	**1,509**

NB – the shaded boxes indicate demand exceeding supply.

The figures above do not reflect the local strategy and interventions which aim to support people to stay healthy and well in their own homes for as long as reasonably possible. These interventions may have the impact of slowing down the percentage increase in demand.

In terms of increased supply / capacity in the market, there are currently no new applications for residential or nursing care accommodation in the city. The only new supply is an additional 25 beds in an existing home.

However, equally, the figures above do not reflect the fact that any given point some beds are unavailable due to CQC/SCC restrictions. This means that in practice, even at 1% growth, demand may exceed actual supply much earlier.

Clearly, with demographic increases in demand likely, ensuring a sufficient supply and choice of accommodation for people with care needs will be a challenge over the medium-term, especially in the nursing sector. Any further closures over the next 5 years will only serve to exacerbate this position. The 2016/17 fee therefore will need to be set at a level to sustain the current market.

4.12 Care home quality

The Council has robust quality assurance arrangements in place, which give an up to date position on standards in care homes. These arrangements include the use of Key Performance Indicators (KPI) (including data from a number of sources including the Care Quality Commission (CQC)).

As part of this monitoring process each home is visited by the team at least every two years. This is in addition to the CQC annual inspections and visits. A risk assessment tool is completed based on any evidence of risk and where a home requires some improvement, support is given and the visit frequency is increased.

The risk assessment tool, which is worked on in partnership with colleagues in health, enables us to determine the most effective interventions to improve quality.

The performance of each home is assessed alongside consideration of the commitment and ability of the home to improve. The Council escalates as appropriate from supportive actions to, if necessary, formal sanctions and termination of contract.

Currently six homes have CQC/SCC restrictions on admissions.

The Council and Clinical Commissioning Group (CCG) also provide direct support to care homes to help them deliver quality care. These include:

- additional payments (£6 per week for nursing care and £4 per week for residential care providers) based on a higher standard of physical environment (room size, availability of ensuite facilities, absence of shared rooms)
- Sheffield City council offer some training to Care home staff, mostly free of charge to the provider. The SCC current offer includes training to meet the Common Induction Standards and from April 2015 will offer training to support the Care Certificate. The training is seen by providers as relevant and of high value and is reported to save costs on training required by CQC. Evaluation suggests that it is well received by attendees.
- Sheffield CCG invest in a GP Locally Commissioned Service (LCS) which begun as a pilot in 2006 and extended to all Care homes in 2010. Under the scheme, which costs around £800,000, each Care home is aligned to one GP practice which accepts all residents who choose to register. A service agreement is set up between home and practice. One or two named GPs provide proactive care to all residents in the home. An annual medical review is arranged, leading to a medical care plan organised between residents and carers, to anticipate and plan for exacerbations and crisis, including end of life.[1]

4.13 Who pays for home care in Sheffield?

There are three main purchasers of care home places in Sheffield:

- Sheffield City Council – about 43% of all places
- Self-funders (people who fund their own care) – estimated at about 36%
- NHS Sheffield – about 20% of all places

Sheffield City Council is still the dominant buyer in the market. The Council contracts with care homes through an individual placement agreement, the content of this is currently under review. The agreement requires care homes to adhere to:

- Care Quality Commission (CQC) standards
- Requirements in the individual resident's support plan

Each placement is an individual or spot contract at the usual fee level.

Sheffield City Council no longer directly manages residential or nursing homes.

Many people have the means to purchase their own care and choose to do so. As home ownership and property values increase across the population, the proportion of 'self-funders' is likely to increase.

The estimated figure of 36% of self-funders in Sheffield is broadly in line with authorities with similar economies and demographics. However, it is lower than the national average of 41%.

Self-funders (and their relatives) generally have higher expectations of care and often exercise greater levels of choice. This generally benefits newer or refurbished care homes at the expense of smaller older homes, even though the care may be excellent in either alternative.

Generally, people who fund their own care tend to live in the south, west and south west of Sheffield. This reflects the higher level of income and home ownership in those parts of the city. The distribution of self-funders in care homes reflects this with some homes having a higher proportion of self-funders to others.

The NHS will assess if an individuals need for a care home placement is *primarily* related to their health needs using a nationally defined set of criteria. Unlike care funded by the local authority, health funding is not means tested and residents do not pay an assessed charge.

NHS Funded Nursing Care is provided to clients residing in a registered nursing home only. The local authority cannot provide clinical services because the NHS is responsible for any care provided by a registered nurse. The amount paid by the NHS for clinical services is set annually by central government and is currently £112 pw.

Younger adults in residential or nursing care are much less likely to be self-funding.

4.14 Top-ups

A "top up" is the difference between what the local authority would usually expect to pay (depending on that particular person's care needs) and the extra cost of a specific care home.

The number of top ups and their average cost are good indicators of the market response to local authority fee levels and to supply and demand in the market.

Over the last year the number of families or individuals paying “top ups” over and above the local authority fee rate has fallen. The amount of the average top up has increased slightly from £44.40 to £46. An increase of 3.6% over the last year.

This average does disguise some quite wide variants with the highest individual/family top up being £290 per week and the lowest £5.

No. of people paying top-ups	Average 2012/13	Average 2013/14	Average 2014/15
Total	237	139	122

Self-funders

Many Care homes charge different rates for Council placements and self-funders with the latter price being dependent on market conditions at the time – e.g. local demand, occupancy rates, and the care home’s business plan.

Self-funders	Lowest Fee	Highest fee	Average Fee
Residential	£395.00	£900.00	£547.00
Nursing	£494.00	£980.00	£643.00

Providers in less well-off areas of the City have very small numbers of self-funders. This means they are highly dependent on the Council’s fee level.

The implications of the cost of top-ups and self-funded care are a potential threat to the cost of care for the local authority. The Directives on Choice notes that if insufficient supply is available at the contract fee level then the local authority may be obliged to fund care at the next level – potentially the third party level or self-funder price. The Council not only has an obligation as the dominant buyer in the market to ensure that it pays a fair price, but a direct financial incentive to ensure there is sufficient capacity at the fee level in the market.

4.15 Market profitability and cost pressures

Because of the wide variation of care home size and business models it is difficult to ascertain whether individual Care Homes are generally profitable or not.

What we can consider is the cost pressures on care homes and how, when compared with wider market intelligence, any changes to fee levels might

impact on the market overall (in terms of capacity, quality, sustainability etc.).

Care and nursing homes are basically subject to the same financial increases in terms of food, energy and maintenance as any domestic home. The difference between care homes and a domestic home is of course that there are staff costs associated with the running of the homes.

Therefore, a simple way to look at the increased financial pressures on care and nursing homes is to focus on two main areas:

- Staff costs
- Non-staff costs

Examining the inflationary impacts of these areas will give a good *indication* of the increased operating costs required to maintain the status quo. This can then be considered alongside other information such as market quality, demand, and capacity to inform recommendations on fee levels.

Staff Costs are the biggest single factor in the running of care and nursing homes. Because of the nature of the work, the ratio of staff to residents also has a significant impact on the quality of care that can be provided.

Wage inflation in the UK is currently running at 2.7%. However a great many of the staff who work within care and nursing homes are working at the national minimum wage level - and the salary structures in care homes are often held relative to the national minimum wage (e.g. a supervisor will be paid a given amount more per hour than the minimum wage).

The national minimum wage level has increased each year since inception and care home employers are required to increase staff pay accordingly. They have no choice but to absorb this cost unless they reduce staffing levels or find other efficiencies, which could potentially lead to compromises on quality.

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 National Living wage will only apply to workers aged over 25 with those between 21 and 25 continuing on the NMW rate. We do not have data on

the age profile of care workers across Sheffield to detail the actual impact of the NMW/NLW increases.

What we do know is that most of the care homes consulted both now and in past reviews use the national minimum wage increase to inform wage increases for other more experienced staff. The national living wage would seem to be the more appropriate measure of the impact of mandatory pay rises on care home providers.

Non-staff costs associated with the running of a care or nursing home are subject to the same inflationary pressures as the rest of society. These costs are published each month as the Consumer Price Index (CPI). It seems logical to use CPI as the benchmark for calculating increased staff costs.

CPI is a measure of the average change over time of prices paid by consumers for a market “basket” of consumer goods. The indices making up CPI total around 200, covering:

- Electric and Gas
- Food
- Mortgage
- Medicines
- Repairs & Maintenance
- Consumer white goods

Because of the wide ranging nature of the indices they do cover items such as tobacco and alcoholic drink that would not be appropriate to the running of a Care home.

However each item is “weighted”, with the items listed above carrying much greater weightings than Tobacco or alcohol. This means the inclusion of these items makes very little difference to the overall CPI rate.

For our purposes then, CPI is a good indicator of the rate at which non-staff costs are increasing.

CPI is calculated monthly on a twelve month cycle and therefore can fluctuate each month. The September CPI rate is the month used for the calculation of the increase in the State Pension. It seems sensible to use this same month for our calculation.

In September 2015, the CPI rate was minus 0.1% For the purpose of this report this has been calculated at zero

Last year Providers told us that the ratio of staff to non-staff costs differed between residential and nursing care.

For residential care, we have used a ratio of 63:37 staff to non-staff costs this is the same ratio used in the previous three market analyses.

For nursing care a 70:30 ratio staff to non-staff has been used.

The assumptions above enable us to estimate the cost pressures on residential and nursing homes. These costs pressures have to take into account the financial pressures on the Council and a number of options were considered before the final recommendation of 4.32% and 4.80% was made.

The details of this options exercise are on page 32 & 33 of this report

The State pension

The state pension is taken into account as a net contribution towards the cost of care when someone is placed in residential care and it is worth noting here that the Government's commitment to a "triple-lock" on the state pension means that the state pension rise in April 2016 will be 2.9% to £119.30.

April 2016 will also see the introduction of the "single tier" pension of around £155 per week for those reaching 65 from 2016. Statistically very few people enter residential care at 65, this would not have any significant impact on net budget cost.

5 Financial Implications

The recommended 4.32% and 4.80% rise to fee levels for residential and nursing care homes respectively would have the following impact on fee levels.

Elderly	Min 2015/16	Max 2015/16	Min 2016/17	Max 2016/17
Residential	£361	£400	£377	£417
Nursing	£401	£407	£420	£427

Dementia	Min 2015/16	Max 2015/16	Min 2016/17	Max 2016/17
Residential	£404	£408	£421	£426
Nursing	£413	£419	£433	£439

Nursing fees figures in the tables above exclude the Funded Nursing Care element which is currently £112 per week.

CCG

Currently CCG standard rates are slightly below SCC levels, work is underway with the CCG to align nursing fees to provide one common fee framework across Sheffield.

Budget impact

The estimated impact on the Council's budget as a result of these increases would be as follows. These increases are in the context of significant reductions in other Council budgets. Note that the increase cannot be predicted exactly as levels of demand for care home places will vary over the year.

Forecast Budget at period 7

	Total £	Increase %	New Total £	Impact £
Residential	21.7m	4.32%	22.64m	0.94m
Nursing	17.4m	4.80%	18.23m	0.83m
Gross Total	**39.1m**		**40.8m**	**1.77m**

N.B. This impact ***only*** relates to older people's care and does not reflect Mental Health or Learning disability beds.

Comparing care home fees with other towns and cities

The table below shows Sheffield's current (2015/16) standard nursing care and standard residential care compared to neighbouring authorities.

Authority	Reg.	Elderly £/wk		Dementia £/wk	
		min	max	min	max
Sheffield	Nursing	£513.00	£519.00	£525.00	£531.00
	Residential	£361.00	£400.00	£404.00	£408.00
Doncaster	Nursing	£546.67	£546.67	£598.41	£598.41
	Residential	£424.12	£424.71	£431.48	£431.48
Rotherham	Nursing	£563.00	£563.00	£630.00	£630.00
	Residential	£401.00	£401.00	£419.00	£419.00
Barnsley	Nursing	£488.78	£530.93	£488.78	£530.93
	Residential	£376.78	£406.88	£376.78	£406.88
Wakefield	Nursing	£532.00	£574.14	£532.00	£574.14
	Residential	n/a	£420.00	n/a	£420.00

N.B. The figures above all include Funded Nursing care at £112 – source Laing & Buisson annual survey of Local authority usual costs 2015/16

The comparable figures for core cities are shown below.

Authority	Reg.	Elderly £/wk		Dementia £/wk	
		min	max	Min	max
Sheffield	Nursing	513.00	519.00	525.00	531.00
	Residential	361.00	400.00	404.00	408.00
Liverpool	Nursing	489.01	574.18	489.01	574.18
	Residential	374.21	374.21	459.51	459.51
Manchester	Nursing	537.66	584.24	567.66	584.24
	Residential	398.39	443.62	419.39	443.62
Newcastle	Nursing	537.23	604.32	554.54	604.32
	Residential	425.23	492.32	442.54	511.79
Leeds	Nursing	569.89	589.89	573.89	594.89
	Residential	429.00	446.00	442.00	464.00
Birmingham	Nursing	583.00	583.00	583.00	583.00
	Residential	405.00	405.00	405.00	405.00

NB The figures above all include Funded Nursing Care at £112

Source: ring round of other Local authorities.

6 Feedback from care home providers

In order to understand the issues from the perspective of providers, a range of engagement methods were used. This included:

- An online questionnaire (resulting in 33 replies)
- Presentation and Q&A session at the October care home managers meeting
- Consultation with representatives of the Sheffield Care Association.
- Mail shot to all care home operators offering individual visits – resulting in six Individual visits
- Three consultation events in December for care home providers to discuss cost pressures, fee levels, SCC financial pressures, and any other issues raised by providers

The key issues identified by providers during this engagement were as follows:

- The Impact of the national Living wage
- Nursing costs
- Nursing staff recruitment & retention

This feedback allows us to understand the real issues in the local Care home market and has genuinely informed the recommendation of the fee level. The feedback has been summarised in more detail in Appendix A of this report.

7 Equalities Implications

Under the Equality Act (Public Sector Equality Duty) local authorities have to pay due regard to: “Eliminate discrimination, harassment and victimisation, advance equality of opportunity, and foster good relations”). A key element of

the Equality Act is that of 'no delegation' – public bodies are responsible for ensuring that any third parties which exercise functions on their behalf are capable of complying with the Equality Duty, are required to comply with it, and that they do so in practice. It is a Duty that cannot be delegated. This means that when we are commissioning and contract monitoring services, equality and diversity will form a key part of the criteria used to do this.

The Laing & Buisson report suggests that a rise of 4% is required to off-set the impact of the National Living Wage. Any fee rise below this therefore would result in a high risk of negative impact as quality of care to residents could be adversely impacted upon.

The reverse logic of this would be that the proposed increase in fees of 4.32% and 4.80% supports Care home viability, therefore reducing the risk of health inequalities and of potential disturbance to residents from unplanned closures.

Any negative impact would be felt disproportionately by older, disabled people and women due to the demographic profile of the client group.

Approving the recommended 4.32% & 4.80% rise in fees, and following other actions identified in the EIA (e.g. fee levels to continue to differentiate between different levels of need; close management of provider viability), should provide effective mitigation for the identified risks.

A full list of our equality considerations, impacts and actions can be found in the Equality Impact Assessment at Appendix C.

8 Legal Implications

Sections 7 and 7A of the Local Authority Social Services Act 1970 (LASSA 1970) require local authorities to act under the general guidance and directions of the Secretary of State in the exercise of their social services functions.

Circular LAC (2004)20 (Circular) replaced the guidance that accompanied the Directions 1992 and is issued under section 7 of the LASSA 1970. The Circular sets out what an individual should be able to expect from the council that is funding his care, subject to the individual's means, when arranging a care home place. The relevant parts of the Circular for the purposes of this case are:

> "*2.5.4 … [The usual cost] should be set by councils at the start of a financial or other planning period, or in response to significant changes in the cost of providing care, to be sufficient to meet the assessed care needs of supported residents in residential accommodation… In setting and reviewing their costs, councils should have due regard to the actual costs of providing care and other local factors. Councils should also have due regard to Best Value requirements under the Local Government Act 1999.*
>
> *3.3 When setting its usual cost(s) a council should be able to demonstrate that this cost is sufficient to allow it to meet assessed care needs and to provide residents with the level of care services that they could reasonably*

expect to receive if the possibility of resident and third party contributions did not exist".

The Care Act came into force in April 2015. It sets out a range of measures, in order that local people can choose from a diverse range of high quality care services, to drive up the quality of care and put people's needs and outcomes centre-stage.

The new legal framework reinforces the local authority's duty to promote a diverse, sustainable and high quality market of care and support services. Local authorities are required to ensure that there is a range of providers offering services that meet the needs of individuals, families and carers.

This duty requires local authorities to understand the level of risk and the quality support for Care home residents to assure itself that they:

- Meet the minimum standards as set out by the Care Quality Commission
- Is sustainable
- Have sound leadership and that all staff are appropriately trained
- Are focused on delivering quality care that is evidence based

The Council must evidence that it has properly consulted with providers during its process of setting fee levels to take account of relevant factors in understanding the actual cost of care to them.

Setting a proper level of fee will evidence that that council is delivering its obligations to support a sustainable market which is viable and enables people to have choice in the accommodation needs. That then delivers obligations as to respecting private, home and family life under the Human Rights Act and the Public Sector Equality Duty under S149 the Equality Act 2010

The council should also consider a number of recent high court judgments made as a result of challenges by Care home providers following the cut in fees as local authorities try to meet the demands of the demographic changes and budget cuts.

In 2010 Sefton Council was ruled to have acted unlawfully by freezing Care home fees for 2011-12. Judge Raynor ruled that Sefton Council "failed adequately to investigate or address the actual costs of care with the claimants and other providers", which was contrary to relevant guidance. The judge said setting fee levels significantly below actual cost would inevitably lead to a reduction in the quality of service provision which "may put individuals at risk".

Also in 2010 Leicestershire County Council attempted to freeze the fees it paid to Care home providers for the year 2011-12 at the rate it paid for the year 2010-11. Judge Langon agreed with the findings in Sefton (above)

In 2011 SW Care v Devon Council. A group representing Care home providers challenged the council's decision taken not to increase the fees in 2011/2012 also citing that the council had also awarded no increase in fees for the previous financial year. The Council agreed not to award any fee increase but

instead enter in to further discussions with providers to address individual concerns.

Concerns were expressed about the consultation process and the superficiality of the Equality Impact Assessment and the importance for local authorities to pay regard to their equality duty when setting fees.

On 18 October 2012 in Care North East Newcastle v Newcastle City Council the judge ruled that councils must have due regard to the actual costs of care, stating that, "In making the decision to set appropriate rates for Care homes the local authority is under an obligation to have due regard to the actual costs of providing care and other local factors".

He emphasised the need for local authorities to ask themselves the right questions when considering fees and the need for it to use an evidence-based system to ascertain the actual cost of care.

In March 2012 Northumberland County Council was involved in a dispute over the level of fees to care homes for older people under a new three-year contract starting in April 2012. The local care home owners' trade association declined the terms offered by the Council and applied for judicial review of the Council's decision.

The claim alleged that the Council had:

- failed to consult adequately
- failed to ascertain the "actual cost of care" provided by care homes
- made irrational assumptions
- unlawfully refused to make placements with the claimant

The judgement which of 15 February 2013 dismissed all four of the grounds of claim saying there was evidence of genuine consultation, that rational decisions had been made and that Northumberland acted lawfully in making placements.

The judge rejected the claimants' argument that Government guidance required the Council to carry out research to set a figure for the "actual cost of care", and accepted the Council's view that it was reasonable to set fees based on what they knew about the Care home market – which was that there is substantial excess capacity, with many homes carrying large numbers of vacancies, and that new providers are still wanting to build Care homes. In effect the Court confirmed that the council had a wide discretion as to the factors which it took account of and how it did that provide that gave it the evidence it needed to make a proper decision.

9 Alternative Options Considered

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.

Impact of options on Adult Social Care budget

Option 1

Recognise the full impact of both the National Minimum wage increase in October 2015 and the National Living wage increase in April 2016.

	Total £	Increase %	New Total £	Impact £
Residential	21.7m	6.75%	23.2m	1.5m
Nursing	17.4m	7.50%	18.7m	1.3m
Gross Total	**39.1m**		**41.9m**	**2.8m**

Option 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

	Total £	Increase %	New Total £	Impact £
Residential	21.7m	1.9%	22.1m	0.4m
Nursing	17.4m	2.1%	17.7m	0.3m
Gross Total	**39.1m**		**39.8m**	**0.7m**

Option 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

	Total £	**Increase %**	**New Total £**	**Impact £**
Residential	21.7m	4.32%	£ 22.7m	£1m
Nursing	17.4m	4.80%	£18.3m	£0.9m
Gross Total	**39.1m**		**£41m**	**£1.9m**

Each of the three options was risk assessed as summarised below:

Option 1 - Recognise the full impact of both the National Minimum wage increase in October 2015 and the National Living wage increase in April 2016.

Risk	Risk Impact	Risk Probability	EIA Risk	Overall Risk	Costs	Notes/Mitigation
Service User –Risk of top up fees increasing.	Low	Medium	Low	Low	**£2.8m**	
Provider risk – Homes could be forced out of business	Low	Low	Low	Low		.
Financial - Risk of litigation	Low	Low	n/a	Low		
Financial risk to SCC budget	High	High	n/a	High		
Reputational risk – risk to quality within care homes	Low	Low	Low	Low		

Option 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

Risk	Risk Impact	Risk Probability	EIA Risk	Overall Risk	Costs	Notes/Mitigation
Service User –Risk of top up fees increasing.	High	Medium	Medium	Medium	**£700K**	
Provider risk – Homes could be forced out of business	High	High	Medium	High		High financial risk if any further loss of nursing provision
Financial - Risk of litigation	Medium	Low	n/a	High		
Financial risk to SCC budget	Low	Low	Low	Low		
Reputational risk – risk to quality within care homes	Medium	Medium	Medium	Medium		

Option 3 - Recognise the full impact of the National Minimum wage increase in October 2015 and part fund the National Living wage to take into account its earlier introduction in April 2016 rather than October 2016.

Risk	Risk Impact	Risk Probability	EIA Risk	Overall Risk	Costs	Notes/Mitigation
Service User –Risk of top up fees increasing.	Medium	Medium	Low	Medium	**£1.77m**	
Provider risk – Homes could be forced out of business	High	Low	Low	Low		
Financial - Risk of litigation	Low	Low	n/a	Low		
Financial risk to SCC budget	Medium	Medium	Low	Low		
Reputational risk – risk to quality within care homes	Low	Low	Low	Low		

10 Recommendations

1. That the Council recognises the financial pressures faced by care home providers as a result of the introduction of the National Living wage.

2. That fees in 2016/17 rise by 4.32% for residential care homes and by 4.80% for nursing homes.

3. That a joint working group is set up with NHS/CCG and providers to establish what improvements can be made to current procedures.

11 Reasons for Recommendations

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 de-stabilise 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.

Appendix A

Care Home Engagement – Summary of Feedback

Introduction

As part of the review of Care Home fees for 2016/17, a number of different Care Home engagement sessions were held:

On-line questionnaire – 33 responses
Presentation/questions at Care Home Manager's Forum October
Meeting with representatives of the Sheffield Care association
Individual Meetings with Providers x 6
Evening and daytime engagement sessions x 3
Opportunity to view on comment on final draft (internet)

The aim of these sessions was to find out what the pressures were on Care Home providers, both regarding the fee level and any others. It became clear that there were a number of "themes" developing that were of concern to Care Home providers.

This paper summarises this feedback but detailed notes from each event are available if required.

Key Points

Nursing Costs

It is becoming increasingly difficult for Nursing Homes to recruit and retain nursing staff. The differential between nurses and carers used to be around 3 x hourly rate, but with increases in National minimum wage over the last few years, this was closer to only twice the hourly rate. Over the last year Providers have therefore seen an increase in of around 25% in nursing costs

There is generally a shortage of nurses nationwide. This problem is compounded by the large NHS presence in Sheffield which can offer higher rates to nurses.

Agency costs/Quality

Agency costs have been widely reported in the media. Currently it can cost between £4k to £6k to recruit and agency nurse in commission and fees.

Even though costs are high the quality of agency nurses does not always reflect this. Generally it is felt that agency nurses do not have the same expertise or commitment of directly employed nurses.

Fees level

Opinion on the size of the Local Authority fees "gap" varies. But there is a general agreement that Sheffield's fees are set too low. This could lead to exits from the Sheffield care home market or a potential reduction in quality of care.

National Living Wage

The increase in the national minimum wage in October followed by the national living wage increase to £7.20 an hour in April is equivalent to an increase of around 10.75% on the current hourly rate of £6.50.

Although many staff are already employed above this minimum, the rise in the NLW tends to have an impact on differential pay levels in the care sector.

The National Living wage applies to all low paid workers, it was likely that supplier costs or agency costs would rise as a result of the NLW and that these would result in higher prices for care providers.
.

Pension Costs

A cost increase with around 70% of workers taking up the opportunity to remain in the pension scheme. This was a much higher percentage than estimated.

Maintenance

Homes had not been able to refurbish as much as they would have wished because of the lack of funding available. The point was also made that many residents now have dementia and some can be very destructive in their rooms. This can add significantly to a provider's renewal costs.

Inspection regimes

Multiple inspections of the same premises, by different organisations with different and sometimes opposing requirements also drew criticism.

Summary of Provider feedback - Internet

Introduction

Following engagement session with Care Home providers the following draft recommendations were made and placed on the SCC internet for comment.

Recommendations:

1. That we recognise the financial pressures faced by Care home providers as a result of the introduction of the National Living wage.

2. That as a result fees in 2016/17 rise by 4.32% for residential care homes and by 4.80% for nursing homes.

3. That we set up a joint working group with NHS/CCG and providers to see if improvements and cost saving can be made in current procedures.

APPENDIX B: Equality Impact Assessment (Draft)

Portfolio: Communities

Name of policy/project/decision: 2016/17 Fees for Care Homes
Status of policy/project/decision: New

Name of person(s) writing EIA *Steve Jakeman*

What are the brief aims of the policy/project/decision?

- To consider the appropriate fee level for care home fees as part of the budget setting process
- This is achieved by:
  - A market analysis which considers demand, supply, quality and care home viability
  - Calculating the actual cost of care
  - Consultation with providers
  -

Recommendation

That fees in 2016/17 rise by 4.32% for residential care homes and by 4.80% for nursing homes.

This recommendation recognises the impact of inflation and the National Living wage on Providers.

Fee levels to continue to differentiate between different levels of need, in order to meet the needs of those with more complex needs.

Provider feedback

Extensive engagement has taken place with residential care home and nursing Home providers, the key issues for them are as follows:

- Increases in staff costs created by rise in the National living wage
- Difficulty in recruiting and retaining quality nursing staff.

Providers are concerned that without a fee rise quality of care to residents could be adversely impacted upon.
The proposed fee increase is in excess of the figure of 4% recommended by the Laing & Buisson “Care of Older People – UK Market report”.

Are there any potential Council staffing implications, include workforce diversity? No

Entered on Qtier: -Select- **Action plan needed**: Yes

Approved (Lead Manager) (Commissioning) **Date:**

Approved (EIA Lead person for Portfolio): **Date:**

Does the proposal/ decision impact on or relate to specialist provision: *Yes*

Risk rating: High

Under the Public Sector Equality Duty, we have to pay due regard to: "Eliminate discrimination, harassment and victimisation, advance equality of opportunity and foster good relations." More information is available on the council website

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
Age	Negative	H	A high proportion of care home residents are very old people 85+ with high dependency levels. Nursing Homes 54%Residential Homes 61%. To stay in line with the 2016 living wage rise and cost of living rises (CPI) the fees would need to rise by at least 4% (Laing & Buisson) Consequentially any decision to set fee levels below this level could negatively affect the quality of life of residents should Care home providers choose to cut costs affecting the quality of the environment or the amount of staff care available. Existing supported residents are entirely

			dependent on the fee level set by the Local Authority as they have no income of their own.
Disability	Negative	H	People of all ages with physical or mental health disabilities are residents of care homes. Any change in the ability of providers to deliver care at a reasonable level would have a disproportionate impact on the most frail or disabled residents. People are entering residential care much later in life, and an increasing number have some form of disability. Local figures are unavailable but national statistics suggest 71% will suffer from incontinence, 46% with some form of dementia This means that they require more support from Care home staff. If fee levels did not properly differentiate between different levels of need, those with more complex needs may find these are not able to be met.
Pregnancy/maternity			No disproportionate impacts are anticipated.
Race	Neutral		Our Market analysis tells us that BME residents are under-represented in Care homes. This may be for many reasons but we do not believe that there is any disproportionate impact from the setting of the fees level itself.
Religion/belief	Neutral		No disproportionate impacts are anticipated.
Sex	Negative	L	There are more women than men in older people care homes - 73% to 27%. Any change in the ability of providers to deliver care at a reasonable level would have a disproportionate impact on women. Statistically more care workers are female

			than male. A fee increase of below 4% could result in a disproportionate impact on the jobs or employment terms and conditions of female care workers.
Sexual orientation	Negative	L	We expect providers who are under contract to the Council to provide care and support which is personalised to the individual, including recognising and respecting their sexual orientation but we are conscious that national research suggests that there is some way to go in achieving acceptable outcomes for LGB people in residential care. Notwithstanding we do not anticipate any disproportionate impacts from the proposals on fees for LGBT residents
Transgender	Neutral		No disproportionate impacts are anticipated.
Financial inclusion, poverty, social justice, cohesion or carers	Negative	L	A fee level below inflation may increase affect the fee levels providers charge self-funders as there is evidence that care homes cross-subsidise council fees with higher fees for those who fund their own care. There is a risk that a fee level below inflation may also adversely affect the lives of people funded by the local authority as it may be below the level that they may reasonably expect good quality care to be provided. However we have found no evidence of this happening anywhere at present in Sheffield.
Voluntary, community & faith sector			No disproportionate impacts are anticipated.

Other/additional **Closure of Care Homes – impact on age/disability**	Negative	H	One home has closed in 2015 with the loss of 40 beds due to reduced occupancy. It is recognised that Care Homes closures can cause disturbance to elderly/disabled residents before, during and after the transition period. Whilst the local authority is not obliged to remove the risk by supporting inefficient providers it needs to demonstrate that it has mechanisms in place to anticipate this and mitigate the impact on existing care home residents whether funded by Sheffield CC or not. Sheffield CC has carefully considered the steps necessary to mitigate that risk further. Those steps are discussed in detail in the impact assessment. In summary they are: (i) Be alert to, and respond to, indicators of a risk of a home closure such as: low occupancy; high dependence on council placements; low number of registered beds. (ii) Improve the 'early warning system' for homes that are in difficulty to encourage discussion with the council or with an independent advisor to examine options other than closure. (iii) Develop a reasonable offer of support to failing homes where the council considers that there is a need for that home to remain open, which may avert closure and/or minimise impact on

			affected residents. (iv) In the event of an anticipated or actual closure, Sheffield adheres to the principles of the Association of Directors of Adult Social Services national guidance: 'Achieving Closure – Good Practice in supporting older people during residential care closures' (http://www.adass.org.uk/images/stories/Publications/Miscellaneous/Achieving_Closure.pdf In summary Sheffield takes care to: • Put in place well organised, dedicated and skilled assessment teams. Involve all relevant parties (especially older people and their families themselves) in decisions about future services. • Get to know people well and carry out holistic assessments of their needs. Support older people, families and care staff through potentially distressing and unsettling changes. • Work at the pace of the individual and give as much time and space to explore future arrangements as possible. • Help residents and key members of care staff to stay together if possible. Ensure independent advocacy is available.

			• Plan the practicalities of any moves and ensure as much continuity as possible after the move has taken place. • Stay in touch with people and assess the longer-term impact of resettlement. Work in partnership with a range of external agencies and key stakeholders, managing information and communication well. • Follow the above principles even in an emergency closure so far as possible. These are, of course, general principles which are adapted to the needs of specific cases. Although home closures are rare in Sheffield, where there has been a closure in the past 12 months a combined health and social care team oversaw the work surrounding the closures being prioritised to support affected residents. This in turn was monitored by Head of Service Adult Social Care Commissioning. Sheffield is satisfied that it follows best practice which enables the most appropriate mitigation of the risk. There was an increase in fees of 2.33% (Residential) and 2.45% (Nursing) fees in 2015/16

Carers and Families	Negative	H	We have seen a slight decrease in the number of people paying a top up fee, however the amount of the average top-up has increased Any further freeze will potentially impact the financial burden on carers and families as Care homes increase Top up fees to balance their books.

Date: ***Service:*** *Adult Social Care Commissioning*

Overall summary of possible impact (to be used on EMT, cabinet reports etc.):

The EIA identifies that if a fees rise is set too low, there would be a high risk of negative impact as quality of care to residents could be adversely impacted upon.

The negative impact would be felt disproportionately by older and disabled people and women due to the demographic profile of the client group.

Approving the recommended 4.32% rise in residential fees, and 4.80% in Nursing homes and following other actions identified in the EIA (e.g. fee levels to continue to differentiate between different levels of need; close management of provider viability), should provide effective mitigation for the identified risks.

Action plan

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed	Update
If fees were not sufficient to cover costs of care, then individuals' needs arising from age or disability might not be properly addressed.	Sheffield has carried out an extensive market analysis of a number of years and has also developed a good understanding of the issues facing care home providers. We believe that the fee level applied in recent years has ensured that there is an adequate supply of care home places for all care types. The evidence for this is the low level of market failures in the past 5 years and the fact that new care homes have opened in Sheffield and they do not require residents to 'top-up' the Council's contract fee. Analysis of the top up fees generally has shown that the numbers have not increased significantly. The recommendation is for 4.32% and 4.80% to off-set impact of National Living wage and to recognise the differential between Nursing and residential staff costs. Sheffield has a policy of spot purchasing care from a range of providers rather than single providers on block contracts. This allows providers to meet diverse needs, in particular because of the potential for smaller providers to cater for specific cultural needs of (for example) minority ethnic and religious communities	Annual Fees and Market Analysis Reports compiled by Adult Social Care Commissioning	Ongoing
There is a risk that some	Whilst the local authority is not obliged to remove the risk by supporting inefficient	The Monthly multi-agency KPI led by SCC Contracts team	Ongoing

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed	Update
inefficient providers will be unable to operate if fee levels are not increased.	providers it needs to demonstrate that it has mechanisms in place to anticipate this and mitigate the impact on existing care home residents whether funded by SCC or not. SCC has a duty to ensure that the citizens of Sheffield receive value for money for the residential services but it recognises the need to protect those people who are residents in care homes that become non-viable because the provider is inefficient. Sheffield has in place a comprehensive multi-agency monitoring process. This allows SCC to identify providers that are struggling to meet appropriate standards. It further allows them to offer support where appropriate or take direct action to safeguard residents. As part of the 2015/16 review the Local Authority committed to reviewing and speeding up the assessment and payment processes to improve cash flow for Care Homes. A working group has been set up (including providers)		

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed	Update
	and this issue seems to be much improved. The Local Authority has also committed to align its Quality requirements more closely with those of the CQC to avoid duplication of work and inconsistency of advice for care homes. This will save staff time and associated costs.		This work has commenced working alongside providers. This work has commenced working alongside providers.

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed	Update

Approved (Lead Manager): Joe Fowler Date:

Approved (EIA Lead Officer for Portfolio): Simon Richards   Date: 28/01/2016