Appendix 1

Report Supporting The Recommendations for Care Home Fee Uplifts Sheffield City Council 2017/18.

Background:

The following report summarizes the methodology, consultaion, risk assessment and decision making processes to recommend a 3.2% increase in residential and nursing care homes in Sheffield for 2017/18.

1. PROPOSAL AND PROCESS USED TO DETERMINE THIS

It is proposed that all care homes (residential and nursing) for older people paid under the standard fee arrangement are offered an increase of 3.2% in 2017/18.

The impact of this will be to increase the current fees by around £13 per person per week and bring the fee levels to:-

Residential Care	Max Contribution from SCC (2017/18)	Max Contribution for Higher Environmental standard (2017/18)
Standard	£389.00	£391.00
High dependency	£426.00	£430.00
EMI	£434.00	£438.00

Nursing Care	Max Contribution from SCC (2017/18)	Max Contribution for Higher Environmental standard (2017/18)
Standard	£590.00	£596.00
Enhanced	£603.00	£609.00

The process used to determine this increase is set out below:-

To understand the increased cost pressures on cares homes consideration has been given to the Consumer Price Index (CPI) of 1% based on Sept.16, and the increase to the National Minimum Wage (NmW) of £7.50 from April 2017. This follows a similar process to that used in the previous 3 years

Care and nursing homes are basically subject to the same financial increases in terms of food, energy and maintenance as any domestic home therefore the CPI is a useful determinant of increasing non staff pressures, the September increase is also used for determining pension increases.

The difference between care homes and a domestic home is that there are staff costs associated with the running of the homes and this is often a more significant pressure on the provider, especially with the NMW set to increase in April 2017.

In previous consultations providers stated that the ratio of staff to non-staff costs differed between residential and nursing care and that nursing care have additional staff costs to those in residential. They estimated the costs in nursing to be 70% staff and 30% non-staff costs.

All nursing homes will have received an increase in funded nursing care in 2016 which will have helped with additional nursing costs; therefore the 70:30 ratio has been applied in 17/18 to all care homes in acknowledgement of the staffing pressures they both face. (see below)

	2016/17	2017/18	Increase (%)	Staff (70%) & Non-staff (30%)
Minimum wage	£7.20	£7.50	4.2%	2.9%
CPI	1%		1%	0.3%
Overall Fee increase				3.2%

By using the NMW, the CPI and the 70:30 ratio, it is possible to estimate the cost pressures on care homes and therefore a final recommendation of 3.2% for nursing and residential care is proposed.

Due to the wide variation of care home size and business model it is difficult to ascertain whether individual care homes are generally profitable or not. We do know however from recent research[1] that for some providers the cost of debt is becoming more of an issue and the cost of borrowing can impact on how much of council funds are spent on care. This is something the Council needs to explore further.

[1] The cost of care – Sheffield University 2015

2. BACKGROUND

There are 82 independent care homes in the city providing 3768 beds in total, 18 are voluntary/not for profit homes. The 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. Approximately 33% of the current care homes in Sheffield are operated by large national organisations; however there are a growing number of more local organisations who have multiple care home ownership. Such a diverse range of ownership, brings with it 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, these larger providers can also exploit economies of scale.

People living in care homes are often aged 85+ and are likely to be frailer and have greater care needs, currently 12,700 people in Sheffield are over 85 and this is expected to rise steeply bringing the population of the 85+ age group to over 20,000 by 2030. Although people are older and frailer when they enter a care home their length of stay still varies but national evidence[2] suggests it averages 2.5 years in residential and under 18 months in nursing. Many access care later in life after a spell in hospital or intermediate care hence their care needs maybe greater as a result.

The market in the city has remained fairly stable over the previous 12 months, however there continues to be a significant demand for places and the occupancy of care homes remains relatively high. If the demand increases or the capacity reduces there is a risk there will be insufficient places at the right quality and price for the people who need them.

This report describes some of those risks and the rationale for recommending the uplift in fees.

3. WHAT PROVIDERS HAVE TOLD US - ISSUES WHICH IMPACT ON CARE HOME STABILITY (See appendix B for further data relating to these issues)

Providers were offered the opportunity to talk to us about the factors/pressures which impact on their ability to remain in the market and continue to provide good quality services. They were able to do this through:-

- An on-line questionnaire – 26 responses
- A presentation/questions at care home manager's forum – October 2016
- A care home owners meeting – November 2016
- Individual meetings with Commissioners
- A care home owner engagement- December 2016

[2] Laing & Buisson 2014

- An opportunity to view and comment on final draft during January 2017

They said the following should be taken into account (each one has been considered in more detail below):-

- Fee Levels – The low fee level paid by Sheffield in comparison to other authorities
- The introduction of the National Living Wage (NLW) and the increase to £7.50 from April 2017. This affects a high proportion of the front line staff working in care homes.
- Retention and agency costs – the high turnover of staff in care homes and the difficulty recruiting and retaining nurses in nursing homes often leads to use of high cost agency staff
- Top Ups – more homes feeling they have to charge "top up" fees to balance the books leaving a reduced number of beds available at the fee level.
- Quality – the impact low fees can have on the quality of the provision
- Maintenance –The age of the current stock in the city means for some refurbishment is required on an on-going basis and finding sufficient capital is difficult
- Contract process – the impact the current arrangements have on cash flow and some providers failing to receive payment in a timely way

In addition we believe there are other factors which could impact on the stability of the market

- High demand and occupancy with greater levels of dependency.
- An increased number of care home closures resulting in an overall reduction (to date, Dec 16) of around 110 beds in the city
- A continued number of private fee payers in care homes paying higher costs.

3.1 Fee Levels - Providers feel that Sheffield fee levels are low and that this has a direct impact on the viability of their businesses.

It is acknowledged that Sheffield has historically been in the lower quartile of fee payers. The table below shows Sheffield's current (2016/17) standard nursing care and standard residential care compared to neighbouring authorities.

Authority	Reg.	Elderly £/wk		Dementia £/wk	
		min	max	min	max
Sheffield	Nursing	£576.25	£582.25	£589.25	£595.25
	Residential	£377.00	£421.00	£421.00	£425.00
Doncaster	Nursing	£639.62	£743.51	£642.66	£795.27

	Residential	£438.97	£438.97	£438.97	£438.97
Rotherham	Nursing	£577.25	£577.25	£674.25	£674..25
	Residential	£417.00	£417.00	£451.00	£451.00
Barnsley	Nursing	£513.08	£513.08	n/a	n/a
	Residential	£401.08	£401.08	£434.16	£434.16
Wakefield	Nursing	£621.25	£621.25	£621.25	£621.25
	Residential	£465.00	£465.00	£465.00	£465.00

NB The figures above all include Funded Nursing Care at £156.25 which may be revised January 2017

The comparable figures for core cities are shown below.

Authority	**Reg.**	**Elderly £/wk**		**Dementia £/wk**	
		min	**max**	**Min**	**max**
Sheffield	Nursing	£576.25	£582.25	£589.25	£595.25
	Residential	£377.00	£421.00	£421.00	£425.00
Liverpool	Nursing	£546.10	£546.10	£646.24	£646.24
	Residential	£489.01	£574.18	£489.01	£574.18
Newcastle	Nursing	£518.70	£691.67	£637.54	£713.15
	Residential	£462.45	£535.42	£481.29	£556.59
Leeds	Nursing	£629.25	£679.25	£633.25	£679.25
	Residential	£441.00	£486.00	£454.00	£507.00
Birmingham (average rates)	Nursing	£652.83	£652.83	£652.83	£652.83
	Residential	£436.50	£436.50	£436.50	£436.50

NB The figures above all include Funded Nursing Care at £156.25 which may be revised January 2017

Although the comparator information for all authorities is not yet available, early indicators are that Sheffield will continue in the lower quartile for care home fees regardless of whether an uplift is applied, therefore it is important that any fee uplift recognises some of the likely cost pressure on providers.

In nursing homes NHS Funded Nursing Care (FNC) is provided to clients because the local authority cannot provide clinical services. The amount paid by the NHS for clinical services is set annually by central government and is currently £156.25 pw, this has increased significantly recently. At the same time the CCG approved the same increase for their Continuing Health Care (CHC) beds. As this is only a recent increase it is too early to understand whether this will relieve the pressure in nursing homes however it is welcomed by the sector.

In contrast there is a particular disparity between the comparator fees for residential homes; Sheffield retains one of the lowest fee levels. Even though residential homes do not have the same issues with nursing staff they still have significant issues in terms of retention of staff and staff training. Therefore the fee uplift recommended for 17/18 applies equally to both residential and nursing homes so as not to widen the gap further.

Sheffield City Council will arrange to meet with providers throughout the financial year 2017/18 and look to address the issues related to the costs of providing good quality care in Sheffield. Alongside the overall financial offer made to providers other avenues of making the market more efficient and attractive for providers to maintain their presence will be covered.

3.2 The National Minimum Wage – Providers raised the National Minimum Wage as a big concern as it is a mandatory year on year increase that has a disproportionate impact on care home pay rates.

It is acknowledged that the National Minimum Wage (NMW) has a disproportionate impact on the care home sector. This is not especially because they pay the minimum wage, many homes pay well above this level, however most homes will have workers on the minimum wage and this means a mandatory rise each year. Although the NMW does not impact on all grades of staff employed e.g. managers and nursing staff, if the impact is not considered across the workforce, it can erode the pay differentials of more experienced staff.
The recommendations in this report therefore, have considered the NMW impact across the workforce in both care and nursing homes.

3.3 Retention and agency costs – Providers stated this remains an issue, staff turnover and the difficulty of retaining nursing staff in particular leads to a reliance on agency staff and higher costs.

As of July 2015, it was estimated[3] that there was a total workforce of around 15,000 in this sector, approximately 50% of these positions being full-time.
Sheffield had an average staff turnover rate of approximately 20.0%; this is lower than the turnover rate for Yorkshire & Humber which is 23.2%.
The turnover rate however varies depending on job group with managerial staff having the highest turnover rate (34.9%), this is concerning as management and leadership is known to be one of the key causes of failure in the market.
Based on this information the estimated vacancy levels are 2,150 direct care and 950 managerial and supervisory roles per year. This indicates a very fluid workforce with high turnover and a constant influx of less experienced staff. There may be a number of reasons for this:

- Relatively low levels of pay for direct care staff.

[3] The Skills for Care (National Minimum Data Set)

- Increased responsibility.
- Large number of NHS career opportunities in the local area.

Whatever the reason it represents a real issue for care home providers who struggle to recruit and retain experienced staff. High turnover carries its own cost in terms of advertising, training etc., but can also result in further cost as provider's backfill with often very expensive agency workers.

There is an opportunity for the Council to work collaboratively with providers to see if there ways to reduce the burden/costs associated with recruitment and retention and this is part of the "other support" recommendation in this report.

3.4 **Top-ups -** Providers instinctively don't like charging top-ups though this is becoming the norm for many more homes as a way of balancing the books.

A "top up" is the difference between what the local authority would usually expect to pay and the extra cost of a specific care home.

As of Oct 2016, 39 of the 82 care homes were charging a "top-up" of between £10 to £209 per person per week; this is often determined by the room occupied and its facilities.

The number of top ups and their average cost are good indicators of the market **r**esponse to local authority fee levels and to supply and demand in the market. Given that the number of top ups is increasing year upon year, this is a strong indication that 100% occupancy with a standard fee level is not sustainable.

Figures from October 2016 show finding a vacancy at the standard fee level reduces the choice available by nearly 50%, at this time there were only 148 out of the 273 possible vacancies available at the standard fee level. This is especially acute in the event of a care home closing unexpectedly or when there is a need for a short term bed vacancy either to facilitate an emergency, winter pressure in the NHS or as a planned break for a carer'.

It is important to note that 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.

Further analysis on the use of top ups is required over the coming 12 months, if the numbers of these increase this become a significant risk to the stability of the market. A reasonable fee uplift on will help mitigate, in part, the need for providers to charge a top up

3.5 Quality - Providers feel that the impact of low fee rates and increasing direct and indirect staff costs will inevitably impact on the quality of service they are able to offer.

Overall the quality of care remains high in Sheffield, however over the last 12 months an average of 6 homes have been under some additional monitoring in any given month. Dependent on the risk posed, this can lead to restrictions on admissions. These restrictions not only impact on the provider but on the availability of places in the city.

The reasons for admissions being halted or restricted vary, but can include:

- Poor management and leadership
- Inadequate care planning
- Lack of understanding of Mental Capacity Act and Deprivation of Liberty
- Medication issues
- Inadequate monitoring of nutrition and hydration
- Insufficient record-keeping

Although the Council has robust quality assurance arrangements in place, there is an acknowledgment these have to change and include more support and development opportunities that encourage continuous development. There is also the potential to review the current training offer to independent sector providers in line with this.
A review of the current monitoring arrangements will take place during 17/18 in partnership with the CCG and in collaboration with providers.
This is a recommendation under “other support” to providers

3.6 Maintenance - A lot of care home stock in Sheffield was built in the 1990s and providers feel that repairs and refurbishment are becoming an issue. A specific point was made that in some homes any new large capital spend e.g. boiler replacement may prove a breaking point in terms of viability.

There is an acknowledgement that the one off costs of refurbishment can be significant especially where providers have higher than usually capital repayments. There is an appetite within social care to scope the possibility of supporting debt through council borrowing. This was floated with providers at a meeting in November 2016 and there is a recommendation to take this forward under “other support” to providers

3.7 F3 Process (Individual Placement Contract) - Despite improvements over the last 18 months, the F3 process continues to frustrate providers. The delay in payment has a direct impact on cash flow. Part of the problem appears to be around multiple assessments and hand offs between proffessionals.

There is an acknowledgement that although the process has improved further work is required to ensure payments are made in a timely way

3.8 Supply and Demand

As of October 2016 there were 3,768 beds places in the city. Although this is a net reduction of over 200 beds since 2013, 2016/17 had the biggest number of net bed losses.

Whilst the recent and unexpected closure of 2 homes in the latter part of 2016 reduced the number of beds available, it did not create a significant issue in the market in terms of availability. As previously stated it is not necessarily the number of beds available which is an issue but the number available at the standard fee.

The data indicates there is sufficient capacity for the short- to medium-term but the market could not be described as "stable" and any further unexpected closures could create significant instability.

Recent figures from the Adult Social Care Outcomes Framework[4] (ASCOF) returns show Sheffield's admission of older adults into care homes has increased by 257.5 per 100,000 population between 2015 and 2016 and we now have higher admissions of older adults than the National, Regional and Core City figures. This is concerning as the rate of admissions has increased recently. If the current admissions were to follow a straight line projection a further 2% more nursing and residential places would be needed per year going forward. Based on this and if no further action is taken to reduce admissions demand could exceed supply in the more medium term (2 years). In this scenario it would be the market that would drive future price increases rather than the Local Authority.

It is widely recognised that further work is required to ensure only those who need to go into a care home do so and that sufficient support to care for people at home and following a hospital stay may reduce the number of people living in a care home in the longer term. If the planned work to reduce admissions is successful the greatest impact will be seen in the residential market as it will be those people who will be supported to stay at home for longer.

It is important to retain the current level of supply in the market and the increase in fees will support this. Offering the residential sector the same fee uplift takes account of any potential reduction demand if interventions to keep people at home are successful.

3.9 Dependency

[4] Adult Social Care Outcomes Framework Benchmarking 2 Author: Chris Blackburn 15/16

The City Council has undertaken two small scale analyses on the factors which affect admissions into care homes in the City, although 4 years apart the findings are very similar and suggest dementia and carer breakdown as two of the major contributory factors. Although dementia is not set to rise significantly (per head of the population), it does require staff in care homes to have particular skills and training, all which have an impact on the cost to the provider. As previously stated the loss of care home places at the standard fee has a significant impact on the availability of short term beds to support carer breaks. To ensure there is an adequate supply for this purpose means reducing the risk of further homes exiting the market, the fee increase proposed will help support this.

3.10 Private fee payers (self- funders)

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

Although the Council is the dominant buyer in the market buying 52% of all places, the estimated figure of the self-funder market is 33% which is broadly in line with other 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.

Many care homes charge different rates for Council placements and self-funders with the latter price being much higher. The charge varies significantly but can be as much as £437 extra per person per week in residential or £346 extra per week in nursing. (Oct 2016).

Most providers have a balance of self-funding and council funded placements however providers in less well-off areas of the city do not necessarily attract large numbers of self-funders which often means they are highly dependent on the Council's fee level.

More recently there have been a number of self-funders in care homes who have exhausted their capital assets and approached the City Council to fund their care. This often creates a dilemma for the Council as the persons' placement is often at a higher cost than the Council can afford to pay. The number of these will be monitored over the next 12-18 months to see what impact they are having on Council budgets, market supply and price.

A fee increase will help to bridge the cost differential between council funded and privately funded places.

3.11 Additional support offered/to be offered to care homes

The Council and Clinical Commissioning Group (CCG) provide other support to care homes to help improve the quality of care. These include:

- additional payments for a higher standard of physical environment (room size, availability of ensuite facilities, absence of shared rooms)
- training to care home staff, mostly free of charge to the provider which includes training to meet the Common Induction Standards.
- Sheffield CCG invest in a GP Locally Commissioned Service (LCS) scheme, which costs around £800,000. In this each Care home is aligned to one GP practice which accepts all residents who choose to register.

However it is clear that there are other opportunities to collaborate with providers and potential ways of creating further efficiencies. There is a commitment within social care to develop these initiatives which will include:-

- Investigating the potential use of assistive technology in care homes which could improve efficiency;
- Finding solutions for marketing bed availability through improved use of technology;
- Actively involving providers in the review of the contract monitoring processes undertaken by the Council
- Investigating options for enhanced care in homes which avoid admissions to hospital
- Providers working jointly with the Council on exploring gain share agreements and/or more efficient solutions to capital repayments and the cost of debt

4. IMPLICATIONS OF THE DECISION

The implications of this fee increase are as follows:

4.1 Equalities Implications

Approving the recommended 3.2% 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 the equality considerations, impacts and actions can be found in the Equality Impact Assessment at Appendix A

4.2 Financial and commercial implications

The estimated impact on the Council's budget as a result of these increases would be as follows. 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 (2016)

	Total £	**Increase %**	**New Total £**	**Impact £**
Residential	£24.8m	3.2%	£25.60m	£800k
Nursing	£18.2m	3.2%	£18.78	£580k
Gross Total	£43.0m		**£44.38m**	1.38m

N.B. This impact ***only*** relates to older people's care at the standard fee rate and does not reflect mental health/learning/physical disability or any other beds purchased at an individually agreed rate.

In addition to the figures above the Council fund around 65 ex-Sheffield residents who for a variety of reasons live in residential homes elsewhere in the country. Where people are receiving the Sheffield rate it is suggested that this will be automatically uplifted in line with the recommendations of this review. If people have had an individually assessed rate this will not be automatically uplifted as it should be subject to the same procedure as other individually assessed fees.

4.3 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.*

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 it 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.

5. ALTERNATIVE OPTIONS CONSIDERED

There were two options considered for 2017/18 with option 2 being the recommended option.

1. Use the same formula as 2016/17 with different staff: non-staff ratios for residential (63:37) and nursing care(70:30)
2. Use the higher nursing care ratio of 70:30 for all types of care

The options were appraised taking into account the following;

- Provider feedback from engagement events & planned consultation
- Market factors as described in this report
- Costs of care as calculated in the report
- Current and projected supply and demand
- The financial position of the Council.
- NMW at £7.50
- CPI at 1%

Option	Benefit	Risk
1 3% increase for residential and 3.2% increase for nursing	Same approach as previous years accepted as fair by most providers and tested legally. Cost of £1.33m	Low in terms of providers but moderate in terms of SCC budget risk. Widens the gap between residential and nursing fees and the gap in residential fees between comparator authorities
2 3.2% increase for both residential and nursing	Slightly higher cost @ 1.38m arguable that differential no longer needed given 2016 FNC increase.	Low in terms of providers but moderate in terms of SCC budget risk. Reduces the ratio:non staff ratio in nursing homes which has been previously agreed

.6. RECOMMENDATIONS

- That in 2017/18 there is a 3.2% rise to the standard fee in residential and nursing homes.
- That the fees for out of city placements are increased by the same amount provided they are at or below the standard fee rate
- That any fees which are individually assessed are not part of this agreement and subject to a separate process

- That there is recognition of the commitment to engage with care home providers on areas of work which may create further efficiencies and improve relationships.

Equality Impact Assessment

Portfolio: Communities

Name of policy/project/decision: 2017/18 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

The recommendation for 2017/18 is for a rise of 3.2 % in both residential and nursing home fees.

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 Minimum 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.

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%. 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	L	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.
Pregnancy/maternity		L	No disproportionate impacts are anticipated.
Race	Neutral	L	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	L	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 (81%) than male.
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	L	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		L	No disproportionate impacts are anticipated.
Other/additional **Closure of Care Homes – impact on age/disability**	Negative	H	One home has closed in 2016 with the loss of 60 beds at the time of closure there were nine residents. 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.
Carers and Families	Negative	H	There was an increase in fees of 4.32% (Residential) and 4.8% (Nursing) fees in 2016/17 In addition, following a national review, funded nursing care (FNC) payments increased from £122 pw to £156.25 pw – a rise of 39.5% 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 3.2% rise in residential and nursing 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.

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. A robust provider forum will be established to create a joint approach to pressures on the care home market related to the setting of weekly fees, areas of collaborative work designed to increase efficiency and stimulate positive market development. The recommendation is for 3.2% to off-set the impact of the National Living wage and CPI inflation. 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,	Annual Fees and Market Analysis Reports compiled by Adult Social Care Commissioning	Ongoing

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed	Update
	in particular because of the potential for smaller providers to cater for specific cultural needs of (for example) minority ethnic and religious communities		
There is a risk that some inefficient providers will be unable to operate if fee levels are not increased.	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 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.	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

Approved (Lead Manager): Phil Holmes Date:

Approved (EIA Lead Officer for Portfolio): Cate McDonald Date:

Current Supply/Demand Analysis

Vacancies available at the standard fee level as of Oct 2016

	Total no.of beds	Vacancies @ SCC funded level Oct 2016
Nursing	2195	69
Equivalent Occupancy level		97%
Residential	1563	79
Equivalent Occupancy level		95%

Supply in care homes if demand continues at the same as the current rate, the shaded boxes indicate demand exceeding supply.

Occupancy increase	Nursing					
	October 2016	2017/18	2017/18	2018/19	2019/20	2020/21
1.0%	1945	1964	1984	2004	2024	2044
2.0%	1945	1984	2024	2064	2105	2147
3.0%	1945	2003	2063	2125	2189	2195
5.0%	1945	2042	2144	2195	2195	2195

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Occupancy increase	Residential					
	October 2016	2017/18	2017/18	2018/19	2019/20	2020/21
1.0%	1451	1466	1480	1495	1510	1525
2.0%	1451	1480	1510	1540	1563	1563
3.0%	1451	1495	1539	1563	1563	1563
5.0%	1451	1524	1563	1563	1563	1563

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