

Meeting	Cabinet
Date	9 March 2021
Cabinet Member	Councillor Dafydd Meurig
Officer	Rhion Glyn Senior Business Manager – Adults, Health and Well being Department
Title	Residential and Nursing Fees 2021/22

1. The decision sought

Approval of the residential and nursing fees, Option A, to be agreed with independent providers for 2021/22.

2. Reasons for the need for a decision

In order that we pay fair fees to finance the care of individuals who are placed by us in independent residential and nursing homes. The increase recommended takes us further than the level of inflation which has currently been set in the budget and therefore would mean an additional financial investment.

3. Introduction

We review our residential and nursing fees on an annual basis when setting our budgets for the following year. This year we are doing so in the context of detailed conversations which are underway with providers regarding their costs of providing residential and nursing services.

4. Background

During the past few years it has become apparent that our current fee arrangements are unsustainable. This is reflected in the fact that we are seeing an increase in the homes which refuse our standard fees and demand higher fees. At present, 8 of the 22 independent homes in Gwynedd are refusing our standard fee in some way or another, which usually means that they raise additional fees, or 'top up fees' to be paid by the individual who is receiving the care, the family, or by ourselves in circumstances where that is not possible. We have also seen examples in homes during the past year of staffing shortages and problems with management and leadership, and in three cases have dealt with those situations through the formal 'Escalating Concerns' arrangements.

5. Arrangement for the review of fees

- 5.1 The arrangements for the annual review of fees happen regionally, and we have four categories of fee, namely:
- Residential
 - Residential (dementia – high dependency)
 - Nursing
 - Nursing (dementia – high dependency)
- 5.2 A standard tool by the Laing & Buisson company is used for this work, and although this process ensures consistency across the region, it was agreed in 2017/18 that local authorities should be given the flexibility to adapt part of the tool in order to respond to the situation of the market locally. That part being the Return On Investment (ROI). Gwynedd uses this flexibility to ensure a higher proportion of ROI for the placements of individuals with the most intensive needs.

6 Steps taken to address the situation

- 6.1 In 2019/20, work began to prepare a business case to look at options for the way ahead:
- Discussions were held with each provider regarding the costs of their care
 - An agreement was reached with a number of them that they would be prepared to take part in an 'open book accounting' exercise
 - The Council's Research Unit began on work to assess the care costs of providers
- 6.2 Unfortunately, it has been necessary to pause this work because of the pandemic, and therefore we are not yet in a situation to offer options which could possibly result in new model to fund care costs.

7 Providers' opinions

- 7.1 Providers regularly express that the fees are insufficient to meet the costs of providing care, and they have recently been drawing attention to the increase in the management and administration costs. Recent evidence of our cases of homes which have had to be placed in the formal quality procedure of 'Escalating Concerns' suggest deficiencies in:
- Leadership
 - Staff shortages and staff turnover
 - Maintaining timely and current records of the care details of individuals
- 7.2 Gwynedd providers also draw our attention to the standard fee of Council homes, and the fact that it is higher than the fee which we pay independent providers. It is noted that the standard fee for Council homes in 2020/21 is £733.67, and it is anticipated that it will increase to around £750 in 2021/22.

7.3 In addition, this year, providers have emphasised the need to acknowledge the costs of agency workers which they shoulder (costs which have increased since before the time of the pandemic).

8 Ongoing discussions regarding setting fees for 2021/22

8.1 This year, in contrast to the arrangements in previous years, the regional partnership has held its own consultation with a representation of providers. This was done on 4 December 2020 in accordance with the principles of 'Let's agree to agree', which is the Government's commissioning tool for commissioners and providers to agree on the cost of residential care for older people in Wales. It is believed that this is a step in the right direction, but there is acknowledgement at the same time that there is further work to be done. On the basis of the regional work which has been done therefore, four choices have been submitted for consideration.

- Standard increase
- Option A
- Option B
- Option C

8.2 The options differ in the combination they offer of % Consumer Price Index (CPI), an acknowledgement of the costs of agency staff and living wage elements. These are the main aspects which were highlighted by the providers in their discussions with the partnership. It is noted that the flexibility to adapt the ROI continues, and therefore means that the fees are likely to continue to be different across the region even if each authority agrees to decide on the same option. We currently understand that most North Wales authorities are likely to go for Option A.

9 The regional options

9.1 Options table

<p>Standard increase 2.2% to ensure payment of the National Living Wage (NLW) and 0.5% Consumer Price Index (CPI)(inflationary increase in the care field)</p>	<p>This would maintain our current arrangements and mean that it would not be necessary to make a request for additional funding. However, the commissioning arrangement is fragile as it is, and it could create instability in the marketplace and unforeseen costs as it leads to more providers charging additional fees.</p>
<p>Option A 2.2% National Living Wage 2% CPI 5% agency overheads (an increase from the current 1.5%)</p>	<p>Although this choice does not go far enough in terms of where we want to be in order to ensure that independent providers can pay a fair wage to staff, approving this fee would demonstrate that we are listening and responding to the current pressures on providers, taking a step in the right direction as we continue to work on assessing the true costs of care.</p>
<p>Option B Paying Real Living Wage, namely 50% of care costs at £9.50 and 50% at the higher rate, namely £10.80 (in line with the current differential)</p>	<p>Again, this choice would appear to be positive, but without providing us with the opportunity to take the decision in the context of our assessment of real care costs. This choice would not respond to some aspects which have been highlighted by our providers where they can evidence higher costs.</p>
<p>Option C Paying the Real Living Wage, also 2% CPI 5% agency overheads</p>	<p>This choice would go very far towards achieving the aims of 'Let's Agree to Agree', enabling stability within the market when responding to some of the current concerns. However, it would be premature at present to decide on this without completing the work on real care costs with the market and consider the implications on other services provided such as Supported Living and Domiciliary Care.</p>

9.2 Costs of options

	Regional	Regional							
Category	Standard	Draft	%	Option	%	Option	%	Option	%
	Fee	Fee	Increase	A	Increase	B	Increase	C	Increase
	2020/21	2021/22							
	£	£							
Residential	£566.30	£575.19	1.56%	£586.32	3.53%	£595.97	5.24%	£609.96	7.71%
Residential dementia – high dependency	£629.33	£638.75	1.50%	£650.79	3.41%	£661.07	5.04%	£676.04	7.42%
Nursing	£660.79	£670.88	1.53%	£683.90	3.49%	£694.75	5.14%	£710.65	7.55%
Nursing dementia – high dependency	£697.07	£708.05	1.57%	£722.33	3.62%	£734.14	5.32%	£751.46	7.80%

At the moment, 1.8% has been set in the Gwynedd draft budget for an increase in 2021/22 residential and nursing fees which have calculated 2.2% for the NLW. Options A, B or C would result in adapting this at an additional cost:

Option A: £300k

Option B: £600k

Option C: £1,027k

10 Considerations

- 10.1 All options offered consider the effect on market sustainability. During the time of the pandemic, the homes have received additional financial support through the Welsh Government Hardship Fund, and also for their PPE. There is no certainty about the continuation of the fund further than the end of March, and we will need to consider the situation of homes in that context.
- 10.2 We will also return to the work of looking at the real costs of homes as work capacity is released following the pandemic period. This will enable us to consider the options for adapting the funding model in the longer term.

11 Equality Impact Assessment

No issues have currently been identified, and we will continue to assess the effect as we work with providers on the true cost of care.

12 Well-being of Future Generations Act

The Pre Placement Agreement that we hold jointly with the Health Board and residential and nursing homes considers the principles of the act, e.g. a proactive offer to receive services in Welsh, and sustainability matters. Our work on real care costs and the sustainability of residential care in the long term are also aligned with the principles of the act.

13 Next steps

Once the Cabinet's approval to the fees to be paid is received, we will continue with the work of assessing real care cost and to present them to discussions on 2022/23 residential and nursing fees in the autumn. This will happen alongside regional developments and we will include the Government in the discussion regarding our financial ability to achieve the aims of 'Let's Agree to Agree'.

14 Conclusions

- 14.1 We believe that we cannot justify choosing the 'Standard Increase' since the issues which have been highlighted are issues which the care providers could evidence are real costs of providing care and therefore our responsibility as commissioners to fund. It is therefore noted that providing a greater increase is necessary in order to try and sustain the market.
- 14.2 It is also believed that we should not consider Option B since it does not give attention to elements where providers can evidence increased costs.
- 14.3 It is unlikely that Option C is affordable, but also at the same time, it is necessary to acknowledge that it would not fully solve the problems that we face, nor would it be realistic without consideration of all implications.

14.4 Although Option A is insufficient regarding dealing with some of the matters existing in the field, it does fund the real costs of care. This is the most reasonable and fair choice considering the evidence offered, as well as the maturity of our discussions with the providers.

15 Recommendation

In order to maintain the situation of the market over the coming year as we continue with the work of assessing the real costs of providing care, it is recommended that the Cabinet decides on Option A at an additional cost of £300k for the Council.

Views of statutory officers

Chief Finance Officer

Resources for funding the 'standard' inflationary increase to the independent residential and nursing homes have already been provided for in the Budget which was submitted to full Council on 4th March. It would have been beneficial for the Cabinet to discuss the option to fund the higher cost of this care in a timely fashion, with the remainder of the 'bids' considered for 2021/22.

I appreciate some of the arguments submitted by providers regarding their care costs, but I note that they have not yet 'opened their accounts' for us. Therefore, I believe that that discussion has some way to go before we can approve steps towards much more expensive options.

However, I note that the recommendation of the Adults Department to the Cabinet is to increase the level of residential and nursing fees to the 'Option A' level, and I confirm that this would result in an additional cost of £300k to the Council. If the Cabinet are convinced, then it would be possible to fund this cost from contingency funds, but of course that would reduce the flexibility for us to address any unexpected blows during 2021/22.

Monitoring Officer

The report acknowledges that by now establishing a framework for private care home fees is challenging. The recommendation which acknowledges a need to undertake a review of the system is a sensible one.