

Social Care Price Awards 2016

Areas covered

- National Living Wage impact
- Inflationary Increase
- Residential Guide Prices
- Conclusions

National Living Wage

- Social care sector is seen as relatively low skilled with many of the staff employed are currently paid at or around the minimum wage. It is therefore is expected that the impact of adherence to this legislation will be significant on employers in this sector.

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
MW	MW	MW	MW	MW	NLW	NLW	NLW	NLW	NLW
Hourly rate	£6.19	£6.31	6.50	6.70	7.20	£7.65	£8.10	£8.55	£9.00
Increase £		0.12	0.19	0.20	0.50	0.45	0.45	0.45	0.45
Increase %		1.94%	3.01%	3.08%	7.46%	6.25%	5.88%	5.56%	5.26%

Aim to reach 60% of median earnings by 2020, subject to sustained economic growth

- 3 core areas that impact on market sustainability
 - Commercial, commissioning and contractual
- This work focuses on NLW only, it does not cover sustainability, tier erosion, however it does make reference to this impact and offers recommendations
- Looked at actual data where available and compared to conceptual figures to give a range of scenarios
- Visited all 19 providers who are part of the 2014 Homecare contract

Modelling assumptions

- service lines with similar profile were identified and collected under the service line headings and we have used the 2016 budget figure within the calculations.
- percentage of the budget allocated to staff is built around the 2 main scenarios of Residential and Homecare with allocated percentages based on cost model submissions within the procurement process and the constructed guide price for April 2016.
- 19 Homecare providers were issued with a questionnaire to determine the impact of staff retention and wage rates and direct meetings were held with these Providers with commissioning and procurement.
- the percentage of workforce to which the NLW is to apply (those 25 years and over) has been assessed as 88%.
- 3 scenarios modelled based on NMW pre and post October 15 and using actual data
- The percentage of the impact to be funded by the Council should reflect the assessed commercial, commissioning and contract risk tailored for each service area.

Building of the modelling

1. Proportion of the fees taken by salaries
 - How much of the fee is allocated to resources
2. Proportion of staff directly impacted
 - Those staff who are paid below the new living wage
3. Percentage increase required in salary to meet the living wage.
 - Assumes all staff paid at the minimum wage level
4. Percentage of staff eligible
 - Staff over 25, based on the Skills for Care Kent total (88%) and not Direct Care staff (86%)
5. Derived impact is calculated by multiplying these 4 factors together
 - $1 \times 2 \times 3 \times 4 = X$

Modelling scenarios

Budget Headings	Model versions	Assumptions				Derived NLW impact factor based on assumption
		Average proportion of fees taken by salary	proportion of staff directly impacted	Percentage increase to salary required to comply with NLW	percentage of NLW eligible staff	
	1x2x3 4 = Derived impact	1	2	3	4	
OP Residential Care	Conceptual model 1	60%	50%	9.09%	88%	2.40%
	Conceptual model 2	60%	50%	7.46%	88%	1.97%
	Actual model 1	60%	100%	4.60%	88%	2.43%
OP Nursing Care	Conceptual model 1	60%	50%	9.09%	88%	2.40%
	Conceptual model 2	60%	50%	7.46%	88%	1.97%
	Actual model 1	66%	100%	3.00%	88%	1.74%
OP Domiciliary Care (all client groups)	Conceptual model 1	80%	90%	9.09%	88%	5.76%
	Conceptual model 2	80%	90%	7.46%	88%	4.73%
	Actual model 1	80%	90%	7.46%	88%	4.73%
LD, MH, PD Residential Care	Conceptual model 1	60%	50%	9.09%	88%	2.40%
	Conceptual model 2	60%	50%	7.46%	88%	1.97%
	Actual model 1	60%	30%	3.45%	88%	0.55%
OP & PD Direct payments (domiciliary)	Conceptual model 1	80%	90%	9.09%	88%	5.76%
	Conceptual model 2	80%	90%	7.46%	88%	4.73%
	Actual model 1	70%	90%	7.46%	88%	4.14%
LD, MH, PD Direct Payments (SIS)	Conceptual model 1	80%	90%	9.09%	88%	5.76%
	Conceptual model 2	80%	90%	7.46%	88%	4.73%
	Actual model 1	70%	75%	7.46%	88%	3.45%
SIS Supported Living	Conceptual model 1	80%	90%	9.09%	88%	5.76%
	Conceptual model 2	80%	90%	7.46%	88%	4.73%
	Actual model 1	80%	90%	7.46%	88%	4.73%

Modelling Results

Budget Headings	2016 Budget	NLW impact amount (1)	NLW impact amount (2)	NLW impact amount (3)
	£m	£m	£m	£m
OP Residential Care	54.47	1.31	1.07	1.32
OP Nursing Care	36.92	0.89	0.73	0.64
OP Domiciliary Care (all client groups)	30.51	1.76	1.44	1.44
LD, MH, PD Residential Care	97.78	2.35	1.93	0.53
OP & PD Direct payments (domiciliary)	28.23	1.63	1.33	1.17
LD, MH, PD Direct Payments (SIS)	21.42	1.23	1.01	0.74
SIS Supported Living	43.66	2.51	2.06	2.06
Total	312.99	11.67	9.58	7.91

Modelling - Recommendations

Budget Headings	2016 Budget	Percentage of NLW impact to be met by KCC	Total if Impact 1	Total if Impact 2	Total if Impact 3	Actual as %
	£m	%	£m	£m	£m	%
OP Residential Care	54.47	60%	0.78	0.64	0.79	1.50%
OP Nursing Care	36.92	80%	0.71	0.58	0.51	1.39%
OP Domiciliary Care (all client groups)	30.51	80%	1.41	1.15	1.15	3.78%
LD, MH, PD Residential Care	97.78	100%	2.35	1.93	0.53	0.55%
OP & PD Direct payments (domiciliary)	28.23	80%	1.30	1.07	0.93	3.31%
LD, MH, PD Direct Payments (SIS)	21.42	60%	0.74	0.61	0.44	2.07%
SIS Supported Living	43.66	60%	1.51	1.24	1.24	2.84%
Total	312.99		8.79	7.22	5.61	

Recommendations

- the following percentage increases are applied to formal contractual arrangements within the following budget lines.

OP Residential Care	1.5%
OP Nursing Care	1.39%
OP Domiciliary Care (all client groups)	3.78%
LD, MH, PD Residential Care	0.55%
OP & PD Direct payments (domiciliary)	3.31%
LD, MH, PD Direct Payments (SIS)	2.07%
SIS Supported Living	2.84%

- £6m be allocated to Social Care Health and Wellbeing to cover the impact of the NLW in 2016/2017

Approach to price awards

	NLW	Inflation 0.5%
OP2002	N	Y
OP2014	N	Y
OP2016	Y	N
OP2016 ABOVE GUIDE	Y	Y
OP Spot	N	Y
Homecare 2002	N	N
Homecare 2014	Y	Y
Homecare spot	N	N
Day Care	N	N
Shared Lives	N	Y
SIS	Y	N
LDMHPD	Y	Y
Direct Payments	Y	Y

Price Awards

	NLW	Inflation	Total
OP2002	0	0.5	0.50%
OP2014	0	0.5	0.50%
OP2016	1.5	0	1.50%
OP2016 ABOVE GUIDE	1.5	0.5	2%
OP Spot	0	0.5	0.50%
Homecare 2002	0	0	0.00%
Homecare 2014	3.78	0.5	4.28%
Homecare spot	0	0	0.00%
Day Care	0	0	0.00%
Shared Lives	0	0.5	0.50%
SIS	2.84	0	2.84%
LDMHPD	0.55	0.5	1.05%
Direct Payments	2.07	0.5	2.57%

Older Persons Guide Prices

Area of Need	Current Guide Price	Provisional 2016	Actual 2016	% Increase
Residential	£352.18	£367.99	£373.51	6%
Residential High	£404.48 £440.30	£448.72	£455.45	13% 3%
Nursing	£450.72 £487.72	£497.81	£504.73	12% 3.5%
Nursing High	N/A	£523.01	£530.28	9%

Conclusions

- The key to demonstrating value for money and improving the quality of services is to ensure placements and services are commissioned **through formal contracts and not from one off locally arranged spot purchases.**
- It also becomes difficult to isolate the mathematical implication of the NLW to include within a budget that is affordable, where the terms and conditions of contract may put a cap on any increase, but with commissioners having to make additional payments outside of the contract due to commissioning risks.
- In many of the service areas there is a conflict between the contractual risk, i.e paying for something that contradicts what has been contracted for and the commissioning risk which might result in vulnerable people being put at risk due to supply failure. **This can and must be addressed so that the risks are aligned managed and collectively mitigated.**
- **£11.4m committed to price increases**
- Need to embrace our market and reward providers who contract formally and ensure this is the foundation for market sustainability
- Balance of budget allocation to be targeted to achieve a sustainable market