

## Notice of Non-key Executive Decision

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|---|---|
| <b>Subject Heading:</b>                   | Approval of the annual hourly rate uplift for Extra Care from April 2020.   |
| <b>Cabinet Member:</b>                    | Councillor Jason Frost, Cabinet Member for Health and Adult Care Services   |
| <b>SLT Lead:</b>                          | Barbara Nicholls, Director for Adults Social Care and Health  |
| <b>Report Author and contact details:</b> | Suzanne West, Commissioner & Project Manager,<br><a href="mailto:suzanne.west@haverling.gov.uk">suzanne.west@haverling.gov.uk</a>   |
| <b>Policy context:</b>                    | <p>The Council's commissioning duties under the Care Act 2014 include:</p> <ul style="list-style-type: none"> <li>• promoting quality services, including through workforce development and remuneration and ensuring appropriately resourced care and support</li> <li>• supporting sustainability.</li> </ul> |
| <b>Financial summary:</b>                 | <p>Financial implications arising as a result of increasing the hourly rate paid by the Council to the Extra Care Provider.</p> <p>Commissioners are proposing a 5% uplift which equates to £16 per hour for 2020/21.</p>   |

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|--|---|
|  | The number of care hours delivered in 2018/19 cost the Council £1,003,635.75. Based on the number of care hours delivered in 18/19 and at the hourly rate of £16.00 this will cost the Council an estimated £1,070,544.80, an anticipated increase of £66,909.05. |
| <b>Relevant OSC:</b>                                 | Individuals   |
| <b>Is this decision exempt from being called-in?</b> | Yes, it is a non-key decision by a member of staff  |

### **The subject matter of this report deals with the following Council Objectives**

|                               |                                     |
|-------------------------------|-------------------------------------|
| Communities making Havering   | <input checked="" type="checkbox"/> |
| Places making Havering        | <input type="checkbox"/>            |
| Opportunities making Havering | <input type="checkbox"/>            |
| Connections making Havering   | <input type="checkbox"/>            |

## **Part A – Report seeking decision**

### **DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION**

That the SLT Member (the Director for Adults Social Care and Health) approve an annual hourly uplift to rates paid to the Providers of Extra Care services for the financial year 2020-2021 (1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021).

### **AUTHORITY UNDER WHICH DECISION IS MADE**

Havering Council's Constitution:

Part 3: Responsibility for Functions, Article 2 – Executive Functions

The Leader of the Council may by way of written notice to the Proper Officer delegate of executive functions to staff.

Part 2, Article 1.03(d) – Definitions

The Director of Adult Social Services is a Senior Leadership Team Director, for the purposes of the Constitution.

On 6<sup>th</sup> April 2019 the Leader of the Council gave written notice to the Council's Monitoring Officer (a "Proper Officer" under Part 4: Rules of Procedure, paragraph 25(b) of the Constitution), to delegate authority to the Director of Adult Social Care to agree inflation rates with social care providers for the financial year 2019/20.

Part 3: Responsibility of Functions, Article 3.3, Subsection (c) – General powers

To make arrangements to secure continuous improvement in the way the Council's functions are exercised having regard to a combination of economy, efficiency and effectiveness etc. as required by external regulatory agencies.

### **STATEMENT OF THE REASONS FOR THE DECISION**

This report proposes an annual uplift for the hourly rate paid to the current Provider that delivers care and support services in the extra care schemes in Havering. Extra Care Housing provides self-contained accommodation with care available on site, promotes independence and can reduce or delay the need for residential care. In Havering, there are three extra care schemes of varying size and tenure. Dreywood Court in Gidea Park is the largest scheme with 98 apartments, Paines Brook in Harold Hill has 64 apartments and St Ethelburga in Harold Wood is the smallest scheme with 33 apartments.

## **Background**

During Spring 2017, the Extra Care services were reviewed, redesigned with a 'Core and Flexible' model adopted by the Council with an emphasis on providing flexible well-being support to service users. Following a tender, the contract was awarded to Care Support and the five year contract commenced in April 2018. The hourly rates of care were the 'flexi' part of the new service, fluctuating in response to the actual number of care & support hours that are being delivered. The hourly rate were set by the Council and agreed with the Provider for the first three years of the contract as:

| <b>Contract Year</b>    | <b>Hourly Rate</b> |
|-------------------------|--------------------|
| April 2018 – March 2019 | £15.00             |
| April 2019 – March 2020 | £15.28             |
| April 2020 – March 2021 | £15.56             |

It was agreed that the annual uplift for the hourly rate for years four and five would be negotiated for each year.

## **Current Position**

Care Support have approached the council requesting an increase in the uplift for 2020/2021 based on the following reasons:

- the current uplift is below the current inflation rate
- the current uplift does not account for the 1% increase in employers pension contribution
- the current uplift does not cover the minimum wage rise

## **Benchmarking**

In view of Care Support's proposed annual uplift, the Council contacted a number of authorities to obtain their hourly rates in extra care schemes. As with all benchmarking there needs to be caution with accepting figures on face value, that the Council are comparing like with like and that there are not particular circumstances which make difference inevitable.

The Council have obtained benchmarking data from a number of Councils for their current rates for 2019/20. They are as follows;

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| <b>Council</b>             | <b>Hourly Rate</b> |
|----------------------------|--------------------|
| Redbridge                  | £20.18             |
| Waltham Forest             | £17.00             |
| East Sussex                | £16.83 (average)   |
| Southwark                  | £16.75             |
| Havering (proposed uplift) | £16.00             |
| Newham                     | £16.40             |
| Barking & Dagenham         | £16.34             |
| Kent                       | £15.94             |
| Essex                      | £15.92 (average)   |

The data obtained indicates that the proposal of £16.00 per hour is in line with the rates being paid by other Councils whilst the previously agreed uplift rate of £15.56 for 2020/21 is lower than all the comparators.

### **National Cost Increases**

The next financial years, current year and previous years National Living and Minimum wage have been outlined in the table below:

| <b>Age range</b>  | <b>2018/2019</b> | <b>2019/2020</b> | <b>2020/2021</b> |
|-------------------|------------------|------------------|------------------|
| <b>25+</b>        | £7.83            | £8.21            | £8.72            |
| <b>21 to 24</b>   | £7.38            | £7.70            | £8.20            |
| <b>18 to 20</b>   | £5.90            | £6.15            | £6.45            |
| <b>Under 18</b>   | £4.20            | £4.35            | £4.55            |
| <b>Apprentice</b> | £3.70            | £3.90            | £4.15            |

Rates for 2020/2021 have been published on the GOV.UK website in line with recommendations by the independent Low Pay Commission. The increase in National Living Wage of 6.2% is higher than what was previously anticipated (around 5%), the biggest rise yet, placing additional cost pressures on service providers.

As of January 2020 there has been no publication regarding minimum employer pension contributions with the rate still fixed at 3%. As of October 2019 the CPIH is at 1.5%.

### **Risks and Mitigations**

- Risk of service interruption due to financial failure. Services are facing increases in national and running costs. If rates are not uplifted businesses will find it difficult to remain sustainable.
- Risk of lack of capacity and choice in the market. A sustainable market promotes growth and encourages new business opportunities.
- Risk to recruitment and retention of staff. Service providers need to have a well-trained and motivated workforce and need to be able to compete with other sectors with rates that staff are paid.

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- Increasing gap between inflation increase to cost and Council rates. This will be mitigated by the uplift.

Taking into account the additional pressures placed on them due to the increased inflation rate, increase in employer's pension contribution and the minimum wage rise the author recommends this increase. Approving the increase in the hourly rate to £16.00 will put Care Support in a better position to be able to recruit and retain good quality staff which, in turn, will ensure consistency, maintain a quality service for service users and protect sustainability going forward.

### **OTHER OPTIONS CONSIDERED AND REJECTED**

- a) Maintain set hourly rate agreed at the beginning of the contract

This option was considered and rejected because:

- The Council wants to ensure the provider is in a position to be able recruit and retain good quality staff.
- The Council recognises additional pressures placed on providers, including the National Living Wage/National Minimum Wage and inflation increases.
- It would mean the possibility of a greater uplift in future years.
- The Council needs to be mindful of the risks to the sustainability of the service where annual price uplifts are below cost inflation.

### **PRE-DECISION CONSULTATION**

The Council consulted with the Provider and other Local Authorities with Extra Care schemes to bench mark hourly rates.

### **NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER**

Name: Suzanne West

Designation: Commissioner & Project Manager

Signature:



Date: 26/03/2020

## Part B - Assessment of implications and risks

### LEGAL IMPLICATIONS AND RISKS

1. This report seeks the approval of the Director for Adults Social Care and Health an uplift to rates paid to the providers of Extra Care services for the financial year 2020-2021 (1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021).
2. The Care Act 2014 places a duty on the Council to assess and support frail and disabled adults with their eligible care needs. The Act also introduced duties on local authorities to facilitate a vibrant, diverse and sustainable market for high quality care and support in their area, for the benefit of their whole local population, regardless of how the services are funded.
3. The Care Act 2014 also identifies the right for individuals to exercise choice in the care that they receive, which clearly extends to a nursing care establishment given that this will be the person's home. The implementation of a cost rate increase supports local providers to meet the requirements of the National Living Wage and cost of living increases falls within the remit of the Care Act 2014.
4. The Council's Contract Procedure Rule 19 (**VARIATIONS, EXTENSIONS AND MODIFICATIONS OF CONTRACTS**) at 19.1 states that "subject to the authority given under the Council's Scheme of Delegation and CPRs 3 and 4, an officer who has responsibility for the day to day management and performance of an awarded contract may (subject to having the authority to do so) approve a variation or modification by way of additional works, services or supplies by the original contractor that have become necessary and were not included in the original procurement provided that one of the following applies:
  - i. The modifications have been provided for in the initial procurement documentation;
  - ii. A change in contractor cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, or, would cause significant inconvenience or substantial duplication of costs for the Council provided that an increase in price does not exceed 50% of the value of the original contract;
  - iii. Where the need for modification has been brought about by circumstances which the Council could not have foreseen, the modification does not alter the overall nature of the contract, any increase does not exceed 50% of the value of the original contract or framework agreement;
  - iv. Where a new contractor replaces the one to which the Council had initially awarded the contract as a consequence of universal or partial succession into the position of the initial contractor."
5. The body of the report sets out the particulars of the proposed contract **five percent (5%)** uplifts and its compliance with CPR 19.1 and Regulation 72 of

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the Public Contracts Regulations 2015 as it relays to the proposed contract modification/variations.

### **FINANCIAL IMPLICATIONS AND RISKS**

The recommendation in this report is to uplift current provider rates for Extra Care by 4.71% for financial year 2020/21 from £15.28 per hour (2019/20 rate) to £16.00 per hour. This is reflective of various factors which have been outlined earlier in this report, including National living/minimum wage considerations, and to aid recruitment and retention. High level benchmarking has been carried out with 8 other local authorities on their 2019/20 rates, and consultation with the provider has also taken place, as outlined earlier in this report. This will be an increase on the current agreed contract rate for 20/21 of £15.56 per hour, to take account of these factors, an increase of 2.83%.

The estimated impact of this proposal is an annual increase of £66,909 per annum, based on an analysis of care hours that were delivered at the three sites in 2018/19 (66,909 hours) and an uplift of £1.00 on the 2018/19 rate of £15.00 per hour. The estimated costs and income assumes that current hours delivered will continue at the same level as the 2018/19 output. Since the actual financial impact is linked to the number of hours, the figure could increase or decrease, depending on actual hours delivered during the 2020/21 financial year.

A summary of the data and the assumptions behind this uplift are summarised in Table 1 below.

**Table 1: Costs of Uplift based on 2018/19 Care Hours delivered**

|                                   | <b>Dreywood</b> | <b>Paines Brook</b> | <b>Ethelburga</b> | <b>Total Hours</b> | <b>Impact at 5% (or £1 increase per hour)</b> |
|-----------------------------------|-----------------|---------------------|-------------------|--------------------|---|
| <b>Hours delivered in 2018/19</b> | 33,489.55       | 23,471.50           | 9,948.00          | 66,909.05          | £66,909                                       |

The costs of Extra Care Housing are charged within the Homecare services. The Revised Budget for 2019/20 for Commissioned Homecare Services in Adult Social Care is £15.84m (net), with projected expenditure of £15.12m at period 11, resulting in a projected underspend of £722k, based on current clients in receipt of a homecare service and extra care (as shown in Table 2 below).

With the anticipated inflationary uplift of 5%, the projected net expenditure, with all other factors remaining the same, and also including a 4% increase for homecare (which was included in a separate Executive Decision), would be £15.42m, reducing the projected underspend to £414k (as shown in Table 3).



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**Table 2: Commissioned Homecare Expenditure Forecast at Period 11 2019/20 against revised budget**

| <b>Subjective</b>           | <b>2019/20<br/>Revised<br/>Budget<br/>£</b> | <b>Period 11<br/>Forecast<br/>Expenditure<br/>£</b> | <b>Period 11<br/>Forecast<br/>Variance<br/>£</b> |
|-----------------------------|---|---|--|
| 651420 Homecare Expenditure | £18,099,229                                 | £17,376,077   | -£723,152  |
| 517810 Homecare Income      | -£2,260,980                                 | -£2,260,245   | 735  |
| <b>Net Expenditure</b>      | <b>£15,838,249</b>                          | <b>£15,115,832</b>                                  | <b>-£722,417</b>                                 |

**Table 3: Commissioned Homecare Expenditure Forecast 2020/21 after a 5% uplift** (assuming all other factors remain the same but including a 4% increase for homecare included within a separate Executive Decision)

| <b>Subjective</b>           | <b>2019/20<br/>Revised<br/>Budget<br/>£</b> | <b>Period 11<br/>Forecast<br/>Expenditure<br/>£</b> | <b>Period 11<br/>Forecast<br/>Variance<br/>£</b> |
|-----------------------------|---|---|--|
| 651420 Homecare Expenditure | £18,099,229                                 | £17,733,215   | -£366,014  |
| 517810 Homecare Income      | -£2,260,980                                 | -£2,308,736   | -£47,756   |
| <b>Net Expenditure</b>      | <b>£15,838,249</b>                          | <b>£15,424,480</b>                                  | <b>-£413,769</b>                                 |

The estimated uplift of £66,909 for 2020/21 will be partly funded by additional inflationary budget provision of £913k for Adult Social Services as a whole. The current inflation costs for all Adult Social Care contracts for 2020/21 are currently estimated at £1.294m, leaving a current estimated shortfall of £381k. This is based on current client numbers and any additional inflationary shortfalls, including this budget pressure, will need to be met from within existing Adult Social Services budgets

### **HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

### **EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

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- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

If the recommendation to increase the hourly rate for extra care for older people is agreed it should have a positive impact on equality groups. It will enable the provider to be in a better position to be able to recruit and retain staff and therefore service users will receive a higher quality and consistent care and support service.

The service will continue to meet the needs of all eligible service users, including those from minority community groups and those 'protected' under Equality Act 2010 legislation.

### **BACKGROUND PAPERS**

None

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**Part C – Record of decision**

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

**Decision**

Proposal agreed

**Details of decision maker**

Signed



Name: Barbara Nicholls

CMT Member title: Director for Adults Social Care and Health

Date: 2<sup>nd</sup> April 2020

**Lodging this notice**

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

**For use by Committee Administration**

This notice was lodged with me on \_\_\_\_\_

Signed \_\_\_\_\_