

## Appendix D/3

Pressure Mandate Proposal Number :

Pressure Mandate Title : Increase in residential/nursing care home fees due to introduction of the Living Wage

All information requested must be completed on the proposed mandate to enable the Cabinet to decide whether to proceed with the proposal.

<b>Mandate Completed by</b>	<i>Tyrone Stokes</i>
<b>Date</b>	<i>10<sup>th</sup> September 2015</i>

### Why is this pressure required?

Current discussion is on the removal of the 1.7% non-pay budget inflation factor from the 2016/17 MTFP on the basis of present low to near zero RPI.

Within the SCH 2016/17 budget we have a £10,186,788 third party budget covering payments to residential/nursing care homes for the elderly supporting 280 placements as at 31<sup>st</sup> March 2015.

Work we have done with the Adult Residential and Nursing care home sector through the “Fair Fee” exercise tells us that care providers have a cost base of 70% wages not sensitive to RPI but sensitive to wage increases, in this mandate Living Wage.

In this year’s budget the Chancellor announced the introduction of the Living Wage being the lowest hourly rate paid for work being £7.20 in 2016 rising to £9 in 2020.

We are unable to mitigate this increase and are contractually bound to reflect in our fees. The reason why we cannot mitigate this increase is that four years ago the Council agreed to undertake the fair fee exercise to defend the Council against a judicial review in not considering the true costs of running a care homes in its fees. Two Authorities namely Pembrokeshire and Vale of Glamorgan did have a judicial review and in the case of Pembrokeshire, led to a million plus sum in fines and legal costs and the back payment in increased fees. Our fair fee toolkit does sufficiently safeguard the Authority from a potential judicial review but ties us into the need to understand the costs pressures that face care homes and to reflect this in our fees paid to homes. The fair fee toolkit uses the minimum wage as a base which will now be replaced by the Living Wage.

### How much pressure is there and over what period?

£10,186,788 is 70% linked to pay/minimum wage and based on the introduction of the £7.20 per hour Living Wage to replace the current £6.50 minimum wage, this will be an 11% increase to be reflected in our fees paid. The 11% will equate to £784,383 for 2016 increasing to

38% in 2020 (£9 per hour Living Wage) equating to £2,709,686.

**Directorate & Service Area responsible**

SCH and Community Care

**Mandate lead(s)**

Tyrone Stokes

**Have you undertaken any initial consultation on the need for this pressure to be included in the MTFP?**

Name	Organisation/ department	Date
Mark Howcroft	Assistant Head of Finance	20 <sup>th</sup> July then challenge panel 4 <sup>th</sup> September
Joy Robson	Head of Finance	20 <sup>th</sup> July then challenge panel 4 <sup>th</sup> September
Simon Burch	Former SCH Director	20 <sup>th</sup> July
Julie Boothroyd	Interim SCH Director	20 <sup>th</sup> July

**Has the specific budget pressure been consulted on?**

Function	Date	Details of any changes made?
Department Management Team		
Other Service Contributing to / impacted		
Senior leadership team		
Select Committee		
Public or other stakeholders		
Cabinet (sign off to proceed)		

**Will any further consultation be needed?**

Name	Organisation/ department	Date

**Final pressure approved by Cabinet**

**Date:**

## 1. Vision and Outcomes of the Pressure Mandate

Give a business context for the budget pressure. This must pick up on the vision and what the new / improved / reduced service will look like in the future including the anticipated experience of users. It must also consider any impact on the Council's key priorities and strategic outcomes. Similarly does it impact on service performance within the immediate service area or any impact on other services provided by the authority / any other providers. In doing so, the pressure mandate must be tested against the equality impact assessment and sustainable development impact assessment and must consider impact in relation to the new Future Generations Bill.

### What are the outcomes of investing in the identified pressure?

The outcome will allow the directorate to maintain contractual and legal obligations to meet cost pressures on its providers, maintaining a quality of provision for vulnerable people in the Community

### Expected positive impacts

Harbour good relations with providers and sustain a viable market which can meet cost pressures through increases in minimum wage to care staff.

### Expected negative impacts

If we cannot meet Living wage increases to providers we risk a judicial review by the Courts from providers due to the Council not being in a budget position to accommodate cost pressures.

## 2. Pressure proposed

Show how the budget pressure has been evidenced and will increase the current service budget. This must cover each year implicated. This section must also cover any other efficiency that will arise from the pressure.

### What is the evidence for the pressure? How has it been estimated?

Evidence for the pressure is based on the introduction of the Living Wage hourly rate of £7.20 in 2016.

Estimate has been calculated from the Authority's fair fee toolkit.

The total estimated pressure is £784,383 but a decision has been taken to opt for the high risk mitigation of reducing this pressure by £100,000 (£200,000 mitigation in total across domiciliary care and residential care sectors).

Service area	Current Budget £	Proposed Cash Pressure £	Proposed non cash efficiencies – non £	Target year			Total pressure proposed
				15/16	16/17	17/18	
Community Care	£10,186,788	£684,383	0	n/a	£684,383	£	£684,383

### 3. Actions to required to minimise the pressure

Describe the key activities that will be undertaken to minimise the investment required and the action holders. This includes any actions contributed to by other services. Give the timescales to complete the work. This must also factor in any business activities that will need to be done differently or cease in order to achieve the mandate.

Action	Officer/ Service responsible	Timescale
There are two distinct areas of action: -		
Action 1 – Work with providers to gauge the level of workers under 25, any mitigation from future tax assistance by the Chancellor and VAT reclaims are maximised. Industry advice will be obtained from consultants such Rockhaven Healthcare Ltd to fully understand and maximise opportunities.	Shelley Welton and Tyrone Stokes	31 <sup>st</sup> March 2016
Action 2 – Embark on a piece of work to understand, review and scrutinise rate increases thereby entering negotiations to limit any impact.	Ceri York and Shelley Welton	Initial scoping by 31 <sup>st</sup> March 2016

### 4. Additional skills/ business needs

Describe any additional skills, resource and capability needed in order to carry out the proposed mandate successfully. For example new expertise and knowledge etc..

Any additional capability required	Where will this come from	Any other resource/ business need (non-financial)

## 5. Measuring performance on the mandate

How do you intend to measure the impact of the investing in the pressure identified? This will include budget measures and further possible measures that cover process, staff and customers. Targets need to be set over the duration of the mandate where appropriate.

Focus- Budget / Process / Staff / Customer	Indicator	Actual 2016/17	Actual 2017/18	Actual 2018/19	Target 2016/17	Target 2017/18	Target 2018/19

## 6. Key Risks and Issues

Are there any potential barriers and risks that will need to be managed in delivering the outcomes expected from investing in the pressure identified, including any negative impacts identified in section 1 that need to be accounted for. Also, set out the steps that will be taken to mitigate these.

Barrier or Risk	Strategic/ Operational	Reason why identified (evidence)	Risk Level (High, Medium or Low) Based on a score assessing the probability & impact	Mitigating Actions
<ul style="list-style-type: none"> <li>The number of people aged 25 and under is not known and any there is a risk we might over-estimate.</li> <li>There may be no compensatory tax breaks announced by the Chancellor.</li> <li>Many providers will not wish to take the opportunity to reconfigure to enable the recovery of VAT.</li> <li>Some providers have an active self funding market and may decide not to seek business from the Council thus placing areas where it is difficult to attract providers at greater risk.</li> </ul>	Both		<p>In considering the likely reductions that could result from undertaking these two courses of action it is suggested:</p> <ul style="list-style-type: none"> <li>A confident estimate: <b>£100,000</b></li> <li>With some risk of non-achievement: <b>£150,000</b></li> <li>With a high risk of non-achievement of all mitigations: <b>£200,000</b></li> </ul> <p>The decision at SLT has been taken to opt for the high risk action which spans both the National Living Wage pressures so £100,000 will be attributed to the Domiciliary care</p>	<p>Reduce the amount reflected in rates paid to providers by:</p> <ul style="list-style-type: none"> <li>Factoring in people who are under 25 who will not qualify for the National Living Wage.</li> <li>Assuming that the Chancellor of the Exchequer will introduce measures such as tax breaks to offset some of the effects of the National Living wage for providers.</li> </ul> <p>Making strenuous efforts to encourage providers to alter their status to enable them to recover VAT. Many of the care management arrangements in</p>

<ul style="list-style-type: none"> <li>• Much of the 'right sizing' work has already been undertaken so the likelihood of identifying significant reductions is limited.</li> <li>• Providers may decide not to accept Monmouthshire's business. Many of the spot purchase arrangements are in place to accommodate gaps in the market.</li> <li>• Some potential savings from reducing rates could be double-counted as they may have already been attributed to a separate adult services mandate.</li> <li>• Future transformation approaches are based on good relationships and this approach could put these at risk.</li> </ul>			<p>pressure and the other £100,000 to the residential care pressure.</p>	<p>Social Care and Health are individually negotiated. Whilst it is fully expected that providers will uplift the set rates to reflect the National Living Wage, Officers have agreed to undertake a process to review and scrutinise rates that appear to higher than the norm with a view to negotiating a reduced increase.</p>
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## 7. Assumptions

Describe any assumptions made that underpin the justification for the option.

Assumption	Reason why assumption is being made (evidence)	Decision Maker

## 8. Options

Prior to the pressure mandate being written, an options appraisal will have taken place. Summarise here the outcome of the Options considered and detail the rationale on why they were disregarded. ( see options appraisal guide for further information)

Options	Reason why Option was not progressed	Decision Maker
Do not reflect Living wage increases in our fee toolkit	Face judicial review from care providers	Julie Boothroyd

## 9. Monitoring the pressure mandate

The pressure mandates must be monitored through directorate budget monitoring. This will lead into corporate budget monitoring. In addition the action plan, performance measures and the risk assessment must be transferred into the service plans for the business area in order to monitor and challenge the delivery of the pressure mandate, including the performance being achieved and the level of impact.