

**Report of** - Interim Deputy Director of Integrated Commissioning

**Report to** - Director of Adults and Health

**Date:** 18<sup>th</sup> September 2017

**Subject:** Externally Commissioned Home Care Fee Review.

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. The contract for externally commissioned homecare which runs from June 1st 2016 to May 31st 2021 contains a requirement to annually review the hourly rate paid to contractors for the delivery of homecare. This review has resulted in a recommendation to increase hourly fees to homecare contractors.
2. Leeds is a highly competitive labour market. Increasing the fee per hour paid for domiciliary care is intended to improve the terms and conditions for care workers, increase the retention and recruitment capability of contracted homecare providers, as well as improving the availability and flexibility of care.

### Recommendations

3. The Director of Adults and Health is recommended to agree with the increase of the external homecare hourly rates in accordance with result of the annual review specified within the terms and conditions of the contract and pay the new rates as detailed in section 3.4.
4. To note that the Head of Commissioning Services will implement this decision at the completion of the call in process

## **1 Purpose of this report**

- 1.1 The purpose of this report is to seek approval from the Director of Adult Social Services to increase the external homecare hourly rates in accordance with result of the annual review specified within the terms and conditions of the contract.

## **2 Background information**

- 2.1 On 7<sup>th</sup> January 2016 following a procurement exercise the Director of Adult Social Services awarded contracts to 4 primary providers and 12 providers were appointed to the framework. The contract to manage the domiciliary care delivery runs from June 1st 2016 to May 31st 2021.
- 2.2 As part of the original commissioning process for the new contract in 2014, Leeds City Council engaged with providers to undertake a “Fair Rate for Care” exercise using as its basis the UK Homecare Association pricing template. The rate was reviewed in February 2016 following the Executive Board decision to sign up to the Ethical Care Charter and the establishment of the Leeds Living Wage.
- 2.3 With the introduction of the Leeds Living Wage a decision was made to increase the overall homecare contract rate to support the increased staff hourly rate. The successful contractors were encouraged to accept a contract variation to pay a minimum of £8.01 per hour to staff, although the contract does not include this requirement. The contract service specification states that “The Council intends to move to the Living Wage during this contract agreement, therefore Service Providers must be expected to pay all Staff that offer services to Council funded Service Users, a Living Wage.”
- 2.4 The contracts for primary contractors and framework contractors state that the Council has an option to enter into good faith negotiations with the Service Provider on any anniversary of the contract, or any other date agreed between the parties, with a view to varying the Contract Price which will be based on the UKHCA template (as amended and set out in the Price Review Schedule. The contract also states that negotiations will run for a maximum period of 30 working days.

## **3 Main issues**

- 3.1 Leeds is a highly competitive labour market. Increasing the fee per hour paid for domiciliary care is intended to improve the terms and conditions for care workers, increase the retention and recruitment capability of contracted homecare providers, as well as improving the availability and flexibility of care..
- 3.2 Leeds City Council has reviewed the fee rate in accordance with the terms of the contract and is recommending that there should be an increase in the hourly rates within the home care contracts for each of the three categories of areas, Urban, Rural and Super Rural.
- 3.3 LCC applied the UK HCA template as set out in the contract but included an additional 2% increase to management overheads as a provision for contractors

who may have encountered unforeseen increase in costs in the preceding 12 months.

<b><u>Home Care Contract Rates using the original UKHCA template as adjusted in the contract plus 2% additional management charges.</u></b>		
	<b>%</b>	<b>£:p</b>
Workers Basic Hourly rate - contact time		<b>£8.01</b>
Workers hourly travel time	19.0%	£1.52
Workers hourly travel cost		£1.40
NI	9.5%	£0.76
holiday	10.8%	£0.86
training	1.8%	£0.14
pension	1.2%	£0.10
Total of costs		<b>£4.78</b>
Total Care worker costs		<b>£12.79</b>
<b><u>Other Operational Costs</u></b>		
Management overheads	27%	£2.88
Contribution to reserve (Profit)	3%	£0.32
Total overheads		<b>£3.20</b>
Total cost per Hour		<b>£15.99</b>

- 3.4 The contract also incorporates a further adjustment to recognise the amount of travel by home-care staff between care visits. The zones are designated “Urban” – densely populated, “Rural” which is less densely populated and “Super Rural” which is significantly less densely populated.

<b><u>Adjustments</u></b>	<b>Urban</b>	<b>Rural</b>	<b>Super Rural</b>
	<i>'LOT' D E &amp; F</i>	<i>'LOT' A&amp;C</i>	<i>'LOT' B</i>
Management costs	-£0.17 <b>-6%</b>	£0.00 <b>0%</b>	£0.00 <b>0%</b>
Travel time	-£0.46 <b>-30%</b>	£0.30 <b>+20%</b>	£0.46 <b>+30%</b>
Travel cost	-£0.42 <b>-30%</b>	£0.28 <b>+20%</b>	£0.42 <b>+30%</b>
Total adjustment	<b>-£1.05</b>	<b>£0.58</b>	<b>£0.88</b>
<b>Hourly fee rate per hour</b>	<b>£14.94</b>	<b>£16.59</b>	<b>£16.88</b>

Introducing the revised hourly fee rates will increase the hourly rates within the home care contracts for each of the three categories of areas, Urban, Rural and Super Rural as follows:

- The current urban hourly rate of £14.41 will increase to £14.94.
- The current rural rate of £15.98 will increase to £16.59
- The super rural rate of £16.26 will increase to £16.88

Leeds City Council commissions 1,450,158 hours of domiciliary care per annum across 6 geographic zones. 78.8% of the care is commissioned in an urban area, 19.1% in a rural area and 2.1% within a super rural area.

- 3.5 Initially four framework providers were unwilling to agree the variation to the contract to pay care staff a minimum of £8.01. Two have subsequently accepted the variation to the contract. One has indicated they are now considering accepting the

variation and one has indicated that they still decline to sign the contract variation and intend to pay staff rates based on the National Living Wage. This company will therefore be offered a lesser increase based on the National Living Wage of £7.50 per hour and not be offered the full increase until they agree to offer staff a minimum of £8.01 hourly rate.

- 3.6 The service providers are monitored to ensure that they are compliant with the service specification to ensure that where appropriate they are compliant with paying staff a minimum hourly rate of £8.01. The Primary and Framework providers have committed to ensuring that the proposed increase in their contract fees will be used to improve the pay rates and terms and conditions for their staff.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The Executive Member for Adults and Health has also been consulted about this proposal and is fully supportive.
- 4.1.2 Service contractors were also consulted about the introduction of the proposed increase. Four contractors raised issues regarding the proposal all of which have been responded to. One framework contractor has maintained that they calculate the required fee differently to the council and have requested further information regarding the difference between the two calculations. One framework provider who had declined to sign an initial contract variation requiring staff be paid a minimum £8.01 hourly rate has maintained this position and stated they will agree to a lower rate which complies with the national living wage of £7.50 per hour. The other ten contractors consulted are supportive of the fee change proposal.
- 4.1.3 The primary contractors and a number of framework contractors who have responded have indicated they fully intend to pay care staff more than the £8.01 minimum in order to improve the conditions for their staff.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 An Equality and Diversity Impact Assessment has been undertaken and is attached at Appendix 1.

### **4.3 Council policies and the Best Council Plan**

- 4.3.1 The proposals outlined in this report will help to deliver a number of crucial elements of the Adult Social Care 'Better Lives' strategy by helping local people with care and support needs to enjoy better lives. With a focus on: promoting choice, helping people to stay living at home, joining up health and social care services. These in turn support the ambition for Leeds to be the Best City in the country, in addition the proposals will contribute to the achievement of the objectives set out in the city's Health and Well-Being plan: people will live full active and independent lives, people's quality of life will be improved by access to quality services, people will be involved in decisions made about them and the city's Priority Plan by contributing to the indicators for: best city for health and wellbeing, best city for business, best city for communities.

### **4.4 Resources and value for money**

4.4.1 Introducing the revised hourly fee rates will increase the hourly rates within the home care contracts for each of the three categories of areas, Urban, Rural and Super Rural as follows

- The current urban hourly rate of £14.41 will increase to £14.94.
- The current rural rate of £15.98 will increase to £16.59
- The super rural rate of £16.26 will increase to £16.88

4.4.2 Though the home care spend is demand led and therefore the volume variable, it is considered that on the current trajectory the impact of these costs will be contained within the approved budget of £23.3m.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 The decision highlighted in this report will be taken by the Director of Adult Social Services in line with the officer delegation scheme as detailed in Part 3 of the Council's Constitution.

4.5.2 There are no specific legal implications as part of this report because the existing terms and conditions allow for financial uplifts throughout the life of the contract.

4.5.3 This decision has been placed on the list of forthcoming key decisions and is subject to call-in. The report does not contain any exempt or confidential information.

#### **4.6 Risk Management**

4.6.1 Risk management for the contract for externally commissioned care is undertaken as part of the contract management process and is governed under the oversight of Home Care/Personal Assistance Commissioning Board.

### **5 Conclusions**

5.1 Local home care providers have indicated strongly that securing a sustainable and sufficient workforce is a challenge and concern for the health and care economy in Leeds. Securing a consistent standard of pay and conditions across the sector, including offering a competitive wage, supports the local authority's duty under the Care Act to ensure sufficient provision of services in the care market to meet local needs.

### **6 Recommendations**

6.1 The Director of Adults and Health is recommended to agree with the increase of the external homecare hourly rates in accordance with result of the annual review specified within the terms and conditions of the contract and pay the new rates as detailed in section 3.4

6.2 To note that the Head of Commissioning Services will implement this decision at the completion of the call in process

### **7 Background documents<sup>1</sup>**

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website,

7.1 None.