

## **Care Home fees – Inflation Approach January 2023**

### **1. Introduction**

- 1.1. Devon County Council proposes to set fees for 2023/24 by applying sector specific inflation indicators to the personalised fee model (as detailed in table 5.10), banded fee model and non-banded rates as described below.

### **2. Approach to National Living Wage**

- 2.1. A compulsory National Living Wage (“NLW”) for employees aged 25 and over was introduced on 1<sup>st</sup> April 2016. It was announced in the Autumn Statement 2022 this will rise from the current level of £9.50 per hour to £10.42 per hour from April 2023, increasing the rate by £0.92.

- 2.2. Following consultation on the 2018/19 fees it was agreed that the proposed hourly rate be predicated on an assumption that every staff member, regardless of age, should be paid at least NLW and the National Minimum Wage for the estimated 14% of the workforce being age 21-24 years should not feature within the calculation. For 23/24 the proposal is the same; to apply an assumption that at least NLW is to be paid to every member of staff, regardless of age. In making any final offer, commissioners expect that the additional sums passed on within the rate should find their way into the workforce.

- 2.3. Taking the above into account, for 2023/24 the Council’s proposal is that the following cost components of the model will be inflated by NLW. For care staff the £0.92 (NLW increase £9.50 to £10.42) will be added to the composite rate, increasing the rate from £10.17 per hour to £11.09 per hour, or 9.046%. This will also apply to the per bed allocation for non-care staff inflating by 9.046%.

- Composite employee pay rates per hour for care staff
- £ per bed per week allocations - domestic, cleaning, laundry, and catering staff

- 2.4. The increase proposed above, is:

- £0.92, which is in line with the National living wage increase, has been applied onto the composite pay rate used in the 2022/23 model, increasing the rate from £10.17 per hour, to £11.09 per hour, an increase of 9.046%.
- Total direct staff on-costs are 24.23%
- An increase in the cost heading for ‘£ per bed per week allocations - domestic, cleaning, laundry, and catering staff’ of 9.046% from £80.34 to £87.61, an increase in monetary terms of £7.27 per bed week.
- Agency and training backfill values will be adjusted in line with pay changes proposed above.

- 2.5. The council already pays above the national living wage within the current composite pay rate of £10.17, the rate has been uplifted by the monetary value of £0.92 which is in line with the national living wage as described in 2.1.

The council proposes to uplift this rate and the non-direct staff costs accordingly by the monetary value of £0.92, which is a percentage uplift of 9.046%. In previous years the council has uplifted this rate by the percentage change of the national living wage, which would equate to 9.68%. The Council considers that this offer is fair given that the September CPI baseline which has been used to calculate this model is forecasted to reduce over the year and we already pay above national living wage within the composite rate.

The council is required to have a sustainable budget to ensure we meet the needs of our vulnerable citizens and people that need our services.

### 3. Approach to other costs

- 3.1. The Council propose to apply the annual percentage change in the Health & Social Care industry component of the Average Weekly Earnings Index (not seasonally adjusted) as at September of the year prior to the financial year for which rates are being set, to the following cost component(s) of the Model:

- £ per bed per week allocations - management, admin and reception staff

For September 2022 the annual change in this index was at 12.02%, therefore the Council proposes to increase the cost figure for the above heading by £8.76 from £72.87 to £81.63 per bed week.

- 3.2. The Council propose to apply the annual percentage change in the Regular maintenance and repair of the dwelling component of the Consumer Prices Index as at September of the year prior to the financial year for which rates are being set, to the following cost component(s) of the Model:

- Repairs, replacements & maintenance

For September 2022 the annual change in this index was at 8.20% therefore the Council proposes to increase the cost figure for the above heading by £2.80 from £34.14 to £36.94 per bed week.

- 3.3. The Council propose to apply the annual percentage change in the Food component of the Consumer Prices Index as at September of the year prior to the financial year for which rates are being set, to the following cost component(s) of the Model:

- Food

For September 2022 the annual change in this index was at 14.90% therefore the Council proposes to increase the cost figure for the above heading by £4.71 from £31.58 to £36.29 per bed week.

- 3.4. The cost heading of 'Utilities (gas, oil, electricity, water, telephone)' crosses over more than one CPI component. In order to fairly reflect price changes affecting this cost heading, the Council proposes to apply the annual percentage changes in the following CPI components as at September of the year prior to the financial year for which rates are being set, weighted by the historic utilities expenditure profile in DCC's own care homes:

- Water supply and misc. services for the dwelling @ 37%
- Electricity, gas and other fuels @ 59%
- Telephone and telefax equipment and services @ 4%

For September 2022 the annual change in these indices was at:

- Water supply and misc. services for the dwelling: 3.8%
- Electricity, gas and other fuels: 69.8%
- Telephone and telefax equipment and services: 2.2%

Therefore, the Council proposes to increase the cost figure for "*Utilities (gas, oil, electricity, water, telephone)*" by an aggregate of 42.68%, which is £14.56 from £34.11 to £48.67 per bed week.

- 3.5. The Council propose to apply the annual percentage change in the Consumer Prices Index (*overall index*) as at September of the year prior to the financial year for which rates are being set, to the following cost components of the Model:

- Other non-staff expenses

For September 2022 the annual change in this index was at 10.1% therefore the Council proposes to increase the cost figure for the above heading by £3.60 from £35.68 to £39.28 per bed week.

- 3.6. The Council propose to apply the annual percentage change for the Insurance component of the Other Non-Staff Expenses by applying Consumer Price Index as at September of the year prior to the financial year for which rates are being set, to the following cost component(s) of the Model:

- Insurance

For September 2022 the annual change in this index was at 15.9% therefore the Council proposes to increase the cost figure for the above heading by £1.65 from £10.35 to £12.00 per bed week.

Adding this to '3.5 Other non-staff staff expenses' gives a total per bed week cost figure of £51.28.

#### **4. Personalised Fee Inflation** - Full details of changes that follow are detailed in table 5.10

4.1. The approach we have used for the personalised fee inflationary uplift uses the same indicators as per the banded fee rates. The indicators have been applied to the Care Cost hourly rate and to the Accommodation Cost.

##### **Care Cost Hourly Rate**

4.2. The National Living Wage (NLW) has been applied to the care cost hourly rate. From April 2023 the NLW will rise from £9.50 to £10.42 per hour. This is an increase of £0.92.

4.3. Taking the above into account, for 2023/24 the Council's proposal is that the following cost components of the Model will be inflated by NLW. For care staff the £0.92 (NLW increase £9.50 to £10.42) will be added to the composite rate, increasing the rate from £10.17 per hour to £11.09 per hour, this is a % equivalent of 9.046%. This will also apply to the per bed allocation for non-care staff inflating by 9.046%.

- Composite employee pay rates per hour for care staff
- £ per bed per week allocations – domestic, cleaning, laundry, and catering staff.

The proposal is:

- £0.92 increase on the composite pay rate used in the 2022/23 model, increasing the rate used from £10.17 per hour, to £11.09 per hour, an increase of 9.046%.
- Total direct staff on-costs of 24.23%
- Agency and training backfill values will be adjusted in line with pay changes proposed.
- The care cost composite hourly rate after on-costs are applied will be increased from £13.08 per hour to £14.16 per hour, which is an increase of £1.08 or 8.26% as per table in 5.10

#### **5. Accommodation Cost**

5.1. It is proposed to apply the NLW increase as described above in paragraph 4.4 to the cost heading for '£ per bed per week allocations - domestic, cleaning, laundry, and catering staff' from £80.34 to £87.61, an increase in monetary terms of £7.27 per bed week.

5.2. The Council propose to apply the annual percentage change in the Health & Social Care industry of the Average Weekly Earnings Index (not seasonally adjusted) as at September of the year prior to the financial year for which rates are being set, to the following cost component(s) of the Model:

- £ per bed per week allocations - management, admin and reception staff

For September 2022 the annual change in this index was at 12.02% therefore the Council proposes to increase the cost figure for the above heading by £8.76 from £72.87 to £81.63 per bed week.

5.3. **Repairs, replacements and maintenance.** As per 3.2 above. For September 2022 the annual change in this index was at 8.2% therefore the Council proposes to increase the cost figure for the above heading by £2.80 from £34.14 to £36.94 per bed week.

5.4. **Food.** As per 3.3 above. For September 2022 the annual change in this index was at 14.90% therefore the Council proposes to increase the cost figure for the above heading by £4.71 from £31.58 to £36.29 per bed week.

5.5. **Utilities (gas, oil, electric, water, phones).** As per 3.4 above. The Council proposes to increase the cost figure by an aggregate of 42.68%, which is £14.56 from £34.11 to £48.67 per bed week.

5.6. **Other non-staff costs.** As per 3.5 above. For September 2022 the annual change in this index was at 10.1% therefore the Council proposes to increase the cost figure for the above heading by £3.60 from £35.68 to £39.28 per bed week.

5.7. **Insurance.** As per 3.6 above. For September 2022 the annual change in this index was at 15.9% therefore the Council proposes to increase the cost figure for the above heading by £1.65 from £10.35 to £12.00 per bed week.

Adding this to 5.6 above, 'Other non-staff staff expenses' gives a total per bed week cost figure of £51.28.

5.8. **Return on Capital.** Residential £53.32 and Nursing £71.73

5.9. **Total Accommodation cost.** For residential care the proposals equate to an increase of £44.00 from £352 to £396 which is a 12.30% increase. For nursing care the proposals equate to an increase of £43.00 from £371 to £414 which is a 11.69% increase. Please see table 5.10 for further detail on how this figure has been derived.

5.10. The fee change proposal is as below:

**Personalised Fee:**

Cost Headings	Brief Explanation			22/23	23/24 proposed	
FNC				Per Resident Per Week		
Funded Nursing Care 2022/23 (subject to notification of any change for 2023/24)	Nationally mandated figure			£209.19	-	£209.19
Staffing				Hourly Rate		
Care Staff cost per hour	Basic composite rate has increased by NLW (£9.50 to £10.42), an increase of £0.92. 22/23 composite rate is £10.17 plus £0.92 is a proposed new rate of £11.09 per hour. The increase from £10.17 to £11.09 is £0.92 or 9.0462%. After on-costs the hourly rate will increase from £13.08 to £14.16. On-costs are 24.23% which consists of: - NI 7.20%, Pension 3%, Working time directive minimum holiday pay 12%, Sick Pay 2%.	Basic composite rate	9.0462%	£10.17	£0.92	£11.09
		on-costs	24.23%	£2.54	24.23%	£2.69
		Agency	1.50%	£0.19	1.50%	£0.21
		Training	1.30%	£0.17	1.30%	£0.18
		Total per hour		£13.08		£14.16
<u>Accommodation</u>			% applied	Per Resident Per Week		
Catering, Cleaning & laundry staff	£ per bed per week allocation - domestic, cleaning, laundry and catering staff. Inflated by the same method as above for care staff.		9.0462%	£80.34	£7.27	£87.61
Management, administration, head office costs	£ per bed per week allocation - management, admin, reception staff. Inflated by the % change in the Health and Social Care industry component of the Average Weekly Earnings Index (not seasonally adjusted) as at September 2022.		12.02%	£72.87	£8.76	£81.63
Repairs, replacements & maintenance	£ per bed per week allocation - Repairs, replacements and maintenance. Inflated by CPI as at September 2022.		8.20%	£34.14	£2.80	£36.94
Food	Inflated by CPI as at September 2022		14.90%	£31.58	£4.71	£36.29

Utilities (gas, oil, electric, water, phones)	CPI as at September 2022 has been applied across the components weighted as; Water 37%, Electric/Gas/other fuels 59%, Telephone 4%. CPI for each component is; Water 3.8%, Electric/Gas/other fuel 69.8% and telephone 2.2%. The aggregate is 42.68%		42.68%	£34.11	£14.56	£48.67
Other non-staff costs: <i>(includes; Handy person &amp; gardening (on contract), Medical supplies (including medical equipment &amp; rental), Other equipment lease/rental, Domestic and cleaning supplies, Registration fees (including DBS checks), Recruitment, Direct training expenses (fees, facilities, travel &amp; materials) net of grants and subsidies, continence products, other non-staff current expenses).</i>	Other non-staff expenses is inflated by overall inflation as at September 2022.		10.1%	£35.68	£3.60	£39.28
Insurance	Insurance has been inflated by CPI as at September 2022.		15.90%	10.35	£1.65	£12.00
<b>Total Accommodation</b>				<b>£299.07</b>		<b>£342.41</b>
<b>Return on Capital</b>	Based on a bed value of £50,000 and weighted average cost of capital (WACC)	Residential		£53.32		£53.32
		Nursing		£71.73		£71.73
				22/23		23/24
<b>Total Accommodation Cost</b>	Total accommodation cost per week is the total proposed accommodation of £342.41 per week plus the appropriate ROC for Res & Nurs. This figure is a rounded weekly rate.	<b>Residential</b>		<b>£352</b>		<b>£396</b>
		<b>Nursing</b>		<b>£371</b>		<b>£414</b>

## 6. Banded Fee Inflation

The inflation approach described in sections 2 and 3 above proposes overall inflation increases to bands as below:

	Standard	Enhanced	Standard + nursing	Enhanced + nursing
	£ per resident per week	£ per resident per week	£ per resident per week	£ per resident per week
<b>2022/23 rates (excl. FNC)</b>	£591.00	£635.00	£625.40	£663.40
<b>Change %age</b>	10.66%	11.02%	9.98%	9.86%
<b>Change +/-</b>	£63.00	£70.00	£62.41	£65.41
<b>Proposed 2023/24 Excluding Funded Nursing Care</b>	£654.00	£705.00	£687.81	£728.81
<b>Funded Nursing Care (subject to any change for 23/24)</b>	n/a	n/a	£209.19	£209.19
<b>Proposed banded rates for 2023/24 Incl FNC</b>	<b>£654.00</b>	<b>£705.00</b>	<b>£897.00</b>	<b>£938.00</b>

## 7. Non-Banded Fee Inflation

In the case of non-banded fees, the Council proposes to apply an uplift rate of 10.38% as per the weighted average of the banded fees in section 6.

## 8. Market premia and third party 'top up' payments

The proposed increase applies to the DCC banded rate and personalised fee only and does not apply to any individually negotiated Market Premium or third party 'top up' contained within any contracted price paid. Such payments are a response either to localised market conditions or are additional to eligible care needs respectively.

## 9. Targeted support payments

These payments are of an individual nature and therefore DCC does not propose to apply a general inflation uplift in respect of these elements.

## 10. Care Homes outside of the Devon County Council area

These increases do not apply to out of area provision.

It is envisaged that the uplift that has been proposed, subject to consultation and if granted having been given due consideration, will be applied from 3<sup>rd</sup> April 2023 and payments backdated accordingly should this be required.