

Adult Care Services
Director: Iain MacBeath



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Date: 14th February 2019

Dear David

Further to our meeting on 4 January 2019, I write with additional information on our proposals for the inflationary uplift in 2018/19.

The starting point for our proposal in relation to employee related costs is to model the impact of the uplifts in National Living Wage throughout the pay scale, which for the 2019/20 year is scheduled to rise by 38 pence. We work on the basis that 60% of costs in nursing and residential homes are employee-related. We then break these costs down into hourly rates and apply 38 pence on these. All employee related costs are picked up in this process and therefore I can confirm that our approach allows for the impact of the 38 pence on employment on-costs. My colleagues from Finance are happy to meet to explain their calculations in detail.

We then take the 40% of other costs and again for these calculated an equivalent hourly rate and applied a percentage uplift of 1.8% to this, based on the June 2018 Consumer Price Index.

Combining the two results then gives us our proposed weekly fee rates. We then step back and look at overall affordability and we take into account our strategy in the market and compare with the Fair Cost of Care (FCOC) model to help us consider this.

The FCOC model is a view of the reasonable weekly costs of running an older people's residential home. The model was developed by the councils in the Eastern region but the assumptions that are set out are based on our local view in Hertfordshire.

Having updated the model our view is that the current Fair Cost of Care per person per week works out as below:

	Residential (high dependency) 1:6.5 ratio	Residential (dementia) 1:5 ratio
	£	£
Care staff	190.86	220.22
Nursing staff	0.00	0.00
Management / admin / reception	34.32	34.32
Training	5.12	5.12
Registration / recruitment	4.28	4.28
Corporate overheads	23.46	26.39
Food	26.00	26.00
Utilities	11.00	11.00
Catering / cleaning	51.38	51.38
Handyman / gardening	6.12	6.12
Insurance	5.11	5.11
Non NHS medical supplies & rentals	3.84	3.84
Repairs and maintenance	16.20	16.20
Rent / mortgage	119.34	119.34
Corporate overhead element	11.95	11.95
Profit/ surplus	30.54	32.48
Total weekly cost	539.51	573.74
HCC rate	508.65	589.19

We know therefore that for low dependency needs in older people's residential care, our rate is below what the model suggests are the reasonable running costs for a 60 bed unit with 56 bed occupancy. However, we know that at the higher dependency rate, our fee is above what we calculate the reasonable running costs to be. Our proposed fee uplift of 1.5% on the HCC rates in the table above, is intended to reflect our strategy of moving away from spend on lower dependency residential (and mindful that homes have access to potentially higher fees from the self-funder market), but maintain fee levels above the FCOC level at higher dependency rates where we have greater requirements to purchase care in the market.

For older people's nursing care, there are more significant supply issues for HCC funded residents and the fees HCC pays are closer to the costs we estimate. We are therefore proposing to award the full impact of our NLW and CPI uplift calculations, equating to a blended rate of 3.38% (which represents 4.26-4.85% on staffing, depending on grades; and 1.8% CPI). We will also take a similar strategy on homecare across the client groups.

I trust this provides you with the additional information we discussed at our meeting. Since we met, Wesley has forwarded further information on dependency models which we will look at when developing and implementing the new Care Categories approach that we discussed.

I will write to confirm the final awards following the County Council's 19 February meeting to set the budget for 2019/20.

Yours sincerely,



Iain MacBeath
Director of Adult Care Services