

**Manchester City Council  
Report for Resolution**

**Report to:** Executive - 29 June 2016  
**Subject:** National Living Wage Increase and Adult Social Care provision  
**Report of:** Strategic Director, Adult Social Care

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**Summary**

This paper explains the impact of the current funding agreements and the impact of National Minimum Wage on Adult Social Care Provision.

**Recommendations**

1. Note the contents of the report.
  2. Delegate authority to the City Treasurer in consultation with the Executive Member for Finance, Executive Member for Adults Health and Wellbeing and the Strategic Director, Adult Social Care to finalise and agree the remaining contract values for 2016/17 following the consultation and review process outlined in the report.
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**Wards Affected: All**

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**Background documents (available for public inspection):**

GM Strategic Plan – Taking Charge of our Health and Social Care  
Manchester Locality Plan

## 1. Strategic Context

- 1.1 The Directorate for Children and Families is responsible for social care services for children and families, public health, and for education, skills and youth services. The Directorate has statutory responsibilities for safeguarding children and adults.
- 1.2 The Manchester Locality Plan – A Healthier Manchester - details the strategic approach to improving the health outcomes of residents of the City, while also moving towards financial and clinical sustainability of health and care services. It builds upon the Manchester Strategy which sets a long term 10 year vision for Manchester's future and how it will be achieved. The Manchester Strategy is underpinned by the Joint Health and Well Being Strategy, the city's overarching plan for reducing health inequalities and improving health outcomes for Manchester residents.
- 1.2 Adult Social Care services form fundamental element of Manchester's Locality Plan as we seek to coherently integrate health and social care services via **One Team** connected to **One Hospital system** and underpinned by **One Commissioning voice**, breaking down organisational silos and service boundaries and achieving radically improved outcomes from Manchester citizens.
- 1.3 Manchester's commissioning intentions for social care services will see the development of innovative and reconfigured models of care which are both firmly set, and established within the context and operating model of Manchester's Local Care Organisation, providing end to end care and support focused in the community or as close to home as possible as part of the overall supply chain.
- 1.4 Home Care services are a vital part of the overall health and social care economy, they play a critical part in preventing admissions to hospital and delaying admission to residential care while supporting and maintaining citizens to remain in the community. The timing for the new Homecare Model linked to emerging Local Care Organisation is May 2017.
- 1.5 This report focuses on the impact of the introduction of the Nation Living Wage in relation to a range of Adult Social Care Services including Home Care, Residential and Nursing Care provision, Extra Care, Learning Disability services and Mental Health Supported Accommodation.

## 2. The National Living Wage

- 2.1 The introduction of the National Living Wage from April 2016 has had significant impact upon the care sector in Manchester. The care sector has been particularly hard hit as it is a sector where a high proportion of costs are for staffing. The National Living Wage (NLW) provides adults over the age of 25 with an hourly rate of £7.20.

2.2 In setting of fees councils are required to pay due regard to the cost of delivering care and set its rates accordingly. Whilst providing additional resources is extremely difficult for any local authority at the moment, Manchester Council is committed to supporting providers of social care to address cost increases such as the NLW and pension reforms, and recognises the need for a sustainable local social care sector.

2.3 Officers from the City Council undertook financial modelling of the impact of adult social care providers meeting NLW and other pressures including the court ruling on sleep in payments and pension auto enrolment. Modelling has been undertaken on a sector by sector basis across the social care budget. For the modelling the table below shows the percentage of the workforce that was paid the National Minimum Wage of £6.70 pre 1<sup>st</sup> April 2016:

<b>Learning Disability</b>	<b>80%</b>
<b>Mental Health</b>	<b>80%</b>
<b>Home Care</b>	<b>69%</b>
<b>Extra Care</b>	<b>75%</b>
<b>Care Homes</b>	<b>62%</b>
<b>Care Homes with Nursing</b>	<b>68%</b>
<b>Supporting People</b>	<b>72%</b>
<b>Direct Payments</b>	<b>84%</b>
<b>Day Care</b>	<b>75%</b>
<b>Supported Living</b>	<b>75%</b>
<b>Supported Accommodation</b>	<b>80%</b>
<b>Complex Other</b>	<b>80%</b>
<b>Independent Living</b>	<b>75%</b>

2.4 It was reported to the Executive Committee in February 2016 that the forecast impact of the NLW based on this modelling for 2016/17 was £6.2m and this was incorporated into the corporate budget. The report considered the figure of £6.2m to be a prudent estimate and that this would address the other emerging issues including the impact of the court ruling on “sleep ins” which requires staff on site available to provide care over night to be paid the hourly rate instead of a fixed payment for the night.

2.5 In order to ensure compliance with the NLW from 1<sup>st</sup> April 2016 the following interim arrangements have been agreed following the report to Executive whilst further work and consultation with providers was completed:

<b>Learning Disability</b>	5% increase
<b>Mental Health</b>	5% increase
<b>Home Care</b>	3% increase
<b>Extra Care</b>	3% increase
<b>Care Homes</b>	3% increase
<b>Care Homes with Nursing</b>	3% increase

- 2.5 The modelling work was undertaken having regard to work undertaken by North West Association of Directors of Adult Social Services (ADASS) and submissions from national and local providers. To inform the modelling work detailed benchmarking work has been undertaken to understand the Greater Manchester position.

### **3. Process to take forward the proposals**

- 3.1 Further to the interim arrangements described above, it was agreed that there would be a further consultation process with registered care home providers and individual providers. This is planned to conclude by end of July.

- 3.2 Due to differing fee rates, it is necessary to look at the impact of the NLW on a provider by provider basis. Providers that have approached the council to date have made available finance reports and plans for scrutiny by Council finance and commissioning officers and negotiations will take place to gain an understanding of the financial position and impact of NLW and other emerging pressures. Officers will ensure that 'value for money' principles are included and there will be a robust assessment and analysis of fees.

- 3.3 Each provider will be assessed on an individual basis and the following process will be undertaken:

Stage 1 – Where a provider states the proposed contract is not sufficient to meet the requirements of the National Living Wage they will be asked to submit a business case which includes the following information where appropriate.

- Staff roles
- Pay rates
- Hours worked
- Breakdown of the request
- Management accounts
- Volume of business from other Local Authorities

Stage 2 – Individual meetings will take place with providers to validate the information and ensure value for money principles, challenge and negotiation. It will also include the use of the benchmarking information obtained prior to the meetings from other North West Local Authorities. This will include representatives from commissioning, procurement and finance.

- 3.4 Officers will be clear with providers that any agreed increase will go directly to staff in order to meet NLW and the contracts will continue to be closely monitored to ensure that this is implemented. This will involve confirmation that the hourly rate paid to staff at 31<sup>st</sup> March 2016 has been increased to reflect the increase agreed.

- 3.5 The next stage is the formal consultation with registered care home providers where proposals are being finalised and consultation is due to conclude by the end of July. Furthermore, there a number of individual providers providing

services to people with a learning disability or mental ill health where an analysis of each individual case will take some time.

- 3.6 Detailed work will continue and conclude the analysis and negotiations using the process above in order to confirm contracts for 2016/17. A panel will verify the outcome of the remaining negotiations to determine the level (if any) of the increased contract values for 2016/17.

#### **4. New Models of Care**

- 4.1 The Directorate is focussed on helping people to make changes in their lives which will see them become more independent and the development of new models of care will be designed to commence in 2017.

- 4.2 From April 2017 in line with the Locality Plan there will be new models of care which will be integrated into the emerging Local Care organisation. Officers are working across Greater Manchester to ensure that Adult Social Care is consistent across the conurbation. The commissioned services outlined above will become part of a more integrated system for example we are currently developing a new model for the provision of homecare, which will incorporate some health related tasks alongside personal care and be integrated within the One Team. This will be aligned with a greater focus on the development of the workforce to undertake strength based conversations and to understand the place and communities in which people live.

#### **5. Recommendations**

- 5.1 Note the contents of the report
- 5.2 Delegate authority to the City Treasurer in consultation with the Executive Member for Finance, Executive Member for Adults Health and Wellbeing and the Strategic Director, Adult Social Care to finalise and agree the remaining contract values for 2016/17 following the consultation and review process outlined in the report.