

Manchester City Council Report for Resolution

Report to:	Executive – 16 March 2022
Subject:	Funding care providers to enable the Real Living Wage for the care workforce
Report of:	Executive Director Adult Social Services and Deputy Chief Executive and City Treasurer

Summary

This paper sets out proposals to ensure that all care providers providing care and support to Manchester residents are in receipt of funding enabling them to pay their workforce the Real Living Wage (RLW).

Manchester City Council has been committed to the Real Living Wage for several years. These proposals will ensure that all care providers are now able to pay their workforce the Real Living Wage through providing a fee uplift across all care provision.

It is anticipated that this will cost an additional £3.5m in excess of the £5.7m set aside in the budget for the increase to the National Living Wage (NLW) in 2022/23. In addition, it is proposed to also provide uplifts to providers to support wider inflationary pressures on their costs, and the employer's national insurance increase of 1.25%. In total, it is estimated that this will equate to an additional investment into the care sector of £12.1m for 2022/23.

The investment in excess of the £5.7m set aside will be met through utilising the Market Sustainability and Fair Cost of Care Funding, the £1m recurrent underspend from the 2021/22 NLW uplift, carry forward of the one off £1m underspend 2021/22 NLW uplift and a draw down from the corporate inflation provision notionally allocated to ASC. Funding for 2023/24 and future years will need to be agreed as part of future years' budget setting process.

Recommendations

The Executive is recommended to:

- (1) Approve the investment of a total of £12.1m for the 2022/23 financial year to the care sector made up of:
 - £5.7m set aside in the budget for NLW increase
 - £3.5m to enable an increase beyond NLW to RLW
 - £1m to support providers with the costs of the national insurance increase
 - £1.9m to support wider non pay inflationary increases in costs

- (2) Approve the funding of this from
- £5.731m of existing budget earmarked to fund the NLW uplift
 - £1m of 2021/22 unallocated NLW uplift budget
 - £2.8m of corporate inflation budget allocated to ASC
 - £1.62m of Market Sustainability and Fair Cost of Care grant funding
 - £1m of 2021/22 unspent NLW uplift carried forward into 2022/23
- (3) Approve the carry forward of the 2021/22 NLW uplift £1m underspend in Adult Social Care to support the above.
- (4) Delegate to the Executive Director Adult Social Services and the Deputy Chief Executive and City Treasurer, in consultation with the Deputy Leader with responsibility for Health and Care, approval of the fee uplift in accordance with the above, as well as the associated process to be implemented in April 2022

Wards Affected - All

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
This decisions proposed do not contribute negatively or positively to achieving the zero-carbon target for the city

Our Manchester Strategy outcomes	Contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Ensuring that care providers are paying the Real Living Wage will ensure that care roles are more attractive, ensuring a more sustainable care workforce in the city
A highly skilled city: world class and home grown talent sustaining the city's economic success	The proposals will support plans to further strengthen our care workforce in the city, including ensuring we are encouraging home grown talent into caring roles
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Our care workforce in Manchester live in and are part of Manchester's communities. By paying the Real Living Wage we will be ensuring that we are recognising the contribution that the care workforce makes.
A liveable and low carbon city: a destination of choice to live, visit, work	The proposals will support plans to further strengthen our care workforce in the city, including ensuring that a career in care in Manchester is attractive.

<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>Adult social care is a key piece of our neighbourhood infrastructure, supporting the city's most vulnerable. Ensuring that care providers can pay the Real Living Wage is a key enabler to further strengthening Adult Social Care in the city as part of our Better Outcomes, Better Lives programme.</p>
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Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The financial consequences of the proposals set out in the report will cost a total of £12.1m. They include an investment of £3.5m in excess of the £5.7m set aside in the 2022/23 budget for the National Living Wage to support the investment to uplift to the Real Living Wage. In addition, it is proposed to set aside investment of £1m to support providers with the employers national insurance increase and a further £1.9m to support wider non pay related inflationary increases in costs.

These investments will be funded through the utilisation of £1.6m of the Market Sustainability and Fair Cost of Care Fund, the allocation of £2.8m of the Adult Social Care proportion of the corporate inflation budget, retaining the recurrent £1m unspent budget allocated to funding the 2021/22 NLW uplift, and from the request of a carry forward this £1m underspend to use as a one off to support these measures in 2022/23.

Options will be developed as part of the 2023/24 budget process to identify permanent recurrent funding for the carried forward funding used in 2022/23.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1. Introduction

- 1.1. This paper provides the background and context to Manchester City Council's commitment to paying care workers who care for and support Manchester people the Real Living Wage (RLW) from April 2022.
- 1.2. The budget paper for 22/23 gave a commitment to bring forward the RLW as soon as possible and by 1 April 2023 at the latest.
- 1.3. Further work to refine our budget assumptions and with the care market throughout February has confirmed that we are able to implement from April 2022 as set out in this paper.
- 1.4. Manchester City Council is making this commitment in recognition of:
 - The critical role that care and support workers play in meeting the needs of our city's most vulnerable residents, and in particular the criticality of this role during the city's response to the covid-19 pandemic
 - The need to ensure we attract individuals into the care workforce in Manchester, particularly critical as national labour market changes have impacted on recruitment and retention in Manchester into caring roles
 - Manchester's care workforce are often Manchester residents. The Our Manchester Strategy describes our commitment to being a 'progressive and equitable' city – paying the RLW for this workforce will have wider health wellbeing and economic impacts for the city's residents

2. Background

- 2.1. Manchester City Council has for several years been working towards paying the Real Living Wage.
- 2.2. MCC are a RLW employer and have signed the Unison Adult Social Care charter. MCC are a significant provider of care with a £28.6m budget for directly provided care. In 2019 MCC made a further commitment to the RLW, when paying the RLW was included within the new contractual arrangements for homecare services.
- 2.3. The care market is complex in Manchester and across Greater Manchester and nationally. In Manchester we commission a range of services including care at home, care in Residential and Nursing Homes for older people, supported accommodation services for adults with learning disabilities and mental health challenges, as well as day services for all age groups and cohorts.
- 2.4. MCC commissions services, alongside health (CCG) and residents who fund their own care. In recent years, particularly due to the impact of covid-19, the care market locally, regionally and nationally has been under exceptional pressure. Recruitment and retention has been a significant challenge over the last 12 months due to the impact of wider national labour market changes and mandatory vaccination in care homes introduced in November 2021 (noting

that this legislation will be revoked on 15th March 2022).

- 2.5. Our commissioned care services are critical to the delivery of our statutory duties to provide support to meet the needs of our most vulnerable residents. Supporting and developing the market to be sustainable with the right mix of provision, provided in fit for purpose environments with a skilled and trained workforce is essential to the delivery of our Better Outcomes, Better Lives programme.
- 2.6. These challenges are recognised nationally. The 2022/23 Market Sustainability and Fair Cost of Care Fund, £162m nationally, is designed to ensure local authorities can prepare their care market for reform and move towards paying providers a fair cost of care, as appropriate to local circumstances. The Government expects local authorities will carry out activities including:
 - conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it;
 - engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market;
 - strengthen capacity to plan for, and execute, greater market oversight and improved market management to ensure markets are well positioned to deliver on our reform ambitions; and
 - use this additional funding to genuinely increase fee rates, as appropriate to local circumstances.

The Council's share of the £162m is £1.8m for 2022/23.

- 2.7. A further £600m is available for distribution in 2023/24 and another £600m in 2024/25. This is conditional upon the conclusion of the cost of care exercise, publication of a provisional 3-year market sustainability plan on how councils intend to move to a sustainable rate fee and a grant spending report. The distribution of the funding will be decided upon the completion of this work with the funding targeted to those areas with the biggest funding differentials. It is unclear at this stage whether the level of funding through this exercise will be sufficient.
- 2.8. The budget setting process for 2022/23 recognised the aspiration to move to the RLW and proposed doing so as soon as possible on the completion of the cost of care exercise, and that it would form part of the 2023/24 budget process with a view to its full introduction by 1 April 2023 at the latest. Full feasibility work had not been completed in time for the publication of the Council's budget. However, it was noted by the Executive and Council that this work was being completed with a view to accelerating the implementation to 1st April with a report being presented to the March Executive.
- 2.9. Initial feasibility work has now been completed internally and with the market, as well as benchmarking with other GM local authorities, and as a result this report recommends to the Executive that the RLW is introduced across all

adult social care providers from 1 April 2022.

3. Detail of the proposals

- 3.1. Each year as part of the city council budget process an exercise is undertaken to look at the impact of any National Living Wage (NLW) increase announced by central government. The announcements are usually made in October and feed into the budget calculations presented to scrutiny and then full council in February/March. For 2022/23 £5.7m was set aside on the basis of the NLW increase from £8.91 an hour to £9.50 per hour (6.62%).
- 3.2. Over the last month, a review exercise has been undertaken in recognition of the immediacy of the challenges to the care market and the benefits to move to the RLW as soon as possible, and specifically from 1 April 2022. It has also become apparent that wider costs of delivering care will be increasing from April 2022 including energy costs and the employers national insurance contributions rise, for example.
- 3.3. This review exercise has involved updating our fee model adapted following engagement with some of our care providers and discussions with other GM authorities. This updated model estimates the costs to providers of paying the RLW, the employers NI increase and for an inflationary uplift to cover their non-staff costs.
- 3.4. The model makes a calculation based on assumptions of the staffing structures in each part of the care sector, as to what percentage of staff are paid at the NLW, those at the RLW and those above the RLW. The model allows the Council to make an estimate of what the likely impact on fees will be of the move to support providers to pay the RLW, and provide a budget envelope sufficient to support its delivery. This budget estimate will then be allocated after commissioners have worked with providers to agree the necessary uplifts required.
- 3.5. Based on our forecast year end spend position, an increase from the present NLW rate of £8.91 an hour to the RLW of £9.90 would cost £9.209m. Funding of £5.731m, to cover the original proposed increase from £8.91 to £9.50, to match the NLW, is already included in the 2022/23 budget for Adult Social Care, as is £1.8m of new funding from central government in commencement of the fair cost of care exercise.
- 3.6. Negotiations with some providers regarding uplifts for 2021/22 are not finalised, as it has been complicated by pressures in the market and temporary fee increases being paid to providers though the DHSC via a one off Workforce Recruitment and Retention Fund.
- 3.7. The latest financial report at period 10 shows that £1.720m of funding for uplifts in 2021/22 is yet to be allocated to providers and it is highly unlikely that it will all be utilised. It is estimated that c.£750k will be required in year and the budget will therefore underspend by £1m. This underspend is in the base budget and will also be available in 2022/23 to support the funding of the

RLW. In addition, approval is sought to carry forward the unspent £1m into 2022/23 as a one off measure to support the proposals set out in this paper. This will become a budget pressure in 2023/24 and options will need to be considered as part of the 2023/24 budget process to address this shortfall, alongside any further uplifts in the RLW.

- 3.8. Conversations with providers across the care sector during this review period have allowed them to highlight a number of additional non pay pressures they are facing including employer's national insurance increases, utility costs, food and insurance increases.
- 3.9. In light of this, an estimate of the potential non pay inflationary costs have been made, assuming a 5% inflation rate based on the average CPI increase since October 2021. In addition, a calculation of the increased NI costs of 1.25% has been estimated. The Council set aside an inflation budget of £10m as part of the 2022/23 budget process, of this an indicative £3.520m has been allocated to ASC and it is proposed to utilise a significant proportion (£2.8m) of that to cover what is recognised as specific increased pressures in ASC which are occurring alongside the removal of 2021/22 DHSC one-off funding.
- 3.10. The 'fair cost of care exercise' referenced above will look at all provider costs in more granular detail and will provide an enhanced level of understanding of the sustainability requirements of the sector. This will allow us to appropriately budget for 2023/24 and beyond with the expectation that additional costs will be met by the release of the £600m available nationally in 2023/24 and 2024/25. It is expected that as a result of this exercise fees will be re-set with providers from 2023/24, providing a new baseline for future fee uplifts. The 2022/23 arrangements will therefore be a 'bridging' position to this new approach.
- 3.11. In addition, from October 2023, the government will introduce a new £86,000 cap on the amount anyone in England will need to spend on their personal care over their lifetime. The role of the Local Authority will also be impacted as citizens will be able to source care through the local authority with the aim of reducing the cross-subsidisation of care between self-funders and local authority commissioning. It is not yet known what the financial impact of the change will be and the implications on the wider care market in Manchester, adding to the uncertainty of the wider position for 2023/24 and beyond.
- 3.12. The high-level costs and proposed funding to deliver the above changes for 2022/23 is shown in the table below.

	Costs per annum £000
<i>Indicative costs</i>	
Cost of moving to £9.90 Real Living Wage	9,209
NI additional 1.25%	1,027
5% non pay inflation allowance	1,902
Total cost increase	12,138
<i>Funding available</i>	
National Living Wage funding set aside	5,731
Market Sustainability and Fair Cost of Care funding*	1,620
Recurrent 2021/22 underspend	1,000
Share of corporate inflation budget	2,787
Total funding available	11,138
Shortfall to be funded from one off 2021/22 carry forward request	1,000

(*10% retained to deliver the cost of care exercise)

- 3.13. The shortfall in funding will be met from carrying forward the 2021/22 NLW uplift budget underspend, but this will become a budget pressure in 2023/24 and options will need to be considered as part of the 2023/24 budget process to address this shortfall, alongside any further uplifts in the RLW.
- 3.14. In total, the uplift set aside for providers will average 7-8% across care types, dependent on current status in relation to the RLW, the proportion of staff in that part of sector estimated to be currently paid at NLW and the proportion of non pay costs applicable to that part of the sector.
- 3.15. It is recommended that required decisions to finalise the fee structures to include the measures outlined in this report are taken by the Executive Director of Adult Social Services and the Deputy Chief Executive and City Treasurer in consultation with the Deputy Leader to enable the model to be finalised ahead of 1 April 2022.

4. Implementation and commissioning approach

- 4.1. The implementation of the increase will take place as soon as possible from 1st April 2022 and will be backdated to 1 April 2022.
- 4.2. Care providers will be offered the standard increase (inclusive of NLW, inflation and NI costs) as well as the elevated increase in relation to the RLW on the proviso that their workforce are paid the increase to take them to the RLW. This is already a contractual requirement for homecare.
- 4.3. The % increase will be offered on a care type basis and in some cases will be negotiated with individual providers where appropriate.

- 4.4. Care providers will be monitored to ensure that the increase to the RLW is delivered with the cost of care exercise providing an immediate opportunity to provide assurance that it has been delivered across all care providers.
- 4.5. The fair cost of care exercise will provide us with a more granular understanding of workforce and other costs going forward which will form the basis for a further review of fees for 2023/24 and beyond as part of our wider budget setting process, including ensuring that we continue to pay the RLW in future years.
- 4.6. In addition, during 2022/23 we will be strengthening our contractual arrangements across care homes and supported accommodation in particular with the creation of framework agreements where appropriate, aligning with the fair cost of care exercise and ensuring contractual terms are updated to reflect current priorities.
- 4.7. MCC's approach has been discussed with Manchester CCG (MHCC) colleagues given the role of the CCG as a commissioner of the care market in Manchester. MHCC recognise and share the aspirational move to the real living wage for Manchester and supports the move to provide additional resilience to the Manchester care market. Currently MHCC is undertaking its budget setting process with Greater Manchester CCG and NHS partners as part of the move to the Integrated Care Board. The move to the RLW would represent a pressure on CCG budgets; which have other competing demands for NHS investment and therefore the decision must be made as part of this collaborative budget setting approach.

5. Conclusion

- 5.1. The proposals set out in this paper will ensure that all adult social care providers are able to pay their care workforce the RLW, a significant step forward in our commitment to being a RLW city. In addition, the proposals will support care providers with other increases in costs including utility and national insurance increases, ahead of further understanding the fair cost of care through the exercise planned for April-September 2022.
- 5.2. The uplift will further strengthen our care market in Manchester and whilst there are financial risks with the proposals these have been modelled and will be managed within available budgets.
- 5.3. The Executive are recommended to approve uplifting fees to enable care providers to pay the RLW from 1 April 2022, with the finalisation of the detail of the proposals to be delegated to the Executive Director Adult Social Services and Deputy Chief Executive and City Treasurer in consultation with the Deputy Leader.

6. Key Policies and Considerations

(a) Equal Opportunities

- 6.1. The proposals outlined in this report will ensure that care providers are able to pay their workforce the RLW, ensuring a £0.40 per hour increase in pay in excess of the increase to the NLW. We know that a large proportion of our care workforce in Manchester are female and that the workforce is well represented by people from a black, Asian and minority ethnic background. The proposals will benefit all care workers and therefore will support our aspirations to be a fairer and more equal city.

(b) Risk Management

- 6.2. As described above, there are financial risks associated with the proposals. These risks are low for the financial year 22/23 but there are increased financial risks looking forward to 23/24 and 24/25 given the uncertainty surrounding the allocation of additional government for the cost of care.

(c) Legal Considerations

- 6.3. As a result of the way in which our contracting approach is currently structured for care services there are some implementation challenges associated with the proposals. In particular, at this point the RLW is only a contractual requirement for homecare providers (including extra care) and has not yet been built into our contracts for supported accommodation, care homes and other services. As described above, the approach proposed will release the RLW additional fee uplift (in excess of the NLW increase) to individual care providers on the proviso that they pay their workforce at or above the RLW. Individual providers will be asked to confirm acceptance of the proviso in writing. This will need to be built into contracts in due course between the Council and the individual care providers.