

Decision Maker: Executive

Date: 6th June 2017

Decision Type: Non-Urgent Executive Key

Title: **IMPACT OF CHANGES IN NATIONAL LIVING WAGE**

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Ward: Boroughwide

1. Reason for report

The National Living Wage (NLW) increased by 30p per hour to £7.50 on 1st April 2017. The impact of the National Living Wage (NLW) will be felt across the EHCS Service, in particular areas of adult social care.

2. **RECOMMENDATION**

The Executive is asked to release £852k in 2017/18 (£748k in the full year) from the Councils 2017/18 Central Contingency sum.

Impact on Vulnerable Adults and Children

1. Summary of Impact:
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Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Supporting Independence:
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Financial

1. Cost of proposal: £852k in 2017/18:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Various ASC codes
 4. Total current budget for this head: £27m
 5. Source of funding: Core, income, grant
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Personnel

1. Number of staff (current and additional):
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Statutory Requirement Non-Statutory - Government Guidance None:
Further Details
 2. Call-in: Applicable Not Applicable: Further Details
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Procurement

1. Summary of Procurement Implications:
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes No Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 This report covers the impact of the 4.2% increase in National Living Wage that came into effect on 1st April 2017 (from £7.20 per hour to £7.50 per hour). The Government introduced the National Living Wage on April 1st 2016 and at the same time signalled its intention to increase the minimum wage to £9 per hour by 2020.
- 3.2 Officers reported the impact of NLW increases to Executive in October 2016 (CS17050). Executive agreed the recommendations to increase the ceiling rates for domiciliary care in this report and to consult on revised charges for domiciliary care for 2017/18.
- 3.3 Officers negotiated a range of new rates with domiciliary care providers based on the enhanced ceiling rates which maintained a level of competition within the market.
- 3.4 The impact of the 2016/17 increases were included in the 2017/18 budget, however the impact of the further increase from £7.20 per hour to £7.50 per hour was not. Funding for the National living wage is held in contingency.
- 3.5 Staff working for external agencies have been expecting the increase in NLW to be passed on to them since April 2017. Some agencies have been able to pass the increase on, but not all of them.
- 3.6 In addition the agencies have been receiving clear advice from HMRC about inclusion of pay for travelling time in the calculation of the NLW. Practice on this in the past has been inconsistent because guidance was unclear.

Supported Living – Sleep in arrangements

- 3.7 Due to the NLW regulations a 'nightly rate' cannot be paid to a person who does sleep ins. They must be paid by the hour and at least by the National Living Wage. This has resulted in a hike in costs.
- 3.8 Providers came back to the department stating that although they have managed to contain the NLW in the short term for 2016/17, this could not continue into the future. The two main providers Avenues and Barnardo's have indicated that their rates will increase by £35 per night from April 2017. Other increases are similar or higher although the budget assumption will be that £35 rate will apply.
- 3.9 The total cost will be across the piece in Learning Disabilities is:-

34 schemes X (£80 - £45 =£35 impact) £35 X 365 days = £434,350

The current budget for Supported Living is £9.9m. This increase equates to a 4.3% increase.

Domiciliary care/managed service

- 3.10 The NLW rate has risen by a further £0.30 per hour from April 2017 (an increase of 4.2%). There has also been direction from HMRC that providers should be paying for travel time between visits.
- 3.11 The top six providers were asked for payslip and rota information for staff. This was looked at by Finance to see current levels of pay, pay rates and staff rota/activity. It was clear from this analysis that although basic pay was paid above national living wage rates, when taking into account travel time (average 8- 10 minutes between jobs) that national living wage was not being paid.

3.12 An exercise was carried out using this data and data from the United Kingdom Homecare Association (UKHCA) and new domiciliary rates have been derived. The combination of the increase in the Living Wage and the impact of travel time results in proposed rates below:-

| | | <u>2016/17</u> | <u>2017/18</u> | <u>Increase</u> |
|---------------------------|--|----------------|----------------|-----------------|
| Half hour | | £8.30 | 8.84 | 6.5% |
| Three quarters of an hour | | £11.22 | 11.95 | 6.5% |
| One hour | | £14.36 | 15.29 | 6.5% |

3.13 This will give providers enough to pay staff at the national living wage, although this will still be a challenge as some providers are asking for increases that are significantly more.

3.14 Overall this has an in year (2017/18) impact of £604k although this will reduce in 2018/19 to £341k once the charging policy has been amended. The charging rates have already been fixed for the 2017/18 year.

Direct Payments

3.15 These are directly correlated to Domiciliary care and are also linked to the charging policy. The impact on 2018/19 will be £159k on current calculations. This will not impact on 2017/18 as the charging rates have been set for the year so the old charging rates apply.

3.16 ECHS expenditure is currently £17m on domiciliary care and direct payments. This equates to an increase of 4.5% on the gross spend

Potential 2017/18 future issues

Residential/Nursing Homes

3.17 If the current ceiling rates the department have set become unsustainable, and the department are having to continually place above the ceiling rate they may need to increase further if we are going to be able to offer clients choice (which we are legally obliged to do).

Future Charging rates

3.18 Future charging rates will need to be identified and agreed early, in time for the 2018/19 budget setting process. This will ensure that the potential income generation is maximised. It is hoped that NLW for 2018/19 will be announced by government in good time in order for the pressure to be calculated and assumed in the budget and charging processes. By setting the rates at a later date there is a risk that income could be lost as charging cannot be backdated once set.

3.19 Demand for domiciliary care services remains high. Members will be aware of the significant pressure placed by NHS hospitals on the service in order to be able to discharge patients into the community. Delays are caused by the lack of available staff. Members will be aware that this work can be difficult and stressful making recruitment of appropriately motivated and qualified new carers very challenging. In addition providers in Bromley are competing for staff with agencies working in neighbouring boroughs where the London Living Wage of £9.75 per hour is paid therefore it is important that Bromley agencies are able to retain existing carers.

3.20 Ensuring that there is a market able to deliver domiciliary care in order to meet people's assessed needs is a key responsibility for the Council and if the Council's contracted providers are not able to do this then the Council will be forced to enter into spot contracts with unknown

providers typically at higher unit costs than those proposed here. The Council will then incur additional monitoring and administrative costs.

IMPACT ON VULNERABLE ADULTS AND CHILDREN

The recommendations in this report will support the continuity of a consistent domiciliary care service which support vulnerable adults and children living in the community.

4. POLICY IMPLICATIONS

The provision of Domiciliary Care services is key to meeting the Council’s objective of Supporting Independence.

5. FINANCIAL IMPLICATIONS

5.1 The overall drawdown for 2017/18 and 2018/19 is as follows:-

DRAW DOWN OF NATIONAL LIVING WAGE FUNDING

| | <u>2017/18</u> | <u>2017/18</u> | <u>2018/19</u> | <u>2018/19</u> |
|--|----------------|-------------------|----------------|-------------------|
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| DOMICILIARY CARE - ADDITIONAL GROSS COST | 604 | | 604 | |
| LESS INFLATION ALLOCATED WITHIN DEPARTMENTAL BUDGETS | <u>-186</u> | | <u>-186</u> | |
| | | 418 | | 418 |
| DIRECT PAYMENTS - ADDITIONAL COSTS | | | | 159 |
| LESS INCOME GENERATED THROUGH CHARGING | | | | -263 |
| SLEEP IN ARRANGEMENTS | | 434 | | 434 |
| DRAWDOWN | | <u>852</u> | | <u>748</u> |

5.2 Members are requested to release £852k in 2017/18 and £748k in the full year from the Councils Central Contingency sum to meet these additional costs.

6. LEGAL IMPLICATIONS

The legislation governing the requirement to deliver or commission these services is the Care Act 2014.

7. PROCUREMENT IMPLICATIONS

The actions reported in the main body of this report are in line with the procurement strategy for domiciliary care which was agreed by Executive on 20th July 2016.

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|---|---|
| Non-Applicable Sections: | Personnel Implications |
| Background Documents: (Access via Contact Officer) | CS17015 – Formal Consultation on outline Service Proposals and Procurement Strategy – Domiciliary Care Services 28 th June 2016 CS17050 – Update on Procurement Strategy for Domiciliary Care Services. |