

Adult Social Care Scrutiny Commission Report

8th January 2015

National Living Wage in Adult Social Care

Lead Director: Ruth Lake



City Mayor

Useful information

- Ward(s) affected: All
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- Report version number: V1.1

1. Summary

- 1.1 This report summarises the work undertaken to estimate the approximate financial impact on Adult Social Care of stipulating that all providers from which it commissions services pay their staff the Living Wage.
- 1.2 Most providers of social care support, from which Adult Social Care procures services, do not pay the Living Wage, and are not able to do so under the rates currently paid to them. If the Council were to require this of providers then it would be necessary to ensure that a reasonable amount be paid to providers to pass on to their staff.
- 1.3 The estimated annual impact is £9.7m based on the current National Living Wage of £7.85, and is broken down by service type as follows:

Residential & Nursing Care	£4.5m
Domiciliary Care (Home Care)	£1.6m
Supported Living	£1.7m
Day Services	£0.8m
Direct Payments	£0.7m
Other Services	£0.4m
Total for all Services	£9.7m

2. Recommendations

- 2.1 Adult Social Care Scrutiny Commission is recommended to note the content of this report.

3. Supporting information

- 3.1 The ability to estimate the likely cost to the Council is limited by a lack of information about the wages that providers currently pay their staff. This report, therefore, provides an estimate, rather than a precise calculation, of the potential cost impact of the living wage.
- 3.2 In estimating the cost impact it has been assumed that (a) all providers currently pay their staff at, or very near to, the National Minimum Wage, and (b) any senior or more experienced staff who are currently paid more than others will also be paid an increase, in order to maintain the differential with junior care staff. These assumptions mean that the overall impact of £9.7m is likely to be at the upper end of cost estimates.

- 3.3 Residential Care is the single biggest area of spend for ASC. In the recent fee setting exercise for determining the cost of placements the council used the national 'Fair Cost of Care' modelling tool. The assumption in the model was that wages would be based on the National Minimum Wage. Thus while some providers may pay above the national minimum wage it is unlikely that this is common practice.
- 3.4 **Residential Care** – Staffing costs represent 63% of the payment made to independent sector providers. The wage element increasing from the National Minimum Wage (£6.50) to the Living Wage (£7.85) would result in independent sector staffing costs increasing by 21%. This has been applied to the 2013/14 expenditure on independent sector residential care to produce the estimate of £4.5m
- 3.5 **Domiciliary Care** – The hourly rate paid to providers would need to rise by £1.35 to reflect the increase from £6.50 to £7.85. Employer national insurance, holiday pay, pensions contributions, sickness and training cover are also affected by changes to wage rates and would add a further 42p to the hourly rate. Overall, the hourly rate would need to increase by £1.77, equivalent to 14.2%. Applying this to the average weekly commissioned number of hours of 18,000 gives a financial impact of £1.6m.
- 3.6 **Supported Living and Day Services** – For these services, a percentage increase of 14.2% has been forecast, as outlined above for domiciliary care. Applying this to the actual payments made to providers in 2013/14 gives a financial impact of £1.7m for supported living, and £0.8m for day services.
- 3.7 **Direct Payments** – The calculation for direct payments is complicated by the fact that customers who employ their own personal assistant are typically able to pay higher wages (because of minimal overhead/admin costs). A proportion of direct payments are also not staffing-related so would not be affected by a change to the Living Wage. There is very little information about the extent of this, but applying rough estimates to the actual cost of direct payments in 2013/14 gives a financial impact of £0.7m.
- 3.8 **Other Services** – A percentage increase in costs of 14.2% has been applied, as calculated under domiciliary care, to services such as Independent Living Support (formerly Housing Related Support), Mobile Meals and Advice Services. This gives a financial impact of £0.4m
- 3.9 **Other Councils** - Of the councils in England with responsibility for social care only 7 unitary/metropolitan councils hold the LWF licence (no county councils hold it). Of these Oldham only encourage payment of the LW by their suppliers as they do not believe they can mandate it; Brighton requires tenderers to quote for an option within their tenders for payment of LW to staff, which may earn points in the evaluation process, but they do not mandate payment of the living wage. Birmingham's policy on the LW excludes social care. By far the most advanced is Islington, who have held the licence for 3 years. They state they have achieved 98% compliance on contracts falling within scope of the LW criteria, and have achieved this largely through encouragement of providers rather than mandating; however they have also brought some services back in

house and agreed to pay some providers increased amounts to fund providers to do this. Lambeth have taken a similar approach and are one another of the most advanced in this regard, but do not mandate it across all contracts.

4. Details of Scrutiny

None

5. Financial, Legal and other implications

5.1 Financial implications

This report is entirely related to financial matters.

5.2 Legal implications

Introducing the Living Wage as a requirement in contracts commissioned by the Council, raises legal issues in the main, in terms of public procurement law and the Council's legal duty to achieve best value.

Careful consideration must be undertaken of the legal implications on a case by case basis as it would be unlawful to adopt a blanket approach. Client officers have received detailed legal advice.

Beena Adatia – Principal Solicitor (Commercial, Contracts & Capital)

5.3 Climate Change and Carbon Reduction implications

None identified

5.4 Equality Impact Assessment

n/a

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None noted

6. Background information and other papers:

None

7. Summary of appendices:

None

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

No