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Northumberland County Council

CABINET

Date: 11 January 2022

Workforce issues in commissioned care services

Report of the Executive Director of Adult Social Care and Children's Services

Cabinet Member: Councillor Wendy Pattison, Adult Wellbeing

Purpose of report

To inform the Cabinet of current recruitment and retention issues affecting the care providers from which the Council commissions adult social care services, and to set out measures which could be adopted to address this.

Recommendations

Cabinet is recommended:

1. **To consider whether to adopt the proposal which appears as option C in this report, which would in effect bring forward by two years for most care workers in Northumberland the national target for the National Living Wage of setting it at two thirds of median earnings, by funding care providers to pay the "Real Living Wage"**
2. **If Option C is adopted, to delegate to the Executive Director of Adult Social Care and Children's Services the authority to make detailed decisions about the issues listed in Section 8 of this report, in consultation with the Director of Finance and the Cabinet Member for Adult Wellbeing**

Link to Corporate Plan

This report is relevant to the "Living" and "Thriving" priorities in the Corporate Plan.

Key issues

1. In Northumberland, as elsewhere, most care services for adults are delivered by independent sector providers, and the primary means by which the council meets its adult social care duties is commissioning care services from the independent sector. Pay rates for care workers are generally only slightly higher than the rate of the national living wage (NLW). Skills for Care have recently published an estimate that in 2020/21 average hourly pay for care workers in Northumberland was £8.90, at a time when the NLW rate was £8.72.
2. Recruitment and retention of care workers at these rates has become increasingly challenging in recent years, particularly in parts of the county where employment rates

are high and there is competition from sectors such as hospitality, tourism and retail which are offering better pay.

3. In the last few months, these difficulties have become much more acute, affecting many care services but particularly homecare services providing support through regular visits to the homes of older people and others who are ill or disabled. There is an unprecedentedly high number of people for whom council officers cannot quickly arrange the care that they need to live safely and with dignity in their own homes. It is unclear how far this is a temporary consequence of the reopening of the economy after lockdowns and how far there may be a longer term change in attitudes towards care work.

4. The Government announced on 3 November details of a time-limited funding scheme intended to assist with care workforce recruitment and retention in the period up to March 2022. The allocation to Northumberland is £1.03m. Because of the timing of the announcement, decisions about its use will have to be taken rapidly for there to be any realistic prospect of it making an impact during this winter. Officers' view is that the most effective way to use time-limited funding to address immediate problems is to target all or most of it into the payment of retention bonuses for existing staff in the most fragile care sectors, and possibly conditional bonuses for staff recruited from outside the care sector. Officers are working up plans for this in discussion with providers..

5. The Government's announced policy is that by 2024 the rate of the National Living Wage will reach two thirds of median earnings. There is now a strong case for bringing that date forward for care workers, both to recognise the pressures that they have been under during the Covid pandemic and to address the current recruitment and retention issues. On the assumption that additional local funding would only be required for two full financial years, it would be possible for the council to fund the cost of this from reserves which it has set aside to meet the costs for adult social care of the aftermath of the pandemic. To ensure that additional funding was used to improve pay rates, the recommended approach would be to offer all providers of commissioned services a variation to their current contracts which would add a requirement that they must pay their care workers at least a specified minimum hourly rate, in return for a proportionate increase to the element in their funding which is currently linked to the national living wage. The proposal is that the minimum rate would be set at the level of the “Real Living Wage”, though the variation would be drafted in such a way that the Council would have an opportunity when setting each subsequent year’s budget to decide whether it could afford to continue to set it at this level.

6. There is also a separate current issue, locally and nationally, about the recruitment and retention of nurses to work in nursing homes, partly because there are too few qualified nurses available to fill the number of vacancies, and partly because of the NHS's increased need for nurses. The council is prohibited by law from providing direct financial support with the costs of any care that must be provided by registered nurses. Officers are in discussion with the clinical commissioning group about whether there are local steps that could be taken.

Workforce issues in commissioned care services

BACKGROUND

1. Pressures on the care workforce

1.1 Care services for adults are currently facing an unprecedented workforce crisis, locally and nationally. At the time of preparing this report, there had since throughout this autumn been 160-200 people at any one time who had been assessed as needing a care service to support them at home, but for whom none of the home care providers with which the council contracts was able to provide a service, because they had no staff available. These are predominantly older people, many of whom have recently been hospitalised because of a health crisis or accident. Some have had to live temporarily in a care home, though they do not need that level of care and would prefer to return to their own homes. Others have refused the offer of care home accommodation and remained in hospital, increasing pressures on the NHS at what is already a very difficult time for hospital services. Some are being supported temporarily by staff from the council's Short-Term Support Service, an expensive specialist service whose normal function is to work intensively with people to reduce their need for long-term care. Others have chosen to go home without the support they have been assessed as needing, accepting risks which could normally have been avoided, or placing demands on family members which are likely to be unsustainable.

1.2 There were already before the Covid pandemic issues about the ability of care providers to recruit and retain care workers, particularly in some rural areas. But previously in the most difficult periods the list of care plans which could not be fulfilled would at worst be about a quarter of the current level. The immediate problem is clearly associated with the reopening of the economy after the long period of lockdowns and other restrictions. At the start of April, the number of care workers reported by the home care services based in Northumberland which accept referrals from the Council was 1553. By 1 October, the reported number had fallen to 1393. Most of this fall took place after "freedom day" in July. Care providers in the areas of the county most visited by tourists were particularly hard hit, and have told us that workers who they had recruited from hospitality backgrounds during the peak periods of the pandemic were now returning in substantial numbers to their previous occupations. One large provider of home care has told us that they have faced competition from other employers who offer cash incentives to join the organisation as well as higher wages once employed. Along with falling numbers of staff, there has been a corresponding drop in the availability of care. In April, 7.4% of all referrals for home care could not immediately be met by a care provider; in September the proportion was almost 32%.

1.3 "Mainstream" home care services were the first to become unable to meet an increasing proportion of referrals, but problems are also now emerging in other care sectors. In care homes for older people, the issue was initially masked by low occupancy levels resulting from resident deaths in the first two waves of the pandemic and a reduction in the number of people willing to consider a care home placement, but the number of care workers appears to have fallen, though less steeply than in-home care, and it is now becoming increasingly difficult to arrange placements even in homes with vacancies. Care homes are also having difficulty for different reasons in recruiting and retaining nurses. This reflects a national

shortfall in the number of qualified nurses available for work, an issue which may become still more difficult as the NHS expands services as part of the programme to catch up with the backlog created by the pandemic.

1.4 Other more specialist services are also now starting to face difficulties, though they have not so far experienced reductions in workforce numbers on the same scale as the worst-affected home care providers. In general, these services have always found staff recruitment and retention easier than home care services, since they are usually able to offer more predictable hours of work and more consistent levels of income, but they do not appear to be immune from current problems. Agencies providing temporary staff, who are ordinarily the means by which care providers cover staff shortages and emergencies, are now becoming unable to supply staff in sufficient numbers. There are now also serious recruitment and retention difficulties affecting people who elect to employ their own care workers through a "direct payment" from the local authority.

1.5 A further anticipated source of pressure on care workforce numbers is the impact of mandatory vaccination requirements. At present this requirement is in force only for care home staff – from 11 November, care homes have been in breach of their registration conditions if workers in contact with residents have not had both doses of an approved Covid vaccine (with some exemptions, and a period of grace for staff awaiting confirmation of exemption). While there are obvious reasons for this policy, there are also reasons for concern. The proportion of care workers in homes in Northumberland who have not been vaccinated is lower than in many areas (7%, compared to a national average of 11%), so this is expected to have rather less of an impact than in some other parts of the country, but it will still create significant additional challenges for services that are already under strain. The Government is proposing from 1 April 2022 to extend this policy to home care staff (and NHS workers); the impact of this, in services which are already unable to meet all needs, could be very serious. In early December, the proportion of home care workers who have been double vaccinated was 87.5% in Northumberland, compared to 76% nationally and 84% regionally. These figures are likely to improve if mandatory vaccination is introduced, but it currently seems likely that existing difficulties in arranging care will increase, unless offset by other changes. We are not aware of any evidence yet available about the impact of mandatory vaccination on recruitment and retention.

2. Pay rates and local authority fees

2.1 There are a number of possible reasons for current workforce difficulties, potentially including changes in attitudes towards care work as a result of the pandemic, and in some parts of the country, though probably not in Northumberland, reduced numbers of workers from countries in the European Union. But an obvious factor at present is the gap between the hourly rates paid to care workers and the rates paid in other sectors of the economy which are also currently facing workforce shortages, such as retail and hospitality.

2.2 We do not have comprehensive information about pay rates for care workers. Skills for Care, an employer-led national organisation which works in partnership with the Department of Health and Social Care, collects detailed data about employees in care services, though response rates to its surveys are below 50% nationally for care services registered with the Care Quality Commission.The table below shows

their estimates of hourly rates of pay for basic grade care workers in registered care services during 2020/21, at a time when the National Living Wage was £8.72.

	Non-residential	Care homes with nursing	Other care homes
Northumberland	£8.89	£8.81	£8.87
North East	£9.13	£8.83	£8.91
England	£9.44	£9.07	£9.05

2.3 We do not know whether the providers which have responded to the survey in each area are typical, so we cannot be sure how reliable these figures are, but if taken at face value they suggest that the relationship of pay levels to the fees paid by local authorities is not a simple one. The Council pays lower fees for care home placements than most other local authorities in the North East, but the figures suggest that this makes little difference to the pay rates for care workers. According to a recently published report by the national Home Care Association[1], which uses data from a freedom of information request which asked about rates paid in April 2021, the Council pays the highest average hourly rate for home care of any local authority in the North East, but the Skills for Care survey results seem to show that pay rates are significantly below the regional average.

2.4 One obvious possible explanation of this would be that the geography of Northumberland means that delivering care in people's homes requires substantially more travel time than in most other parts of the region. The fees paid to providers by the Council are higher in rural areas outside south-east Northumberland, and much higher in the most sparsely populated areas of the North Pennines and the National Park. Care homes are likely to be less affected by geographical differences, because the service is provided at a single location.

3. The Workforce Recruitment and Retention Fund

3.1 One immediate opportunity to reduce the risk of further loss of care workers to other better paid employment was offered by a Government grant, initial details of which were published in early November. The Council's initial allocation from the Workforce Recruitment and Retention Fund was £1.03m, intended to fund schemes which will support the health and care system during this winter, either by increasing the number of care workers recruited or by retaining existing workers in the care sector. The funding must be spent on activity carried out before the end of March 2022.

3.2 A similar grant was made available in the previous winter, at a time when there were fewer reasons for concern about an immediate prospect of losing existing staff to other jobs. The previous grant was also announced on a shorter timescale, requiring it to be spent between mid January and the end of March, and had more restrictive conditions, requiring it to be spent on creating "additional" capacity. While it was not wholly obvious what should be regarded as "additional" capacity in services which rely heavily on part-time workers whose hours vary depending on

[1] *The Home Care Deficit 2021* – available at www.tinyurl.com/ukhca2021

needs, the conditions appeared to rule out the possibility of using the funding simply to reward care workers for continuing to carry out demanding and essential work in difficult times. In Northumberland, the 2021-2 grant was used to pay for a mixture of recruitment initiatives (few of which were likely to have an impact until after the end of the winter, even if successful), and the costs of overtime and use of agency staff.

3.3 The new grant was announced with less restrictive conditions and was made available at a time when retaining the existing workforce is clearly a critical objective. The Chief Executive has therefore determined, after consulting with the Leader, that the main use of the grant this winter should be to offer retention bonuses to be paid after the end of March to workers in mainstream home care services who continue to work in the service throughout the winter. This was enacted via delegated decision on 10th December 2021.

3.4 Restricting the scheme to home care workers was felt to be necessary, to ensure that the level of the retention bonuses is high enough to be a significant incentive, at a time when other job opportunities may pay significantly higher hourly rates, or offer other special incentives. Payments are likely to vary depending on the number of hours worked by each person, but our initial estimate is that for workers providing a substantial level of care it may be offered possible to offer a bonus in the range £500-£1000.

3.5 On 10 December, the Government announced in a press release that it was proposing to increase substantially the value of the workforce grant – adding a further £300m to the initial national grant value of £162.5m – which if the extra grant is distributed on the same basis would mean an additional sum of £1.9m for Northumberland. At the time of preparing this report, full details of the conditions attached to this additional grant had not yet been published, though it appeared that they would be more permissive than the initial grant conditions. It is likely that decisions about its use will again need to be taken urgently, before the date of the Cabinet meeting.

4. The National Living Wage and the Real Living Wage

4.1 In the longer term, the central issue appears to be pay levels. As the table following paragraph 2.2 above illustrates, the hourly rates paid to care workers in independent sector services remain close to the statutory minimum, which for most workers is the National Living Wage.

4.2 Many national commentators on social care have suggested that low pay is one of the main problems for the sector. Among recent publications:

a) The Care Quality Commission, in its report on *The State of Care* published in October 2021 cited figures for growing numbers of unfilled vacancies for care workers and called for "higher overall levels of pay to increase the competitiveness of the market, and good terms and conditions to ensure employers can attract and retain the right people. The alternative is that the sector will continue to lose staff to the retail and hospitality industries. This will lead to reduced capacity and choice, and poorer quality care for the people who rely on social care – resulting in a ripple effect across the wider health and care system that risks becoming a tsunami of unmet need across all sectors, with increasing numbers of people unable to access care".

b) The Low Pay Commission, the statutory body responsible for making recommendations to the Government about the National Living Wage said in its

October 2021 formal letter to the Government setting out its recommendations for 2022/3[2] that "The Commission has noted on multiple occasions the need for additional support for the social care sector to enable it to fulfil its ambitions to pay workers a decent wage. This need has only become more urgent."

4.3 The Government's Spending Review published on 27 October confirmed that it remains their ambition to increase the rate of the National Living Wage to two thirds of median earnings by 2024, "provided economic conditions allow". The 6.6% increase to the National Living Wage announced in the Spending Review was estimated by the Low Pay Commission when recommending that figure to be slightly below the increase required to progress along an even path towards this objective; a policy adopted because of uncertainties about the data and caution about a larger increase in current economic circumstances, but the Commission's recommendations were based on the assumption that the 2024 target would remain in place.

4.4 It is also now the Government's declared policy to move towards a high skill, high wage economy, with pressure on wage rates in other traditionally low-paid sectors seen as a positive sign of movement in that direction. The government's plans for adult social care, as initially described in the *Building Back Better* document published in early September, emphasise an intention to invest in higher levels of training for care staff, as a means of addressing workforce issues; while higher pay is not explicitly mentioned, it is hard to see how investment in training without improved pay could be expected to make care work more attractive, except possibly as a transitional area of work for people expecting to move into other roles, for instance in the NHS, once they can demonstrate experience and qualifications; and it seems unlikely that that would be a sufficient basis for achieving a lasting increase in the number of people working in social care roles.

The "Real Living Wage"

4.5 A petition recently submitted to the Council urges it to fund a policy in which care workers pay rates would be based on the "Real Living Wage" rather than the statutory minimum.

4.6 The Real Living Wage is an hourly rate of pay arrived at on a different basis from the National Living Wage. The main basis for setting figures for the National Living Wage since its introduction in 2016 has been the objective of increasing it to a target proportion of median earnings. Initially the target was 60% of median earnings, and the Low Pay Commission projected that that target would be achieved by the rate which it set in 2020-21. The recommendations for subsequent years have been based on the new target of reaching two thirds of median earnings by 2024. The Real Living Wage figures are set on the basis of a comparison with the cost of achieving "an acceptable standard of living, as determined through research with members of the public". Because earnings typically increase by more than prices, and because of the introduction of the National Living Wage, and then the increase in its target level, the two different "living wage" figures have been moving closer together.

4.7 The new rate of the Real Living Wage is announced each year at about the same time as the new rate of the National Living Wage, in November. The Foundation advises that "Employers should implement the rise as soon as possible and within 6

[2] Available at https://www.gov.uk/government/publications/minimum-wage-rates-for-2022

months", so that all employees of an accredited Real Living Wage employer should be receiving the new rates by May of the following year. It is therefore possible, and probably common, for an employer to meet these requirements by introducing payments at the recommended level from the beginning of April in the year following the announcement, at the same time that the new rate of the National Living Wage is introduced. Confusingly, however, the Foundation's website describes a new rate announced in November 2021 as the "2020/21" rate, whereas the National Living Wage rate which may be introduced at the same time is described as the "2021/2" rate.

4.8 On the reasonable basis that the two rates announced at about the same time are both in effect recommendations for pay in the following financial year, the proportion by which the real living wage is greater than the national living wage has fallen from 18.1% in 2013/14 to 6.6% in the current financial year, and will fall further to 4.2% in 2022/3. The "2021/2" rate of the real living wage, to be implemented by May 2022, is £9.90, while the National Living Wage rate from April 2022 will be £9.50.

4.9 The case for an increase in pay to match the Real Living Wage is in part an ethical one about fair treatment of a predominantly female workforce who provide an essential public service, and in part an urgent practical issue about how to ensure that the Council remains able to meet its core statutory duties towards older and disabled people.

4.10 On the assumption that the two "living wage" figures will converge by 2024, the estimated cost of care workers in commissioned services being paid at Real Living Wage rates up until the point when there is no longer a significant difference could be managed within the medium term financial plan through use of reserves, without an impact on the revenue savings requirements. Since neither the 2024 target nor future local government finances are wholly predictable, this proposal might have to be implemented in a manner which left open the possibility that the Council could reduce the minimum pay level which it funded if current assumptions significantly changed. But on any assumptions, an early improvement in the comparative financial attractiveness of care work is one of the most promising measures open to the Council to address the current workforce issues.

5. Options

5.1 The Council has a number of options:

a) Take no immediate decision, in the hope that immediate workforce issues will turn out to be a short-term consequence of the disruption caused by Covid, and that the situation will rapidly become more normal, with a retention bonus paid from the Workforce Recruitment and Retention Fund reducing the immediate pressures in home care, the service area where intervention is most clearly urgent;

b) Increase the fees paid to providers, particularly the fees paid for home care services as the sector most in difficulty, and leave it to providers to decide what combination of pay increases and other initiatives would best enable them to improve service availability;

c) offer providers an uplift to the fees in their current contracts in return for a contractual commitment to paying their workers at least a minimum rate set at a higher level than the National Living Wage, whether set at the level of the Real Living Wage or at some other figure.

Option A: no immediate decision

5.2 The strongest argument for taking no immediate steps to bring about an increase in care workers' rates of pay is that it is at present particularly hard to assess whether the severe pressures being faced by care providers, and the increases in pay for other groups of historically low paid workers which are currently making recruitment and retention of care workers exceptionally difficult, are temporary consequences of the extraordinary circumstances of the pandemic, or whether they are the beginning of a "new normal".

5.3 The strongest argument *against* deferring decisions is that the current situation is unsafe. Older people are staying in hospital for longer than they need to, or are staying in care homes when they could go home if support was available; and in both cases they are likely to be becoming physically de-conditioned and less able to maintain their independence when they do go home. Those who choose to go home without formal support may be at risk of harm, and their families may be taking on unsustainable responsibilities.

5.4 While it would be desirable to allocate at least part of the Council's adult social care reserve to supporting long-term changes in the pattern of services, such as the development of "extra care" accommodation to reduce the need for residential care, it would be difficult to justify doing so at the expense of doing everything reasonably possible to meet immediate needs and the Council's adult social care statutory duties.

Option B: Increase fees without conditions

5.5 On this option, fees paid to some or all care providers would be increased above the current contractual level to an amount consistent with care worker wages being increased to a target level, and it could be made clear that this was the basis of the calculation. However no obligation to increase wages would be imposed on providers in return for the additional payments.

5.6 The argument in favour of this option is that there could be other, potentially more effective, ways in which additional funding could be used to improve the availability of services. For instance in the rural areas where it is hardest to recruit local care workers, it might possibly be more effective to introduce an arrangement in which staff living elsewhere are paid to travel to where care is needed, and paid while they remain in the locality between visits. Alternatively, in any area of the county guaranteed hours, bringing in a more predictable income, might be a more attractive proposition for some potential recruits to care work than higher hourly rates. Providers may be best placed to judge which of these approaches would work best in their specific circumstances.

5.7 There are two main arguments against this:

a) One is that there is limited evidence that increasing fees would necessarily lead to a general improvement in the terms and conditions of staff. The figures in the table following paragraph 2.2 seem to show that in care homes, at least, higher fees paid by local authorities elsewhere in the north-east seem to have made little difference to staff pay – and given the practical constraints on the working patterns of staff working shifts in a care home, it does not seem likely that there will have been substantial differences in other aspects of staff terms and conditions. Comparisons are more difficult for home care, because there are more possible ways in which additional funding can be used other than

increasing hourly rates.

b) The other argument against this approach is that past experience suggests that the immediate result might be a period of turbulence, in which providers facing immediate concerns about recruitment and retention might initially increase wage rates, and as a result attract workers currently employed by other care providers to transfer to them. In the medium term, this might, at least in some parts of the county, result in a general wage increase and make care work more attractive in comparison with working in non-care sectors, but the immediate consequence for service users might be disruption and turnover in the staff supporting them. There might also initially be little incentive for providers to focus on attracting new workers from outside the existing care workforce.

Option C: offer a fee uplift directly linked to a higher minimum wage

5.8 On this option, all care providers, or all providers of specified types of service, would be offered additional funding specifically in return for signing a contract variation under which they would agree to pay all care workers at least a minimum hourly rate. It would be possible to add some further requirements about minimum staff terms and conditions, though it might be desirable to avoid being over-prescriptive, so as to allow providers to make their own judgements about how best to offer an attractive package which also enables them to provide a reliable and flexible service.

5.9 The minimum hourly rate could be either specifically the Real Living Wage or a figure set by the Council – this issue is discussed further in section 7 below.

5.10 One argument in favour of this option is that it would make it possible for there to be an orderly transition to higher wages. This would reduce the potential risk under option B of creating instability if the wages paid by different providers diverged, though it would remain possible that some providers would decline to accept the contract variation, for instance because providers operating in multiple local authority areas had concerns about paying differing rates in neighbouring local authority areas. It would encourage a focus on recruiting new workers from outside the care sector, rather than attracting workers already working in other care services, and might improve perceptions of working in the care sector generally.

5.11 This would also be the option that would go furthest to meet with what appears to be a widespread public view that it is unfair for care workers to be paid little more than the statutory minimum, at a time when the pandemic has made it particularly apparent how demanding their work can be.

5.12 The main argument against this option, when weighing it against option B, is that it would be significantly more complex to implement. The main complications are discussed below; officers' advice is that they are not sufficiently serious to rule this option out, though Members do need to be aware of them if minded to approve this option.

6. How Option C would work

6.1 The council's current usual practice is to increase fees in each year by applying the percentage uplift in the National Living Wage to an assumed proportion of the total cost of the service which is linked to pay – for instance this is 80% of the total fee for most non-residential services, and approximately two thirds of the total fee for care homes for older people (the precise proportion varies slightly depending on the needs of the service user and the quality of the service). In the case of the contract

with care homes for older people, which is the single biggest contract for care services, this approach is formally set out in the contract; in other cases, the contract does not prescribe a specific formula, but with some exceptions, for instance for the most specialist services, the approach taken in recent years has generally followed a formula based on a percentage split between the National Living Wage and general inflation.

6.2 The recommended approach if option C is adopted is to offer providers a contract variation which would add to their fees by increasing the uplift to the element of the fee which is usually pegged to the National Living Wage so that it also included the percentage difference between the National Living Wage and a higher local minimum wage rate, initially set at the level of the Real Living Wage. The variation would also require the provider to pay its care workers at least this higher minimum wage rate. The variation would be drafted in such a way that the Council would have the option when setting its budget in each financial year to reconsider whether it could still afford to set the local minimum rate at the level of the Real Living Wage.

6.3 The intention would be for this to remain an optional element of the contract, which providers were free to decline without contractual consequences other than not receiving the additional payments. There is room for legal doubt about whether it would be lawful for the Council to exclude any provider from a procurement, or terminate their contract, because they were not paying their workers a local minimum wage, and the proposed approach would avoid the risk of challenge on those grounds, as well as recognising that some providers operating across multiple local authorities might find it difficult to adopt a different pay structure in Northumberland.

6.4 Officers' recommendation is that a variation on these lines should if possible be offered to almost all care providers commissioned by the Council. Workforce issues currently appear to be greater in some services than others, with home care services facing the greatest challenge. However specialist services are now reporting increased difficulty, so the impact may have been felt sooner in home care services because even in more normal times those generally have higher staff turnover rates. If the Council funded increased wages in some kinds of care service and not in others, the result might be to transfer the workforce problems to a different part of the system.

7. Costs

7.1 For most care workers, the Real Living Wage in 2022/3 will be 4.2% higher than the National Living Wage. For reasons explained above, our assumption is that the two figures will continue to move closer together, and the reduction in the gap for next year is consistent with the two figures converging by 2024/5, though this cannot be guaranteed since the methods by which the two figures are calculated are fundamentally different.

7.2 Based on the rates set for 2022/3, our initial upper estimate of the net additional cost in that year of making the offer described above, if all providers accepted the offer, is £3.4m, after taking account of an estimated £300K of increased income from charges to service users who are assessed as able to pay the full cost of their service. There would also be an additional cost of £1.35m to Northumberland Clinical Commissioning Group, since the same terms would apply to the fees paid for NHS continuing healthcare services arranged by the Council. These figures are

likely to be higher than the actual cost would be, because we would not expect all care providers to accept the offer, for reasons discussed in Section 8 below.

7.3 The table below shows the impact on Adults Social Care inflation across the 4 years of the current MTFP if the proposal was accepted and implemented. It should be noted that the cost of bringing forward this pay inflation to 22/23 potentially reduces inflation pressure in future years, thus offsetting part of the cost over the cycle of the current MTFP.

	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m
Inflation currently in MTFP	6.8	6.6	6.1	6.4	26.0
Revised inflation based on RLW	10.2	6.6	5.3	5.6	27.7
Increase/(Decrease)	3.4	0	-0.8	-0.9	1.7

7.4 If the cost of making an offer based on the Real Living Wage was judged to be unaffordable, alternative options would include an offer based on an intermediate rate set locally in line with a judgement of affordability, or possibly differential offers to different care sectors, depending on the level of current workforce pressures in each sector. Indicative figures for the cost of an offer based on the Real Living Wage in different categories of service are shown in the table below.

Category of service	**Net extra cost to the Council in 2022/3**
Home care	£925K
Care homes	£1.6m
Independent supported living schemes	£525K
Care workers employed through direct payments	£200K
Other commissioned services	£125K

7.5 On the assumption that the rates of the two versions of the “living wage” will converge further, and that the difference between them will disappear by 2024/5 if the National Living Wage is then equivalent to two thirds of median earnings, the additional financial costs to the Council and the NHS in 2023/4 might be expected to be about half those in 2022/3, and there would be expected to be no additional cost in subsequent years. If these assumptions turned out to be incorrect, either because the Government used the “emergency brake” to defer the 2024 target in the light of economic circumstances, or because the assumptions underlying the Real Living Wage were revised in a way which meant that it remained significantly higher, the Council would be able to review the level of the minimum wage rate which it offered to fund.

7.6 Another option for the Council is to go beyond the Real Living Wage to make an even more significant statement to stimulate the care workforce at this point. The difficulty with this is that there is no guarantee that a certain level of increase in minimum pay would lead to a guaranteed increase in applications/employees within the sector. Another 0.5% increase in the wage rate to £10.40 would cost around £400k to give an idea of scale.

8. Some issues

8.1 There are a number of issues which will need to be considered further if option C is agreed.

a) **Charges**. Because the Council's charging policy is based on service users paying the full cost of their services if they can afford to do so, some of the cost of an increased fees would be borne by service users. In practice this would primarily affect older people with savings above the capital limit (currently £23,250). In past consultations about charges, some service users have told us that they would not object to paying more if they were confident that the money was being used to increase care workers pay, though this may not be a universal view. There would be a particular complication if some providers declined to accept the contract variation, since under the council's current policy this would mean that users of their services would pay lower charges than others receiving the same level of care. It would be important at an early stage in implementation of a change to explore with providers how likely it is that this will be a significant issue.

b) **Workers other than care workers**. In care homes and other building-based care services, some of the staff employed may have little no involvement in direct care – for instance they may work in cleaning, kitchen or administrative posts. Some care providers also have separate headquarters staff. Some services may also use agency staff. Decisions would need to be made, following discussions with providers, about which workers precisely the commitment should apply to.

c) **Direct payment recipients**. Currently, the Council recommends to people who opt to receive a direct payment and employ personal assistants to provide their care an hourly rate of £9.78 – higher than both versions of the "living wage". This rate reflects the special nature of the role, and is possible because the overall cost remains lower than the cost of commissioned homecare – this is because of the reduced overhead costs. Officers' initial view is that it would be desirable to maintain the differential between this rate and the minimum rate for other care workers, to minimise the risk of unintended disruption. Direct payment recipients are currently experiencing significant issues with recruitment of personal assistants, in much the same way as home care agencies.

d) **Other special cases**. There are a variety of other special cases, in which either people's care plans include services other than personal care, or care is provided in a way which does not fall within the scope of National Living Wage/Minimum Wage legislation.

8.2 The recommendation is that decisions about these and other issues of detail should be delegated to officers, in consultation with the Cabinet member.

IMPLICATIONS ARISING OUT OF THE REPORT

Policy	The proposed arrangement would address serious concerns about the ability of current care services in Northumberland to meet needs. It would also have wider benefits for a low paid group of workers living in Northumberland.
Finance and value for money	Our current estimate is that option C would have a net cost of £3.4m in 2022/3, and around half of that sum in 2023/4, if all providers took up the offer – and our expectation is that some might not do so. The additional cost over the entire period of the MTFP is projected to be £1.7m compared to current assumptions. The cost to Northumberland clinical commissioning group is estimated on the same basis at £1.45m in 2022/3, and would again be expected to reduce by half in the following year, with no long-term additional cost. Since the costs would arise only for a two-year period, it would be possible to cover them from reserves rather than an addition to the recurrent budget, and the proposed mechanism would make it possible to adjust the local minimum wage rate if the assumptions underlying this calculation turned out to be incorrect.
Legal	The Council is not in general permitted to impose requirements about staff wage rates or terms and conditions as a condition for awarding a contract. However we believe that the proposed mechanism is lawful, because providers which declined the offer would not be denied contracts.
Procurement	The proposed mechanism would be separate from the procurement process for awarding contracts, though it would be included in new contracts as an optional clause not relevant to procurement decisions.
Human Resources	The proposal would have no implications for the Council's workforce, though care providers would have to consider a variety of HR issues before deciding whether to accept the offer of additional fees in return for a commitment to pay a higher minimum wage.
Property	No implications identified.

Equalities (Impact Assessment attached) Yes ☐ No ☐ N/A ☐	{***We will consider the need for an EIA during discussions about this proposal***}
Risk Assessment	The suggested mechanism would allow the Council to review the level of the minimum wage rate supported by enhanced fees in future budget rounds, if unexpected developments make it unaffordable to hold the rate at the level of the Real Living Wage.
Crime & Disorder	No implications identified.
Customer Considerations	The proposal would increase the charges payable by service users assessed as able to pay the full cost. There is some evidence that an increase directly linked to improved pay for care workers might be more acceptable to service users than increases seen as means of making savings in Council budgets.
Carbon reduction	No implications identified.
Health and wellbeing	A core objective of the proposal would be to address current difficulties in providing the care people need to maintain their health, safety and dignity.
Wards	All

BACKGROUND PAPERS

There are no background documents for this report within the meaning of the Local Government (Access to Information) Act 1985.

Report sign off.

Authors must ensure that officers and members have agreed the content of the report.

	Full name of officer
Monitoring Officer/Legal	Suki Binjal
Executive Director of Finance & S151 Officer	Jan Willis
Executive Director	Daljit Lally
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