Adult Social Care sector

Cost Pressures representation for the financial year 2021/22

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For and on behalf of Care and Support West (www.careandsupportwest.com)

January 2021

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EXECUTIVE SUMMARY

1. Prior to the Covid-19 pandemic, the financial pressures faced by social care providers along with their inability to recruit the staff they need were already well recognised and well documented. It is widely accepted that the sector has been consistently underfunded and is in a fragile state and that for elements of the system we might not actually be too far away from wholesale collapse. All of this against a backdrop where the demand for social care is steadily increasing as the population becomes older.

2. And then there was Covid-19!!!

3. In previous years we have tried to make our annual Cost Pressures exercise as consultative as possible via the use of a Cost Pressures questionnaire. This has given us really useful information in terms of provider's cost pressures, much of which has not been effectively addressed and remains the same. Rather than seek answers that we already know, we used this year's Cost Pressures questionnaire to primarily focus on the additional impact of Covid-19 on the financial situation facing providers.

4. What we found was that whilst the additional government monies made available via the local authorities were very welcome, there is a significant shortfall between what has been made available and provider's actual additional costs as a consequence of Covid-19 and so, to varying degrees, providers were left with having to cover these extra costs themselves.

5. The addition of eligible spending criteria to the Infection Control Grant was not viewed to be helpful and meant that some providers were unable to spend the full grant because the things that they were having to spend additional money on did not meet the eligible criteria and so the full cost of these things fell to them.

6. On the other hand, if a provider had a lot of staff self isolating, a lot of additional agency costs or was experiencing an outbreak, then the Infection Control grant could be quickly used up and was not enough to cover the additional associated costs. They were then placed in a position where they then had to decide whether to discontinue the initiative or cover it at their own cost.

7. Whilst the extent of additional costs was in itself concerning, a much more pressing issue was providers of residential care services for Older People reporting reductions in occupancy levels caused by the pandemic from around 90% to 80%. This loss of income not only impacted cashflow but was also the key concern that

could undermine a provider's viability …. and reduction in occupancy is not covered by any additional funding.

8. A number of respondents reported a reliance on EU staff and were concerned about the impact of Brexit on both driving away their existing EU staff and preventing new staff from the EU entering the UK to work in social care, and so cutting off a key supply line. Otherwise, it was too early to say the extent to which providers experienced rising (or falling) costs as a consequence of Brexit.

9. Overall respondents indicated that the downturn in the economy and the rise in unemployment as a consequence of the Covid-19 pandemic had not as yet resolved their ongoing recruitment crisis and for some at least, the pandemic had made their recruitment situation worse. There were a couple of providers who had seen an improvement in their recruitment situation since the start of the pandemic.

10. In terms of solutions and recommendations we considered this in three areas. Firstly, we consider what would be needed using the annual uplift formula to 'maintain parity'.

11. With an increase in the National Minimum / Living Wage of 2.2% and an average monthly increase in RPI for the year April 2019 to March 2020 of 2.58%, we used the following formulae to calculate the annual uplifts required by residential and domiciliary care services.

12. Using a 70:30 split between staffing and non-staffing costs for residential services and an 85:15 split for domiciliary care services, we calculate that basic uplifts to maintain parity for these types of services would need to be:

    ((70 x 2.2%) + (30 x 2.58%))/100 = **2.314%** for residential services
    ((85 x 2.2%) + (15 x 2.58%))/100 = **2.257%** for domiciliary care services.

13. However, we conclude that 'parity' in a scenario where providers are facing critical reductions in occupancy levels, an inability to recruit the staff they need and additional costs for which they are not able to receive additional funding, is something of a recipe for disaster.

14. In terms of our second consideration, we argue that to start to address the issues of recruitment and along with that starting to attribute staff working in social care with the value that they deserve, that as a nation we should be looking to pay staff working in residential service a 'Real Living Wage'.

15. The Real Living Wage is currently (2020/21) £9.50 an hour outside London and would equate to an increase of £0.78 (or 8.94%) on the government's current National Minimum / Living Wage figure of £8.72 an hour. To achieve this, using the previous calculation (for Residential Care services), would require a percentage annual uplift of:

    ((70 x 8.94%) + (30 x 2.58%))/100 = **7.03%**

16. In recognition that many Domiciliary Care providers already pay about the current National Minimum / Living Wage because it is a more difficult sector to recruit to, our view is that a notable premium would be needed on top of the 'Real Living Wage' to also sustain this much needed sector.

17. In terms of the third area, i.e. making sure that providers are properly reimbursed for the consequences of Covid-19 (which is going to be essential if their financial viability is not going to be undermined), we argue that there should be a comprehensive list grounded in the experience of providers in terms of where their additional Covid-19 related costs actually are.

18. They should be required to submit evidence of their expenditure in these areas on a regular basis (say 3 monthly) and as long as the evidence is sufficient, these additional costs should be paid in full. In this way, a provider's 'actual additional costs' will be met … no more … no less … That to our mind is the best way to mitigate against the impact of Covid-19, whatever that may be.

19. We also argue that if the social care sector is going to receive the support that it needs, then this support will also need to cover lost revenue associated with reductions in occupancy (or available care packages) beyond a certain level … because out of all the challenges they face, this is the most immediate threat to the viability of the sector.

INTRODUCTION

20. Care and Support West is the Care Association responsible for supporting and representing providers of adult social care services across Bath & North East Somerset, Bristol, North Somerset and South Gloucestershire.

21. Each year we produce a Cost Pressures report for local authority commissioners, elected members and MPs across this region so that the situation facing social care providers is properly represented and understood. For three out of the last four years, our Cost Pressures report has been borne out of consultation with the local social care sector community.

22. The financial pressures experienced by social care providers are well documented and increasingly well recognised. In their recent (December 2020) Adult Social Care Funding (England) briefing paper, the Government highlights that:

23. *'Adult social care funding has been under pressure for a number of years and was identified as the top long-term pressure for councils in a Local Government Finance Survey carried out in January 2020'.*

'There are a number of factors driving these financial pressures, including:

- *increasing demand for care*
- *reductions in overall funding for local government*
- *increases in care costs*
- *the coronavirus outbreak'.*

'There is also evidence that funding pressures are impacting on the financial sustainability of care providers and that, in some areas, a lack of suitable care provision is adding to pressures in the health service'.

Adult Social Care Funding (England) - House of Commons Library (parliament.uk)

24. The Care Quality Commission (CQC) in their 'The state of health care and adult social care in England 2019/20' report (page 10) state that:

'Social care's longstanding need for reform, investment and workforce planning has been thrown into stark relief by the pandemic. There needs to be a new deal for the adult social care workforce that reaches across health and care – one that develops clear career progression, secures the right skills for the sector, better recognises and values staff, invests in their training and supports appropriate professionalisation. The legacy of COVID-19 must be the recognition that issues around funding, staffing and operational support need to be tackled now – not at some point in the future'.

The state of health care and adult social care in England 2019/20 (cqc.org.uk)

25. The difficulties associated with recruiting staff in social care are also well known. In their October 2020 'The state of the adult social care sector and workforce in England' report, Skills for Care highlight that in England there on average 7.3% of positions are vacant at any one time … This equates to 112,000 positions being unfilled.

The state of the adult social care sector and workforce 2020 (skillsforcare.org.uk)

26. Across our region, (the South West), Skills for Care cite staff vacancy rates of 6.7% (or 9,700 vacant positions) at any given time.

South West (skillsforcare.org.uk)

27. Given how long the underfunding of social care services and its inability to recruit the staff it needs in sufficient numbers, have been known concerns and how extensively these issues have been documented, it is our assumption that the already fragile predicament of the sector is recognised and to some degree understood.

SUMMARY OF LAST YEAR'S FINDINGS AND RECOMMENDATIONS

28. To provide some useful focus and a sense of the existing backdrop, we include a brief summary of the key questions we asked in last year's Cost Pressures' report along with our findings and recommendations.

The extent to which providers are only able to pay their frontline staff the National Living / Minimum Wage

29. Essentially, providers of accommodation based services for both older people and people with learning disabilities and / or mental health support needs are now NM/LW employers. As a consequence, each year they have to increase the amount they pay their staff in line with any increases to the NM/LW.

30. Some Domiciliary Care providers have to pay above the NM/LW because of the even greater problems they face recruiting staff.

    This situation has not changed since last year.

The extent to which providers are maintaining pay differentials between job roles

31. Providers have no choice but to maintain pay differentials between roles to ensure that their pay structure remains viable. They are therefore applying NM/LW increases to more senior staff as well.

    Again, this situation remains the same.

The percentage of their budgets providers spend on staff wages compared with non wage costs

32. The split between staffing and non-staffing costs averaged around 70:30 for residential services and around 85:15 for domiciliary care services.

33. Although there are variations between providers, the split between staffing and non staffing costs does differ for registered care and domiciliary care providers and the indications that we have are that it is broadly in line with the proportions highlighted here.

The percentage of staff who remain 'auto enrolled' on their pension scheme

34. The percentage of staff that remained auto enrolled on employer pension schemes averaged around 80.71% with some organisations reported higher. Organisations are finding that staff are predominantly not opting out of these schemes.

    This situation has not changed since last year.

Staff recruitment and the extent of staff turnover (and the influencing factors)

35. The average percentage staff turnover reported was 28.1% … this was reasonably consistent with the national figure of 30.8% cited by Skills for Care in their September 2019 'State of the adult social care' report.

36. Providers cited the following reasons for their difficulties in recruiting staff and levels of staff turnover with the most frequently cited reason at the top:
    a) Rates of pay compared to other industries, coupled with the level of expectation and responsibility for that rate of pay
    b) Full employment in the area and insufficient people wanting to work in care
    c) The anti-social hours (shift work … evenings and weekends) and the difficulties of balancing this with family life
    d) The lack of value and recognition attributed to the care sector generally within society, in particular its lack of appeal to younger people
    e) The challenging nature of the work and lack of willingness by some people to provide personal care.

37. Providers of Dom care services also cited:
    a) The fact that staff are paid by the hour rather than for an eight-hour shift
    b) That many staff don't like working split shifts (i.e. early morning and then again in the evening)
    c) The need for staff to travel between clients and to (generally) use their own transport to do so.

38. Apart from a potential rise in unemployment caused by the Covid-19 pandemic, all these factors remain the same.

Staff vacancy rates

39. All the providers that responded indicated that they had vacancies for front line staff. A significant proportion of providers that responded indicated that they had staff vacancies for 3 months or more.

    This year, providers again reported difficulties in recruiting the staff they need.

Experience of inflation and additional costs

40. Whilst providers experience inflation and additional costs differently, they all experienced a combination of inflation and necessary ongoing 'improvement' costs that consistently ran above recognised measures of inflation (RPI and CPI).

41. This year providers had the additional expense of the Covid-19 pandemic to contend with. The extent to which this has affected them has been a focus of our questioning this year.

Occupancy rates

42. With a few individual exceptions, providers of residential services for older people and residential / supported living services for people with learning disabilities and / or mental health support needs reported occupancy rates of 90% or over.

43. The impact of the Covid-19 pandemic on occupancy levels (and the availability of care packages for Domiciliary Care providers) has been a concern this year. Again, the extent to which this has affected providers has been a focus of our questioning.

Key recommendation

44. In last year's report we recommended that in order to accommodate the 6.2% rise in the National Minimum / Living Wage and inflationary costs and maintain financial 'parity', the 2020/21 annual uplift awarded by local authorities to adult social care providers would need to be:
    a) ((70 x 6.2%) + (30 x 3%))/100 = **5.24%** for residential services
    b) ((85 x 6.2%) + (15 x 3%))/100 = **5.72%** for domiciliary care services.

    These calculations take into account the 70:30 and 85:15 split between staff and non staff costs experiences by residential and domiciliary care services.

45. In their own analysis, the Local Government Association, in conjunction with ADASS estimated that the impact on providers in 2020/21 of a 6.2% rise in the NM/LW and a 2.5% rise in inflation would be 5.09%

    ((70 x 6.2%) + (30 x 2.5%))/100 = **5.09%**

    Temporary funding for adult social care providers during the COVID-19 crisis | Local Government Association

46. Whilst different local authorities did award a range of uplifts last year depending on the type of provision, the lack of available money meant that none of these were at the level identified as necessary by the Local Government Association. As a consequence, parity was not maintained and to varying degrees, providers were once again required to swallow additional costs … and this was all before Covid-19.

RATIONALE AND METHODOLOGY FOR THIS YEAR'S REPORT

47. Whilst referring to national reports is an important part of us highlighting the situation facing social care providers, it does somewhat depersonalise that process. To varying degrees the continued pressure on financial margins and the struggle to recruit and retain the staff they need affects all social care providers. Our view is that in order to find out how these pressures are affecting social care provision in our area, we need engage with providers directly about their reality. As a consequence of this, we have once again used a Cost Pressures questionnaire (Appendix 1 in this report) to do this and to make our Cost Pressures exercise as consultative as possible.

48. We recognise that it has been an extremely difficult year for providers as they do all they can to keep vulnerable people safe in the fight against Covid-19. They have been extremely busy and preoccupied.

49. Our rationale in creating this year's questionnaire was therefore not to repeat previous questions to which we already have answers but instead to focus more on how social care providers have been impacted by the additional pressures of the pandemic.

50. We sent out our Cost Pressure questionnaire to 71 different organisations across Bath & North East Somerset, Bristol, North Somerset and South Gloucestershire and received a response back from 23 of them (or just over 32%). A number of respondents had multiple services and we had responses from across a range of social care provision including nursing, residential and extra care services for older people, residential and supported living services for people with learning disabilities and / or mental health support needs and domiciliary care services.

51. This year we ask providers questions around:
    a) The additional costs they have experienced as a direct result of Covid-19
    b) The additional support provided via Local Authorities in the first months of the pandemic
    c) The usefulness of the Government's Infection Control grant
    d) How their occupancy rates … or (for Dom Care providers) the number of care packages they have been able to take on have been affected by the pandemic
    e) Other considerations … such as their current recruitment situation and the degree to which this has been impacted by both the pandemic and Brexit
    f) The proportion of their workforce made up of 23 and 24 year olds
    g) Their thoughts and any solutions in relation to their current situation.

FINDINGS: PROVIDERS' RESPONSES TO OUR QUESTIONNAIRE

Question 1 … additional costs as a direct result of Covid-19

Reason for the question:

52. We wanted to gain an understanding of the additional costs incurred by providers as a direct result of Covid-19 … i.e. money they would not have spent if Covid-19 had not occurred. We asked providers to consider direct expenditure such as additional PPE and more indirect expenditure such as any increases in insurance premiums.

What we found:

53. It varied to from provider to provider but the key additional costs respondents identified they have faced as a consequence of the pandemic can be summarised as:
    - Advertising for staff
    - Agency staff
    - Financial incentives for staff to pick up additional shifts to reduce the use of agency and / or movement between services
    - Paying staff when Covid-19 positive or self isolating
    - Taxis for staff who were reliant on public transport
    - Additional cleaning supplies and additional staff time for cleaning
    - PPE above & beyond normal supplies
    - Additional staff uniforms
    - Equipment such as infra-red thermometers
    - Signage
    - Extra handwash facilities
    - Extra bins and increased clinical waste
    - New flooring
    - Replacement (easy clean) furniture
    - Additional IT infrastructure to enable safer working

- ❖ Extension of wifi
- ❖ Moving to paperless systems … client care software
- ❖ Additional devises to enable clients to communicate electronically with their family members
- ❖ Significantly increased insurance premiums
- ❖ Outside furniture to support safe garden visits
- ❖ Inside 'visitor's booths' to support safe visiting
- ❖ Recognising and rewarding staff for their continued input by way of bonuses, employee of the week rewards and other general gestures of thanks and appreciation.

54. From the responses we got, this seems to be a reasonably definitive list of the areas where providers have had additional expenditure in order to protect their clients and staff from Covid-19.

Question 2 … additional support provided via Local Authorities in the first months of the pandemic

Reason for the question:

55. We wanted to gain an understanding as to whether any additional money provided by the government via local authorities during the first few month of the pandemic (April, May and June 2020) was sufficient to meet the additional Covid-19 related costs the providers were incurring.

and Question 3 … The usefulness of the Government's Infection Control grant

Reason for the question:

56. We wanted to gain an understanding around the extent to which providers were able to make use of the Government's Infection Control grant to cover the actual additional costs that they found themselves facing, or whether they found its focus on managing staff sickness and minimising staff movement to be 'too narrow'.

    Because both question 2 and question 3 related to the additional funding provided, we have combined the responses to these two questions below.

What we found:

57. All the respondents had additional costs as a consequence of Covid-19 and all of them received extra monies via the local authority. Whilst the receipt of this money was a necessity and they were grateful for it, the extent of its usefulness varied.

58. The initial money (April, May and June 2020) was made available as it was recognised that as a sector, social care providers were already in a difficult financial situation and they were needing to spend significant amounts of extra

money to keep people safe. Generally, there were no real restrictions on how this money could be spent. All respondents indicated that this additional money was welcome but, apart from a couple of exceptions, they also said it did not fully cover the additional costs they were facing.

59. The later Infection Control Grant was again welcome but the more restrictive nature of how it could be spent created unnecessary problems.

60. Some providers were unable to spend the full grant because the things that they were having to spend additional money on did not meet the eligible criteria … but they also didn't have additional money for the areas where they were facing additional expenditure.

61. On the other hand if a provider had a lot of staff self isolating, a lot of additional agency costs or an outbreak, then the Infection Control grant could be quickly used up and was not enough to cover the additional associated costs. One respondent said they started to pay staff to self isolate but then had to stop because they couldn't afford to do it without the grant.

62. Another respondent said that they made adaptations to the building to turn a room with external access into a staff changing area. Whilst they used the grant for this, there was a significant shortfall and they still had to pay over £6000 out of their own pocket.

63. Another respondent said that they had to upgrade their IT and internet packages across their services which incurred a massive expenditure to set up and resulted in them signing up to 5 year contracts with telecoms and software companies to get the best deals. Whilst the Infection Control Grant has covered costs in the first year, going forward they have a long term commitment which will not be covered by any funding.

64. Neither of these grants covered additional expenditure relating to things like increased insurance premiums. One respondent reported a 50% increase in one of their annual insurance premiums … another said they had been quoted a 70% increase when they renew and a third cited an increase in their insurance premium from £3500 to £9500 which is an eye watering 171% increase.

65. The insurance issue is likely to be here to stay. The reports we have are that insurance providers are no longer willing to insure social care services and are leaving the market place, insurance premiums are going up and levels of cover

are being reduced. We also have reports that whilst insurers will continue to engage with existing customers, they are not taking on any new ones.

66. Alongside all these areas where the monies made available were not able to be used to cover a providers actual increased costs, it is also critical to highlight that neither cohort of additional monies compensated providers for what was their key cost pressure which was the reduced income due to reduced occupancy or reduced availability of care packages. In residential services for older people, this reduced occupancy included a downturn in private clients who are charged more and who are effectively subsidising clients funded as local authority rates.

Question 4 …. Occupancy rates … or Care Packages taken on

Reason for the question:

67. We wanted to gain an understanding of whether Covid-19 has affected occupancy rates (in accommodation based services) or the amount of care packages providers were being asked to take on (if they provide domiciliary care).

What we found:

68. A number of providers reported significant decreases in occupancy rates from 1st April 2020 (as we entered the first lockdown) compared to the year prior to this.

69. Residential services for older people were particularly hardest hit and many reported a fall in occupancy in the region of 10% from around 90% to around 80%. Overleaf are some of the changes we were cited for services of this type.

Occupancy rate 1st April 2019 – 31st March 2020		Occupancy rate from 1st April 2020
100%		93%
97%		93%
93.5%		85%
90%		81%
90%		80%
90%		80%
90%		79%
90%		68%
84%		75%

70. Providers of these services cited reduction in occupancy levels as their most crucial concern. With reductions such as those highlighted above, it is not hard to

see why. A combination of already narrow margins, reductions in occupancy in the region of 10% often to around 80% or lower and having to carry additional Covid-19 related costs not covered by government grants is a perfect storm from which without help, it may be difficult to recover. Our indications are that for residential services for older people, this situation could be widespread.

71. The situation appears to have been created due to a combination of a loss of residents during the outbreak and the press reporting of number of deaths in care homes due to them taking in Covid-19 positive patients leading to an understandable reluctance for people to place their loved ones in these services. As stands, there is no clear end in sight for this situation.

72. In a situation where there has been an outbreak, there is a requirement to be clear of Covid-19 for a period of 28 days after the end of the outbreak. Whilst the need for this is understood, there is no financial package to compensate a provider for the loss of income associated with both clients passing and not being able to take new admissions.

73. Two respondents (large regional providers of accommodation based services for older people) reported either consolidating homes, i.e. closing one and caring for the remaining residents in their other homes or actively considering this. This is not a pain free option by any means, but it is at least an option. If you are a provider of a single care home, which some respondents were, then it would not be.

74. Providers of residential and supported living services to people with learning disabilities did not report the same magnitude of fall in occupancy. This is likely to be because these placements are generally more long term and clients are not 'passing over' to anything like the same extent.

75. They did however report lost income because of the longer amounts of time it was taking to fill vacancies and the difficulties associated with completing assessments and moving new clients into the service during the pandemic.

76. The majority of our Domiciliary Care respondents said that the number of care packages available to them has held up during the pandemic. However, this was not the case for all of them. One provider reported a decrease in the care packages they are delivering of 20% since the beginning of the pandemic. Another provider reported a 10% decrease overall with a 25% decrease in the early months of the pandemic.

77. We are currently not clear which of these situations is more representative. We are aware that Colin Angel (Policy Director for the United Kingdom Homecare Association) described new packages of care as 'almost completely ceased'.

Most providers face going into red this winter without extra Covid social care funding, warns ADASS | Community Care

It was a relatively small sample (6 providers) and whilst we do have reports of a downturn, this was not being reported by all the respondents.

Question 5 … Other considerations

Reason for the question:

78. We were wanting to know what provider's main concerns currently are. Suggestions made included, (but was not limited to), their thoughts around:
    - ❖ The impact of Covid-19 on cashflow
    - ❖ The impact of Brexit … both in terms of additional costs and staff recruitment
    - ❖ the implications for care sector businesses of both a 'deal' or 'no deal' Brexit.
    - ❖ Their current recruitment situation … and whether the current (and impending) downturn in the economy and rising unemployment was helping their recruitment position.

What we found:

Impact on cashflow

79. It was not so much the additional costs but reduced income due to falling occupancy levels or available care packages that was impacting on cashflow.

The impact of Brexit

80. Many respondents identified that they have been reliant on staff from the European Union. There were indications by some that the impact of Brexit was already starting to be felt with fewer EU national applying for jobs. One provider reported that the majority of their existing EU staff had already returned to their home country or moved elsewhere within the block in order to work.

81. In their 2020 'The adult social care sector and workforce in South West' report, Skills for Care estimate that 9% (12,500 staff) are EU nationals.

South West (skillsforcare.org.uk)

82. Providers were not yet clear about the extent to which Brexit was going to affect their costs. We have avoided a 'no deal' exit from the EU which would have introduced a range of tariffs on imported goods. However, goods which are effectively 'passing through Europe' on the way to the UK where the value was added outside the EU are still subject to tariffs.

83. There are also early indications that as a consequence of increased bureaucracy and costs (in terms of guarantees to cover VAT or potential tariffs on arrival in Britain), EU hauliers and are increasingly turning their backs on UK business.
'Absolute carnage': EU hauliers reject UK jobs over Brexit rules | Politics | The Guardian

84. It is still very early days, but it is difficult to see how erecting bureaucratic barriers between ourselves and our nearest and biggest trading partner is going to do anything but increase costs. The question is more, in what areas and to what degree … and the answer to that hasn't really started to unfold.

Impact of the pandemic upon recruitment

85. Three providers said that they had had extra staff coming forward, although within this there were indication that this had had little impact on their ability to cover nights and weekends.

86. The majority of respondents stated that the downturn in the economy had not helped their recruitment situation at all and some stated that if anything the pandemic had made it even more difficult to recruit staff.

87. What is clear is that the recruitment crisis persists. What is unclear is whether this is because the media has portrayed care work as a high risk 'front line' activity or whether even when faced with unemployment, people would rather not work in social care. Potentially the situation is currently being masked by staff being furloughed rather than made redundant by their employers.

Question 6: Percentage of the workforce who will be 23 and 24 years old on 1st April 2021

Reason for the question:

88. We wanted to find out what % of 23 and 24 year olds made up their workforce as these staff would need to receive the full National Minimum / Living Wage from April 2021.

What we found:

89. There was no consistent figure given by respondents in terms of 23 and 24 year olds as a proportion of their workforce. However, the majority (although not all) of respondents said that they were already paying all their staff who were over 18 the full National Minimum / Living Wage as they were 'all doing the same job'.

Question 7 … Solutions, additional comments and information

Reason for the question:

90. We wanted to give providers the opportunity to make additional specific points in relation to the questions we asked and / or to offer their own solutions.

What we found:

91. There were no surprises here. The call was for funding to be sustained at levels that covered the actual costs of delivering care. This included a need to recognise the reality that in accommodation based services for older people, private clients are currently subsidising local authority funded placements.

92. As part of their response, providers were very clear that:
    a) staff deserve rates of pay that recognises and rewards the complex work they do and
    b) the sector needs to pay rates that enable it to recruit and retain the workforce that is required to meet the countries existing and growing demand for social care.

CONCLUSIONS AND RECOMMENDATIONS

93. When considering what we have concluded from this year's findings and any required response in relation to current cost pressures, there are a number of different elements to this which we will address separately.

94. Firstly, we will look at the basic components that would normally be considered as part of an annual uplift formula and the uplift this would generate.

95. Secondly, we will look at the elements that this does not address in terms of the ongoing recruitment crisis and the need to value our social care staff.

96. Thirdly, we will consider the cost impact of Covid-19 and given that each provider experiences these differently, what might be the best way to make sure that additional funding is targeted where it is needed and provided at the level that is needed to prevent providers being subject to unnecessary financial strain as a consequence of Covid-19 and creating further instability in an already 'teetering' marketplace.

BASIC ANNUAL UPLIFT

Increase in the National Minimum / Living Wage

97. We describe the government's National Living Wage as the National Minimum / Living Wage, because it is not a Living Wage. Instead, it is based on a target to reach 66% of median earnings by 2024.

98. The National Minimum / Living Wage is to increase by 2.2% from £8.72 to £8.91 an hour (or by £0.19). It will also be extended to include 23 and 24 year olds for the first time.

99. For 23 and 24 year olds who were on £8.20 an hour, this would equate to an increase of 71p (or 8.65%). However, the feedback we received from respondents was that (on the whole) they were already paying 23 and 24 year olds the full National Minimum / Living Wage.

100. The average monthly increase in RPI for the year April 2019 to March 2020 is 2.58%. The increase in CPI was 1.7% for the same period. We still use RPI as our inflationary index because it was replaced by CPI as the primary inflationary measure by the Government for political reasons.

101. We use an average figure for the whole of the previous financial year, rather than a specific month as that is a fairer and more accurate reflection of how providers actually experienced inflation.

102. However, to caveat this, our experience over more than a decade is that as a measure, even RPI does not effectively reflect the inflationary and additional costs that each year providers are required to absorb.

103. We also use a 70:30 split between staffing and non-staffing costs for residential services and a 85:15 split for domiciliary care services. Using these figures, we calculate that basic uplifts to maintain parity for these types of services should be:

- ((70 x 2.2%) + (30 x 2.58%))/100 = **2.314%** for residential services
- ((85 x 2.2%) + (15 x 2.58%))/100 = **2.257%** for domiciliary care services.

104. Our conclusion however that 'parity' in a scenario where providers are facing critical reductions in occupancy levels, an inability to recruit the staff they need and additional costs for which they are not able to receive additional funding, is something of a recipe for disaster. This would be the case in any situation but even more so in a situation where we have an aging population and our reliance on an effective social care system is known to be increasing.

VALUING SOCIAL CARE STAFF AND SUPPORTING THE SECTOR TO RECRUIT

105. The latest figures from Skills for Care in their October 2020 'State of the adult social care' report for the South West regions identifies that there have been 48,000 leaves (or a staff turnover of 35.8%) in the past 12 months. Whilst the Skills for Care report highlights that 69% of these remained in the sector, this means that the remaining 31% (or 14,880 of the 48,000 leavers) were lost from the sector.

106. The report highlights 9,700 (6.7%) vacancies for social care staff at any given time across the region. It also highlights 12,500 (9%) of the workforce being EU nationals.

107. That represents a high level of dependency on these workers and if they choose to leave the social care workforce, with the lack of take up from British workers and the stop to new workers coming from the EU nations to work in the United Kingdom due to Brexit, coupled with a steadily increasing demand for social care, it is currently difficult to see how an adequate social care workforce is going to be maintained unless it is made a significantly more attractive proposition.

108. In addition, the social care workforce is ageing. The Skills for Care report highlights that 26% of workers in the South West are aged 55 or above … and we also know that there are not sufficient young people coming forward to work in the sector to maintain existing staffing levels, never mind the levels required as the need for social care increases.

109. On top of these factors there is a 'call' both from within the sector and actually from beyond with initiatives like 'clap for carers' for social care staff to be better recognised. They have and continue to put themselves on the frontline and dedicate themselves to looking after and caring for societies most vulnerable loved ones … and the part they play is not being adequately rewarded financially.

110. Our view is that a positive step in the right direction, and a constructive message from both the government and society to the sector would be to fund social care at such a level that all front line staff in any accommodation based care setting by paying them a 'Real Living Wage'.

What is the real Living Wage? | Living Wage Foundation

111. The 2020/21 Real Living Wage figure announced in November 2020 for the UK (outside London) is £9.50 an hour and is an independently calculated figure based on what people need to get by.

112. This would equate to an increase of £0.78 (or 8.94%) on the government's current National Minimum / Living Wage figure of £8.72 an hour.

113. In order to achieve this, using the previous calculation, would require the following percentage annual uplift … ((70 x 8.94%) + (30 x 2.58%))/100 = **7.03%**

114. Many Domiciliary Care providers already pay about the current National Minimum / Living Wage because the nature of zero hour contracts, split shift patterns and a need to use your own vehicle make this a more difficult sector to

recruit to. A notable premium on top of the 'Real Living Wage' would therefore need to be maintained for Domiciliary Care staff.

STRATEGY FOR GETTING ADDITIONAL COVID-19 FUNDING WHERE IT IS NEEDED

115. In the Social Market Foundations (September 2020) report 'A market for residential care services' (page 15) it states:

'Research conducted by Laing Buisson, commissioned by the LGA and ADASS, calculated that the sector will face more than £6.6 billion in extra costs due to coronavirus, such as PPE, staffing and deep cleans, by the end of September 2020. Adult social care has had access to approximately half of the £3.2bn Emergency Funding to support the whole of local government's response to the pandemic, along with a £600m Infection Control Fund (£2.2bn total).19 It is clear that some of the financial burden associated with coronavirus will fall onto the owners of residential care homes and local authorities'.

A-market-for-residential-care-services-Sept-20.pdf (smf.co.uk)

116. What we were being told by the vast majority of our respondents is fully consistent with this. i.e. there is a significant shortfall. Even with the additional government funding they were still having to fund significant amounts of additional Covid-19 related expenses out of their own pocket … and this is without the impact of reduced occupancy or the availability of care packages being taken into account.

117. In their representation to the Health and Social Care Committee on 8th September 2020, James Bullion (President of ADASS) and Sarah Pickup (Deputy Chief Executive of the LGA) made some very useful points.

https://committees.parliament.uk/oralevidence/817/html/

118. One of these points made by James Bullion was that '*the recent infection control grant has been very welcome, but it has been very narrow in its limitation, mainly focused on staff sick pay and staff movement and not on the broader business costs that providers have faced'*.

This is absolutely consistent with what providers are telling us.

119. There is therefore a double whammy of both insufficient money being made available and restrictions being placed on the money that is being made available which is often resulting in providers not being able to utilise it for the things that they are needing to spend extra money on.

120. Our view that, if there was proper political understanding about the precarious financial situation facing the social care sector and the implications of this both now and for the future of provision, the solution is relatively straight forward.

121. There should be no restrictions on the things that additional funding can compensate for as long as the provider can evidence that they have incurred additional costs as a direct result of Covid-19.

122. There should be a comprehensive list grounded in the experience of providers in terms of where their additional Covid-19 related costs actually are. They should be required to submit evidence of their expenditure in these areas on a regular basis (say 3 monthly) and as long as the evidence is sufficient, these additional costs should be paid in full. In this way, a provider's 'actual additional costs' will be met … no more … no less … and that is the best way to mitigate against the impact of Covid-19, whatever that may be.

123. If the social care sector is going to receive the support that it needs, then this support will also need to cover lost revenue associated with reductions in occupancy beyond a certain level … because out of all the challenges they face, this is the most immediate threat to the viability of the sector.

124. The 3% Council Tax precept that local authorities are able to use to raise funding for social care will help and should be implemented. However, whilst this might enable annual uplifts to maintain 'parity' it will not extend far beyond that. It's not going to enable providers to start paying their staff a 'Real Living Wage' and it is not going to compensate providers for a 10% reduction in occupancy.

125. What this pandemic has taught those who were not aware already is that it is quite clear that central government rather than local authorities decide when finances are made available to the social care sector. Our view is that there should be far more accountability in relation to when they choose to make it available to health as opposed to social care. The pandemic has made it clear that both are equally central to the health of the nation so it is high time funding for social care reflected this fact.

LINKS TO REFERENCED ARTICLES AND PUBLICATIONS

Adult Social Care Funding (England) - House of Commons Library (parliament.uk)

The state of health care and adult social care in England 2019/20 (cqc.org.uk)

The state of the adult social care sector and workforce 2020 (skillsforcare.org.uk)

South West (skillsforcare.org.uk)

Temporary funding for adult social care providers during the COVID-19 crisis | Local Government Association

Most providers face going into red this winter without extra Covid social care funding, warns ADASS | Community Care

'Absolute carnage': EU hauliers reject UK jobs over Brexit rules | Politics | The Guardian

What is the real Living Wage? | Living Wage Foundation

A-market-for-residential-care-services-Sept-20.pdf (smf.co.uk)

https://committees.parliament.uk/oralevidence/817/html/

Appendix 1: Questionnaire relating to Cost Pressures for providers of adult social care services

Date:	
Type of service:	
Organisation (optional)**:**	
Service name (optional)**:**	

Commitment to your confidentiality and not sharing your information

All information obtained via this survey will be treated entirely confidentially. We are looking to establish and report on a general picture (with an evidence base to do this from) rather than the specific circumstances of any individual organisation or service.

The focus of this questionnaire is to help improve our understanding of the extent to which Covid-19 has impacted on both increased costs and any reduction in occupancy or care packages for providers of social care services.

Question 1 … additional costs as a direct result of Covid-19

Reason for the question: We want to develop a fuller understanding of the additional costs providers have incurred as a result of Covid-19 … i.e. the money you would not have spent if Covid-19 had not occurred. These can be direct expenditure such as additional PPE or more indirect expenditure such as increases in insurance premiums …

Area of expenditure	***Additional cost***
Total additional cost:	
Total additional cost as a % of income	

We are asking for your additional cost as a % of income figure as this is the most effective way of presenting this information in terms of the % uplift required.

Any comments:

Question 2 … additional support provided by Local Authorities in the first months of the pandemic

Reason for the question: We want to know whether your Local Authority used additional money from the Government to provide you with temporary additional funding in the first 2 to 3 months of the pandemic … April, May, June 2020) … and the extent to which this was sufficient to cover your additional costs.

Local Authority area	***Did they provide additional funding? (Yes / No)***	***The additional amount / proportion they provided***

Can you briefly tell us:

a) *if your local authority (or authorities) did not provide you with any additional temporary funding*
b) *if they did, whether it was sufficient to cover the additional Covid-19 related costs you were incurring at the time*
c) *the extent of any shortfall*

Question 3 … The usefulness of the Government's Infection Control grant to you

Reason for the question: We want to know the extent to which you were able to make use of the Government's Infection Control grant and whether you found its focus on managing staff sickness and minimising staff movement to be 'sufficient' or 'too narrow'. If they are going to make more money available, is it more helpful in enabling you to meet your additional costs if you can decide how you spend it or whether that is determined by the government.

If you accessed the Government's Infection Control grant, were you able to use the money you received to cover additional costs that you knew you had been accruing?

or

Did you use the Infection Control grant money to support staff or invest in infrastructure in ways that you wouldn't have done without it?

A brief summary of how you used the Infection Control grant would be useful here:

Question 4 …. Occupancy rates … or Care Packages taken on

Reason for the question: We want to understand whether Covid-19 has affected your occupancy rates (if you provide accommodation as part of your service) or the amount of care packages you have been asked to take on (if you are a domiciliary care provider).

Services with accommodation

Service type	Occupancy rate 1st April 2019 – 31st March 2020	Occupancy rate from 1st April 2020

Domiciliary Care services

Service type	Average weekly hours delivered 1st April 2019 – 31st March 2020	Average weekly hours delivered from 1st April 2020
Dom Care		

A brief summary of the impact of Covid-19 on your occupancy rates or the availability of Care Packages (if you are a Dom Care provider) would be useful here:

Question 5 … Other considerations

Reason for the question: We are wanting to know what your current main concerns are. Please use this space to share these with us. These could include, (but are not limited), your thoughts around:

- The impact of Covid-19 on your cashflow
- Brexit … the implications for your business of both a 'deal' or 'no deal' Brexit.
- Your current recruitment situation … is the current (and impending) situation re. the economy and job losses helping your recruitment position

Question 6 … % of your workforce who will be 23 or 24 years old on 1st April 2021

Reason for the question: We are asking this question because these staff will need to receive the full National Minimum / Living Wage from April 2021.

Percentage of your staff team who will be 23 or 24 years old on 1st April 2021	

Any comments:

Question 7 … Solutions, additional comments and information

If there are any specific points relating to the questions above or further factors you feel we should be aware of when making representation on behalf of providers to local authorities then please include these below.

Thank you for taking the time to complete this Cost Pressures questionnaire. Please can you return it to mik.alban@careandsupportwest.com by Friday 8th January 2021.