Adult Social Care sector

Cost Pressures representation for the financial year 2020/21

Report written by:

Mik Alban (Development Director)

January 2020

INTRODUCTION

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

RATIONALE AND METHODOLOGY

2. As we did with our last Cost Pressures report two years ago, we have sought to make this year's Cost Pressures exercise as consultative as possible. We sent out a questionnaire (Appendix 1) to 65 different organisations so that we could base our report on feedback about what is actually going on for them. The response rate to our questionnaire was around 30%.

3. We used our Cost Pressures questionnaire to try and get an understanding from providers in relation to:
   a) The rates of pay they are paying their frontline staff
   b) Pay differentials between job roles
   c) The percentage of their budgets spent on staff wages compared with non wage costs
   d) The percentage of staff who remain 'auto enrolled' on their pension scheme
   e) Staff retention and turnover (and influencing factors)
   f) Staff vacancy rates
   g) Inflationary pressures and additional costs
   h) Occupancy levels
   i) Sleep in rates paid by local authorities.

FINDINGS : PROVIDERS' RESPONSES TO OUR QUESTIONNAIRE

4. What was clear from the responses was the uniqueness of each providers individual set up and circumstances. No two providers are exactly the same and at times there can be notable levels of variation. In this report we have sought to not include figures if they appeared to be particularly 'outlying'. The focus of the report is to highlight a more typical picture and to potentially provide explanations for variations where these are apparent.

a) ***Details of pay rates for front line staff***

<u>*Reason for the question*</u>:

5. To establish what the impact of increases in the National Minimum / Living Wage (NM/LW) has had on the rates providers have had to pay their frontline staff.

<u>*What we found*</u>**:**

6. From April 2019, all the providers who responded increased the rates they were paying to their frontline care and support staff. Often this was in line with the increase of the NM/LW from £7.83 to £8.21 which was an increase of 4.8%.

7. Respondents indicated that they had been increasing the rates they paid their front line staff pretty much in line with the increases in the National Minimum/Living Wage year on year.

8. 55% of respondents identified current rates of pay at or within 3.5% above the current NM/LW of £8.21 an hour, i.e. £8.50 an hour or below. Where they were able to, some respondents were paying rates above this; the highest hourly rate cited was £9.00 an hour.

9. The higher hourly rates were generally being paid by organisations with a higher proportion of private clients. The reason cited for paying higher rates was the need to attract and retain staff.

10. None of the respondents were paying a rate at or above the current Actual Living Wage, calculated by the Living Wage Foundation to cover the actual cost of living, of £9.30 an hour outside of London. (https://www.livingwage.org.uk/)

<u>*Going forward:*</u>

11. From April 2020, The National Minimum / Living Wage will rise again. For people of 25 and over, it will rise by 6.2% to £8.72 an hour. The rate for people between 21 and 24 will rise by 6.5% to £8.20.

12. Yet again, providers are going to have to respond to these increases from April 2020 by increasing the rates they pay their staff. Only four of our respondents were currently paying a rate above the incoming rate of £8.72 an hour.

Pay differentials between job roles

<u>*Reason for the question*</u>:

13. To establish how the increase in the NM/LW was impacting on providers' need to maintain pay differentials between roles and maintain a viable pay structure.

<u>What we found</u>:

14. The picture was mixed. Some providers (22%) just maintained the pay differential year on year between their frontline staff and their senior carers or support workers. 39% had seen this differential decrease and 39% had managed to increase it slightly. The providers that had increased it, tended to be either those who were delivering higher cost learning disability / mental health services or (for older people's services) that had a higher proportion of private clients.

15. We also looked at the pay differential between frontline carers / support workers and unit / service managers. 57% of respondents actually reported an increase in the pay differential for these roles as they sought to set rates for these managers that adequately reflected the level of work and responsibility associated with the role.

16. Although it wasn't specifically mentioned by respondents, we are aware that there are shortages of both Registered Managers and Registered Nurses within the sector and that providers have had to increase the rates they pay to attract people into these roles.

Split of costs between staffing and non-staffing costs

<u>Reason for the question</u>:

17. To establish how providers' costs were split between staffing and non-staffing costs.

<u>What we found</u>:

18. The split between staffing and non-staffing costs did vary between providers, but on average, for residential services it was in the region of:
    - 70% staffing costs
    - 30% non-staffing costs.

19. Where there was notable variation from this split, it may well have related to the degree to which providers had property repayment costs.

20. For Domiciliary Care services, the split between staffing and non-staffing costs was more along the lines of:
    - 85% staffing costs
    - 15% non-staffing costs.

21. A comparison with our 2018/19 Cost Pressures report indicates that the percentage of a provider's costs spent on staffing may be increasing. This is quite likely as although both staffing and non-staffing costs are rising, the impact of increases in the National Minimum / Living Wage … 4.4% (April 2018), 4.8% (April

2019) and soon to be 6.2% (April 2020) and their knock-on effect on rates paid to more senior staff, is resulting in a greater proportion of a provider's costs being spent on staff wages.

Percentage of staff auto enrolled on your pension scheme

Reason for the question:

22. To establish the percentage of staff who remain auto enrolled on a provider's company pension scheme.

What we found:

23. Among respondents the average percentage of staff that remain auto enrolled on their pension scheme was 80.71%. There was some variation. A third of respondents reported a pension take up by staff of 90%+.

24. The percentage of staff that remain auto enrolled on these pension schemes is high and therefore most providers will have 'felt' the majority of the 1% increase in employer contributions every time this happened.

25. It was highlighted that the main group of staff that opted out of these pension schemes were staff who were at or approaching retirement age.

Staff retention and turnover

Reason for the question:

26. To establish the degree of staff turnover that providers were experiencing.

What we found:

27. The average percentage staff turnover reported by respondents was 28.1%. Some providers seemed to do very well and experience very low staff turnover. However, a third of respondents cited a staff turnover last year of over 30%.

28. 28.1% was not an atypical level of turnover and is reasonably consistent with the figure of 30.8% that Skills for Care cite in their September 2019 'State of the adult social care sector and workforce in England' report.

29. Those providers who appeared to currently be doing significantly better, cited either having well established staff teams or putting a lot of effort (and money) into incentivising staff to stay.

30. We asked providers what the top 3 reasons were that they struggled to recruit staff. The following is a summary of their responses 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 the 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.

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

32. Other reasons cited were that some people can only work 16 hours in order to keep their benefits and the fact that some people can only work school hours.

33. We also asked providers what the top 3 reasons staff gave for leaving. The following is a summary of their responses with the most frequently cited reason at the top:
a) Pay rates; staff often moved either to another care job or outside the sector for a better rate of pay
b) Moving away from the area including back to their home EU country
c) Working conditions and the antisocial nature of the hours. This included being perpetually short staffed and being regularly asked to work extra hours
d) The difficult nature of the work
e) Personal or family reasons or change of circumstances
f) Career progression
g) People not liking the work / not wanting to stay. In these situations, staff would leave soon after starting and not complete their probation period.

34. Dom care staff also cited the fact that they didn't like having to move around between clients and use their own car to do so.

The implications of Brexit

35. It is worth noting that in their September 2019 'The state of the adult social care sector and workforce in England' report, Skills for Care highlight that the proportion of EU workers working in social care rose by three percent between

2012/13 and 2018/19 and that the proportion of non EU workers decreased by the same amount during that time period.

36. The Skills for Care report highlights that around 83% of the adult social care workforce is British, with 8% having an EU nationality and 9% a non-EU nationality. Approximately 17% of the workforce (or 249,000 jobs).

Staff vacancy rates

Reason for the question:

37. To establish the degree to which providers felt they were 'fully staffed'.

What we found:

38. In terms of staff vacancy rates, all the providers that responded indicated that they had vacancies for front line staff. A significant proportion of these were for extended periods of time (3 months or more). A good number of providers stated that they always had staff vacancies and whilst the extent of this fluctuated, they were continually in need of more staff.

39. In their September 2019 'State of the adult social care sector and workforce in England' report, Skills for Care estimate that 7.8% of roles in adult social care are vacant at any one time. They also indicated that staff vacancy rates have increased by 2.3% between 2012/13 and 2018/19.

40. Whilst we don't have data in the same way that Skills for Care do, what we were told by respondents in terms of persistent staff vacancies is consistent with Skills for Care's findings.

41. We have a situation currently where the demand for adult social care is increasing year on year whilst the sector's ability to recruit and retain the staff it needs is decreasing.

42. A concern raised by one respondent was the impact on continued vacancy levels on the use of agency staff as these have both a disproportionate impact on staffing costs as well as inconsistencies in the quality of care.

43. Whilst some respondents reported vacancies at higher levels, no one within the sample group highlighted this as a particular problem.

44. As previously stated, a number of respondents reported increasing the rates they pay more senior staff in an attempt to recruit and retain them. The Skills for Care report puts the vacancy rate amongst Registered Managers at 11.4%, but this wasn't reflected in our particular study.

Inflationary and additional costs

Reason for the question:

45. To establish the nature and degree of cost pressures experienced by providers in relation to non-staffing costs and the extent to which these exceeded recognised inflationary indices such as RPI or CPI. We asked people to provide us with figures for April 2018 to March 2019 and post April 2019.
46. The percentage increase in RPI for the 12 months from April 2018 to March 2019 was 3.06%. The corresponding percentage increase for CPI was 2.27%.

47. The percentage increase in RPI for the 8 months from April – November 2019 is running at 2.62% and CPI is running at 1.77% for the same time period.

What we found:

48. It was clear from the responses that providers experience the impact of inflationary and additional costs differently. The following is a list of cost areas that respondents identified as representing increased costs which are over and above recognised rates of inflation (sometimes significantly so). Not all providers experienced above inflation cost increases in all these areas and when providers did experience a cost increase in a given area, they would generally experience it to different degrees.
    - Insurances – these continue to rise at above inflation rates
    - Training- ongoing responsibilities for providers to ensure their staff are adequately trained
    - IT systems - some providers are investing (quite heavily) in electronic systems to improve the quality of their services … CQC are encouraging this but it represents an additional cost for providers
    - CQC fees- these have gone up above the rate of inflation since April 2018
    - Utilities - a number of providers highlighted significant increases in their utility costs. Some of these increases were running at over 10%. This maybe because old capped deals had expired, and the provider then had to negotiate a new tariff. In their 2019 Care Homes Trading Review report, Knight Frank cite an annual increase in utility costs of 7.3%
    - Recruitment - gone are the days when if they were short staffed, a provider would periodically put an advert in the local paper. Providers are reporting that staff recruitment is an ongoing requirement and an ongoing cost. One respondent highlighted the use of Perkbox as a staff incentive scheme. Whilst they also reported that this was having a positive effect on staff retention, this came at a notable cost
    - Maintenance
    - Waste collection
    - Equipment leasing

- ❖ Food and consumables. In their 2019 Care Homes Trading Review report, Knight Frank cite an annual increase in utility costs of 8%.

49. The reality is that providers experience inflation and additional costs differently. There was however a consistent picture where a combination of inflation and ongoing investment to make necessary service improvements and meet required standards is resulting in non-wage costs for many providers running consistently above recognised measures of inflation.

Occupancy rates (for accommodation based services)

Reason for the question:

50. To establish what typical occupancy levels were for accommodation based services. We wanted to also understand the degree to which this varied between service types.

What we found:

Service type	Occupancy rate (2018/19)	From April 2019
Older People (residential)	91.36%	93.77%
LD / MH (Residential)	96%	95.75%
Learning Disability / Mental Health (Supported Living)	89.22%	90.18%

51. In relation to residential services for Older People, Knight Frank cite (in their 2019 Care Homes Trading Review report), average occupancy rates of 89.4% for 2017/18 and 88.9% for 2018/19. The figures provided by respondents averaged slightly above these.

52. We don't have comparable figures for services with accommodation for people with learning disabilities or mental health support needs, but the responses we got indicated higher average occupancy levels in Registered Care services compared to Supported Living.

53. Whilst we are (more generally) aware of some individual providers who are struggling to achieve the occupancy levels they need, the respondents to the questionnaire were not flagging occupancy levels as a current concern.

Sleep ins and the National Minimum Wage

Reason for the question:

54. To establish whether local authorities are recognising sleep ins as working time.

What we found:

55. There weren't many respondents who provided sleep ins. Two respondents indicated that they had moved from sleep ins to waking nights as, at the time, the relevant local authorities were paying sleep in rates well below that required to meet minimum wage requirements.

56. Although the requirement to pay the National Minimum / Living Wage for each hour of a sleep in has been lifted, unless the staff member is expected to work for most of it, the feedback we received was that local authorities have raised their sleep in rates significantly. The fact that paying the NM/LW for sleep ins was an expectation, the HMRC guidance in relation to this and the launch of the Social Care Compliance Scheme has meant that providers have moved to a position where they had to (and currently continue to) pay sleep ins at the NM/LW.

CONCLUSIONS

The impact of the forthcoming increase in the National Minimum/Living Wage

57. The incoming 6.2% increase in the National Minimum/Living Wage will affect providers in terms of what they will need to pay their front line staff and it will also result in providers raising the rates they pay to more senior staff in order to maintain viable pay differentials between roles. This percentage increase is therefore likely to affect the total wage bill.

The impact of this within the context of previous increases in the National Minimum/Living Wage and corresponding annual uplifts awarded by local authorities

58. As percentages the increase in the National Minimum/Living Wage have been:

- 7.46% in April 2016
- 4.16% in April 2017
- 4.4% in April 2018
- 4.85% in April 2019.

Providers have had to raise the rates they pay their front line staff (and maintain differentials between more senior levels of staff), pretty much in line with these increases in the National Minimum/Living wage, year on year. The question we have is, to what degree did the uplifts awarded by the local authority at the time reflect this?

59. Where uplift formulae are being applied that reflect 70% public sector pay increases : 30% recognised inflationary measure such as RPI, the public sector pay increases were nowhere near the percentage figures identified here and so these formula are not fit for purpose in this set of circumstances.

The cumulative impact of the statutory requirement to make employer pension contributions

60. Unless a provider has a disproportionately high number of its staff team at or near retirement age, the likelihood is that they will have high levels of uptake on their pension scheme. The 3% employer contribution has been phased in over a number of years and is now ‘in place’.

61. Our findings were that staff take up of these schemes averaged at just under 81%. The cumulative impact for providers of making these employer contributions is therefore likely to be in the region of 2.43% of their wage bill (for some it will be more) and this is now an ongoing commitment.

62. If this level of impact has been factored into local authority annual uplifts each time the increases in employer pension contributions were being phased in, then this statutory requirement is covered. If not, there is an ongoing shortfall.

Split between staffing and non-staffing costs

63. Although the split between staffing and non-staffing costs varies between providers, on average, for residential services it was in the region of:
    - 70% staffing costs
    - 30% non-staffing costs.

64. For Domiciliary Care services, this split was more along the lines of:
    - 85% staffing costs
    - 15% non-staffing costs.

65. There are indications that the percentage of a provider’s costs spent on staffing may be increasing as wage related costs associated with increases in the National Minimum/Living Wage are rising at a faster rate than non-wage costs associated with inflation and delivering effective regulatory compliant services.

Cost pressures associated with inflation and ‘additional’ non-wage costs

66. It is difficult to accurately assess the impact of inflationary and additional costs on a provider, but our (conservative) estimate is that providers are likely to experience an increase in the region of at least 3% for these non-staffing costs. We will use this figure in the next set of calculations.

The C&SW view on what the 2020/21 annual uplift should be to maintain 'parity'

67. Taking all this into account, our view is that in order to maintain 'parity', providers of residential services are going to require an annual uplift for 2020/21 of:
    ((70 x 6.2%) + (30 x 3%))/100
    = 5.24%.

68. For Dom Care services with closer to an 85:15 split between staffing and non-staffing costs, this figure would need to be more in the region of:
    ((85 x 6.2%) + (15 x 3%))/100
    = 5.72%.

The staffing 'shortfall'

69. These increases will only maintain 'parity'. They will not address the very real concern that with an aging population the demand for care services is going to increase. As it stands, with staff vacancy rates running at 7.8% nationally, the sector is unable to recruit and retain the staff it needs to meet existing commitments.

70. Across all sectors, the average staff retention rate nationally is 90%, equating to 10% staff turnover. Whilst there is variation in staff turnover between different sectors, our figure of 28.1% (and Skills for Care's figure of 30.8%) are three times the national average.

71. A combination of the fact that young people are reluctant to choose care as a career and that the sector is heavily reliant on non UK nationals (from inside and outside the EU), whose ability to work here may well be curtailed by new freedom of movement restrictions as a result of Brexit, means that a difficult staff recruitment situation is likely to get considerably worse.

72. This is not the responsibility of the local authority, but it is an area we would like to liaise closely with you around, because it has significant implications for both providers and commissioners of services.

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 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.

If you are not able to answer a particular question then don't worry. Please just try and provide us with as much information as you can. It is more useful to us to have the questionnaire returned with some gaps rather than not returned at all.

1) *Details of pay rates for front line staff since 1st April 2016*

Reason for the question: We are trying establish whether historically:

a) providers have paid their front line staff at or around the National Minimum Wage and have had to increase their pay rates year on year to keep pace with the NMW, or
b) whether providers have paid front line staff more than the NMW and whether they have been able to maintain this pay advantage over time or they are seeing it being eroded.

Year from	National Minimum / Living Wage (per hour)	Your basic rate of pay for front line workers (per hour)
April 2019	£8.21 (25 and over)	
April 2018	**£7.83** (25 and over)	
April 2017	**£7.50** (25 and over)	
April 2016	**£7.20** (25 and over)	

We would also welcome any brief summary or comments on the increase in the NMW and your ability to keep pace with these.

2) Sleep ins and the National Minimum Wage

You only need to answer this question if you are providing sleep ins.

Reason for the question: We are trying to establish whether local authorities are recognising sleep ins as working time.

In relation to the four local authorities in our area, please tell us the rate they currently pay you for a sleep in and how long (how many hours) a sleep in is. (Usually either 8 or 9 hours).

Local Authority	Service type	Rate the LA currently pays you for a sleep in	SI = hours per night
B&NES	Registered Care		
	Supported Living		
Bristol	Registered Care		
	Supported Living		
North Somerset	Registered Care		
	Supported Living		
South Glos	Registered Care		
	Supported Living		

We would also welcome any additional comments on the rates you receive from local authorities for sleep ins and the impact this has had on your ability to meet NMW wage requirements. For example. a statement identifying any additional cost you have had to incur for both the current financial year (2016/17) and the previous financial year (2015/16) in order to ensure overall NMW compliance when sleep ins are included would be helpful information.

3) Pay differentials (differences) between job roles

Reason for the question: Have you been able to maintain the pay difference between staff with different levels of responsibility since the increase in the NMW (to £7.20 an hour from April 2016) or, have your rates become squeezed? If so, by how much?

If the role titles are wrong for your service then change them. We are trying to get a sense of whether or not rates of pay have become squeezed for the first four 'levels of responsibility'.

	Hourly rates		
Role	**2017/18 rate**	**2018/19 rate**	**2019/20 rate**
Front line Carer / Support Worker			
Senior Carer / Support Worker			
Team Leader / Deputy Manager			
Unit / Service Manager			

We would also welcome any further comments on the impact of increases in the NMW and your ability to maintain pay differentials between staff with different levels of responsibility.

4) Staff vacancy rates

Reason for the question:
The responsibilities of local authorities extend beyond ensuring that providers are at least compliant with National Minimum Wage requirements to encouraging a workforce that effectively underpins the market.

We know however that staff recruitment is a real issue for the sector. We want to get a brief but clear picture of what that issue actually looks like for you and what you believe the reasons for it might be.

	Since 1st April 2019	
Role	**How many positions vacant**	**No of weeks vacant for**
Front line Carer / Support Worker		
Senior Carer / Support Worker		
Team Leader / Deputy Manager		
Unit / Service Manager		
Other (please specify)		

If you are struggling to recruit the staff you need, what do you believe are the 3 key reasons for this.

	Reason
1	
2	
3	

We would also welcome any further comments which would help us to be able to report on the extent of the staff recruitment problem and the reasons for it.

5) Percentage of staff auto enrolled on your pension scheme

Reason for the question:
Our experience is that Local Authorities often under estimate the percentage of staff that auto enrol on pension schemes and a consequence don't provide baseline fees or annual uplifts that properly reflect this. We therefore want to get a 'fuller feel' of actually what proportion of your staff are signed up.

Percentage of your staff auto enrolled on your pension scheme?	

Any further comments:

6) Staff retention and turnover

Reason for the question:
We are trying to establish how effective organisations and services are at keeping their staff once they have them. Staff turnover is the recognised measure of this and is calculated by dividing the number of people present at the beginning of a given time period by the number of people who have left during that time period.

Even if you don't have official staff turnover figures, some indication of how successful you feel you are at retaining the staff you recruit and the reasons staff give for leaving would be helpful.

	Staff turnover rates (as a %)	
Role	**1st April 2017 – 31st March 2018**	**1st April 2018 – 31st March 2019**
Front line Carer / Support Worker		
Registered Manager		
Registered Nurse (if applicable)		

Top 3 reasons staff give for leaving.

	Reason
1	
2	
3	

Any further comments:

7) *Inflationary and additional costs*

Reason for the question:
We have argued historically that providers should at the very least receive an annual uplift that enables them to cover costs associated with inflation. However, inflationary indices such as RPI and CPI are aggregated baskets of goods and services and providers can find themselves spending disproportionately more on items that drive these indices up rather than those that hold them down. Historically examples have included disproportionately high spending on fuel, electricity and food.

In addition, providers have costs which are not included in these indices and which at times run above the rate of inflation. Historically examples have included training, insurance and investing in systems to meet CQC requirements.

It is therefore useful to have a detailed breakdown of what your cost pressures are which either exceed the baseline rate of inflation and / or sit outside the standard measures for these, so that we can make the case to the local authorities.

If you do have costs that you believe are serving to push the cost of delivering your service over and above the rate of inflation then please enter these below:

Cost item	% increase in cost 1st April 2018 – 31st March 2019	% increase in cost since 1st April 2019

8) *Percentage of your budget spent on staff wages and on non wage costs*

Reason for the question:
Typically, organisations spend around 65 – 70% of their budget on staff wages and 30 – 35% on non staffing (or hotel) costs although these proportions are different for different types of services and for different organisations. Having a clear understanding of the proportion (percentage) of your budget that is spent on these non staffing costs helps us evidence base our representation in relation to this issue.

	% of budget spent on
Staffing costs (staff wages)	
Non staffing costs (hotel costs)	

9) *Occupancy rates (for accommodation based services)*

Reason for the question:
The rates you receive only 'work' if your service is running at close to full occupancy. Having a clear and accurate understanding of actual occupancy rates for different service types is therefore an important part of the discussion we need to be having with your local authorities.

	Average occupancy rates (%)	
Service	**April 18 – March 19**	**From April 19**

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 6th December 2019.