Appendix 1: Market and Provider Consultation Analysis Informing the Fee Proposal for 2020–2021

Market and Provider Consultation Analysis Informing the Fee Proposal for 2020–2021	
1.	**Introduction:**
	The Council's commissioning service has consulted with affected providers of older adults care homes, supported living and homecare providers as well as learning disabilities complex needs residential care homes about the Council's fee rates for next financial year (2020-21). The following report sets out the approach to consultation with each sector, the feedback received and the Council's consideration of the key themes and issues raised. This is summarised at Section 3 of the main Cabinet Report and informs the recommended increase in the fee rates. Each sector is analysed and considered against the following headings to inform a final proposal for fee rate increase for each sector as summarised in the Cabinet Report. • Background • Market Analysis • Consultation Process • Consultation Response • Consultation Feedback • Analysis of Feedback • Fee Rate Model • Additional Support • Fee Rate Proposal
2.	**Older Adult Nursing and Residential Care Homes**
2.1	**Background:** Sheffield City Council is committed to ensuring that diverse, sustainable and quality social care is available to meet the needs of people in Sheffield. Older Adult Care Homes are a key part of social care provision in the city and each year we consult with our providers to better understand the challenges they face and the support they need.

2.2.1	**Older Adult Care Home Market Analysis:** The care home providers range from small, long established operators with a single care home in a converted property, to large national organisations that run many purpose-built care homes – typically focused on areas of the city where land costs are lower. Approximately 36% of the current care homes in Sheffield are operated by large national or regional organisations; however there are a growing number of more local organisations who have multiple care home ownership. Such a diverse range of ownership brings with it different business models and cost structures: some providers operate with significant debts whereas others may have very little. National providers can cross-subsidise their homes to manage local variations in demand and profitability and are able to exploit economies of scale. There is increased competition for self-funders in recent years through new developments aimed specifically at this market. This has impacted, anecdotally, on providers who historically managed a 'mixed economy' of residents. The variation in business models, costs and business practices was highlighted in the wide variety of costings that were submitted by providers during the consultation process – this is described in the consultation section below. Given that one size does not fit all in this provider market the Council seeks, through ongoing market management, quality monitoring and engagement with business owners, to assure itself that there is optimal occupancy, diversity of provision and stability across the market whilst acknowledging that there is wide variation of costs and practices encompassed within the 'standard rate' market. The Council's Commissioning, Quality and Contracts service works closely with care home managers to understand the service delivery pressures and challenges they face on an ongoing basis through twice (minimum) annual monitoring visits and more regular support, quality and business development where a provider requires this. The service undertakes an annual survey with all our providers which consistently reports the positive relationship the service has with care homes in the city. Over the past year two homes have closed and one has opened with a net loss of 13 nursing beds. This means that at the end of December 2019 there were 75 independent care homes for older adults in the city providing 2991 beds in total.
2.2.2	**Demand for Older Adult Care Homes:** People living in care homes are often aged 85+ and are likely to be frailer and have greater care needs than in previous decades. In 2019 there were 13,000 people in Sheffield over 85 and this is expected to rise steeply bringing the population of 85+ age group to over 21,000 by 2035. Although people are older and frailer when they enter a care home, their length of stay still varies but national evidence suggests it is just over 2 years in residential

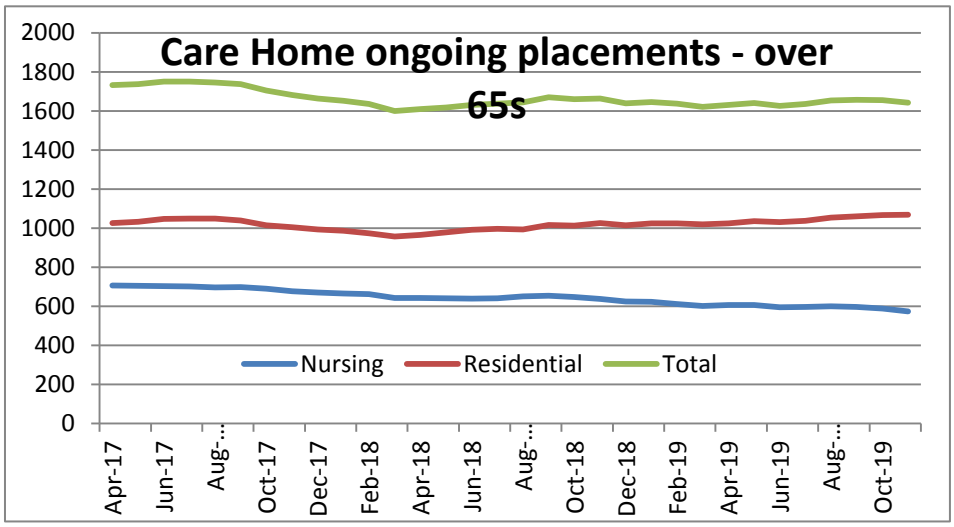
and around 13 months in nursing. Many access care later in life after a spell in hospital or intermediate care hence their needs may be greater as a result (**Source POPPI (Projecting Older People Population Information system).**

The overall number of people in care homes has been fairly stable since the start of 18/19, although there has been a rise in the number of people in residential care which has been netted off by a similar reduction of people in nursing care. There is a slight upward trend which falls each winter (18/19 was a much milder winter than 17/18).

Even though the total numbers have only increased slightly since March 2018 (from 1600 to 1642 at the end of November 2019), there is an underlying trend of an increase in residential care and a decrease in nursing care.

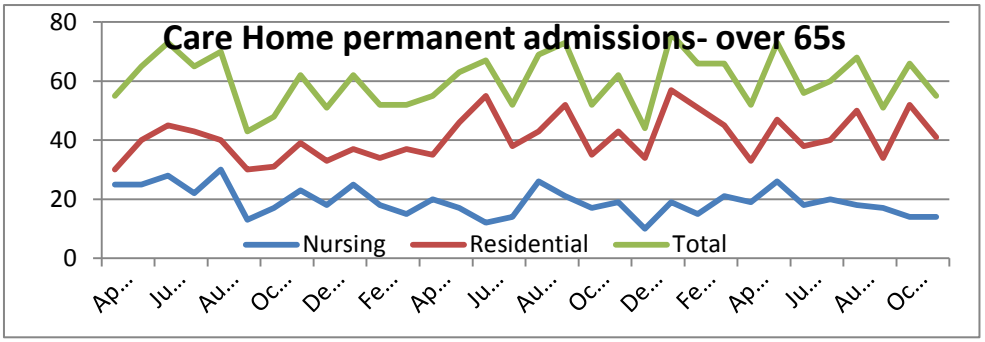
While admission numbers to care homes appear quite volatile each month, the rolling 12 month trend shows it is fairly stable at between 726 and 745 a year during the period to March 2019 (i.e. 2018/19) and the 12 months to November 2019. Although admissions have risen since 2017/18, the increase is less than 50 per year in total (about 7%). The milder winter of 2019/19 saw a lower rate of placement ends (due to death) than the previous colder winter. The recent placement end figures are similar to the recent admissions, which is why the snapshot number of placements is fairly stable.

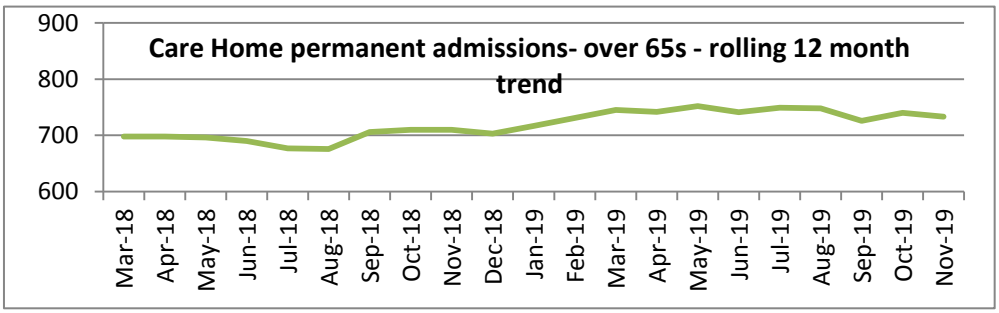
Ongoing Placements



- Total placements have been pretty stable since the start of 18/19. There is a slight upward trend which falls each winter (18/19 was a much milder winter than 17/18).
- Even though the total numbers have only increased slightly since March 2018 (from 1600 to 1642 at the end of November 2019), there is an underlying trend of an increase in residential care and a decrease in nursing care.

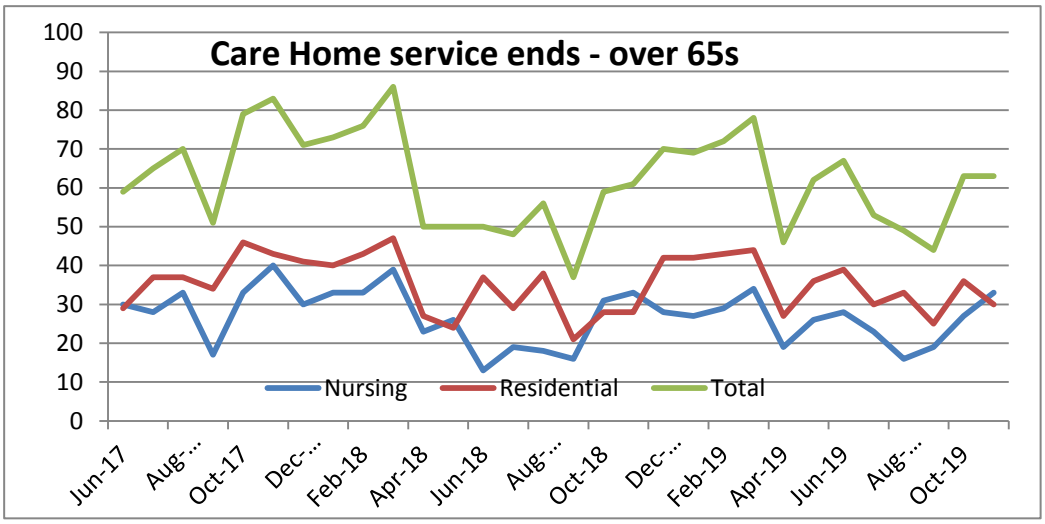
Admissions

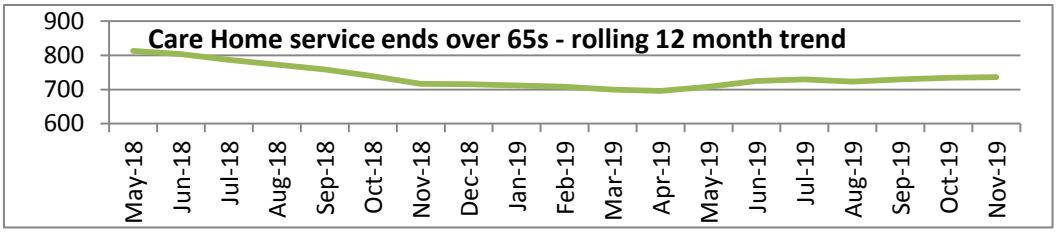




- Admission numbers fluctuate each month. However, the rolling 12 month trend shows it is fairly stable at between 726 and 745 a year during the period to March 2019 (ie 18/19) and the 12 months to Nov 2019.
- Although admissions have risen since 2017/18, the increase is less than 50 per year in total (about 7%).
- Q2 2019/20 saw 734 admissions and 2018/19 was 745 admissions compared to 698 admissions in 2017/18.

Service ends





- 80% of care home service ends are as a result of end of life. The other main reason is due to the 12 week disregard period ending which registers a change to the placement administratively.

- The winter 2017/18 effect can be seen in the first graph and is higher than the milder winter of 2018/19.

- The recent ends are similar to the recent admissions, which is why the snapshot number of placements is fairly stable.

2.2.3 **Older Adult Care Homes: Third Party Contributions**

Third party payments, also known as 'top ups', are an additional amount that is charged by the care home and paid, usually by the family, to 'top up' the fee rate over and above the Council's standard rate. This is separate to any client contribution (which is based on the resident's financial assessment). We have recently conducted a survey of third party payments across the city. The minimum top-up is £1.66/wk, the highest £616.85, the average is £134.10. The graph below illustrates that the majority of homes charge less than £50 per week with 27% charging £0-£10 per week.

Charging 'top ups' is not new in the sector and the Council is not aware of providers significantly increasing these in recent years. While the use of top ups suggests that providers are seeking to subsidise the standard fee rate it is difficult to assess this with certainty as top ups are also linked to additional

levels of service and the costs of providing these are not disaggregated from overall costs.

The Council does not believe that the distribution of top ups suggests that this is significantly subsidising the standard rate and services. The Council's plans to move to paying providers gross instead of net will include the payment of third party contributions / top ups and enable the Council to better monitor the level and prevalence of these over time.

Occupancy of Older Adult Care Homes

Although the market in the city has remained relatively stable in terms of bed numbers in the last 12 months, there have been some fluctuations in occupancy. At times there has been significant demand for places especially during winter periods, at other times there have been high levels of vacancies leading to some significant viability issues where providers have more than 10% of their beds empty . This has led a number of providers to review their business planning and we are aware some will change beds from nursing to residential.

Average is relatively stable in recent years although there is some seasonal variation. The table below shows occupancy comparison over time with annual data taken at the end of March each year.

	Nursing	**Residential**
	% Occupancy	**% Occupancy**
Sheffield November 2019	90%	92%
Sheffield 2018/19	83.5%	91%

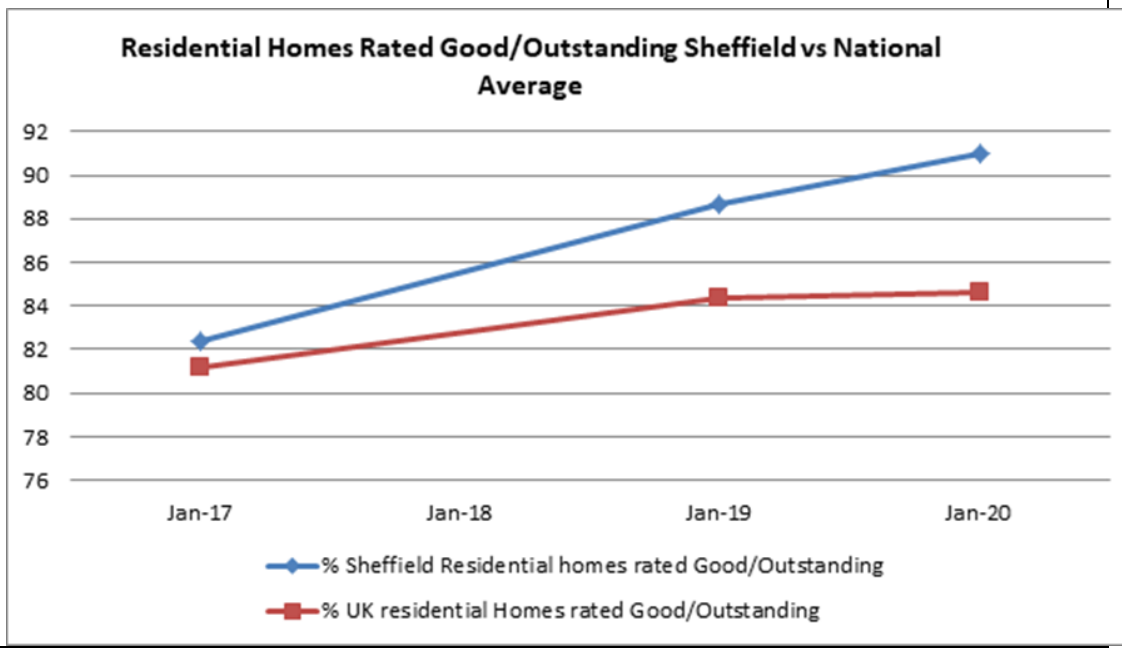
Sheffield 2017/18	93.6%	90.6%
Sheffield 2016/17	92.5%	93%
Sheffield 2015/16	92.5%	92%
Sheffield 2014/15	87.53%	88.57%
Sheffield 2013/14	83.00%	86.70%
Sheffield 2012/13	90.10%	88.30%

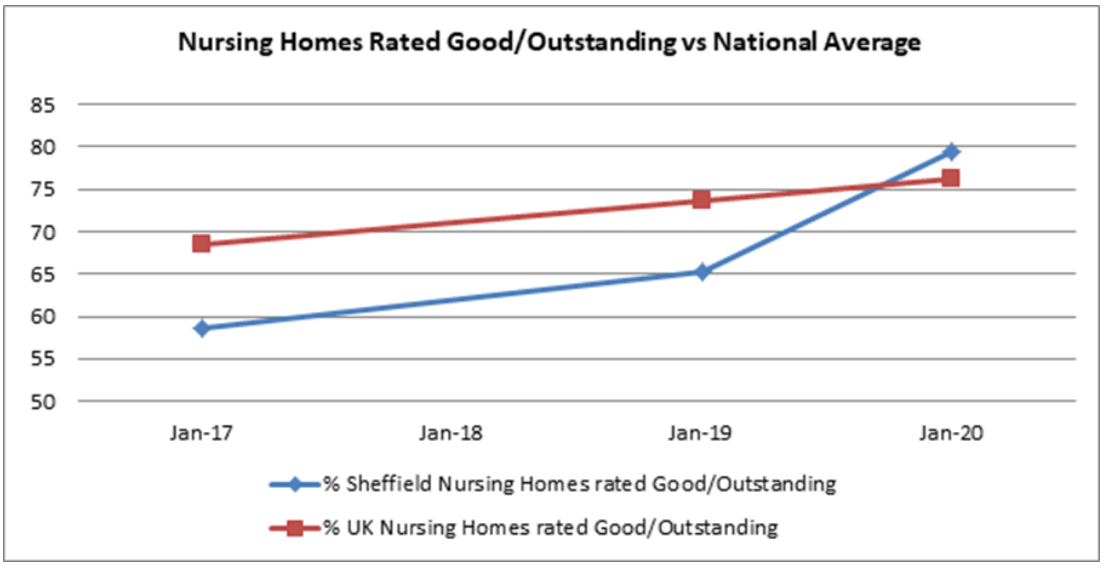
2.2.4 **Quality of Older Adult Care Home Provision:**

The overall good quality of care homes in Sheffield has remained stable over the past year. Recent CQC data shows that Sheffield, in common with all regions in North East and Yorkshire, has seen an improvement in CQC ratings in adult social care.

The Council's Commissioning Quality and Contracts team visits every care home at least twice a year to undertake our own monitoring of quality and risk. This is undertaken jointly where appropriate with the CCG and Infection Prevention and Control. Where issues are identified through this process or via other information (whistle blowing, safeguarding, feedback from families, professionals or CQC) the provider may be escalated according to our Risk Assessment process. The number of homes assessed as medium risk has fallen to three out of the 113 homes registered to operate in Sheffield (this includes non-standard rate homes) with none rated as high risk in the last 18 months.

The most recent data (Q3) on the quality of care in Sheffield care homes is shown below:





The improvements in quality and reductions in risks over the last few years are welcomed by the Council and illustrate the commitment of providers, care home managers and care staff to delivering the best possible level of care and support to some of the most vulnerable people. The improvements are reflected not only in CQC ratings but in the Quality and Contract team's own monitoring visits and reports.

The Council acknowledges the importance of recruiting and retaining a resilient and motivated workforce to sustain these quality improvements and to delivering further improvements to the health and social care outcomes for residents.

2.2.5 **Comparison of Older Adult Care Home Rates:**

All Local Authorities will have different factors in relation to their local economy, so a one-size-fits-all approach cannot be assumed. However, Sheffield's approach to fee rates for 2020/21 must be appropriately mindful of the approach taken by neighbours and other authorities in the region. ADASS figures show that Sheffield's single standard rate ranks mid-range regionally when compared with the other authorities' standard or single rate.

The published rates for neighbouring local authorities reflect the wider regional position 2019/20 and are as follows (excluding FNC):

LA	Residential	Nursing	Residential dementia	Nursing dementia

Rotherham	£456	£460	£493	£547
Doncaster	£504.94	£504.94	£504.94	£560.84
Sheffield	£481	£481	£481	£481
Barnsley	£478.67	£478.67	£520.21	£520.21

2.3 **Older Adult Care Home Consultation Process:**

As part of the review of care fees for 2020/21 we conducted the following consultation on the challenges facing care home providers in our area:

- Provider workshop 4th October – At this workshop we discussed issues and concerns with providers. We also outlined our initial thinking on the process for the fee rise for 2020/21.
- Formal consultation letter with proposed fee increase and request for feedback, 16th December. Further reminders and acknowledgement of the increased minimum wage announcement were given in January 2020.
- Care home engagement sessions (x2) 17th January – At these sessions we were able to take feedback on the actual proposed fees and discuss proposals to work with providers on some of the issues raised in October.
- This second session also provided an opportunity to discuss the impact on Providers of the higher than anticipated rise in the National Minimum wage which was announced shortly at the end of December 2019.

2.4 **Older Adult Care Homes Consultation Response Rate and Background:**

The consultation process with older adult care homes has generated a higher level of responses than in previous years. This is in part likely to be because of the Government's announcement part way through the consultation process (31st December) of a higher than expected increase in the minimum wage for 2020/21. The impact of this increase is the highest cause of concern across all providers and sectors.

This report sets out the responses, anonymised, in full detail and where possible (with regard to commercial sensitivity) verbatim as they were received from providers or recorded during workshops and forum meetings. The themes and issues are summarised in the body of the main cabinet report and have informed the recommended fee rate increase. These are explored further in this section and the original and/or verbatim submissions

	and comments are at Appendix A at the end of this report. During the consultation period care home providers have told us about the factors/pressures that impact on their ability to remain in the market and continue to provide good quality services. The initial focus group session, attended by 10 providers, in October 2019 identified a range of issues and challenges facing the care home sector. 9 providers (representing 20 homes in the city) submitted financial and costings information. These represented 20% of the nursing and dual registration bed base in the city and 17% of the residential care home bed base. The financial information provided illustrated the wide variation in business and cost models among providers. 13 providers sent feedback via email or letter in response to the fee proposal sent out in December 2019 and 8 providers attended the January 2020 consultation sessions. The feedback below has been taken into account in putting forward the recommended fee rate to the Council's Cabinet.
2.4	**Older Adult Care Homes Feedback Summary:** Providers described a range of challenges over the course of the consultation that are summarised and analysed in the following section: • **Staffing Costs:** Nursing shortage – finders fees, wages, retention, quality • Increase in minimum wage and need for maintaining differentials • Increase in on-costs related to increased salary • Pensions contributions • Want to move to foundation living wage • Staff turnover and retention • Staffing costs as a proportion of overall costs • Higher acuity of residents requires higher staffing levels • Stress and pressure on staff and impact on morale • Training offer from the Council • **Non-staffing Costs:** • Net to Gross • Higher than CPI increases • Is CPI the right Index • Equipment costs and storage • Buildings and maintenance costs • Capital investment – access to capital grants and low cost loans • Return on investment • New technology – infrastructure, training and revenue costs

	• **Other:** 2017 cost of care exercise/base cost model • Use of an alternative national model/consultant • Council income and payments processes • Self funder and/or non Sheffield homes subsidy • Need a longer term funding and market development strategy for older adult care homes
2.5.1	**Analysis of Consultation Feedback from Older Adult Care Homes:** **Staffing Costs:** *Providers told us that the Council's standard rate for care homes means they are not able to pay much above the minimum wage and it is hard to recruit and retain staff. Providers told us that the staffing costs are now a larger proportion of overall costs, around 80%. Providers would like to move towards paying the Foundation Living Wage (£9.30 per hour) and one provider suggested that the fee rate should assume 10% training backfill costs per FTE to reflect increased training requirements.* The Council acknowledges the challenges facing providers in recruiting and retaining good quality staff and the significant impact for providers of the increase in the minimum wage from April. The Council therefore proposes to reflect the full cost of this increase in costs by uplifting ALL staff costs by the 6.2% increase in the minimum wage. This will ensure differentials between staff levels can be maintained and non-care staff wages will also be uplifted. Pensions present a complex picture given that pension contributions have been phased in since 2012 and will have affected providers at different stages depending on the size of their business, the makeup and take up (or opt out) of their workforce etc. The level of pensions payable in 2017 by providers taking part in the cost of care exercise were incorporated and have been submitted to increases based on the minimum wage increase each year subsequently. The analysis of the financial and costings returns from providers illustrated the wide range of cost profiles and pressures for different providers depending on the scale of the business, financial/debt structuring, the efficiency of business practices and business decisions regarding agency usage, contractors, staff salaries and benefits etc. While some providers told us that their staffing costs now exceeded the ratio of 71% of overall costs used in the fee rate cost model, only one of the providers who submitted costings illustrated a staffing ratio above the 71% used to model the proposed fee increase, however this included business overheads which we would expect to be described under 'non-staffing costs' in line with other providers. When this was taken into account the staffing costs were within the 71% ratio. Others evidenced staff costs as low as 61%. While the financial returns illustrated some variation in the proportion of staffing to non-staffing costs between different providers, the feedback from providers that their staffing exceeds the 71% and therefore that the uplift on 71% would be insufficient was not substantiated. The Council

	therefore feels that the current split in the cost model between staffing and non-staffing is appropriate and likely to benefit most providers rather than have a negative impact. **Nursing Shortage***: Providers told us that there is a shortage of nurses in the city and that agencies charge £3-5k finder's fee and wages have risen by an average of 30%.* This is a nationally and regionally recognised issue for health and social care. The Council's Commissioning Team are engaging in regional work lead by ADASS to look at alternative models and approaches to addressing the challenges in the context of the anticipated requirements of the revised specification for Primary Care Networks. The financial information returned by providers did not illustrate that nursing costs are beyond what we would expect to see as a percentage of costs or that the Funded Nursing Costs (FNC) rate was insufficient to cover nursing related costs. However we will work with the CCG to undertake further work with nursing care homes in the city over the next 6 months through the proposed strategic review of care homes to inform a more targeted approach to supporting this aspect of the market. **Original Cost Model and Rate:** *Some providers told us they believe the rate calculated through the cost of care exercise in 2017 was miscalculated. One provider told us they believe the Council should pay for an independent review of care home costs.* The approach used by the Council to set the 2018-19 rate (the 2017 cost of care exercise) was agreed in collaboration with providers and Sheffield University using a template based on the model set out in CIPFA's 2017 guide for commissioners and providers: "Working with care providers to understand the costs". Where necessary we worked with care homes and their finance departments to disaggregate costs under the agreed headings. Providers agreed to this methodology at the start of the exercise. Cost of care exercises are expensive to resource and are dependent on the information submitted by providers. National cost models tend to be 'one size fits all' and are not necessarily designed to reflect local costs of care. The response rate was low in 2017 leading some providers to feel unhappy with the approach although providers received an increase in fee rate of between 2-18%. The Council offers all providers the opportunity to submit their accounts to evidence their costs and this year has seen a higher response rate than previous years. The Council acknowledges that the care home fee rate was not uplifted between 2012-15 and a small number of providers felt that the cost of care exercise in 2017 did not calculate an accurate cost of care. However, the rate was based on the costings submitted by providers who engaged with full transparency in the process and providers have had the opportunity each year subsequently to submit financial information and costings to inform the

fee rate review.

Comparison with other authorities: *Some providers said that the Sheffield base rate continues to be lower than comparator authorities.*

Sheffield City Council's 2019/20 rates are set out below and compared with other South Yorkshire authorities. Sheffield's single rate for residential and nursing care is the second highest of the four Authorities. Sheffield differs from the other three authorities in not having a separate dementia rate. This was agreed by Council Cabinet two years ago on the basis of almost all care homes having significant numbers of residents with dementia or other high levels of complex needs, and it therefore being more sensible to invest in all homes rather than have a higher rate for a smaller number. ADASS data on fee rates across the wider Yorkshire and Humber region shows that Sheffield's standard rate for residential and nursing is mid range in comparison to other authorities' standard rates.

Costs have increased above the fee rate: *Some providers stated that the cost of care had risen by more than the increase in fee rates over a number of years. There was no uplift to fees between 2012-2015 and subsequent uplifts only achieve a 'standstill' for providers. Some providers cited non-staffing costs rising by more than the CPI rate used to calculate inflation on these costs. Providers cited utilities increasing by around 10% this year, training costs increasing and being required annually instead of 3 yearly and rising recruitment costs. Some described changes in the CQC registration-costs as impacting on them at above the inflation rate and also changes to the DBS process. Some providers suggested that the Consumer Prices Index is not an appropriate index to use for care homes.*

Food and energy costs are covered in the Consumer Prices Index (CPI) which has been used to calculate inflation on non-staffing items. The Council uses the CPI as the index for non-staffing related increases and this covers most of the non-staffing costs incurred by providers such as fuel and utilities etc. The CPI tracks the changes in costs and therefore is considered a good measure of fluctuations in prices.

CPI is made up of a range of indices including:

- Food
- Alcohol and Tobacco
- Housing and household services
- Furniture and household goods
- Transport
- Recreation and Culture
- Restaurants and hotels
- Other goods and services

Although providers told us that the CPI of 1.7% was less than the increases in some of these areas, this is not substantiated by the Office for National Statistics (ONS). The Council uses the September CPI rate as a nationally recognised indicator of inflation as this is the month used by DWP in setting

	pensions for the following year. Although providers told us that costs had increased by above CPI for fuel and other non-staffing costs, the ONS confirms that the largest contributor to the CPI rate came from housing and household services with fuel and utilities falling. Transport's contribution to the rate fell continuously from April 2019 to Sept 2019 to an eighth of its contribution and by December was at its lowest (with only one exception) since August 2016. The 2017 cost of care exercise was based on an open book basis and the costings shared by providers with the Council. The financial information submitted by providers during this year's consultation does not illustrate a consistent trend in non-staffing costs increasing above inflation. **Increases in staff costs are more than the minimum wage increase:** *Providers told us the staff cost increases are higher than the minimum wage uplift due to National Insurance and Employer Pension Contributions increasing proportionately on top of this.* 2018-19 rates were determined on the basis of open-book accounting from care homes about what they were actually paying for staff whether they were employed directly or via agency. The minimum wage increase has been applied to ALL staff costs this year in response to feedback from providers about ensuring wage differentials for senior staff and the pressures on staff related costs. Not all staff will be on the new minimum wage due to their age (25+) or because the provider already offers a higher salary. Similarly not all staff will require pension contributions or they may choose to opt out of the employer contribution scheme. The proposed increase in staff costs is 6.2% on all staffing costs and therefore covers the increase in on-costs, not just the salary, in line with the minimum wage increase. **Capital investment:** *Providers described the need for more investment into building new homes and improving old care home stock.* While the rate was based on the information provided by care homes themselves we acknowledge that capital investment may be more challenging for some homes depending on size, business model and financial structuring. Providers have not submitted evidence of capital costs beyond what is currently included in the model however the Council is proposing a strategic review of the care home sector that would include options for longer term planning and capital investment. **Return on Investment:** *Some providers told us that a return rate of 2-3% is not enough to attract investors and that return on capital was key to the sector.* The Council acknowledges that it is reasonable that there should be a return on investment within the model. When the rate was established during the 2017 cost of care exercise a proxy was chosen relating to national measures

	in relation to the cost of borrowing, with an allowance for commercial risk in this field. This was base rate plus 2% and calculated on business activity and capital expenditure. The strategic review will look at the options for longer term investment, cost of capital and return in the sector. **Cost of Equipment***: Some providers told us that frailer residents require more specialist, expensive equipment that the provider needs to purchase and then store when not needed. Providers asked if the Council could look at options to loan or store equipment.* The Care Home Equipment Loan Service Guidance has been in existence since August 2018 and was widely consulted on and agreed with Care Home managers. The guidance was recirculated to care home managers again in January 2019 and will be recirculated in response to this feedback. The guidance outlines the responsibilities of the Care Homes with regards to the provision of equipment and the circumstances in which the Community Equipment Service (CES) will loan standard and special equipment as well as how to return it to the equipment provider. Profiling beds are loaned to support end of life care but need to be prescribed by a health care professional, usually a community nurse. All other equipment loaned to Care Homes has to be prescribed by a health care professional and the CES considers all requests on an individual basis. The CES has just been retendered and the Council will be working closely with the new provider to ensure that the loan service is working for providers and that equipment is tracked and returned when no longer required. This will reduce costs for homes, ensure appropriate use of prescribed equipment and avoid homes storing equipment that is no longer required. **Cross Subsidy:** *Some providers tell us they are cross-subsidising Sheffield homes from their other homes in other areas outside Sheffield and that private funders continue to "prop up" local authority funded resident costs.* National research suggests that self-funders may cross subsidise local authority placements in care homes that attract both customers. Not all care homes in Sheffield have self-funded residents and the information provided by the homes who submitted their costings did not evidence subsidising from other homes outside the area with the exception of one provider who submitted average costings for the homes across the country making it impossible to establish local costs and whether there was subsidy. **Occupancy:** *One provider raised a concern that the occupancy levels are understated in Sheffield because a % of any home will always be vacant due to turnover.* The Council acknowledges that this may be the case. However the fee rate is not linked to occupancy. Higher occupancy levels are generally good news for providers and the Council is comfortable with the level of occupancy which, as described in the market analysis, is stable at around 90-92% across the sector in terms of a viable and resilient market. The

	Council will continue to monitor occupancy levels as part of its ongoing market management approach. **Longer Term Approach:** *Several providers suggested a three year approach with consultation earlier in the year would help providers to plan better.* This report proposes a comprehensive strategic review of the older adult care home sector in the city in alignment with the Council's budget planning process. This would address this concern and provide clearer market signalling to the sector and include options for capital investment in its scope. The market analysis and dialogue with providers will be ongoing over the next 12 months with the formal consultation stage much earlier in the year and aligned with Council business planning. **Working in Partnership:** *Providers also acknowledged the impact of austerity on the Council's resources and the need to work together on 'what is achievable'. One provider commented that the Council should put pressure on Government to increase the funding available. Another said that new funding promised by government should be 'passed directly to providers'.* This report proposes a comprehensive strategic review of the older adult care home sector in the city which would be undertaken in partnership with providers. The pressure on Council budgets continues and the additional funding described by Government is the continuation of grants that were anticipated would end in 2019.
2.6.2	**Analysis of Financial and Costings Information from Older Adult Care Home Providers:** The Council did not undertake a full scale formal cost of care exercise as part of this year's fees review, however in common with previous years, providers were invited to submit financial information in support of their feedback and to help evidence the costs and pressure experienced by the sector. This information helped to support information received from formal consultation sessions and has informed the decision on 2020/21 fees. The financial information was reviewed by finance, commercial services and commissioning officers and considered against the current cost model described in the Cabinet Report (that was developed during the 2017 cost of care exercise) in order to challenge the model's assumptions about cost profile and increases. There was no obvious overall trend of costs accelerating out of kilter with the modelling done during the cost of care exercise in 2017. There were exceptions regarding some costs with some providers but these were not consistent, suggesting these reflect individual business practices rather than a sector wide trend. In total 5 providers (businesses) submitted financial information either in their own preferred format or on a template provided. Overall these

represented 21 care homes in the city and a range of provision in terms of scale, business model and cost models. Nine of the homes were nursing or dual registered homes (nursing and residential) and 12 were residential homes. These represented the % of beds in the market as follows:

Type	No. of homes	No. of beds	% of total market
Nursing/Dual	9	617	20%
Residential	12	500	16.7%

10 Providers attended the initial workshop with commissioners in October 2019 and 8 providers attended the January 2020 consultation sessions. 13 providers sent written feedback in response to the fee proposal consultation in December 2019 and January 2020.

Analysis of Provider Costings and Financial Information:

The provider costings and financial information illustrated significant variation in costs and the profile of costs across the business. This was particularly stark for non-staffing costs and demonstrates the huge variation in business models, financial structures and business practice as well as the implications of physical accommodation related costs.

For example one provider had mortgage costs that were less than 5% of the costs incurred by other providers, but had corporate overheads that were three times that of one of the other providers. Front line care worker costs per bed were much more aligned across providers while management and administrative staffing costs were 100% higher for one provider relative to another reflecting size and administrative complexity of the business and the requirement of the respective premises (reception etc.) but also, potentially, different structuring of costs and finances/debt.

The staffing costs as percentage of overall costs were generally the same as or lower (65/66%) than the Council assumes in the fee cost model calculations. However, from the providers' point of view the way this has been calculated as a percentage of the total bed cost (inc profit, corporate allocations etc,) may give rise to a query compared to the cost of just direct care. For example, one provider showed their employee percentage was around 80% but expenditure excluded cost of capital, profit etc. Once this is included, the staffing costs reduce as a percentage of the overall cost.

The costings submitted by nursing and dual registration homes are complicated by the fact that some residents will have additional Funded Nursing Care (FNC) on top of the standard bed rate and some may have Continuing Health Care (CHC) funding. Costs for these placements are likely to be higher but so is the income that the home receives from health to

	cover these costs. The information submitted by providers did not appear to demonstrate that the FNC rate is insufficient to cover the nursing element of the placement costs or that nursing costs are a higher proportion of the staffing or overall costs than we would expect. However it is acknowledged that where the balance of nursing and non nursing residents shifts for a dual registered provider towards more residential and fewer nursing placements, this may impact on the business model as certain fixed or semi-fixed nursing costs will not be covered by the residential rate. This is something that homes need to monitor in their individual setting to ensure that the balance of residents remains viable in terms of cost and income. The costing information submitted by providers suggested that for the providers who submitted their costs there is little capacity within the rate to accommodate significant changes in capacity, increases in costs above inflation or any other 'business shocks'. What is not known, from the information submitted, is the income generation against these costs from sources other than the Council's bed rate. Examples may include CHC, FNC (in dual registered homes), self-funders, additional service charges and third party contributions etc. Similarly, while depreciation has been factored into the expenses for providers, the capital value of each business is not known by SCC. It seems reasonable to suggest therefore that, in aggregate, the local authority funded care home sector in the city, in common with the national picture, is covering operating costs and, depending on business model, financial structuring and business practices, achieving a degree of operating profitability but is likely to be generating overall revenues at below total costs (e.g. not covering cost of capital). This indicates, aligned to national research regarding the viability of the care home sector, that providers with the lowest proportion of self-funders will generate sufficient revenue to cover operating costs but be least likely to generate economic profit that enables them to invest in the business in the medium to long term. The picture offers some reassurance regarding sustainability of the sector in the short term but highlights the urgent need for the Council to establish a longer term strategic plan for the sector that addresses key issues of investment, capital return, ensuring the infrastructure is fit for purpose whether providers are funded by the Council or self-funder market or both.
2.7	**Older Adult Care Homes Fee Rate Model** A full cost of care exercise was undertaken in 2017/18. The cost of care approach and template was based on the model set out in CIPFA's 2017 guide for commissioners and providers: *"Working with care providers to understand the costs"*. Data covering 48% of Sheffield purchased beds was received from providers. Following some discussion the rate of £446 per week was agreed, to which an inflation and minimum wage based uplift was applied to reach the weekly rate of £463 per week across all care homes. This increased the fee levels between 2% and 19% in 2018/19. A further increase was applied in March 2019 bringing the standard care home rate to

	£481 per week. Following provider feedback in 2019/20 we have adjusted the model to remove the distinction between front line and other (management and administration and non-care) staff. This means we are proposing to apply the minimum wage increase to ALL staffing costs and CPI to non-staffing costs. The split between staffing and non-staffing in the cost model is: Staffing costs 71% Non-staffing costs 29% The feedback from care homes suggested that this split was no longer appropriate however the financial information and costings submitted through this year's consultation illustrated that most providers have staffing costs no higher than 71% and some, especially residential only homes, have staffing costs lower than this ratio.
2.8	**Additional Support:** The Provider workshop in October raised a number of areas where we can work with providers to make it easier to deliver quality and sustainable care. We are committed to taking these forward over the next 12 months with ongoing engagement with providers. These improvements include: • Current project proposal for the Council to pay care home fees gross instead of net. This will reduce administrative cost for providers and exposure to or risk of bad debt. • Review of the Council's training offer for social care providers. • Strategic review of the older adult care home sector including options analysis for longer term funding strategy and capital investment. • Task group to identify the capital investment needed in the city's care home stock and options for delivering this in the context of longer term strategic planning for care homes in Sheffield. Other than fees the Council and Sheffield Clinical Commissioning Group (CCG) provide other support to care homes to help improve the quality of care. These include: • Training to meet the Common Induction Standards. • A GP Locally Commissioned Service (LCS) scheme, which costs around £800,000. Under this scheme each Care home is aligned to one GP practice which accepts all residents who choose to register. • Provision of the online care homes bed portal which is used to identify vacancies.
2.9	**Older Adult Care Homes Fee Rate Proposal** **Summary of market and consultation analysis and final fee increase proposal:**

The market and consultation analysis suggests that there are continuing pressures on the older adult care home market, in particular relating to staff recruitment and retention and the maintenance and investment in the physical accommodation. The Council has a duty to ensure that the fee rate is sufficient to maintain a market that is sufficient to support assessed care needs and to provide residents with the level of care services that they could reasonably expect to receive if the possibility of resident and third party contributions did not exist.

The original fee increase that was consulted on proposed an increase in the standard rate for care homes based on an expected increase in the minimum wage of 5.12% and CPI on non-staffing costs of 1.7%. However providers have told us that this would not be sufficient to sustain the market in light of the announcement of the higher than expected minimum wage (6.2%).

The Council has taken on board the feedback from providers and is therefore recommending that the minimum wage increase of 6.2% is applied to 71% of the fee rate. This will cover the increase not just in salary but in salary on-costs for all staff. In reality not all staff will be affected and for some providers the evidence suggests that their staffing is lower than 71% of their costs meaning they will have an above CPI increase on a proportion of their non-staffing costs.

This will mean an increase from the current rate of £481 uplifted by 4.9% to £504.50.

The Council believes that this is sufficient for the care home market to meet operating costs and ensure the market remains stable over the next year. The Council acknowledges that, as national research suggests, some providers may not be achieving levels of economic profitability that would enable them to invest longer term in their care homes. The Council therefore proposes a more in depth strategic view of the sector and the anticipated demand for older adult care homes is undertaken during the first 4 months of 2020/21 to assess the longer term market development and capital investment required and identify options to deliver this in collaboration with providers in the city.

Category	2019-20 rate	2020-21 rate	% increase
Residential - standard	**£481**	**£505**	**4.9%**
Residential – high dependency	**£481**	**£505**	**4.9%**
Residential – EMI	**£481**	**£505**	**4.9%**
Nursing –	**£481**	**£505**	**4.9%**

standard excluding FNC			
Nursing enhanced excluding FNC	**£481**	**£505**	**4.9%**

3 Home Care in Sheffield

3.1 Background to Home Care in Sheffield:

Providers wishing to deliver home care services on behalf of the Council are currently contracted to a framework agreement, which commenced in October 2017 and expires in October 2021. The city is divided into 21 areas, with varying hourly rates based upon variances in travel time and dispersal of service users.

3.2 Home Care Market Analysis:

There are currently 96 CQC-registered home care providers in Sheffield, of whom 37 are on the Council's framework and actively delivering services.

There has been significant contracted homecare market growth over the past 4 years and particularly since November 2017. Market growth has been largely incremental, with a large number of small local providers joining the framework contract over the past 4 years, to help meet the increasing demand for homecare across the city. There is a mixed economy made up of SME's, together with larger regional and national providers.

- Increase from 9 to 37 providers since 2014, with providers now delivering an average of around 700 hours per week each.
- Homecare providers are currently delivering over 3 million care visits per annum to over 5,000 people. Over half of people in receipt of care make a contribution towards the cost
- The average package size for home care is around 12 hours per week.
- The 5 largest providers account for around a third of the weekly contracted care hours, each delivering over 1,500 hours.

In addition to the framework agreement, since May 2019 the Council and Sheffield CCG have jointly commissioned the new 'Care at Night' service, which supports individuals requiring support in their own home during the night. Replacing two separate contracts, this service will save around £127k per year.

	Two framework providers decided to stop providing services on behalf of the Council during 19/20 on the grounds of financial unsustainability. In both instances there was sufficient capacity within the remaining market to facilitate the safe transfer of individuals to new care providers. All contracted providers are compliant in paying the legal minimum wage but around 80% of care workers are on zero hours contracts and there is national figure of around 40% turnover of staff per annum in the homecare sector. On average contracted home care providers commence around 80 new packages of care per week, equating to nearly 1,000 new hours per week. The home care market is particularly exposed to fluctuations in demand and capacity, with any school holiday period particularly challenging in a sector where demand outstrips supply and workers are generally on zero hours contracts. Over the past 2 years commissioners have invested additional funding from central government to support providers with winter planning and ensure there is sufficient capacity and flow from hospitals is maintained. Such measures have proved successful (doubling new starts with the comparable period in 2017/18). An evaluation is currently taking place to assess the merit of extending this investment to other challenging periods in the year. **Home Care Quality:** There are currently 96 CQC-registered home care providers in Sheffield, of whom 37 are on the Council's framework and actively delivering services. Over the last two years those rated as delivering 'good' or 'outstanding' care by the CQC has risen from 51% to 67%, with 74% of providers contracted to the Council rated 'good' or 'outstanding'. The improved stability and robustness of the home care market has been reflected in Sheffield's performance in reducing Delayed Transfers Of Care (DTOC) from hospital, which is now considerably better than the national position. **Developing the home care model and market** While it is widely acknowledged that the performance of the Council-arranged home care market has improved over the past 3 years, commissioners recognise that the experience of individuals in receipt of home care, and their care workers, can be variable for a number of reasons, often linked to challenges the sector faces nationally. It is also acknowledged that it is unrealistic to expect significant ongoing improvement from the current model, particularly taking into account increasing demographic and financial pressures. Work is underway to investigate how home care might be delivered differently to derive better outcomes, both for people, and the wider health and social care 'system', however this is at an early stage and is contingent

on wider systemic change for maximum impact. In the meantime, work is also taking place in preparation for commissioning new home care contracts in Autumn 2021 and options for alternative payments models are under consideration that would reduce the transactional complexity inherent in the current model.

Benchmarking Home Care Rates

Information supplied by neighbouring authorities indicates that the hourly rates are comparatively competitive, although it is noted that payment linked to actual minutes delivered is an exception, which is reflected in feedback from our providers:

Authority	Rate	Block	Additional Info
Barnsley	£15.71 - 16.93	No	Minute-by-minute Billing.
Doncaster	£16.40	Yes	
Rotherham	£16.09	Yes	
Sheffield	£16.01- 17.77	No	Pay on actuals and have a bandin system.
Wakefield	£15.49	Yes	Pay a notional payment of £129 in of each address visited.

The home care cost model

During 2016 an extensive consultation exercise was undertaken, with commissioners meeting all contracted providers individually to discuss their pricing structure and cost pressures. Following the consultation exercise, a standardised ‘cost of care’ model was developed. Analysis of travel time between visits in different parts of the city enabled distance between service users and typical traffic conditions to be incorporated into a range of hourly rates, with higher rates paid for suburban and rural parts of the city.

In April 2018 and 2019 the hourly rates were uplifted in line with a weighted combination of the increase to the minimum wage and the Consumer Price Index.

Contract Area	*2019/20*
A1	*£16.27*
A2	*£16.58*
A3	*£16.85*
B1	*£16.41*
B2	*£16.47*
C1	*£16.78*
C2	*£16.47*
C3	*£16.34*
D1	*£16.01*

D2	*£16.72*
D3	*£16.01*
E1	*£16.34*
E2	*£16.41*
E3	*£16.15*
F1	*£17.18*
F2	*£17.71*
F3	*£17.77*
F4	*£17.30*
G1	*£17.37*
G2	*£16.47*
G3	*£16.41*
Care at Night rate	*£16.68*

Unlike the last two years' uplifts it is proposed the minimum wage increase is applied to all staffing costs (85% of costs) and not just front line workers (75% of costs). The assumptions underpinning the ratios between staff and other costs came out of the cost of care exercise undertaken in conjunction with providers in 2016 and are as follows:

- Front line staff: 75% total costs
- Management and admin staff: 10% total costs
- Non staff costs: 15%

3.3 **Consultation Process and Response Rate for Home Care:**

An initial letter was sent to all contracted home care providers on 24/09/19. Providers were given the following options for providing feedback:

- Submission of a pro forma detailing financial information, or 'open book' accounts in a format of their choosing (no responses submitted)
- Provider forum (6/11/19; agenda item led by Joe Horobin, Head of Commissioning. 15 individuals, representing 12 providers, in attendance)
- Focus group (8/11/19; 6 providers represented. 1 additional provider submitted information via email).

A second letter describing the proposal for uplifting fees and the timetable for consultation was issued to providers on 16/12/19, with 12 providers submitting a response (see end of report at Appendix A for verbatim responses).

3.4 **Consultation Feedback**

In autumn 2019 commissioners ran a Provider Forum Session on fee rates and wrote to home care providers inviting them to take part in an additional workshop looking at the key challenges and costs they are facing in

	delivering care in Sheffield. There were 18 providers represented across the two meetings and they told us about the following issues and challenges facing their sector: **Providers told us….** *That they believe the formula used to determine uplifts for the previous two years did not take into account the full impact of the increase in the minimum wage e.g. if the minimum wage increases by 4%, the increase to providers is 5% (due to holiday pay and National Insurance Contributions)* The Council's formula increased all staffing costs by the minimum wage increase – this includes on-costs etc. The increase is applied to 80% of the homecare fee rate which covers all staffing related costs. It is therefore a misunderstanding to see the minimum wage uplift being applied in this way as excluding any aspect of the increase. **Providers told us …***They believe that the Council's formula also did not take into account all increased cost pressures impacting upon providers. Some providers gave examples of pressures that are proportionally equal for all providers:* • *Pensions: mandatory employer contributions increased from 1% to 2% April '18, and from 2% to 3% April '19* • *CQC fees[1] - with one provider describing how their fee has increased from £2192 in 2017 to £17,725 in 2019* The Council included pension contributions in the original cost of care model that was implemented in 2017/18 for homecare and this amount has therefore been uplifted year on year since then. The Council acknowledges that the fees charged by the national regulator, the CQC have increased, but also that any assessment of a proportional impact is not possible, due to the variance in the fee charged, depending on the number of persons supported[2]. The CQC state in their consultation report[3] '*that a number* (of providers) *expressed concerns about rising fees'*, and acknowledge that their fees '*have risen consistently over the past four years*', with the community care sector seeing '*a major change in the ways that fees are charged*' in 2018/19. The feedback from providers in this sector stated the '*view that fees were unfair to all providers and would particularly affect smaller providers*'. The CQC acknowledge that '*larger providers do pay much more than smaller providers in absolute terms, but the percentage is usually much*

[1] From 1/4/19: fee calculated on the basis of the number of service users supported with regulated activities.
£239 + (number of service users × 54.305) or a maximum fee of £92,558 (1,700 service users or more)
[2] https://www.cqc.org.uk/guidance-providers/fees/fees-calculator
[3] https://www.cqc.org.uk/sites/default/files/20190326%20Consultation%20response_201920%20fees%20consultation_FINAL.pdf

	lower than for smaller providers' while also stating that '*CQC fees are on average no more than 1.5% of a provider's income'*. **Providers told us that ….** *Other cost pressures may impact on all or most providers; however the extent will be variable. Most commonly raised areas:* ○ *Recruitment* ○ *Training* ○ *Office staff (maintaining pay differential when minimum wage increases)* ○ *Rent* ○ *Insurance* ○ *Fuel* ○ *Personal Protective Equipment* ○ *Postage (2nd class franked mail increased by 14% from 4/17 to 4/19)* The Council uses the CPI as the index for non-staffing related increases and this covers most of the non-staffing costs incurred by providers such as fuel and utilities etc. The CPI tracks the changes in costs and therefore is considered a good measure of fluctuations in prices although some may be over CPI and some will be under. CPI is made up of a range of indices including: • Food • Alcohol and Tobacco • Housing and household services • Furniture and household goods • Transport • Recreation and Culture • Restaurants and hotels • Other goods and services Although providers told us that the CPI of 1.7% was less than the increases in some of these areas, this is not substantiated by the ONS. The Council uses the September CPI rate as an indicator of inflation as this is the month used by DWP in setting pensions. Although providers told us that costs had increased by above CPI for fuel and other non-staffing costs, the ONS confirms that the largest contributor to the CPI rate came from housing and household services with fuel and utilities falling. Transport's contribution to the rate fell continuously from April 2019 to Sept 2019 to an eighth of its contribution and by December was at its lowest (with only one exception) since August 2016. RPI was suggested by providers perhaps because it is higher but this would only achieve a one off impact and would then also be relative in tracking changes. The key difference between the two indices is that RPI includes housing and mortgage interest payments which are not major costs for home care providers.

The Council is reviewing its training offer for providers and has not increased the burden of training requirements on providers. The changes cited by some providers to DBS costs could not be substantiated, in fact, the process has recently become more straight forward for providers with 'portable' DBS enabling employees to take their checks with them between providers.

Providers told us…. *That there are improvements that the Council can make to the income and payments process that will have a positive impact on their business:*

- *Payment linked to commissioned hours not linked to minutes delivered.*
- *Perceived low rates (for instance in comparison to UKHCA minimum price for home care[4], £18.93 as of April 2019)*
- *Not getting paid when service users are admitted to hospital*
- *Training provision from the Council being unsuitable to their needs.*
- *Delays in financial assessments (linked to people cancelling services once they are informed how much they have to pay)*
- *Unclear remittances and error reports about issues with claims for payment*

As stated in earlier sections of this report, the Council is reviewing its income and payments process and considering a range of alternatives to payment by minutes delivered including payment for commissioned or planned hours. Changing this process will require consultation with providers and with people making a contribution to their care (around 2,500 people at any one time) and would be the subject of a separate change project and approval process. The home care fee rates benchmark favourably with other authorities in the region and providers are paid for the first 24 hours that someone is in hospital.

The Council's training offer is already under review in consultation with providers and there is an improvement project underway to speed up the financial assessment process and also to introduce improvements to the monitoring returns and remittance process through the introduction of a provider portal in the next few months.

All responders bar one stated that the proposed fee uplift was insufficient. Providers offered a range of feedback and described a number of elements impacting upon their costs, with the following themes highlighted most consistently:

Providers told us that …. *There is a disparity between the Council's December 2019 proposal (for consultation) and the Government's announced increase in minimum wage: Almost all responses highlighted the fact the proposed uplift was based upon a forecasted increase in the*

[4] https://www.ukhca.co.uk/minimum_price_for_homecare_v6_0.pdf

	minimum wage of 5.12%, as opposed to the 6.2% increase subsequently announced by the government on 31st December 2019. The Council acknowledges the challenges facing providers in recruiting and retaining good quality staff and the significant impact for providers of the increase in the minimum wage from April. The Council therefore proposes to reflect the full cost of this increase in costs by uplifting ALL staff costs by the 6.2% increase in the minimum wage. This will ensure differentials between staff levels can be maintained and non-care staff wages will also be uplifted. Pensions presents a complex picture given that pension contributions have been phased in since 2012 and will have affected providers at different stages depending on the size of their business, the makeup and take up (or opt out) of their workforce etc. Pension contributions were factored into the rate as part of the cost of care exercise in 2016 and subject to increases aligned to minimum wage increases each year since. The analysis of the financial and costings returns from providers illustrated the wide range of cost profiles and pressures for different providers depending on the scale of the business, financial/debt structuring, the efficiency of business practices and business decisions regarding agency usage, contractors, staff salaries and benefits etc. **Providers told us that …..** *The rate should be the UKHCA's Minimum Price for Home Care[5]: A high proportion of responders also cited the recently published UKHCA guidance stating the requirement to £20.69 per hour (from April 2020) to allow 'full compliance with the National Living Wage and the delivery of sustainable homecare services'.* The Council has reviewed the UKHCA Minimum Price and believes that the staffing element of this is reflected in the rate that this report recommends which takes into account the full impact of the minimum wage by increasing 85% of the total fee rate by 6.2%. The UKHCA rate is a single national figure that does not reflect local costs and pressures. The Council's 2016 cost of care for home care exercise, which established the cost profile used for reviewing and setting fee rates, illustrates some of the differences in costs such as office space. **Providers told us that …** *They experience issues specific to how home care is commissioned: Some responses reflected upon the financial pressures intensified by the method of commissioning home care, specifically payment for contact time and use of short visits.* The Council acknowledges that the current charging and payments model for home care is complex and is reviewing a range of options to simplify the approach. The Council has recently investigated the concern raised by providers that there has been an increase in commissioning short visits however the evidence showed that this was not the case. 15 minute calls will only be commissioned where they are compliant with NICE guidelines and

[5] UKHCA Minimum Price for Home Care

	there has not been an increase in commissioning of this length of call. **Providers told us that ….** *There is an issue with uplifting by a flat percentage as this increases the differentials between areas:* The Council is reviewing the geographical areas that were established in 2017 in the context of the growth in homecare provision in the city and as part of the wider review of the charging and payments approach for homecare. Improvements in brokerage and the use of geo-mapping to support efficient brokerage of home care packages is improving the cost efficiency for providers but where further recommendations emerge from the review, these will be consulted on and subject to the appropriate governance process. **Providers told us that …..** *There are costs relating to the necessity of employing drivers.* The impact of travel time and the need for drivers will be within the scope of the review of the charging and payments process to ensure that this is appropriately factored into rates and any travel related incentives for packages. **Providers told us about ….** *The perceived inequity in comparison with fees paid for services procured via a Direct Payment.* The Council uses the home care fee rate as a guide price when establishing someone's personal budget for a direct payment that includes home care. The service user may choose to increase the fee rate using their own funds if they wish to use a more expensive provider or purchase a package of care over and above their assessed needs. In some cases the price agreed for a direct payment service user may reflect a particular degree of complexity or service requirement demanding a higher than standard rate. ***Suggestions by Providers*** *Responding providers suggested the following alternative percentage uplifts and/or factors to be incorporated into the formula used:* • *Fees uplifted taking into account 6.2% increase in minimum wage.* The Council recommends this in the final uplift recommendation. • *Fees uplifted to UKHCA minimum price for home care i.e. £20.69.* The Council's analysis suggests that the cost of home care in Sheffield will be met by the recommended fee increase and that a nationally set formula is not the most appropriate measure for local care delivery. • *Formula to incorporate increase in pension-costs (taking into account 1% to 2% increase in April 2018, and 2% to 3% in April 2019).* Pension contributions were factored into the rate as part of the cost of care exercise in 2016 and subject to increases aligned to minimum wage increase each year since.

	• *Formula incorporates CPI at mid-point figure of 1.85%.* The Council has reviewed the use of CPI for non-staffing costs and believes it to be the most appropriate tracker of changes in these costs year on year and the use of the September rate to be a reasonable approach. • *Uplift to factor in payment of Real Living Wage[6], as opposed to minimum wage (currently £9.30 outside of London).* The Council is committed to working with providers to identify improvements to the current homecare model that will support providers and the Council to increase efficiency and improve the terms and conditions for care workers in line with our Ethical Care Framework. • *Formula to take into account other multiple, varying pressures upon provider costs*. The Council has considered the information submitted by providers and believes that the increase, based on minimum wage level increase to all staffing and CPI for non-staffing is reasonable to secure a sustainable home care provider market for the city. • *Variable uplift to be applied to reduce differentiation between geographical areas.* The Council will consider the impact of the geographical area variation in the rates alongside a review of the impact of travel time in specific areas of the city. • *Fees should be uplifted by more than 9%.* The Council has not seen evidence from providers to substantiate this level of increase in the fee rate and has to consider the impact of increased spend on commissioned care providers in the context of continued constraints on budgets. Increases in the fee rate require the Council to make difficult decisions about directly reducing spend in other areas of the Council's services.
3.5	**Analysis of Home Care Provider Consultation Feedback** The market and consultation analysis suggests that there are continuing pressures on the home care market, in particular relating to staff recruitment and retention and the charging and payments model itself. The Council has a duty to ensure that the fee rate is sufficient to maintain a market that is sufficient to support assessed care needs without the need for residents to make third party contributions. The original fee increase that was consulted on proposed an increase in the standard rate for home care of 4.61% based on an expected increase in the minimum wage of 5.12% and CPI on non-staffing costs of 1.7%. This produced an increase in the overall rate of 4.61%. However providers have told us that this would not be sufficient to sustain the market in light of the announcement of the higher than expected minimum wage (6.2%).

[6] https://www.livingwage.org.uk/what-real-living-wage

The Council has taken on board the feedback from providers and is therefore recommending that the minimum wage increase of 6.2% is applied to 85% of the fee rate. This will cover the increase not just in salary but in on-costs for all staff.

This will mean an increase from the current rates as set out in the proposal section below.

3.6 **Proposal**

Although there is no mandatory uplift clause in the contract, the Council has a statutory duty to support a diverse and high quality market and must therefore take into account all relevant factors impacting upon delivery of services, including financial costs.

Unlike the last two years' uplifts it is proposed the minimum wage increase is applied to all staffing costs (85% of costs) and not just front line workers (75% of costs).

The assumptions underpinning the ratios between staff and other costs came out of the cost of care exercise undertaken in conjunction with providers in 2016 and are as follows:

- Front line staff: 75% total costs
- Management and admin staff: 10% total costs
- Non staff costs: 15%

The other factors taken into account are as follows:

- Minimum wage to increase by 6.2% from April 2020
- Non-staffing costs are based on CPI in Sept 2019 at 1.7%

This produces a total uplift of 5.54%.

A full break down of the increased rates per framework contract area is provided below:

Area	Framework hourly rate 2019/20	Recommended hourly rate from April 2020
A1	£16.27	£17.17
A2	£16.58	£17.50
A3	£16.85	£17.78
B1	£16.41	£17.32
B2	£16.47	£17.38
C1	£16.78	£17.71
C2	£16.47	£17.38
C3	£16.34	£17.25

D1	£16.01	£16.90
D2	£16.72	£17.65
D3	£16.01	£16.90
E1	£16.34	£17.25
E2	£16.41	£17.32
E3	£16.15	£17.04
F1	£17.18	£18.13
F2	£17.71	£18.69
F3	£17.77	£18.75
F4	£17.30	£18.26
G1	£17.37	£18.33
G2	£16.47	£17.38
G3	£16.41	£17.32
Care at Night rate	£16.68	£17.60

4 Extra Care

4.1 Background

There are 9 extra care/assisted living schemes in Sheffield, they range both in size and the facilities they offer, however most cater for the older age group. The Council contributes funding through contracts in 5 of the schemes; the remaining 4 schemes were privately developed to accommodate people funding their own care and support.

The landlords of each scheme tend to be registered social landlords (RSL's) who operate on a not for profit basis with the on-site care and support provided by home care providers. Whilst the operation of the scheme is registered by CQC as home care, it has more similarities with the supported living schemes where providers are registered as domiciliary care providers but their work is focused around a building or house and therefore travel time is minimal.

The care element is paid based on actual hours of care delivered as it fluctuates based on need. The support element is paid at the same rate each week with an overarching aim to provide support to all of the residents in activities that enable them to remain independent and without care for as long as possible.

4.2 Market Analysis

The current care and support contracts were combined and awarded in 2015 with 3 providers across the 4 schemes some of whom also provide home care, either Council funded or privately in other parts of the city. One provider exited the market in Oct 2019 and another is due to complete their

	notice period in April 2020. The third provider has taken over this contract and is in the process of taking on the other contract from the end of their notice period. In 2018/19 it was agreed that the fee level for the care element should be uplifted in line with supported living providers. The support element of the scheme is subject to a separate review.
4.3	**Consultation Process** Commissioners wrote to the extra care providers in January outlining the hourly rate proposal and acknowledging the announcement in December of the higher than expected minimum wage.
4.4	**Extra Care Consultation Response** One response was received from the provider who operates four of the five schemes. Their response reflected the issues raised by home care providers (the provider is also a home care provider).
4.5	**Extra Care Consultation Feedback and Analysis** **The provider told us that** *….. There is a disparity between proposal and announced increase in minimum wage: "Even if you simply continue to use your existing criteria for calculating the uplift the hourly rate should now be increased by 5.53%, to account for the higher than anticipated NLW increase".* As stated in previous responses, the Council proposes to cover the minimum wage increase as set out in the proposal below. **The provider told us that …** *They have had an increase costs relating to pension contributions: "The mandatory increase in auto-enrolment pension contributions have been ignored by SCC in previous years (employer contributions increased from 1% to 2% April '18, and from 2% to 3% April '19, thus squeezing our margins)".* Pension contributions were phased in from 2012 but have affected companies at different stages since then. Pensions were factored into the rate as part of the cost of care exercise in 2016 and have therefore been subject to increases aligned to minimum wage increase each year since. **The provider told us that ….** *They have been impacted by an increase in sleep-in costs for the separate service element of their contract.* The Council will review this separately with the provider as it is outside the scope of this fee rate review and does not relate to the standard fee rate for care hours that is under consultation. The final ruling regarding the sleep in rate is expected in a further two months' time at the point of writing.

4.6	**Analysis of Feedback** The original fee increase that was consulted on proposed an increase in the standard rate for home care of 4.61% based on an expected increase in the minimum wage of 5.12% and CPI on non-staffing costs of 1.7%. This produces an increase in the overall rate of 4.61%. However providers have told us that this would not be sufficient to sustain the market in light of the announcement of the higher than expected minimum wage (6.2%). The Council has taken on board the feedback from providers and is therefore recommending that the minimum wage increase of 6.2% is applied to 85% of the fee rate. This will cover the increase not just in salary but in on-costs for all staff. This will mean an increase from the current rates as set out in the proposal section below.
4.7	**Proposal** Although there is no mandatory uplift clause in the contract, the Council has a statutory duty to support a diverse and high quality market and must therefore take into account all relevant factors impacting upon delivery of services, including financial costs. Unlike the last two years' uplifts it is proposed the minimum wage increase is applied to all staffing costs (85% of costs) and not just front line workers (75% of costs). The assumptions underpinning the ratios between staff and other costs came out of the cost of care exercise undertaken in conjunction with providers in 2016 and are as follows: • Front line staff: 75% total costs • Management and admin staff: 10% total costs • Non staff costs: 15% The other factors taken into account are as follows: • Minimum wage to increase by 6.2% from April 2020 • Non-staffing costs are based on CPI in Sept 2019 at 1.7% **This produces a total uplift of 5.54%.** A full break down of the increased rates per framework contract area is provided below:

Area	Framework hourly rate 2019/20	Recommended hourly rate from April 2020
A1	£16.27	£17.17
A2	£16.58	£17.50
A3	£16.85	£17.78
B1	£16.41	£17.32
B2	£16.47	£17.38
C1	£16.78	£17.71
C2	£16.47	£17.38
C3	£16.34	£17.25
D1	£16.01	£16.90
D2	£16.72	£17.65
D3	£16.01	£16.90
E1	£16.34	£17.25
E2	£16.41	£17.32
E3	£16.15	£17.04
F1	£17.18	£18.13
F2	£17.71	£18.69
F3	£17.77	£18.75
F4	£17.30	£18.26
G1	£17.37	£18.33
G2	£16.47	£17.38
G3	£16.41	£17.32
Care at Night rate	£16.68	£17.60
Discounted Scheme Rate	£15.71	£16.58
Sleeping night rate	£10.47	£11.05

5 Supported Living

5.1 Background

Providers delivering supported living services on behalf of the Council are currently contracted to a framework agreement, which commenced in October 2017 and expires in October 2021. The city is divided into 21 areas, with varying hourly rates based upon variances in travel time and dispersal of service users. Where a large amount of support is delivered at one location (56 hours or more and/or night time support) this is paid at the discounted scheme rate.

Supported living is a key model of support for adults with disabilities and demand has continued to grow. It is expected to continue to increase in 2020/2021. The Council's Commissioning service works closely with care managers and providers to ensure requests for supported living packages are responded to promptly and that people requiring supported living have a

	choice of provider
5.2.1	**Market Analysis** The Supported Living market in Sheffield is diverse and 25% of the active Framework providers are local organisations. The providers actively engage with Commissioning to innovate and improve services. One framework provider decided to stop providing services on behalf of the Council during 19/20 on the grounds of financial viability arising from the scale of business. They supported three people and there was sufficient capacity within the remaining market to facilitate the safe transfer of individuals to new Framework providers with minimal disruption. ***Pressures on the supported living market*** The main pressures on the supported living market have remained constant. The key issues remain workforce challenges, mainly around recruitment and retention.
5.2.2	**Supported Living Comparator Rates** Benchmarking with neighbouring authorities indicates that Sheffield's rates are relatively competitive. However, as there are variations between each authority in terms of how they define 'supported living' and how the rates are determined, this requires further analysis which will be undertaken by Commissioning in 20/21.
5.3	**Supported Living Consultation Process** There were two stages to the consultation on fees with supported living providers: Stage one was a provider forum session on fees held in Autumn 2019. Stage two was a formal consultation on the proposed fee rate from 16 December 2019 to 24th January 2020.
5.4	**Supported Living Consultation Response** In autumn 2019 commissioners ran a Provider Forum Session on fee rates and other issues affecting providers delivering supported living in Sheffield. There were 9 providers represented at the meeting. In December 2019 the formal consultation letter seeking feedback on the proposed fee rate was sent to providers.
5.5	**Supported Living Consultation Feedback** Nine of the 32 supported living providers on the Supported Living Framework responded to the formal consultation letter (December 2019)

	that set out the proposed fee and requested feedback from providers. The response rate is 28% of providers on the framework. However, as only 20 of the providers on the Supported Living framework are active at this time, and as all responses were from active providers, the response rate is 45% of the active providers. One of the responses appeared to be proactive correspondence requesting fee uplifts for 2020-21 rather than a response to the consultation. Nevertheless they help inform the analysis. Of the nine responses to the consultation itself: • Two providers accepted the proposed uplift of 4.61%, one of which requested that the same uplift be applied to other supported living contracts that they hold. • Three requested the full uplift of 6.2 % for staff costs. • One requested an increase of between 5% and 5.5% to cover the full uplift for the staff costs. • One requested an increase of 6% to cover the increase to staff and other costs. • One requested an average uplift of 5.3% using a different calculation. • One requested an average uplift of 5.75% based on the Council's methodology. None of the nine respondents stated or implied that they would not continue if they received the 6.2% uplift for the National Living Wage. In the 'non-consultation' correspondences there was a request for an increase of 5.36%. This provider also responded to the consultation letter. Some of the feedback from the Supported Living providers overlaps with that from care homes, extra care housing and home care: they raise the need to maintain a differential in pay between support providers worker, senior workers and managers. Providers also cited increased pressure for training in essential subjects and in the frequency that this training needs to be reviewed. The Council acknowledges the challenges facing providers in recruiting and retaining good quality staff and the significant impact for providers of the increase in the minimum wage from April. The Council therefore proposes to reflect the full cost of this increase in costs by uplifting ALL staff costs by the 6.2% increase in the minimum wage. This will ensure differentials between staff levels can be maintained and non-care staff wages will also be uplifted The Council is reviewing its training offer in consultation with providers and has not increased the burden of training requirements on providers. Food and energy costs are covered in the Consumer Prices Index (CPI) which has been used to calculate inflation on non-staffing items. The Council uses the CPI as the index for non-staffing related increases and this covers most of the non-staffing costs incurred by providers such as fuel and utilities etc. The CPI tracks the changes in costs and therefore is considered a good measure of fluctuations in prices. CPI is made up of a range of indices including:

	• Food • Alcohol and Tobacco • Housing and household services • Furniture and household goods • Transport • Recreation and Culture • Restaurants and hotels • Other goods and services Although providers told us that the CPI of 1.7% was less than the increases in some of these areas, this is not substantiated by the ONS. The Council uses the September CPI rate as an indicator of inflation as this is the month used by DWP in setting pensions. Although providers told us that costs had increased by above CPI for fuel and other non-staffing costs, the ONS confirms that the largest contributor to the CPI rate came from housing and household services with fuel and utilities falling. Transport's contribution to the rate fell continuously from April 2019 to Sept 2019 to an eighth of its contribution and by December was at its lowest (with only one exception) since August 2016. There is an improvement project underway to speed up the financial assessment process and also to introduce improvements to the monitoring returns, verification and remittance process through the introduction of a provider portal in the next few months.
5.6	**Analysis of Feedback from Supported Living and Market Analysis** The market and consultation analysis suggests that there are continuing pressures on supported living market, in particular relating to staff recruitment and retention. The original fee increase that was consulted on proposed an increase in the standard rate for supported living of 4.61% based on an expected increase in the minimum wage of 5.12% and CPI on non-staffing costs of 1.7%. This produces an increase in the overall rate of 4.61%. However providers have told us that this would not be sufficient to sustain the market in light of the announcement of the higher than expected minimum wage (6.2%). The Council has taken on board the feedback from providers and is therefore recommending that the minimum wage increase of 6.2% is applied to 85% of the fee rate. This will cover the increase not just in salary but in on-costs for all staff. This will mean an increase from the current rates as set out in the proposal section below:
5.7	**Fee Rate Model**

	During 2016 an extensive consultation exercise was undertaken with home care providers to understand their pricing structure and cost pressures. Following the consultation exercise, a standardised 'cost of care' model was developed. Analysis of travel time between visits in different parts of the city enabled distance between service users and typical traffic conditions to be incorporated into a range of hourly rates, with higher rates paid for suburban and rural parts of the city. This standardised 'cost of care' model was used for home support and supported living. In April 2018 and 2019 the hourly rates were uplifted in line with a weighted combination of the increase to the minimum wage and the Consumer Price Index.
5.8	**Additional Support** The Council provides other support to supported living providers to help improve the quality of care. These include: • Regular provider forums with development opportunities • Opportunities for providers to engage with pilots in the city including the use of assistive technology and the implementation of Individual Service Funds • Support in moving towards 'Ethical Care Charter standards. • Further improving our systems and processes to ensure accurate payment and remittance advice. • Supporting providers to utilise a provider portal, enabling immediate resolution of errors with claims for payment • Reviewing the Council's training offer to social care providers.
5.9	**Fee Rate Proposal** Although there is no mandatory uplift clause in the contract, the Council has a statutory duty to support a diverse and high quality market and must therefore take into account all relevant factors impacting upon delivery of services, including financial costs. Unlike the last two years' uplifts it is proposed the minimum wage increase is applied to all staffing costs (85% of costs) and not just front line workers (75% of costs). The assumptions underpinning the ratios between staff and other costs came out of the cost of care exercise undertaken in conjunction with providers in 2016 and are as follows: • Front line staff: 75% total costs • Management and admin staff: 10% total costs • Non staff costs: 15%

The other factors taken into account are as follows:

- Minimum wage to increase by 6.2% from April 2020
- Non-staffing costs are based on CPI in Sept 2019 at 1.7%

This produces a total uplift of 5.54%.

A full break down of the increased rates per framework contract area is provided below:

Area	**Framework hourly rate 2019/20**	**Recommended hourly rate from April 2020**
A1	£16.27	£17.17
A2	£16.58	£17.50
A3	£16.85	£17.78
B1	£16.41	£17.32
B2	£16.47	£17.38
C1	£16.78	£17.71
C2	£16.47	£17.38
C3	£16.34	£17.25
D1	£16.01	£16.90
D2	£16.72	£17.65
D3	£16.01	£16.90
E1	£16.34	£17.25
E2	£16.41	£17.32
E3	£16.15	£17.04
F1	£17.18	£18.13
F2	£17.71	£18.69
F3	£17.77	£18.75
F4	£17.30	£18.26
G1	£17.37	£18.33
G2	£16.47	£17.38
G3	£16.41	£17.32
Discounted Scheme Rate	£15.71	£16.58
Sleeping night rate	£10.47	£11.05

6 Complex Needs, Learning Disabilities and Non Standard Residential Care Homes

6.1 Background

	The local care home market includes a number of residential and nursing care services where placement costs exceed Sheffield's standard rates – 'non-standard' fees. The majority of care homes at 'non-standard' fee rates support working age adults with learning disabilities, physical disabilities or mental health problems. Some support adults from two or more of these customer groups.
6.2	**Market Analysis** There are 33 care homes for adults with learning disabilities, physical disabilities or mental health problems in Sheffield. Most provide continuing care with a small number specialising in residential respite/short breaks services. There are a number of high cost residential placements for people with a Learning Disability. A high cost placement is deemed as being costed in excess of £950 per week and includes residential placements within Sheffield and out of the city. In total there are 324 placements within this cohort, which is spread across a total number of 79 providers; 18 of these providers are based within Sheffield and 61 of these providers operate outside of Sheffield. A total of 169 individual placements are based within Sheffield and 155 individual placements are based out of City. The market in 'non-standard' fee care homes has been relatively stable this year. There have been two exits from this market in Sheffield in the last year, both on quality and safeguarding grounds. This capacity has been more than compensated for by new supported living schemes offering high quality accommodation with support from providers on our supported living framework. In addition to funding the above placements in residential and nursing care homes with non- standard fees in Sheffield, the also Council funds placements in a range of out of city care homes. The approach set out below covers our proposals for 2020/21 fees for both in city and out of city care homes. In 2019, we set up a Value for Money and Quality (VFMQ) project team and have begun working with non-standard providers. The aim of the project is for us to better understand the complexity of factors that contribute to the variation in costs and establish a fair cost of care that will underpin our approach to uplifts and to new placements in the future. Our objectives are: • to understand costs in the context of the type of care and support that is delivered • to consider the outcomes for residents that are achieved, and • to evaluate the experience of residents and their families

6.3	**Learning Disability Non Standard Rate Care Homes Consultation Process** The fee review process for non-standard fees is different from the arrangements for standard fees. This is because these placements are contractually different in a number of ways: • Fees were set individually by the provider or negotiated on an individual basis, and not on the basis of a standard fee level fixed by the Council. • The range of fees charged varies significantly from less than £500 per week to over £2,000 per week. • Different care homes have different cost structures and specific budget pressures can impact on them in ways specific to their business.
6.4	**Consultation Response** Non standard rate residential care providers (65 providers outside Sheffield and 28 in Sheffield) were contacted with the proposal to offer 3% uplift to the rate paid by the Council. This did not include an uplift to the CCG funded element of any joint packages or CCG fully funded packages of care with these providers. We received 11 responses of which one was neutral and four supported the 3% uplift proposal. Of the other six providers, four suggested higher alternatives ranging from 3.5% to 7%.
6.5	**Consultation Feedback** We received 11 responses of which one was neutral and four supported the 3% uplift proposal. Of the other six providers, four suggested higher alternatives ranging from 3.5% to 7%. One of the providers requested a more in depth review of their cost of care.
6.6	**Analysis of Feedback** The Council has reviewed the response from providers in this market and the findings from the Value for Money and Quality project. This has informed the recommendation to proceed with a 3% increase for this sector. Where providers request a more in depth review of their fees, the Value for Money and Quality team will work with them in collaboration with the CCG and Assessment and Care Management to review their individually negotiated rates. The Council reserves the discretion, with commissioners in Health, to withhold this uplift and negotiate with individual providers where contractual

	requirements are outstanding or poor health and social care outcomes are evident.
6.7	**Fee Rate Model** The cost model of care in this sector is highly variable and often bespoke to the needs of the individual resident or the specialism of the residential care provider. The fee rates are individually negotiated at the point of placement and have not historically been subject to % uplifts via this review and consultation process. However Council Commissioners are increasingly working in partnership with the Sheffield CCG to develop a stronger market management approach and fee review process. The Value for Money and Quality project will continue with a focus on a small number of providers who have requested an in depth review of their cost model and fee rates over the next 12 months.
6.8	**Additional Support** Following recent engagement with this sector through the Value for Money and Quality project, the Council is developing stronger links with providers in this sector and proposes establishing a regular provider forum to share best practice and discuss challenges and opportunities for this sector. It is expected that this will be established over the next 6 months and be annual or six monthly depending on feedback from this market. Where the Council's Quality or Assessment and Care Management Teams identify the need for improvement action, support will be provided to develop clear action plans and monitor progress in addressing issues and sustaining and embedding improvements.
6.9	**Complex Needs, Learning Disability and Non Standard Residential Care Home Fee Rate Proposal** The VFMQ project has uncovered fee rate discrepancies that have arisen over time and need to be addressed systematically over the next 12-18 months. It is therefore recommended that an offer is made to **uplift non-standard rate provider fees by 3% in 2020-21** while we undertake a more detailed analysis through continuation of the Value For Money and Quality project, working in partnership with the Clinical Commissioning Group. We feel that the new approach will increase our capacity to embed the Value for Money principles and result in a more consistent outcome that focuses on the quality of provision as well as ensuring that fees are sufficient to meet residents' needs and lead to a sustainable market in circumstances where an individual cannot be supported in standard residential or nursing care.
7	**Other Non-Standard Provision: Direct Payments and Day**

	Activities
7.1	Direct Payments are a core part of the Adult Social Care offer in the city and enshrined in the Care Act. The Council is committed to supporting and enabling people to have a direct payment where this gives them choice and control over the care they receive and the way that this is delivered. While Direct Payments are a key area of spend for the Council, each one is individually agreed with the person receiving the direct payment and often has multiple elements relating to different types of care. The Council is not proposing a flat % uplift to Direct Payments - this is in keeping with previous years. The report therefore recommends that any appropriate and proportionate fee increases requested by recipients of Direct Payments are agreed by Assessment and Care Management on a case-by-case basis with support from Commissioning.
7.2	Day Activities are mainly commissioned via spot purchase. Work is underway to establish a clear commissioning approach to day activities which will include recommendations for fee rate reviews. Day Activities are outside the scope of this fee rate review and consultation and commissioners will continue to work with the sector on establishing a framework approach and undertaking Value for Money and Quality Reviews where these are requested by providers.

Appendix A Provider Feedback

This section contains the anonymised responses from providers throughout the engagement and consultation process.

Feedback from Care Home Providers

Provider feedback from Care Home focus group in October 2019

Staff costs: Providers told us …….

- Staff can earn higher in retail and service industries
- High cost of agency staff – especially nursing
- Cost of nursing staff and competition with NHS for nurses
- National Living wage – some providers highlighted that last year's SCC fee increase did not match minimum wage increases because it was not applied to all staffing. 2% was applied for non front line/management staff.
- Competition for nurses is driving up costs and nurses are able to dictate terms and conditions especially flexibility when compared to other care workers.
- Minimum wage increase drives up all staff costs if differentials and competitive recruitment salaries are maintained. Leadership is key to good quality care

Data: Providers told us they would like to work with us on the following areas…

- Need to better understand the wage structure of the care sector workforce – Grades/roles/salaries
- Staff turnover and improving retention
- Wages as a % of turnover have increased beyond the cost model used by SCC
- No. of workers on minimum wage
- Sickness absence – types and volume
- Staff satisfaction and morale data

Equipment: Some providers told us that…..

- Higher dependency means residents have higher equipment needs that providers need to fund. Almost all need profile beds.

Buildings & maintenance: Providers told us that…..

- There are Sheffield care homes now in need of repair – boilers, roofing, windows but capital investment is a challenge for many of them.
- Some feel there are changing legal responsibilities, Health & safety, Fire regulations
- Can the Council support with low cost grants or loans to providers to improve their buildings
- Could the Council build care homes and lease them to providers?

New technology: Providers told us that they want to make better use of technology for example….

- On-line training
- On line medication system

- Electronic transfer of care plans

Providers also told us that other costs are increasing:

- Increased compliance costs – training, Infection Prevention and Control (IPC) fire safety etc.
- Utility costs

The focus group identified areas for collaborative working between the Council and care home providers such as…..

Morale

- Nurse's job satisfaction and stress levels
- The paperwork and administrative work for care home managers
- Watching my back mentality for staff at all levels
- Care workers who have carer responsibilities at home too
- Counselling service for staff
- Respect for care workers amongst other professionals

Recruitment

- Not seen as an attractive nursing post especially compared to Teaching Hospitals and other health opportunities in the city
- Possible jobs roadshow
- Promotion within schools/education/training
- Career path
- Promotion with retirees and voluntary sector

Care Home Engagement Session 1 – 17th Jan 2020 – 8 Attendees

The Council ran two engagement sessions with care home providers during the formal consultation stage in January. Providers had received a letter outlining the proposed increase in fees and were asked to provide feedback on the proposal in writing and via the engagement sessions. The feedback from these sessions is set out below including verbatim comments:

Providers told us that…..

- *Staffing costs are now a larger proportion of overall costs, around 80%*
- *Cost of care exercise in 2017 was "averaged" and therefore a "blunt instrument" in assessing the true cost of care*
- *Some providers are cross-subsidising Sheffield homes from their other homes in neighbouring local authorities*
- *Private funders continue to "prop up" LA funded resident costs*
- *The 2017 fee rate was not sufficient for care need.*
- *The 2017 figures on cost of care need re-looking at.*
- *Austerity is acknowledged but providers have to look at the marketplace and decide what we can do. The local authority job is to feedback to Government that fees aren't fit for a "top-end" service.*
- *What do we aspire to and what do we want the market to look like as providers? Currently market is subsidised by full fee payers but still unable to pay attractive wages to staff.*
- *Over 20 years, costs have gone up by 80% but LA fees only gone up by 56%,*
- *For new homes a return rate of 2-3% is not enough to attract investors.*

- *Ethical care charter requires LA to move to foundation wage levels, currently almost all the "gap" is in Social care.*
- *It's clear Sheffield cannot meet any of the national cost of care models so let's work together on what is achievable,*
- *Staff are very important to care providers but their pay is already a long way behind aspirational levels.*
- *Rotherham owns their own two care homes. Rotherham pay themselves £600 but charge £685 to private funders.*
- *Local authorities need to understand the importance of return on capital.*
- *5% fee rises per annum more or less represents "standstill"*
- *Sheffield still one of the lowest fee payers in the country.*
- *Pensions have increased costs and utilities are up around 10% this year depending on the contract and when you fixed costs.*
- *Government is promising new funding, this should be passed directly to providers.*
- *Nursing costs up by an average 30%*
- *Some local authorities e.g. Barnsley pay a premium for dementia residents.*
- *Laing & Buisson and Rowntree both have cost of care models but Sheffield won't use them.*
- *Always the same message from Sheffield re fees*
- *Currently the CCG and private payers are paying more than Sheffield City Council*
- *2012-15 no increase in fee was given.*
- *2017 – Cost of care exercise – built on three providers' costs – these weren't representative.*
- *Subsidising means that the fee breakdown is still useful.*
- *Private funders are propping up the care system.*
- *23k profit for 100% occupancy on 40 beds.*
- *Wrong to accept that the money isn't there – our duty collectively now is to look at the market place and aspire to something better. We can't move it in that respect because no money to invest in the stock.*
- *We've got providers in the city that haven't taken money out of the business and not taking bank loans.*
- *There's no return on the investment for the risk that applies.*
- *Cost of care model is about £100 per week short minimum short.*
- *18% increase would make it deliverable*
- *It's not all about wages – our staff are on minimum wage but we pay overtime for Sundays and bank holidays etc and we have a higher level of staffing, we pay for breaks and we haven't had to advertise for 3 years – because staff want to work with us.*
- *Now fewer than 30 local authorities paying under £600 per week.*
- *Occupancy is probably 5% higher than the data shows because of turnover of beds*
- *The number of people Sheffield funds is relatively low and indicates that there are more self- funders who are propping it up. Also that over time the Council will start to lose traction as a customer.*
- *Risk of providers joining forces to up prices by setting up own price framework.*

- *It's easy to think 'why do I bother to keep coming to these meetings'. Our care models are 40 years old and out of date.*
- *Sheffield needs to stand up and make a statement about our intention and that we won't leave Council funded people behind in second rate homes.*

Care Home Engagement Session 2 – 17th Jan 2020 – 5 Attendees

Fee proposals – Key points – verbatim from providers:

- *We need a three year approach not an annual one*
- *Can consultation start earlier in the year?*
- *One large provider will need a fee rise of 4.4% above the current offer; just to break even.*
- *Building new care homes is getting more difficult, needs Government funding*
- *Inflationary increase each year means that Sheffield always remains at a low base. Gap between Sheffield and other local authorities.*
- *Utility and training costs rising much faster than inflation*
- *Is CPI really fit for purpose? Based on household inflation taher than commercial.*
- *Cleaning costs increasing*
- *Some training e.g. Hygiene training now needs delivering every year, used to be every three years.*
- *10% of each FTE probably equates to training*
- *Recruitment and retention – nurses in particular are very expensive. Finders fee on its own can be £3-5k*
- *Equipment costs, frailer patients require capital expenditure onequipment. This equipment then may need storing until next residents needs it. Could leasing be looked at, storage facility or a "swap-shop"*
- *Capital group needs setting up as one of the "task and finish" groups*
- *Inspection regimes and duplication is a perennial problem*
- *Large provider losing £21 per week on SCC funded beds. = 300k per year before we've even put capital expenditure in the organisation which needs to be 16-17 per bed on top. Need 10% increase to standstill for SCC funded places. No investment capital.*
- *Inflationary increase and structure is good but we started to a really low base point. Low in comparison to neighbours and to national picture. So we need to catch up otherwise the gap is just increasing for Sheffield.*
- *Not enough attention is given to our suppliers – the bills are rocketing. Training is costly and takes up 10% of staff time. SCC also ask for evidence of meetings and staff development.*
- *CPI is a blunt instrument and not reflective of commercial energy price increases.*
- *Lifts, PAT testing (now annual not three yearly) etc has increased costs*
- *Standard of cleaning and costs have gone up massively.*
- *DBS is now annual not three years*
- *Equipment - acuity requires much more complex equipment. e.g. profile beds, airflow mattresses and maintenance of this.*
- *Not providing hospital beds for care homes. Now expected to purchase a hospital bed. Used to be loaned for end of life care. When a purchased bed is finished with then there's a cost to storing them.*

- *Capital project group – will this look at equipment issues?*
- *Electronic Care planning – how else can we work together as a sector to identify opportunities to work better and more efficiently together. Not all about increasing costs.*

Post-it comments from Care Home providers attending the engagement sessions January 17th 2020

CQC oversight scheme - As a company we have to provide business accounts and detailed information on capital spend etc. for the homes we are compared to similar companies and are always last in the average weekly fee. We have been told to go to the Councils and tell them the fee is too low.

Capacity – No. 1 loss this year 90-92% currently
Open Book exercise – no update – this needs to be reported on as promised
Sheffield is in the bottom 10% of Local authorities out of 400
Paying under £500 for a week of high quality care, accommodation and service is inadequate. No local hotel could operate on these terms.

It's not just about this year's inflation pressure, it's about the historical under-funding as the rates are 20-below the real cost of care.

Care Home Providers – Responses to Consultation December 2019

Respondent 1

- *Fee rates need to rise this year*
- *The agencies are a 'God-send' however recruitment costs are somewhere between 10% and 15% of a nurses annual salary, this equates to £3-5k + VAT for each permanent full time staff member employed. No longevity is guaranteed by any agency company with a lot of staff staying for only a brief moment of time.*
- *Constant fighting exists between Care Providers and Agency companies as most of the time no, or very little, refund is repaid if the agency staff leaves.*
- *Nurses' hourly rate has increased from £13.50 to £18-£19 an hour over a 16 month period in 2018-19.*
- *Extra costs are regularly incurred due to the need for staff to cover, supernumerary hours i.e. - shadow working for new employees, extra staff cover when full day bulk training sessions take place, etc.*
- *All residents have individual needs; such as multiple health problems, special diets, dementia care, end of life, etc. and all expected to be 100% acceptable for only £2.86 per hour. £2.86 an hour x 168 hours in a week = £481.00 is the 2019 – 2020 Funded Fee Level.*
- *Staff have to be appreciated more: we are developing staff teams that are highly trained but remarkably, they are only paid the minimum wage.*

- *Unfortunately, we can only afford to pay the minimum wage because of the long standing underfunding in Sheffield.*
- *Care staff work very hard, this isn't right. There should be two pots of money. One pot should be put in place and ring-fenced for salaries only, this should be inclusive of, supernumerary hours, extra hours for bank holiday, unsocial hours, and a slight increase in staff numbers is also required to further safeguard problems happening in the workplace.*
- *The increase in NMW 2020-2021 is 6.2%.not 5.12% as predicted.*

The calculation included in the 2017 Cost of Care Exercise included the accounts of 1 provider who didn't have any of the following fundamental expenses, mortgage, rent, catering, cleaning, handyman, gardening, repairs or maintenance, which would simply be impossible. therefore commissioning should not have included this provider in the calculation as it quite clearly did not reflect the true cost of care provision.

- *"we are already 2 years behind because the fees that were calculated in 2017 were calculated incorrectly" (Copy of Fee Calculation of 2017 figures attached). "Remember we didn't receive any increase in Care fees from 2012- 2015."*
- *"we have got to have someone who believes more passionately in private care home provision. The care vulnerable people receive at home needs improvement. The older generations have low expectations."*
- *All the figures published by SCC can be proved insufficient to maintain a healthy robust home (please see copy on 2017 Fee Calculation figures).*

- *There is no way 'in this world' you can operate with 90% occupancy with all the pressures – even at 100% it would be almost impossible to survive on wholly funded fee levels*
- *No way can Residential and Nursing Homes recover any lost revenue, empty beds inadequate funding means money no longer recoverable.*
-

FNC is outside of SCC control. The total cost of anything that's funded is not where it should be. The knock on effect of not paying the true cost of care from 2012- 2015 is coming home to roost.

- *Fees aren't high enough – let's do something about it.*
- *Increasing equity and cost of staff rising. Dire shortage of nurses.*
- *£2.81/hour is what you're spending on dementia care and it costs only 10p less to park a car.*

Respondent 2

We had just finished the calculations for our 2020/21 operating budget and we were, therefore, in a good position the quote actual figures including the impact of the now confirmed 6.2% increase in the National Living Wage. This has obviously had a huge

impact on our staffing costs over the last few years and will continue to do so until the government's aspiration for the NLW is reached. We confirm that the overall impact on our wage costs, for the budget year, will be an increase of 6.2%.This compares to the proposed fee rate increase, from SCC, of 4.16%.

Respondent 3
 	
• *You are proposing a 5.12% increase on staffing costs to reflect the then 5.12% uplift in minimum wage. This applies to 71% of total costs from your perspective. The CPI September 2019 rate of inflation (1.7%) will be applied to the balance of costs (29%). The weighted average is thus 1.0415% uplift. The standard fee rate of £481 thus goes to £501 week plus FNC.*
• *You indicate a £1,958,000 budgetary pressure in the Council due to 5.12% minimum wage increase which means more pressure for you, do you have any insight as to where this is likely to impact?*
 	
  ○ *Our staff costs are more than 71% of costs, hence we will be further adversely affected by this uplift*
  ○ *Do we have any idea what FNC is likely to be uplifted by ? Not a direct question for yourselves but it has impact on us as providers*
  ○ *The fact that the Government have announced a 6.2% increase in minimum wage this makes the position even worse. I would expect the SCC to review this and review the increase*
  ○ *In simple terms, Sheffield rates are already the lowest range in the country and the proposals as indicated will only make Social care provision harder in the area.*

Feedback from Home Care Providers

This section contains the anonymised responses from providers throughout the engagement and consultation process.

Comments from Home Support Provider Forum 06.11.19 (providers added feedback to 'post-its' about elements contributing to increased costs)
• Minimum wage + NLW is putting a burden on providers based on-costs of running the service. • The extra funding (winter pressures) was good, it was greatly appreciated. May this continue each year or increased. • No longer viable for care providers to continue to absorb extra wage etc. training etc. travel costs. At least 7% increase in costs over last 12 months. • Travel time being left to be a cost to the provider risking providers going bust. Suggest that it's included in the hourly rate. • On call costs (ie having a member of staff available to answer the phone 24/7 • Training costs – we pay staff to attend but we get no remuneration for this
Invisible costs increasing: • Business premises rent • Uniform costs • Gloves, aprons, shoe covers • Office stationary costs • Royal mail fee increase (franking machine) • Office staff salaries • Fuel costs • National living wage
• Delivery cost • Carer wages £9 • Management and co-ordination • Quality assurance staff • Training and shadowing • PPI – high cost • Systems and usage per care • Stationary high cost • Printing • Rent • Telephone system & internet • Uniform • Travel Cost • Insurance • Membership – chamber of commerce • Accountants and pay rate • Specialist supports – high cost membership • Pension
• Recruitment pressures weekly cost to recruit such a small amount of candidates.

• We pay staff full duration – we only get paid banding • The Council should pay the travel time
• Office staff pressures – care co, field care supervisors – Bonuses and incentives? • Rates to include travel time • Would be good if Council set up training sessions for newly employed carers – removing the burden for initial compulsory training. • Insurance • Advertisement • Professional services • Accountants • Advocates
Hourly rates are so marked down in Sheffield – understand in Manchester it's £20 / hr minimum Other factors to computing hourly rate that have been left out • Pensions • Office staff • Rent & rates • Factor in travel and waiting times in the rate separately
• Current rates are not enough • Pay us for the time booked for the call instead of time spent as we still pay carers for rota'd calls
• Make the hourly rates be increased to meet the living wage to cover for travel gaps • Clearer / transparent payments on remittances. We tend to get differences when calculating with the current rate per hour. • Costs of running the business reduces profit to very little for the business eg training for a workforce that has high turnover, DBS, insurance, ECM, travel etc. • UKHCA carried out research on the payment Council should pay to providers. It is currently over £18 per hour but Sheffield Council is way below that rate. • Issues related to payment per work covered can result impacting NLW eg Client X has call 30 min in the morning, carer completed task in 20 mins, over the week carer is 10 mins x 7 short weekly. • Pressure on taxes, pension scheme and inflation on businesses.

Email from provider 7/11/19
The starting point is to highlight the fact that the last 2 annual fee increases were insufficient; • Fee increases for 18/19 and 19/20 were lower than the NLW increase • It was wrong to exclude office based staff from the full NLW calculation (we have to increase staff salaries in line with care worker increase to maintain the pay differential) • Knock on increases should have been taken into account e.g. if NLW increases by 4% the increase to providers is 5% (additional 20% due to extra holiday pay and NIC) • Increased pension-costs have been ignored – mandatory employer contributions increased from 1% to 2% April ’18, and from 2% to 3% April ’19 The failure to take full account of the above should be rectified and a fairer method of calculating the fee increase should now be implemented. In addition, we have seen significant cost increases in; 1. CQC fees: ’17 £2192 / ’19 £17725 2. Business Insurance ’17 £8159 / ’19 £10478 3. Postage: 2nd class franked mail increased by 14% from 4/17 to 4/19 Finally, with regards to Extra Care Scheme funding, the fixed fee for support should be reviewed. The cost of sleep-ins has to be met from this fee and over the period of the ECH contract the cost of a sleep-in has more than doubled from £30 per night to £74 per night (due to legal challenge against Mencap). Effectively we have moved from paying a modest flat sleep in rate to paying the NLW with no additional contribution from the Council. It is unfair to expect providers to meet this unexpected cost increase which could not have been envisaged at the time of tender submission.

Themes Arising
All responders bar one stated that the proposed fee uplift was insufficient. Providers offered a range of feedback and described a number of elements impacting upon their costs, with the following themes highlighted most consistently: • **Disparity between proposal and announced increase in minimum wage**: Almost all responses highlighted the fact the proposed uplift was based upon a forecasted increase in the minimum wage of 5.12%, as opposed to the 6.2%

increase subsequently announced by the government on 31st December 2019.

"Clearly the proposed SCC increase should now be increased in line with the revised increase to NLW."

***

"As the National Living Wage is increasing by 6.2% on 1st April 2020, the logic of the calculation would be that fees need to rise by 5.525%, being 6.2% x 0.85 plus 1.7% x 0.15. This is clearly a higher figure than the 4.61% increase previously proposed."

***

"The proposed 5.12 % uplift applied by the Authority to the pay element of expenditure has been set based on an increase in the over 25s statutory National Minimum Wage (NMW) of £0.42 (5.12%). The actual increase in the NMW has been announced at £0.51, equivalent to 6.2%. For us on pay expenditure of £1,052,000, this difference presents a financial pressure of £11,360."

- **UKHCA's Minimum Price for Home Care**[7]: A high proportion of responders also cited the recently published UKHCA guidance stating the requirement to £20.69 per hour (from April 2020) to allow 'full compliance with the National Living Wage and the delivery of sustainable homecare services'.

"The UK Homecare Association (UKHCA), the representative body of homecare providers in the UK, currently recognises £18.93 per hour as a fair price for care for 2019-20 and has revised this upwards for 2020-21 to £20.69. The rates we currently receive for homecare services from yourselves are less than the UKHCA 2019-20 rate."

***

"The current level of fees paid by the Authority in A1 is £16.27, per client per hour. This compares to the £18.93, assessed by the UKHCA as the minimum needed by providers to provide sustainable homecare support in 2019/20. (I.e. current fee rate paid is £2.23 per hour less than UKHCA minimum recommended.) An uplift of 4.61% will increase the SCC payment to £17.02, still £1.91 below the UKHCA recommended rate for 2019-20.

However, the UKHCA have recently circulated their updated guidance for commissioners /providers relating to minimum fee rates for 2020/21, taking into account the increase in NMW of 6.2%. This very helpful and detailed document includes a revised minimum rate for 2020-21 of £20.69 meaning that the gap between the proposed rate to be paid for the A1 area (£17.02) and the UKHCA minimum rate increases to £3.67 per hour."

***

"Adopt the UKHCA pricing model in full."

- **Failure to cover all increases in costs**: Responders stated that SCC's formula did not take into account all increases in cost pressures. Some

[7] UKHCA Minimum Price for Home Care

pressures are proportionally equal for all providers, such as pensions, CQC fees[8] and postage, while others (recruitment, training, rent for example) may impact on all or most providers, however the extent will be variable.

"Increased pension-costs have been ignored – mandatory employer contributions increased from 1% to 2% April '18, and from 2% to 3% April '19. The failure to take full account of the above should be rectified and a fairer method of calculating the fee increase should now be implemented. In addition, we have seen significant cost increases in:

1. *CQC fees: '17 £2,192 / '19 £17,725*
2. *Business Insurance: '17 £8,159 / '19 £10,478*
3. *Postage: 2nd class franked mail increased by 14% from 4/17 to 4/19"*

***

"Wider cost pressure from annual inflation including rents, utilities, consumables and staff salaries. We have taken 1.85% which is the mid-point for CPI and RPI".

***

"X's lowest paid carers (new starters) get £8.25 plus 20p travelling time and the highest paid earn £9.49 plus travel 20p per hour.
For example

- *X gets from a £17.30 fee paid by the Council,*
- *Average Carer in the field gets £9.07 per hours*

Therefore X will remain with £8.23 (average) for every hour worked to cater for:

- *Office and management staff*
- *Operating expenses such as office stationery, software, rent, telephone, vehicle maintenance, Insurance, CQC fee, training, recruitment, ICO fees, ECM fees etc, Employer contributions for Pensions, National Insurance, Bank holiday rates and other enhancements implemented from time to time".*

***

"I hope you at least have a picture of our costs that keep going up and why the proposed uplift will really not match these increasing costs:

DESCRIPTION	*2018*	*2019*	*Comment*
Office Rent	*216.66*	*358*	
Pool Cars x2	*0*	*2800*	*Used by carer drivers who don't own a car*
Car Insurance	*0*	*154*	*Cars used by carers*
Gloves	*2.05 / box*	*2.95 / box*	
Pay Rates	*£8.60 - £9.00*	*£8.80 - £10.00*	*increase twice in 2019*
Driver	*0*	*£70 - £140 / week*	*To carry non-drivers on calls*

- **Proposal does not cover full impact of the increase in minimum wage on**

[8] From 1/4/19: fee calculated on the basis of the number of service users supported with regulated activities. £239 + (number of service users × 54.305) or a maximum fee of £92,558 (1,700 service users or more)

staff wages: Described in relation to maintaining pay differential and on-costs.

"It was wrong to exclude office based staff from the full NLW calculation (we have to increase staff salaries in line with care worker increase to maintain the pay differential)

Knock on increases should have been taken into account e.g. if NLW increases by 4% the increase to providers is 5% (additional 20% due to extra holiday pay and NIC)".

***

"Wage based on-costs are a 25% multiple to the combined wage and travel time cost representing holiday pay, employer national insurance contributions, pension-costs, care worker training costs and statutory sick and maternity pay".

***

"Need to adjust for the broader team costs within a home care team. When care worker pay rates increase, then we also have to adjust for office based roles that need to also increase to keep a differentiation – costs of employment rise across a full team not just care workers".

- **Issues specific to how home care is commissioned**: Some responses reflected upon the financial pressures intensified by the method of commissioning home care, specifically payment for contact time and use of short visits.

"Continued rationing of care provision by commissioning authorities, including the increased use of short visits, resulting in higher effective travel time costs between care calls.

A continued trend towards increasing homecare acuity as eligibility thresholds are managed due to aforementioned rationing. This is resulting in continually evolving and higher cost training requirements whilst driving up provider insurance premiums.

***

National Living Wage counts contact time and travelling time at the same cost i.e. 8.27 per hour, However, the Council pays only for contact time. This means we are subsidizing from the business to pay what Council does not pay us for as travelling cost is calculated in pennies".

- **Issues relating to SCC's processes and infrastructure for paying providers**:

"Irrespective of the fee rates paid, we would wish to raise within this consultation the on-going impact that the payment system used by the Council has on providers. You will be well aware of the operational delays in payments that occurred during 2019/20, which together with the timing of regular payments being geared towards 'catch up' payments during the last 3 months of a financial year, has had a considerable impact on cash flow management for providers throughout the year".

- **Pressures relating to the conditions of the wider employment market**:

"Key issues we face are attracting workforce willing to drive and deliver care. We need to increase by a large measure the payment for the services they offer and the costs they incur and recognise that as supply and demand drives available staff (and lowest employment rates for decades) we have to fund workforce better and by pounds, not pence. Workforce can achieve £10 an hour in retail logistics or similar without the responsibility that being a care worker now increasingly brings".

***

"Need to reflect Real Living Wage rate and be competitive to retail and other alternative employment opportunities".

***

"A further intensification of the workforce crisis due to the effects of low unemployment in general, meaning a substantial rise in associated recruitment and retention-costs".

- **Impact of uplifting by a flat percentage increasing differential between areas**:

"Applying a standard percentage rate of increase across all geographical areas does disadvantage those providers operating in areas where the base figure is less, as the differential gap widens e.g. a provider in the lowest area (D3) will get a 74p per hour increase , where a provider in the highest (F3) will get a 82p per hour increase".

- **Impact of costs relating to necessity of employing drivers**:

"Our carers who drive now receive £10 an hour, and again we will have to increase this come April. I think this is the main cost that we are constantly having to revise as there is so much competition for carers. Again to retain those carers who do not drive, we have employed a driver to drive them to all their calls when there are no carer drivers working. We have also had to buy 2 pool cars used by carers who can drive but do not own a car. We have to pay Insurance and Road Tax for these cars".

***

"Increase rates to allow providers to uplift the mileage rates they pay – typically 15p-30p per mile, whereas it should be assumed to be HMRC recommended at .45p. This would make drivers more interested in joining a home care service".

- **Perceived inequity in comparison with fees paid for services procured via a Direct Payment**:

"There is clear evidence that (for example) Providers who are on private contract with clients and receive Direct Payments charge as high as £22.00/23.00 per hour as compared to what the Council pays".

Suggestions by Providers

Responding providers suggested the following alternative percentage uplifts and/or factors to be incorporated into the formula used:

- Fees uplifted taking into account 6.2% increase in minimum wage.
- Fees uplifted to UKHCA minimum price for home care i.e. £20.69.
- Formula to incorporate increase in pension-costs (taking into account 1% to 2% increase in April 2018, and 2% to 3% in April 2019).

- Formula incorporates CPI at mid-point figure of 1.85%.
- Uplift to factor in payment of Real Living Wage[9], as opposed to minimum wage (currently £9.30 outside of London).
- Formula to take into account other multiple, varying pressures upon provider costs.
- Variable uplift to be applied to reduce differentiation between geographical areas.
- Fees uplifted by more than 9%.

Home Care Fees Focus Group – 8.11.19

- Joe confirmed the process and explained that elected Cabinet Member may not be in attendance at consultations due to Purdah
- Cabinet Report is due to go to Cabinet February or March.

Fee Rates and anything else we need to take into account as a system?

- Didn't feel last years consultation was consulting, more of information sharing.
- Last year's rate increase was absorbed into statutory requirements ie pension contribution and NLW adjustment.

- Travel time – not viable if travel 33% of the call.
- Cash flow – Using reserves and maybe incur banking costs. Also incur HMRC late payment of contribution.
- Unclear of whats been paid and what the payment is for, lack of remittance.
- Error reports of whats not been paid - not clear.

- Training – SCC requirements are more than statutory requirements
- Council Training is not suitable, dates not regular enough. Also doesn't work for releasing staff on the same day.
- Staff require paying for the day inline with HMRC requirements, SCC does not pay for this time.
- Council not taking action on changes in packages resulting in staff not being paid for the time delivered for shortened calls.

- Sheffield turnover is higher than other branches across a large provider.
- Large majority of leavers are those who have joined the company within 12 months, no analysis of exactly why.
- Customers have an impact on the turnover of staff. More issues in the areas where customers don't pay a contribution. Staff and service is least valued.

[9] https://www.livingwage.org.uk/what-real-living-wage

- Paperwork has a lack of detail, now a 2 page document leaving providers to try and gather information required to make an assessment.
- Delay in financial assessment results in 6 hours to set up a package, lots of examples of cancelled calls following outcome of financial assessment.
- First 72 hours of a hospital admissions resulting in not getting paid. Can claim for 24 hours, often don't obtain payment for these. Some providers no longer charge for the 24 hours.

- Brokerage Process
- Queries with start date allocations.
- Separate discussion regarding Brokerage process.
- Waste of time with assessments.
- Issues more recently, over the last 2 months.

- Increase cost of PPE which is an additional cost to companies. One order increased by £80 one month.

- Continence pads not adequately supplied - continence poverty.

- Vehicles / pooled cars to deliver double-handed care.

Emails received from home care providers following letter issued 16/12/19

I would reiterate the points previously submitted (see below). Clearly the proposed SCC increase should now be increased in line with the revised increase to NLW.

The starting point is to highlight the fact that the last 2 annual fee increases were insufficient;

1. Fee increases for 18/19 and 19/20 were lower than the NLW increase
2. It was wrong to exclude office based staff from the full NLW calculation (we have to increase staff salaries in line with care worker increase to maintain the pay differential)
3. Knock on increases should have been taken into account e.g. if NLW increases by 4% the increase to providers is 5% (additional 20% due to extra holiday pay and NIC)
4. Increased pension-costs have been ignored – mandatory employer contributions increased from 1% to 2% April '18, and from 2% to 3% April '19

The failure to take full account of the above should be rectified and a fairer methods of calculating the fee increase should now be implemented.

In addition, we have seen significant cost increases in;

1. CQC fees '17 £2192 /'19 £17725
2. Business Insurance '17 £8159 / '19 £10478
3. Postage 2nd class franked mail increased by 14% from 4/17 to 4/19

The main point for X (which is recognised by yourself SCC) is that the originally

proposed uplift assumed a lower increase in minimum wage and so we would like you to to ensure that the uplifts are increased to reflect the higher increase.
We write in reply to your letters of 16th December and 9th January. Whilst, in our view, 90% of our costs are pay-related, nevertheless due to variations in the volume of work carried out from provider to provider, we accept the Council's position of applying the pay-related calculation to 85% of the fee. As the National Living Wage is increasing by 6.2% on 1st April 2020, the logic of the calculation would be that fees need to rise by 5.525%, being 6.2% x 0.85 plus 1.7% x 0.15. This is clearly a higher figure than the 4.61% increase previously proposed. In a climate of huge difficulty in recruiting people to be homecare workers, were the full 5.525% not implemented this would increase the difficulty of recruiting to the sector because the headroom between actual pay rates and the NLW would reduce as a consequence. The UK Homecare Association (UKHCA), the representative body of homecare providers in the UK, currently recognises £18.93 per hour as a fair price for care for 2019-20 and has revised this upwards for 2020-21 to £20.69. The rates we currently receive for homecare services from yourselves are less than the UKHCA 2019-20 rate.
We presume that the figures will now be revisited in light of the NLW announcement (6.2% increase wef April 2020).
Nothing to add from X, We are happy with proposed uplifts
I am writing to seek confirmation of the Sheffield City Council's proposals for a review of and uplift to contractual charge rate(s) for the upcoming financial year 2020-21. As you will be aware, the social care sector continues to face unprecedented resource pressures compounded by years of under-funding. In a sector operating under already highly challenging marginal returns, any heightened cost pressures not fully funded by compensating increases to charge rates seriously threatens the sustainability of ongoing services. The immediate pressures we now face are: ○ An uplift to the National Living Wage from 1st April to £8.72 (from £8.21) an hour, an increase of 6.2% ○ Average travel time costs are a 15% multiple to that wage uplift percentage ○ Wage based on-costs are a 25% multiple to the combined wage and travel time cost representing holiday pay, employer national insurance contributions, pension-costs, care worker training costs and statutory sick and maternity pay. ○ Continued rationing of care provision by commissioning authorities, including the increased use of short visits, resulting in higher effective travel time costs between care calls. ○ The increasing deployment of onerous and very costly ECM systems aligned to payment rules paying on banded or minute by minute contact time. That approach is both immoral and highly challenging to providers both from a

recruitment and pay compliance perspective.

- A continued trend towards increasing homecare acuity as eligibility thresholds are managed due to aforementioned rationing. This is resulting in continually evolving and higher cost training requirements whilst driving up provider insurance premiums.
- Wider cost pressure from annual inflation including rents, utilities, consumables and staff salaries. We have taken 1.85% which is the mid-point for CPI and RPI.
- A further intensification of the workforce crisis due to the effects of low unemployment in general, meaning a substantial rise in associated recruitment and retention-costs.

We are increasingly concerned about the short term viability of the homecare market. We will undertake a contract by contract review of our existing portfolio with the aim of identifying uneconomic contracts that we may wish to wind-down or hand-back. This review will be highly payment term focused with any contract that is billed by the minute a priority consideration.

National Living Wage
To set expectations, we believe that the level of uplift required to prevent further destabilisation and erosion of the homecare market will be in the region of 9% - it will be significantly higher for any contract operating on the basis of banded or minute by minute billing.

We trust that you will give this due and careful consideration. We would like to meet with you as early as possible to understand the level of uplift that is being considered from April 2020 and will make ourselves available to do so.

We look forward to hearing from you.

Comments re fee levels

- Need to adjust for the increased NMW % uplift
- Need to take account of increased employment costs that associate with the above
- Need to adjust for the broader team costs within a home care team. When care worker pay rates increase, then we also have to adjust for office based roles that need to also increase to keep a differentiation – costs of employment rise across a full team not just care workers
- Need to reflect Real Living Wage rate and be competitive to retail and other alternative employment opportunities
- Should look toward funding shift based pay rather than contact time
- Increase rates to allow providers to uplift the mileage rates they pay – typically 15p-30p per mile, whereas it should be assumed to be HMRC recommended at .45p. This would make drivers more interested in joining a home care service
- Adopt the UKHCA pricing model in full

We provide services through our Group in many areas bordering Sheffield and more widely. Key issues we face are attracting workforce willing to drive and deliver care. We need to increase by a large measure the payment for the services they offer and the costs they incur and recognise that as supply and demand drives available staff (and lowest employment rates for decades) we have to fund workforce better and by

pounds, not pence. Workforce can achieve £10 an hour in retail logistics or similar without the responsibility that being a care worker now increasingly brings.

Table 1.1

Contract Area	Proposed Rate Hourly Price (£)
Contract Area **C2**	21.31
Contract Area **C3**	21.11
Contract Area B1	21.31
Contract Area B2	21.31
Contract Area D1	21.11
Contract Area **D3**	21.11

Thank you for your letters of the 16th December 19 and 9th January 20 giving providers the opportunity to comment on the proposed level of fee increase on homecare services for the 2020-21 financial year.
Having considered this in detail, the X would comment as;

- The proposed percentage uplift in the level of fees offered for Providers operating in contract area A1 (our prime geographical area) is 4.61%. We understand this is derived from using differential levels of uplift for pay and for non-pay elements of expenditure, to give the composite uplift figure of 4.61%, with the proportion of each type of expenditure used based on a standard ratio of 85% pay and 15% non-pay.

As the 15% non-pay element is uplifted by a smaller %, then any provider whose proportion of non-pay spend is greater than this standard share of 20% will face an automatic financial pressure. X group proportion of spend are 78% pay and 22% non-pay respectively. This results in the weighted uplift increase faced by X on a total expenditure of £1,574,000 creating a financial pressure of £3,800.

- The proposed 5.12 % uplift applied by the Authority to the pay element of expenditure has been set based on an increase in the over 25s statutory National Minimum Wage (NMW) of £0.42 (5.12%). The actual increase in the NMW has been announced at £0.51, equivalent to 6.2%. For X, on pay expenditure of £1,052,000, this difference presents a financial pressure of £11,360.

- The current level of fees paid by the Authority in A1 is £16.27, per client per hour. This compares to the £18.93, assessed by the UKHCA as the minimum

needed by providers to provide sustainable homecare support in 2019/20. (I.e. current fee rate paid is £2.23 per hour less than UKHCA minimum recommended.) An uplift of 4.61% will increase the SCC payment to £17.02, still £1.91 below the UKHCA recommended rate for 2019-20.

However, the UKHCA have recently circulated their updated guidance for commissioners /providers relating to minimum fee rates for 2020/21, taking into account the increase in NMW of 6.2%. This very helpful and detailed document includes a revised minimum rate for 2020-21 of £20.69 meaning that the gap between the proposed rate to be paid for the A1 area (£17.02) and the UKHCA minimum rate increases to £3.67 per hour. If you do not have access to the UKHCA guidance please let me know and I will arrange for a copy to be forwarded to you.

- Applying a standard percentage rate of increase across all geographical areas does disadvantage those providers operating in areas where the base figure is less, as the differential gap widens e.g. a provider in the lowest area (D3) will get a 74p per hour increase , where a provider in the highest (F3) will get a 82p per hour increase.

- Irrespective of the fee rates paid, we would wish to raise within this consultation the on-going impact that the payment system used by the Council has on providers. You will be well aware of the operational delays in payments that occurred during 2019/20, which together with the timing of regular payments being geared towards 'catch up' payments during the last 3 months of a financial year, has had a considerable impact on cash flow management for providers throughout the year. We would wish to continue to work with SCC during 20/21 to work out ways of improving this situation and moving towards payments that focus on outcome rather than activity.

The pressures on Councils to fund increasing demand in social care are recognised by the Board of X and we, as I am sure you do, await some positive action by the government following continuous reviews in funding levels etc for social care. However, whilst we wait, in the light of the above points and the adverse effect on the financial position of X and all other providers for 2020/21 if only the 4.61% is applied, we would request that the Council reviews its proposal with a view to at least raising the uplift to ensure that the impact of the NMW increases will be funded i.e. 6.2%.

I hope you find the above helpful in your discussions with colleagues within the Council to help inform a recommendation to cabinet members in March. If you should wish to discuss any matters further please do not hesitate to contact me.

I have attached a small spreadsheet with some of the costs that have gone up over the past year for us. We increased our carers wages in April and again in November so that we could retain our staff and compete with the bigger companies who can afford to pay higher rates. Our carers who drive now receive £10 an hour, and again we will have to increase this come April. I think this is the main cost that we are constantly having to revise as there is so much competition for carers. Again to retain those carers who do not drive, we have employed a driver to drive them to all their calls when there are no carer drivers working. We have also had to buy 2 pool

cars used by carers who can drive but do not own a car. We have to pay Insurance and Road Tax for these cars.

I hope you at least have a picture of our costs that keep going up and why the proposed uplift will really not match these increasing costs.

DESCRIPTION	2018	2019		Comment
Office Rent	216.66	358		
Pool Cars x2	0	2800		Used by carer drivers who don't own a car
Car Insurance	0	154		Cars used by carers
Gloves	2.05 / box	2.95 /box		
Pay Rates	£8.60 - £9.00	£8.80 - £10.00		increase twice in 2019
Driver	0	£70 - £140/week		To carry non-drivers on calls

X appreciates the effort by Sheffield City Council to try and meet the cost of care and support Providers in the process.
In our view the fees paid by CSS have never been enough to cover the cost of care taking into account that the Council pays a flat rate that does not cover Bank holiday expenses, weekend rates and late/night calls, staff holiday pay.

X's lowest paid carers (new starters) get £8.25 plus 20p travelling time and the highest paid earn £9.49 plus travel 20p per hour.
For example

- X gets from a £17.30 fee paid by the Council,
- Average Carer in the field gets £9.07 per hours

Therefore X will remain with £8.23 (average) for every hour worked to cater for:

- Office and management staff
- Operating expenses such as office stationery, software, rent, telephone, vehicle maintenance, Insurance, CQC fee, training, recruitment, ICO fees, ECM fees etc, Employer contributions for Pensions, National Insurance, Bank holiday rates and other enhancements implemented from time to time.

The fact that minimum wage and Cost of living wages are set to increases, this is not sustainable for continuity of business as the financial stress is too high on providers. Recruitment of experienced staff is increasingly becoming difficult resulting increased cost of training and retention of staff.

There is clear evidence that (for example) Providers who are on private contract with clients and receive Direct Payments charge as high as £22.00/23.00 per hour as compared to what the Council pays.

While we appreciate the pressures of Council Budget, We can't help it but propose that SCC be very considerate and try to implement a realistic percentage on fee increases for the sustainability good quality care.

Further to the recent letter regarding Home care rate proposal we would like to

feedback on the proposed uplift of 4.61% We feel that based on our current costing model and using the basis for calculation that you have highlighted in the uplift proposal letter we believe a fee of 5.3% would be more appropriate. Our front line staff total 79% of our total fee, with an increase of 6.2% this will have a bigger impact. The lower proposal of 4.6% will have a bigger impact on our costing model.
• We have concerns of our ability to meet the rise of the National Living wage in April 2020 as the uplift does not directly correlate to the running costs, contact time, travels etc. • National Living Wage counts contact time and travelling time at the same cost i.e. 8.27 per hour, However, the Council pays only for contact time. This means we are subsidizing from the business to pay what Council does not pay us for as travelling cost is calculated in pennies. The information attached calculation in real time of fees paid to Providers and also highlights the concerns we have in regards to the fees:

For detail regarding the UKHCA home care cost modelling cited by a number of Home Care providers please see their website:
https://www.ukhca.co.uk/downloads.aspx?ID=434

Quotes from Extra Care Providers

Email from provider 7/11/19
(final paragraph of below email included within quotes from home care providers)…with regards to Extra Care Scheme funding, the fixed fee for support should be reviewed. The cost of sleep-ins has to be met from this fee and over the period of the ECH contract the cost of a sleep-in has more than doubled from £30 per night to £74 per night (due to legal challenge against Mencap). Effectively we have moved from paying a modest flat sleep in rate to paying the NLW with no additional contribution from the Council. It is unfair to expect providers to meet this unexpected cost increase which could not have been envisaged at the time of tender submission.
Email from provider 16/1/20
I've just submitted a response in respect of home care rates. The same issues also apply to ECH, especially the fact that the mandatory increase in auto-enrolment pension contributions have been ignored by SCC in previous years (employer contributions increased from 1% to 2% April '18, and from 2% to 3% April '19, thus squeezing our margins).

Even if you simply continue to use your existing criteria for calculating the uplift the hourly rate should now be increased by 5.53%, to account for the higher than anticipated NLW increase.

With specific regards to Extra Care Scheme funding, the fixed fee for support should be reviewed. The cost of sleep-ins has to be met from this support fee and over the period of the ECH contract the cost of a sleep-in has more than doubled from £30 per night to £74 per night (due to legal challenge against Mencap). Effectively we have moved from paying a modest flat sleep in rate to paying the NLW with no additional contribution from the Council. It is unfair to expect providers to meet this unexpected cost increase which could not have been envisaged at the time of tender submission.

Happy to discuss but it seems pretty straightforward and eminently reasonable to me.

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