

Outcome of the Consultation with Providers on the Fee Uplift Options – January 2019

1. Overview

Proposals on fees for 2019/20 were sent to providers for comment. An email was sent to all providers on Friday 7th December 2018 with a closing date for comments of 5pm on the 25th January 2019, responses were received from providers of all services and these are summarised below. (A full set of actual quotes can be seen at Appendix A)

Providers were asked to comment on 3 proposals these being:-

Option 1: Inflationary uplift based on National Living Wage (NLW), Consumer Price Index and Local Government (LG) pay award

Option 2: Inflationary uplift based on CPI only

Option 3: Inflationary uplift based on CPI and the LG pay award

And answer the following questions

- For each of the options is the rationale correct/reasonable, would you add/change anything?
- What would the impact be for your organisation for each of these options?

2. Care Home Responses

Nine providers and 1 organisation (Sheffield Care Association) representing providers responded to the consultation within the timescale, 2 responses were received outside the timescale but their comments have been included. It is unclear which providers the SCA represent therefore it is possible that comments have been duplicated.

The individual responders represent:-

- 35% (28) care homes in the city - 15 residential and 13 nursing (some who also have residential beds)
- 15% of organisations/providers in the city who run care homes

The following responses were received:-

- Option 1 - 40% (4) agreed with this but stated that this was not necessarily their preference just the best of the options presented. 10% (1) stated they would choose option 1
- Option 2 and 3 - No providers chose these options stating they were unrealistic and insufficient
- 50% (5) of the responders (including the SCA) did not select a preferred option stating they were all insufficient

“The increases of option 2 (2.4%) and option 3 (2.16%) would present us with major difficulties. Option 1 (3.89%) would be more welcome, but still extremely challenging”

“I do not agree with any of the options proposed ... but I am keen to understand firstly whether if providers do not accept any of these options, will they be forced to accept one or will the Council make its own decision?”

“I personally do not accept any of the options proposed and feel there needs to be a closer dialogue to agree a rate that can create a sustainable sector within Sheffield.”

“None of the options set out a true reflection of market pressure for wages, food costs and utilities that have been seen and are predicted for the sector”.

“Of the three options presented this is the most reasonable; however it would not deliver an inflationary increase in line with the cost increases we have faced...”

Themes Arising

There were a number of themes arising from the consultation these broadly fit into the headings below, a selection of actual quotes are also stated under each theme:-

Base costs

- The 3.89% proposal is insufficient on top of a base cost which does not cover the cost of care
- The cost of care rates in 18/19 were miscalculated and the base rate continues to be lower than comparator authorities
- The methods for calculating/interpreting the data for the 18/19 cost of care exercise was not clear

“Fee rates paid in comparator local authorities are all higher than those paid by Sheffield, which was in fact shown and accepted as a problem in research undertaken by the council in 2016, and this situation has not changed since; the fee rates paid in 2018/19 by the other core cities you compared Sheffield with then are still considerably higher. We suggest that is an indication that you have miscalculated the cost of care you say your fees cover.”

“There is a severe lack of clarity in the original calculation of this fee and I still do not understand how this has been set.”

The Methodology

- The options were not realistic, the indices used are not specific to care homes, the CPI only increase would not reflect the largest cost on the sector, the staffing increases have been consistently higher than CPI and there is no reflection of the economic deprivation in some areas (leading to fewer self funders).
- The 1% increase to employer pension contributions has not been considered neither has the real cost of food and energy which have increased by 3.5% and 15% respectively,
- There was no consideration about the impact of Brexit and whether this would change costs
- None of the options would properly represent the true cost increases, a figure of 5.66% increase would represent the increase more accurately
- The process was not as transparent and inclusive as in 18/19

“..Standard indices are not specific to care homes (or any single sector). For example, staffing costs do not only increase as a result of the indices you have used; increased pensions contributions are a real cost faced by providers but is excluded from your figures...”

“...The fees you pay currently are not sufficient to cover our costs of caring for residents in Sheffield, and we would inevitable need to consider the continued commercial and operational viability of continuing to offer services to Sheffield...”

Staffing

- The staff costs haven't been fully considered – the increases are more like 6% for regular staff but agency costs are much higher especially covering nursing staff for which there is a shortage
- The recruitment and retention of care workers will be more difficult as a result of the proposals

“At least a 6% increase to staffing costs (this is based around the increase to the national living wage and the knock-on impact of maintaining pay differentials, plus a 1% increase to employer pension contributions)”

“This utilises public sector pay which has no bearing on the private sector and does not factor in any additional benefits the public sector may be providing.”

Quality

- There is a relatively high number of care homes in the city with a CQC “requires improvement”, the number is believed to be above the national average and is an indication of the low rate

“...the relatively high percentage of homes rated as Requires Improvement is a clear problem and indicative of fees which are below the cost of providing good care. We understand almost 60% of care homes in Sheffield are rated as Requires Improvement or Inadequate, compared to a national average of 47%.”

Suggestions by providers

Providers suggested the following alternative methods/options:-

- Survey all providers to see what costs have increased and use this to calculate uplifts
- Undertake another cost of care exercise using a nationally recognised tool
- Offer 5.66% uplift based on wage increase of 5.06%, care expenses up by 4.42%, facility expenses up by 5.14% and the cost of employing agency staff up by 0.80%.
- Offer a fourth option

“As members reject all the three options it would be more prudent for the Council to offer a fourth alternative for us to present to members”.

“...It is also disappointing that Care Home Providers were not given the opportunity to submit financial information as in the previous year which I felt was a more transparent and inclusive process....”

“...We suggest the council should survey providers to understand how actual costs have altered, rather than reply on general indices which cannot be relied upon...”

3. Extra Care Responses

There was 1 response from an extra care provider representing 33% of the provider market and 25% of the extra care schemes.

The provider indicated option 1 was the closest to the fee uplift they had calculated but still below this (6%)

Themes Arising

There were a number of themes arising from the consultation these broadly fit into the headings below, a selection of actual quotes are also stated under each theme

Staffing

- Increases in National Living Wage (NLW), increases in apprentices pay and increases in pension contributions
- Forecast increases in NLW of 9% from April 20

“...National Living Wage will see a 4.9% increase from £7.83 to £8.21 per hour for all employees aged 25 years and above, as announced in October’s Budget. We will also see annual increases to younger employee’s hourly rates for apprentices and those up to 24 years. Employer’s contributions to workplace pensions will double from 1% to 2% in Gross Pay...”

Calculations

- The rounding of the NLW calculation could increase the proposal by 1p

Suggestions by providers

- An option with a 6% increase
- A recalculation of the options with a different rounding method

4. Home Care Responses

Five responses were received from Home Care providers to the 39 letters sent. Two of the responses selected option 1; the other three stated that although option 1 was the best, the 4.2% offer fell short of what was required.

Themes Arising

Increases in the NLW, pension contributions and CQC fees were cited as the main cost pressures for home care providers.

The formula for calculating the increase was questioned. Providers stated that they needed to maintain a differential in pay between home carers and supervisors, care coordinators etc. Providers state that the NLW uplift should be awarded in full for this reason.

The new to renew training more often than previously was cited as a new cost to be added for providers.

The UKHCA “fair price” of £18.93 per hour was quoted as the amount needed to make Home Care business stack up financially; one provider stated that the employment market for home carers in Sheffield was in a dire state and was losing workers to other industries at a high rate.

5. Supported Living Responses

Nine responses were received from Supported Living providers to the 32 letters sent. Two were from the same provider. The response rate is 25% of providers on the framework. However, as only half the providers on the Supported Living framework are active at this time, and as all responses were from active providers, the response rate is 50% of the active providers. Two of the responses appeared to be proactive correspondence requesting fee uplifts for 2019-20 rather than responses to the consultation. Nevertheless they help inform the analysis.

Of the six responses to the consultation itself

- Three selected option 1
- Three stated that the 4.2% offer fell short of what was required, with requests for uplifts of (a) 4.3% minimum, (b) 5.75%, and (c) 5.9%

In the two 'non-consultation' correspondences, one requested 5% on daytime hours and 10% for sleeping night; the other did not specify an amount but requested a negotiation.

Themes Arising

The main cost pressure for providers is staff. One provider stated that 67% of their costs were for front line support workers, another that 90% of the costs were for staff.

Specific cost pressures for providers were

- The 4.9% increase in the National Living Wage.
- The 1% increase in employers' pension contributions (two responses noted the formula for the proposed increase did not include the 1% pension increase).
- The ongoing uncertainty over the payment for sleep-ins following the ongoing challenge from Unison over sleep in pay.
- The need to maintain a differential in pay between support workers, senior workers and managers.
- Increased pressure for training in essential subjects and in the frequency that this training needs to be renewed.

Appendix A

Quotes Care Homes

“Unsurprisingly I would recommend option 1.

We have already reviewed our costs and forecast increases and are planning to increase our room rates by 4%.

In addition to the major impact of items you have identified i.e. 4.85% increase in the minimum wage and the consumer price index; employers also have to increase their contribution to employee’s pensions by 1% from April 2019. Given the high proportion of our total expenditure that wages and salaries represent, we have to increase our room rates accordingly”.

“We would of course prefer the highest fee level possible to enable us to continue to provide a good service and work towards outstanding.

I am concerned about the comments regarding the living wage and how you would enforce / monitor this and would appreciate more clarity on this if possible.

We also support any comments from the Care Home Association”

“I feel operators with no cross subsidy are at great risk within Sheffield”.

“The increases of option 2 (2.4%) and option 3 (2.16%) would present us with major difficulties. Option 1 (3.89%) would be more welcome, but still extremely challenging”

“As members reject all the three options it would be more prudent for the Council to offer a fourth alternative for us to present to members”.

“We cannot determine the most feasible option at this stage without knowledge of how the costs for care model has been calculated.”

“I do not agree with any of the options proposed ... but I am keen to understand firstly whether if providers do not accept any of these options, will they be forced to accept one or will the Council make its own decision?”

“We are unsure as how the raw data was used/interpreted and the manner in which the calculations have been made. I was aware from my own raw data provided with Palms Row that there were exceptional circumstances and how these were presented within the model.”

“The cost of providing care continues to increase at a rate which is substantially higher than that of recognised price indices”.

“I personally do not accept any of the options proposed and feel there needs to be a closer dialogue to agree a rate that can create a sustainable sector within Sheffield.”

“None of the options set out a true reflection of market pressure for wages, food costs and utilities that have been seen and are predicted for the sector”.

Option 1 “This utilises public sector pay which has no bearing on the private sector and does not factor in any additional benefits the public sector may be providing.”

“In the next 12 months will be faced with quantifiable cost increases such as:

- At least a 6% increase to staffing costs (this is based around the increase to the national living wage and the knock-on impact of maintaining pay differentials, plus a 1% increase to employer pension contributions)
- Agency costs relating to the shortage of nurses. The shortage in qualified nurses results in difficulties with recruitment and retention; this has led, out of necessity, to a high use of agency nurses, which has a major impact on staffing costs. Nursing agencies can typically charge double the amount of the usual cost of employment.
- 15% increase to our energy costs. Because of the reservations around social care and the difficulty this brings in terms of providing strong financial covenants, we have faced difficulties tendering for our heat and power and have recently seen a 15% increase.
- 3.5% increase to food costs. On the back of uncertainties surrounding Brexit we are expecting higher than inflationary increases to our food costs and have already seen unexpected increases during 2018.
- Other consumables. If there is a no deal Brexit or even a bad deal Brexit, we anticipate that other consumables would increase at much more than current levels.
- Increased regulation. This has an impact on costs, in terms of additional corporate governance, management intervention, increased training and stationary costs.

The above is not exhaustive but hopefully provides an illustration surrounding the challenges we are facing regarding our cost base.”

“I would also like to highlight that we operate another 12 homes, predominantly in the North of England and whilst we acknowledge not all areas are equal, Sheffield council do pay one of the lowest fee rates we currently receive”.

Option 1 “Of the three options presented this is the most reasonable; however it would not deliver an inflationary increase in line with the cost increases we have faced.

Our own analysis of our costs shows that wages have increased by 5.06%, care expenses have increased by 4.42%, facility expenses have increased by 5.14% and the cost of employing agency staff has increased by 0.80%. When weighted proportionately, this means our costs have increased overall by 5.66%

This difference is caused by the fact standard indices are not specific to care homes (or any single sector). For example, staffing costs do not only increase as a result of the indices you have used; increased pensions contributions are a real cost faced by providers but is excluded from your figures. CPI is a reflection of average increases in prices, but our figures given above demonstrate it cannot be relied upon to accurately reflect the inflationary increases we actually experience.

We suggest the council should survey providers to understand how actual costs

have altered, rather than reply on general indices which cannot be relied upon. It is the provider market for these more complex types of care which needs the greatest investment and support in order to meet the demand both now and in the near future.”

“Not only is the proposed 3.89% increase insufficient to cover our increased costs, the fees you pay currently are not sufficient to cover our costs of caring for residents in Sheffield, and we would inevitable need to consider the continued commercial and operational viability of continuing to offer services to Sheffield.”

“Taking the opportunity to comment on the wider situation in Sheffield, the relatively high percentage of homes rated as Requires Improvement is a clear problem and indicative of fees which are below the cost of providing good care. We understand almost 60% of care homes in Sheffield are rated as Requires Improvement or Inadequate, compared to a national average of 47%.”

“Fee rates paid in comparator local authorities are all higher than those paid by Sheffield, which was in fact shown and accepted as a problem in research undertaken by the council in 2016, and this situation has not changed since; the fee rates paid in 2018/19 by the other core cities you compared Sheffield with then are still considerably higher. We suggest that is an indication that you have miscalculated the cost of care you say your fees cover.”

“There is a severe lack of clarity in the original calculation of this fee and I still do not understand how this has been set.”

“This is an increase in CPI only and does not take into consideration the largest cost pressures on the sector which are salaries, pensions and recruitment costs so is totally unfavourable”

“We do not agree that basing an increase in care home fees on CPI only is correct or reasonable. This is because even in terms of non-staffing costs CPI is not a true reflection of the specific costs we face and staffing costs themselves have shown increases which have been consistently higher than the CPI rate in recent years, driven by both the NLW and sector-wide staffing shortages driving up the costs of non NLW staff.”

“As this proposal would mean a lower increase than option 1, which we do not think is sufficient, the negative impacts of this option would be both more likely and be more severe.”

Option 3 “This also causes the issues addressed above and does not take into account true cost pressures”

“We do not agree this rationale is correct or reasonable. Ignoring NLW, which almost every commissioner in the UK recognises to have had a significant impact on providers' costs, cannot be considered reasonable.

Option 3. As this proposal would mean a lower increase than option 1, which we do not think is sufficient, the negative impacts of this option would be both more likely and be more severe.”

“There is a severe lack of clarity in the original calculation of this fee and I still do not understand how this has been set. “

“As a provider within Sheffield it is clear that the fees paid by Sheffield City Council are low when compared with comparator Local Authorities. It is also disappointing that Care Home Providers were not given the opportunity to submit financial information as in the previous year which I felt was a more transparent and inclusive process. Ideally a recognised national tool for setting care home fees would be our first choice for setting and agreeing fee rates. I also haven’t received the fee analysis from Sheffield University which would have been helpful in preparing this response. Do you have a time frame for this?

“We operate predominantly in areas of social and economic deprivation so support some of the most vulnerable people in Sheffield. As a consequence of this we are well below the national average in relation to self-funders/private fee payers and very reliant on public funding from yourselves. As you are no doubt aware self funders/private fee payers often support the funding of care homes.”

Employers have to increase their contribution to employees pensions by a further 1% from April 2019. Providers thought that this should have been reflected in this year’s cost of care calculation.

One provider raised the issue that recruitment and retention remained difficult for the care sector in Sheffield. A low fee for 2019/20 would only exacerbate this.

“I would dispute that the cost of care project has been fully taken into consideration as per discussions with the Sheffield Care Association

Fees paid to providers are currently significantly below other cities & councils within the area & this has failed again to be properly addressed & is now putting provision of Adult social care by providers under extreme pressures & difficulties

Option 1 is the very minimum that should be offered & still does nothing to address the financial challenges of providing high quality care in Sheffield”

Quotes Extra Care Providers

“The new tax year will bring a number of financial challenges to our business;

- National Living Wage will see a 4.9% increase from £7.83 to £8.21 per hour for all employees aged 25 years and above, as announced in October’s Budget.
- We will also see annual increases to younger employee’s hourly rates for apprentices and those up to 24 years.
- Employer’s contributions to workplace pensions will double from 1% to 2% in Gross Pay.
- Annual inflation currently running at 3%

These will all be applied to our costs of sales to Sheffield City Council as well as the 4.4% increase applied to staff rates April '18. Collectively, this comes as something of a strain to our existing budget.

Based on our increase in costs of sales we are seeking a 6% increase in our rates across our extra care service in Sheffield and would welcome your approval to our uplift request to support our continued service at Roman Ridge. This would increase our hourly charge rate from £15.07 to £15.97”.

“Option 2 would represent a shortfall in uplift to our current service and would be significantly lower than our requested 6%. We would encourage the authority to take heed of the continuing increases in NLW and with the projected 9% forecast for April 20. This would lead to a significant burden to our service budget/cost of sales”.

“Option 3 would represent significant shortfall to our service model and place the current service under severe financial pressure and we would have to consider our position in continuing our service provision for Sheffield”.

Quotes from Home Care Providers

Of the options available, our preference would be for option 1 to apply (4.2% uplift); although we do not believe that the level of increase (which would take our average payment per hour to £16.59) is sufficient to sustain an effective and responsive home care system in Sheffield.

Increases in employer pension contribution by 1%

4.85% increase in NLW

Increased CQC fees (levels not yet confirmed)

Any pay awards and general inflation increases would of course be on top of the above increases so in effect whilst the 4.2% increase is welcome, it will not be sufficient”

80% of total costs being direct care staff ... the most significant cost pressure is the increase in the National Living Wage (NLW), which you note is to increase by 4.85% in April. Whilst our care worker pay rates are at a higher level than 3% above NLW, we agree that the differential between homecare staff pay and NLW needs to be maintained (unsocial hours, travelling time, and exposure to bad weather), therefore the full 4.85% should be applied to care staff costs.

Salaried-related costs..... we need to maintain pay differentials, so pay increases need to be as close to 4.85% as reasonable. Only the balance of 2.5% of costs would be overheads, for which CPI would be a reasonable measure.

With all the above in mind, we would be inclined to agree with a proposal that looked to increase the fee rate by 4.2% overall.

We see [option 1] as the only option that would make it sustainable for care providers to continue delivering care for the council and this is based purely on the facts in regards to the National Living Wage (NLW) increasing by 4.85% from April 2019 and September's Consumer Prices Index (CPI) rate which was 2.4%.

If the council does not award the provider the 4.2% uplift, then I see it putting a lot of providers at serious risk; due it not being financially viable.

Option1 ... I cannot highlight enough the dire state that the local care industry is in at present. On a personal note (as a local SME), I must highlight that we have had many experienced staff leave throughout the past year to other industries

Costs have soared in direct relation to the ever increasing bureaucracies/metrics that take away resources (and pay) from front line staff – obviously this increases management overheads exponentially. I am not against compliance and accountability but it does need to be proportionate to the funding given. In direct relation to this, we find there is a lack of trust and a steady movement away from any reasonable autonomy (which is an ongoing theme). What is needed is a rational and respectful relationship between all parties – a trusting interdependence and a common goal of care and empathy for the Service User, dictated by reasonable pay rates and a simple respect for front line staff. The fundamentals of support should, and need to be concentrated on – the quality of care cannot be quantified and qualified through paperwork exercises and excessive monitoring – it dehumanises and disillusions through its overbearing banalities and drives good people away from the industry.

Further to this, recruiting appropriate staff is at an all-time wretched low (as stated above) as far more people leave the industry than can be sourced. Again I must stress, this has been adversely cumulative over a number of years – which obviously drives costs up as we spend more and more heavily each month on advertising to an ever decreasing pool of competent staff.

Be certain, that if there was an easy exit (without too much disturbance to staff and service users) we would move away from this industry. We have spent thousands to set up this business (with all due diligence and correct practice) and week on week we struggle to survive through the underfunding of the basic unit price.

In relation to the above, we must question the moral and ethical dimension of such accumulative practice - and the unfair demands on a compassionate care service that is woefully under-funded.

We must not forget that our joint support to the most vulnerable in our community is a critical function in any civilised society. To halt the exodus of staff and to stop

good businesses leaving the sector – and, from this, give stability to local Care Companies and also bring good people back to the industry we need to have:

- 1) Competitive pay rates, in line with the UKHCA rationale (see below)
- 2) A much more, trusting understanding between the SCC, Social Worker, Provider and Support Workers.
- 3) A civilised flexibility - a movement away from bureaucracy, monitoring and pointless initiatives (created and enforced by people who have little or no idea of the problems faced on a day to day basis of a Care company)
- 4) An easy access (free) training programme for people coming into the industry.
- 5) Payment to companies for setting up new packages in line with its complexity to cover initial costs (as the SCC has funded over the Xmas period - i.e. money for management setup costs, shadow shifts etc)

At an increase of 5.75% we would make a small profit each month assuming that they continue to pay on commissioned hours and not actuals. At their proposed rate of 4.2% we would struggle to break even.

Having gone through the fees proposal, I have calculated our costs including the following legislation Increases that will come into force in April 19.

Legislation	2018	2019	Percentage Change
NLW	£7.83	£8.21	4.85%
Pension Contribution	2%	3%	1%

We have also noted that there is increased pressure for Training, not only in what subjects are essential for staff to be able to go into service but in the frequency that this training needs to be renewed.

Many certificates which were valid for 3 years now need to be renewed on an annual basis. To this end our training costs have increased by more than 214% over a 12 month period. The cost of training will increase again once the hourly rate for staff paid is increased following the NLW Change. A proportion of the training costs must be included in the calculation for the increase in fees. This is an increase of nearly 9.5% per month for staff that work in your area. We cannot be expected to absorb this cost in full.

I have also included in my calculations a proportion of our general expenses taking into account inflation rates, and a proportion of the wages for Admin staff who support the care workers.

In response to your proposal the two options of 2.4% and 2.06% are just not feasible, as a company we would not be able to absorb the additional increases in costs.

We would also be expecting a shortfall in income if we were to accept the increase of 4.2% as this does not even cover the increase in NLW regardless of the other additional costs involved. Whilst we can be expected to absorb some of the costs ourselves in order to break even we would need a minimum of 5.75% increase in homecare fees. This would be made up of the following:

NLW Increase of 4.85%	60%
Pension contribution increased by 1%	10%
Increased training costs and frequency	20%
Increased general expenses costs	10%

Therefore our response to the proposals is that none of the offers are acceptable and we would need as explained the minimum of 5.75% increase that we would also review annually. Without an increase in fees that enable the service to be sustainable we could need to question the continued provision of services as a provider.

Quotes from Supported Living Providers

We would be most supportive of Option 1. This option is most accurately broken down into percentage splits that represent the actual cost pressures on us as a provider. This is a similar calculation to how we calculate the fee increase request.

Option 2 is based on full CPI percentage value. This does not fully cover the increase to pay that we as a provider will face. It is noted in this option that care workers in Sheffield, on average, are paid 3% above NLW. We do, in some instances, take the decision to increase rates above the NLW rate due to either:

- Facing difficulty to recruit at NLW in that area - other providers may be advertising at higher rates and as such we have to make sure we are advertising at an attractive rate; or
- Experiencing staff retention issues – again, if other providers are advertising similar roles at higher pay grades, we find it difficult to retain staff when paying NLW;

The service supports individuals with extremely challenging and complex behaviour – staff in some services face extremely difficult situations on a day to day basis working in a sometimes dangerous and challenging environment. We feel it is essential to recognise this in their rate of pay. These members of staff generally have more training and experience in which a more competitive pay grade is warranted. As such we feel it is imperative to maintain the differentials in pay rates and award staff the equivalent percentage increase to minimise any recruitment and retention issues.

Similarly, Option 3 does not address the increase to staff pay rates fully and it would put further financial pressure on providers to maintain pay rates when they are not fully recovered by the Council.

I have included in my calculations a proportion of our general expenses taking into account inflation rates, and a proportion of the wages for Admin staff who support the care workers. In response to your proposal the two options of 2.4% and 2.06% are just not feasible, as a company we would not be able to absorb the additional increases in costs.

We would also be expecting a shortfall in income if we were to accept the increase of 4.2% as this does not even cover the increase in NLW regardless of the other additional costs involved. Whilst we can be expected to absorb some of the costs ourselves in order to break even we would need a minimum of 5.75% increase in homecare fees. This would be made up of the following:

- NLW Increase of 4.85% 60%
- Pension contribution increased by 1% 10%
- Increased training costs and frequency 20%
- Increased general expenses costs 10%

Therefore our response to the proposals is that none of the offers are acceptable and we would need as explained the minimum of 5.75% increase that we would also review annually. Without an increase in fees that enable the service to be sustainable we could need to question the continued provision of services as a provider.

In response to the proposed options, we would also like you to consider an increase of 5.9%

The National Living Wage increases costs by 4.9%. In addition, the Pensions auto enrolment increases by 1%, which does not appear to have been taken account of.

90% of all our costs are staff costs, and anything less than 5.9% means that we are moving backwards in relative terms and will soon be below the legal requirement.

67% of our total support costs in Sheffield relate to support workers. The National Living Wage is increasing by 4.7% on 1 April 2019 which alone will increase our hourly rate by 3.2%. In addition we face inflation in the form of higher auto-enrolment pension costs (a further 1%) and would also like to be in a position to make a pay award to our managers of 1% (1% lower than the public sector pay increase) in order that we can retain and recruit good quality management positions.

Overall therefore, we are seeking a minimum uplift of 4.3% to ensure that we are adequately funded in relation to inflationary cost pressures next year.

We have calculated the impact of the increase in our costs driven by the factors set out above. We have reviewed the services we provide to each commissioner individually to reflect the position in these services, rather than take an average view across all placements we provide nationally. We have calculated the required [Supported Living] fee increases as 4.5%