Appendix 1: Market and Provider Consultation Analysis Informing the Fee Proposal for 2022–2023

Market and Provider Consultation Analysis Informing the Fee Proposal for 2022–2023

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 and day activities providers about the Council’s fee rates for next financial year (2022-23). 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

1.2 Index of Sections:

2. Older Adult Nursing and Residential Care Homes

2.1 Background:

2021/2022 has been another challenging year for the Care Home Market in Sheffield and nationwide due to the Covid19 pandemic and associated measures including mandatory vaccination for staff from November 2021 and closures due to outbreaks, especially during the Omicron wave over winter. Many homes have had outbreaks but with most residents fully vaccinated, homes have seen far fewer deaths than in the first year of the pandemic.

All homes have had to continue to adapt to new ways of working including changing guidance around visiting, testing for staff, new grant regimes and mandatory vaccinations. Staff have been exposed to extremely stressful working conditions with many staff having to work additional shifts to cover staff sickness and isolation and avoid the use of agency staff. Providers report ongoing sickness and the impact of burn out on staff resilience and morale as well as recruitment and retention.

It is clear that Covid19 and the aftereffects will continue to have a significant impact on the care home market in 2022/23.

Sheffield currently pays for Standard Residential and Nursing Care at a flat rate of £530 per week, in addition Nursing placements receive a standard Funded Nursing Care (FNC) payment of £287.60 per week from the NHS. This method differs from many other local authorities who have different fee rates for different types of care such as High Dependency or Elderly Mentally Infirm (EMI).

2.2 **Market Overview:**

Care home providers in Sheffield 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 also 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 take advantage of economies of scale. A quarter of the homes across the city are not part of a group of companies so would be more exposed to market failure without inter-group financial support, and more than a half of companies (58%) are not Sheffield based companies.

Most care home places in the city are with medium and larger providers and approximately 38% of these were funded by Sheffield City Council in January 2020 (prior to the pandemic), this reduced to 34% in January 2021. Vacancies were around 7% across the market in January 2020, this has increased significantly to 19% in January 2021 as a result of the pandemic. The majority of this increase is attributed to non-Sheffield CC funded clients, representing a higher risk to the providers.

A recent analysis of care home financial performance was undertaken by the Council's finance teams using information from published financial accounts. The overall market picture showed 21% of care home companies in the city were ranked at moderate to high risk of business failure. This was determined through the independent credit risk reporting tool provided by Dun & Bradstreet. Detailed financial assessments looked at financial solvency, liquidity, profitability and overall stability coupled with market resilience and risk ratings. The analysis indicated that 29% of care homes in Sheffield may struggle to fulfil existing liabilities through their most liquid assets; in short are at risk from short term cash flow failure.

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 as well as the increased variation in occupancy levels experienced in the past year was highlighted in the wide variety of costings that were submitted by providers during the consultation exercise – this is described elsewhere in the report. 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 support the sector to respond to changing demand and ensure 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. This has been a particular challenge in the context of the pandemic which has impacted on occupancy of some homes significantly thereby increasing the risk of instability in the market.

Trends in care home opening and closures

In the past year no new care homes have opened but 4 homes have been acquired by new owners. In addition, one Older People’s Residential Care Home has closed with the loss of 25 beds and another provider has purchased a vacant care home building with the intention of condensing two of their existing care homes into this one building which will result in a further reduction of 28 beds. This continues an ongoing trend of reducing numbers of older people’s care home beds in the city. In the past 5 years 13 older people’s Care homes have closed and 4 have opened. This has resulted in a net loss of 296 older people’s care home beds over this period. The type of bed that has been lost can be further broken down as per the below table.

	General Residential	Residential EMI	General Nursing	Nursing EMI
	-145	+80	-212	-19

The greatest bed losses have been amongst the general residential and general nursing categories, with far fewer Nursing EMI beds lost and the number of Residential EMI beds has actually increased during this period. We believe this shows a trend that is likely to continue with a greater population of the elderly care home population living with Dementia and older people living without dementia increasingly able to have their needs met in alternative accommodation such as extra care housing.

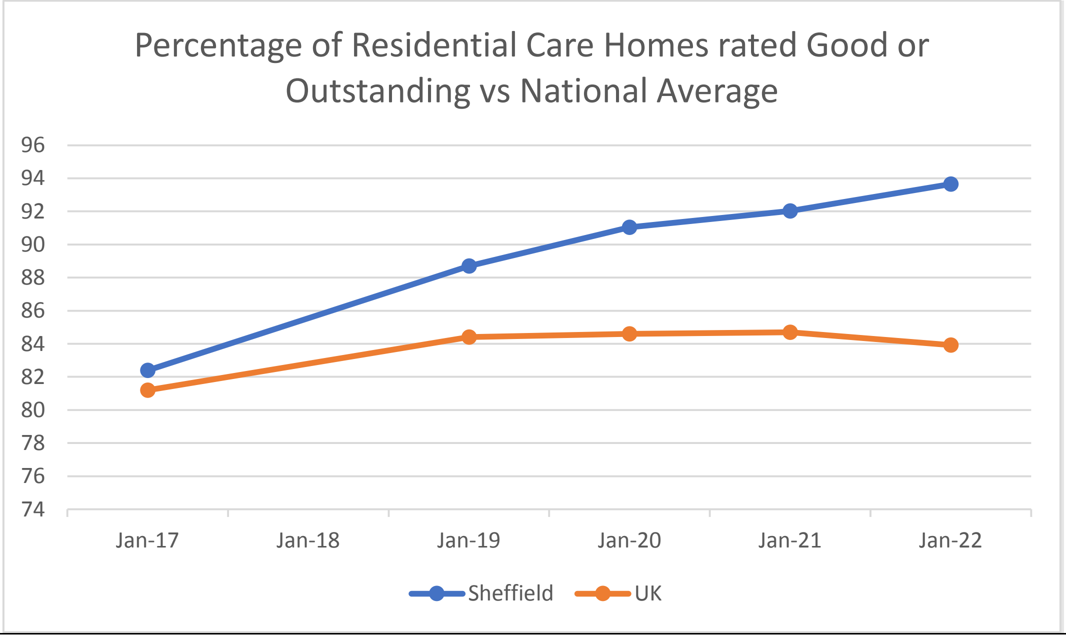
Given that one size does not fit all in this provider market, the Council seeks, through ongoing market management, quality monitoring and engagement with business owners, to support the sector to respond to changing demand and ensure diversity of provision and stability across the market whilst acknowledging that there is wide variation of costs and practices encompassed within the ‘standard rate’ market. This has been a particular challenge in the context of the pandemic which has impacted on occupancy of some homes significantly thereby increasing the risk of instability in the market.

In the past year one older people’s Nursing Home (60 beds), one older people’s Residential Home (25 Beds) and one Residential Home specialising in Mental Health (11 beds) have both closed and a small unit providing respite care for Adults with Learning Disabilities has relocated (loss of 1 bed). We are also aware of a number of other providers who are considering their longer term options in the context of such uncertain market conditions. Home closures over the past 3 years have been a mixture of local, regional and national providers with nursing beds the most heavily affected by closures.

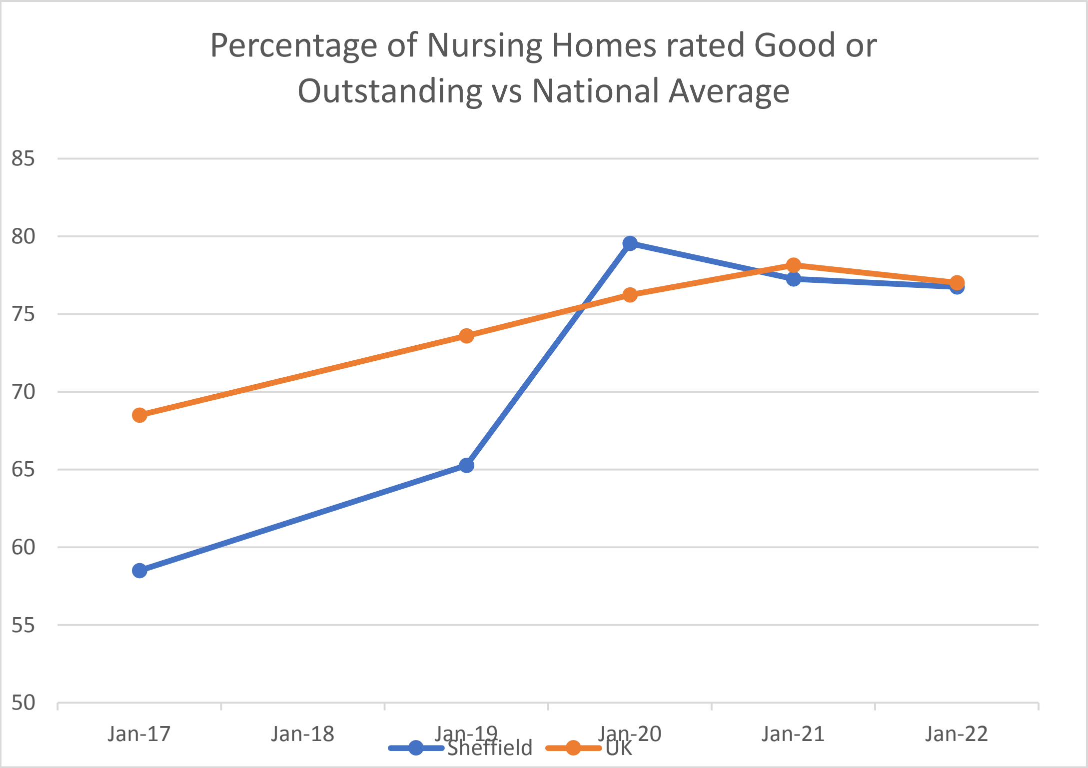
There does not appear to be much interest from providers in opening new care homes or investing in their existing stock in Sheffield at present but there does appear to be interest from providers in acquiring homes that are struggling. We are aware of one such takeover that is imminent and another provider has contacted the Commissioning Service requesting that their details be shared with any homes considering closure.

2.3 **Quality:**

In the past year CQC have continued to conduct fewer Care Home Inspections than pre-pandemic and have focussed on homes that are not yet inspected, rated inadequate or where serious concerns have been raised. Residential Care Homes in the city have continued to perform well with a further increase in homes rated either good or outstanding compared to a slight fall in the national average.



By Comparison there has been a slight fall in the proportion of Nursing Homes rated good or outstanding in both Sheffield and the National Average. With Sheffield Nursing homes broadly in line with the national average in this measure (0.28% below). Unfortunately, two of the Nursing Homes that are not rated good or outstanding are now rated inadequate compared to none last year.



The Council's own Quality and Performance team began visiting care homes again in person during 2021 with a plan to visit each home at least once between September 2021 and March 2022. Under the Council's RAG rating scheme, no homes are rated red, 4 homes are rated amber (including the 2 inadequate homes) with all other homes currently rated green.

2.4 Market Analysis

2.5 Vacancies and Occupancy

Occupancy has increased for both Residential and Nursing care compared to last year with Nursing Care showing the greatest recovery, however neither have returned to pre-pandemic levels. It is thought that Nursing Care has shown the greatest recovery due to the fact this level of need cannot as easily be replicated by other means for example in home care or extra care housing. Whilst the occupancy data appears to show spare capacity within the system this has not always proven to be the case in practice. At the height of the Omicron wave over the new year period over 40% of care homes had closed due to outbreaks, in addition some homes who did not have outbreaks have reported difficulties in accepting new residents due to concerns over staff shortages. These issues led to far fewer available spaces and difficulties in finding suitable vacancies over the winter period.

Percentage occupancy in Residential and Nursing Care

	Nursing	Residential
1/2/22	87.43	83.43
Jan-21	78.01	77.02
Apr-20	92.46	94.75
Nov-19	90	92
2018/2019	83.5	91
2017/2018	93.6	90.6
2016/2017	92.5	93
2015/2016	92.5	92
2014/2015	87.53	88.57

In terms of how the distribution of occupancy rates has changed there has been a substantial increase in both residential and nursing homes that are over 90% occupied over the past year but this is still not back to pre-pandemic levels. However, there are still some homes particularly in the residential sector still experiencing very low occupancy levels. These levels may be unsustainable in the long run increasing the risk of further home closures as the market adapts to the changes in demand.

Range of occupancy levels	% Of Nursing Homes in this range of Occupancy			% Of Residential Homes In this Range of Occupancy		
	20/04/2020	15/01/2021	01/02/2022	20/04/2020	15/01/2021	01/02/2022
90.01-100%	64.1	28.95	50.00	76.32	26.32	50.77
80.01-90%	23.08	21.05	25.00	18.42	23.68	18.46
70.01-80%	10.26	18.42	15.91	2.63	18.42	12.31
60.01-70%	2.56	10.53	9.09	2.63	10.53	9.23
50.01-60%	0	18.42	0.00	0	13.16	4.62
50% and below	0	2.63	0.00	0	7.89	4.62

2.6 **Benchmarking**

Sheffield differs from most other local authorities in that we pay a single rate of £530 per week for standard care in a care home regardless of whether that care is residential or nursing or with/without dementia. This ranks quite low amongst the rates currently paid by other local authorities. For Residential Care Sheffield ranks 10th out of 15 when compared to the minimum rate paid and 12th out of 15 when compared to the maximum rate. For Nursing Care Sheffield ranks 11th out of 15 when compared to the minimum rate paid and 13th out of 15 when compared to the maximum.

Residential

Local Authority		**2021/22 rate**	
		Minimum	**Maximum**
1	Barnsley	590.40	641.64
2	Bradford	561.47	561.47
3	Calderdale	512.74	538.67
	Calderdale EMI	591.83	618.15
4	Doncaster	544.16	544.16
5	East Ridings of Yorkshire	545.16	605.78
6	Hull	487.40	523.30
7	Kirklees -residential	553.35	582.09
	Kirklees - residential with dementia	573.35	602.09
8	Leeds	567.00	632.00
9	North East Lincolnshire	527.87	527.87
10	North Lincolnshire	506.59	537.01
11	North Yorkshire	599.34	599.34
12	Rotherham	504.00	526.00
13	Sheffield	530.00	530.00
14	Wakefield	568.00	664.00
15	York - res	558.94	601.37

Nursing

Local Authority		**2021/22 rate**	
		Minimum	**Maximum**
1	Barnsley	590.40	641.64
2	Bradford	597.52	597.52
3	Calderdale	588.96	617.57
	Calderdale EMI	617.57	643.87
4	Doncaster	597.61	597.61
5	East Ridings of Yorkshire	545.16	605.78
6	Hull	487.40	523.30
7	Kirklees	565.86	594.6
	Kirklees - with dementia	585.86	614.6

8	Leeds	599.00	649.00
9	North East Lincolnshire	527.87	527.87
10	North Lincolnshire	506.59	537.01
11	North Yorks	592.41	592.41
12	Rotherham	518.00	575.00
13	Sheffield	530.00	530.00
14	Wakefield	568.00	664.00
15	York	604.86	641.60

Comparisons can also be made against other core cities in the UK although Sheffield is the second least deprived of the core cities. Comparison with other authorities conducted in early 2021 highlighted Sheffield as an outlier (based on average price paid): Out of the 8 core cities Sheffield ranks 8th for Nursing Care and 7th for Residential care and 7th overall.

	Nursing	**Residential**	**Combined**
Bristol, City Of	£871	£893	£881
Newcastle upon Tyne	£772	£694	£771
Leeds	£643	£693	£674
Nottingham	£685	£660	£666
Birmingham	£640	£681	£664
Manchester	£639	£587	£604
Sheffield	£630	£560	£586
Liverpool	£680	£470	£518

The fee increases being considered by other local authorities in the region are anticipated to be in the region of 6-7% for most types of provision, making it likely that the gap between Sheffield rates and others in the region will increase as Sheffield is inflating from a lower starting point and is also looking at a lower inflation based on an above inflation increase in 2021/22.

2.7 **Factors which affect viability of market:**

From the consultation and other engagement with the sector it is clear there are other factors that affect the viability of the market other than fee rate and occupancy – these are set out below:

2.7.1 **Staffing:**

Care Home providers have reported greater challenges than ever in recruiting and retaining staff. Factors such as mandatory vaccination, increased staff burnout, trauma caused by the pandemic, and increase in jobs in other higher paying sectors as well as it being harder to recruit overseas workers following Brexit have posed new challenges to an already struggling sector. Data collected by Skills for Care shows staff turnover has been increasing in Sheffield particularly within Nursing Care:

Staff Turnover in residential/nursing care in Sheffield (from Skills for Care)

	19/20	**20/21**
Residential	26.10%	26.40%
Nursing	31.10%	34.80%

Within these figures some occupations had a particularly high turnover rate for example in Nursing homes Turnover of Nurses was 38.7% and Managers 52.2% during the 20/21 financial year. Some providers have reported substantial increases in the salaries for Nurses and Managers to enable them to better recruit and retain these staff.

There is a more of a mixed picture regarding staff vacancy rates, with vacancy rates in nursing care increasing whilst vacancy rates in residential care decreased.

Staff vacancy rates in residential/nursing care in Sheffield (from Skills for Care)

	19/20	**20/21**
Residential	3.30%	1.40%
Nursing	1.90%	3.50%

It should be noted that this data does not cover the 21/22 financial year and therefore would not cover the impacts of Mandatory Vaccination on the Care Home sector, which resulted in some workers leaving the sector and has reduced the pool of available workers now that double vaccination is a requirement. Whilst we do not have the data to quantify this, many providers have been reporting that this is the most difficult they have ever known recruitment.

Whilst money has been made available to providers by the government to aid recruitment and retention initiatives via the Workforce Recruitment and Retention Grant, this has not been sufficient to cover providers' needs and is short term only. This has been illustrated in that this grant was only able to cover 25% of eligible claims in the most recent round of discretionary payments processed by the Council's commissioning team.

A further grant is being funded by the NHS to bring forward the increase in the National Living Wage for care workers, but it is not yet clear what impact this will have in boosting recruitment and retention and this is likely to be only short term.

2.7.2 **Insurance:**

Some providers have reported difficulty in obtaining insurance since the start of the pandemic, particularly insurance that offers indemnity against Covid19 related claims, others have stated that they are still able to obtain this but their renewal premium has significantly increased by upwards of 20% with the median insurance increase running at 42%.

2.7.3 Self-Funder Fees and Third-Party Contributions AKA Third Party Top Ups

Standard rate care homes supplement their incomes by charging higher fees for care to private fee payers or to council funded residents by means of Third Party Contributions. Third Party Contributions are charged on top of the resident's usual contribution by a third party, usually a friend, partner, or family member.
From Office of National Statistics information, it is estimated that 46.22% of older people in care in Yorkshire and Humberside homes are self-funding and whilst most homes in the city have some form of mixed economy of self-funding and funded residents these are not evenly distributed throughout the city. 15 care homes have less than 20% of their residents funded by SCC/NHS whilst others may have 95% funded by the Council or NHS. Self-funded residents are heavily concentrated in the wealthier areas of the city with 7 of the 15 homes with less than 20% funded residents situated in the wealthy S10 postcode area for example.

Sheffield City Council now collects Third Party Contributions on behalf of care homes. The number of these has fallen between April 2021 and January 2022. In April 2021, 169 top ups were collected totalling £12,382 per week, by January 2022 this had fallen to 130 totalling £8,059 per week. This coincides with anecdotal evidence from some homes which usually charged top up fees that they were beginning to waive these to attract more funded customers due to low occupancy rates. However, some homes who have continued to charge top up fees have increased these.

Conversely there has been large increases in the fees charged to private fee payers. All but 2 (out of 26) standard rate care homes who responded to the consultation increased their private rate by more than the £25 per week extra given to Council funded Residents. These increases ranged from £10 per week to £105 per week, with an average increase of £44.54. In one case there is now a £409 difference (77% higher) in the fee charged to private residents compared to council funded residents in the same home. By contrast the only self-funder home to respond to the consultation only needed to increase its rates by £25, this is the same increase as the council in monetary terms but less than half the increase in percentage terms (2.27% compared to 4.89%).

This suggests the gap between private fee rates and council rates is widening with private fee payers increasingly subsidising council funded residents where the home has a mixed economy of residents.

2.7.4 Covid19 costs:

Some providers have expressed concern that some of the costs associated with Covid19 may continue past the 'end of the pandemic' and the additional government grants that contribute to meeting these costs. Many providers have indicated that the government grants such as Infection Control Fund grant are insufficient to cover the increased costs facing providers and are short term. While vaccination will reduce incidences of infection, it is not expected to result in reduced infection control measures with testing, PPE and isolation for positive cases remaining in place beyond the public measures. All of this will have an ongoing financial impact on providers.

2.8 Future changes and the Fair Cost of Care

Proposed new funding to enable Council's to move towards paying the fair cost of care is discussed in the home care section below entitled: "Market Sustainability & Fair Cost of Care' Funding & Conditions".

These changes will have further implications for the care home market, as from October 2023 more self-funders will be entitled to request that the Council contract with care homes to access fees at our rates. This change was initially envisioned as part of the Care Act 2014 but never enacted but has been re-proposed as part of the Health and Social Care Levy and the People at the Heart of Care White Paper.

As standard rate care homes typically charge self-funding residents more than council funded residents, they will receive an average fee rate per resident that is higher than the council rate. From the consultation responses it is possible to estimate an average fee rate for 24 of the standard rate care homes who responded to the survey. The average fee rate received by these homes ranges from £558.20 per week to £723.69 per week with a median average fee rate of £572.58 per week (2021/2022 rates). If the Council's rate does not at least match a care home's average fee rate by October 2023 when the new legislation comes into effect this will lead to a reduction in the home's income and likely lead to an increased risk of failure.

Increasing the Council's fee rate to match the homes average fee rate by October 2023 will only allow for the maintenance of the status quo at best and will not lead to increased revenues for homes to invest further in their property or staff, nor improve their financial viability. Care Homes will still be able to charge top up fees if they feel rates are insufficient and from October 2023 residents themselves will be able to pay these rather than relying on a third party. Early analysis suggests that the care homes currently receiving an average fee rate of significantly more than the median average fee rate of £572.58 are already charging top up fees.

People at the Heart of Care: adult social care reform - GOV.UK (www.gov.uk)

2.9 Older Adult Care Homes Consultation Response Rate and Background:

A consultation questionnaire was issues to care home providers and received 18 responses from providers representing a total of 35 homes. In addition, a further 5 providers submitted evidence towards the consultation but not on the questionnaire provided. Of these 35 homes, 6 homes classed themselves as non-standard, 3 of which specialise in adults' mental health. One home classed themselves as a home targeting self-funders with few Council funded placements. The remaining 28 homes classed themselves as a standard rate care home mainly accepting the council's standard rate of £530 per week.

The consultation process with older adult care homes has generated a lower level of responses than in previous years. We anticipate that this may be partly due to the continuing effects of the pandemic and the other pressures that this puts on care home administration and management time.

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.

The themes are explored further in this section and the original and/or verbatim submissions and comments at the end of this section. During the consultation period and throughout the course of the last 12 months, 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.

Consultation responses

A consultation questionnaire was issued to care home providers and received 18 responses from providers representing a total of 35 homes. In addition, a further 5 providers submitted evidence towards the consultation but not on the questionnaire provided. Of these 35 homes, 6 homes classed themselves as non-standard, 3 of which specialise in adults' mental health. One home classed themselves as a home targeting self-funders with few Council funded placements. The remaining 28 homes classed themselves as a standard rate care home mainly accepting the Council's standard rate of £530 per week.

Operating cost splits

Providers were asked to detail how their operating costs were split between staffing and non-staffing costs. This can help predict increases in their costs using measures such as CPI or increases in the national minimum wage. In previous years we have used a figure of 71% to calculate increases in staffing costs in standard rate care homes, current information being provided suggests an increased proportion of 75% of costs are now due to staffing. The costings returned by the three providers who sent more detailed costs in during the consultation demonstrated the range of operating models in the sector. Without a full open book analysis of these costs against income and transparency regarding provision mix (e.g. which places attract the additional Funded Nursing Care money or private fee payers or other health related funding) it is difficult to extrapolate from these returns the extent to which they demonstrate consistency in the market of staffing to non staffing costs.

	Overall Range	Overall Median	Standard Range	Standard Median	Non-standard Range	Non-standard Median	Self-Funder
Staffing	60-85%	75%	65-85%	75%	60-65%	60%	84%

Non-Staffing	15-40%	25%	15-35%	25%	35-40%	40%	16%

Increase in costs by type

Providers have reported a wide range of different cost increases, with some reporting that their staffing costs were expected to increase by as little as 4% but some reporting as high as 15%, a similar picture was observed with non-staffing costs with a range of 4-20% increases reported.
Standard rate and self-funder care homes are expecting to see the greatest cost pressures in their non staffing costs, whilst non-standard care homes are expecting to see the greatest cost pressures in their staffing costs.
When weighted as per the reported split of staffing and non-staffing costs the median overall increase was 6.53%. Standard care homes reported the highest increases 6.9%, but non-standard (5.24%) and self-funder care homes (6.32%) reported lower increases.

4 non-standard providers have submitted evidence and requests for uplifts without the standard questionnaire, 3 of these have been out of city providers. All of which requested uplifts greater than the increases reported by providers who had completed a questionnaire. These requests for uplifts ranged from 6.9% - 9.5% with a median of 7.5%.

	Overall Range	Overall Median	Standard Range	Standard Median	Non-standard Range	Non-standard Median	Self-Funder
Staffing	4-15%	6.7%	4-15%	6%	5-13%	7.45%	6%
Non-Staffing	4-20%	10.7%	4-15%	10.7%	4-20%	5.6%	8%
Aggregate	4.76%-14.25%	6.53%	4.8%-14.25	6.9	4.76%-15.45%	5.24%	6.32%

Specific cost pressures

Care homes were asked on the consultation questionnaire to report individual cost pressures they are concerned about, which have increased or are expected to increase at a rate exceeding inflation. There was consensus that utility bills, insurance, food, and maintenance costs were increasing at rates exceeding inflation and that these were placing pressure on their business. Despite the consensus that these costs were increasing there was less consensus of by how much. For example, reported increases in utilities costs ranged from just 1.9% to 97%. Several providers also reported increased insurance, utilities, and food prices well in excess of the median increase. For utilities and food bills the highest increases were often reported as due to enforced changes in supplier due to the previous supplier going out of business or issues with supply shortages. The wide range of increases in insurance premiums could be due to the sector being perceived as riskier, recent increases in claims due to the pandemic or providers seeking increased cover to protect from future liability.

Cost Pressure	Number of homes reporting	Range of cost increases%	Median Increase%
Insurance	27	10%-94%	42.01%
Utilities	32	1.9%-97%	11%
General Food/catering	24	5%-38.6%	13.34%
Food (meat)	1	82%	82%
Recruitment	2	200%-200%	200%
Waste collection	4	10%-21%	11.50%
Maintenance/Repairs	15	8%-23.37%	23.37%
Water	2	28%-28%	28%
Medical/household supplies	2	10%-10%	10%
IT	10	70.92%-70.92%	70.92%

The feedback below has been taken into account in putting forward the recommended fee rate to the Council's Cabinet.

2.10 **Older Adult Care Homes Fee Rate Consultation Feedback Summary:**

Providers described a range of challenges over the course of the consultation that are summarised and analysed in the following section:

- Original Cost Model and Rate
- Inflation above CPI
- Occupancy Levels
- Staffing Costs (wage inflation to recruit and retain, nursing agency costs, increased staffing levels to support increased acuity)
- Differentials between staffing rates
- Impacts of Covid19 including mandatory vaccinations
- Benchmark with other authorities
- Return on Investment
- Capital investment
- Costs of specialist equipment
- Lack of enhanced rate for dementia or high dependency
- Reliance on self-funders and third-party contributions for some homes.
- New residents are being admitted older and frailer than previously.
- Nursing homes and local providers felt to be most at risk

2.11 **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.

The financial information was reviewed by finance, commercial services and commissioning officers and considered against the current cost model (that was developed during the 2017 cost of care exercise) described in the main report in order to challenge the model’s assumptions about cost profile and increases.

Information was received from 4 providers representing 10 homes in the city. The information received demonstrated the variation in operating and business models in the sector. With relatively few returns and incomplete financial information about income against the described expenditure it was difficult to extrapolate definitive conclusions.

2.12 Commissioning analysis of consultation feedback, market analysis and consultancy:

Original Cost Model and Rate, Inflation above CPI

Sheffield City Council continues to the support the methodology it used in 2017 to set the base rate for the cost of care in 2018 and to uplift it in the subsequent years. The costings provided by three care home providers in response the consultation this year identified costs that amounted to a significantly higher unit cost per bed than the Council’s standard fee rate. It is however difficult to ascertain the true position without much more detailed information from providers about their income and mix of acuity and economy.

A much more detailed cost of care exercise will be undertaken in the next six months in order to more fully understand the cost of provision in this market and respond to the Department of Health and Social Care’s Fair Cost of Care requirements and prepare for the impact of national policy changes.

Occupancy Levels, Impacts of Covid19, Keeping COVID relief funding separate from fee uplift

It is acknowledged that reduced occupancy levels continue to have a significant impact on some providers and increase their average cost of care and that some providers wanted an adjustment in the base rate as a result of this. However, it is felt by providers that in many ways it is not a fall the average occupancy rate but the increased variation in occupancy rates across the city that is the greatest challenge.

There is currently continued oversupply of care homes in the city and it is the view of commissioners that a degree of contraction and remodelling of the traditional market will be required. An increase in the fee rate that effectively subsidises empty beds that are not required does not incentivise the market to adapt to changing demand and is not a sustainable option for the Council and tax payer.

It is also expected that some providers may leave the market or remodel their offer which will lead to a reduction in the current over supply. As such these reduced occupancy levels are not thought to be long term. As there was a broad consensus to keep Covid relief funding separate from the fee uplift we propose we continue to engage with care homes with reduced occupancy to establish the best way we can support them to recover or repurpose some or all of their business and, in some cases, support them to manage a safe and planned exit from the market.

Staffing costs, Differentials between staffing rates

The Council acknowledges the hard work and dedication of the care home sector not just during the pandemic but in preceding years too. We also acknowledge that the workforce is often poorly paid in comparison to other sectors and we have an ambition to support providers we commission to move towards the foundation living wage within the constraints of the Council’s extremely stretched budget in 2022/23. We are recommending an increase to the staffing element of the fee uplift of 3.15% which, on top of the additional increase above minimum wage last year, should enable care providers to ensure that they are able to meet the increase in the national living wage from April. The increase is being applied to the whole staffing element in order to support maintenance of differentials for more experienced or senior staff.

This is in addition to a range of support that the Council and health partners have developed to support the social care workforce including recruitment and retention web based applications that also enable providers to reward care workers, investment in other applications to support staff wellbeing and improve accessibility to online and ‘real time’ training. The Council and Clinical Commissioning Group continue to work with providers to identify other areas of support such as sector routeways and support with overseas recruitment in order to work towards building a resilient sector and workforce over the next few years.

Furthermore, the Council is exploring alternative and more stable procurement and contracting mechanisms that will contractually embed foundation living wage for all front-line staff and enable longer term business development and investment by providers in their staff and the physical and IT infrastructure of their provision to ensure it is fit for the future and meets the changing needs of the city.

Comparison with other Authorities:
It is noted that the fee rate paid by Sheffield does not compare favourably to that paid by other regional authorities and core cities. This can be explained in part by comparatively low rent, mortgage, and land costs in the city and to the fact that the city has seen historically high occupancy levels compared to levels in other areas in the regional. Sheffield has also moved to gross payment of fees including third party contributions which significantly reduces the burden of administration and potential for accrual bad debt for care homes in the city – a risk that is now transferred to the local authority. In addition, the positive interventions made by Sheffield Council and the Sheffield CCG in allocating funding to the care home sector, support to staff via training and best practice forums and the investment in a range of recruitment, retention and wellbeing resources are significant in supporting providers ‘in kind’ rather than via the fee rate.

The programme of market shaping and new approach to developing and contracting with the sector over the next year is expected to improve the relative position regarding the fee rate in Sheffield along with a wide range of other forms of support to the sector being developed between health and social care such as training, sector routeways, recruitment and retention support and positive campaigns.

Return on investment, capital investment:
The 2017 cost of care exercise allowed for a return on investment of 2% above base rate. We appreciate that many providers feel this is insufficient and is lower than what can be achieved in other sectors. The Council acknowledges that operating at break-even is not sufficient for the sector over the longer term and is committed to working with providers to develop a transparent and collaborative commissioning model that provides for reasonable return on capital and economic profit in return for high quality care and improved outcomes for people in the city. We wish to work with providers to establish how we can work with them to promote and secure capital and digital infrastructure investment and the best way to improve return on investment in the future.

Costs of specialist equipment:
In 2020 Sheffield City Council jointly reprocured the Integrated Community Equipment Loans service. The new provider, Medequip, is committed to working in partnership with health and social care stakeholders to improve the service offered to the city and promote equipment as a key part of preventing, reducing and delaying increased care needs.

Quality of Care Homes in Sheffield:
Residential Care Homes in the city have continued to perform well with a further increase in homes rated either good or outstanding compared to a slight fall in the national average.

By Comparison there has been a slight fall in the proportion of Nursing Homes rated good or outstanding in both Sheffield and the National Average. With Sheffield Nursing homes broadly in line with the national average in this measure (0.28% below). Unfortunately, two of the Nursing Homes that are not rated good or outstanding are now rated inadequate compared to none last year.

New residents are being admitted older and frailer than previously and no enhanced rate for dementia or high dependency: There is now evidence both locally and nationally that the level of acuity of new residents on entering a care home is higher than it has traditionally been. This is reflected by the reduced demand for more traditional standard residential care homes and the exit of two providers from this market. It is unusual for a local authority not to pay a higher rate for dementia or high dependency care, the 2017 cost of care exercise suggested the overall increase in acuity amongst care home admissions reduced the cost differentials for these types of care, in addition Cordisbright/LaingBuisson identified that providers often felt the extra £20-30 per week paid by other local authorities was not sufficient. We anticipate that the programme of work in response to the national cost of care exercise and the planned market shaping and procurement changes in the city will potentially inform banded rates within a new contractual structure.

Reliance on self-funders and third party top up fees:

Nursing homes and local providers most at risk: In recent years there has been a greater shrinkage in the number of Nursing home beds compared to Residential home beds. Recent closures have been local providers whereas sales/acquisitions have been national providers. This suggests that larger national providers may be able to sustain provision while they secure a buyer where local smaller homes are not able to. We believe there should be a targeted approach in support given to homes to restructure and in the implementation of the strategic review with a focus on getting the right balance of care including nursing.

2.13 **Older Adult Care Homes Fee Rate Model:**

The standard, older adult care home fee rate is based on the cost of care exercise undertaken in 2017 and used to set the rates for 2018 onwards. This exercise illustrated the wide range of costs, business models, financial structuring, and operational models in the care home sector. The outcome of the exercise was the creation of a single rate because the costings submitted suggested that this was appropriate. The details of the model are set out in the March 2018 Cabinet Report and Appendices.

The exercise showed a split between staffing and non-staffing costs of 71% and 29% and this has been reaffirmed over subsequent years by open book exercises during fee consultations. Costings submitted this year from four providers demonstrated the huge variation between different operating models but without detailed information about provision mix (nursing and resi, health funded and FNC) or income against expenditure, the existing split of 71/29 does not feel unreasonable.

2.14 **Additional Support to Providers**

The Council acknowledges the significant and varying impact of the pandemic upon care homes over the last 24 months. The Council has provided a wide range of support for contracted and non-contracted providers summarised below (*denotes support offered to framework providers only):

- Administration of DHSC and NHS grants to support the care sector including Infection Control Fund, Lateral Flow Device Testing, Workforce Recruitment and Retention and Early Adoption of National Living Wage support for care providers
- Support for recruitment and retention via a raft of support measures funded largely through DHSC and NHS funding including:
    - Provision of funding to support recruitment and retention activity.
    - Investment in a web-based application that enables rewards for ‘positive activity’ by staff, such as recommending friends for employment, taking on additional work and receiving positive feedback from clients.
    - Collaborating with Opportunity Sheffield, to support the long-term unemployed into a career in home care through the Care Sector Routeways initiative and provide access for providers to a series of jobs fairs in local communities.

    - Investment in several initiatives to support the wellbeing and mental health of care workers and provide access to a high street reward scheme.

- Support through regular virtual forums and telephony-based support from our commissioning and contract managers*
- A dedicated ‘providercovid19 inbox’ and regular updates via email to all providers or specific sectors as appropriate
- A dedicated Web Page ‘Coronavirus - Support for Adult Social Care providers’ sharing information and sign posting to support services for providers.
- Support to access the national PPE supply chain introduced by the Department of Health and Social Care as well as the option to draw on Council funded PPE to top up their supplies if required.

2.15 **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 staffing costs and investment in the workforce but also non-staffing costs 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 Council recognises and values the role that social care staff play in supporting some of the most vulnerable people in our city and understands the impact of the minimum wage and National Insurance increase for providers. The recommended fee is based on applying the difference between the above minimum wage increase last year (which enabled providers to increase wages up to £9.21 per hour) and the 2022/23 minimum wage increase (£9.50) on all staffing related costs (3.15%). The balance between staffing and non-staffing used to weight the increase reflects nationally recognised ratios and the information submitted by providers during consultation, while suggesting that some providers are seeing above 75% staffing costs, does not evidence this in costings provided. Other authorities tend to use a lower weighting staffing element of the fee rate.

Sheffield City Council have reflected upon feedback from consultation and are proposing to increase the fee rate by 3.13% for care homes and day activities and 3.14% for home support and 3.15% plus the individual employers National Insurance contribution for Personal Assistants.

Council Commissioning and Contracts teams will work closely in collaboration with all providers through the procurement changes in each of these sectors over the next 18 months to ensure progress by the sector towards Foundation Living Wage at the point of reprocurement. The Council is committed to working with providers in each sector to enshrine improved terms and conditions for the care workforce in future contracting arrangements.

The financial and operating context for all types of care provision remains volatile and requires dynamic and ongoing risk assessment to ensure a sustainable, quality market. The impact of this fee increase will therefore be closely monitored, and the cost of care further examined for each type of provision over the next six months in response to Department of Health and Social Care requirements to pay a fair cost of care, to ensure effective planning for the implications of the new care cap and to ensure that procurement plans optimise value for money through improving funding security and embedding enablement and quality outcome-based contracts.

The final proposed increase in the fee rates reflects the Council's commitment to taking on board the feedback of providers and ensuring a sustainable, quality and diverse adult social care market in the city in the context of significant budget constraints as a result of long-term underfunding of local authorities and particularly social care by Government over the last decade.

Category	2020-21 Rate	2022-23 Rate (rounded to nearest £)	% Increase
Residential - standard	£530	£547	3.13
Residential – high dependency	£530	£547	3.13
Residential – EMI	£530	£547	3.13
Nursing - standard excluding FNC	£530	£547	3.13
Nursing enhanced excluding FNC	£530	£547	3.13

2.16

Feedback from Care Home Providers

Care Home Provider Feedback – Verbatim anonymised responses

Occupancy

- *The additional support from central government throughout Covid has without doubt prevented the collapse of the sector in Sheffield - We have tracked the additional grant funding from central government throughout the pandemic and this raised the average income per bed in the initial period in 2020 to around £616.00 per week– this average dropped to around £587.00 per week throughout 2021 - occupancies were as low as 70 % in 2020 but these improved to between 80-90% in 2021 - this had a massive effect on* *the stability of the business and we entered into negotiations with SCC to receive subsidy funding without success!*

- *we, like the rest of the sector are seeing significantly lower admissions levels; occupancy rates in our homes have reduced and are currently if anything getting worse. At our current levels of occupancy, given current fee rates, absent of Government support we are cash flow negative. As you already know, many cost of care models are based on pre-Covid occupancy levels of close to 90% and these are fundamentally intertwined with the base costs associated with provision of care. Our occupancy rates are currently at 80%, which is well below a sustainable level and not manageable in the longer term. It is important that the current position is recognised as part of the annual fee review.*

- *Occupancy has been adversely impacted by COVID related deaths and embargo restrictions. The fee model needs to be adjusted to reflect current occupancy in the city to take account of the adverse impact of the pandemic on occupancy. It is irrational to continue to set occupancy at a level which would have been the historical norm pre-pandemic. This bears no reflection to market conditions. The Council ignored this issue in 2021-22 and must not do so again*

- *Occupancies – These are getting better than last year however the Cordis Bright Report raises serious concerns about the oversupply figures!*

Wages

- *We’ve got National Insurance Increase, Living Wage Increases – ever increasing repairs and maintenance costs – CQC driven improvements – increased acuity of residents etc. bed fees need to be more than £650.00 per week if we are to provide quality care, safe and well-maintained environments and fair wages and working conditions for staff.*

- *In 2020 we began our recruitment campaign due to our requirement for additional resources within the home. Our wage grading structure now begins at £9.20 for a trainee rising to £11.50 for a Senior Support Worker. We are passionate to increase these rates further to enable us to attract and recruit good quality staff, train and retain them.*

- *Despite the enormous challenges presented Covid-19 and the required response to it, we are also subject to more normal cost inflation including uplifts in the National Living Wage (the hourly rate paid to those over 23) which is due to be increased in April 2022 from the current £8.91 to £9.50, a 6.6% increase. Furthermore, in September 2021 the Government announced the introduction of a new Health and Social care levy which comes into effect from April 2022 with an increase to Employers National Insurance of 1.25% costing the Group a further c£2.5m p.a.*
- *The NLW increase and the increase in NI levy is going to have a significant impact on us, we are guaranteeing that we will meet this and maintain pay differentials, but this significant increase in wage costs directly impacts the amount that we can spend on our homes, as it is reducing the amounts that we can spend on enhancing the lives of our residents.*

- *The existing fee rates do not adequately cover the real need to properly pay the social care workforce and as such we have taken steps to increase pay for our own workforce, such that all staff are now paid in excess of the new April 2022 NLW. However, without having taken this action we, as with other providers, are at real risk of being unable to sustainably staff our homes as attraction, recruitment and retention remain a significant challenge in the sector. In the absence of adequate funding the impact of this on current and future service users is significant and we risk irretrievably losing skills from the sector. This will have an adverse impact on residents, and also on the Council.*

- *we want to reward our Colleagues for the amazing job they do; and we want our Colleagues to have the opportunity to grow professionally through training and coaching. As such, ***** have launched a new pay and reward programme that will mean all care Colleagues earn above the increased National Living Wage rate, irrespective of age. We also offer higher rates to Colleagues based on experience and qualifications, whether those have been gained at ****** or elsewhere. The new framework is providing clear career progression and incentives to stay and progress with ******, supported with a sector-leading learning and development offer. Overall, this represents an investment of £17m over and above the costs associated with the Governments living wage increases and National Insurance.*

- *Wages are exceeding 75% of income on a regular basis; Throughout the pandemic the wages increased to over 80% due to drop in occupancies! – We can't catch this up!! Agency Costs – regularly exceeding £1,000.00 per week*
  Agency Nurses – up to £50.00 per hour from Agency
  Agency Carers – up to £18.00 per hour

- *In recognition of the hard work and dedication of our colleagues from the 1st December 2021, whatever their age, all ******* colleagues are now paid at or above the Living Wage Foundation's rate (£9.90 or £11.05 in London). This has been a necessary and important step to ensure the continual safe running of the services and to recognise the value of the work our colleagues do.*

Debt and finance

- *We had to make alternative arrangements to sustain the business and increased our borrowings with a £50,000 BIBL & £250,000 CIBL Loan, repayments for the BIBL have already started at £900.00 per month and repayments for the CIBL £5,100 will commence in April 2022, t hat's an additional £6,000 per month = £72,000 per year – existing borrowings are at approximately 50% of loan to value ratio and the combined Interest & capital repayments are £10,295.00 per month – that's £123.540.00 per year! - these are due to increase in line with the new bank base rates – circa £375.00 per month per .005% increase!*

- *Banks will only lend 70% loan to value ratios, Valuations in Sheffield have plummeted due to the EBITDA being so low. Many provider are constantly re-financing to overcome losses. Valuation Fees – Bank Covenants - £5,000.00 each valuation*

Food, Insurance, Utilities and other large Price Increases

- *With the Covid-19 pandemic and Brexit all of our outgoings and overheads are worryingly increasing. We have budgeted a £2,500 increase in food and expect that utilities to increase by at least £10,000 in the next year. After consultation with our insurance broker we are expecting our insurance to increase to £29,000 this is more than double our 2020 cost.*

- *The waste disposal costs are the only two costs that I can put specific information against because the impact of covid on medical waste was so noticeable and our general waste contractor issued notice of a 13% price increase due to drivers wages.*

- *Insurances – 20% - average policy for a 40 bed home is £20,000.00 (Insurances increased by 50%-100% in 2021), Energy – Gas & Electricity – Some providers have seen supplies doubled – 100% increase, Food – Fresh Food has increased by over 10%, Waste Collections – 10% Increases, Medical & Household Supplies – 10% Increase. Just these few increases will equate to over £15.00 per week per resident!!*

- *Obviously there have been noticeable rises in the cost of food recently.*

- *We are on fixed rate contracts for gas and electricity at present – just hoping they stay in business so the current contracts can be honoured.*

- *We are also experiencing significant additional increases in some of our other major cost lines, particularly in food, with food inflation currently running significantly higher than underlying inflation, and with energy costs, which next year will rise by c60% as a result of the dramatic spike in wholesale gas prices, which has been well reported. The increase in energy costs alone will add a further £2m to the Group's cost base.*

- *Historically, the formula used by the Council to calculate the increase in AWF has failed to include the real cost increases by being limited to CPI and NLW. As the selection of costs highlighted above shows, providers are bearing a significant year on year increase in operating costs, even before the impact of NLW on staff costs, and this has historically been materially excluded from AWF increase calculations performed by the Council.*

Recruitment and retention

- *Staffing issue are one of our biggest challenges at the moment, we've engaged with every initiative around – kickstart, DWP, Job Centre, Indeed Online Recruitment etc - we've burnt through approx. £8,000 on recruitment since July 2021 – We've calculated our cost per hire at around £800.00! We've spent approx. £35,000 on agency staff – that's £43,000 combined on staffing & recruitment!*

- *To support our employees with their wellbeing we have subscribed to an employee assistance program and introduced a bonus scheme to recognize and reward the commitment and hard work of our staff.*

- *Agency Finders Fees – can be 20% of annual salary!!Recruitment – Ongoing costs – including management & admin time 4 months £6,500.00. Training costs – exceeding £5,000.00 per year!*

Private fees and cross subsidisation
- *If the SCC Bed Fees are set at a realistic figure this would help to maintain the private fee and stop the cross subsidisation which has been occurring in Sheffield and acknowledged in recent reports for far too long!*

- *71% of our residents are local authority funded which means that we are subsidised much less by the private funders than other providers. We are trying to maintain lower than average private fees in order to support the residents of Sheffield.*

- *We realise that we are highlighting both a large gap between the current fee and our view of the real cost of care, and also at 9.2%, a large increase just to cover costs. We have also increased our private fees, which are already notably higher than public fees, to support covering the increased costs.*
- *Most providers are heavily dependent on SCC contracts – 75%/25% split.*
- *Private residents are subsidising care – average private fee - £650.00 per week*

Accuity and differentials between types of care
- *A major factor at present is the acuity of residents when they arrive at the homes, their physical & mental health needs are much higher than in previous years – residents need much more direct care and we're at the point of current staffing levels being inadequate! Not only do we need better pay for staff we also need additional staff to deliver the care required – 1 care worker on days & nights (168 Hours per week) would increase staffing costs by £100,000.00 per year!! That's equates to £32.05 per resident per week at 90% occupancy!*
- *Paying the same rate for nursing and residential care remains non-sensical and must be addressed for 2022-23. It is irrational to continue to believe that the cost of providing nursing care is the same as the cost of providing residential care. The Council needs to urgently instruct an independent cost of care exercise so as to properly quantify the costs of providing nursing and residential care in order to set a fee which is commensurate with those costs. ******* has recorded a cumulative trading loss for the last 27 months*

Building stock and investment
- *Our buildings were built in the 1990's and are ready for major upgrades and refurbishments, most care home constructed during this period have antiquated Nurse Call, Fire Alarm Systems, over the past 18 months we have upgraded these systems and spent over £40,000!*

- *Homes of this era also have very inefficient heating systems that run on economy 7-night storage heaters – providers could cut their energy* consumption and reduce their carbon footprint by upgrading these systems to modern direct heating systems that can be individually controlled – better all round!

- As part of the restructure agreement in 2020 we have committed to invest in improvements and modernization of the building over the next 3 to 4 years. This work is well under way.

- We have spent quite a lot over the past 4 years (since we purchased ******) on refurbishments etc so we hope to save on this in the coming couple of years as we have done so much recently.

- We are currently only able to cover essential costs with our current levels of income and the homes are in much need of capital investment.

- Care home's need constant investment, the day-to-day repairs & maintenance of a 20 Year + home – between £20,000 - £50,000 per year. Important upgrades – Fire Alarms & Nurse Calls - £50,000.00 per home. Heating – Night Storage Heaters - £50,000.00 per home – (saving £10,000 per year if replaced). Glazing – New Windows - £50,000.00 per home. Refurbishments – Budgetary costs for new Flooring, Bedroom Furniture & Soft Furnishings are £1,500.00 per bed. New Flooring – Communal areas & corridors, staircases etc – average 40 bed home - £60,000.00. Lift Service Agreements - £1,200.00 per home + ongoing repairs – approx. £2,000.00. Kitchen & Laundry Equipment – Hire/Repairs & Replacements - £10,000.00 per year

Grants and Tax

- The Government Grants have enabled us to survive over the past 20 months however these are subject to corporation tax which means that the HMRC take back 20% of the funds if the business is in profit – has anyone considered this?
- VAT – Care homes cannot reclaim VAT – ******** have lost over £60,000.00 in the past two years on nonrecoverable VAT that we cannot claim back!!
- Our figures are based on the home having 100% occupancy and although we strive for this, this is often beyond our control. We have carried voids over the past year though these have been offset with IPC grants. One room being designated an isolation room during the first lockdown.
- Whilst we have received welcome short term financial support from the Government's infection control grants, we continue to incur costs significantly in excess of what we normally expect and beyond the level of support that we have received.
- Disappointingly, the majority of the funds raised from the new tax (Health and Social Care Levy) have been committed to fund the National Health Service rather than Social Care for at least the next three years.

- ******* paid over £50,00.00 in VAT between 2020 & 2021. We try to employ contractors that are not VAT registered for the smaller works however the big stuff like lifts, kitchens, laundry, flooring, heating etc – are always VAT applicable!

Information Technology

We have already and continue to invest in IT provision within the home. This investment was accelerated due to the new ways of working that occurred during the pandemic. Staff working from home and investment in the homes Wi-Fi in order to keep service users safe and connected to loved ones.

Covid-19

- *Covid has exhausted everyone, all staff are approaching burnt out, the amount of additional work for everyone from Care to Admin has trebled, leaving very little time to complete normal day to day duties – deputy managers are fast becoming desk bound with governance and admin work, constantly writing/rewriting staff rotas and arranging agency cover for Covid Sickness, this eats into precious time that should be focused on delivering care!*
- *Covid 19 has put pressures on us that we have never faced before, significant reduction in occupancy and a slower than expected return to pre-pandemic levels, this has directly impacted on the amount that we are able to invest in our homes, in order to ensure that they are futureproofed.*

Return on Investment

Cordis Bright report suggested 8% - this would be welcome!
I think SCC currently allocate 2% return on Investment
Profit??? There's absolutely no resilience the market – business shock such as Covid without the Grants would have seen scores of closures!

3. Home Care in Sheffield

3.1 Background to Home Care in Sheffield

There are two contracts in place for home care services delivered on behalf of the Council: a framework agreement and a separate contract for people requiring visits during the night. The following table summarises the current position of the respective contracts:

	Framework Agreement	**Care at Night**
Provider(s)	35 active providers	2 providers
Duration	October 2017 - October 2021; additional extension to April 2023	May 2019 – May 2022; option for extension of up to 2 years.
Contract Type	The city is divided into 21 contract areas, with one or two primary providers in each area. There is no formal guarantee of business, however work is allocated to primary providers (where available) in the first instance. Areas without a primary are brokered among the non-primary framework providers. Primary providers have an ‘upper limit’ of weekly hours that they are contractually obliged to deliver; if they are at or above the limit, they may refuse to take new work.	Block contract for 6 ‘rounds’ i.e., pairs of care workers who cover all required visits each night, citywide.
Operating Hours	07.00 – 23.00	23.00 – 06.00
Service Description	Support with ‘activities of daily living’: personal care, mobility, medication, eating and drinking, food shopping and household tasks. Services are predominately provided to older people, although available to meet the assessed needs of people over	Support at end of life (known as ‘fast-track’ referrals, which commence within 24 hours), and on a long-term basis. Visits are typically short for specific tasks such as personal care

	the age of 18, in need of support due to physical or sensory impairment, ill health, frailty, learning disability or mental health condition, including dementia or other cognitive impairment.	and turning to reduce risk of pressure damage. People in receipt of Care of Night will usually also have a large care package during the day and tend to have high levels of needs.
Jointly Commissioned	No, however jointly commissioned packages (JPOC) are commissioned through the framework.	Yes (pooled budget; SCC lead for brokerage and contract management).
Service Users	Around 2,500 – 3,000 people in receipt of care per week.	Approximately 150.
Staffing	Around 1,900 people providing direct care (with additional managerial and office staff)	Approximately 40 care workers, supported by ancillary colleagues.
Volume	Around 40,000 hours per week.	Due to nature of service / block contract, hours are not measured in the same way. There are typically around 15-2- service users per round.
Hourly Rate	Average £18.48; range £17.74 - £19.62	£18.48 (linked to citywide average).
Annual Spend	£42.8m (2021/22 forecast)	£404k, (£179k at SCCG and £225k at SCC).

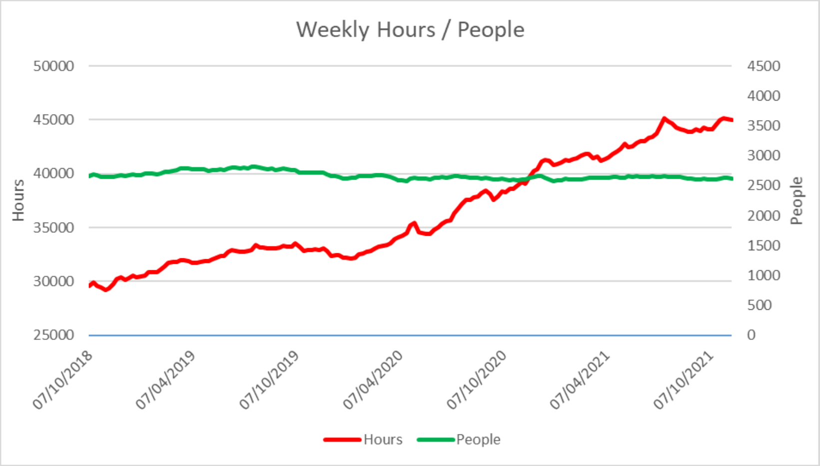
3.2 Home Care Market Analysis

Market Size & Volume

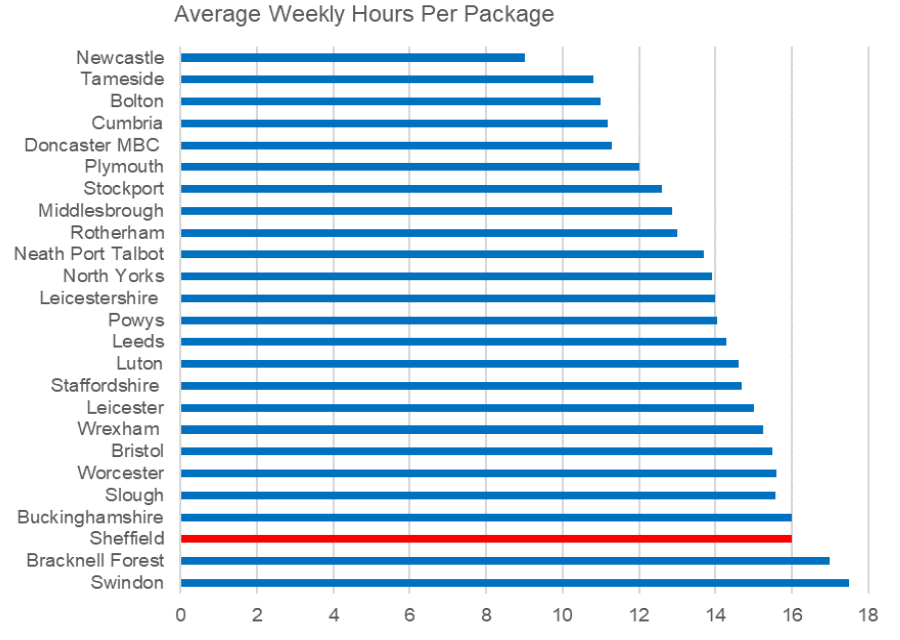
There are currently 90 home care providers registered with the Care Quality Commission in Sheffield, although there are also some providers registered in neighbouring authorities that provide services to Sheffield residents. There are 35 providers on the Council’s framework.

The size of the commissioned home care market has increased significantly in recent years, with around 40,000 hours of care commissioned per week in 2022, in comparison to around 30,000 in 2019. This trend escalated since the start of the Covid19 pandemic, in part due to some people remaining in their own homes supported with very large (in some instances 24/7) care packages, when they may previously have moved into a care home.

Despite the increase in the overall amount of care commissioned, the number of people in receipt care has remain static, at around 2,500 per week.



The cumulative impact is a significant increase in the size of the average home care package, from 12 hours per week in 2021, to 16 by 2022. Although recent data suggests this increase has now levelled off, benchmarking undertaken in Autumn 2021 also indicates Sheffield to be above the national average by around 2 hours per person, per week:



Challenges in the Home Care Market

One contracted provider has exited the home care market in 2021/22, citing a variety of pressures, particularly linked to recruitment and retention of staff, with stress and burnout key contributory factors. The most recently available data from Skills for Care[1] confirms annual staff turnover of 50% in the Sheffield independent sector, compared to 35% across Yorkshire & Humber and 2.7% for home care workers employed by the Council.

While no other contracted provider has exited the market, there has been consistent feedback from providers that the current position, exacerbated by the pandemic but relating to longstanding structural issues, particularly staff pay and terms and conditions, is unsustainable.

The situation has become particularly acute since Summer 2021 as other parts of the economy reopened, resulting in providers being unable to recruit enough new staff, while losing existing workers to other sectors, often with better pay, conditions and/or less responsibility and day-to-day challenges. This situation was compounded as demand for home care remained very high and the Omicron variant rapidly escalated at the same time as seasonally anticipated winter pressures on the health and care system.

Crisis Response

The Council, in conjunction with NHS partners and using funding from central government where available, have implemented a multifaceted range of mitigation and improvement measures to support the home care market and care workers during this challenging period and beyond, including:

- Provision of funding to support recruitment and retention activity.
- Working with providers on a locality basis to identify options for maximising efficiency and therefore increasing capacity and reducing carbon footprint, for example by enabling the use of ‘walking rounds’.
- Investment in a web-based application that enables rewards for ‘positive activity’ by staff, such as recommending friends for employment, taking on additional work and receiving positive feedback from clients.
- Provided funding for prioritising care packages waiting over 5 days.
- Funding enhanced rates for care workers to support stability and maintain capacity over the winter holiday period.
- Collaborating with Opportunity Sheffield, to support the long-term unemployed into a career in home care through the Care Sector Routeways initiative and provide access for providers to a series of jobs fairs in local communities.
- Invested in several initiatives to support the wellbeing and mental health of care workers and provide access to a high street reward scheme.

The following table illustrates the position from the start of October 2021 to end of January 2022, in relation to the size of waiting lists for independent sector home care, and the volume of new work started each week:

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[1] Home - Workforce intelligence (skillsforcare.org.uk)

Date of snapshot	Hours waiting	Packages waiting all	Packages waiting >5 days	Hours started	Packages started
31/01/2022	2282	242	194	868	62
24/01/2022	2042	265	207	1091	69
17/01/2022	2038	263	216	1500	91
10/01/2022	1940	283	231	1286	68
03/01/2022	1967	318	278	503	38
20/12/2021	2147			474	45
13/12/2021	2211	254	204	1102	79
06/12/2021	2241	279	228	1108	80
29/11/2021	2272	277	239	979	80
22/11/2021	2364	304	252	849	49
15/11/2021	2304	299	247	509	32
08/11/2021	2379	231	233	844	52
01/11/2021	2196	285	244	818	47
25/10/2021	2538	285	237	1235	61
18/10/2021	2283	279	237	947	58
11/10/2021	2184	268	209	926	59
04/10/2021	2412	251	198	540	37
Average	**2224**	**274**	**228**	**916**	**59**

While there is fluctuation, providers are typically providing sufficient capacity to match new demand, as the overall hours waiting remained relatively static. However, it has not been feasible to develop sufficient capacity to meet all outstanding demand, hence there remains a significant number of people waiting for independent sector home care, either with the Council’s in-house Short-Term Intervention Team (STIT), in hospital or in the community.

Direct Award Process & Impact

A further element of the response to the crisis has been a significant increase in the use of the ‘Direct Award’ process, a mechanism to enable the Council to contract directly with a non-contracted provider in specifically defined circumstances. In operation since early 2021, the process is intended to provide a robust and monitored option to access appropriate support in limited circumstances where unavailable through the framework agreement.

While use of direct awards is a legitimate response during a crisis to ensure people have the required support to meet their needs, these arrangements are typically more expensive; the average direct award homecare package is £438pw, 39% higher than the total home care average of £315pw[2]. This may be an indication of the impact of market forces, or a closer reflection of the overall cost of care in Sheffield.

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[2] Adult Social Core Purchasing Summary Month end January 2022 (Month 10)

	Average Hourly Rate
Commissioned	£18.48
Direct Award	£25.68
Overall*	£20.58

**Overall is a calculation of the average paid by the Council for all home care services, taking into account both care packages arranged via the framework agreement and Direct Awards. If no packages were procured via Direct Award, paying this rate for commissioned care would therefore be cost-neutral.*

While a necessary intervention in the short-term, in addition to a number of other risks, there are also indications that widespread use may have a further negative impact upon commissioned providers, for example through losing staff to non-contracted organisations able to offer higher wages and better terms and conditions. The use of Direct Awards therefore requires dynamic and ongoing risk assessment by commissioners.

With annual spend on home care Direct Awards having reached £4.7m (around 11% of the overall spend on home care), the process is under review to ensure the risks are fully understood and to establish the appropriate way forward. In the context of setting fees, a rate that insufficiently reflects the true cost of care may contribute to further diminishing capacity in the contracted market, and ultimately prove significantly more expensive if increasingly non-contracted provision is needed to ensure peoples' needs are met.

3.3 Transformation & Market Development

As described above, the home care sector, both locally and nationally, is experiencing significant challenges, particularly in relation to recruitment and retention of care workers. This can negatively impact upon people in receipt of care and their families and carers.

Commissioners have developed, and are enacting, plans for transforming how home care is organised and delivered across Sheffield. There are multiple strands to this work.

One of the first elements is a 'controlled implementation' of the new Care & Wellbeing Service. The term 'controlled implementation' refers to the process of implementing the foundations for the service model as part of the test of change, in several adjacent areas in the city, creating the opportunity for learning and building an evidence-base over the following two years.

The 'development partner' (responsible for care delivery) will collaborate with the Council's commissioner-led project team, local stakeholders, and ScHARR[3] (evaluation partner, Sheffield University) to collectively develop and evaluate the new model.

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[3] Research | ScHARR | The University of Sheffield

The procurement process for the development partner commenced on 1st February 2022 and the contract is scheduled to start at the end of May.

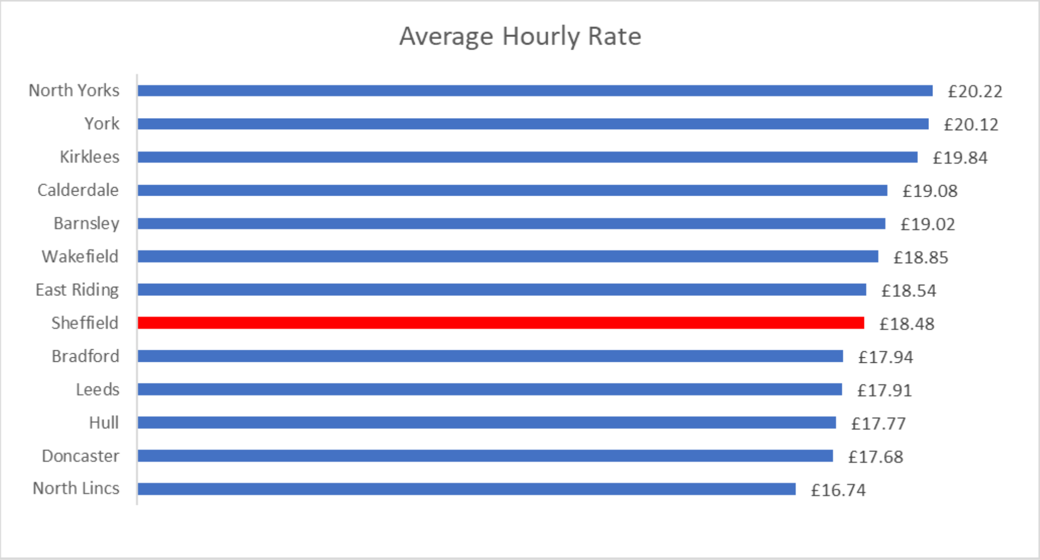
There will be a strong focus on listening to people in receipt of care, their carers and families, and their care workers, to develop and refine the model. The new service will seek to embed the necessary foundations for excellent care that meets people's individual outcomes, with a clear and consistent focus on *what matters to them*. Care provided through the new model will also foster opportunities to increase independence. Collective resources will be used in the most effective ways possible.

Another significant element of the transformation is the re-procurement of contracts for the new Care and Wellbeing Services, which will replace home care for all areas of Sheffield in early 2023. It is not possible to share details of the new transformational contract at present because this is under development and commercially sensitive, however it will be informed by the learning from, and principles of, the controlled implementation.

3.4 Benchmarking

The Homecare Association (formerly UKHCA) calculates the 'Minimum Price for Homecare'[4] to remain legally compliant and financially sustainable as £23.20 per hour, and £24.08 to pay the real Living Wage[5].

At an average of £18.48, Sheffield pays slightly below both the average for the Yorkshire & Humber region: £18.64; and local authorities in England: £18.54.



It is likely this relatively marginal disparity is exacerbated by higher staff turnover in Sheffield than elsewhere (see 'Market Analysis'), which in turn increases provider's costs and is likely to impact on the quality of care. It is estimated by Skills for Care

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[4] Homecare-Association-Minimum-Price-for-Homecare-2022-2023 (1).pdf

[5] What is the real Living Wage? | Living Wage Foundation

the total cost of recruiting each care worker is over £3.5k[6]. Replacing half the frontline workforce each year, around 950 care workers, therefore costs commissioned providers around £3.5m per annum. A staff turnover rate comparable with local government[7] or the NHS[8], would reduce spending on recruitment by around £1.3m per year.

The average basic rate of pay for a care worker employed by a contracted provider is £9.96[9], although it should be noted this typically applies to contact time (time spent on care visits only). The average rate of pay in March 2021 was £9.17, demonstrating the additional investment in pay by providers (+8.6%) exceeded the above inflation uplift awarded by the Council in April 2021 (see below 'Fee Rate Model'). For comparison, care workers employed by the Council are paid a starting rate of £10.44, for shifts as opposed to contact time, typically with superior terms and conditions relating to sick pay, leave, mileage and pensions.

The Council has aspired for several years for all social care workers to be paid the real living wage; as the 2020/21 One Year Plan states: *We will deliver a long-term workforce plan which empowers and values our social care workforce and sets out how we will implement the Foundation Living Wage for all social care workers in the City[10].*

As the above figures demonstrate, the area of focus for this aspiration to be achieved requires shifting to a model whereby staff are paid for the entirety of their shifts, as opposed to contact time, not just increasing the basic rate of pay. It should also be noted that achieving the real living wage, while a necessary and positive step, is only part of the transformation needed to ensure both sufficient capacity and skills and resolve the crises in recruitment and retention of the Sheffield home care workforce.

3.5 Fee Rate 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 each year until 2020 the hourly rates were uplifted in line with a weighted combination of the increase to the minimum wage and the Consumer Price Index. In 2020 & 2021 the minimum wage increase was applied to all staffing costs (85% of

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[6] https://www.skillsforcare.org.uk/Documents/Standards-legislation/CQC/Safe-staffing/Calculating-the-cost-of-recruitment.pdf

[7] Local government workforce summary data - November 2021 | Local Government Association

[8] Workforce Analytics - NHS SBS

[9] Evidence from sample of 18 providers (51%).

[10] The One Year Plan (sheffield.gov.uk)

costs), as opposed to solely front-line workers (75% of costs) to ensure that wage differentials could be maintained and quality senior leadership maintained.

Additionally in 2021, following feedback from providers and reflecting the Council's commitment to improving wages for front line care workers, additional investment of £4.2m was committed across all sectors. When applied proportionately this resulted in a final fee rate increase of 4.99% from April 2021.

The hourly rates paid per area, and related uplifts, for the past four years are as follows:

Uplift	**3.95%**	**4.24%**	**5.54%**	**4.99%**
	2018/19	**2019/20**	**2020/21**	**2021/22**
A1	£15.61	£16.27	£17.17	£18.03
A2	£15.91	£16.58	£17.50	£18.37
A3	£16.16	£16.85	£17.78	£18.67
B1	£15.74	£16.41	£17.32	£18.18
B2	£15.80	£16.47	£17.38	£18.25
C1	£16.10	£16.78	£17.71	£18.59
C2	£15.80	£16.47	£17.38	£18.25
C3	£15.68	£16.34	£17.25	£18.11
D1	£15.36	£16.01	£16.90	£17.74
D2	£16.04	£16.72	£17.65	£18.53
D3	£15.36	£16.01	£16.90	£17.74
E1	£15.68	£16.34	£17.25	£18.11
E2	£15.74	£16.41	£17.32	£18.18
E3	£15.49	£16.15	£17.04	£17.89
F1	£16.48	£17.18	£18.13	£19.03
F2	£16.99	£17.71	£18.69	£19.62
F3	£17.05	£17.77	£18.75	£19.69
F4	£16.60	£17.30	£18.26	£19.17
G1	£16.66	£17.37	£18.33	£19.24
G2	£15.80	£16.47	£17.38	£18.25
G3	£15.74	£16.41	£17.32	£18.18
C@N	£14.69	£16.68	£17.60	£18.48
Average	**£15.99**	**£16.68**	**£17.60**	**£18.48**

3.6 'Market Sustainability & Fair Cost of Care' Funding & Conditions

In September 2021 the Government announced funding to support local authorities' move towards paying providers a fair rate for care, with further details published in December.[11]

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[11] Market Sustainability and Fair Cost of Care Fund: purpose and conditions 2022 to 2023 - GOV.UK (www.gov.uk)

The Government acknowledged that '*a significant number of local authorities are paying residential and domiciliary care providers less than it costs to deliver the care received. This is undermining their markets, creating unfairness, affecting sustainability and, at times, leading to poorer quality outcomes'*.

To access funding, local authorities will be expected to meet the following conditions:

1. Conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it.
2. Engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market (particularly the 65+ residential care market, but also additional pressures to domiciliary care).
3. Strengthen capacity to plan for, and execute, greater market oversight and improved market management to ensure markets are well positioned to deliver on our reform ambitions.
4. Use this additional funding to genuinely increase fee rates, as appropriate to local circumstances.

In a timely development, the Care and Health Improvement Programme[12] has developed a Cost of Care Toolkit[13] for home care, with the intended purpose of:

- *Supporting commissioners and providers to obtain a shared understanding of actual costs of delivering home care in the local area.*
- *Supporting commissioners understanding of the complexities inherent in the home care market in relation to the way care providers operate, their structure and the costs associated with providing care. This is expected to inform and support fee-setting exercises, market viability and market shaping.*
- *Creating a Toolkit that commissioners and providers can access free of charge and that accurately deals with all factors that influence providers costs, including volume.*
- *Recognising existing and potential future legislative requirements.*

3.7 Consultation Process & Response

All 35 contracted providers were invited to provide information via the following methods to support the process of determining provisional fee rates:

1. Completing a questionnaire regarding their split of operating costs; forecasted overall increase in costs; any distinct element with a new or changed financial impact on operating costs; any additional information they wish to be considered.

2. Submission of 'open book' details of operating costs and accounts.

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[12] Jointly delivered through ADASS and the LGA.

[13] Home care Cost of Care Toolkit Guidance - FINAL 31.1.22.pdf

3. Submission of any correspondence (emails or letters) to the Council within the past 6 months containing content relevant to the consultation.

The consultation process was open for three weeks, from 21st January to 11th February 2022.

The response rate for each element was as follows:

	Responses
Questionnaire	12
Open book accounts	0[14]
Prior correspondence	1

The responding providers represent 36% of the commissioned market.

3.8 Consultation Feedback

Providers provided their split in ‘staffing’ and ‘non-staffing’ operating costs[15]:

		Range	
	Average[16]	Highest	Lowest
Staffing	84.9%	95%	75%
Non-staffing	13.5%	25%	5%

Providers also forecast the increase in 2022/23 in their costs for these overarching elements:

		Range	
	Average	Highest	Lowest
Staffing	11.3%	28%	5%
Non-staffing	7.2%	15%	4%

Providers also gave information regarding the impact of any distinct element on the operating costs, in percentage terms. Information was provided for 13 distinct elements:

			Range	
	Response	Average Change	Highest	Lowest
Utilities	6	39.3%	50%	6%
Wages (non-care)	4	10%	17.9%	5%
Wages all	3	14.5%	22%	7.6%

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[14] One provider did not submit accounts as part of this exercise but offered to do so separately.

[15] Staffing costs include care workers pay (contact and travel time), pension and National Insurance contributions and other wage-related on-costs, while non-staffing costs relate to the other costs of operating your business, including rent, insurance, equipment, and recruitment costs.

[16] The cumulative proportion submitted by 3 providers was less than 100%, reducing the averages.

Rent	3	20.4%	50%	5.2%
Fuel	3	46.7%	60%	30%
IT systems	3	137%	400%	5%
Recruitment	2	49%	92%	6%
International Recruitment	2	10%	10%	10%
National Insurance	2	1.25%	1.25%	1.25%
Training	2	14.5%	25%	4%
Uniform	1	6.2%	n/a	n/a
HR	1	10%	n/a	n/a

What Providers Told Us

In addition to providing quantitative information, some organisations provided additional narrative and context regarding changes to their operating costs. This has been grouped into themes, as follows:

Overarching
The magnitude of the actual challenges has increased beyond expectations. An example of that is inflation now expected to exceed 7% compared to 5% estimate before Christmas. This will generate pressures in domiciliary care, e.g., fuel costs, but also exacerbate the recruitment challenges as workers may leave our profession for higher paying sectors. *We also firmly believe that if and when COVID is classified as endemic, the pressures on social care and in particular domiciliary care will remain. For example, as of mid-February care workers are required to test daily, the grants are in place to support until the end of March, but this requirement will persist beyond this point.* *In summary we strongly believe 2022 will continue to present substantial challenges for domiciliary care and urge the local authorities to ensure fees increases enable providers to be competitive in the marketplace.*

Recruitment & Retention
Recruitment in the sector is the hardest it has ever been and therefore more money is required to be spent per head recruited to attract candidates to the roles on offer. As retention also worsened in the period due to chronically underfunded services and the impact on care worker terms and conditions, the staff turnover increased and more recruitment volume was required.
The acute recruitment crisis is pushing staff costs even higher in social care, plus the added costs in general operating costs, Given the inflation impact we expect these % to increase even higher through 2022 and into 2023.

As you will appreciate recruitment as with all providers is our biggest challenge. According to the ONS "The ratio of vacancies to every 100 employee jobs reached a record high of 4.1 in October to December 2021" Vacancies and jobs in the UK - Office for National Statistics (ons.gov.uk) We need to be able to attract people into the industry by offering competitive rates of pay and incentives, this all comes at a substantial cost.

We must work together to look to invest in recruiting and training new people into the sector which will give much needed relief to the real problems faced day on day by each care business and service. This does not mean ill-thought-out initiatives that superficially plaster over what is sorely needed – it entails proper meaningful investment and also necessary change in front line working conditions (block hours, enhanced pay, differing pay grades etc).

The loss of many skilled professionals from the sector during the COVID-19 pandemic has led to less candidates and the additional requirements due to COVID-19, including but not limited to increased staff absence management, increased workloads to simply service current hours levels and grant funding management, have led to a higher market rate for this position.

To recruit the best managers and retain the best staff, there has to be acceptable financial incentives that attracts the best to our local market here in Sheffield. We believe these changes will inevitably impact care delivery positively in our localities as it is all about the people we support. These changes also mean having a workforce that understands collaborative working that ensures continuity of care within the sector.

Staffing Costs

(7.5% increase) to cover inflationary increase and uplift in NIC costs from April. However, this will leave care workers exactly where they are now, at the bottom of the wages scale. Cost of living increases and wage rises across all sectors will mean that the sector is no better off.

Increased costs of branch staff to remain competitive and ensure branch remains stable with stable team. Within the industry non direct pay is increasing at higher than inflation levels causing disruption in the workforce

Increase to NMW, bump effect on other rates to retain pay differentials and remain competitive, National Insurance Levy, increased Apprenticeship Levy, increased mileage costs.

Non-Staffing Costs

Any increased figures for non-staff costs are fairly insignificant in the great scheme of things and are offset by the saving in PPE costs.

Fuel

The cost of fuel, car maintenance and time spent travelling are all contributing to the increased care worker attrition in the sector, with many experienced domiciliary care workers choosing to move into residential caring instead. The current mileage rate of 20p per mile needs to be increased to not only cover the costs of travel, but also to incentivise care workers in domiciliary care over residential care.

IT

As the sector moves more towards digitisation, investment in technology is required. Whilst the average cost of maintaining current IT systems has only marginally increased, a move towards electronic records is a considerable cost and one which on the current fee rates can’t be accommodated. Consideration of the wider costs within services and the ambition to improve current practices should be considered in relation to fee increases, not just inflationary increases on the direct service delivery costs.

3.9 Fee Rate Proposal

The proposed increase in fee uplift is based on increasing the staffing element of the fee rate by 3.15%. This builds on the investment made by the Council last year of £4.2m in addition to the minimum wage uplift which was assessed as sufficient to increase the wages of the lowest paid workers to £9.21. The figure of 3.15% is the difference between £9.21 and the new National Living Wage that comes in from April of £9.50. The non-staffing element of the fee rate will be based on the CPI rate in September 2021 which was 3.1%. When these are weighted according to the ratios of staffing and non-staffing to care homes and home support respectively, this results in an increase to framework home care rates of 3.13%

4. Extra Care in Sheffield

4.1 Background

There are 4 Extra Care contracts in place for services delivered on behalf of the Council. The following table summarises the current position of the contracts:

	Extra Care	

Provider(s)	1 provider operates all 4 contracts
Contract Duration	3 + 2 2015 – 2020 October 2020 using all extension agreements. Further extended by Waiver until October 2022
Contract Type	Four individual contracts with identical terms and conditions and service specification. Packages of care are allocated to meet the identified unmet needs of individuals living the 4 extra care schemes. The extra care contracts do not cover care packages for people who live outside these schemes. The volume of business is primarily dependant on the assessed needs of individuals who live in the schemes with a minimum guarantee based on the size of the scheme. Providers are expected to ensure staffing structures allow them to provide the contracted service to all individuals who are assessed as having an unmet eligible need.
Operating Hours	24 hours, commonly defined as: 07.00 – 22.00 – the 'waking day, actively delivering planned care 22.00 – 07.00 – overnight support. unplanned care as if and when required.
Service Description	Support with 'activities of daily living': personal care, mobility, medication, eating and drinking, food shopping and household tasks. Extra Care in Sheffield is a designated housing option for adults over 55 years of age. Contract services are predominately provided to older adults. However a smaller number of younger adults, in need of support due to physical or sensory impairment, ill health, frailty, learning disability or mental health condition, including dementia or other cognitive impairment, also successfully live in extra care.
Jointly Commissioned	No, however jointly commissioned packages (JPOC) are commissioned through the contracts
Service Users	Around 115 people in receipt of care.

Staffing	Around 60 people providing direct care (in addition to managerial and office staff)
Volume	1308 hours per week, based on guaranteed minimums.

4.2 **Market Analysis**

There is currently one CQC-registered provider delivering extra care in Sheffield.

Other local, regional and national CQC registered home care providers are capable and interested in delivering against the extra care contracts and this is demonstrated in the level of interest on YOR tender when extra care contracts are re-procured.

Demand for extra care remains stable in Sheffield. Extra care is designed to meet housing as well as social care needs however and contracted extra care services are provided solely to people who live in the schemes. There is a waiting list of people who would like to move into extra care and a clear nomination process used across all four extra care schemes. No other waiting lists are kept as individuals who live in extra care have a clear pathway to receipt of care and support according to the assessed eligible needs.

The increasing size of care packages is an indicator of the higher levels of needs, with a key requirement to balance the care complexity to support community cohesion. This continues the trend of recent years with more people able to be supported in their own home in extra care, rather than moving to care homes.

Some similar cost pressures to those experienced in home care apply however with systemic costs, e.g. recruitment, training, retention, impacting on the viability of extra care as sustainable business. Extra care workers are usually paid at, or only slightly more than, the legal minimum wage. This is often mitigated however due to the way they are paid, which is on a full shift basis and not an hourly rate, paid only for the time they spend with the individual service user.

A robust care sector locally and nationally, staff turnover in extra care is low, especially in comparison to other employment in the care industry. Whilst there are no local or national statistics for extra care, anecdotally extra care providers report that it is easier to recruit into posts in extra care and that staff stay in employment longer. This is due to the nature of the work, in a contained environment, without the pressure of travelling time and inclement weather, and with the additional benefit of a stable client group and a regular team of workmates to contribute to job-satisfaction.

4.3 **Benchmarking**

As with other elements of social care, extra care does not receive generous funding, either locally or nationally. Payment to care providers by SCC, and usually in turn to care staff, is linked to actual minutes of care delivered with banding applied, as opposed to outcomes achieved for people or commissioned hours.

While the average rate paid by the Council is nearly £3 per hour below the minimum home care rate advocated by the UKHCA to enable providers to pay staff a living wage, information supplied by neighbouring authorities does indicate that Sheffield’s extra care hourly rates are competitive:

Authority	Average	Maximum	Minimum	Comment
Rotherham	£14.70	£15.26	£14.14	
Sheffield	£16.58	£16.58	£16.58	Payment on actuals
Wakefield	£14.22	£15.62	£12.82	

As stated above, staff working for contracted providers are typically paid at or slightly above the minimum wage. The current extra care provider is not an accredited Living Wage employer.

Retail is often cited as a comparable competitor with social care in the employment market. Ikea are also an accredited Living Wage employer, while Aldi and most recently Morrison’s have committed to paying staff above the Living Wage.

4.4 Consultation Process & Response

The consultation process for home care and extra care comprised of two elements: ‘in person’ meetings with providers (conducted via Zoom) and an online survey.

19 providers were present at the meetings (one from extra care) and 8 submitted online feedback (including the representative from extra care), representing 63% of the total market share in terms of weekly hours delivered.

4.5 Consultation Feedback & Analysis

As part of the consultation providers told us about the same issues as described above under the homecare consultation feedback and analysis section. The current extra care provider is also a home care provider. Please see above for the feedback and analysis.

4.6 Fee Rate Model

The assumptions underpinning the ratios between staff and other costs are the same as those used for home care and came out of the cost of care exercise undertaken in conjunction with providers in 2016. There are two elements to the extra care model - the 'service contract' and the hourly rate. The service contract is not within the scope of this process and the current contract was extended with reprocurement planned for the forthcoming year.

4.7 Fee Rate Proposal

The proposed increase in fee uplift is based on increasing the staffing element of the fee rate by 3.15%. This builds on the investment made by the Council last year of

£4.2m in addition to the minimum wage uplift which was assessed as sufficient to increase the wages of the lowest paid workers to £9.21. The figure of 3.15% is the difference between £9.21 and the new National Living Wage that comes in from April of £9.50. The non-staffing element of the fee rate will be based on the CPI rate in September 2021 which was 3.1%. When these are weighted according to the ratios of staffing and non-staffing to care homes and home support respectively, this results in an increase to extra care rates of 3.13%

5. Supported Living in Sheffield

5.1 Background and Market Overview

Supported Living services are called off 2 Framework contracts presently – The Framework Agreement for the Provision of Home Care and Supported Living Services and the Regional Enhanced Supported Living Framework.
The following table summarises the current position of the respective contracts:

	Framework Agreement	**Regional Framework**
Provider(s)	22 active providers	1 provider has been called off
Duration	Expires 9/4/2023	Expires 31/3/2022
Contract Type	Providers are city-wide, support packages are determined following a social work assessment then all providers are invited to express an interest.	Providers are invited to go through a mini-tendering process for bespoke support packages
Service Description	Supported Living services can be delivered to Individuals living in a variety of accommodation settings and cover a wide range of activities to enable the person to live in their own home, encourage social inclusion and the development of independent living skills. Support can include personal care and deliver 24 hour support.	This service is for adults with learning disabilities and/or autism, who display behaviour that challenges, including those with a mental health condition. People supported by Providers on this Framework may have complex histories (including 'forensic' and/or offending histories) Support can include personal care

		and deliver 24-hour support.
Jointly Commissioned	No, however jointly commissioned packages (JPOC) are commissioned through the framework.	No, however jointly commissioned packages (JPOC) are commissioned through the framework.
Service Users	618	6
Staffing	Around 1675 people providing direct care (in addition to managerial and office staff)	TBC
Volume	Around 38,000 hours per week.	Approx. 1,000 hours p/w
Hourly Rate	range £16.90 - £18.75 (geographical) Discounted rate £17.41 Sleep in night £11.60	£22.23

Supported living is now the single largest service area for local people with a learning disability in Sheffield. Approximately 748 people have support from supported living providers – either in their own tenancies or in their family homes, with contracted or non-contracted providers. The majority of support is arranged by the Council, with a smaller number of people funding their support through Direct Payments.

The current Supported Living Framework was varied last year to revise the expiry date from 03/10/2021 to 09/04/2023.

In addition to providers who deliver services under the Framework contract, there are 9 non-contracted providers supporting approximately 21% of the people in Supported Living. One of the strengths of the framework is the diversity of providers, a mix of large and small companies – local, regional and national, with the majority being ‘not for profit’ organisations. The hourly rates are aligned with the geographical rates for home care services. There is also a discounted rate for supported living services that provide over 56 hours in any one property location, and an hourly rate for night time support. We are confident that our sleep-in rate is an hourly rate that is sufficient for providers to ensure that minimum wage is covered for sleep ins we commission. We are planning however to consult with providers over the next year to establish how much of the hourly rate we pay is paid directly to workers. The local framework prices provide a ‘guide price’ for non-framework providers, helping ensure financial transparency and value for money for people accessing them through their Direct Payments.

A number of the Framework providers work across the region. Since 2019, there has also been an Enhanced Regional Framework in place to support the provision of services for people moving out of long stay hospitals as part of the Transforming Care agenda. There are 5 Sheffield Supported Living Framework providers who are also on the Enhanced Regional Framework. There have been three call offs from this Framework for new Supported Living at Dover Street, Wordsworth View and Villiers Drive. It has been helpful to use the enhanced hourly rates (between £18-£23) to reflect the additional and specialist support to meet the tenants' assessed needs. However, the Enhanced Regional Framework expires on March 31st 2022. We intend to procure a local enhanced Framework as a replacement.

5.2 Market Analysis

There are 32 providers on the Supported Living Framework, 22 are actively engaged with Commissioners. The total number of people in Supported Living is 618 with contracted providers under the Supported Living Framework plus approximately 130 people supported by non-contracted providers.
No providers have exited the market in 2021/2022. However, 1 provider has had to hand back some of their support packages due to problems with recruitment and retention, and the unsustainability of delivering small support packages in different locations.

5.3 Sheffield Comparator Rates

The table below summarises the rates across the neighbouring local authorities:

LA	Day time hourly rate	Night time rate (sleeping night)	Other
Sheffield	£17.41	£11.60	Geographical rates £16.90 - £18.75
Rotherham	£ (average)	£11.39	Range from £11.53-£19.16
Barnsley	£ (average)		Range from £16.60- £18.10
Doncaster	£ (average)	£11.14 - £13.77	Range from £15.18- £18.44

5.4 Quality monitoring

The Quality and Performance team schedule 2 visits to Supported Living providers in a 12-month period with contracted providers and once a year for non-contracted providers. The team also monitor intelligence from colleagues in Assessment & Care Management and Health. From March 2020 to July 2021 due to Covid19 restrictions, quality monitoring was completed 'virtually' via zoom calls with the registered manager, telephone calls and paper-based assessments. In July 2021 we resumed on site visits and are continuing to undertake these where possible, as Covid outbreaks are ongoing. On the visits we undertake observations of practice and delivery of support and care, as well as checking documentation such as training for staff, accidents and incidents, complaints, support plans. We speak to individuals

	using the service to gain their views and input. Where issues are identified, we work with providers on an improvement plan to encourage sustained good practice in line with CQC regulations.
5.5	**Costs and Pressures** The main cost pressure for providers is around maintaining staff wage levels to meet the statutory minimum wage requirements, remain competitive and commensurate with the ongoing commitment shown by workers during the pandemic. There is also a continued need to maintain a differential in pay between support workers, senior workers and managers. During the consultation, providers also raised concerns in relation to cost of living increases which impact on their non-staffing costs and the rising cost of living for their workforce. All providers raised the additional pressure of the rise in national insurance. In terms of recruitment and retention, providers are reporting an increase in recruitment costs as they compete with a number of other sectors e.g. retail (Amazon, Aldi). As well as investing in recruitment processes, they are offering a number of financial incentives e.g. refer a friend or long service bonuses
5.6	**Cost Model** There is an increasing focus on reducing the complexity of the costing model, both from Commissioners and Providers. Providers continue to feed back that the elimination of the geographical rate would ‘reduce administration and confusion’ (for Commissioners, social workers, Direct Payment recipients and providers), but that ‘any potential loss would need to outweigh administrative gains and that the average rate would have to be investigated properly’. We will consult providers on the options for change and analyse the potential financial impacts of each option. This work will form part of our market engagement exercise for the new Supported Living Framework 2023.
5.7	**Supported Living Consultation Process and Response** The consultation process for Supported Living was via an online survey and feedback from the Chair of the registered managers’ network. 8 providers submitted online feedback.
5.8	**Supported Living Consultation Feedback** 8 of the 39 supported living providers (framework and non-framework providers) responded to the survey (January 2022). The providers who responded represent 20.5% of the market share. All the providers that responded advised that the vast majority of expenditure is on staffing, with a much higher overall proportion of costs. This is likely to be reflective of the current issues with recruitment in the social care sector, increase in NI due in

April 2022, and increased salaries to attract new recruits to the sector and retain current staff.
Providers also responded that the non-staff relating costs have increased substantially in comparison to previous years, attributed to increases in rent, utilities and insurance.
The overall increase request from providers ranges between 5% - 11% with an average of 7.32%.

Providers continue to raise the need to maintain a differential in pay between support workers, senior workers and managers, and the additional pressure of competing with NHS pay rates and the private sector.

Providers have said that they are paying staff above national minimum wage, therefore uplifts in line with National Minimum Wage will not cover all costs of staffing.

What did we ask?

We asked all providers to give us the percentage change overall that they predict for both staffing and other costs, and also asked them to provide details of any distinct element which has either a new or changed financial impact on the operating costs of their business that has happened over the last year or is predicted to happen before April 2022. We asked for both positive and negative impacts, and if possible, a specific monetary value.
We also asked whether their organisation would like to submit an ‘open book’ account for consideration alongside this consultation.
We also invited providers to send any supporting evidence or previous conversation relating to fee increases to be considered alongside these returns. 3 of the 8 providers did send some other evidence, quotes from which are included towards the end of this document.

Response Rate

. The consultation was sent to a total of 39 organisations, both framework and non-framework providers. 8 responses were returned representing 20.5% of the market. All the responses received were from framework providers.
None of the providers agreed to share information on our open book exercise, one provider commented; - *As a national provider it is somewhat difficult for us to send anything that meaningful in terms of open book information and would be concerned that providing information not in a consistent form compared to other providers that this could easily be misconstrued. If there is any particular information that you require, or standard templates that we could complete, then we would be happy to do this.*

Themes

The main recurring themes throughout all the submissions were:

- Increase in staffing costs due to rise in NI and introduction of the national living wage
- Increased recruitment costs as a result of the current issues in the sector
- Increase in utilities costs as per the recent government announcement.

Summary

All the providers that responded advised that the vast majority of expenditure is on staffing, with a range of increases for providers between 6% - 11% and an average predicted increase of 7.56% for the coming year. Compared to previous years, this is a much higher overall proportion of costs, and this is likely to be reflective of the current issues with recruitment in the social care sector, increase in NI due in April 2022, increased salaries to attract new recruits to the sector and retain current staff. Providers also responded that the non-staff related costs have increased substantially in comparison to previous years, with a range of increases of 4% - 8.5% and an average predicted increase of 5.32% for the coming year. This increase is attributed to increases in rent, utilities and insurance. This figure sits slightly below the national predicted increase in the cost of living.
The overall increase request from providers ranges between 5% - 11% with an average of 7.32%.

Cost Breakdown
Staffing related costs

Table 1 shows the current percentage of all overheads for the providers that are accounted for by staffing costs, and the percentage by which they expect this to increase for the coming year.

Table 1

	Percentage of total expenditure on Staffing costs	Forecast increase for 2022/23
Provider 1	74%	7.04%
Provider 2	88%	8.3%
Provider 3	95%	7.2%
Provider 4	80%	7.62%
Provider 5	75%	6.0%
Provider 6	85%	11.0%
Provider 7	82%	6.6%
Provider 8	86%	6.72%
Average	83.1%	7.56%

<u>Breakdown of staff expenditure</u>

Table 2 shows the staffing related elements that the providers have provided us with (please note, this was free text, enabling them to only comment on the elements that were of most concern to their organisation).

Table 2

Provider 1	Salary Increase	7.04%	£13,100
To retain staff and to remain competitive, an increase was applied firstly to direct Support workers and will later be applied to all other staff. The increase will also help with keeping the service staffed and thereby curbing agency costs.			
Provider 2	Increase in agency costs	10%	£20,000

We are keen to flag the additional cost of the employers NI increase and to request that is included in the uplift. As the majority of our costs relate to staff costs - the only other increase apart from statutory pay increases is the increase in non-support worker costs in order to maintain the differential. On average we have sought to increase pay for other staff by 2% annually.			
Provider 3	Salary Increase for NLW	6.6%	
	Increase in NI contributions	1.5%	
	Increase in management salary	5%	
	Increase in recruitment	10-15%	
No further comment given			
Provider 4	Increase in NI contributions	1.2%	Around £32,000 for Sheffield
We are keen to flag the additional cost of the employers NI increase and to request that is included in the uplift. As the majority of our costs relate to staff costs - the only other increase apart from statutory pay increases is the increase in non support worker costs in order to maintain the differential. On average we have sought to increase pay for other staff by 2% annually.			
Provider 5 – No staffing related elements listed			
Provider 6	Support worker costs going from £8.91 to £9.90 per hour and National insurance rates going up	11% staff costs alone	8.5% overall bottom line
	Recruitment and retention	6%	£2000 - £5000
We are about to increase to try to increase our services. We are currently working out how to get new-to-the-industry candidates into work without too much cost and time. Amounts given above are indicative, based on projected costs for the next year			
Provider 7 – No staffing related elements listed			
Provider 8	NLW increase	5.4%	59p per hour
	Increase in NI	1.25%	Varies dependent on role

<u>Non staffing-related costs</u>

Table 3 shows the current percentage of all overheads for the providers that do not form staffing costs, and the percentage increase expected.

Table 3

	Percentage of total	Forecast increase for 2022/23

	expenditure on Other costs	
Provider 1	26%	4%
Provider 2	12%	5.4%
Provider 3	5%	4.1%
Provider 4	20%	4.2%
Provider 5	25%	6%
Provider 6	15%	8.5%
Provider 7	18%	5%
Provider 8	14%	5.4%
Average	16.87%	5.325%

Table 4 shows the non-staffing related elements that the providers have provided us with (please note, this was free text, enabling them to only comment on the elements that were of most concern to their organisation). All of the figures below are increases, with the exception of provider 2's, which shows a decrease, as a result of moving to a hybrid working model.

Table 4

Provider 1	Travel, mileage and subsistence	4%	£800
To reflect the rising cost of living			
Provider 2	Decrease in rent costs	66% DECREASE	Saving of £24,000
Downsized office to reduce costs. Office colleagues are working from home more though still utilise office space and meeting room when necessary.			
Provider 3	Increase in telephony/IT costs	4-5%	
	Increase in rent	4%	
	Increase in property maintenance costs	10-15%	
	Increase in utilities costs	30%	
	Increase in insurance costs	25%	
	‘other’	4-5%	
Provider 4 – No non-staffing elements listed			
Provider 5	Increase in rent costs	6%	Increase of £720
	Increase in utility costs	6%	£1000 minimum
	Computer/database and telephone charges	6%	£2000 minimum
These are immediate and ongoing in the current economic climate			
Provider 6 – No non-staffing elements listed			
Provider 7	Increase in utility costs	62%	Unable to quantify against just S/L in Sheffield

Provider 8 – No non-staffing elements listed

Additional comments from providers

‘The above are obviously all estimates, but I believe they are realistic in the current economic climate. I have not added all our costs, and have combined closely related expenditures together, but in general I think we must look to a 5% increase in all business costs at a minimum.’ – Provider 5

‘Our calculations show that the following fee increases will be required from you for our services from

1 April 2022: Supported Living Services 6.10%’ - Provider 7 (from supporting information)

‘(Provider 3) fully supports policies which increase income for our front-line colleagues. Taking these factors together, the cost of services we provide will increase by a minimum of 7.1%. The fees you pay us will need to rise, as a minimum, by this amount.’ – Provider 3 (from supporting information)

‘The most pressing issue for (Provider 4) is the long term stability of our business which is predicated on a stable and committed workforce. We currently have significant recruitment and retention issues, and on that issue alone, it would be irresponsible of us to be asking you for any less than an increase this year to the real living wage of £9.90 (London £11.05) per hour for our support worker colleagues, a percentage increase of 11.1%. In addition to the pressures we are facing with regard to recruitment and retention, we face additional cost pressures which we are looking to cover in this year’s uplift as follows:

Maximum uplift to Real Living Wage - 11.1%

Increase in employers’ national insurance - 1.25%

PPE costs should PPE not continue to be distributed from portals - 1.8%

Cost inflation - 4.2%

Sleep-in hours averaged to NLW - 6.6%’ – Provider 4 (From supporting information*)*

5.9 **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, 2019 and 2020 the hourly rates were uplifted in line with a weighted combination of the increase to the minimum wage and the Consumer Price Index.

5.10 **Additional Support**

During the past year, all social care providers have continued to cope with ongoing challenges due to Covid19. Supported Living providers have had to contend with the additional anxieties relating to the disproportionate death rate amongst the learning

	disability population, changes to government guidance on shielding, supporting family carers in decision making and providing additional support when day services have been closed or people have chosen not to attend. The Commissioning team have maintained regular communications with all providers via the dedicated learning disability in box as well as being available by telephone or Teams for individual queries and support. We now have additional resource in the Learning Disability Commissioning team and this has enabled us to offer a named Officer to be the link person for providers, and improved invoice verification processes to ensure more efficient and timely payments. We have an active provider network that meets quarterly. These meetings are preceded by a Registered Managers meeting which is hosted by *Skills for Care* and feeds back to the main meeting. The providers suggest agenda items and use the meetings as an opportunity to share best practice. We also send information to local supported living providers who are not on our framework but are funded through Direct Payments. Over the past year, there has been improved partnership working with the Sheffield CCG who are regular attendees at the quarterly meetings; this has led to an improved training offer for providers.
5.11	**Final Fee Proposal** The proposed increase in fee uplift is based on increasing the staffing element of the fee rate by 3.15%. This builds on the investment made by the Council last year of £4.2m in addition to the minimum wage uplift which was assessed as sufficient to increase the wages of the lowest paid workers to £9.21. The figure of 3.15% is the difference between £9.21 and the new National Living Wage that comes in from April of £9.50. The non-staffing element of the fee rate will be based on the CPI rate in September 2021 which was 3.1%. When these are weighted according to the ratios of staffing and non-staffing to care homes and home support respectively, this results in an increase to framework supported living rates of 3.13%.
6.	**Complex Needs, Learning Disabilities and Non-Standard Residential Care Homes**
6.1	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	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.

The market in ‘non-standard’ fee care homes has been relatively stable this year. There have been no exits from this market in Sheffield in the last year.

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

Unfortunately, Covid19 has impacted on the capacity of the commissioning and contracts team to progress this project as far as we hoped. However, the work is ongoing and increasingly jointly undertaken with commissioners and contracts colleagues at Sheffield Clinical Commissioning Group given that many of the people living in these care homes may have health needs as well as social care needs.

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 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. Each fee is individually negotiated at the point of placement and adjusted where there is a change in need or via the Value for Money and Quality project. The bespoke nature of fees in this sector makes it challenging to apply a blanket increase. Consultation responses suggest that non-standard care homes are likely to experience greater increases in their staffing costs with a 7.45% median increase compared to 6% in standard rate care homes, however they are also likely to experience lower increases in non-standard costs with a 5.6% median increase compared to 10.7%. Overall costs in non-standard care homes are expected to rise slower than their standard rate counterparts at 5.24% compared to 6.9%.

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.

6.5 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.

6.6 Complex Needs, Learning Disability and Non-Standard Residential Care Home Fee Rate Proposal

The VFMQ project uncovered fee rate discrepancies that have arisen over time and need to be addressed systematically. Historically placements have been made at the market rate (or even higher at times to secure the placements at a point of crisis and particularly high presentation of need) but then don’t receive sufficient uplifts meaning that, over time, this leads to settled placements being underpaid. It is therefore recommended that the same increase given to standard rate care homes is also given to non-standard rate provider fees for 2023-23 while we continue with more detailed analysis via the Value For Money and Quality project, working in partnership with the Sheffield 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. Direct Payments

7.1 Background:

	Last year, Direct Payments were included within the scope of the annual market analysis and fees review. The development of a coproduced improvement project to improve the Council's approach to direct payments and supporting people who wish to use this flexible approach to managing their own care and support has given us valuable market and individual employer intelligence. It is therefore recommended that an increase to the direct payment rate be proposed based on the work of this project, which has fully involved people who use Direct Payments, specific research based on market analysis of the Personal Assistants workforce and the feedback from providers. **Fee Rate Proposal:** The proposal is that the Direct Payment rate is considered in two separately costed elements: activity costs (based on the model used for assessing home support framework rates) and Personal Assistant rates which must provide cover for the total of all employment-related costs. The rate for Personal Assistants (part of someone's direct payment) must be sufficient to meet all their employment costs and is proposed 3.15% plus the cost of individually calculated Employers National Insurance contributions. This is the difference between the level of funding invested last year to increase wages of PAs by more than the minimum wage (up to £9.21) and the new National Living Wage of £9.50 per hour. This means that the proposed uplift for Personal Assistants will proportionately align with the national living wage increase. **Ensuring Consistency in PA Rates:** To ensure consistency in decision making around appropriate rates of pay, the PA Rates Decision Making Tool will be used. This tool has been coproduced through the programme and introduces bandings of pay based on the increasing levels of skill and knowledge required by the Personal Assistants to support the individual. It focuses on skill, risk and working conditions with the factors and pay bands scoped through extensive research and modelling on comparative job roles. It has been piloted across Health & Social Care. The percentage increase will be applied to the banding levels to ensure differentials in levels are kept in place. **Fee Proposal for Activity and Home Support Element of Direct Payments:** The rate for other areas of direct payment spend is based on the same increase as home care and supported living this is consistent with the approach taken by a number of other local authorities in the region where they apply an annual uplift. This will mean an increase of £3.14% on all the non PA activity. The Direct Payments improvement programme will continue to work with people who use direct payments to support them to utilise the proposed rates to increase pay of their Personal Assistants and their support providers.
8.	**Day Activities**

8.1 Background

The local market for community and day opportunities for adults with dementia and learning disabilities in Sheffield is diverse, ranging from mainstream community organisations to high-cost provision for people with specific or complex support needs.

The size and offer from providers vary widely from large services with turnover exceeding £1m per year to small organisations employing only one part time member of staff. Most organisations provide building-based activities as well as some delivering support in the community and outreach.

In total, there are currently approximately 850 individuals accessing independent sector day activities from around 45 local providers.

8.2 Additional Support

The Commissioning team have worked closely with all the providers and with Public Health locally and nationally throughout the pandemic, and offered the following:

- regular communications with all providers via the dedicated Covid & LD in boxes as well as being available by telephone or Teams for individual queries and support.
- Regular provider meetings and Q&A sessions with Public Health and Assessment and Care Management as well as outside organisations providing information on training and support available.
- Support to meet additional costs e.g. PPE
- Infection control training
- Support for providers to top up under delivery related to covid
- Administration of grants including support with additional and exceptional costs relating to covid, Infection Control, and Workforce Retention and Recruitment funds.
- Support for providers in planning for re-opening or keeping open of building based services in line with emerging new guidance

8.3 Quality monitoring

Three (3) new Dementia Day Activities contracts have been procured from 1st Feb 2022, delivered by 4 independent providers on a block contract basis.

1. Individuals aged 65 and over – referred by SCC Adult Social Care – this is a Brokered service through the Commissioning Brokerage Team
2. Individuals aged under 65 (Young Onset) referred by SCC Adult Social Care (also via Brokerage) and referrals from the NHS Neurology Service.
3. Individuals aged 65 and over with low level & moderate dementia needs, who have not been assessed as having an eligible need by ASC. This is a self-referral service.

Quality monitoring of the above services will include:

	• Weekly / Monthly attendance notifications • Quarterly desk top self-assessments • Annual onsite quality visit Ten (10) day service providers are currently on the Recognised Provider List (RPL) and are monitored via an annual self-assessment and risk assessed to determine whether a quality visit is undertaken. In the absence of a Framework and dedicated quality monitoring resource, the Commissioning team will investigate and act upon any intelligence where quality issues are raised and support individual providers on a case-by-case basis to improve their quality and performance. The Commissioning Team have also introduced Introductory “get to know you” visits. These Introductory visits have been carried out to several day services by Performance Officers, which, have all been well received by the providers. The visit included officers talking to staff and individuals and involved observing the atmosphere and settings. These visits have highlighted that good quality services are been delivered.
8.4	**Pressures** Day service providers raise the same issues as their counterparts in other social care sectors i.e. the pressure of the minimum wage increase, competing in the labour market, increased non-staffing costs including additional expenses incurred during the pandemic.
8.5	**Cost Model** There are 5 separate routes into ‘day services’ – spot purchase, self-funders/self-referrals, block contracts, and direct payments. There is also currently a wide variation in the daily rates for day service providers, ranging from £40 to £400 per day. The last year has seen huge progress in commissioning in establishing the scope and ambitions of the sector as well and the continued development of strong working relationships with providers. Plans are in place to build on these foundations, working with people who use services and with the market, to develop a procurement approach that supports the market, encourages diversity, and enables commissioners to continue development through co-production and engagement with the sector, individuals, and the wider community for people with council arranged services and those using a direct payment to purchase their own care.
8.6	**Consultation and Provider Feedback** **What did we ask?** We asked all providers to give us the percentage change overall that they predict for both staffing and other costs, and also asked them to provide details of any distinct element which has either a new or changed financial impact on the operating costs

of their business that has happened over the last year or is predicted to happen before April 2022. We asked for both positive and negative impacts, and if possible, a specific monetary value.

We also asked whether their organisation would like to submit an ‘open book’ account for consideration alongside this consultation.

We also invited providers to send any supporting evidence or previous conversation relating to fee increases to be considered alongside these returns. 3 of the 8 providers did send some other evidence, quotes from which are included towards the end of this document.

Response Rate

17 responses were received from Day Service providers. The consultation was sent to council arranged (CAS) and non-contracted providers, to a total of 48 providers representing 35.4% of the market. 64.71% of the received responses were from the CAS providers and 35.29% responses were from non-contracted providers.

None of the providers agreed to share information on our open book exercise, one provider commented, “*We have not been involved in open book accounting before. I did email to ask for more information. We could reconsider this once we understand what is involved. It has been difficult to complete this questionnaire owing to the impacts that Covid has had on our costs and budgets”.*

Themes

The main recurring themes throughout all the submissions were:

- Increase in staffing costs due to rise in NI and introduction of the national living wage
- Increase in renting costs due to Covid impact on the sector
- Increase in utilities costs as per the recent government announcement.

Summary

Most of the providers that responded advised that the vast majority of expenditure is on staffing, with a range of increases for providers between 3% - 10% and an average predicted increase of 6.32% for the coming year. Compared to previous years, this is a much higher overall proportion of costs, and this is likely to be reflective of the current issues with recruitment in the social care sector, increase in NI due in April 2022, increased salaries to attract new recruits to the sector and retain current staff.

Providers also responded that the non-staff relating costs have increased substantially in comparison to previous years, with a range of increases of 3% - 45.9% and an average predicted increase of 10.52% for the coming year. This increase is attributed to increases in rent, utilities, IT support (hardware and software) costs, operational costs and insurance.

The overall increase request from providers ranges between 5% - 15.3% with an average of 8.51%.

Cost Breakdown

Staffing related costs

Table 1 shows the current percentage of all overheads for the providers that are accounted for by staffing costs, and the percentage by which they expect this to increase for the coming year.

Table 5

	Percentage of total expenditure on Staffing costs	Forecast increase for 2022/23
Provider 1	70%	5%
Provider 2	60%	5%
Provider 3	76%	10.9%
Provider 4	73%	3%
Provider 5	50%	10%
Provider 6	68%	4%
Provider 7	68%	10%
Provider 8	80%	10%
Provider 9	81.5%	6.77%
Provider 10	68.36%	7.1%
Provider 11	80%	10%
Provider 12	75%	3.75%
Provider 13	71%	3%
Provider 14	65%	3%
Provider 15	72%	0.9%
Provider 16	85%	10%
Provider 17	70%	5%
Average	71.34%	6.32%

Breakdown of staff expenditure

Table 2 shows the staffing related elements that the providers have provided us with (please note, this was free text, enabling them to only comment on the elements that were of most concern to their organisation).

Table 6

Provider 1	Pay increases	4.82%	£1000 per employee
	In September 21 we made the decision to increase our lower paid staff salaries by 4.82%. In 2022 we believe that a further increase of around 5% will be needed to help our staff with the forever increasing costs of day to day living. (70% of our expenses are staffing costs).		
Provider 2 – Nothing listed			
Provider 3	Increase to Payroll costs	10.9%	£66729
	Increases to Living Wage and the increase to National Insurance Tax. Due to these large increases, we also have to adjust the salaries of Team Leader and Service Manager to maintain the pay scale difference.		

Provider 4 – Nothing listed			
Provider 5	Costs of everything have risen. Petrol, gas, electricity, rent and wages have all risen.	10%	£3000
	No further comment given		
Provider 6	Communications and IT Support and Resources	2%	£6000
	Cabling, phone system and IT all needed an overall following a review and new equipment/providers required		
Provider 7	Minimum wage increase	6.6%	£450 per month
Provider 8 – Nothing listed			
Provider 9	Large increase to National Living Wage, plus increase to pension contributions as a result of higher wage rates.	6.77%	£120,507.07
	The Government has announced an increase to the National Minimum wage of 6.62%. We have always tried to maintain our minimum rate at around 4% above the National Living Wage and have been trying to get closer to being able to pay the Real Living wage to all of our staff. Last year's above inflationary increase was very welcomed, but with further large increases to the National Living wage from 1st April 2022 we are at risk of our rates falling behind. We strongly believe that we need to pass on at least a 6.62% increase to all of our staff, not just those on the base minimum rate, as we need to be able to recruit quality candidates for what is a responsible and skilled role supporting vulnerable service users. This is becoming very difficult as staff know that they can get higher pay for less skilled work in the retail or hospitality sectors. Additionally, it is vital that we maintain suitable rates for those in supervisory and management roles, who have seen the differentials between roles eroded over the past few years. We are already experiencing much greater staff turnover than ever before and most people state pay as the main reason for leaving. In our recent staff survey (copy attached) you can see how strongly our staff feel about the lack of value they feel due to the low wage rates and we need to be able to do something about this or we will continue to see more staff walk out of their support worker, team leader and manager roles. As well as Support		

	Workers becoming more vocal about their rates of pay, Managers and Team Leaders are stating that they don't feel that they are paid fairly for the responsibility they hold. Most of our Team Leaders and Managers are promoted from within as we get very few external candidates due to the low rates of pay, but once trained and experienced often move on to higher paid roles with Sheffield City Council or NHS, or leave the industry completely. This de-stablises our workforce with constant changes of key personnel.		
	Increase to National Insurance Employer Contributions	1.25%	£7,634.44
	Statutory duty to pay an increased National Insurance contribution.		
	Increased cost of constant recruitment and wellbeing measures to support staff retention	40.2%	£35,816.00
	Additional information: We have been constantly recruiting throughout the whole of 2021, and still have vacant positions to fill. We have had to add additional resource into our HR staff. We have experienced much higher staff turnover than in previous years as staff are all very dissatisfied at the rate of pay for the pressures of work and responsibility that they hold. We have invested in Mental Health first aiders, Wellbeing initiatives, Staff SAGE benefits and access to online GP's and Counselling services and have had to increase the staff hours working in HR and training due to the massive increase in workload (Advertising, recruitment, interview and selection, induction, training, exit interviews). During the last year we conducted 87 interviews for Support workers. In 2021 we had 31 leavers (4 in 2022 year to date), we have recruited 45 new support workers in 2021 (6 in 2022 to date). We still have 4 vacant positions and will need to recruit more staff to enable new referrals to start their services. Up until 2020 pay was rarely cited as a reason for leaving on exit interviews but now is the most common reason, with staff often quoting higher rates of pay in supermarkets and fast-food restaurants.		
Provider 10 – Nothing listed			
Provider 11	Increase in minimum wage	7%	£2000

	Increase in transport costs	10%	£200
Provider 12	Staffing cost increase	3.75% (2.5% is the average wage increase 2022 in the UK + 1.25% employers NI contribution)	£8,500
	2.5% would be passed directly onto staff as a pay increase. 1.25% covers increase in employers NI contribution.		
Provider 13	Staff next year 22-23	3%	£573
Provider 14	HR service Bhayani Law previously done by Finance worker in house but not accounted for as main job was finance		£3204 per anum
Provider 15	Staff Costs	1.4%	£1221
	Our Day Centre Manager left at the end of 2021. We have a new manager starting on 21/2/2022. We have reviewed our operating model and agreed that the Manager will work fewer days than the previous manager. To compensate for this, we need more staff to work in the day care centre.		
Provider 16	None listed		
	We expect most costs to go up over the next year but each individual cost will have little impact, combined they are a challenge.		
Provider 17	Staff Salaries & Associated Wages Costs	+6%	+£16,968
	A long overdue staff pay rise of 5% is planned for 2022/23 in recognition of their efforts and ongoing support for Learners during covid restrictions. After adjusting for the impending increases in national insurance costs, this returns an increase of 5.82% on 2021/22 staff costs.		

	Annual Insurance Premiums	+11%	+ £950
	During the year 2021/22, general insurances increased to £8,646 from £7,778 (+11.1%) and a similar increase is expected in the coming year. This is estimated to add £950 per annum to the annual insurance costs.		

Non-staffing related costs

Table 3 shows the current percentage of all overheads for the providers that do not form staffing costs, and the percentage increase expected.

Table 7

	Percentage of total expenditure on other costs	Forecast increase for 2022/23
Provider 1	30%	7%
Provider 2	40%	3%
Provider 3	24%	4.4%
Provider 4	27%	5%
Provider 5	50%	10%
Provider 6	32%	23%
Provider 7	32%	7%
Provider 8	0%	0%
Provider 9	18.5%	21.21%
Provider 10	31.64%	8.3%
Provider 11	20%	10%
Provider 12	25%	7.5%
Provider 13	29%	5%
Provider 14	35%	5%
Provider 15	28%	45.9%
Provider 16	15%	10%
Provider 17	30%	6.5%
Average	27.48%	10.52%

Table 4 shows
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Table 8

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Provider 1	Rent costs	100%	£9207 per quarter
	We moved to new premises in December where we had a rent-free period of 6 months. This amount will double to £18,414 in July 2022.		
	Increase in energy costs	40%	£350
	Our building runs solely on electricity. We have no opening windows and so the air-conditioning and AHU is running constantly. Our electricity bill has increased significantly and prices are expected to increase by 50% to 60% in 2022. This is an essential cost to our Charity.		

	Moving to new building	100%	£150,000
	We moved into a new building in 2021. We have incurred significant costs in renovating the building which has reflected on reduced reserves.		
Provider 2 – Nothing listed			
Provider 3	Increases to Operational Costs	4.4%	£26544
	Council Tax increases, rental increases, high increases to utility costs (gas, electric, water, internet and phone). There are also increases to insurance costs which we are mandated to have in place.		
Provider 4	Additional Room Hire	5%	£5788
	We are still hiring additional rooms to socially distance our learners.		
Provider 5	Costs of everything have risen. Petrol, gas, electricity, rent and wages have all risen.	10%	£3000
	No further comment given		
Provider 6	Predicted rise in energy costs	22%	£1000
Provider 7	Increase in Lease cost	10%	£120 per month
Provider 8	Increase in rent	2%	Not provided
Provider 9	Increase to energy costs	54% from 1 April 2022, estimated additional 20% from 1st October 2022 - Combined avaerage 84.8%	43,761.89
	Additional information: The government has just announced that energy prices are set to rise from 1st April by 54% when the current price cap ends, with further increases likely throughout 2022 and 2023, for this exercise we have estimated a further rise of 20% from 1st October 2022, but in reality it could be much higher than this. To try to manage the increasing energy costs we have replaced 2 boilers in one building in 2021 to improve operating efficiencies.		

We have just raised the funds from Veolia Environmental to replace our other 2 main boilers to more efficient models in 2022. These are proactive measures that we have worked on to try to manage energy usage on site, initiated prior to the recent energy crisis. We are also looking into how we might prevent heat-loss to buildings by creating a new entrance lobby into our busiest building, all others have these already. We will need to try to get external funding to complete this work, most probably with an application to The Lottery Reaching Communities Fund. Additionally, we are investigating whether solar panels could be installed on part of our roof to generate cheaper electricity for the future, but this is only in initial feasibility stages.		
Increase in cleaning frequency and cost of cleaning materials	34.4%	£18,113.00
We have seen these costs throughout 2021 and they will be ongoing through 2022/23. To maintain a safe environment and lower the risk of infection we had to implement a second clean of all toilets and communal areas each day. This coupled with the increased cost of and usage of cleaning materials and anti-bac wipes has led to a large increase in cost. At present we do not believe it is wise to change our cleaning regime back to a single daily clean as we are maintaining all other infection control measures to keep infection levels as low as we possibly can. Current infection rates are still high at 1,000 per 100,000 as I write.		
Reduced income from room rental due to necessity of working in smaller bubbles with clients to keep them socially distanced for infection control measures.	23%	£11,700.00
We have had lower revenues throughout 2021 and expect this to continue for the first 3 months of the 2022/23 budget year based on 50% occupancy. Due to the necessity of keeping clients in smaller groups/ bubbles, we have had to use much more space on site for our Learning disability activities. This means that those rooms cannot generate income through room rental for external groups. We now have 3 rooms that we cannot rent out to external groups: 2 in Bamforth Building and 1 in Burton Building.		

	Increase in external rental costs for session space to increase capacity.	5.1%	£800.80
	We have been advised of a 5% increase (+ vat) to the room rental cost that we pay at Beighton Lifestyle Centre which we use 2 days each week and although not yet confirmed in writing, we expect that Zest and Easy Street will soon also confirm increases at the same level from 1st April 2022.		
Provider 10	Increase in rent	41%	£18331.20 per year to £ 22905.60
	We have had a price freeze for the past 2 years but are set for a large price increase in rent at our main premises, this has been estimated at an increase of 41%.		
	Cost of fuel	23%	
	Reflective on the cost of fuel price increases over the past year.		
	Art supplies	6%	
	We have seen an increase in our materials purchase to run the majority of our activities as an average of 6%. We envisage this to continue to go up but not sure by how much.		
	Maintaining buildings	22%	
	Over the past year we've seen a varied rise in building maintenance costs of 3% - 22% which has had an impact on our costs.		
	Gas and electric	54%	
	We're not sure what the percentage increases will be but from reading about the predicted rises in gas and electric. We expect a large increase in costs from April onwards. We are also expecting our phone and broadband to go up by 9.3%, water 1.7%.		
Provider 11	Increase in rent	20%	£600
Provider 12	Rent Increase (cover increase in energy costs)	10%	£3.700
	The rent increase is to cover the increase in energy costs - we have had to have the windows open and the heating on due to		

	Covid 19 and ensuring good ventilation. Energy costs have increased significantly over the last year and so the cost of renting the space we use will increase on 1st April 2022.		
	Increase Costs: activity / equipment / insurances	2.5%	£750
	Increase cost of some of the other activities we support people to access. Increase cost of general equipment we purchase. Increase cost of insurances.		
Provider 13	Running costs	5%	£393
	We estimate the average increase in running cost i.e. animal feed, materials, electric, heating etc to be at least 5%.		
Provider 14	Affinity remote support (IT service)		£498 per month £5976
	New service		
	Water	4.2%	£642.50 per month to £702.25
	Break down service ETA	5%	£215.75 to £226.54
Provider 15	Non staff expenditure	45.9%	£12,038
	Covid has impacted our operating model significantly, which means that the expenditure in the financial years 2020/21 and 2021/22 does not reflect the expenditure that we will have when we are back at full capacity (we have only had 5 or 6 attendees rather than 10 per day and we were only running 2 days a week rather than 3 when we reopened). The estimated non-staff costs at the end of the current financial year are £26,423 vs a budget of £38,460 for 2022/23 The main contributors to this are increased costs for rent, transport, meals, refreshments and volunteer expenses		
	Computers and Software	186%	£1300

	We have a new manager starting on the 21st Feb. They need new computer equipment, which was not in our original budget.		
Provider 16	Nothing listed		
Provider 17	Energy Price Increases - Electricity	+ 20%	+£1,100 per annum - estimated
	A new 2-year contract was agreed prior to recent price hikes and has mitigated increases, although agreed rates still have a 19.59% increase from 1st Jan 2022 with an expected increase in cost from £4,400 pa to £5,500 pa for the year 2022/23		
	Energy Price Increases - Gas	+ 24%	+£600 per annum - estimated
	A new 2-year contract was agreed prior to recent price hikes and has mitigated increases, although agreed rates still have a 24% increase from 7th February 2022 with an expected increase in cost from £2,500 pa to £3,100 pa for the year 2022/23		
	Regulatory & Compliance Costs	+50%	+£1200
	During 2019/20 and 2020/21 it was not possible for external auditors to carry out a full onsite audit due to covid restrictions. The financial year ended 2021/22 onwards will see a return to full regulatory audit and the quoted cost has increased accordingly from £2,400 to £3,600 per annum (50%)		

Additional comments from providers

‘(Provider 1) would like to suggest an uplift in fees of around 7% to 8%. This increase is vital to maintain the standard of quality currently provided to our disabled adults.

Every effort is made to control costs internally but outside influences such as increases in “The National Living Wage” mean that salaries and on costs have increased significantly. This year we increased the salaries of our lower paid staff by 4.82%.
The current rate of inflation has also meant that the day to day running cost is continuing to increase.
We are facing a steep increase in our energy prices and these are set to increase by an estimated 50% to 60% in 2022. This is a major cost for us but is essential in keeping our clients and staff warm during the winter months.

We understand that in this Pandemic time there is of course considerable difficulties for all Local Authorities in funding the full range of services that they purchase. However, we continue to face cost pressures in delivering our services and hope *you will appreciate that we need to cover our ever-increasing costs too.*

As you are aware, the Adults placed with us are arguably amongst the most vulnerable in the region as they have very specialised and complex needs.

We hope that we have the shared aim with the Local Authority of avoiding further stress to the families affected by our need to impose an increase.' – Provider 1

'We have not received any fee increases for over 10 years. We received the fee uplift last year @ 4.89%, however this did little to cover all the additional costs we have incurred over the last 10 years. Statutory increases over this period to the Minimum Wage, Pension Auto Enrolment introduction and subsequent increases. Sheffield Council also directed us to pay front line care staff the Real Living Wage – 4.89% does not cover this.

We require a sustainable fee increase going forward into 2022/23 to cover the significant inflationary costs increases we are facing, which as outlined above would be 15.3%. It is also worth noting that a fee increase of 15.3% for 2022/23 will not cover our historic costs and losses incurred in prior years due to the serious under-funding of our care.' – Provider 3

'Many of our ongoing costs are unknown as expenditure is often dependent on the money that we are able to raise or receive through donations and some of the increases described areas yet not confirmed. Increased costs in rates of pay (4%), energy prices, materials and transport fuel prices will have a significant impact and will mean that we use up reserves over a very short period of time unless additional income is found. We've got through the past 30 years and I'm sure will continue for another 30 but the recent price rises are certainly taking their toll.' – Provider 6

'We are still waiting to hear whether Infection Control (ICF) funds will be available to Day Service Providers and have not received anything from these funds since September 2021. Therefore, we are also picking up the costs for measures necessary to prevent the spread of COVID-19. The main one of these being for Supernumary staff. We have not included the costs for Supernumary staff going forward as these positions will cease after 1st April as this is unaffordable for Burton Street. It would be good to know when and if these funds will be made available to us as we have been waiting for more information on this since October 2021 whilst we have been incurring the additional cost. The 6 month cost of employing 2 Supernumary staff will total £39,780.00 for the period 1st October 2021 to 31st March 2022.

I will send by separate email copies of a couple of emails sent in recent months about funding and staffing costs, and a few pages of our staff survey conducted in December 2021, where staff answer the question - Are you paid fairly for the work that you do?' – Provider 9

'A flat percentage increase in line with increasing wages and inflation of around 5%-10% will be greatly appreciated, though an additional avenue to negotiate additional fee increases should unforeseen additional expenses come up.' – Provider 16

'In addition to the expenditure noted above, it is expected that general operational and administrative costs will increase in line with inflation at around 5%, and we are subject to supplier and partner charges in this regard.

Overall operational expenditure inclusive of staffing costs is expected to rise by 6-6.5% in 2021/22' – Provider 17

8.7 Proposal

It is recommended that:

A fee increase of 3.13% is applied to current day activity rates for 2022/23 based on the cost of care homes. Whilst the Council recognises the pressures facing the sector, this increase, which builds on the above minimum wage increase to the sector last year, seeks to balance the need for provider sustainability with the overall sustainability of social care services in the city in the context of extreme budget constraints.

9. Mental Health Provision

9.1 Background

Mental health providers for adults aged 18-65 can be broadly split into two categories, and more detail will be provided later in this section of the report:

- Those who provide **residential/nursing care** – this can include psychological input and/or support in growing towards independence and recovery.
- Those who provide **support in the community**, helping people maintain their day to day lives and, sometimes, move towards independence and recovery.

2021/22 has been a challenging year for all kinds of mental health providers as the pressures of Covid-19 have continued across the whole of the mental health pathway, as in other sectors. All providers have had to experience staff shortages due to Covid-19 (either through sickness, isolation or the compulsory vaccination for staff requirement). Some care homes have experienced outbreaks. All providers have had to adapt to changing government requirements and have had to change the service they offer to meet the service users' particular needs and preferences. This has undoubtedly been a stressful and uncertain time. In addition, aside from Covid-19, providers continue to face the financial challenge of providing a specialised service to Sheffield people within straitened resources.

The Council has a variety of financial and contractual arrangements with mental health providers, and specific details will not be provided in this report as the rates are individually negotiated. In addition, some (but not all) fees are paid on a 50:50 arrangement with Sheffield Clinical Commissioning Group if the person is eligible for Section 117 aftercare as set out in the Mental Health Act 1983.

In the past, mental health provision has not been included in the automatic fee uplifts process (apart from for direct payments in 21/22) because the provision available is so varied and providers differ so much in the recovery outcomes they are able to offer. However, for the financial year 2022-23 the approach will change: it is proposed that mental health providers do receive an automatic fee uplift in line with other non-standard provision. This change in approach is because commissioners recognise the unique challenges of the current time and want to ensure parity for mental health with other types of need across the city.

The Council has a regular programme of visits and contract monitoring to ensure that all council arranged mental health services are providing a high-quality service. Where commissioners have concerns, this is discussed with providers and an improvement plan is agreed upon.

Commissioners seek to have an ongoing relationship with providers through regular provider forums. The intention of both approaches is to support the sector to:

- Discuss the demand for the service and how any gaps could potentially be met.
- Provide the best quality care possible.
- Share best practice – including how best to support service users towards recovery and independence.
- Respond as a group to challenges experienced by the sector, such as workforce shortages because of Covid-19 issues.

9.2 **Market Overview:**

Residential and nursing care

Sheffield has several residential and nursing care homes that have a focus on mental health for adults aged 18-65 specifically, or have mental health as an area of specialism alongside other specialisms. Most of these are locally based organisations (some with multiple homes), but some are owned by national organisations. In addition, sometimes service users' needs are so significant and/or specific that they need to be placed out of city.

The Council spent almost £8m in 21/22 on this type of provision (the CCG will also invest in this area on top of the £8m).

Fee rates for residential/nursing homes vary depending on the type and complexity of support required by the service user and the level of support towards recovery that the home offers. Unsurprisingly, this variety in provision does mean providers have different business models and cost structures, which has been demonstrated in the costings that some providers have made available to commissioners. Over the coming years, commissioners intend to address some of the discrepancies inherent in this kind of fee arrangement to achieve transparency in costs and provision where possible, best value for the Council and the best service possible for service users.

There are relatively few fully self-funders in the mental health residential and nursing market.

There are 9 residential homes in Sheffield with whom commissioners have regular contact:

	Mental health residential and nursing care 18-65
Jointly Commissioned	Are jointly commissioned with the CCG and often joint-funded where a section 117 agreement is in place.
Service Users	There are 155 clients with these 9 homes currently.
Weekly Rate	£595-£1029 across the 9 homes. Mental health provision is more expensive than the standard provision for older people

	and is potentially more expensive for Sheffield homes compared to other areas.

In addition to the above nine homes, there is one organisation out of city which currently houses four Sheffield young people in various places in the North West of England, and there are some homes which are used on a case-by-case basis with one or two individuals at any one time funded by Sheffield City Council.

The Council also directly commissions on a block contract three accommodation options that are often the next step for service users after living in a care home. In addition, some supported living is available but is not directly commissioned. These options are not subject to the fee increase referred to in this paper but are an important part of the service user's journey.

As of January 2022, all mental health care homes were rated 'Green' by the Council's quality and performance team.

Of strategic significance is the 'Promoting Independence Project' which seeks to support service users who are currently in a mental health care home towards independent living. This is funded by a Social Impact Bond, the Life Chances Fund, and the Council, and is a partnership between the project team – hosted by South Yorkshire Housing Association – and some of the care homes themselves. The project has worked with a not insignificant number of people who are all at varying stages of the process towards independent living. While all would agree that this is the right thing to do, the approach does have an impact on the homes themselves, who may experience more flux in service user numbers as people move out of their provision onto more independent options. This can mean a home experiences some financial difficulty.

As of January 2022, mental health care homes had an occupancy rate of 92%. As well as the reason given above, a further reason for why some homes are carrying vacancies may be that some homes are offered referrals but do not accept them. This may be that the new referral could cause disruption for current residents, the potential resident has not been vaccinated, or the individual is too severely unwell to be managed by the home. In other cases, homes are experiencing financial difficulties due to the age, layout and condition of the buildings they operate in, which causes both a cost pressure to deliver improvements, and may also make the home a less attractive environment for service users.

Often, people are discharged from hospital with a more acute set of needs due to pressures within the NHS, and social workers can struggle to find appropriate accommodation for the individual. This, alongside the shift favoured by the Promoting Independence Project, means that the profile of people who live in mental health care homes is changing. People often need more intense care at the start of their journey – but may not remain in the same place for many years. This changing environment for Sheffield's homes is a key thing for homes to be aware of in the coming years; some adaptation to the market will probably be required.

There does not appear to be much interest from providers in opening new care homes – and this would not be something commissioners would encourage.

However, we know that there are gaps in the market which we will explore in the coming years. An accommodation group, led by commissioners and attended by several different professionals, seeks to understand some of the accommodation needs for this service user group going forward.

Support in the community

Many people are supported in the community, either living in their own homes or with their own tenancies. Support is provided either via a framework (Individual Service Funds) or by Direct Payment (see Direct Payments section of this report). This kind of support is often referred to as 'home support' – but it is very different from the kind of support received by the old and/or frail in their homes. Rather, the daytime support offered to people experiencing serious mental illness is focussed on living day to day life and growing in confidence and independence. Workers therefore require a different skill set and have to manage a more complex set of risks – particularly during a pandemic.

The Council spent almost £5.7m in 21/22 on this type of provision (the CCG will also invest in this area on top of the £5.7m).

Fee rates for those who provide support in the community depend on the contractual arrangement that the provider has entered into with the Council.

For information about those supported by Direct Payment, see the Direct Payment section of this report.

Individual Service Funds (ISFs) provide the opportunity for the service user to have some flexibility over how and where their personal budget is spent. Providers complete a recovery star with the service user to try to capture a sense of the service user's journey to recovery.

	Mental health support in the community 18-65
Provider(s)	4 providers of community support on the ISF.
Jointly Commissioned	Yes with the CCG for those who have section 117 provision.
Service Users	380 (those who receive an ISF; for information on Direct Payments, see that section of the report)
Hourly Rate	£17.95-£30.08 across the four ISF providers, depending on the type of support provided.
Annual Spend	£1.3m (for those who receive an ISF)

This is a sector that has struggled over the past year, with demand for support exceeding the provision available. In 2021, one provider stated their intention to exit the market. Therefore, the Council will be recommissioning this provision in 22/23 with a focus on the achievement of outcomes alongside delivery value for money, alongside recognising that a 'one size fits all' recovery approach is not always the most appropriate model for all service users. The Council will be actively encouraging providers who currently operate mostly with Direct Payments to shift towards the new framework that will be commissioned.

9.3 Factors which affect viability of the market

There are several factors which affect the viability of this market:

Staffing. Providers do struggle with recruitment, partly because the role is emotionally demanding, and partly because the NHS pays more for similar work (all providers pay a maximum of the living wage which is £9.50 per hour. The NHS Band 2 support worker receives about the same but can expect more salary and career progression). As a result, workers are often relatively young and not always as skilled as a longer-term, older worker might be. This can have implications for staff turnover, provider costs (recruitment is expensive), and the provider's ability to deliver the work efficiently. Some providers have been hit by the requirement for all workers to be vaccinated against Covid-19.

Acuity. There is an increasing demand for support for service users with acute needs following discharge, such as young people, those with a personality disorder, those with a dual diagnosis e.g. mental health/autism or mental health/substance misuse, and those who struggle to engage with public services. Providers who are able to adapt to support people with greater acuity of need will be more viable than those which are not.

Infrastructure and overheads. Different providers have different infrastructure behind them and therefore have more/less ability to provide the services required by commissioners at a competitive price and to weather any ups and downs in demand. Voluntary sector providers which are part of a national organisation or brand can vary in the amount of support they get from the national organisation. As a result it can be difficult to compare the different costings of each provider.

Buildings. The Promoting Independence Project is a positive move for service users, but it means an increasing number of people may wish to live in independent accommodation, not in a care home setting. This is a challenge for traditional care homes which have single rooms and shared bathrooms. In addition, some care homes do not have lifts and therefore are not very accessible for disabled service users. The shift in the kind of provision required is a challenge for some providers. At the same time, there are a few other providers interested in providing mental health supported living.

Economies of scale. Although there are hundreds of mental health service users, this is not a huge number compared with the number of older people requiring care. As a result, it can be a challenge for providers to make economies of scale in their service delivery. For example, service users may live some difference away from each other, and not all members of staff will have a car; but there are not enough service users to commission a service based on geography.

Shift towards independence. Providers who are actively involved with the Promoting Independence Project experience a strange reality: they are working with the service user and the project to support the service user towards independence; but at the same time, as a provider they experience the negative financial impact if the person is ready to move on, and no one is ready to move in.

9.4 Consultation feedback

Some providers offered feedback outside of the formal process, requesting uplifts ranging from 3.6% to 4.4%. These requests stated the need to increase staff salaries in line with the Living Wage Foundation and also recognised the increase in costs, with inflation set at 5.1%. Underpinning these requests was a desire to maintain service quality.

9.5 Fee Proposal

Following analysis of the market for each of the key delivery mechanisms for Mental Health care and support, the Council is proposing to increase:

- Mental Health Care Home Fees in line with the increase for other non-standard care homes (3.13%)
- ISF and Direct Payments to be increased in line with Direct Payments as described above e.g. 3.15% plus national insurance increase

Whilst the Council recognises the pressures facing the sector, this increase, which builds on the above minimum wage increase to the sector last year, seeks to balance the need for provider sustainability with the overall sustainability of social care services in the city in the context of extreme budget constraints.

10. Respite Care – Learning Disabilities

10.1 Respite provision for people with learning disabilities was included in the annual market analysis and fees review for the first time last year. The current market remains unchanged, with 6 providers, 3 of whom provide a service within a residential setting, the other 3 using a Supported Living model. The arrangements for payments are also varied with 2 providers as Council Arranged Services and 4 paid via a Direct Payment. All 6 providers are registered as non-standard short-term residential services.

A review of respite services and consultation is being undertaken to gain a greater understanding of this very varied provision, with the intention of going out to tender later in the year.

10.2 Consultation and Feedback

What did we ask?

We asked all providers to give us the percentage change overall that they predict for both staffing and other costs, and also asked them to provide details of any distinct element which has either a new or changed financial impact on the operating costs of their business that has happened over the last year, or is predicted to happen before April 2022.
We asked for both positive and negative impacts, and if possible, a specific monetary value. We also asked whether their organisation would like to submit an ‘open book’ account for consideration alongside this consultation.

We also invited providers to send any supporting evidence or previous conversation relating to fee increases to be considered alongside these returns, but there was no evidence provided by the respondents.

Response rate

The consultation was sent to a total of 7 providers, and 2 responses were received, representing 28.6% of the current market. Neither provider agreed to share information on the open book exercise.

Themes

The main recurring themes through both submissions were:

- Increase in staffing costs due to rise in NI and introduction of the national living wage
- Increased recruitment costs as a result of the current issues in the sector
- Increase in utilities costs as per the recent government announcement.

Summary

Both providers advised that the vast majority of expenditure by all providers is on staffing, with an average predicted increase of 7.5% for the coming year. Compared to previous years, this is a much higher overall proportion of costs, and this is likely to be reflective of the current issues with recruitment in the social care sector, increase in NI due in April 2022, and also increasing salaries to recruit/retain staff. Providers are also advising that non staff related costs have increased substantially in comparison to previous years, with an average of 4% increase predicted. This is attributed to the increases in rent and utilities.

There were no figures provided by the two providers as to what they would like to see as an increase for the coming year.

Cost Breakdown

Staffing related costs

Table 1 shows the current percentage of all overheads for the providers that are accounted for by staffing costs, and the percentage by which they expect this to increase for the coming year.

Table 9

	Percentage of total expenditure on Staffing costs	Forecast increase for 2022/23
Provider 1	68%	5%
Provider 2	79%	10%
Average	73.5%	7.5%

Breakdown of staff expenditure

Table 2 shows the staffing related elements that the providers have provided us with (please note, this was free text, enabling them to only comment on the elements that were of most concern to their organisation).

Table 10

Provider 1	Extra increase in wages in August 2021 to ensure we attracted new staff	1.2%	£4650 per year
Provider 2	Increases in national minimum wage and other salaries	7%	£58800 per year
Using approximate figures from previous tax year, forecasted change in national living wages, raising the wage in support worker and administrative staff by the same percentage to meet the rises in the cost of living, inflation, bills, etc.			

Non staffing-related costs

Table 3 shows the current percentage of all overheads for the providers that do not form staffing costs, and the percentage increase expected.

Table 11

	Percentage of total expenditure on Other costs	Forecast increase for 2022/23
Provider 1	32%	3%
Provider 2	21%	5%
Average	26.5%	4%

Table 4 shows the non-staffing related elements that the providers have provided us with (please note, this was free text, enabling them to only comment on the elements that were of most concern to their organisation).

All of the figures below are increases.

Table 12

Provider 1	Increase in rent for premises	1.2%	£9588 per year
Increase in rent for 2021/2022 this is worked out using the RPI index			
Provider 2	Inflationary costs, general costs of goods and services related to the cost of living and inflation	5%	
	Rises in bills and other recurring costs, using gas and electric prices	28%	

	Both forecasted rises and what has occurred during this tax year. Using ONS Government and Parliamentary figures. Inflation rate over previous 12 months – 4.8% Estimated inflation rate in April 2022 – 7% Change in food prices over 12 months – 4.2% Sources: https://www.ons.gov.uk/economy/inflationandpriceindices https://commonslibrary.parliament.uk/research-briefings/cbp-9428/ https://www.kingsfund.org.uk/publications/social-care-360/expenditure “A particularly important driver of inflation is energy prices, with household energy tariffs increasing and petrol costs going up. Between January and November 2021 domestic gas prices increased by 28% and domestic electricity prices by 19%. On 3 February the regulator Ofgem announced that the cap would increase from its current equivalent annual level of £1,277 per year to £1,971; a 54% increase.” https://commonslibrary.parliament.uk/research-briefings/cbp-9428/
10.3	**Fee Proposal** The fee for respite will be increaesd in line with the increase for other residential care described in previous sections: 3.13%

Authors: Council Commissioning Team

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