

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**11 March 2021**

**Report of the Executive Director for Adult Social Care and Health**

**CARE HOME AND DAY CARE FEES 2021-22**

**ADULT CARE**

**1. Purpose of the Report**

To seek Cabinet approval to:

- increase the rate paid to independent sector residential care homes for the financial year 2021-22 by 2.53% per week;
- increase the rate paid to independent sector nursing homes for the financial year 2021-22 by 2.53% per week
- make an inflationary payment of up to 2.53% for specialist care home placements where evidence is provided of inflationary pressures;
- set a rate of £42.78 per day (from £41.72 per day) for a day care placement in a care home;
- increase the rates for in-house day care and residential care by 2.53%;
- increase the dementia fee rate to £47.81 per week (from £46.62)
- make an inflationary payment of up to 2.53% for well-performing block contracts in specific circumstances.

**2. Information and Analysis**

This has been an unprecedented year for the Care Industry, the impact of the COVID 19 pandemic has been widespread and it has brought many challenges. Locally there has been remarkable resilience shown by provider services, their staff have worked tirelessly to support some of the most vulnerable people in our communities and tried to keep up the spirits of people who haven't been able to have meaningful contact with their families.

As noted, the impact of COVID 19 on the Care Market has been incredibly complex. Since the onset of the pandemic Providers have received a great deal of new national guidance to help ensure that their services are safe and provide the best support to residents and staff. Providers, especially sole traders, report that sometimes this has felt overwhelming and that they were

grateful for the support that officers from Adult Care, Public Health and the local NHS offered to help them manage the impact of strict infection control procedures in their services.

In April 2020 the Council decided to make an additional temporary payment for a three month period of 10% on top of our normal fee rates to assist with cost pressures consequent to the Covid-19 pandemic, in accordance with guidance issued by the Local Government Association (LGA) and Association of Directors of Social Services (ADASS). The temporary fee uplifts paid for these three months totalled over £2.1 million. This additional payment was financed using funding that the Government had allocated to Local Authorities to assist with responding to Covid-19 pressures across the services they deliver.

Following the Council's three month temporary increase in fees the Government introduced four separate funding initiatives targeted to help support Care Homes with meeting the additional temporary costs associated with COVID 19. The Council was asked to distribute this grant funding to Care Home Providers in Derbyshire to assist with meeting the costs associated with provision of infection prevention and control procedures, developing managed visiting arrangements for family members, the undertaking of regular testing of residents and staff and to assist with the promotion of vaccinations.

Providers have also been able to obtain free additional Personal and Protective Equipment (PPE) throughout this period from the Government PPE Portal, an offer which has been extended to June 2021.

Whilst these one-off costs, associated with COVID 19, are recognised to have been a burden to the market the additional initial fee uplift, grant payments and access to free PPE have ensured the current sustainability of the local care home market.

## **2.1 Background**

The focus of this paper is to consider the inflationary pressures experienced by Care Homes and to make recommendations about future funding arrangements.

The Council has contract arrangements in place with over 174 independent sector care homes for older people that, as of January 2021, provide support on behalf of the Council to approximately 2,491 people as detailed below:

- 741 people in nursing placements where the person needs constant involvement of, or supervision of, a qualified nurse;
- 1,750 residential placements.

A further 369 people are supported in Council run Care Homes.

## **2.2 Fee Levels**

A comprehensive review of fee levels for independent sector care services is undertaken annually. To assist with this review representatives of the Derbyshire Care Providers Association (“the Association”) were invited to meet with Councillor Wharmby and Julie Vollar, Service Director for Adult Social Care and Health on the 15 January 2021 to set out particular business pressures affecting the care market and their costs.

The Association continue to express its view that the detailed fee analysis and consultation previously undertaken by the Council was flawed and the fee rates do not cover their actual costs. The Association have requested that the Council undertake a new study to better understand their costs.

The views shared at this meeting have assisted the Council in detailing 2021-22 fee proposals described in this paper. The Council has also received additional requests from other Care Home providers not represented by the Association for a fee increase to reflect inflationary pressures these have also been considered when setting fee proposals.

As in previous years the focus will be on reflecting on the inflationary pressures on care home provision. The analysis will be informed by the additional costs associated with COVID 19. The Council is prepared to review this position if it is evidenced that some cost elements become regular working practice and that there are no alternative funding arrangements.

## **3. Financial Considerations**

The Council wrote to the Association on the 1 February 2021 when it shared details of the proposed fee rates for 2021-22. The Association wrote back to the Council on 10 February 2021 detailing their concerns with the Council’s fee proposals. These concerns include their belief that the Council has not taken account adequately enough the financial impact of COVID 19 on their businesses, that the Council’s fee model is flawed, and that the Council financially supports its own homes better than the private sector. The letter from the Association can be found in Appendix 1. Some of the concerns highlighted by the Association are considered below.

### Impact of COVID 19 on their Businesses

Care Home providers expressed great concern that the current average occupancy levels in Care Homes has reduced compared to the same period last year. It is understood that Care Homes have experienced above average deaths of their residents which is linked to the impact of COVID 19 and that

they have experienced a reduction in the number of referrals made by health and social care for placements and a reduction in self-funded placements. Providers have reported that the impact of COVID 19 in the first wave has impacted on people's confidence in Care Homes being a safe place. They have reported a reduction in the number of referrals especially of self-funders as people look to be supported at home.

Providers have noted that the reduced occupancy levels and the lack of confidence in securing new residents will likely result in providers being unable to sustain their businesses. The Council is requested to ensure that fees paid support the care home market to be sustainable and to increase the value of the fees to address the drop in occupancy.

The Association has asserted that the current vacancy level is 76% and that the Council operates a fee model based on 90%. They have requested that the fee model needs to be updated to reflect the current situation, which means an additional £97.17 per resident per week.

Actual DCC Fee (based on 90% occupancy)	£527.48
Adjusted DCC Fee sought (76% actual occupancy)	£624.65
Difference	£ 97.17

### Council Response and Analysis

The number of vacancies reported by care homes in the county changed from 6.5% in January 2020 to 20% in January 2021. The method for collecting this information has changed during this time with homes now being encouraged to identify all the unused registered care beds whether they are available for use or not on a national care tracker. The previous local approach used to collect data in January 2020 identified how many beds were vacant and available to be used, any rooms or wings of a home that were not in use due to business reasons were not counted. Clearly this difference in data collection does not facilitate a direct comparison but it is certainly accepted that there has been a reduction in occupancy levels over the past 12 months.

The Council funded 2,693 placements in Care Homes in January 2020 compared with 2,491 in January 2021, an 8% reduction in funded placements. However, the majority of this reduction was due to a change in the funding arrangements of nursing placements with the responsibility moving to the Derbyshire Clinical Commissioning Group from the Council.

The market has remained stable over the past year with only one service closure across the county where the provider has decided that they could no longer sustain a specialist service (15 dementia beds) due to occupancy

dropping below 50%. The Care Home that this service was in remains open and it is likely these beds will be used for another client group.

The fee model used by the Council was developed with a 10% vacancy threshold. The Council's view is that the fee model should not be amended to increase the contribution towards sustaining empty beds in the Care Home sector. Whilst a viable and sustainable market is one that operates with higher occupancy, there is uncertainty over the future role of Care Home beds following the impact of COVID 19 due to individual choice for care. The Council has decided not to increase fee levels to help cover the costs of empty beds whilst this uncertainty exists.

### Staff Costs

Providers have suggested that they have had to meet additional staff costs due to changes in activity to work safely in care homes during the COVID19 pandemic. They have also identified that the National Living Wage is due to increase by 2.2% for staff aged 25 and over from 1 April 2021 (from £8.72 per hour to £8.91 per hour a 19p increase). This increase in minimum wage is supported by Providers however they would want to pay more than this to be able to recruit and retain staff and maintain differentials between staff groups.

The Association letter in Appendix 1 argues that the Council's fee model does not reflect the true costs of staffing and in their view the funds allocated in the fee model means they are unable to pay above the minimum wage. The Association have requested a further £71.71 be included in the weekly fee rate.

### Council response

For the increase of the National Living Wage, the Council has decided to use the 2.2% minimum wage increase for all staff costs including staff aged under 25 to assist with maintaining wage differentials. The Council notes the Association's request for the fee model to be reviewed. The Council's fee model is based on previous feedback from Providers of their own costs. Every home has different staffing levels reflecting the environment and client needs and legislation does not indicate what safe staffing levels are and there is no officially recognised tool for calculating appropriate staffing levels.

The Council notes that the Government has made a number of grant contributions to Care Homes during 2020-21 to assist with temporary additional staffing costs associated with COVID 19. The Council will continue to distribute separately COVID 19 emergency funding allocated to the Council to assist Providers with their costs.

In response to the workforce challenges described by the Association, Adult Care and the local NHS have established Joined Up Care Derbyshire (JuCD). JuCD is co-ordinating a range of activities designed to meet the three Programme themes:

- Attraction and Recruitment
- Traineeships and Apprenticeships
- Retention and Progression

The Council has recruited project staff to specifically work with social care providers with a focus on attraction and recruitment. The Council also continues to offer free places on its own in-house training courses.

### Nursing provision

The Association has requested that the Council respond in the fee setting exercise to concerns in respect of sustainability of Care Homes with Nursing. The Association has highlighted that they experience extreme difficulties with recruitment and retention of nursing staff. They have also noted that a number of homes have recently deregistered from providing nursing beds with the intention of only offering residential beds.

The Association have noted that the Council has previously signalled that there is likely to be an increased need in nursing beds in the next 10 years and have questioned how the Council is going to encourage investment. The Association have asserted that the current level of funding does not allow for any new investment into council funded areas and even encourages de-registration and closures in the independent sector.

### Council Response

The sustainability of the Nursing Care Home market is of great importance to the Council as it assists with ensuring that there are suitable places for people to live following a period of admission in hospital.

The Council accepts that any new investment into increasing the availability of nursing beds will need to be part of a broader funding strategy with the local NHS. The planning for such investment will need to take account of the short term impact of COVID 19 on the market.

### Additional Cost Pressures

The Association highlighted in their letter of 1 February 2021 that in their view the Council has undervalued a number of the costs in the fee model. They have particularly highlighted that due to COVID 19 obtaining/renewing care home insurance has been especially difficult with some insurance providers

leaving the market and others increasing their premiums. This increase has been in response to perceived increased risk associated with additional claims associated with the impact of COVID 19 being made against individual homes. The Association have provided copies of documents from an Insurance Broker stating the weekly cost of new insurance is £6.15 against the Council's proposed value of £3.98.

They also asked that the costs for provision of agency staffing and recruitment costs are also reconsidered as some providers have needed to use agency staffing to cover for staff needing to self-isolate.

It has also been highlighted that the cost of general Personal Protective Equipment (PPE) has substantially increased and although homes are grateful for free access to PPE this does not cover all of their equipment. They have also highlighted the additional costs associated with maintaining infection prevention and control procedures in their homes and how this has required additional staff time and purchase of additional cleaning products.

### Council Response

In recognition of the increases in insurance the Council has proposed to increase the value of the contribution towards insurance costs by 50% to £3.98 from the previous year's value of £2.65. It is also proposed to increase the contribution towards medical supplies which includes PPE costs by 50%. The Council notes the concerns about the additional agency staff costs some providers have experienced as a direct result of managing the impact of COVID 19. These costs were covered by the Infection Control grants distributed by the Council on behalf of the Government. The Council is prepared to review this position if it is evidenced that some cost elements become regular working practice and that there are no alternative funding arrangements.

### Direct Care Provision

The Association has also expressed concern about the Council's own Care Home provision and the fees paid for the beds in the Community Care Centres. They have argued that the fee rates and capital costs paid for Direct Care provision are greater than the Council is prepared to pay for equivalent provision in the independent sector. The Association believe that the Independent Sector provides "Best Value" for the local tax payer and that the Council spends extra funds on its own Care Homes.

### Council Response:

The Council notes their concerns.

### **3.1 Fee Rate Methodology**

The method for identifying the proposed fee rates builds on the work previously undertaken to identify a basic care home fee rate as detailed in the paper presented to Cabinet on the 9 September 2014. As part of this work the Council asked care home providers to complete a questionnaire to evidence their costs. The Council then used standard cost headings to analyse the returns before identifying values against each cost head - see Appendix 2.

To develop fee rate proposals for 2021-22, the amount paid under each cost heading has been increased based on a set of assumptions about inflationary pressures – see Appendix 2. These proposals have taken account of the feedback received from Care Home providers. Based on this analysis, it is proposed to increase fee rates for basic care home provision by £14.28 per week which is equivalent to a 2.53% increase on the fee rate for 2020-21.

This methodology has been consistently challenged by the Association and a request has been made at meetings for the Council to commission an independent review of the actual costs of care. The Council is satisfied that its analysis and transparent methodology as shown in Appendix 2 is correct and so such a review is not necessary.

### **3.2 Impact of the Proposals on Care Home Fees for other Client Groups and Specialist Placements**

The proposals made in this report, and summarised in Appendix 2, focus on the basic fee rates for older people. It is proposed to also increase the base fee rates for Residential Care Home by 2.53% and Nursing Homes by 2.53% for other client group placements. This includes care home provision for people with a physical disability, people with learning disabilities and people with mental ill health- see Appendix 3.

The changes proposed to the basic fee rates for other client groups will not change the level of funding already paid against specialist care home placements where fee rates have been individually negotiated to ensure that the needs of people who require complex support/care arrangements are met. The fees for specialist placements are often substantially more than the standard care home fees.

The additional funding (top-up) paid for a specialist placement reflects the greater investment in staff and training to meet an individual's needs. It is proposed that up to 2.53% can be agreed with providers in receipt of specialist placements where they can evidence their increase in costs.



### **3.3 Dementia Fee Rate**

An additional payment of £46.62 per week is currently paid towards supporting people with a diagnosis of dementia which is payable to homes that meet set criteria of dementia-friendly provision. It is proposed this payment is increased by 2.53% to give a new value of £47.81 per week from 1 April 2021.

The Dementia fee was introduced to encourage homes to demonstrate that they have the skills, experience, environment and organisational culture in place to provide high quality dementia care. The Council presented this criterion as many providers describe their service as being able to meet the needs of people with dementia, but are unable to evidence that staff have adequate training, that the culture of the service is dementia friendly or that the environment has been adapted to be suitable for someone with a diagnosis of dementia. The importance of this award will continue to be promoted with care home providers to increase the take up.

### **3.4 Day Care Placements in Care Homes for Older People**

Some people who are supported to live in their own homes are able to use day care places in care homes for older people. The care home is often situated close to where an individual resides and the homes frequently help with transport to and from the home, as well as providing meals. In some cases, homes will also provide a bathing service and are very flexible with places being made available at weekends and evenings, which can help Carers to get a break. The standard fee rate paid by the Council for day care placements in independent sector care homes is currently £41.72 per day. It is proposed for 2021-22 that this fee level to be paid to providers is increased by 2.53% to provide a new daily fee of £42.78 per day.

## **4. Block Contracts**

Adult Care has a small number of block contracts with independent sector profit and not for profit organisations. A number of these agreements were established before the introduction of the National Living Wage. A number of these providers have requested an inflationary increase to assist them with meeting this additional unforeseen cost. It is proposed that payments of up to 2.53% can be agreed with providers who operate block contracts on behalf of the Council where they can provide detailed evidence of their increase in costs relating especially to the increase in minimum wage rates as well as showing that they are meeting their agreed targets for activity and performance.

## 5. Financial Considerations

The estimated cost of this proposal to increase fee rates from 1 April 2021 is £3.226m per annum and can be met from the budget growth allocated for Adult Care fee increases.

## 6. Legal Considerations

The Care Act 2014 places a duty on the Council to promote an efficient and effective market, with a view to ensuring that any person in its area wishing to access services in the market:

- 1) has a variety of providers to choose from who (taken together) provide a variety of services;
- 2) has a variety of high-quality services to choose from and;
- 3) has sufficient information to make an informed decision about how to meet the needs in question.

In performing that duty, the Council must have regard to the importance of ensuring the sustainability of the market. Sufficient inquiries should be undertaken, to ensure the Council is properly informed of the local market conditions.

The Care and Support Statutory Guidance further details the duties on local authorities to facilitate markets that offer a diverse range of high-quality and appropriate services. The Council must assure itself that the fee levels do not compromise the provider's ability to (1) support and promote the wellbeing of people receiving care and support; (2) meet the statutory obligations to pay at least the national minimum wage; and (3) provide effective training and development of staff.

Case law is clear that the Council should take steps to ensure that fee levels reflect the actual cost of care. The rates should also take into account the legitimate current and future costs, and the potential for improved performance and most cost-effective ways of working.

The Council is under a duty to promote diversity and quality in the market of care and support provision.

The Council properly recognises that the Government has introduced various funding sources intended to support adult social care providers with the pressures of infection control arising from the impact of Covid-19 on service delivery and will continue to review this as the Government's response to the pandemic develops.

With this assurance the Council is therefore satisfied that the methodology used in calculating the proposed fee increase is equitable and properly reflects the increased cost pressures highlighted by the providers.

## **7. Equality and diversity Considerations**

Providers are required to adhere to Derbyshire County Council's Equal Opportunities policies. The Council also encourages Providers to gain the Derbyshire Respect and Dignity award.

## **8. Other Considerations**

In preparing this report the relevance of the following factors has been considered: human resources, health, environmental, transport, and crime and disorder considerations.

## **9. Key Decision**

Yes

## **10. Is it necessary to waive the call-in period?**

No

## **11. Officer's Recommendation**

That Cabinet agrees to:

- increase the rate paid to independent sector residential care homes for the financial year 2021-22 by 2.53% per week;
- increase the rate paid to independent sector nursing homes for the financial year 2021-22 by 2.53% per week
- make an inflationary payment of up to 2.53% for specialist care home placements where evidence is provided of inflationary pressures;
- an updated fee rate of £42.78 per day (from £41.72 per day) for a day care placement in a care home;
- increase the rates for in-house day care and residential care by 2.53%;
- an updated dementia rate of £47.81 per week (from £46.62)
- make an inflationary payment of up to 2.53% for well-performing block contracts in specific circumstances.

**Helen Jones**  
**Executive Director – Adult Social Care and Health**  
**County Hall**  
**Matlock**

## Appendix 1

**The following is a copy of a letter submitted to the Council by the Derbyshire Care Providers Association. Some of the layout has been lost in the transfer to this document, however all of the content remains the same.**

Derbyshire Care Providers Association Ltd. Springwood Gardens, Belper, Derbyshire, DE56  
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Derbyshire Care Providers Association (formerly known as Derbyshire Care Homes Association)

**Date: 10/02/2021**

**Dear Councillor Wharmby**

**Re: Care Home Fees 2021/22**

We are writing to you on behalf of the Derbyshire Care Providers Association in relation to the Council's proposed increase of 2.53% in fee levels for residents living in independent sector care homes.

We must say we are shocked by the proposal. The sector is in an indisputable crisis where costs are soaring whilst income is greatly reduced yet there is no attempt to support the sector and the residents who live in these homes.

We were clearly informed in our last meeting by the Council that it could not afford to pay a fee that covers the additional costs from Covid-19 and we have year on year been informed that the Council cannot afford to pay for the full cost of care for people living in the independent sector care homes.

It is therefore extremely concerning to read the Derbyshire County Council press release on the 5 February 2021 which says "*we are in a robust financial position due to careful budgeting and sufficient extra funding from government to support extra spending due to the coronavirus pandemic... This year the Government has allowed local authorities with responsibility for adult social care, like Derbyshire, to raise council tax by a maximum of 5%, made up of an adult social care precept of 3% (which must be spent solely on adult social*

care)...At the meeting on Wednesday we agreed to the 2.5% increase, made up of 1% for adult social care (which will raise just over £3.4m).

So in effect, the Council:

1. Has already decided how much it is going to spend on social care even though it hasn't fully consulted with the independent sector on cost pressures, and
2. The Council has decided to ask for less funds (1%) for adult social care than they can (3%).

The Council has a responsibility to ensure a sustainable care sector under the Care Act 2014. Despite openly recognising their concerns for the sustainability of the independent sector before the pandemic, the Council is still avoiding its duties and is in fact making the situation worse for the sector even though it has the power and opportunity to raise more funds for the sector. It's very likely that this could ultimately have a serious effect on residents living in some care homes, something the Council will be responsible for since it has avoided its duties.

We would like a full response from the Council setting out why they will not fund the sector appropriately to ensure it is sustainable.

### **Concerns about the sustainability of the sector**

We raised our concerns (again) last year about the sustainability of the sector, which unfortunately the Council (again) did not respond to.

Over the last few years, there has been no investment into local authority funded areas by the independent sector, solely because of the lack of funding by the Derbyshire County Council. On the contrary, some homes have either de-registered nursing services or closed down.

In its commissioning strategy 2019-2035, the Council highlights that (page 4):

- "the resilience and sustainability of the care home sector in Derbyshire is a concern"

At the same time statistics show that (page 4):

- "recruitment is an ongoing challenge"
- "an increase of 53% in people with dementia by 2030"
- "aged 90 and over will more than double by 2035"

The Council is also concerned about “affordable provision of nursing and residential care in some parts of the county”.

These issues are however not addressed in the commissioning strategy. There will clearly be a great need for independent sector care homes with more provision for complex needs as people stay in their own homes for longer.

To create a sustainable care home sector there must be sustainable fee levels, something the Council has a duty to have regard to under the Care Act.

What is extremely concerning is also that the Council has not made any attempt to recognise any additional costs that the Covid-19 pandemic has contributed to other than a mere £2 per resident for medical supplies and clinical waste!

### **Duty of the Local Authority under the Care Act**

In performing its duty to promote the efficient and effective operation of the market, the Council is required to have regard to “*the importance of ensuring the sustainability of the market*”. The Department of Health’s guidance on this point highlights the impact that a local authority (as a significant purchaser of care) has on the sustainability of the market. Specifically, the guidance states:

*“Local authorities must not undertake any actions which may threaten the sustainability of the market as a whole, that is, the pool of providers able to deliver services of an appropriate quality – for example, by setting fee levels below an amount which is not sustainable for providers in the long-term.”* (paragraph 4.35 of DoH ‘Care and Support Statutory Guidance’)

The Guidance also states that:

*“Local authorities should understand the business environment of the providers offering services in their area and seek to work with providers facing challenges and understand their risks.”*

In areas such as Nottinghamshire where the Council fee to the independent sector is significantly higher, there has been an influx of investment in new care homes in Council funded areas, which has stabilised the market and made it more sustainable. Nottinghamshire County Council, along with many other Local Authorities, have also continually supported the sector with the extra costs it has incurred during the pandemic, yet in Derbyshire this stopped in August.

### **DCC Fee Model pays below the National Living Wage**

The DCC provided a fee model for the independent sector fees based on cost figures which are now 10 years out of date. Flaws of the model have been set out to Council every year with evidence showing that the fee is well below actual costs.

A new study is required to understand the costs, as per the responsibility of the Council under the Care Act.

The most obvious and concerning issue is that the Council's fee model, even in its flawed state, is asking the independent sector to pay all staff (apart from the manager) £1.40 below the National Living Wage. This gap is increasing year on year.

This is clearly a failure to comply with the Care Act by the Council and it would constitute a criminal offence if staff were paid below National Living Wage.

The staff in care homes have done and continue to do a heroic job during the Covid-19 pandemic. The staff have worked relentlessly and sometimes to the detriment of their own and their family's health. It is frankly shameful that the Derbyshire County Council offers fees which don't even match the National Living Wage for staff in the independent sector. Why does the Council only value its own care home staff and not the 7000 or so staff working in the independent sector? Perhaps we ought to seek the public's opinion on this.

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Staff Costs in DCC model (excl management)	£277.59	£294.77	£301.25
Rota hours per resident per week (national average)	32.1	32.1	32.1*
Wages per hour in DCC model (excluding on costs, holiday pay, etc)	£6.92	£7.35	£7.51
National Living Wage	£8.21	£8.72	£8.91
<b>Underfunding</b>	<b>£1.29</b>	<b>£1.37</b>	<b>£1.40</b>

\*Note hours per resident per week are assumed the same for the purpose of the model, although in reality we know that staff hours have increased significantly in 2021/22 making the situation even worse

Another £71.71 (per resident per week) is required just to be able to pay the National Living Wage – again this gap is increasing year on year.

### Underfunding in DCC model for Staff (excluding management)

Senior staff Hours (senior care, chef, deputy on shift) 25% of staff hours	8.0	8.0	8.0
Senior staff wages	£9.75	£10.26	£10.45
Other staff hours on National Living Wage	24.1	24.1	24.1
National Living Wage	£8.21	£8.72	£8.91
Total Fee required to cover staff costs to meet National Living Wage requirement (including on-costs)	£344.87	£365.34	£372.96
Actual Fee offered by DCC for the staff above	£277.59	£294.77	£301.25
<b>Underfunding by DCC for staff wages alone</b>	<b>£67.28</b>	<b>£70.57</b>	<b>£71.71</b>

### Recruitment and retention

In the Commissioning Strategy the Council has recognised that *“recruitment of quality staff is an ongoing challenge and there is a high level of vacancies”*. This is also evidenced in the Council’s own costs which shows that they Council is spending nearly £34 per resident per week on Agency staff alone. Yet the Council does not account for Agency Costs in the fee model to the independent sector.

In effect, the Council is expecting that the independent sector:

1. receive only 1/3 of the fee that the Council pays for its new care homes;
2. pay below the National Living Wage, and;
3. should have no problem with recruitment so they don’t need to spend anything on Agency Fees.

It’s very concerning that the Council has recognised the issue but is still not addressing it (*“resilience and sustainability of the care home sector in Derbyshire is a concern”* (p4 Commissioning Strategy)).

The Care Sector is in extreme difficulties with recruitment and retention, aggravated by the Covid-19 pandemic.



To help address some of the recruitment and retention issues, the sector needs a fee that gives them the opportunity to pay more than the National Living Wage and to offer incentives for higher qualifications.

### **Nursing Fees**

The sustainability of nursing services continues to be a significant issue.

The DCC is predicting an increase in the need of these services, yet the trend shows a decline in the supply in Council funded areas.

In summary, the cost issues related to nursing care are (as previously highlighted):

- Manager (nurse qualified – higher salary)
- Lower occupancy due to shorter length of stay, which means higher risk and lower revenue
- Higher risk – clinically (health and safety)
- Recruitment fees – mainly recruit via recruitment agents at £4000 per candidate
- Additional care staff, well above residential care
- Additional equipment (special beds, mattresses, chairs, medical products etc)
- Wage cost for the nurses are increasing as demand for their services are high (only some of which is covered by the Free Nursing Care funding)

Considering that the Council is expecting to require additional nursing beds, how is the Council going to encourage investment? The current level of funding does not allow for any new investment into council funded areas and even encouraging de-registration and closures in the independent sector.

### **Occupancy**

When the Council first created a funding model for the independent sector based on figures 10 years ago, it falsely assumed the sector had a 90% occupancy even though its survey showed an 85% occupancy. In other words, the Council decided to split the sector costs between more residents than actually existed. This meant the fee was 5% insufficient in the first place.

The Council has now provided figures to us showing the sector is at 76% occupancy. That means that sector is receiving even less income to support its costs (which have actually increased). The sector cannot cut its costs – it still has to have the same staffing levels (and more now during the pandemic),

the same utilities costs, bank loans/rent etc. The fee model needs to be updated to reflect the current situation, which means an additional £97.17 per resident per week.

<b>Actual DCC Fee (based on 90% occupancy)</b>	<b>£527.48</b>
<b>Adjusted DCC Fee (76% actual occupancy)</b>	<b>£624.65</b>
<b>Difference</b>	<b>£97.17</b>

Lower occupancy combined with higher costs is a huge threat to the market. The Council has to pay fees that reflect costs and it has to ensure sustainability – it has a legal responsibility to act on this.

### **Covid-19 costs**

The pandemic has caused substantial additional staffing costs for care homes. Additional temporary funding has been provided by the Government but the sector is currently forecast to spend over £3 million more than it has received on specific additional staffing costs (figures provided by the Council).

Many Local Authorities have continued to support the care home sector for loss of revenues and increased costs during the pandemic to prevent closures and ensuring people are looked after with appropriate staffing levels. The Derbyshire County Council has failed to do so.

In addition to providing an increase in fees which merely reflects the increases at the minimum National Living Wage rate, there needs to be a temporary Covid-19 uplift to support care homes through this crisis. The Council has access to occupancy figures and can adjust the fee levels according to occupancy levels of the market to ensure the market is sustained.

### **Other comments on costs in the fee model:**

- **Recruitment costs** – only £1,460 allowed for 40 bed home with 36 residents. Recruitment agents charge £5,000 for one nurse alone and care homes are constantly trying to recruit new staff.
- **Costs for Agency staff** to cover for recruitment difficulties in Derbyshire need to be allowed – half of what the DCC spend on their own homes would be sufficient!
- **Food** - why does the DCC ask the independent sector to pay less for food than its own homes? It's not realistic and should be adjusted. It's obvious that it is too low at £24.63 per resident per week. We can provide evidence of this.

- **Insurance** - the DCC Model now allows for £3.98. See enclosed letter from an established insurance broker for Derbyshire and Nottinghamshire care homes, showing that the average premium per bed is £6.15 (so £8.09 per resident at 76% occupancy).

**DCC in-house care homes**

We find it shocking and frankly bizarre that the Council has justified to itself that it can spend £millions on its own care homes and at the same time saying it cannot afford to fulfil its legal (and moral) obligation to pay sustainable fees for Derbyshire residents living in the independent sector care homes.

The tax payer is paying two or three times more for a resident in a DCC home. Whatever the political view, the Council has a responsibility to ensure ALL care home residents are offered a sustainable service at fees that cover costs and yet it is spending all the extra funds on their own care homes. This doesn't represent Best Value to tax payers and it is discriminatory to residents living in the independent sector care homes.

Did you know that the Council is spending double the capital on their new care homes compared to the independent sector (£200,000 per bed compared to £100,000 per bed) with no more space or no better facilities for residents?

We kindly request a detailed response to deal with all of the above matters.

We look forward to hearing from you.

Yours sincerely,

**P.Falleth**

**On behalf of the Derbyshire Care Providers Association Committee**

## Appendix 2

	2020-21 £	2021-22 Inflation	2021-22 £
<b>RESIDENTIAL HOME</b>			
<b>A) STAFF, INCLUDING EMPLOYERS' ON-COSTS</b>			
TOTAL CARE ASSISTANTS (inc senior) STAFF	236.37	2.2%	241.57
Catering, cleaning and laundry staff cost per resident	53.28	2.2%	54.45
Other Staff Costs (excluding management and admin)	5.12	2.2%	5.23
Management, administration, reception staff cost per resident	73.63	2.2%	75.25
Pension Cost (3% of above)	11.06	2.2%	11.30
<b>TOTAL STAFF</b>	<b>379.46</b>		<b>387.80</b>
<b>B) REPAIRS AND MAINTENANCE</b>			
Maintenance capital expenditure	17.80	1.9%	18.14
Repairs and maintenance (revenue costs)	10.05	1.9%	10.24
Contract maintenance of equipment	1.98	1.9%	2.02
<b>TOTAL REPAIRS AND MAINTENANCE</b>	<b>29.83</b>		<b>30.40</b>
<b>C) OTHER NON-STAFF CURRENT COSTS AT HOME</b>			
Food	24.43	0.8%	24.63
Utilities (gas, oil, electricity, water, telephone)	23.13	0.8%	23.32
Handyman and gardening (on contract)	9.31	2.2%	9.51
Insurance	2.65	50.0%	3.98
Total medical supplies and continence products	2.64	50.0%	3.96
Trade and clinical waste	1.78	50.0%	2.67
Registration fees (including DBS checks)	3.54	0.8%	3.57
Recruitment	0.76	2.2%	0.78
Direct training expenses (fees, facilities, travel and materials) net of grants and subsidies	10.62	2.2%	10.85
Other non-staff current expenses	21.67	2.2%	22.15
Equipment Costs	3.80	1.5 %	3.86
<b>TOTAL NON-STAFF CURRENT EXPENSES</b>	<b>104.33</b>		<b>109.28</b>
<b>TOTAL EXCLUDING CAPITAL</b>	<b>513.62</b>		<b>527.48</b>
Return on capital	50.04	0.8%	50.44
<b>Summary Weekly Fee</b>	<b>563.66</b>		<b>577.92</b>
Divisible by 7	563.64		577.92

Percentage Increase			2.53%
<b>NURSING HOME</b>	2020-21	2021-22	2021-22
	£	Inflation	£
Residential rate	563.64		577.92
Nursing Top-Up	42.28	2.53%	43.33
Nursing Rate	<b>605.92</b>		<b>621.25</b>
Divisible by 7	605.92		621.25
Percentage Increase			2.53%

### **Inflation Assumptions used by Derbyshire County Council to Identify Fee Rates for 2021-22**

In considering the budget lines in the fee cost model in Appendix 2 the Council utilised the Office of National Statistics' Consumer Price Inflation (CPI) report for December 2020 as a proxy for understanding the costs in the care industry. The influence of Brexit and any ongoing impact on COVID 19 on inflation are difficult to predict but the Council will reconsider the costs used in the fee model if there is a substantial inflationary uplift during 2021-22.

Some of the budget lines used in Appendix 2 do not have a direct corresponding goods or services division in the CPI report in such cases individual judgements have been made about how inflation may contribute to the costs of running a care home. The CPI report noted that standard inflation across all activity was 0.8% which is used as default in this fee modelling tool.

### **Staffing**

From April 2021 Providers will be required to pay all staff over 25 at least the national living wage of £8.91 which is equivalent to a 2.2% increase on the national living wage rate of £8.72 set in April 2020.

The Council has decided to use the 2.2% minimum wage increase for all staff costs including staff aged under 25. It is also proposed that any other costs linked to staffing eg training, recruitment are also increased by 2.2%.

Auto-enrolment pension scheme has been subject to a national introduction over the past few years, where providers have to offer to sign all staff into a pension scheme. From 1 April 2020 it has been nationally accepted that the costs to a provider should be in the region of an additional 3% on their staffing bill.

## **Repairs and Maintenance**

There are no direct comparisons with CPI available for these areas of cost. The closest comparable areas show inflationary costs of 1.9% for services and maintenance. This inflationary level has been used in the Council's calculation.

## **Other Non-Staff Costs**

Food is shown across most food types as minus inflation, so the Council proposes to use standard inflation of 0.8%

For utilities the Council has used the average overall value of standard inflation value of 0.8% increase.

There is no direct comparison for Insurance Costs in the CPI tables; the value used in the Council's fee model is £2.65 per person per week. In the feedback received from Care Association in 2019 in response to the Council's fee proposals it was argued that the true cost of insurance was closer to £4 per person per week. Noting that all care homes are different sizes and undertake different activity and at different stages of renewal of their insurance it is proposed to use a value of £3.98 as the insurance value reflecting the concerns that insurance providers have left the market and premiums have increased.

## **Registration Fees:**

The Care Quality Commission reported on the 29 October 2020 that there will be no increase in fees for 2021-22. It is currently unclear if the Disclosure Baring Service will increase fees for 2021-22 so this value will be increased by standard inflation of 0.8%

## Appendix 3

### Usual Cost of Care Fee Rates – From 1 April 2021

	Weekly Standard Rate	Quality Premium Rate (Additional £22.75 per week)
	£	£
<b>INDEPENDENT SECTOR</b>		
<b>Residential Placement</b>		
Older People Mental Health/Drug & Alcohol	577.92	600.67
Physical Disability (>65)	659.82	682.57
Learning Disability	595.84	618.59
<b>Nursing Placement</b>		
Older People/Mental Health/Drug & Alcohol	621.25	644.00
Physical Disability (>65)	655.90	678.65
Learning Disability	591.57	614.32
Nursing fees exclude Funded Nursing Care contribution.		
<b>Dementia Care Payment</b>		
Residential & Nursing	47.81	
<b>Day Care (per day)</b>		
Residential & Nursing	42.78	
<b>IN HOUSE PROVISION</b>		
<b>Residential Placement</b>		
Homes for Older People	770.77	
Homes for Older People (Preserved Right Pre 01/10/20)	600.67	
Community Support Beds / Specialist Dementia	1,248.59	
Community Support Beds / Specialist Dementia (Preserved Rights 01/08/18 to 30/09/20)	1,110.20	
Community Support Beds / Specialist Dementia (Preserved Rights Pre 01/08/18)	600.67	
LD Residential	1,304.52	
<b>Day Care (per day)</b>		
Older People	41.84	
Learning Disability	54.92	