Cornwall Partners in Care

Cornwall Adult Social Care sector

Cost Pressures report 2021 to 2022

An advisory document on behalf of the sector

24th January 2022

SUMMARY PAGE

INTRODUCTION

1. Cornwall Partners in Care (CPIC) is the Care Association responsible for supporting and representing providers of adult social care services in Cornwall.

RATIONALE AND METHODOLOGY

2. We have sought to make this Cost Pressures exercise as consultative as possible. We sent out a questionnaire to our membership of social care providers so that we could base our report on feedback about what is the actuality of what is really happening. This report is based upon data received from a representative sample of providers of varying sizes and operating across Residential, Nursing, Domiciliary Care, and Supportive Lifestyles.

3. We use our Cost Pressures questionnaire to try and get an understanding from providers in relation to the rates of pay they are paying their frontline staff, pay differentials between job roles, the percentage of their budgets spent on staff wages compared with non-wage costs, the percentage of staff who remain 'auto enrolled' on their pension scheme, staff retention and turnover (and influencing factors), staff vacancy rates, inflationary pressures and additional costs, and occupancy levels.

SUMMARY

4. Overall costs are up 13% since last year.

5. Overall non-wage costs (utilities, pension & National Insurance, business insurance, fuel, tax, and recruitment costs, etc) have increased by 15% since last year.

6. Overall wage bill is up 13% since last year, even though Providers are reporting a reduced workforce.

7. From April 2022 Providers are expecting to be paying core wages far in excess of the Foundation Living Wage rate of £9.90 per hour, in an effort to support the recruitment and retention of a good quality workforce.

8. Some items are showing a cost decrease since last year, notably the consumables that are covered by the PPE portal and items that might be covered through the Infection Prevention and Control grants. Once the free portal ends and the grants finish, providers will be affected by a large increase in PPE costs. Providers are also currently covering additional PPE costs that are not covered by the portal, such as extra-large gloves.

CONCLUSIONS

9. Residential Services: Taking an average 71% of Care Home costs being spent on wages, which have increased by 13% and an average of 29% of costs covering all other areas which have increased by 15%, then;

a) ((71 x 13%) + (29 x 15%)) = 13.6%

10. Domiciliary Care Services: Taking an average 73% across the services being spent on wages, which have increased by 13% and an average of 27% of costs covering all other areas which have increased by 15%, then;

a) ((73 x 13%) + (27 x 15%)) = 13.5%

CPIC RECOMMENDATIONS

11. It is clear that based on the data in this report that an increase of 13.6% in the Residential sector and of 13.5% in the Domiciliary Care sector is required just to maintain parity with "business as usual" conditions. Without a significant uplift of 15% as an absolute minimum Cornwall will continue to lose providers from the market and likely at an increased rate.

12. The Homecare Association published their report in December 2021 which calculates a rate of £24.08 per hour for homecare services from April 2022. This rate is exactly 15% higher than the current Local Authority rate of £20.92, which tallies with our own findings.

SURVEY DETAIL

FINDINGS FROM PROVIDERS' RESPONSES TO OUR QUESTIONNAIRE

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

Question on details of pay rates for front line staff

14. Reason for the question: To establish what the impact the current recruitment and retention challenges are having on the rates of pay to frontline social care staff across Cornwall and the Isles of Scilly.

What we found:
15. From April 2021, the average wage paid to frontline staff amongst the providers who responded is £9.79, which is 3.1% higher than the Foundation Living Wage rate of £9.50.

16. From April 2022, providers are indicating that expect this higher wage for frontline staff to increase further to an average of £10.33, which will be 4.5% higher than the new Foundation Living Wage rate of £9.90 from April 2022.

17. This does not include differentials which must be increased in order to ensure that providers are able to recruit and retain higher grades of social care staff and nurses. Overall providers are heading towards a 13% increase in their wage bill for 2021/22 over the previous year. Given the widely acknowledged challenges that providers have been experiencing in recruiting and retaining sufficient staffing levels, this figure would be considerably higher if providers were operating with their usual levels of staff.

18. 50% of the respondents are paying a basic rate above the current Living Wage Foundation rate of £9.50 an hour (https://www.livingwage.org.uk/). This is up from 19% for the previous year. The highest hourly rate cited for frontline staffing was £11.25 an hour.

19. Quote on pay rates for frontline staff from providers:

a) *We have had to keep pay rates above the NMW to be competitive with other providers in the sector and in other sectors.*
b) *We have always paid above the FLW and hopefully, will continue to do so. However, to compete with the hospitality sector I am sure we will have to prioritise paying more than a 6.6% increase this year.*

Question on Pay differentials between job roles

20. Reason for the question: To establish how the current recruitment and retention challenges was impacting on providers' need to maintain pay differentials between roles and maintain a viable pay structure.

What we found:
21. The picture was far more consistent than in previous years with all providers recognising the value in maintaining a pay differential year on year between their frontline staff and their senior carers or support workers, even though local authority rates and uplifts do not take this into account.

22. Quotes on pay differentials from providers:

a) *"increases drive the need to continue to have pay differentials and we actively strive to ensure these remain balanced."*
b) *The rising NMW has made it difficult to maintain the differentials between staff with different levels of responsibility*

Question on Split of costs between staffing and non-staffing costs

23. Reason for the question: To establish how providers' costs were split between staffing and non-staffing costs.

What we found:
24. The split between staffing and non-staffing costs did vary between providers, particularly between housing-based Residential Care and Domiciliary Care providers but, on average, was as follows:

a) Residential Care: for residential services it was in the region of:

i 71% staffing costs, with a range between 55% and 87% (previously 65%)
ii 29% non-staffing costs, with a range between 13% and 30% (previously 32%)

25. Where there was notable variation from this split, it related to the degree to which providers had property repayment costs, with some longstanding providers having very little or no outstanding capital debt to repay.

a) Domiciliary Care services: the split between staffing and non-staffing costs was along the lines of:

i 73% staffing costs with a range of 65% to 87% (previously 79%)
ii 27% non-staffing costs with a range of 13% to 33% (previously 19%)

Question on Percentage of staff auto enrolled on your pension scheme

26. Reason for the question: To establish the percentage of staff who remain enrolled on company pension schemes.

What we found:
27. Among respondents the average percentage of staff that remain auto enrolled on their pension scheme was 91%, with a range of 64% to 100%, which indicates a slight upward trend.

28. The percentage of staff that remain auto enrolled on these pension schemes is high and therefore most providers will have been affected by any increase in pension contributions, where on average providers are reporting a 14% increase. This will also be impacted by providers having a higher overall wage bill.

Question on Staff retention and turnover

29. Reason for the question: To establish the degree of staff turnover that providers were experiencing.

What we found:
30. Providers are reporting staff turnover rates of around 30% which tallies with what Skills for Care seem to be reporting for the same time frame. Turnover rates for qualified and non-qualified carers are just over 40%.

31. Providers reported that staff turnover was higher amongst newer staff. Turnover was far lower amongst staff that have been with provider for a longer period.

32. We asked providers what the top 3 reasons were that they struggled to recruit and retain staff. The following is a summary of their responses with the most frequently cited reason at the top:

a) Pay rates that do not compare well with other sectors
b) Lack of available accommodation in Cornwall
c) Poor perception of working in social care.

33. Quotes on pay from Providers;

a) *The increasing challenges across the county with recruitment of health and care staff (including the NHS) is causing many knock-on issues - including a race to the top as regards hourly rates. Whilst health and care continue to complete, rather than work as one workforce, this will continue. Issue with accommodation in Cornwall continue to impact staffing too.*

b) *Better Pay - like £15.00 an hour would raise status of job to what it is worth. Not possible I know unless the government can creatively use tax etc to help.*

c) *Hospitality and the benefits agency are my greatest competitors. It isn't always about the hourly rate, flexible hours, no weekend work [outside of care] is very attractive.*

d) *Benefits remain a strong driver on applications and the number of hours staff will work as many work up to the benefits threshold. We noticed a marked increase in applications when the £20 universal credit top up was scrapped.*

Question on Staff vacancy rates

34. Reason for the question: To establish the degree to which providers felt they were 'fully staffed'.

<u>What we found</u>:

35. In terms of staff vacancy rates, all the providers that responded indicated that they had vacancies for front line staff. A significant proportion of these were for extended periods of time (3 months or more). Some providers reported that recruitment is an ongoing / continuous process and that it has become increasingly challenging throughout the COVID pandemic.

36. The primary reason for staff leaving is to move to another sector.

37. Quotes on vacancy rates from Providers:

a) *2019-2020 whole company turnover 17.6% 2020-21 whole company turnover 26%*

b) *We are reluctant to take on 'full time' workers because, as a small outfit' we find it difficult to cover the vacant hours during leave periods.*

c) *People are disillusioned - they can get paid £1 more an hour for working as a barista for costa with more sociable hours than they can working in care*

d) *Full employment in the county is driving higher pay rates in many sectors which would have paid equally to care in the past - these increases are attracting staff who have had a difficult two years under Covid regardless of their passion for care. They are also being attracted by NHS initiatives.*

Question on Inflationary and additional costs

38. Reason for the question: To establish the nature and degree of cost pressures experienced by providers in relation to non-staffing costs and the extent to which these exceeded recognised inflationary indices (RPI, CPI, etc).

<u>What we found</u>:

39. It was clear from the responses that providers experience the impact of inflationary and additional costs differently. The following is a list of cost areas that respondents identified as representing increased costs which are over and above recognised rates of inflation (sometimes significantly so). Not all providers experienced above inflation cost increases in all these areas and when providers did experience a cost increase in a given area, they would generally experience it to different degrees, but on average;

a) Total wage bills have increased by 13%, which is particularly significant as many providers are reporting fewer staff that at any point in recent years. Some providers are reporting that salaried management staff are filling in for front line carers.

b) Insurance premiums continue to rise, and providers have reported a 6% increase, however this is on top of a 42% in the previous year.

c) Utilities have increased by an average of 20% since last year, and all indications within the energy market suggest that a further price increase is likely from April 2022.

d) Pension contributions have increased by an average of 14%, affected by the increase in wage bills.

e) National Insurance contributions have likewise seen a large increase of over 30% as this is also affected by having a higher overall wage bill. A further rise of NI is expected from April 2022.

f) Motor fuel costs for domiciliary care providers have increased by 8% since last year and the sector expects a further increase from April 2022 (pump prices have increased by 23% in the last 12 months).

40. The reality is that providers experience inflation and additional costs differently however, overall most providers were reporting a rise in non-wage consistently above recognised measures of inflation.

41. Quotes on costs from Providers;

a) *Our wages bill for this year is probably going to be less than last year because the management team (who are on 'salaries) are filling in for the lack of carers (incl 99% of the sleep-ins).*
b) *Costs in 2021/22 appear lower however we have less employees due to recruitment issues and therefore have had to limit the number of residents we can admit to ensure safe and consistent care levels.*
c) *Since the large jump in NMW 2015 we have seen a doubling to trebling of the Income Tax and NI (employee and employer) that we pay on our employees and our behalf to HMRC each year.*
d) *We are finding that our margins are continually being cut as annual council uplift in % terms does not cover the required increase in Foundation Living Wage and its associated increases (NI, pensions and all other wage linked costs).*

Question on Occupancy rates (for accommodation-based services)

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

<u>What we found</u>:
43. Residential and Nursing homes reported a very varied average rate as the sector was so heavily affected by localised COVID lockdowns which prevented them from taking admissions for periods of time.

44. Many providers have also reported that they were operating significantly under their maximum bed capacity due to difficulties in recruiting and retaining staff.

45. Domiciliary Care and Supportive Lifestyle providers have also been heavily affected by COVID with many reporting that they have been operating at less-than-optimal capacity due to staffing issues.

46. There have been some Domiciliary Care providers that have been able to grow within the last year and are now operating at an increased capacity to meet the increase in demand for care in people's own homes.

CONCLUSIONS
47. Residential Services: Taking an average 71% of Care Home costs being spent on wages, which have increased by 13% and an average of 29% of costs covering all other areas which have increased by 15%, then;

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