

PROVIDER FEEDBACK

Provider Feedback	LCC Response
<p>Provider A</p> <p>Thank you for the attached letter sent 16.01.2024.</p> <p>I have spoken to our Regional Business Support Manager, Community Engagement & Development Manager, and the Head of Sustainable Funding Team regarding the 7.3% proposed 24/25 uplift for our Lincolnshire residential services.</p> <p>We understand that the formal offer will be made is the percentage is approved 05.03.2023 at the budget setting meeting.</p> <p>Prior to the budget setting meeting Provider A would like to feedback that the 7.3% is not acceptable, it is an inadequate offer which would leave us with an unsustainable rate for our 24/25 services.</p> <p>Please can you take our concerns with this rate into consideration whilst the Council engages in their budget setting procedure?</p> <p>We hope to receive a more sustainable and sufficient offer after our feedback has been considered.</p>	<p>LCC recognises the scale of increase in the National Living Wage and has applied that increase to the pay components of all care rates in place with providers. For the non-pay elements of the care rates, LCC will continue to apply the consumer price index forecast inflation for the year ahead. For 2023-24 this was 8.3% and whilst inflation in April and May 2023 was 8.7%, each month dropped to the current 4%. LCC has not reduced the 8.3% in the 2023-24 rate structure. With a proposed average inflation of 3% for 2024-25 in addition to the 2023-24 rate, the 2024-25 offer of 7.3% is a fair reflection.</p> <p>Should you be in the position that your organisation can't sustain the rates proposed and face the risk of financial failure, LCC has a Hardship Process in place. This process will work with you, on an open book basis, to understand what actions may be needed to move forward.</p>

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<p>Provider B</p> <p>Thank you for setting out a proposed uplift of 7.3% from 1 April 2024 and the factors which have been used to determine this rate. Whilst the factors used reflect current market conditions to some extent, the calculation uses National Living Wage rather than Real Living Wage. Provider B has been a Real Living Wage provider since April 2022 because we recognise the importance and value of the work our colleagues do, and how important it is that our residents benefit from having the best experienced professionals caring for them at all times. Provider B absorbs the differential between the Real Living Wage and National Living Wage increases into the reserves of the Charity, which becomes increasingly difficult to do year on year when fee settlements are only considering the National Living Wage. We hope that LCC will reconsider the level of pay included in the calculation for fee settlements for 2024/25 in recognition of giving employees an appropriate remuneration for the work they do.</p>	<p>Rate Uplift</p> <p>LCC recognises the scale of increase in the National Living Wage and has applied that increase to the pay components of all care rates in place with providers. The data submitted during the market assessment completed in 2021 highlighted that some roles were paid above the national living wage and therefore the average paid across the sector was reflected in the rates. The assessment and rates were shared with the sector as part of the exercise. Each year we increase the rates by the national living wage % uplift to reflect a fair and consistent approach.</p> <p>Digital Social Care Record (DSCR)</p> <p>For each of the 3 years from 22/23 23/24 and 24/25, the Department of Health & Social Care (DHSC) provide grant funding to each Integrated Care System (ICS) area, which is paid to the Integrated Care Board (ICB). The total amount granted is based on relative needs formula and is intended to assist with the promotion of DSCR and support care providers with the costs of the first year of implementing</p>

<p>We would also ask for consideration to be given to the additional operating costs associated with operating a digital care record system. The Government made a commitment that 80% of care providers would be operating a digital care record system by the end of March 2024. Whilst funding provision has been made to support the implementation of this system, there needs to be further support from the DHSC to support this national initiative on an ongoing basis.</p> <p>We are grateful to the Lincolnshire ICB for the funding support which is enabling Provider B to implement the Nourish digital care record system during the 2023/24 financial year. The licence costs associated with the system are an incremental cost burden which all providers need to cover and I would ask this is covered in the fee for 2024/25. In simple terms, the cost per registered bed is £110 for the next financial year. This equates to £2.11 per week which we would ask to be added to the fee settlement for 2024/25. Whilst this seems like a negligible increase, it is another operating cost care providers need to cover and financial support from local authorities towards this is appreciated.</p>	<p>and running a DSCR. Care providers can apply for funding support to the ICS if they have selected a DHSC approved system and are wanting to implement.</p> <p>In Lincolnshire, Lincolnshire County Council (LCC) work in partnership with NHS Lincolnshire ICB and Lincolnshire Care Association (LinCA) to promote and manage the grant.</p> <ul style="list-style-type: none"> • NHS Lincs ICB transfer the DHSC grant funding to LCC. • Any applications made by care providers operating in Lincolnshire are directed to LinCA • LinCA work directly with care providers to promote the benefits of DSCR, receive expressions of interest and give assistance for care providers to select and implement a solution • LCC, ICB and LinCA make up a DSCR panel which considers funding applications from care providers once they have decided to invest in a DSCR • Approved applications are paid to the care provider by LCC through a grant funding agreement, which is shaped by the terms of the DHSC programme. The grant fund outlines that the funding shall be used for; <i>Software Licence and hardware leasing for DSCR, plus implementation and transfer of records to a digital format, and backfill of staff time for system training, with a maximum contribution equal to the lower of 50% of cost or £200 per registered bed supported for the first 12 months of use.</i>
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<p>Provider C</p> <p>Provider C is an 83 bed nursing home specialising in dementia, learning disabilities and mental health for young adults and the elderly. The majority i.e. over 80% of residents are funded by LCC, the remaining through CCG, other local authorities and a very small number of self-funders. Therefore, we heavily rely on LCC and vice versa.</p> <p>Following LCC’s proposed Adult Social Care fees, I would like to add the following which highlights the cost pressures Provider C are facing:</p> <p>Occupancy</p>	<p>LCC recognises the 9.8% increase in the National Living Wage and has applied that increase to the pay components of all care rates in place with providers. For the non-pay elements of the care rates, LCC will continue to apply the consumer price index forecast inflation for the year ahead. With a proposed average inflation of 3% for 2024-25, the 2024-25 offer of 7.3% is a fair reflection. LCC will continue to track the CPI through 2024-25 to monitor the pace of progress towards the forecast 3.1%.</p>

- Our occupancy has decreased since Covid-19 and has not returned to pre-pandemic levels.

Staffing

- Our biggest inflationary pressure is staff cost.
- NLW will increase from £11.44 from £10.42 i.e. 9.8% plus associated cost of National Insurance and Pension: i.e. in real terms an increase of 11%
- We are finding it increasingly difficult to recruit and retain staff given that other competitors to the Care Sector offer higher wages with added welcome bonuses, which we simply cannot compete with given that funding has/is been below par.
- We must factor in our rural location and lack of public transport in recruiting staff. Such added barriers require new employees to drive.
- Agency Staff: usage and costs remain high. We heavily rely on Agency Nurses specifically the Night shift. We hope that the Scottish Model of nurses on night shift is adopted in England to help ease pressure.

Other cost pressures:

- Utilities: Energy Gas and Electricity: increased by 132%
- Insurance cost: increased by 68%
- Cleaning & Medical: increased by 21%
- Increasing base rate: Mortgage repayments: 28% increase

To conclude: we know that NLW will increase by 11% in real terms from April 2024. Staffing is the biggest cost pressure for all Care Homes, in addition as I have highlighted above the further cost pressures, it is wholly unreasonable that LCC's fee proposal does not take into account these percentages or cost pressures whether current or future. In the proposal, it includes 3% forecast inflation to the non-staff components of the rates: we feel this is an optimistic forecast and inflation most likely will not settle, thus a further review will be required during 2024/25 financial year.

To conclude, we do not feel that the proposed fee level would represent a fair cost of care.

The residents at Provider C are some of the most vulnerable residents within the community who need our support, in turn Provider C need the necessary support from LCC.

Increments in fee levels in previous years have not reflected inflation rates respectively, leaving a wide gap in the cost of care.

We are proud to offer excellent care to our residents and wish to continue, however if we are not financially supported by the Council with a fair increment, the quality of care is likely to diminish. Without the Council support, inevitably our services will become unsustainable. Our residents deserve the best quality of life, without your support their quality of life will suffer.

Provider Feedback

Provider D

- Lincolnshire County Council acknowledge in the attached letter the additional cost pressures associated with the National Living Wage (NLW) and inflation. Clearly the proposed uplifts will not meet the aforementioned pressures. It is not clear from the attached letter the specifics on how the uplift percentages were calculated. Could these please be made available for review?
- When considering the National Living Wage increase we must also consider the actual effect of the Autumn Statements NI changes. The true increase is **10.35%**, as the Employer NIC threshold has remained at £175.01 per week. It is important that you build the higher figure into your inflation calculations.
- Inflation forecast – we believe that RPI is a more appropriate measure of the increases that will affect our care services, forecasted at 5.1% for 2024. [CP 944 – Office for Budget Responsibility – Economic and fiscal outlook – November 2023 \(obr.uk\)](#)
- An 1:1 hourly rate of £15.18 when the NLW is £11.44 is not sufficient. Additionally, Lincolnshire County Council will be aware of the issues with recruiting and retaining staff since the pandemic, particularly in rural services. In response to these pressures, and to ensure that we continued to deliver high quality care and support, Provider D made the decision to make significant improvements in the pay levels at these services including increasing our base pay rate to above national living wage, paying premium rates for night and weekends (50p per hour), overtime (£1 per hour) and specific bank holiday enhancements. We also maintained differentials for front line managers.

LCC Response

LCC is continuing to apply the approach to the model construct that was agreed following the market assessment in 2021. That assessment reflected the average rate paid in Lincolnshire across those homes who participated in the assessment, including where this is higher than the NLW. LCC continues to apply the NLW % uplift across the averages within the rate structure and therefore the 9.8% uplift has been included for 2024-25.

For the non-pay elements of the care rates, LCC will continue to apply the consumer price index forecast inflation for the year ahead. With a forecast average inflation of 3.11% for 2024-25, the 2024-25 offer of 7.3% is a fair reflection. LCC will continue to track the CPI through 2024-25 to monitor the pace of progress towards the forecast 3.1%.

Provider D is proud of the quality of care and support we provide, and we believe we can demonstrate commitment to maintain standards and to work creatively and positively with all our commissioning partners. We look forward to continuing to work with you to continue to deliver high quality and sustainable services for the people we support however this needs to be at a sustainable rate.

Provider Feedback

Provider E

Considering where we are as a sector, it is important for us to be open and transparent with you regarding where we are as an organisation. In short, I can confirm that our cost pressures going into 24/25 are between 8.6% to 9.2% and whilst we can limit some of the cost pressure impact through different means, i.e., reducing agency, increasing occupancy, the uplift we require this year to cover costs would be 8.4% as a minimum.

The offer from Lincolnshire County Council falls short of this at 7.3%. I'd therefore be grateful if you could look again to review if you are able to offer an increase on the proposed rates. Should there not be any ability to move further on the rates, we will likely have to look at other strategies to mitigate the cost pressures, e.g., reviewing our current top-up schedule arrangements.

Specifically, we would like to challenge the non-staffing pay related cost pressures at 3%. Whilst we acknowledge that the Council have stated they will look again at the fee rates should inflation not reduce to this level, we feel there is a need to remind you that this was also stated as part of the 2023/24 fee setting process where a 5.5% uplift was allocated to non-staffing related costs (based on CPI) and at the time of writing the average CPI from April 23 to December 23 is 6.44% but the rates have not been reviewed.

For further detail regarding our financial cost pressures should it be of use:

- Staffing costs – we are currently paying the Real Living Wage across (RLW) at each of our 6 homes and we already know the RLW increase is 10.1% this year. Staffing is always the largest cost – and therefore cost pressure – that we have, with 80% of our home costs going towards Colleagues' pay, pensions and rewards. At Board-level, we have restated our commitment to pay by reiterating it as our number one priority and are hoping that we can continue to pay RLW locally.

LCC Response

For the non-pay elements of the care rates, LCC will continue to apply the consumer price index forecast inflation for the year ahead. With a forecast average inflation of 3.11% for 2024-25, the 2024-25 offer of 7.3% is a fair reflection. LCC will continue to track the CPI through 2024-25 to monitor the pace of progress towards the forecast 3.1%. LCC did review the inflationary uplift early on in 2023-24 and this was increased from 5.5% to 8.3% for the full year.

LCC is continuing to apply the approach to the model construct that was agreed following the market assessment in 2021. That assessment reflected the average rate paid in Lincolnshire across those homes who participated in the assessment, including where this is higher than the NLW. LCC continues to apply the NLW % uplift across the averages within the rate structure and therefore the 9.8% uplift has been included for 2024-25.

- Non-staffing costs – admittedly these have been more difficult to estimate but we calculate them to be around 4.7% to 6.7% (excluding energy costs) accounting for approximately 20% of our overall cost pressures. Food, maintenance and insurance are our largest projected increases above inflation levels at 10%, 10% and 15% respectively. We acknowledge that CPI has fallen but this has not yet filtered through fully and accommodation-based services are more sensitive to these cost pressures, e.g., energy usage is way above that of ordinary residential properties. On energy, we are actually projecting a reduction in energy costs (which are still comparatively high in relation to 22/23 costs but lower than in 23/24) and expect this to offset other non-staffing costs by around 1 to 2%. We therefore projecting the following range in non-staffing costs:
 - Minimum: 2.7% (4.7% offset by 2% energy cost reduction)
 - Maximum: 5.7% (6.7% offset by 1% energy cost reduction)

Our projected minimum and maximum uplifts based on cost pressures are therefore:

- **Minimum**
 - Staffing costs: 10.1% (80% weighting)
 - Non-staffing costs: 3.7% (20% weighting)
 - Required uplift: 8.62%

- **Maximum**
 - Staffing costs: 10.1% (80% weighting)
 - Non-staffing costs: 5.7% (20% weighting)
 - Required uplift: 9.22%

Thank you in advance for considering our view as part of this process.

Provider Feedback	LCC Response
<p>Provider F</p> <p>Whilst we acknowledge the financial challenges facing Lincolnshire County Council, the proposed increase is lower than the 8.5% which the sector nationally is predicting for 2024-2025. Care providers are experiencing significant increases in</p>	<p>This seems to be based on a misunderstanding of how the contract works. Where a provider charges a price above the council’s Usual Cost the provider is entitled to payment of that price as long as a third party makes up the difference between that price and the Usual Cost. The contract works to ensure that if the Usual Cost is increased the provider’s price also increases by the same amount. In this way the full</p>

<p>costs beyond the impact of NLMW increase, particularly as they try to maintain the quality of the environment which the residents enjoy.</p> <p>We understand the rationale for applying the forecast inflation rate of 3% to non-staff costs but are concerned that this may be overly optimistic. If the anticipated reduction in inflation does not materialise, would Lincolnshire County Council be happy to review the impact of inflation at the end of Quarter 1?</p> <p>Given that Third Party top up rates were set when providers were unaware of the proposed rates for the future yearly periods, and given the prevailing financial climate that has ensued, providers need to be able to review these in order to maintain the contribution to costs that was anticipated when they were set. We would not expect families and other third parties who are already contributing to the fees of providers services to be faced with large increases as they are also experiencing cost of living issues. We would propose a 7.3% uplift for 2024-2025 in line with the proposed fee increase. Would you support this proposal?</p> <p>For new clients, we feel that providers should be free to re-establish a new contracted TPTU maximum rate based on their projected cost base, on a room-by-room basis. This could be added to the current schedule as a maximum per room. As now, these would be maximum values, with providers free to reduce or waive them for each new placement.</p> <p>As I am sure you appreciate, care providers continue to experience significant financial, and workforce related pressures and given the funding constraints to which you are subject, we remain concerned that some providers will find it difficult to be able to deliver the quality care that we would all like to see at the proposed rates.</p>	<p>value of the Council’s increase is passed through to the provider without increasing the value of the top up. So, although it is true to say that providers could not foresee what increases the Council would make to the Usual Cost in future years, they are protected against this in any event by the fact that the providers price automatically rises with an increase in the Usual Cost. In this way the differential is always maintained, and therefore the request for a proportionate increase is in effect already happening.</p> <p>For the non-pay elements of the care rates, LCC will continue to apply the consumer price index forecast inflation for the year ahead. With a forecast average inflation of 3.11% for 2024-25, the 2024-25 offer of 7.3% is a fair reflection. LCC will continue to track the CPI through 2024-25 to monitor the pace of progress towards the forecast 3.1%.</p>
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Provider Feedback	LCC Response
<p>Provider G</p> <p>I write regarding the proposed fee settlement for the above period and have several comments I would appreciate you considering.</p> <ol style="list-style-type: none"> 1. The proposed fee increase will not cover our per bed wages bill increase as a result of the 9.8% rise in the minimum wage, for a number of reasons: <ol style="list-style-type: none"> a. To maintain pay differentials between staff in different roles, all staff will expect a 9.8% pay increase. 	<p>LCC is continuing to apply the approach to the model construct that was agreed following the market assessment in 2021. That assessment reflected the average rate paid in Lincolnshire across those homes who participated in the assessment, including where this is higher than the NLW. LCC continues to apply the NLW % uplift across the averages within the rate structure and therefore the 9.8% uplift has been included for 2024-25.</p>

<p>b. Due to the inability of the care sector to recruit UK staff, many of our staff our from overseas. To enusre we are fully staffed we have no alternative than to pay visa costs and higher per hourly wages for overseas workers. These costs are not reflected in your proposed increase.</p> <p>c. The rise is based on care homes employing the bare minimum number of staff and does not take into account the costs of additional staff, such as those conducting activities, that enhance the lives of our residents.</p> <p>2. The 3% inflation increase is overly optimistic. It fails to take into account escalating conflict in the Middle East which is dispruting supply chains and increasing the costs of goods we purchase. It also fails to take into account other inflationary pressures from border checks that will soon be introduced following Brexit which will increase import costs of goods we purchase.</p>	<p>For the non-pay elements of the care rates, LCC will continue to apply the consumer price index forecast inflation for the year ahead. With a forecast average inflation of 3.11% for 2024-25, the 2024-25 offer of 7.3% is a fair reflection. LCC will continue to track the CPI through 2024-25 to monitor the pace of progress towards the forecast 3.1%.</p>
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Provider Feedback	LCC Response
<p>Provider H</p> <p>I am reaching out to express our concern regarding the fee income set for our funded residents by the council.</p> <p>As you may be aware, the cost of providing quality care has been steadily increasing, driven by factors such as rising operational expenses and upcoming national minimum wage hikes. Despite the headline inflation rate showing signs of reduction, the costs to our business have continued to rise disproportionately. Our total staff costs from April 2024 are estimated to increase by c.13%, far exceeding the 7.3% fee increase set for 2024.</p> <p>While we understand the constraints faced by councils in allocating resources, we believe that the current fee income set for our residents does not adequately account for the actual costs associated with providing outstanding care and maintaining our standards of excellence. The proposed 7.3% increase falls significantly short of covering the projected increase in staff costs alone, let alone other operational expenses.</p>	<p>LCC is continuing to apply the approach to the model construct that was agreed following the market assessment in 2021. That assessment reflected the average rate paid in Lincolnshire across those homes who participated in the assessment, including where this is higher than the NLW. LCC continues to apply the NLW % uplift across the averages within the rate structure and therefore the 9.8% uplift has been included for 2024-25.</p> <p>For the non-pay elements of the care rates, LCC will continue to apply the consumer price index forecast inflation for the year ahead. With a forecast average inflation of 3.11% for 2024-25, the 2024-25 offer of 7.3% is a fair reflection. LCC will continue to track the CPI through 2024-25 to monitor the pace of progress towards the forecast 3.1%.</p>

We urge the council to reconsider the fee income set for our residents and consider the substantial rise in costs that our facility is facing. Failing to do so may jeopardise our ability to continue delivering the level of care and support that all our residents deserve.

Additionally, we would welcome the opportunity to engage in constructive dialogue with you to explore potential solutions and ensure that the needs of both our residents and the council are met in a sustainable manner.

Provider Feedback	LCC Response
<p>Provider I</p> <p>With the NMW confirmed the rise from £10.42 to £11.44 per hour, this change, coupled with the persistent challenges of inflation, escalating energy and utility costs and unpredictable fuel prices, presents a significant financial strain on our organisation.</p> <p>We are committed to upholding the quality of care and support services we provide in Lincolnshire. However, without a meaningful increase in our contracted service fees, we foresee the sustainability of our current services becoming increasingly untenable.</p> <p>While acknowledging the intricacies of the financial landscape, we firmly assert that a substantial funding increase of approximately 14% is imperative to uphold the ongoing delivery of care and support services in your region.</p> <p>Several factors underscore the necessity of this request as stated above:</p> <ul style="list-style-type: none"> • NMW Increases – The government decision to raise the NMW will significantly impact us to cover the higher labour costs associated with paying our own and agency staff at the new minimum wage rates at +£1.02ph. • Inflation – Inflation is currently running at 3.9% well above government targets, and is increasing the costs of goods and services, including utilities, equipment and supplies. There have been unit price increases of 8% and 5% for gas and electricity in January and indeed OPEC is warning of a rise in oil costs as production is cut. Food inflation is set to continue in 2024 and not flatten until mid-year. 	<p>LCC is continuing to apply the approach to the model construct that was agreed following the market assessment in 2021. That assessment reflected the average rate paid in Lincolnshire across those homes who participated in the assessment, including where this is higher than the NLW. LCC continues to apply the NLW % uplift across the averages within the rate structure and therefore the 9.8% uplift has been included for 2024-25.</p> <p>For the non-pay elements of the care rates, LCC will continue to apply the consumer price index forecast inflation for the year ahead. With a forecast average inflation of 3.11% for 2024-25, the 2024-25 offer of 7.3% is a fair reflection. LCC will continue to track the CPI through 2024-25 to monitor the pace of progress towards the forecast 3.1%.</p>

- Rising operation costs – Beyond staff costs for labour, there are additional expenses such as insurance, maintenance and administrative overheads.
- Increased complexity of need – To expand our capacity, retain and hire staff with the right level of training to deliver quality services in your region and keep people safe.
- Technology upgrades – Investment in new technologies to digitise care records (as per NHSX pilots), improve service delivery, enhance efficiency and meet regulatory requirements.

We genuinely value our partnership with Lincolnshire County Council and are dedicated to working collaboratively to find a solution to these financial challenges. Our primary concern is the health and well-being of the individuals we support and our staff.