PROVIDER FEEDBACK

Provider Feedback	LCC Response
Provider A	
We have read the letter in detail, it has been very helpful and we note that the fees mentioned within the letter cover standard care home provisions, and thus the fees mentioned would not be applicable to the specialist services that *Provider A* provides. The *Provider A* services, commissioned by Lincolnshire County Council, are packaged on an individual basis to help manage service users with complex needs and/or challenging behaviours, and therefore the staffing levels on site would be different to Care Homes that deliver a more standard level of care. *Provider A* is experiencing significant cost inflation in order to respond to the current workforce marketplace. This challenge is in part an effect of the pandemic, but also Brexit, which has led to a reduced number of staff available to work in the sector. There is also strong competition from other sectors where pay/conditions/incentives have led to workers leaving health and social care. To ensure we maintain delivery of safe, high quality care as required by the Care Act of 2014 *Provider A* have undertaken an annual review of its fees. This review has taken into account cost pressures, notably direct staff costs of recruiting/retaining and developing staff. We continue to maximise efficiency and have absorbed some costs. From 1st April 2022, we will be requesting a minimum uplift of 6.9% on the overall package for your placements. This is driven, in the main, by the 6.6% increase in National minimum wage which is unavoidable and presents a real issue for us all.	*The fees proposed are informed by responses to the Care Analytics survey and include standard care home and specialist services provision, incorporating and applicable to the vast majority of care packages commissioned by the Council. There are and will continue to be examples of bespoke packages of care commissioned for those with severe complexities for which costs are not included in the proposed 'usual cost' rates. In these cases, costs will continue to be managed through our existing processes.* *For non-standard cases, the % for that customer group is applied to the bed cost / hourly rate contained within the price make up.* *The Council recognises the workforce challenges across the whole of the Health and Social Care Sector, these challenges are not just a local issue but also a regional and national one. Locally LCC are investing in an attraction campaign to improve the perception of Care as a Career. We expect all Lincolnshire providers to benefit from this work.* *In relation to wages the model is based on the median results received back through the survey. The wage rates in the model include a 6.6% uplift to reflect the increase to the National Living Wage. It also includes public holiday premiums as standard, even though not all homes are paying this.* *Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1st April 2022.*

Provider Feedback	LCC Response
Provider B	
On April 1st, we are wondering how it is going to work with the User Contribution and the Third-Party Contribution. Will you invoice the Next of Kin and or Client?.	*A letter was sent to all providers on 11th January providing a further update on the move to gross payments.*

I am aware there will be more information sent out to us by March, but we are trying to gain a better understanding of the new procedure.	*At the point when we move to gross payments, LCC will be collecting user contributions and third party contributions directly from the individuals. Gross payments are expected to commence in July 2022. Payment Information Letters are continuing to be distributed, the last one was dated 11th January 2022.*

Provider Feedback	LCC Response
Provider C	
I am disappointed to see Mental Health nursing fees are lower than Older Persons Nursing fees. Earlier last year we were promised Mental Health fees would be brought into line with Learning Disability fees and nothing has been communicated. In my opinion the skills of the RNMH are not recognised or valued. We do not demand top-ups because our residents rarely have the means or a third party. If Mental Health fees remain low, the area runs the risk of losing a dual registered Nursing Home for Mental Health.	*This point is acknowledged. It was the Council's intention to utilise the 2021 survey data to inform the development of the fee structure and rates for mental health residential and nursing provision. Unfortunately, only 4 responses were received from providers in this category of care, and of the 4 mental health care homes who submitted responses, none provided the cost breakdowns requested. As a result, there was insufficient data to inform a bespoke financial model in this category of care.* *The Council plans to re-engage and work with Mental Health providers over the course of 2022/23 to encourage provision of the data needed to inform the development of a further changes to the fee structure for this category of care.*

Provider Feedback	LCC Response
Provider D	
I'm sure you are aware that as a provider of support for very complex individuals that our current weekly rates are much higher than those noted in the letter. Although we are currently signed up to the contract T&Cs we have separate pricing schedule – schedule 2 for each of our services and each individual's agreed weekly cost is listed within this document. I'm assuming that this approach will continue for us post April 2022, please can this be confirmed?	*We can confirm that costs relating to the small number of very complex individuals will continue to be managed through our existing processes with you.*

Provider Feedback	LCC Response
Provider E	
Thank you for the information provided however I do not believe we are currently on your core rates and so we would be looking for an idea of the percentage uplift award for your packages in FY22/23	*There are and will continue to be examples of bespoke packages of care commissioned for those with severe complexities for which costs are not included in the proposed 'usual cost' rates. In these cases, costs will continue to be managed*

	through our existing processes. *For non-standard cases, the % for that customer group is applied to the bed cost / hourly rate contained within the price make up.*

Provider Feedback	LCC Response
Provider F	

• Please confirm you acknowledge and will factor in the exponential increase in both staff and hotel costs currently being experienced and projected but not factored into organisational responses submitted in the Summer upon which the commissioned report is predicated.
 	
• Please can you confirm that whilst not referenced directly, there is scope for the cost of care delivered to this cohort to be negotiated outside of the 3 band structure.
  o You have previously acknowledged differences in need amongst the individuals whose LD care you commission and whilst we concur with the concept of bands, as we have said before, there is a 4th band that is missing, which is one for the most complex individuals.
  o As a specialist provider, placements for complex individuals are costed on the basis of needs. These impact the structure and cost of both the environment and the support, which must be tailored specifically to the individual and by their nature, are not capable of being banded, other than 'Any Other'.
 	
• What percentage increase are you proposing for Band 4 - "Any Other"?
 	
• Where is the shortfall in actual costs incurred in the 4 years to 31 March 2022 catered for?
  o You will be aware that from previous communications from us as a provider that costs incurred in delivering the placements we are commissioned to provide year on year far exceed the average of the increases LCC awarded under the 3 year framework as well as in the extended 4th year of its term.
 	
• Additionally, acknowledging that Lincolnshire is a net importer of placements, any LCC award of necessity impacts more placements than those
	The fees proposed are informed by responses to the Care Analytics survey and include standard care home and specialist services provision, incorporating and applicable to the vast majority of care packages commissioned by the Council.
	
	This year's rate increase is significantly higher than that in previous years in recognition of the cost increases.
	
	The wage rates in the model include a 6.6% uplift to reflect the increase to the National Living Wage. It also includes public holiday premiums as standard, even though not all homes are paying this. The 1.25% NI increase expected from 1Apr22 will be covered by the proposed increases to the rates following consultation funded from the Market Sustainability and Fair Cost Fund.
	
	The Comprehensive Spending Review forecast that inflation will average 4% across 2022 and this has been built into the models non pay costs.
	
	The council recognises that there are, and will continue to be, examples of bespoke packages of care commissioned for those with severe complexities for which costs are not included in the proposed 'usual cost' banded rates. In these cases, costs will continue to be managed through our existing processes.
	
	For non-standard cases, the % for that customer group is applied to the bed cost / hourly rate contained within the price make up.
	
	In addition to the allowance made in the model for non-pay costs, we recognise that for some providers utilities costs are significantly different to those submitted in the market survey. We also recognise the volatility of this market, therefore we are proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures. We will develop and publish the detail of this fund during Mar22.

commissioned directly where contractually an out of county commissioner pegs its annual fee increases to the host authority.	*In undertaking the market review work we have identified a number of areas we would like to review further. This includes the structure of the learning disabilities rates currently represented in the bandings. As part of this work programme we will be meeting with providers and look forward to engaging with you further.*

Provider Feedback	**LCC Response**
Provider G	
Whilst we are aware that there remains many budgetary pressures in relation to social care, we are also acutely aware that it is a sector that has suffered many problems and setbacks over the last 5 to 10 years and whilst there has been a number of political promises made at a national level none of these have really planned for the long term security of the sector. We also realise that the Local Authority can only affect the situation in a small way, though we do feel the move towards Gross Payment Basis is a welcome step made by LCC. With regard to the proposed fee increases we note that the increases are projected to be between 5.63% and 5.79%; this we have looked at in the context of the increased costs of running the homes. We have in this exercise ignored the additional costs related to COVID as these are specific to the pandemic; we have also concentrated on the 4 main cost centres relevant to running the home: Wages – The National Minimum Wage is to increase by 6.6% as per Government figures released in October. This is the very minimum increase required to attract or retain staff – there continues to be a shortage of workforce within the sector and this has resulted in a bout of wage inflation. It is our belief that employment costs have increased by around 12.5% for our businesses. There is already clear evidence that those providers aiming for the high end private market are looking to monopolise staff for their homes, thus leaving those willing to cater for the social care funded sector unable to attract staff. Food – Food inflation in relation to Brexit has increased prices by over 12% to date and is likely to continue to increase, especially with the current supply chain	*The Council recognises the workforce challenges across the whole of the Health and Social Care Sector, these challenges are not just a local issue but also a regional and national one. Locally LCC has in place a Workforce Strategy and are investing in an attraction campaign to improve the perception of Care as a career.* *In relation to wages the rates have been informed by responses to the Care Analytics survey. The model is based on the median results and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this.* *Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1st April 2022.* *This year's rate increase is significantly higher than that in previous years. The Comprehensive Spending Review forecast that inflation will average 4% across 2022 and this has been built into the models non pay costs.* *We recognise that for some providers utilities and insurance costs are significantly different to those submitted in the market survey. We also recognise the volatility of this market, therefore we are proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures. We will develop and publish the detail of this fund during March 2022.* *In undertaking the Market Review work we developed a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities.*

pressure. Light & Heat – The Sector is a very energy intensive end user. The increased cost of heating and lighting has currently resulted in commercial price increases of around 21.2% with no sign that this is likely to reduce. Insurance – The Sector has become a high risk sector for the Insurance Industry and the narrowing of choice has resulted in an increase in costs. Currently we are looking at a rise of around 10% in Insurance costs. Clearly there is no way any rise can reflect all of these cost increase in full but we do feel that rises of less than 65 are inadequate to maintain viability and levels of service. Our suggestion would be around 10% increase on rates. This will still be less than the average increase in costs incurred but a lot more likely to retain some level of viability to state funded social care.	

Provider Feedback	LCC Response
Provider H	
1. Whilst any increase is warmly welcomed, it needs to reflect the commerciality in the market sector and the pressures that the NHS is struggling under for finding either step down facilities or permanent discharge beds. 2. The overall fee increase is some £30 which amounts to about 5.6%. 3. The actual reality is that there is a nationwide shortage of care workers and it has now become a competitive buyers market, so much so that we have already had to increase our pay rates twice in an 8 week period in November / December 2021 to well above NMW. This was either to retain or recruit experienced staff. This amount to a wage increase of 10% (including increased NIC and pension) on our wage bill pcm which equates to a wages bill of 53% for non nursing care, which is higher than market sector. 4. This is before any NMW increase in April (expected to be another £6.6%) or fee increase, so the October / November wages increase is already eroding any existing profit margin. 5. Work undertaken by us on January 13th 2022 showed that based on 30 residents the cost of care, excluding extensive refurbishment was £580 per room which against a basic fee of £533, gave a loss of £47pw per room. The loss element is before any head office costs. Our actual registration is 36 beds but due to the configuration of some of the rooms, the effective registration is 31, so we are near capacity.	*Point 1 is noted and the Local Authority continues to work closely with our Health colleagues in looking to create a single pathway for intermediate care.* *The Council recognises the workforce challenges across the whole of the Health and Social Care Sector, these challenges are not just a local issue but also a regional and national one. Locally we are working with LinCA as part of our Workforce Strategy to attract and retain the care workforce, this includes investing in an attraction campaign to improve the perception of Care as a Career.* *The market assessment highlights that differences in operating policies and practices between providers (such as size of home, layout) add complexity when seeking to produce a standard cost model for the marketplace. The 2022-23 cost model is built upon amounts representative of both the median of survey results and the trimmed mean.* *In relation to wages the model is based on the median results reported by providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this.*

6. The only profit element that is made is from the private residents, and that is being eroded by the loss on the LA funded rooms. It is unfair on private residents to increase their fees in line with inflation and commerciality and to effectively also be subsidising losses. We cannot do this. 7. Energy costs are increasing on average some 20 - 30%, and these costs already represent some 15% of our gross proceeds. NIC is due to increase some 1.25% on NMW increases ranging from 4% to 9.8%, and because of our age demographic, our average increase will be ranging from 6.6% with a further 1.25% NIC increase, so a double tax impact. These costs also exclude increased petrol costs for staff travelling to work which they will expect to see reflected in any pay increase, even if it is held to NMW rather than market sector. And then there is the hidden cost of keeping the differential between the pay grades. 8. This downward decline is not sustainable given market pressure on wages and will only serve to result in homes closing down or having to accept more private residents who will pay a more realistic and commercially based fee. 9. The fee increase needs to be at least 10% to enable care homes to keep pace with market sector and recruit the best people for the job.	*Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1Apr22.* *The ASC White Paper 'People at the Heart of Care: adult social care reform' confirmed additional funding announcements, a workforce fund being one. At the time of writing this report, the details of local allocations and access to the funds are still awaited. It is the intention of LCC to continue to support its providers in accordance with the conditions of the funds.* *We recognised that for some providers utilities costs are significantly different to those submitted in the market survey. We also recognise the volatility of this market, therefore we are proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures.* *We believe that in undertaking the Market Review work we have been able to develop a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities.*

Provider Feedback	**LCC Response**
Provider I	
In responding to the proposed fee levels, which are a step in the right direction, but unfortunately and disappointingly, they don't go far enough to address the very serious underlying financial challenges facing residential and nursing home care providers. These include the following: 1. Inflationary pressures in the economy, which continue to rise, particularly pay, food, and utilities/energy costs and including the recent interest rate rise. 2. Wage inflation and its impact on the labour market both nationally and locally. This is resulting in Care Providers having to increase their reward packages to a level beyond the new national living wage increase, to enable them to recruit and retain staff of the right quantity and quality. 3. The financial impact of COVID-19 on staffing levels to ensure proper IPC	*Recognising the increases in inflation we have applied 4% in line with the predictions for 2022 as stated in the Autumn Budget and Spending Review published in October 2021.* *It has also been recognised that for some providers utilities costs are significantly different to those submitted in the market survey. We recognise the volatility of this market and are therefore proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures.* *In relation to wages the model is based on the median results supplied by providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this.*

arrangements are in place to protect residents and to manage visiting so that Care Homes can continue to provide high standards of care for residents. 4. The challenges arising from the dynamic impact of the pandemic on occupancy levels in some Care Homes and on the other hand the high level of demand in others to support hospital avoidance and early discharge. This latter challenge is having an impact on staffing levels to provide care for people with higher dependency needs, including end of life of care, and post-Covid syndrome 5. The potential for the above to impact adversely on staffing levels to the extent that this part of the social and health care system will not be able to respond to the Care Closer to Home policy and to the need to support hospital avoidance and early discharge – reducing hospital in-patient capacity. 6. There is also the question of whether the proposed fee adequately compensates Care Home providers for requirements in the new proposed services specification, which at the time of writing this response is outstanding and the Care Home sector has been unable to undertake a comparative evaluation exercise. 7. The review undertaken by Care ANALYTICS is a very useful analysis of the Care Home market and associated costs and challenges, but it is very difficult to reconcile the financial information in the report and LCC's fee offer and a 'fair price for care' approach. The financial pressures on Local Authorities, is recognised within the context of the macro national financial challenges, but in terms of priorities the care of older and disabled people, many of whom are the most vulnerable and at risk in society, should be seen as one of the highest priorities for Local Authorities, alongside children and young people, bearing in mind LA's statutory responsibilities. Local Authorities with Adult Social Care [ASC] responsibilities have the flexibility within the Council Tax precept arrangements to raise the precept by a maximum of 3% for ASC purposes. It is noted that this was not applied for 2021/22 financial year. This is viewed as a lost opportunity to support the Care System in Lincolnshire and it is hoped that this policy will be reviewed for 2022/23, which would reflect the County Council making care services for elderly and disabled people a top priority for investment.	*The Council recognises the workforce challenges across the whole of the Health and Social Care Sector, these challenges are not just a local issue but also a regional and national one. We are working closely with LinCA and other partners on the implementation of our Workforce Strategy. This includes a countywide attraction campaign to promote Care as a Career.* *Cost pressures associated with Covid-19 have been excluded from this work. The Council will continue to ensure all additional funding made available to address these pressures is passported directly to providers, as has been the case to date. Factors such as Covid are key in the rationale to only set rates for the 2022/23 financial year.* *A number of updates and improvements have been made to the service specification, however, it has been concluded that the existing specification is fit for purpose, comprehensive and in line with best practice.* *The Care Analytics survey has enabled us to further develop our cost model ensuring it is representatives of both the median of results and the trimmed mean shown in the reports shared. Since the market review exercise we have received further information in relation to the Market Sustainability and Fair Cost of Care Fund. This, in addition to the feedback received from the market, has been considered when finalising our usual costs. Use of the Fund has enabled us to propose increases to the rates following consultation which will cover the 1.25% NI increase expected from 1Apr22.* *The Council will consider its budget proposals for 2022/23 during February 2022 but is proposing a 3% increase in our adult care precept. Revised budget proposals for 2022/23 – Lincolnshire County Council* *In undertaking the Market Review work we developed a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities for 2022/23. We do however recognise the changing market conditions are therefore not proposing to set rates beyond one year at this time.*

Whilst it is recognised that there is a degree of unpredictability in the Care Market, resulting from the pandemic and future Adult Social Care reforms, the financial challenges have been with us for some time, exist now and are likely to continue because of COVID-19 variants and inflationary pressures. The LGA/ADASS have been making the case for some time that the care sector is underfunded by a quantum of £7BN and 1.4M people are not receiving the care they require to sustain acceptable levels of health and wellbeing. *Provider I*, along with some other similar Care Providers in the County is a charity and company limited by guarantee. The cost base is kept to a minimum because of a Committee of Management made up of Volunteers - reducing management overhead costs, being debt free with no debt servicing costs, and no dividend payments to shareholders. But despite this, our current nursing care bed costs are in the region of £900 per week, and with the fee rates proposed and FNC, that still leaves us with around a £100 per bed shortfall. Thank you for considering the points made in this letter and we hope that it makes a positive contribution to the County Council's review of fees as part of the Residential Review and Fee Settlement for 2022/23, which require a further uplift either now or mid-year 2022/23 to recognise the serious financial pressures being faced by Care Home providers in Lincolnshire.	

Provider Feedback	**LCC Response**
Provider J	
I have read the presentation provided by the external consultant retained by LCC and would like to request further information about their findings in two areas. Firstly, did the consultants provide any written analysis on the impact of care home insurance cost increases of over 200% into their calculations? Secondly, did the consultants provide any written analysis on the impact of the 400% wholesale energy price increases into their calculations? I ask this, because the proposed fee increase of £30 per bed per week does not adequately cover these costs. To provide calculations of some basic costs for my own care home, which are based on the home operating at an occupancy level of 40 residents. Costs per bed	*The work undertaken by Care Analytics did capture the current insurance costs, this analysis did not support a 200% cost increase. However, it did note that insurance could increase by 30% but that this should be monitored as it may be subject to further change. This is a factor in our decision to secure a one-year financial arrangement so that future arrangements can take into account further cost pressures.* *It has also been recognised that for some providers utilities and insurance costs are significantly different to those submitted in the market survey. We recognise the volatility of this market and are therefore proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures.* *The 2022/23 cost model is built upon amounts representative of both the median of*

obviously increase if the home is not fully occupied. Cost increase per bed £ Wages & NI 26.83 Insurance 2.88 Food 1.87 Fuel 41.82 Total 73.40 *This is the estimated fuel increase we have been provided with by our energy supplier which will come into effect in June when our current fix rate expires. Against this cost backdrop, please provide the detailed calculations that justify how LCC has reached a proposed fee increase of £30 per bed per week. Please also provide details of how LCC proposes that care homes should cover these additional, non-discretionary costs, which are not covered by the proposed £30 per bed per week fee increase. I also draw your attention to the fact that in 2021, at the height of the pandemic, LCC increased the fees paid to providers by 2.1%. The justification for this was that the 2.1% increase was equal to the 2.1% increase in mandated wage rises. However, in 2020, wage rises increased by 6.1% but LCC only increased fees by 2.1%. In 2022, wages are increasing by 6.2% and national insurance contributions by 1.25%, thereby creating a wage rise increase of 7.45% for care homes, yet LCC is proposing a fee increase of only 5.6%. Please provide documentation setting out the evidential basis for the changes in LCC's funding policy and why at a minimum, fee increases are not to be linked in percentage terms to minimum wage increases. This would provide the most effective measure of ensuring the ability of care homes to provide the requisite level of care and to support the NHS in the discharge of medically fit patients.	*survey results and the trimmed mean. The model also includes a 4% inflationary uplift which is in line with predictions set out in the Autumn Budget and Spending Review published in October 2021.* *In relation to wages the model is based on the median results supplied by providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this.* *Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1Apr22.*

Provider Feedback	**LCC Response**
Provider K	
Thank you for the fee setting document and the enclosure of proposed fees for 22/23. We calculate this in an average offer increase of 5.7% across Residential and Nursing care Adult services. In response whilst we acknowledge the proposal this still falls short of our cost	*The 2022/23 cost model is built upon amounts representative of both the median of survey results and the trimmed mean. The model also includes a 4% inflationary uplift which is in line with predictions set out in the Autumn Budget and Spending Review published in October 2021.*

pressures for the coming year to which we have a calculated a rise of circa 9.2% in 22/23. For reference, this cost increase can by split by standard 22/23 cost pressure increases of a minimum 6%, plus an additional 3.2% brought about by the introduction of our new pay and reward strategy from January 22. Clearly the bulk of the 6% is in the increase in payroll costs (calculated to 6.6% plus 1.25% in NI Levy. Internally all payroll costs above NLW have been budgeted at a 3% increase, however as noted this excludes our pay and reward. In terms of non-staffing costs again we anticipate an increase of circa 3%, (separate to Food 10%, Insurance 20% and Utilities (estimated at a minimum 5% increase for 22/23, however clearly this could be higher). In addition our central costs are expected to rise from by circa 18% up to £40 per Resident per week.	*In relation to wages the model is based on the median results supplied by providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this.* *Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1Apr22.*

Provider Feedback	LCC Response
Provider L	
Please find below our comments in response to the Residential Review and Fee Settlement 2022 consultation: • The Lincolnshire older adult care home market review 2021 was completed prior to notification of the new national minimum wage rate increase due to come in to effect from 1st April 2022. The revised rate should have been the starting point for the review, however, as it stands, the review is out of date. • The review does not consider the extensive utility price hikes which are continuing to increase beyond recognisable historic rises. • The limited margin of profit left with the providers means that there is little available to be ploughed back into the homes for future refurbishment / development works to ensure the homes are fit for the future. • There is a national recruitment crisis which is causing care homes to pay additional fees to attract quality personnel into care homes. • COVID-19 – Expectations with regards to the level of detail for provision of care and reporting continue which does not appear to have been considered within the review of fees put forward for consultation. • Additional funding in relation to COVID-19 will come to an end (Infection control and Testing) which has been vital in the support of the homes during what continue to be very testing times.	*The review was undertaken on the most appropriate timeline given new contracts need to be in place from 1st April 2022. The increase to the national living wage is being taken into account in the final model.* *It has been recognised that for some providers utilities costs are significantly different to those submitted in the market survey. We recognise the volatility of this market and are therefore proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures.* *The Council recognises the workforce challenges across the whole of the Health and Social Care Sector, these challenges are not just a local issue but also a regional and national one. Locally LCC are investing in an attraction campaign to improve the perception of Care as a career.* *In relation to wages the model is based on the median results supplied by providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this.* *Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1Apr22.*

• PPE Portal – although this has now been extended until March 2023, at the time the potential fees given to the providers had not considered the extra costs related to the provision of PPE when the portal was originally due to come to an end. As a general observation, located on the grid of Page 15 of the review it is evident that the average fee obtained for 2020-2021 is £759. LCC have not considered this as an average and have produced fees that start considerably lower than this. In summary, we feel that the revised rates currently in the market for consultation fall considerably short of what is required to ensure the continued safe and effective provision of care across the Lincolnshire sector.	*Cost pressures associated with Covid-19 have been excluded from this work. The Council will continue to ensure all additional funding made available to address these pressures is passported directly to providers, as has been the case to date. Factors such as Covid are key in the rationale to only establish a set rates for one year, rather than the usual three.* *We believe that the tables on Page 15 of the review refer to self-funder fees, not Local Authority fees.* *In undertaking the Market Review work we developed a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities.*

Provider Feedback	**LCC Response**
Provider M	
Whilst we welcome the decision to propose an increase to the current fee, we are concerned that the proposed increase does not go far enough to address the real and pressing concerns of providers. There can be no surprise that homes are facing closure under the current pressures faced as quality providers, like ourselves, endeavour to continue to provide high standards of care & maintain full compliance with CQC when the fees being paid are fundamentally inadequate. You will have noted the number of homes in the area that are closing due to their inability to sustain the financial pressures of the market today and yet, no replacement beds are being commissioned. Furthermore, it is the standard of the remaining beds which I am most concerned about, some of which would not even meet the current standards of homes today and are continually being found to 'Requires Improvement' or be 'Inadequate' in the views of the Care Quality Commission. As a group, we model our care staffing structures at all of our Homes as follows: · A ratio of anywhere between 20-25 hours per resident per day. · The span of salaries for managers is between £65,000 and £90,000 per annum, dependent on the size of the Home and local competition.	*In undertaking the Market Review work we developed a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities. We believe that the proposed rates enable providers to meet the CQC regulations.* *We contract with 95% of all care homes within Lincolnshire, across this provision there is a 16% vacancy rate. Therefore there is no need to commission further replacement beds at this time, however, we are mindful that there may be a need to secure block beds capacity. This is something we will be looking at during the course of this next year.* *In relation to wages the model is based on the median results supplied by providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this.* *the 1.25% NI increase expected from 1Apr22.* *Cost pressures associated with Covid-19 have been excluded from this work. The Council will continue to ensure all additional funding made available to address*

National Living Wage (previously National Minimum Wage) alone has increased by more during the past 12 months than that being proposed, this is before even considering this year's NLW increase (which is an additional year on year increase of 6.6%). The fee increase proposed does not meet this additional cost which adds hundreds of thousands of pounds to our wage bill. I am more than happy to share with you our financial accounts for these homes which will support my point. The above, in addition to the ancillary and administrative staff required to operate a Home, equates to over 65% of our income being used to pay wages before indirect costs such as head office costs, finance costs, return on capital and a modest amount of profit considered. Furthermore, as a group we spend in excess of £500,000 per year in training and development ensuring our staff are not only compliant in their training knowledge, but also to provide excellent levels of care to the elderly residents they serve. To further highlight the concerns with the proposed fee, we have projected a cost per resident per week of circa. £675.00 for this financial year (2021/22) compared to £625.00 for the financial year 2020/21. Covid-19 has and also continues to have a significant financial impact upon the care home market. This impact will continue to endure through 2022/23. Subsequently, we have vastly increased HR costs as a result of the introduction of mandatory vaccinations in the social care sector, resulting in the extensive recruitment of overseas staff at significant cost to mitigate staffing shortages. As it has over the last five years, the effects of Brexit continue to impact Providers, with both food and utilities costs increasing by over 5% compared to previous years. Our primary concerns are: • The increase proposed at 6% which has been presented fails to pay any or adequate consideration to the financial pressures on the market at this time; costs per resident have never been higher. • Furthermore, there have been increased costs of registration fees, insurance, utilities without focussing on the increased requirement for medical supply/equipment hire costs, which have been passed onto care home providers. It is our understanding the Government has recently issued guidance on Market Sustainability and Fair Cost of Care Fund for 2022 to 2023. As detailed in the guidance, 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	*these pressures is passported directly to providers, as has been the case to date.* *Recognising the current pressures and volatility, including the impact of Covid-19, the council is proposing to set a one-year rate model rather than rates across three years.* *The 2022/23 cost model is built upon amounts representative of both the median of survey results and the trimmed mean. The model also includes a 4% inflationary uplift which is in line with predictions set out in the Autumn Budget and Spending Review published in October 2021.* *It has been recognised that for some providers utilities costs are significantly different to those submitted in the market survey. We recognise the volatility of this market and are therefore proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures.* *The Market Sustainability and Fair Cost Fund is to enable preparation across local markets for the announced social care reforms. The fund will be released over the next 3 years to support us to move towards paying a fair cost of care across residential and non-residential care. The Council has received £2.273m for the financial year 2022-23. Working through the conditions of the fund, we are able to propose an increase to the rates published in December which will cover the 1.25% NI increase expected from 1Apr22. These rates will see the full £2.273m fund committed to ASC providers.* *The Council does not consider that the rates on which it consulted would, if confirmed, have been unlawful or in breach of any of its statutory obligations.* *In any event the Council has considered all the feedback received and taken account of changed circumstances including in particular the Market Sustainability and Fair Cost Fund and is proposing an increase in the Usual Costs above those originally consulted on to address concern about costs with the increased funding available.* *The Council's proposed Hardship Fund also directly addresses concerns expressed within the consultation responses including from yourselves.*

times, leading to poorer quality outcomes. It is noted that an additional £1.4 billion of funding is being provided over the next three years to assist local authorities with moving towards paying a fair cost of care. You will no doubt be aware that the 2022/23 funding, designed to ensure local authorities can prepare their markets for reform, requires local authorities to carry out a number of activities. As part of this, a true cost of care exercise is required to be conducted by local authorities to determine the sustainable fee rates and identify how close they are to it. It is essential that the Council sets sustainable fee rates. The care market is a critical front-line service and has been neglected by the Council over many years. It is our opinion the proposed fee increased does not meet the duties in the upcoming year. We would therefore welcome working together with you to assist the Government with their proposals for reform and to ensure the fee setting process is fair and sustainable to meet the obligations required in 2022/23 and in the future. To reiterate, the fee increase proposed is not adequate or in line with the current costs of care. We would be grateful if you could confirm that your market shaping exercise is only the first step in undertaking a fair review of the market and a true cost of care exercise. If the Council fails to increase the proposal and adopts it as a final decision, it will be acting unlawfully and in breach of its statutory duties to the market. We look forward to your prompt response and ask that you review your position before finalising your decision.	

Provider Feedback	**LCC Response**
Provider N	
We feel the amount for settlement is not adequate. A. The rate of inflation for 2021 has been 5.1%, the current figure is 5.4% and expected to reach 6% by late spring. The settlement figure suggested would be approximately 4% and would create a more negative position. B. Calculations as stated in the report are based on minimum wage payments	*The market assessment highlights that differences in operating policies and practices between providers (such as size of home, layout) add complexity when seeking to produce a standard cost model for the marketplace. The 2022-23 cost model is built upon amounts representative of both the median of survey results and the trimmed mean.* *The model includes a 4% inflationary uplift which is in line with predictions set out*

to staff, however we pay above national living wage for our staff retention and recruitment at £9.62 per hour. C. The associated wage costs regarding annual leave average entitlement and pension and NI contributions must be considered. D. Some providers in the report are able to supplement their income by their charitable status not afforded to private organisations. E. The sustainability fund has highlighted the shortfall to providers and with an acceptable increase the fund would not be required. F. The cost of living in Lincolnshire is now the same as most other counties including property prices, wages, daily cost for utilities, food etc. G. Lincolnshire unit weekly rate is way below adjacent counties, but the costs are now relatively the same. The average weekly cost is £1400 - £1500 per week which Lincolnshire remains well below. We need to be able to move through this very difficult time and trust that the feedback will help support a significant increase in the proposed settlement.	*in the Autumn Budget and Spending Review published in October 2021.* *In relation to wages the model is based on the median of results received from providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this.* *Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1Apr22.* *The sustainability fund was introduced due to specifically address pressures resulting from Covid-19. Cost pressures associated with Covid-19 have been excluded from this work. The Council will continue to ensure all additional funding made available to address these pressures is passported directly to providers, as has been the case to date.* *Recognising the current pressures and volatility, including the impact of Covid-19, the council is proposing to set a one-year rate model rather than rates across three years.* *The figures are based on the returns from Lincolnshire providers and therefore we believe that the rates adequately reflect the actual costs incurred by providers in Lincolnshire.*

Provider Feedback	**LCC Response**
Provider O	
Please find a basic business cost analysis for *Provider O* as an example. Please note that the fee proposals for any care home funded entirely through the local authority does not support itself. The fee proposal takes into consideration the £0.59p hourly rate increase, and assumes a 5% inflation rate on Overheads. Please note that the industry has seen considerable uplifts in Insurance rate, and finance rates. We are also going to be experiencing at least a 30 – 50 % increase in the basic utility costs. These factors would not have been taken into consideration in your fee proposals.	*The proposal submitted has been reviewed alongside all feedback received.* *The previous model was based upon 90% occupancy. The only element of the current model which includes occupancy in the calculation is the return of capital. All other costs are based on the median of survey results and the trimmed mean therefore occupancy rates will not impact on the pay and non pay parts of the model.* *It has been recognised that for some providers utilities and insurance costs are significantly different to those submitted in the market survey. We recognise the*

We propose a £659.50 HD rate to support LCC with up to 9 placements at *Provider O*.	*volatility of this market and are therefore proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures.*

Provider Feedback	LCC Response
Provider P	
Thank you for providing the opportunity for Providers to comment on the Fee Setting proposals for 2022/23. We appreciate the recognition by the Council of the challenges that providers face in terms of long standing cost pressures and Covid-19. I am currently undertaking a review of actual and budgeted costs, of all residential services, setting by setting to ensure viability of services. At the moment, the current framework model does not cover costs sufficiently to allow for sustainability of the services in the longer term. This is due to a number of reasons that are being worked through, one of these being that the weekly fee is eroded by a shortfall in funding for additional 1:1 support, and there is a practice of daycare provision being recharged to the residential care home, rather than funded separately. At this time, this means that many care homes are in deficit, with the cause being high 1:1 hours and/or daycare provision as well as a rise in costs generally felt and indicated by current inflation rates. *Provider P* will review our current services and come back to you in more detail re the above, and would like to make the following points. 1) Annual increases to fixed costs have not kept pace with cost increases. Fixed costs such as energy, gas, transport have all increased and contributed to rising inflation - 5.4% (CPI, Dec 2021) in the 12 months to December 2021. Homes have already been impacted by inflation rises. In addition, staff costs (wage costs, holidays, training, NI, insurances, HR) have not kept pace with cost increases felt by *Provider P*. Recruitment, retention, covering staff shortage with agency and/or overtime, induction and training costs all form part of increases in our overall operational costs. To some extent, this has been met by short term covid funding, which we are thankful for. The model proposes a varying %age increase in fees, *Provider P* homes are Band 2, £31 increase (4.14%) for large homes; £32 for medium size homes (4.03%) and £33 for smaller homes (3.92%). However,	*As part of this review work we have identified a number of areas we wish to consider further over the coming year, this includes working with the specialist sectors to ensure we continue to operate within a robust cost model.* *In the most recent years we had based inflation on the CPI average forecasts. 2022-23 is aligned to the spending review average forecast of 4%. It will differ month by month as highlighted in the spending review however the forecast is 4% across the year. We do recognise the potential volatility in costs and in response are proposing a 1 year rate only at this point. In addition, to support providers with potentially high energy costs, we are proposing a Hardship fund for 2022-23 – more details will follow on how to access this fund.* *In relation to wages the model is based on the median of results received from providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this. Where providers were paying more than the NLW, this is reflected in the median and means that the average wage rate included in the model is higher than the NLW in some cases.* *Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1Apr22.* *We do recognise the current challenges being faced by Care Providers in relation to the recruitment of care workers, these challenges are being faced nationally, regionally and locally – LCC will continue work through the Workforce Strategy to support the sector, including a campaign promoting Care as a Career.* *In undertaking the Market Review work we developed a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities.*

longer term there is an expectation of higher instances of staff shortage and continued difficulties with recruitment. This may in part, be resolved by ensuring a **Real Living Wage** (9.90 – 11.1%) for support workers. Your proposed increase to our current fee level by 3.92% to 4.14% doesn't reflect the cost increases already felt by *Provider P* in 2021. At a minimum, your uplift must be sufficient to ensure funding required to cover fixed costs bearing in mind that inflation has been high (5.4% - CPI, Dec 2021), and is expected to increase further with forecasts that it may reach 7% by Spring 2022. *Provider P* have already absorbed increases in costs due to inflation. *Provider P* will be required to uplift support worker salaries to pay the national living wage (9.50 - 6.6%). We would wish to be funded at a level that would allow us to address staff issues and low pay in the sector, with a real living wage (11.1%). 2) *Provider P* welcome increases in wage rates for our staff. In April 2021, the National Living Wage (NLW) increased by 2.2% to £8.91, *Provider P* currently pay a slightly higher rate for our support worker roles of 9 pence. The mandatory 6.6% increase from 1st April, must be fully funded. In addition, *Provider P* would propose that it would be desirable for LCC to fund at a level that would equip providers to pay a Real Living Wage (11.1%). Please consider that take home pay for our workers, having benefitted from increases to NLW and *Provider P* commitment to fund at a higher level than this – will be diminished by the new health and social care levy. The need to fund at a higher level is supported by research. 3) The pressures of covid-19 on managers/team leaders has been substantial and we are seeing a higher level of attrition at these levels. The insufficient increases in fees in previous years and the mandatory increases in the NLW have led to an erosion of the pay differentials between support worker and these posts. At registered manager, team leader level, recent benchmarking indicates that *Provider P* are lagging behind for salary costs and the impact of this is felt through recruitment, retention, training, agency costs. 4) Energy costs and other fixed costs are likely to increase over the next financial year and this will impact the fixed cost base again. We are concerned about the shortfall in funding for 1:1 support, and would put forward our view that the proposed overall %age increases to current rates	

are **insufficient**. The issue with underfunding 1:1 hours must be addressed separately. Following this, our view is that your proposed increase of around 4% falls around 3% short of the uplift required to keep pace with expected increases in operational costs. *Provider P* feel 7% for April 22 – March 23 would be the minimum required, with an 11% increase allowing *Provider P* to fund support workers at a Real Living Wage level. Fair and sustainable fee rates are an investment across the County. Further investment in the adult social care sector can boost local economies through increased demands for goods and services and increased spending by those employed in the sector.	

Provider Feedback	LCC Response
Provider Q	
We recognise and acknowledge that the financial pressures placed upon LCC are vast, complex and relentless, especially during these truly unique times. We know that you are trying to support us with Gross payments and ongoing Grant funding etc and continue to navigate through COVID-19 pandemic. We have noted the proposed increases to our fees for 2022 / 2023 and although at first glance, it may appear to be a reasonable uplift compared to previous years, we feel anxious that this is not a sustainable increase and will not place us in a viable position as we face unprecedented increases across our care home provision? Our ability to operate safely has always meant we have felt forced to rely on a higher ratio of privately placed residents to that of LCC placed residents, purely due to the difference in fees paid. This is to be compounded further should our costs continue to rise turbulently as they have been doing. We therefore must stress that the proposed increase will not offer us adequate financial input to be able to offer the required (& deserved) care to our LCC residents and just continues to place the burden of financial balance based on the ratios of private residents we can attract. Staffing pressures / overtime / uplift costs & National Living/minimum Wage costs are major stresses for the business, huge utility increases, nervous insurance	*The ASC White Paper 'People at the Heart of Care: adult social care reform' recognises that people who self-fund their care should not have to pay more than local authorities for the same service, it aims to ensure that self-funders can access the same rates for care costs in care homes that local authorities pay, ending the unfairness where self-funders have to pay more for the same care, while ensuring local authorities move towards paying a fair cost of care to providers. We are committed to working towards the aims set out in the white paper in accordance with the implementation timescale.* *In undertaking the Market Review work we developed a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities.* *We have recognised the increase in National Living Wage in the revised figures and following consultation are proposing to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1Apr22.* *In relation to energy prices it has been recognised that for some providers utilities and insurance costs are significantly different to those submitted in the market survey. We recognise the volatility of this market and are therefore proposing to create a Hardship Fund during 2022/23 which can be accessed to support with*

companies and unprecedented premium increases, elevated premium on materials and labour for joinery, plumbing, electrical works is like never before along with interest rates of well over 5% all suggest that the proposed **Residential Review & Fee Settlement 2022** is insufficient. This does not even cover the usual increases of all other associated supplier costs for consumables, maintenance, inspection etc that are informing us of increases upwards of 8%. I hope we have been able to express our feedback adequately for you and that we are listened to. Thank you for consulting with us and the sector as a whole and we hope that further consultation can be achieved as we move forwards in partnership for the benefit of our most vulnerable.	*these unpredictable cost pressures.* *Inflation has been added in line with predictions set out in the Autumn Budget and Spending Review published in October 2021.* *A key reason to only set rates for the next financial year, 2022/23, is the recognition of the volatility of the costs associated with delivering care.*

Provider Feedback	**LCC Response**
Provider R	
The report seems mostly very thorough. Unfortunately, Care Analytics were gathering their information at a time of extraordinary change in our Socio-Economic climate. The partial collapse of the care labour market at expected costs is well documented, advertised posts for careers at £10+per hour unfulfilled which is 12% more than the current national minimum wage, and its knock-on effects with regard to pay differentials. Registered night nurses being directly employed at £25ph+oncosts; Energy Gas and Electricity are already rising for some providers by 100%; Insurance costs raising between 30%-80%; Building/Maintenance Materials up to 100%; Agency Nurse use and costs increasing dramatically. Much of this is not fully factored into their understanding of the base point up to March 2022 (i.e., before we even look at what will occur during 2022-2023). It should also be noted that many providers have provided figures from their filed accounts, and not from up-to-date monthly management reports; because smaller homes do not always have this information to hand, and this is particularly relevant during the latest period of Covid, inflation; and labour shortages. Once we fully understand the current cost base; then expected general domestic inflation expected to be 7-8% during 2022/2023 needs to be factored in along with any extraordinary inflation relevant to the Lincolnshire care sector. Such as sectors exposed to labour costs close to the National Minimum Wage, as this sector is always squeezed first. Given the uncertainty of the forthcoming year we feel a	*The market assessment highlights that differences in operating policies and practices between providers (such as size of home, layout) add complexity when seeking to produce a standard cost model for the marketplace. The 2022-23 cost model is built upon amounts representative of both the median of survey results and the trimmed mean.* *In relation to energy prices it has been recognised that for some providers utilities and insurance costs are significantly different to those submitted in the market survey. We recognise the volatility of this market and are therefore proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures.* *We have applied an inflation rate of 4% in line with that predicted in the Autumn Budget and Spending Review published in October 2021. A key reason to only set rates for the next financial year, 2022/23, is the recognition of the unpredictability of the costs associated with delivering care.* *In relation to wages the model is based on the median of results received from providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this. Where providers were paying more than the NLW, this is reflected in the median and means that the average wage rate included in the model is higher than the NLW in some cases.*

mechanism needs to be developed that can automatically respond to spikes in costs; as other than energy costs (which if a provider choose to lock in, is circa 100% inflated), most of a care homes' costs are subject to suppliers increasing their costs with little or no notice, and this includes the labour market if new staff need recruiting. So, locking into a LCC yearlong fee structure is full of risk currently for providers; this could leave some providers having to rely on increasing third party top ups with little notice. **Below are some published statements, which supports why we believe current 2021/22 inflation is underestimated, and therefore the current fees do not meet the current costs of care, along with the data in the Care Analytics report; and what will happen in 2022/23 is also under estimated.** "Worst inflation in 40 years 7% surge" Various "Inflation rises 7% over past year, highest since 1982" - Financial Times `12 Jan 2022 Suppliers chain "PPI quote Nov20-Nov21 **9.9%** increase" ONS.gov.uk "RPI All Items – Dec 2020 – Dec201 **7.5%** increase" ONS.gov.uk "Unite said the true scale of the crisis has been revealed in the RPI rise of 7.5%, which it said is a more accurate figure than CPI." – Unite Union In these unprecedented disrupted socio-economic times, we believe any extrapolation of data and trends to predict future events in 2022/2023 should be treated with extreme caution. This includes the underlaying stability against all manner of metrics used to measure the outcomes and performance of the Adult Care Sector. We are also currently seeing some care homes who have traded successfully for years providing good care, start to slip and become distressed, which is a worrying development. We would have welcomed more analysis in the report on the scope and levels of Third-Party top ups, as we believe certain parts of the provider market deem these essential to deliver a high-quality sustainable service, which we believe no LCC clients should be totally excluded regardless of family financial circumstances; and also gives a competitive advantage to these providers when trying to secure scarce recourses such as staff. Third-Party Top ups and self-funders fees may give a better reflection of actual costs/fees as this is mostly a properly functioning competitive marketplace with	*Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1Apr22.* *In undertaking the Market Review work we developed a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities.*

willing buyers and sellers agreeing a mutually acceptable fee for the goods and services offered. There is also concern over the impact of cost of living will have on care staff, which is not covered by increases in the national minimum wage. Some staff will have holes in their family finances which they cannot plug without looking for increased hourly rates. Other suitable employers outside the care sector may be able to respond to wage inflation by passing on the costs; Tesco will quickly increase the costs of food, but care providers to LCC may not be able to respond in a similar manner. This is a very significant risk as it could drive workforce out of the care sector permanently. The burden on the registered managers to secure staff at affordable rates cannot be underestimated, particularly at a time when the sector has been battered by Covid; this is also impactful on a home's overall performance. General supervision and team spirit can also be affected, as managers become mindful about addressing staffs' individual performance, and the possible ensuing ramifications as the balance of power has shifted. **In Summary: -** We have not seen a detailed cost model from LCC which currently understands where we currently are based on Care Analytics data prior to April 2022 among other things. It would seem that LCC have based the current sector cost of care model on current LCC fee rates which were developed nearly 4 years ago and underestimates actual costs today. Our view is that this approach way underestimates the current environment. We have not seen a detailed cost model predicting expected costs for 2022/2023. It would seem that LCC may have a general view of inflation running at 5-6% which has been added to current fee rates to arrive at a proposed fee rate for 2022/2023. Our view is that care costs will inflate by over 10% next year, based on actual costs today and not current LCC fee rates. We believe that the strategic challenges facing our sector are huge, and that long lasting damage may be caused to the provision of care in Lincolnshire if these current proposed rates are formalised. Also, this will impact heavily on the health sector which has many challenges already. It will also unfairly impact on self-funders and third party top up fees as these face further disproportionate fee rises to plug the gap. We are currently witnessing a significant polarisation in the care	

provider provision, with providers exposed largely to base LCC fee rates unable to secure labour against higher fee earning homes, this will only worsen under current LCC proposals. We believe that fee rate structure 2022/23 of circa £660pw – Residential £700pw – Residential/Higher Dependence £740pw – Nursing + FNC + FNC uplift Is justified and necessary. We also believe that it is affordable given LCC deferred the whole of last year's Adult Social Care allowed increase and this means that Lincolnshire County Council may increase council tax in 2022/23 by up to 6%. This would show real leadership and a forward-looking vision in maintaining and further developing our Care Sector. It would also show leadership within the ICS, as it would positively impact on Health. It would allow providers to seek extra staff from outside the sector and even outside Lincolnshire such as overseas sponsored staff which are currently unaffordable to many providers.	

Provider Feedback	LCC Response
Provider S	
Thank you for providing such a detailed report and market evaluation for the care homes in Lincolnshire, I think the information within it is very useful and helps us in understanding where we are currently in the market. There are some overriding principles and points that we would like you to consider as part of this process; • We have 3 homes in Lincolnshire and they are managed very well. Staffing in terms of recruitment and retention is an ongoing issue, and has been incredibly difficult given the current pandemic, and our own pay rates are now in excess of NLW increases, and incremental increases for other roles where we would like to offer incentives for career progression need to be identified and linked appropriately to higher and more realistic pay rates, such as Senior carers, Chefs, Housekeepers etc. • Occupancy is still an ongoing concern, we have 1 homes which is currently	*The proposed model is based on the information supplied by providers and takes into account actual wages paid in Lincolnshire. The rate has been increased to reflect the National Living Wage increase from 1st April. It also includes public holiday premiums as standard, even though not all homes are paying this.* *Following the response to the consultation the Council has been able to use the Market Sustainability and Fair Cost Fund to increase the proposed rates to a level which also includes the 1.25% NI increase expected from 1Apr22.* *The previous model was based upon 90% occupancy. The only element of the current model which includes occupancy in the calculation is the return on capital. All other costs are based on the median of survey results and the trimmed mean therefore occupancy rates will not impact on the pay and non pay parts of the model.*

at 80% and therefore difficult to even break-even in terms of costs/turnover, our other 2 homes are starting to recover but we think the occupancy range should be adjusted to 85% instead of the normal 90% expectation and costs linked to this more realistic occupancy position in terms of the cost of care model • The standard residential fee rate is still inherently too low even at the proposed £563 rate. Our direct costs for staffing is currently averaging between £471 in one home to £587 in another, this is before any additional costs such as facility and care expenses are included and is simply not covering even our basis costs. We think it would be more prudent to remove this band altogether and just consider the higher dependency rate for all new admissions. Residents dependency levels are much higher and more acute than ever before, and should be assessed on level of need. • Similarly the Mental Health standard at £555 also is inherently too low and we feel this rate/level should be removed entirely and all new admissions should come in on the higher dependency rates. • All homes in 2021 have continued to experience difficulties with staffing and have had excess agency costings which are unprecedented, *Provider S* has spent £183k YTD just on agency costs. The other 2 homes are in excess of £57k so we would like this to be considered as part of your costing review. Other additional costs for 2022, are both utility costs, insurance costs and food, additional NI contributions, please consider these as well, we look forward to your comments	*In undertaking the Market Review work we developed a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities.* *In relation to energy prices it has been recognised that for some providers utilities and insurance costs are significantly different to those submitted in the market survey. We recognise the volatility of this market and are therefore proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures.*

Provider Feedback	LCC Response
Provider T	
Thank you for your letter dated 17 December 2021 with your proposal for the 2022/2023 fee increase. *Provider T* welcomed being part of the data gathering for the Care Analytics report, and the consideration that has been put into this year's annual increase.	*The market assessment highlights that differences in operating policies and practices between providers (such as size of home, layout) add complexity when seeking to produce a standard cost model for the marketplace. The 2022-23 cost model is built upon amounts representative of both the median of survey results and*

It is also encouraging to hear we will be moving to gross payments shortly and we welcome any trial of your new systems. Do let me know should you require any support from our Head of Transactional Finance.

Reading through the detail provided in your letter and the recent commissioned report, we would like to draw your attention to the following three areas:

1) Current 2021/2022 fee rates
Within your letter you have identified the current fee rate as a base for the annual increase to start from. This starting figure is not our understanding of a true cost of care.

You will recognise the following from your letter:

Care Group	Current 2021/22 Rate
Older People Standard Residential	£533
Older People Nursing	£588
Older People Higher Dependence	£587

We note you may have worked this out with 100% occupancy, and even with a full care home, there would be a reduction due to resident turnover, 95% for example. However, in your commissioned report by Care Analytics, it states a mean occupancy of 71% across the county.

Also within the report provided on the 22 November 2021, it states that the cost of care per week ranges from £760-£815 per bed, depending on whether staffing levels can be flexible with occupancy.

almost three quarters being placed in standard residential care. Therefore, your starting figures are not what we recognise to be covering our current cost of care for the annual fee increase to then be applied on top.

The rate of £749, as noted above, excludes government funding going forward from April 2022/2023, as we have assumed that the Government grants will not continue into the new financial year. However, we do account for free PPE via the Government portal which has been confirmed as extended for a further year.

And we have made an assumption that you are including actual NLW increase

the trimmed mean.

The wages rates included in the model are built on the median of survey results and the trimmed mean. Where providers were paying more than the NLW, this is reflected in the median and means that the average wage rate included in the model is higher than the NLW in some cases. The median was then uplifted to reflect the National Living Wage increases of 6.6% from April 22. The rates have also been uplifted following consultation to include the 1.25% increase in National Insurance.

The non pay elements have been uplifted by 4% aligned to the forecast inflation increase for 2022 confirmed in the comprehensive spending review. This was again compared to the median results of the surveys received back.

We recognise that for some providers utilities costs are significantly different to those submitted in the market survey. We also recognise the volatility of this market, therefore we are proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures. We will develop and publish the detail of this fund during Mar22.

The previous model was based upon 90% occupancy. The only element of the current model which includes occupancy in the calculation is the return of capital. All other costs are based on the median of survey results and the trimmed mean therefore occupancy rates will not impact on the pay and non pay parts of the model.

In undertaking the Market Review work we developed a robust model based on the information obtained and consider that the proposal overall meets the Council's responsibilities. We believe that the proposed rates enable providers to meet the CQC regulations.

within your figures.

2) LCC proposed increase

Following on from our starting point of a true cost of care, as above, this is how *Provider T* see the new financial year costs unfolding:

Descriptor	Weighted Average Fee Required
Social care levy	0.70%
Pay	6.10%
Increased housekeeping for infection control	2.50%
Insurance	0.30%
Estimate of other inflationary increases	1.91%
Total fee increase required excluding inflation on other costs	**11.51%**

The above is an increase of 11.51% on our standard costs of care.

You can see via the table below, that we are over £200 short of covering our costs when factoring in your starting position being too low and your increase of 5.6% not being high enough.

<<table deleted to ensure anonymous response >>

3) Market and sustainability

Following on from the Care Analytics report, which states that CQC audits show 30% of homes in Lincolnshire as Requiring Improvement (RI) compared to 19% nationally, and 7% inadequate compared to 1% nationally. We are proud of the care that we provide, and request support in sustaining a good quality of care through the fees the council pays. We currently have 11 homes with good ratings in Lincolnshire, and two with outstanding.

<table>
<tr><td>Low fee rates drive down the quality of care provided, whereas the rates that we have demonstrated would support the market and the sustainability needed to cover the cost of good to outstanding care as outlined by CQC. As such we are unable to see how your proposed fees of £563-£621 reflect the true cost of care as outlined in the Care Act.

As one of the largest providers in Lincolnshire we would be happy to provide any further information that is required to support the costs that we have shared in order to secure additional funding for the sector. We also look forward to the tender opportunity for a block contract which you outlined in your letter, which would offer further stability for care homes within Lincolnshire.

Thank you for your time and consideration, and so that you are aware, we are sharing all cost of care responses with the relevant bodies.</td><td></td></tr>
</table>

<table>
<tr><th>Provider Feedback</th><th>LCC Response</th></tr>
<tr><td>Provider U</td><td></td></tr>
<tr><td>We are writing in response to your letter presenting LCC’s proposed fees for 2022/23. We welcome the opportunity to provide our feedback, and would like to bring to your attention the following:

The proposed 2022/23 rate for Older People Higher Dependency is given as £621. This represents a 5.79% increase on the rate for the previous year. The letter states that this increase recognises the continued cost pressures on providers. However, we calculate that this 5.79% increase is insufficient to keep pace with current increases in provider costs, and in reality, represents a deficit to the provider of at least 0.59%.

The table below displays the known cost increases for care providers during the period in question.

<table>
<tr><th>Affects</th><th>Rate of Increase</th><th>Detail</th><th>Source</th></tr>
<tr><td>Wages</td><td>6.60%</td><td>April 2022 increase in National Living Wage</td><td>https://www.gov.uk/government/publications/minimum-wage-rates-for-2022</td></tr>
<tr><td>Wages</td><td>1.25%</td><td>April 2022 increase in Employer's National Insurance (ENI) Contributions</td><td>https://www.gov.uk/government/news/record-36-billion-investment-to-reform-nhs-and-social-care</td></tr>
<tr><td>General Expenses</td><td>5.10%</td><td>Consumer Price Index (CPI) as of November 2021 (latest available data)</td><td>https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23</td></tr>
</table></td><td>The wages rates included in the model are built on the median of survey results and the trimmed mean. Where providers were paying more than the NLW, this is reflected in the median and means that the average wage rate included in the model is higher than the NLW in some cases. The median was then uplifted to reflect the National Living Wage increases of 6.6% from April 22. The rates have also been uplifted following consultation to include the 1.25% increase in National Insurance.

A 4% inflationary uplift has been applied in line with the Autumn Budget and Spending Review published in October 2021.

In relation to energy prices it has been recognised that for some providers utilities costs are significantly different to those submitted in the market survey. We recognise the volatility of this market and are therefore proposing to create a Hardship Fundi during 2022/23 which can be accessed to support with these unpredictable cost pressures.

We are unable to confirm the status of the grant funding that has been made available by National Government during the Covid-19 pandemic. You can however be assured that any monies that become available will be passported to ASC providers as has been the case to date.</td></tr>
</table>

The following table represents the known cost increases as a percentage of provider sales.

Item	Item as a % of sales	Increase due to	Rate of increase	Increase represented as a % of sales
Wages	65%	National living wage increase	6.60%	4.29%
Wages	65%	ENI increase	1.25%	0.81%
General expenses	25%	CPI	5.10%	1.28%
			Total	**6.38%**

NB: The above table does not include the excess impact of energy and insurance.
The level of inflation for energy costs in 2022/23 is projected by all official sources to be higher than the current CPI. The same is projected for insurance, which remains historically high for the care sector.

The overall increase in costs, as a percentage of sales is 6.38%. This exceeds the proposed 5.79% increase in the weekly fee by 0.59%, which means that a provider of care for the elderly will be facing a deficit.

Therefore, we believe the fee increase should be higher. The above tables indicate that an increase of at least 6.38% will be necessary to keep pace with the known cost increases in 2022/23.

However, given that the government has widely publicised its plan to put extra money aside for the care sector (to compensate for years of underfunding, and address the difficult conditions under the Covid-19 pandemic, when most homes were operating at a loss) we expect the fee increase to be above this minimum of 6.38%, to acknowledge pandemic impacts and redress historic funding shortages.

We have noted that grants are available to assist with recruiting, retaining and training staff. We all know and understand that the recruitment and training challenge will stay with us for at least the next couple of years. Will the grants remain in place for this extraordinary situation?

We are happy to discuss any of the points raised above in more detail. We thank you for taking our comments into consideration and await the outcome of the Council's formal decision making process.

Provider Feedback	**LCC Response**

Provider V

We are writing in response to your letter presenting LCC's proposed fees for 2022/23. We welcome the opportunity to provide our feedback, and would like to bring to your attention the following:

The proposed 2022/23 standard Band 2 rate for providers specialising in Learning Disabilities is given as £780. This represents a 4.14% increase on the rate for the previous year. The letter states that this increase recognises the continued cost pressures on providers. However, we calculate that this 4.14% increase is insufficient to keep pace with current increases in provider costs, and in reality, represents a deficit to the provider of at least 2.24%.

The table below displays the known cost increases for care providers during the period in question.

Affects	Rate of Increase	Detail	Source
Wages	6.60%	April 2022 increase in National Living Wage	https://www.gov.uk/government/publications/minimum-wage-rates-for-2022
Wages	1.25%	April 2022 increase in Employer's National Insurance (ENI) Contributions	https://www.gov.uk/government/news/record-36-billion-investment-to-reform-nhs-and-social-care
General Expenses	5.10%	Consumer Price Index (CPI) as of November 2021 (latest available data)	https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23

The following table represents the known cost increases as a percentage of provider sales.

Item	Item as a % of sales	Increase due to	Rate of increase	Increase represented as a % of sales
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Wages	65%	ENI increase	1.25%	0.81%
General expenses	25%	CPI	5.10%	1.28%
			Total	**6.38%**

NB: The above table does not include the excess impact of energy and insurance.
The level of inflation for energy costs in 2022/23 is projected by all official sources to be higher than the current CPI. The same is projected for insurance, which remains historically high for the care sector.

The overall increase in costs, as a percentage of sales is 6.38%. This exceeds the proposed 4.14% increase in the weekly fee by 2.24%, which means that a provider of care for the elderly will be facing a deficit.

The wages rates included in the model are built on the median of survey results and the trimmed mean. Where providers were paying more than the NLW, this is reflected in the median and means that the average wage rate included in the model is higher than the NLW in some cases. The median was then uplifted to reflect the National Living Wage increases of 6.6% from April 22. The on costs applied to the rates have also been uplifted by the 1.25% increase in National Insurance.

A 4% inflationary uplift has been applied in line with the Autumn Budget and Spending Review published in October 2021.

In relation to energy prices it has been recognised that for some providers utilities costs are significantly different to those submitted in the market survey. We recognise the volatility of this market and are therefore proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures.

We are unable to confirm the status of the grant funding that has been made available by National Government during the Covid-19 pandemic. You can however be assured that any monies that become available will be passported to ASC providers as has been the case to date.

Therefore, we believe the fee increase should be higher. The above tables indicate that an increase of at least 6.38% will be necessary to keep pace with the known cost increases in 2022/23. However, given that the government has widely publicised its plan to put extra money aside for the care sector (to compensate for years of underfunding, and address the difficult conditions under the Covid-19 pandemic, when most homes were operating at a loss) we expect the fee increase to be above this minimum of 6.38%, to acknowledge pandemic impacts and redress historic funding shortages. We have noted that grants are available to assist with recruiting, retaining and training staff. We all know and understand that the recruitment and training challenge will stay with us for at least the next couple of years. Will the grants remain in place for this extraordinary situation? We are happy to discuss any of the points raised above in more detail. We thank you for taking our comments into consideration and await the outcome of the Council's formal decision making process.	

Provider Feedback	**LCC Response**
Provider W	
Provider W 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 70% 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. Following LCC's proposed Adult Social Care fees, I would like to add the following which highlights the pressures *Provider W* is facing: **Occupancy** • Knight Frank found average occupancy is down year-on-year from 87.9 per cent from 2019-20 to 79.4 per cent in 2020-21. • We have faced a similar trend, with occupancy decreasing by 6% from previous year. • We have never charged a third party top up fee, this however may need to be	*The previous model was based upon 90% occupancy. The only element of the current model which includes occupancy in the calculation is the return of capital. All other costs are based on the median of survey results and the trimmed mean therefore occupancy rates will not impact on the pay and non pay parts of the model.* *In relation to wages the model is based on the median of results received from providers and has been increased to reflect the increase to the National Living Wage (of 6.6%). It also includes public holiday premiums as standard, even though not all homes are paying this.* *The wages rates included in the model are built on the median of survey results and the trimmed mean. Where providers were paying more than the NLW, this is reflected in the median and means that the average wage rate included in the model is higher than the NLW in some cases. The median was*

considered in the near future. **Staffing** • 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. Our wage bill saw an increase of 12.13% from March 20 to March 21. • We must factor in our rural location and lack of public transport when recruiting staff. Such added barriers require new employees to drive. • Agency Staff: usage and cost have dramatically increased. Our agency bill saw an increase of 19% from previous year. In addition, 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. • It is expected that employees, employers and the self-employed will all pay 1.25p more in the pound for National Insurance (NI) from April 2022 for a year - after which the extra tax will be collected as a new Health and Social Care Levy. **Other cost pressures:** • Utilities: Energy Gas and Electricity: it is a known fact the utilities are increasing at an alarming rate and even more so now with Political tension in Eastern Europe. • Insurance cost: our insurance premium increased by 26% from previous year. Other insurer providers quoted up to 160% increase for the same cover. • Cleaning & Medical: our cleaning and medical cost have risen by 37% from previous year. • Increasing base rate To conclude: we know that NLW will increase by 6.6% from April 2022. 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. Furthermore, the LD proposed rates increments are not in line with other Categories of Care. <u>Thus, we do not feel that the proposed fee level would represent a fair cost of care.</u> The residents at *Provider W* are some of the most vulnerable residents within the	*then uplifted to reflect the National Living Wage increases of 6.6% from April 22. The rates have also been uplifted following consultation to include the 1.25% increase in National Insurance.* *The non pay elements have been uplifted by 4% aligned to the forecast inflation increase for 2022 confirmed in the comprehensive spending review. This was again compared to the median results of the surveys received back.* *We recognise that for some providers utilities costs are significantly different to those submitted in the market survey. We also recognise the volatility of this market, therefore we are proposing to create a Hardship Fund during 2022/23 which can be accessed to support with these unpredictable cost pressures. We will develop and publish the detail of this fund during Mar22.* *As a result of the market review work we have identified a number of areas to consider further during the next year. This includes further work with specialist sectors.*

community who need our support, in turn *Provider W* need the necessary support from LCC. Increments in fee levels in previous years have not reflected real 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	

Lincolnshire Care Association (LinCA) Feedback	**LCC Response**
Thank you for sight of the Care Analytics Lincs Older Adult Care Home Market review 2021-2022 dated 18th October 2021, and your proposed care home fees for 2022/2023 dated 17th December 2021. The report seems well commissioned and executed; however, we struggled to understand the way that the findings of the report had informed the proposed care home fees, particularly with respect to the specific concerns referred to below. Would it be possible to share this please? Without the detail of how the proposed fees were arrived at, we are concerned that some of the key cost pressures which the sector is facing may not have been addressed. Including: • Labour costs: The hardening of the labour market is well documented, with advertised posts for carers at more than £10 per hour going unfulfilled. This is 12% higher than the current national minimum wage and reflects the rising wage rates in retail and hospitality sectors which are competitors for our workforce. This increase to our base cost has a knock-on effect on the differential pay due to those with additional responsibilities. • Utilities: Energy Gas and Electricity are already rising for some providers by 100% • Insurance costs rising between 30%-80% • Building/Maintenance Materials up to 100%	*The fees proposed are informed by responses to the Care Analytics survey and include standard care home and specialist services provision, incorporating and applicable to the vast majority of care packages commissioned by the Council.* *The wages rates included in the model are built on the median of survey results and the trimmed mean. Where providers were paying more than the NLW, this is reflected in the median and means that the average wage rate included in the model is higher than the NLW in some cases. The median was then uplifted to reflect the National Living Wage increases of 6.6% from April 22. The rates have also been uplifted following consultation to include the 1.25% increase in National Insurance.* *Recognising the challenges in the workforce the Council continues to work with yourselves in both your role as the Care Association and in your role as the Strategic Market Support Provider in addressing the workforce pressures currently being faced. The Workforce Strategy and the current work with Social Change are all targeted at improving the image of care work and attracting more people to work in the industry. This is in addition to ensuring that all grant funding made available to the market has been passported directly through to providers.* *Energy rates are very concerning, however, the extent of price increases is not yet fully understood and will not impact on all providers equally. Therefore we are proposing to introduce a hardship fund in 2022/23 to support with these cost pressures.*

• Agency Staff use and costs increasing dramatically (particularly in our Nursing Homes) • 2% increase in National Insurance • Increasing interest rates due to the changing view of the care home market following the experience of COVID-19 In light of the pressures mentioned above, we are concerned that costs by March 2023 may be significantly in excess of those currently envisaged. Estimates of business inflation for 2022/23 vary significantly and in some cases are reported to be up to 10%. In these uncertain times would it be possible to review fees and cost pressures on a quarterly basis? This would also allow any grant income from national government to be taken into account. It is not lost on LinCA that significantly increasing fees is another inflationary pressure for others, however we cannot overstate that the sector is experiencing a crisis which we anticipate will worsen during 2022/2023, particularly for those care homes who are not in a position to generate additional income from top-ups or self-funders. We do not feel that the proposed fee levels would represent a fair cost of care that would sustain the sector through extra-ordinary times, in a manner that allows for high quality suitable care that meets the needs of Older Lincolnshire residents and adults with Learning Disabilities living in residential care, and indeed supports the regular delivery of Primary and Secondary Care within the ICS.	*The Comprehensive Spending Review forecast that inflation will average 4% across 2022 and this has been built into the models non pay costs.* *Cost pressures associated with Covid-19 have been excluded from this work. The Council will continue to ensure all additional funding made available to address these pressures is passported directly to providers, as has been the case to date.* *Factors such as Covid are key in the rationale to only set of rates for the 2022/23 financial year.* *The council is committed to a programme of work which will include a review of the structure of the learning disability rates, work with our health colleagues to ensure appropriate rates are paid by both health and social care for nursing placements, and to work with areas of the sector who were unable to respond to the survey, e.g. Mental Health providers.*

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