

Appendix B - PROVIDER FEEDBACK

Provider Feedback	LCC Response
<p>Provider A</p> <p>After reading the increase in fees for residential home settings, we do feel we need to bring to the attention that the increase for adult learning disabilities is not enough. We do not believe that the increase incorporates such charities as <i>Provider A</i>, where staffing for the minimum wages has not been reflected in the increase at all. The cost of everything is on the increase, and not to be provided with the percentage increase for minimum wage staffing we feel is not acceptable. The layers in which residential care has to operate, are becoming more and more demanding, and the expectation of staff is more and more, with challenging behaviours and 1:1 becoming more needed across services. The demand for residential services is still high as not all learning disabilities fit into the support living sector, and therefore we feel the support is needed. Last year the increase did not match the minimum wage increase and therefore has had a detrimental effect on cash for the service. If Lincolnshire County Council continue to not meet the minimum wages increases that are statutory, we feel that the increase in the cost of living, is going to have effects on residential settings across LLC area. LCC should look at the funding for placements in residential settings and look at increasing to the minimum wage at the very least.</p>	<p><i>The Council apply the national living wage in the rates model. This is confirmed to be £10.42 from 1 April 2023 and the model has been uplifted to include this rate. Additionally, the Council have supported commissioned providers to move towards the national living wage sooner than April 2023 through use of grant funding.</i></p>

Provider Feedback	LCC Response
<p>Provider B</p> <p>Thank you for sharing your report consultation on the 2023/24 funding uplifts. In principle your approach is similar to the <i>Provider B</i> approach, though an uplift of 8.3% is not at the level required to cover our inflationary uplifts. Please see attached letter from our CEO detailing our approach to calculating the increases required to our funding from April 2023. Commenting specifically on your letter:</p> <ul style="list-style-type: none"> - We believe that reflecting only the National Living Wage increase of 9.7% is not sufficient as the cost of living crisis alongside the widespread recruitment challenges impacting the sector require additional increases to ensure our employees remain in the sector and to attract others to work in social care. <i>Provider B</i> have proactively made significant investment to support our employees as detailed in the attached. While the National 	<p><i>The Council apply the national living wage across all adult care and community wellbeing services. This is confirmed to be £10.42 from 1 April 2023 and the model has been uplifted to include this rate. Whilst both CPI and RPI are published, the government utilises CPI for its spending.</i></p> <p><i>The Council recognises the impact of the current economic climate and have taken steps to support adult social care providers through the creation of the Hardship Fund. This has provided a contribution towards the most volatile costs. The 2023-24 proposal is recommending a continuation of the Hardship Fund. If this proposal is accepted, the Council will work with the sector to develop the governance of the fund to ensure targeted support.</i></p>

Insurance increase of 1.25% was reversed, these steps have significantly increased other on-costs now being incurred such as evening and weekend premiums.

- CPI/RPI – we believe that RPI is a more appropriate measure of the increases that will affect our care services, forecast at 10.7% for 2023 – [Where can I find your latest forecasts? - Office for Budget Responsibility \(obr.uk\)](https://obr.uk). In addition, forecast inflation for 2023 is lower than inflation levels seen throughout 2022 which were unexpected when calculating the required increasing in funding for the current financial year, therefore creating a funding gap. Finally, please also note that the cost of energy for *Provider B* has significantly increased above RPI since our fixed energy contracts fell due for renewal during 2022/23.
- In reference, to your comment in regards to an inflationary catch up for 2022-23, this should be applied in addition to the 2023/24 inflationary ask and should not form part of the 8.3% as proposed.

With reference to the inflationary uplift, we agree that the 2022-23 catch up should be in addition to the 8.3% Bank of England forecast and that is why the non-staffing costs are proposed to increase by 12%.

Provider Feedback	LCC Response
<p>Provider C</p> <p>Whilst <i>Provider C</i> always strives to work collaboratively with commissioners to address all market cost pressures, we currently find ourselves in an unprecedented situation of high inflation and high wage demands, with a very limited set of levers available to us to reduce these costs. The key inflationary pressures are as follows:</p> <ul style="list-style-type: none"> • The National Living Wage 9.7% (from April 2023) • The Consumer Prices Index 9.2% (December 2022) • The Retail Prices Index 13.4% (December 2022) <p>In addition to these inflationary market pressures, both Brexit and the pandemic continue to put enormous pressure on staffing within our sector. The challenge of recruiting and retaining a suitably trained, experienced and vaccinated workforce remains paramount. These skilled, experienced and motivated staff are essential if we want to continue to support our service users to the highest level of care.</p> <p>On assessing the impact of these financial challenges, we expect our cost base to increase by the equivalent of a 12.7% annual fee uplift. But we are also acutely aware of the cost pressures that you as purchasers are also under, so we are</p>	<p><i>The Council apply the national living wage across all adult care and community wellbeing services. This is confirmed to be £10.42 from 1 April 2023 and the model has been uplifted to include this rate. Whilst both CPI and RPI are published, the government utilises CPI for its spending.</i></p> <p><i>The Council recognises the impact of the current economic climate and have taken steps to support adult social care providers through the creation of the Hardship Fund. This has provided a contribution towards the most volatile costs. The 2023-24 proposal is recommending a continuation of the Hardship Fund. If this proposal is accepted, the Council will work with the sector to develop the governance of the fund to ensure targeted support.</i></p>

<p>proposing to absorb 2.9% of these costs. This results in the following required uplift:</p> <ul style="list-style-type: none"> 9.8% for all existing service users within <i>Provider C's</i> specialist Autism, Learning Disability services 	
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Provider Feedback	LCC Response
<p>Provider D</p> <p>Your proposed rate for Residential of £624 per week is in no way representative of the Fair Cost of Care.</p> <p>In the “Market Sustainability and Fair Cost of Care Fund 2022 to 2023” report prepared by the LA, the report clearly indicates that your proposed rate of £624 per week is far below the Median quartile reported by operators. The Median rate is £738 per week which is 18% higher than your proposed rate.</p> <p>Can you please explain how you justify the proposed rate when the majority of the providers have indicated that this rate is inadequate. I can only assume that your objective is to reduce the bed capacity (and curtail further investment in Lincolnshire) as this will be the result of inappropriate funding of care. This will also reduce choice for the residents you are responsible for.</p> <p>In addition, I note today a further letter from you indicating the 1:1 rate going up 8.7% to £14.15 per/hr. Again this is below the cost of providing the care when you include the oncosts (holiday, training, Ers NI, sickness, recruitment costs, etc.). Also if the provider needs to provide the care on a short term basis with agency labour this can be between £15-£20 per/hr.</p> <p>I would appreciate a reply indicating why you have decided not to follow the recommendations in the “Market Sustainability and Fair Cost of Care Fund 2022-2023”.</p>	<p><i>The Council completed the National Fair Cost of Care exercise in accordance with the grant condition and published the outcome in February 2023. The Department of Health and Social Care have recognised that the mechanical application of a median calculation to costs drawn from market engagement will not necessarily result in a Fair Cost of Care in any given locality and cannot be determinative of the fee rates. For example, the outcome of the Fair Cost of Care incorporated whole home costs including those costs covered by higher fees e.g., health and self-funders.</i></p> <p><i>Councils are due to receive a Market Sustainability and Improvement Grant in 2023-24 however the grant and the conditions have not yet been published. The proposal is to utilise the grant to help prepare the residential market for the reforms which have been delayed to October 2025. Once the grant is published the Council will commence discussions with the sector.</i></p> <p><i>The 1:1 rate is the national living wage of £10.42 per hour plus on costs.</i></p>

Provider Feedback	LCC Response
<p>Provider E</p> <p>Whilst I appreciate that Local Authorities and providers alike are facing both difficult sectoral conditions and considerable cost pressures, I would like to ask that you reconsider your fee uplift position for 2023/24 based on a couple of elements.</p>	<p><i>The Council added the 1.25% NI uplift into the rates model from 1 April 2022 regardless of the thresholds. The 2023-24 model removes the uplift aligned to the funding reduction the Council has received.</i></p>

In relation to the removal of the 1.25% National Insurance increase implemented and reversed in 2022-23, I ask that you re-look at this. The NI 1.25% was removed but the NI threshold was not increased this year. As such with NLW increases / pay rises and the threshold remaining the same employers will pay the same equivalent NI had the 1.25% remained and the threshold increased as it typically does annually. Below helps to evidence that there is no reduction to care providers:

	NMW Salary	Salary at 0% Ers NIC	Salary at 15.05/13.8% Ers NIC	Ers NIC Rate	Cost	Average Ers NIC Rate
April 2022-October 2022	£ 18,525	£ 9,100	£ 9,425	15.05%	£ 1,418	7.7%
April 2023-March 2024	£ 20,319	£ 9,100	£ 11,219	13.80%	£ 1,548	7.6%

I agree that the level of inflation has been volatile; however, the calculations have been based upon a 8.3% rate of inflation which is not reflective of the market during 22/23 where inflation has been 9.0% at its lowest in April 2022 and 11.1% at its highest in October 2022. The average for the year to date is 10.0% over ten months (Apr 22 to Jan 23).

A final point is that the 1-1 rate continues to be quite challenging when factoring in additional employment costs (e.g. pension, national insurance, leave) and administration costs. Together with considering the wider impact on the home due to the behaviours that would warrant use of a 1-1, it would consequently be very rare that we would accept placements which require 1-1 under this rate.

The 8.3% is the forecast for the financial year 2023-24 to which the rates apply. The most recent Bank of England forecast has reduced further to 7% for the year ahead. We recognise the volatility in inflation seen across 2022-23 and we are proposing to uplift the non-staffing element by 12%.

The 1:1 rate is the national living wage of £10.42 per hour plus on costs.

Provider Feedback					LCC Response
Provider F					
Further to the email below and the attached letter setting out the proposed fee rates for 2023/24 we are writing with comments from <i>Provider F</i> which are as follows:					
<ol style="list-style-type: none"> The proposed LCC Fee Structure and <i>Provider F</i> Break Even Fee rate for 2023/24 are set out below. 					
Care Group	Current LCC Rates 2022/23	Proposed LCC Rates 2023/24	Fair Cost of Care - Median	Fair Cost of Care - Median	
Older People – Nursing	£626 pw	£689 pw [10.06% increase]	£871 pw	£950 pw	
					<p><i>The Council completed the National Fair Cost of Care exercise in accordance with the grant condition and published the outcome in February 2023. The Department of Health and Social Care have recognised that the mechanical application of a median calculation to costs drawn from market engagement will not necessarily result in a Fair Cost of Care in any given locality and cannot be determinative of the fee rates. For example, the outcome of the Fair Cost of Care incorporated whole home costs including those costs covered by higher fees e.g., health and self-funders.</i></p> <p><i>Councils are due to receive a Market Sustainability and Improvement Grant in 2023-24 however the grant and the conditions have not yet been published. The proposal is to utilise the grant to help prepare the residential market for the reforms which have been delayed to October 2025. Once the grant is published the Council will commence discussions with the sector.</i></p>

2. It will be noted that there is a significant gap between the LCC proposed fee rates for 2023/24, the Fair Cost of Care [FCC] – Median, and the rate required for this Care Home to break even. There is a significant gap between the FCC rates of £871 per bed per week and the proposed LCC rate for 2023/24 and this is an indication of the scale of the financial challenges facing Care Home Providers – things are beyond crisis and heading for collapse.
3. In terms of the revision of rates between 2022/23 and 2023/24 whilst on the one hand a 10% uplift seems quite generous, and is relevant in terms of an uplift for pay taking into account the new NLW, it would not seem to reflect the scale of inflation relating to other goods and services for example the two other major expenditure areas of food and fuel have seen uplifts of around 15% and over 100% respectively.
4. In view of the above it is our view that the fee rates for 2023/24 need to be re-visited with a more appropriate uplift reflecting the rates of inflation currently being experienced, particularly bearing in mind the inflation rates applying to food and fuel, which has a knock-on effect for prices in a basket of other goods and services.
5. Whilst a hardship fund approach is one way of dealing with these inflationary pressures our experience of its application and the amount received was nothing less than extreme disappointment.

We hope the points above express the extent of our concerns and we have copied LinCA into this correspondence so that they are aware of the points that we have made when they pursue this matter further on behalf of members.

The 8.3% is the forecast for the financial year 2023-24 to which the rates apply. The most recent Bank of England forecast has reduced further to 7% for the year ahead. We recognise the volatility in inflation seen across 2022-23 and we are proposing to uplift the non-staffing element by 12%.

The Council notes the comments on the Hardship Fund. However this provides a flexible and targeted mechanism to making a contribution towards the most volatile costs. The 2023-24 proposal is recommending a continuation of the Hardship Fund. If this proposal is accepted, the Council will work with the sector to develop the governance of the fund to ensure targeted support.

Provider Feedback	LCC Response
Provider G	
As part of the offer for fees settlement and the proposed uplift, the average 10% fee uplift unfortunately does not reflect in the overall increase of operational expenditure relating to the areas defined with the fees setting letter.	<i>The Council apply the national living wage across all adult care and community wellbeing services. This is confirmed to be £10.42 from 1 April 2023 and the model has been uplifted to include this rate. The 8.3% for inflation is the forecast for the financial year 2023-24 to which the rates apply. The most recent Bank of England forecast has reduced further to 7% for the year ahead. We recognise the volatility</i>

Primarily the assumption that care providers pay minimum wage. During the COVID -19 outbreak, retention of staff created a spiral of retention requirements, which led to a pay offer closer to Living Wage, this has subsequently increased at a set percentage in relation to minimum wage increases. Therefore, based on the single highest contributing factor, a percentage increase on a higher initial wage does not consider the net actual increase most operators would be exposed to. Secondly, you have highlighted the retention fund, which we as an operator never managed to claim against, as the factors and information requested could not clearly be entered into the complex template. This would have been due to billing periods, differing suppliers and multiple complex re- readings and estimated bills. In its simplicity, we have had significant increases in cost for utilities, but have been unable to, spend the time (as short as it is) to be able to within the time periods claim a single iota towards the significant cost increases.

Thirdly, Has the fees setting considered the 200% increase in insurance costs we have been exposed to.

Finally, the costs of managing staff during the new Infection control measures to support in fighting infectious diseases, has had no consideration. Whilst an operator has to request staff remain off during COVID -19 positive tests, and none return till a negative test, we are still experiencing mini out breaks, these are paid for by us as operators, staff are to be paid sick pay, and in most cases, with 10-15% on average staff absence during this period, these are plugged by agencies, (costs of which are 3-5 times that of covering a shift by an employee), please describe how these factors have been attributed in the 10% offer of increase, let alone the net inflationary costs.

As a general guide, as an absolute baseline we would be looking at a net increase of 15.8%, to meet the new operational costs of *Provider G* Homes. As well as a hardship fund to tackle the unique individual operator costs.

in inflation seen across 2022-23 and we are proposing to uplift the non-staffing element by 12%.

The Council notes the comments on the Hardship Fund. The 2023-24 proposal is recommending a continuation of the Hardship Fund. If this proposal is accepted, the Council will work with the sector to develop the governance of the fund to ensure targeted support. Financial support is available to complete the template.

Provider Feedback	LCC Response
<p>Provider H</p>	
<p>You state that the 2023/24 proposed increase of 8.3% includes an inflationary catch up for 2022/23 in recognition of the volatility in forecasting when the rate was set. This is simply not a correct statement.</p>	<p><i>The Council apply the national living wages across all adult care and community wellbeing services. This is confirmed to be £10.42 from 1 April 2023 and the model has been uplifted to include this rate.</i></p>

- 2022/23 actual increases based on Minimum Wage and RPI was 8% and not the 6.6% (based on our blend of labour and hotel costs which is 60% & 40% respectively). The shortfall for the year was therefore 1.4%.
- 2023/24 the Minimum Wage and CPI is projected at 9.9%. Adding the 1.4% shortfall 22/23, the required increase is 11.3%.

The actual reality of our situation is that our 2022/23 costs actually increased by 12.2% and for 23/24 are projected to increase by 12.8%.

The table below compares the inflationary increases awarded by LCC in 22/23 and offered for 23/24, to our actual increase in costs, which highlights a 10.4% shortfall over the period.

LCC fee increases VS HFHC's blended cost increases	2022/23	2023/24	Cumulative Total to 2023/24
LCC fee increase	6.6%	8.3%	15.4%
Minimum Wage / NI	6.6%	9.7%	16.9%
Additional staff increases	6.9%	4.8%	12.0%
RPI / CPI - Hotel Costs	9.0%	10.1%	20.0%
Blended Increase	12.2%	12.8%	
Shortfall	5.6%	4.5%	10.4%

What you are proposing is clearly neither acceptable nor equitable.

8.3% is the forecast inflation for the financial year 2023-24 to which the rates apply. The most recent Bank of England forecast has reduced further to 7% for the year ahead. We recognise the volatility in inflation seen across 2022-23 and we are proposing to uplift the non-staffing element by 12%, 8.3% forecast for 2023-24 and 3.7% for 2022-23 recognising the Hardship Fund was in operation to contribute towards certain costs.

The Council recognises the impact of the current economic climate and have taken steps to support adult social care providers through the creation of the Hardship Fund. This has provided a contribution towards the most volatile costs. The 2023-24 proposal is recommending a continuation of the Hardship Fund. If this proposal is accepted, the Council will work with the sector to develop the governance of the fund to ensure targeted support.

Provider Feedback	LCC Response
<p>Provider I</p> <p>Staff wages – the Government announced that the minimum national wage will increase by 9.7%. Naturally all wages and salaries in the care home will increase by that amount. Wages represent 60-70% of the revenue in a care home, therefore the 9.7% wage increase will represent a revenue decrease circa 6.5%</p> <p>Insurance – the insurance scope has been increased the scope, for example we now have to have cyber insurance. The insurance cost has doubled over the last three years and that costs now represents, amount equal to 4-6% of the amount of revenue received by the homes.</p>	<p><i>The Council apply the national living wages across all adult care and community wellbeing services. This is confirmed to be £10.42 from 1 April 2023 and the model has been uplifted to include this rate. 8.3% is the forecast for the financial year 2023-24 to which the rates apply. The most recent Bank of England forecast has reduced further to 7% for the year ahead. We recognise the volatility in inflation seen across 2022-23 and we are proposing to uplift the non-staffing element by 12%.</i></p> <p><i>The Council recognises the impact of the current economic climate and have taken steps to support adult social care providers through the creation of the Hardship Fund. This has provided a contribution towards the most volatile costs. The 2023-24 proposal is recommending a continuation of the Hardship Fund. If this proposal is</i></p>

Light and Heat – what can one say for the cost of light and heat, we can only pray it will stop increasing.

Taking the above into consideration, what in the first instance seems to be a considerate and significant increase of the weekly care fee, in reality, according to the facts available to us today (we can only hope and pray that the data will not get worse over the coming year) it represents a decrease of the revenue.

We would urge you to consider adding at least 2% to your proposal, so that we have at least a chance as a sector to cover our ever-increasing costs.

accepted, the Council will work with the sector to develop the governance of the fund to ensure targeted support.

Provider Feedback	LCC Response
<p>Provider J</p> <p>In the contract it states that an agreed “top up” cannot be increased for the duration of the whole of the 3 year contract. Therefore if this element of our gross fee does not increase annually in line with our private, local authority and CCG increases, it effectively lowers the percentage increase that we receive overall. Our feedback is that we should be able to apply the annual agreed increase across the whole gross fee.</p> <p>Example:</p> <p>LA pay £600 per week (including client contribution), the family pay £200 per week agreed top up, then our gross fee is £800 per week. If we add the 10% increase across the gross amount, as we do with private funding clients, the fee income to us increases by £80 to £880 per week.</p> <p>If we are unable to increase the top up element to the whole weekly fee and just increase the LA part of £600 by 10% we get a weekly increase of £60 taking the new gross fee to £860 per week which is now an increase of 9.3%</p> <p>Please kindly include and consider in your response.</p>	<p><i>The Council’s approach to setting the maximum third party top-up values for the duration of the three-year contract seeks to protect the interests of service users and their families from significant or unforeseen increases in charges.</i></p> <p><i>The issue of third-party top-up values is a contract matter and not directly relevant to the setting of the Council’s rate for the coming financial year. As such, this will be managed directly in discussion with the service provider.</i></p>

Provider Feedback	LCC Response
Provider K	
Other authorities have agreed 1:1 rate of £15 per hour and the minimum we can get 1:1 cover is £16.50 per hour, which means having anyone on one-to-one assistance would be untenable.	<i>The 1:1 rate is the national living wage of £10.42 per hour plus on costs.</i>

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