Cornwall Partners in Care

Cornwall
Adult Social Care sector

Cost Pressures report 2020 to 2021

An advisory document for Cornwall Council

11th November 2020

Cornwall Cost Pressures report for 2020 to 2021

INTRODUCTION

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

RATIONALE AND METHODOLOGY

2. We have sought to make this Cost Pressures exercise as consultative as possible. We sent out a questionnaire (Appendix 1) to our membership of social care providers so that we could base our report on feedback about what is the actuality of what is really happening. This report is based upon data received from a representative sample, including some of our largest Providers.

3. We used our Cost Pressures questionnaire to try and get an understanding from providers in relation to:

a) The rates of pay they are paying their frontline staff

b) Pay differentials between job roles

c) The percentage of their budgets spent on staff wages compared with non-wage costs

d) The percentage of staff who remain 'auto enrolled' on their pension scheme

e) Staff retention and turnover (and influencing factors)

f) Staff vacancy rates

g) Inflationary pressures and additional costs

h) Occupancy levels

i) Sleep in rates paid by local purchasing authorities.

FINDINGS (PROVIDERS' RESPONSES TO OUR QUESTIONNAIRE)

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

Details of pay rates for front line staff

Reason for the question:

5. To establish what the impact of increases from the National Minimum Wage (NMW) to a contractually obligated Foundation Living Wage (FLW) has had on the rates providers have had to pay their frontline staff.

What we found:

6. From April 2019, all the providers who responded increased the rates they were paying to their frontline care and support staff in line with either the NMW (an increase of 5%) or the FLW (an increase of 3%).

7. Respondents indicated that they had been increasing the rates they paid their front-line staff pretty much in line with the increases in the National Minimum/Foundation Living Wage year on year. Large jumps were particularly evident where providers have signed a contract which requires them to pay as a minimum, the current Foundation Living Wage. For Domiciliary Care providers entering into a contract in 2018, the increase in wages could have been as much as 15%. Residential providers signing the current contract have seen a wage increase of up to 13%.

8. 69% of respondents identified current rates of pay at the current NM rate (or the current LW rates where contractually obliged to do so).

9. 19% of the respondents were paying a basic rate above the current Living Wage Foundation rate of £9.30 an hour outside of London. (https://www.livingwage.org.uk/). The highest hourly rate cited was £9.60 an hour.

10. The higher hourly rates were generally being paid by organisations with a higher proportion of private clients and or operating in areas where recruitment is traditionally difficult. The reason cited for paying higher rates was the need to attract and retain staff.

Going forward:

11.From April 2021;

For people of 18 and over, the Foundation Living Wage will rise by 2.15% to £9.50 an hour.

There is less certainty around any potential rise for the National Minimum Wage, which is currently £8.72

12.Yet again, providers are going to have to respond to these increases from April 2021 by increasing the rates they pay their staff.

Pay differentials between job roles

Reason for the question:

13.To establish how the increase in the NM/LW was impacting on providers' need to maintain pay differentials between roles and maintain a viable pay structure.

What we found:

14.The picture was fairly mixed. Some providers (30%) just maintained the pay differential year on year between their frontline staff and their senior carers or support workers. 20% had been able to increase their differentials slightly, however half of these were reporting differentials lower than 2 years previously. 50% had seen this differential decrease, some significantly.

15. All respondents managed to maintain some kind of differential between qualified care staff and seniors, and the range varied from 3% to 14%.

16.Many providers issued comments throughout the survey regarding the difficulties they have experienced in maintaining the differential ratios for staff, with 71% citing issues around pay as one of the key issues surrounding recruitment and retention of staff.

Split of costs between staffing and non-staffing costs

Reason for the question:

17.To establish how providers' costs were split between staffing and non-staffing costs.

What we found:

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

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

(i) 65% staffing costs, with a range between 50% and 75%.

(ii) 32% non-staffing costs, with a range between 20% and 38%

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

b. Domiciliary Care services: the split between staffing and non-staffing costs was more along the lines of:

(i) 79% staffing costs with a range of 61% to 89%

(ii) 19% non-staffing costs with a range of 11% to 39%

Percentage of staff auto enrolled on your pension scheme

Reason for the question:

20.To establish the percentage of staff who remain auto enrolled on a provider's company pension scheme.

What we found:

21.Among respondents the average percentage of staff that remain auto enrolled on their pension scheme was 89%, with a range of 50% to 100%. Over two thirds of respondents reported a pension take up by staff of 90%+.

22.The percentage of staff that remain auto enrolled on these pension schemes is high and therefore most providers will have 'felt' the majority of the 1% increase in employer contributions every time this happened.

23. It is likely that the main group of staff that opted out of these pension schemes were staff who were at or approaching retirement age.

Staff retention and turnover

Reason for the question:

24.To establish the degree of staff turnover that providers were experiencing.

What we found:

25.The average percentage staff turnover reported by respondents was 31%, which is slightly higher than the national turnover rate in Skills for Care's 'State of the adult social care sector and workforce in England' report, published in October 2020. Very few providers seemed to experience very low staff turnover. Around a third of respondents cited a staff turnover last year of over 30%.

26.There is a variation in the average turnover rates of staff across job roles. Turnover for qualified carers is around 20%, and Senior Carers only 17%. Non-qualified staff and non-care staff have turnover rates of 35% and 50% respectively. This is likely due to the situation this year with Covid-19; Qualified staff are less likely to switch to another care provider and with so many sectors shutdown and offering insecure work options some people who may have left the care sector have decided to remain in more secure employment.

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

a) Rates of pay compared to other industries (especially the NHS), coupled with the level of expectation and responsibility for the rate of pay.
b) The quality of candidates / staff. With high employment in the area, there is insufficient people of suitable quality and motivation to work in care.
c) The anti-social hours and shift working (evenings and weekends) and the difficulties of balancing this with family life.
d) The lack of value and recognition attributed to the care sector generally within society, in particular its lack of appeal to younger people. Note that there has been a significant change in this recognition since the beginning of the Covid-19 pandemic.
e) The challenging nature of the work and lack of willingness by some people to provide personal care.

f) The perception that social care work might put people at higher risk of infection and transmission of Covid-19.

28. Dom care services also cited in addition to the above (in no particular order):

g) The fact that staff are paid by the hour rather than for a defined shift.
h) That many staff did not like working split shifts (i.e. early morning and then again in the evening) or lone working.
i) That some staff were not suited to dealing with people with complex needs.

29. Other reasons cited were that the perception of care work was not aligned with reality, with one provider reporting that *"potential employees think we serve tea and cucumber sandwiches to little old ladies all day."*

30. We also asked providers what the top 3 reasons staff gave for leaving. The following is a summary of their responses with the most frequently cited reason at the top:

a) 42% of respondents reported retirement as a reason for staff leaving. This has severe implications on an aging workforce if a quality younger workforce cannot be recruited to support the next generation of a care workforce.
b) Change of career, outside of the care sector. Around a third of all respondents indicated that staff were leaving the sector entirely. This further diminishes the care workforce and highlights the need to prioritise short-term and long-term recruitment into the care sector.
c) Pay rates; even though some staff are moving around less due to the Covid-19 situation, pay for the work required is still cited as one of the key reasons for people leaving their jobs, with many leaving the care sector entirely for more pay and less responsibility.
d) Moving away from the area.
e) Working conditions and the antisocial nature of the hours.
f) The difficult nature of the work.
g) Personal or family reasons or change of circumstances.

31.Dom care staff also cited in addition to the reasons above the fact that they did not like having to move around between clients and use their own car to do so.

Editors' Note: The implications of Brexit

32. It is worth noting that in their September 2019 'The state of the adult social care sector and workforce in England' report, Skills for Care highlight that the proportion of EU workers working in social care rose by three percent between 2012/13 and 2018/19 and that the proportion of non-EU workers decreased by the same amount during that time period.

33.The Skills for Care report highlights that around 83% of the adult social care workforce is British, with 8% having an EU nationality and 9% a non-EU nationality. Approximately 17% of the workforce (or 249,000 jobs). We do not forsee this having any significant financial effect on Providers in Cornwall.

Staff vacancy rates

Reason for the question:

34.To establish the degree to which providers felt they were 'fully staffed'.

What we found:

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

36. In their October 2020 'State of the adult social care sector and workforce in England' report, Skills for Care estimate that 7.3% of roles in adult social care are vacant at any one time.

37.Whilst we do not have data in the same way that Skills for Care do, what we were told by respondents in terms of persistent staff vacancies is consistent with Skills for Care's findings, although due to the situation with Covid-19, some providers have reported a lower than usual turnover of staff during the summer.

38.We have a situation currently where the demand for adult social care is increasing year on year whilst the sector's ability to recruit and retain the staff it needs is decreasing.

39. Local recruitment agencies are impacting on permanent staffing. Agencies are able to pay considerably more than providers which can tempt existing staff away, and providers who want to take on agency staff full time are faced with high penalties for doing so. It is not an equal playing field.

40. The recruitment process has proven more difficult during the Covid-19 situation. Providers have always reported people who apply but do not turn up for interview or who are insufficiently qualified for the position applied for, however this seems to have been exacerbated this year.

41. Providers have also reported that traditional recruitment agencies and techniques are seeing reduced returns compared to usual levels, although no reasons why this might have been suggested.

Inflationary and additional costs

Reason for the question:

42.To establish the nature and degree of cost pressures experienced by providers in relation to non-staffing costs and the extent to which these exceeded recognised inflationary indices such as RPI or CPI. We asked people to provide us with figures for April 2018 to March 2019 and from April 2019 to March 2020.

43.The percentage increase in RPI for the 12 months from April 2018 to March 2019 was 2.4%. The corresponding percentage increase for CPI was 2.0%.

44.The percentage increase in RPI for the 12 months from April 2019 to March 2020 was 2.6% and CPI was 1.5% for the same time period.

What we found:

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

a) Insurance premiums continue to rise at rates significantly above inflation rates, with an average annual premium increase of 42%, with some providers seeing premiums double or even triple in light of Covid-19.
b) Training: ongoing responsibilities for providers to ensure their staff are adequately trained, especially regarding infection control and other measures to ensure the safety of staff and clients. On average providers have spent nearly 30% more on training this year compared to last year.
c) IT systems: some providers are investing quite heavily in electronic systems to improve the quality of their services. *Note: CQC are encouraging this move to digital record keeping, but it still represents significant additional cost for providers.*
d) CQC fees: these have gone up above the rate of inflation since April 2018, however CQC have declared that they will not increase them this year. Overall however, professional costs for providers have increased by 36% compared to last year.

e) Utilities: a number of providers highlighted significant increases in their utility costs with gas, propane, and electric seeing year on year increases of between 10-15%. In their 2019 Care Homes Trading Review report, Knight Frank cite an annual increase in utility costs of 7.3%
f) Recruitment: providers are reporting that staff recruitment is an ongoing requirement and an ongoing cost.

46.The reality is that providers experience inflation and additional costs differently. There was however a consistent picture where a combination of inflation and ongoing investment to make necessary service improvements and meet required standards is resulting in non-wage costs for many providers running consistently above recognised measures of inflation.

Occupancy rates (for accommodation-based services)

Reason for the question:

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

What we found:

48. Residential and Nursing homes reported an average 93% to April 2020, down slightly from 95% the previous year. This was predominantly prior to the Covid-19 situation having such a dramatic impact on care home occupancy.

49.Since April 2020 and during the Covid-19 outbreak providers across Cornwall were affected in very different ways, and many continue to be affected, with many reporting occupancy well below their usual levels. Some providers have taken a range of additional measures such as dropping occupancy levels (some as low as 80%) to keep their residents and staff safe. Care home providers are also reporting an often significant shift in their standard business model as their typical private customer base appears to be delaying any move into a care home due to the uncertainty surrounding Covid-19. A number of providers have expressed concerns over the suitability of some resident placements due to the pressures of accepting hospital discharges under circumstances where they would ordinarily not do so.

50. Domiciliary Care and Supportive Lifestyle providers reported between 90 and 100% occupancy to April 2020, which is broadly in line with previous years. This is likely to always be hovering around these figures as the system is broadly well equipped to deal with the change in demand. During the summer, the Covid-19 situation has seen a marked increase in demand for domiciliary care services and providers have been able to increase capacity considerably to meet this demand.

Sleep ins and the National Minimum Wage

Reason for the question:

51.To establish whether local authorities are recognising sleep ins as working time.

What we found:

52.There were not many respondents who provided sleep ins. A number of respondents indicated that they had stopped providing sleep-ins due to the minimum wage requirements. One provider is able to offer sleep-ins solely due to the fact that the owners live on site. Without this the costs to pay staff and meet the current requirements would add significantly to the overall wage bill. Another provider has taken the decision to continue to offer sleep-ins at a financial loss for those packages.

53.Although the requirement to pay the National Minimum Wage for each hour of a sleep in has been lifted (unless the staff member is expected to work for most of it), Domiciliary Care and Supportive Lifestyle Providers on Cornwall's DPS contract are contractually obliged to pay at least the Foundation Living Wage rate as a minimum for nights and sleep-ins.

CONCLUSIONS

The impact of the forthcoming increase in the National Minimum/Living Wage/Foundation Living Wage:

54.The incoming increases in the National Minimum/Living Wage will affect providers in terms of what they will need to pay their front line staff and it will also result in providers raising the rates they pay to more senior staff in order to maintain viable pay differentials between roles. This percentage increase is therefore going to affect the total wage bill significantly.

The impact of this within the context of previous increases in the National Minimum/Foundation Living Wage and corresponding annual uplifts awarded by local authorities.

55. As percentages the increase in the National Minimum/Foundation Living Wage have been:

a. 4.4% / 2.9% in April 2019
b. 4.9% / 3.3% in April 2020
c. tbc% / 2.15% from April 2021

56. Providers have had to raise the rates they pay their front-line staff (and maintain differentials between more senior levels of staff), pretty much in line with these increases in the National Minimum/Foundation Living wage, year on year. The question we have to ask, therefore, is: to what degree did the uplifts awarded by the local authority at the time reflect this?

The cumulative impact of the statutory requirement to make employer pension contributions:

57.Unless a provider has a disproportionately high number of its staff team are at or near retirement age, the likelihood is that they will have high levels of uptake on their pension scheme. The 3% employer contribution has been phased in over a number of years and is now 'in place'. From the employers' point of view, this is effectively a 3% pay rise given to the staff because it is a 3% increase in staffing costs.

What we found:

58.Our findings were that staff take up of these schemes averaged at 89%. The cumulative impact for providers of making these employer contributions is therefore likely to be in the region of 2.67% of their wage bill (for some it will be more) and this is now an ongoing commitment.

59. If this level of impact has been factored into local authority annual uplifts each time the increases in employer pension contributions were being phased in, then this statutory requirement is covered. If not, there is an ongoing shortfall.

Split between staffing and non-staffing costs

60.Although the split between staffing and non-staffing costs varies between providers, on average, for residential services it was in the region of:

a) 65% staffing costs
b) 32% non-staffing costs

61. For Domiciliary Care services, this split was more along the lines of:

a) 79% staffing costs
b) 19% non-staffing costs

62.There are indications that the percentage of a provider's costs spent on staffing may be increasing as wage related costs associated with increases in the National Minimum/Foundation Living Wage are rising at a faster rate than non-wage costs associated with inflation and delivering effective regulatory compliant services.

Cost pressures associated with inflation and 'additional' non-wage costs

63. It is difficult to assess accurately the impact of inflationary and additional costs on a provider, but our (conservative) estimate is that providers are likely to experience an increase in the region of at least 3% for these non-staffing costs, which is broadly in line with previous years. We will use this figure in the next set of calculations.