Members Local Authority Supplementary Fee Survey Report November 2024

1. Introduction

1.1 In October 2024 Partners in Care surveyed our local care provider members to explore the impact of current local authority fee rates on their businesses and gain their feedback and insights to support discussions with Shropshire Council and Telford & Wrekin Council regarding fee rate uplifts for the 2025/26 financial year.

1.2 Reports on the results of the October 2024 survey were shared with Shropshire Council and Telford & Wrekin Council in November 2024.

1.3 As the majority of responses to the survey (60 out of 64) were received before the Government's Autumn Budget 2024 presented to Parliament by the Chancellor of the Exchequer on 30 October 2024, Partners in Care undertook a supplementary survey of our members in November 2024 specifically to gather their feedback on the financial implications of the Budget. We also asked care providers for their views on the likely financial impact of the Employment Rights Bill 2024/25. This report presents the results of the supplementary survey.

1.4 The adult social care sector faces a significant challenge due to the Budget's mandated increases in wage costs starting in April 2025:

- National Living Wage (NLW) for those aged 21 and over will rise by 6.7% to £12.21 per hour from 1 April 2025, with rates for those aged 18-20 increasing 16.3% to £10 per hour and rates for those aged 16-17 and apprentices increasing by 18% to £7.55 per hour.
- Employers National Insurance contributions (NIC) will increase by 1.2% from 6 April 2025, with a lowered threshold of £5,000 (equivalent to eight hours at the new NLW rate). This change will add approximately £615 per annum per employee who works more than eight hours per week, impacting part-time workers significantly.

1.5 Throughout this report, percentages used are of responses received to the specific question. Not all respondents to the survey responded to every question.

2. Summary of findings

2.1 A total of 72 responses were received to the supplementary survey representing 90 care services across Shropshire, Telford & Wrekin. Of the 72 responses, three respondents do not deliver any local authority-funded care services. 11 of the 72 respondents only part-completed the survey.

2.2 The table below provides a breakdown of service type and areas covered (NB: figures in the table differ from the total number of responses received because providers were asked to state all the services they deliver, and some providers deliver more than one type of service).

	Shropshire	**Telford & Wrekin**
Care Homes	29	17
Domiciliary Care	36	13
Supported Living	8	6
Shared Lives	1	0
Day services	5	3

2.3 Of the services across Shropshire, Telford & Wrekin, 68 services deliver care funded by Shropshire Council and 22 services deliver care funded by Telford & Wrekin Council.

2.4 Only 5% (three number) of those respondents who answered the question felt that they will be able to meet the additional cost of the increase in the NLW from April 2025 if local authority fee rates do not increase to fully cover the additional cost.

2.5 Only 3% (two number) of those respondents who answered the question felt that they will be able to meet the additional cost of the changes to employers NIC, i.e. increased % contribution and lower threshold, from April 2025 if local authority fee rates do not increase to fully cover the additional cost.

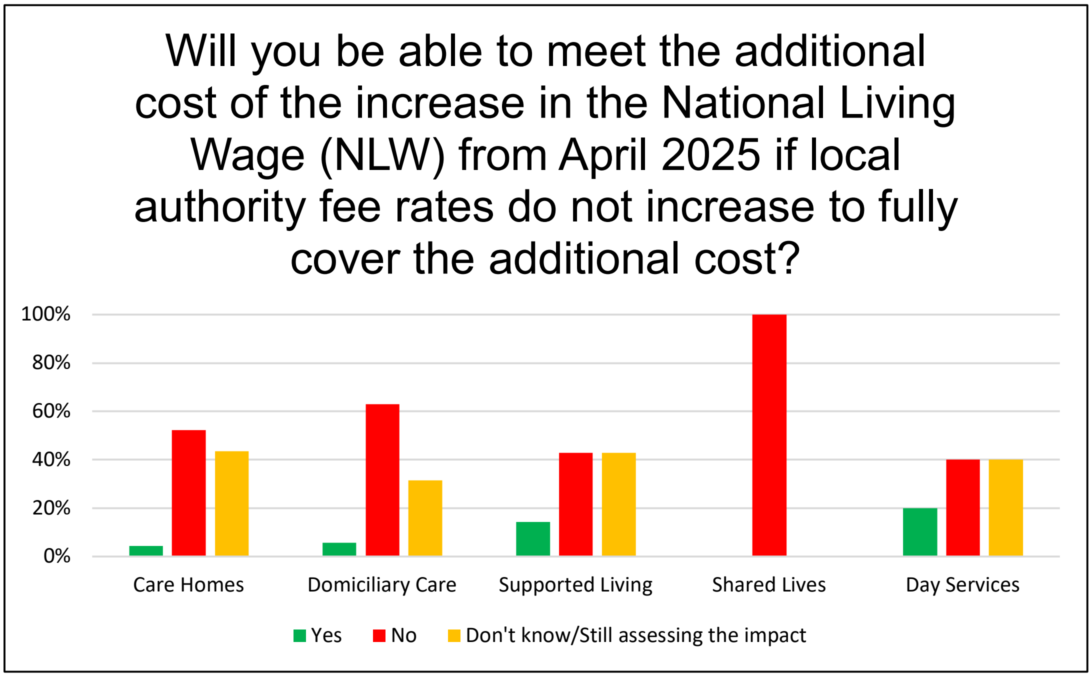
2.6 The estimated additional cost of the NLW increase and employers NIC changes in 2025/26 for those providers who have already calculated this ranges from £15k to £1 million, with an average of £231k across the 24 respondents who answered this question.

2.7 A majority of providers who responded to the survey felt that the Employment Rights Bill 2024/25 is likely to have a significant financial impact on their organisation, with nearly a third (31%) stating that it will have a great deal of impact and a further quarter (26%) stating that it will have a lot of impact.

2.8 The detailed comments made by care providers on the impact of the Autumn Budget 2024 changes are stark and, when added to the feedback provided in response to the original survey undertaken by Partners in Care in October 2024, set out a clear case for support for local authority fee rates to increase significantly for care home, domiciliary care and supported living providers, without which it is inevitable that care providers in Shropshire, Telford & Wrekin will continue to withdraw from local authority placements/packages/ contracts.

3. Impact of the Autumn Budget 2024

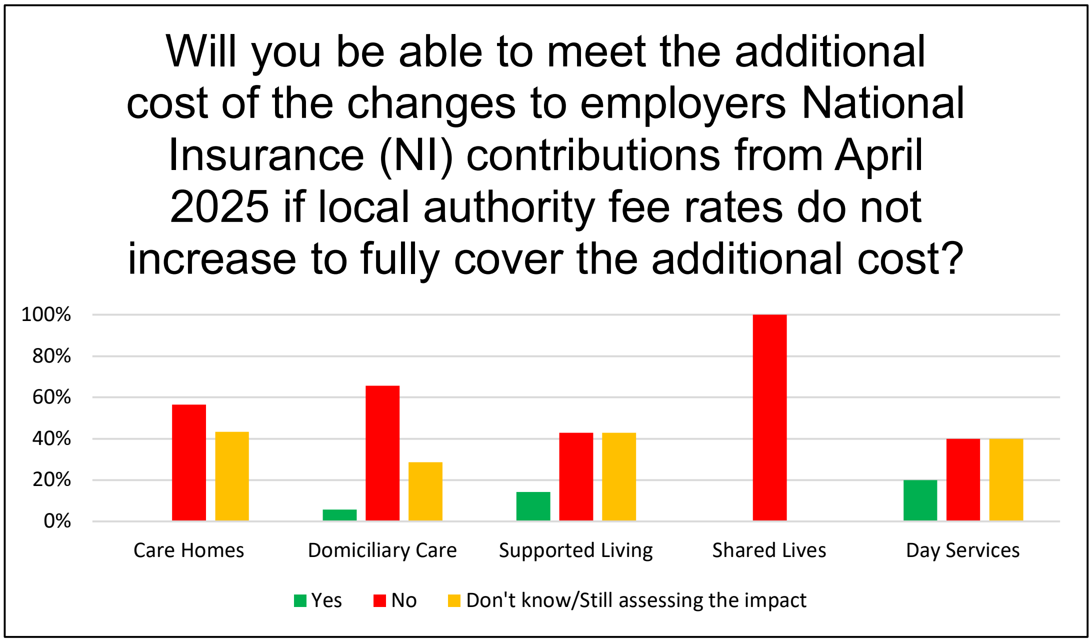
3.1 Only 5% (three number) of those respondents who answered the question felt that they will be able to meet the additional cost of the increase in the NLW from April 2025 if local authority fee rates do not increase to fully cover the additional cost. In addition, there remains considerable uncertainty amongst respondents as to whether they will be able to meet the additional cost of the increase in the NLW from April 2025, with 43% of care home providers, 31% of domiciliary care providers and 43% of supported living providers who responded answering ‘Don’t know/still assessing the impact’. This is particularly concerning given that these financial changes are due to commence in four months’ time.



3.2 Only 3% (two number) of those respondents who answered the question felt that they will be able to meet the additional cost of the changes to employers NIC, i.e. increased % contribution and lower threshold, from April 2025 if local authority fee rates do not increase to fully cover the additional cost.

3.3 No care home providers who answered the question felt that they will be able to meet the additional cost of the changes to employers NIC from April 2025, and only two domiciliary care providers and one supported living provider felt that they will be able to meet the additional cost of the changes to employers NIC.

3.4 Again, there remains considerable uncertainty amongst respondents as to whether they will be able to meet the additional cost of the changes to employers NIC from April 2025, with 43% of care home providers, 29% of domiciliary care providers and 43% of supported living providers who responded answering ‘Don’t know/still assessing the impact’.



3.5 We asked those who answered 'No' to either of the above two questions to describe what the impact would be on their organisation as a result. Responses are set out below.

<u>Care Home Provider Comments</u>

Wages costs we expect to increase by 10-12%, local authority fees we would expect need to be increased by this to cover the additional cost.

Consider only self funded available rooms/close home as only 8 bed so very small service.

Will not be long term sustainable. We will need to consider where else we can save costs, which is very difficult as our main costs are staff, we do not want risk care.

The NI increase will have a significant impact on our affordability and long term viability for the organisation. If we don't see significant uplifts it will impact the long term financial viability for the organisation.

Downsize company. Decline extra work. Possible redundancies.

We will be assessing the financial viability of these homes and its impact, if not viable we will make a decision on the home operating as a care home.

We will have to cut hours for activity co-ordinators and possibly reception staff to meet the care needs of the residents.

We would have to look at cost savings in order to remain profitable. These costs savings would likely come from reduced staffing costs, reduced care costs and reduced capex.

Staffing will be affected.

Some services will be able to withstand the increase, whereas others will be made into greater loss making services, which will put those services at risk. In order to absorb the additional costs, private fees will be uplifted, the differentials between pay rates will be diminished with little funds available to address this. This could have the knock on effect of losing staff and increasing agency usage.

If income remains the same, wage bill cannot increase any further and so hours or heads will need to be lost - this will risk quality. The LA HAS to increase rates significantly, but more so - Social Workers are placing individuals solely on account of price - we have lost out due to price when quoting at LA fee levels!! some providers are dipping below LA level as vacancies are rife across the county and they are simply trying to fill beds in order to cover fixed costs - look at the Bed Availability on Partners in Care - many homes with multiple vacancies. 'Home is Best' is massively problematic even if the result is an enormous strain on the NHS when Home Hasn't Worked. Look after us or lose us!

The result will be that we focus solely on private clients moving forward. T&W gave us a 0% uplift last year. The true impact on wages is around 9.3% (inc Emp NI, NLW, Emp Pension Contributions etc.

Uncertain. Likely a migration to private fees (we're largely LA / NHS funded) and increased pressure on LA fees from our side, reducing number of LA funded residents we can accept.

Domiciliary Care Provider Comments

Lower recruitment, less care provided, lower wages.

We will reduce the number of LA care packages we take on.

The NI increase will have a significant impact on our affordability and long term viability for the organisation. If we don't see significant uplifts it will impact the long term financial viability for the organisation.

Downsize company. Decline extra work. Possible redundancies.

Business may need to consider it sustainability.

We are a small business it could lead us not being able to afford to take on more staff, we would have to think what packages we could afford to take on and at the worst case close the business.

Will have to seriously consider whether we employ any new people, the already low margins will be squeezed further impacting our business sustainability.

We will become insolvent.

Unable to accept Local authority fees so would have to give notice on some if not all social service funded packages.

We only cover rural calls and do not get mileage which reduces profit, therefore we will close. Increase in Care Professional costs will be 10%, increase in Office staff cost 2% just for to cover the NI increase, without any subsequent pay increase.

We have to consider moving to better paying authorities as already we are paid very low as compared with other local authorities.

The viability of our service will get at risk, meaning that our ability to support those requiring care will be reduced. This could mean the scaling back or closure of the service.

We will have to give back a large number of packages to cover a smaller area or consider closing.

We will not be able to continue operating or will have to significantly downscale our organisation handing back local authority care packages.

It will be like paying for an extra employee's wages, without having the income to cover it.

Source more private clients, hand back social care packages.

Significant financial pressure.

Unable to sustain our good wages and we will lose staff. We still do not get paid travel time by the council or fuel.

We may have to review the PoC [packages of care] we currently provide and consider handing back the ones which are not financially viable.

Because most Domiciliary providers provide work to local authorities as a main income, in order to comply with the NI threshold of £10,500 you cannot receive from local authority more than 50% of your annual income. This means that we have to have 50% of income from private clients alone which unless you are like Home Instead, a national franchise who serve mostly private paying clients, we cannot claim the relief.

BUT with the impact that the Council's auditing of packages/clawback of overpayments is currently having we may need to dip into reserves on occasions.

With current rates paid by Shropshire, we cannot in any way meet the increase in the insurance or Wage. It is just not feasible.

The increases in NI cost will significantly affect operating costs and are unsustainable.

Financial. Going to cost the company £30k more.

<u>Supported Living Provider Comments</u>

Downsize company. Decline extra work. Possible redundancies.

The addition cost of both the minimum wage and national insurance costs will add nearly £700k onto the annual payroll costs. The fees will as a result need to increase to compensate for this.

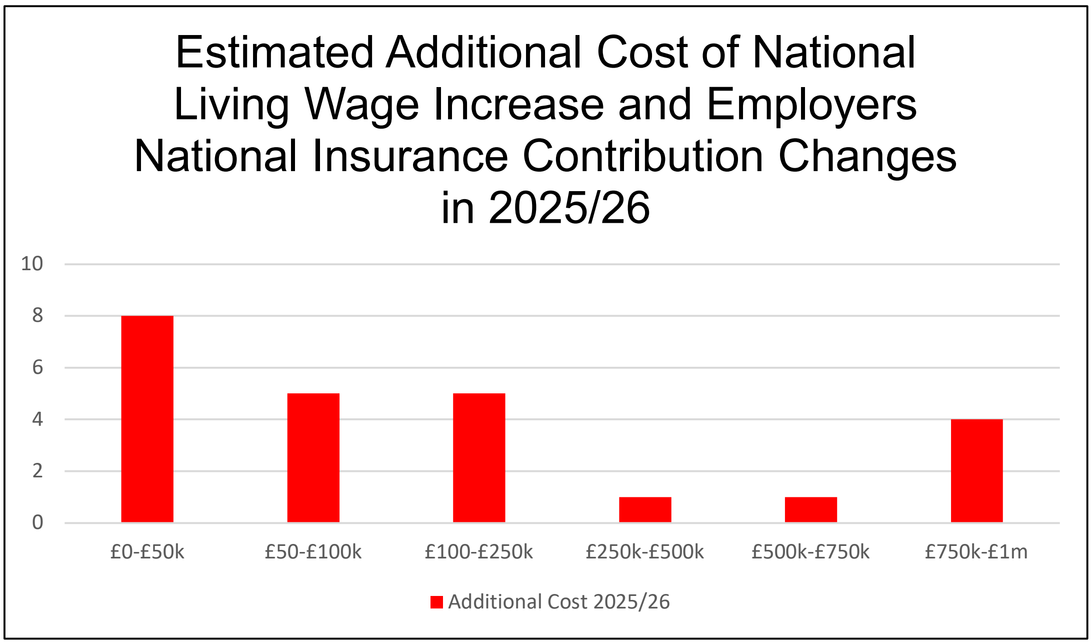
We will not be able to continue operating or will have to significantly downscale our organisation handing back local authority care packages.

Day Services Provider Comments

Mayfair is a Charity and fortunately we have legacies that has enabled us to continue providing a service the last few years.

We will not be able to continue operating or will have to significantly downscale our organisation handing back local authority care packages.

3.6 We asked providers to state the additional cost of the NLW increase and employers NIC changes to their organisation in 2025/26 if they had already calculated this. 24 respondents were able to answer this question and the additional cost of the NLW increases and employers NIC ranges from £15k to £1 million per annum, with an average of £231k across the 24 respondents. The chart below shows the number of respondents reporting additional costs within various bandings.



3.7 We asked providers if they had any other comments to make regarding the Autumn Budget 2024 announcements. Responses are set out below.

Neither change is funded. Therefore council fee rates will need to rise by above 10% in April 2025.

We already pay well above the NLW, but for us to continue to make ASC jobs financially attractive (in comparison to the main competition of retail and hospitality), we will need to offer an equivalent pay increase to our staff. If we don't offer this increase, a sector that is already struggling with recruitment and retention could face disastrous consequences. Our estimates show that, for a small privately operated company like ours, we will need around an 11% increase to hourly fee rates to meet the effect of these budget changes.

Prices for services will have to go up to cover costs. Our services are a mixture of spot contract places and private contracts. As a percentage less places are being taken by adult social care. All *our care staff ae part time. They are increasingly falling into the bracket of paying tax which means that they are not financially better off despite the pay rises.*

As a small service wanting to support LA funded residents it is a challenge due to safe staffing of ratio. I have a 1:3 1: 4 ratio which providers safe staffing and needed however as only 8 bed, if any additional costs are required the budget is meet tight due to majority of income spend of staff.

The care sector is mainly a lower wage sector, this increase in NI and Min wage puts further strain on an already strained industry. If care homes struggle, and councils do provide higher fee increases, this is just a cycle as more money is going in from the state. If private fees increase, then people will be worse off as they will be paying higher for care fees. The increase in min wage and NI I do not feel will do anything to support the labour market and improve workforce, this does not support working people.

The measures taken were not a massive surprise... leave people alone, but smash companies... I just think the threshold reduction in Employers NI to all earnings now above £5,000 was a step too far.

Will be pushing providers and business to the brink of closure and clients left without care.

We can ill afford extra costs and to be expected to work at loss taking on packages that don't cover our out goings.

It is ridiculous how much they have increased the employers' liability knowing that the local authorities do not increase their rates at that same trajectory. Instead of supporting small businesses (which most care providers are) to remain sustainable and continue to employ people it feels as if we are being punished for the privilege. Social care has been lagging in terms of funding for too long, so this will have a huge impact on the sector. We are currently struggling to recruit people into social care locally and are having to resort to overseas recruitment of people desperate to work here. The local people have choices and will not work for the rates of pay that we can afford to pay them and still make some profit, we are a business after all! People making these decisions have no idea how the care industry works and make decisions that sound good in theory but are impracticable to apply in the real world. At this rate, the care industry is heading for a disaster if something is not done to protect it, by supporting the workers and those who employ them.

As a charity yet a provider for the Local Authority we are committed to delivering quality services in line with our contract ensuring we add value to the projects. With the increase in NI and National Minimum Wage it will be far more difficult for us to maintain and sustain. We would welcome any financial support but fully appreciate pressures are a national issue.

Apart from the increase to the national living wage and changes to employers NI the biggest concern is that any rates increase passed on by the local authority to private providers doesn't cover back office staff salary increases and increases to other operational costs. In addition increasingly difficult to look at and implement innovation in the service when we are struggling to cover day to day operational costs.

We have already written to our new MP to inform her we will be closing our business for good in the new year. We cannot wait until April to learn what the LA uplift will amount to years of underfunding has taught us that it won't cover our increasing costs. Care workers deserve better than NLW but council funding doesn't allow that to happen. We are coming up to the Christmas holidays when careworkers will still be out working when council offices are closed and their *families are at home. We can only afford to pay them double time but rates from the council remain the same.*

Rotherwood Healthcare acknowledges the government's commitment to supporting workers through the announced increase to the National Living Wage and changes to employers' National Insurance contributions. While we support initiatives that improve the quality of life for care sector workers, we are deeply concerned about the sustainability of these measures in the context of the wider adult social care sector. The significant increase in the National Living Wage will further escalate the financial pressures faced by care providers. Labour costs already represent the majority of expenditure in our sector, and this increase, coupled with rising costs for energy, supplies, and regulatory compliance, will place additional strain on our ability to maintain high-quality care services. Similarly, changes to employers' National Insurance contributions compound the financial challenges for care providers. Without a corresponding increase in funding from local authorities and the NHS for publicly funded placements, there is a real risk that many providers will struggle to remain viable. This could lead to reduced capacity, staff shortages, and ultimately, reduced access to care for vulnerable individuals. We urge the government to work closely with councils and care providers to ensure that adequate funding is made available to meet the rising costs associated with these policy changes. Failure to address this funding gap will jeopardize the long-term sustainability of the adult social care sector and the well-being of those who rely on its services. We welcome further dialogue with councils and MPs to explore practical solutions and ensure that care providers are supported to deliver the high standards of care that our communities deserve.

This budget is not aimed at growth or helping the NHS as Domiciliary Agencies will close reducing the ability to take people from hospitals.

It also doesn't just effect direct costs of delivery of care, there is also additional costs involved i.e. SSP, Holiday Travel time, shadowing, supervisions, etc. This coupled with increased regulatory costs, business insurance etc is putting a huge pressure on our business, as the last thing we will compromise is the quality of our service.

My carers are travelling from Telford to Roddington for 30 minutes call. Local Authority pays us £10.12 for the call and does not care about the travel time and patrol. I think this is concerning for small companies like us and poor carers. HMRC expects us to pay mileage and what do we get from such little payment, nothing at all.

We were disappointed that there were no ringfenced funds made available to the care sector in this budget. This makes an already challenging financial climate more difficult for the industry as a whole.

The public sector organisations are having support to meet the additional cost. Derwen College is funded by Local Authorities and so should be treated in the same manner.

We currently receive £24.70 per hour from the council, our care staff receive £12.00-£12.75 per hour as well as £11.44 per hour travel and 45p per mile, our care team cover a large area, a lot of our carers can spend as many as 10/15 hours a week driving to get to our clients, with the new increase we would have no choice but to decrease the amount of packages we can offer to ensure we travel over a shorter distance and reduce the amount of staff we have.

The scale of the increase is too large to withstand in one year, the % increase alone is enough, without the changes to thresholds which equates to around £600k pa for our organisation. This will mean little/no budget available to increase pay rates in line with inflation.

At a very minimum there should be a not-for-profit/charity exemption to the NI increase and NI threshold change.

Extremely worried about the impact this will have on my very small business. If the fees rates do not go up to cover all the costs of the Autumn Budget I cannot see how we can keep the business running, this means 10 local people will be out of jobs and the elderly whom wish to be supported within their own homes will be without support. We live in an area where not enough care or support can be sourced as it is now.

We do not have any issue with the increase in NLW or NI so long as it is recognised and indeed implemented that the revenue we get maintains our margins to run our business.

These changes are badly thought through and badly applied, they are going to have very serious negative effects right across the care sector.

As someone already paying above the Living Wage, in all likelihood it will mean a pay freeze. Our profit margins in the last 3 years have not covered wage rises so we have had to significantly increase charges to clients. We will reduce the amount of council funded clients again, which is happening year on year now due to the shortfall in what they can afford to pay and what it costs to deliver.

Social Care just will not survive and that knock on effect will hit the NHS which is already dire right now.

After allowing for maximum employer NI tax relief this amount represents 84% of last year's net profit.

STOP trying to answer blackholes with tax increases. Encourage growth, reduce taxes in sectors such as care to encourage employment and give us a fighting chance of creating a World Class Healthcare system. If we pay out more we have to charge more - its not rocket science and the endless pursuit of increased NMW only serves to raise consumer pricing across the board - no-one is any better off!! Extend tax free thresholds, reduce focus on NMW and focus on stretching each earned pound further, particularly in sectors we need to encourage growth within.

There are a number of things I would like to say, but many aren't polite. I note that the Govt has EXEMPTED the NHS (i.e. themselves) from the Emp NI rise - I thought we were 'Health and Social Care' so where is the rest of the sector's exemption? I suspect it will be the same story that the LA's plead poverty because they haven't had an uplift to support the sectors demands. I predict a number of firms running out of money and reducing staff overheads where ever they can. Thankfully we have more private clients than publicly funded clients, but once again the Govt has chosen to empty their bank accounts at an increased rate. I have never understood the notion that inflation busting living wage increases is a sound policy, because all wages have to be paid so it simply fuels inflation as prices go up and very quickly there is a new 'norm' where no one feels better off. I also think that this is part of the reason the Junior Doctors felt so strongly about their pay because the NLW was catching them fast! Only British companies can grow an economy - Govt doesn't 'make money and therefore growth, so the 'Budget for Growth' as it was peddled, is likely to close companies and reduce the staffing levels of others (as they try to survive). I hope I am wrong!

When will our local authorities start to work on our behalf instead of against us all this time? We noticed they have now taken social mileage has been taken off brokerage forms as well so now we are having to send quotes in after the fact and they are being declined. depressing, degrading and *moral is very very low and sick of the constant battles for funding. We are not her to save our council budget and solve their financial issues and we can no longer be seen as the 'soft' sector because we work in care.*

At present we are already making a loss on 30 minute calls and with the increased costs as a result of the Autumn Budget 2024 we are fearful of the unsustainability of social care in Shropshire. We will have to make some hard decisions if the costs are not covered in the uplift. We remain hopeful that we will be able to continue to provide domiciliary care in the coming years.

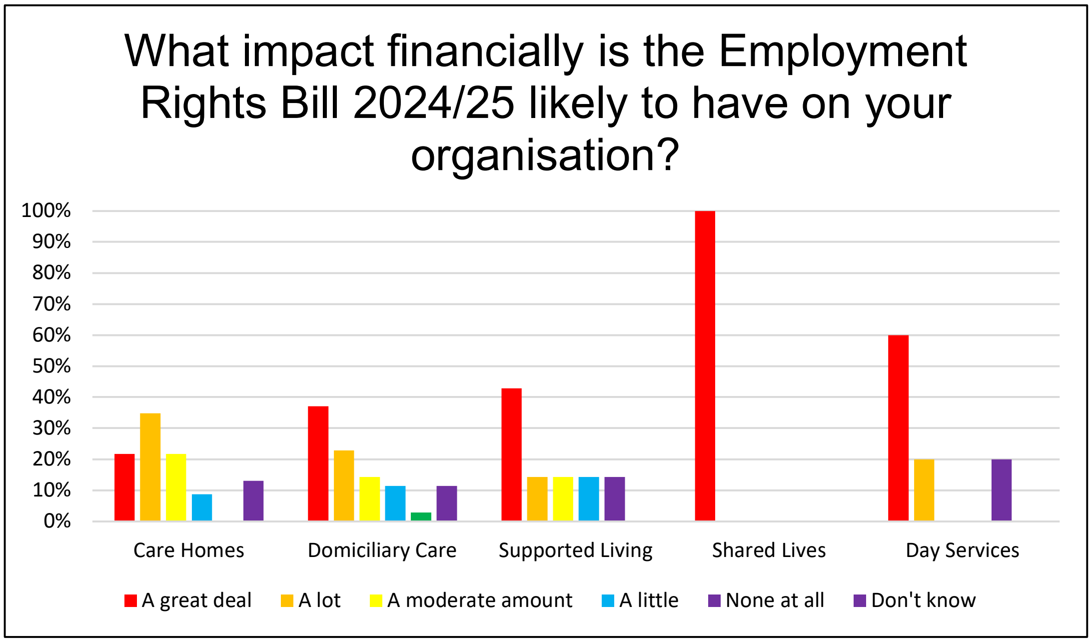
Whilst we support an increase in the MLW wage, it has to reflect on what SCC must pay, not what they think they can pay. If, or when, the providers cannot cover costs they will be forced to close the doors to social care. For example, in this last month we turned over in 1 month invoice value of just over £100,000 and it returned a profit of just £45. We will not survive and cannot reduce costs unless we do a poor job, cut calls, don't train, save on PPE and dress code, etc, etc.

My knowledge is limited but I understand that the NHS are to be shielded from the NI increase. How is that fair? The increases look set to make the situation of lower paid workers in Social Care even worse.

I am all in favour of carers being paid more, should have happened years ago, same with Nat Insurance. BUT we can only make this work with a Substantial increase in the amount paid by Shropshire Council. We cannot pass the increases on to the Private Sector. We, as an industry have been overlooked, under appreciated and most definitely underfunded for the 33 years that I have been involved and just look at the mess we are in now. Wake Up and smell the roses, you have to support Dom Care to have any chance of improving the NHS waiting times. May I also add that expecting hard pushed care companies to pay exorbitant fees for CQC etc is another reason that companies close. It just is not possible. I can do 5 loaves and 3 fishes, but stretching the current fees is beyond my powers.

4. Impact of the Employment Rights Bill 2024/25

4.1 We asked providers what impact financially the Employment Rights Bill 2024/25 is likely to have on their organisation. A majority of providers who responded to the survey felt that the Employment Rights Bill 2024/25 is likely to have a significant financial impact on their organisation, with nearly a third (31%) stating that it will have a great deal of impact and a further quarter (26%) stating that it will have a lot of impact.



5. Thanks and further information

5.1 Partners in Care would like to thank our members who took the time to respond to the supplementary fee survey.

5.2 For further information on the supplementary fee survey results please contact David Crosby, Chief Officer at Partners in Care, at david.crosby@partnersincare.org.uk.

Partners in Care
November 2024