



**Position Statement by Shropshire Partners in Care  
in respect of Fees negotiations with  
Shropshire County Council  
and  
Telford & Wrekin Council  
for 2009 / 10**

*This statement is being sent to both Shropshire County Council and Telford & Wrekin Council. All information relating to fees and prices is in the public domain.*

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Chief Executive  
October 2008**

**1. Introduction**

1.1. In 2005 Shropshire County Council and Shropshire Partners in Care jointly commissioned Price Waterhouse Coopers to undertake work to determine the actual cost of providing residential, nursing and domiciliary care in Shropshire. At the same time work undertaken by staff within Telford & Wrekin Council and Shropshire Partners in Care devised a cost model for residential and nursing care in Telford & Wrekin. The results of this work together with the cost of care as determined by the Laing & Buisson national cost model and the fees paid by the two local authorities are shown in Table 1.

**Table 1. Cost of Care Models and Fees paid by Shropshire County Council and Telford & Wrekin Council for Older People’s Residential and Nursing Care in 2005.**

	Older People Nursing	Older People Residential
<b>SCC model (PriceWaterhouseCoopers)</b>	£491.50	£383.80
<b>TWC model</b>	£490.40	£383.90
<b>National model (Laing &amp; Buisson)</b>	£520.00	£392.00
<b>SCC fees</b>	£421.25	£297.60
<b>TWC fees</b>	£419.00	£324.49

1.2. The figures showed that the costs across the two authorities were comparable and broadly in line with the national picture. Unsurprisingly it showed that there were significant shortfalls on the fees paid by the local authorities and the actual cost of care. These are shown in table 2.

**Table 2. Variances between the Actual Cost of Care and Fees paid by Shropshire County Council and Telford & Wrekin Council for Older People’s Residential and Nursing Care in 2005.**

	Older People Nursing	Older People Residential
<b>SCC</b>	£70.25	£85.20
<b>TWC</b>	£71.40	£59.40

1.3. Despite being three years on from the work that was undertaken by both local authorities the situation has not improved and fees paid remain substantially below the actual cost of care

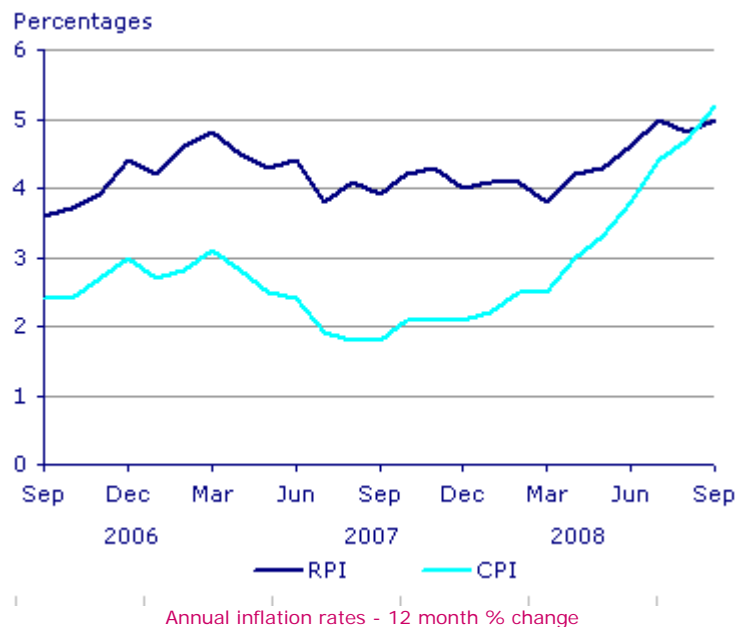
indicated by the models both local and national and by the fees charged by local providers as evidenced in the 'Mapping the Market' exercise undertaken jointly by the local authorities and Shropshire Partners in Care.

- 1.4. Each year SPIC has outlined the cost pressures that affect the independent social care and health sector and these will be well known to the local authorities. This year, however, has seen increased pressures as the economy moves toward recession. This paper sets out the cost pressures that are affecting the independent sector in Shropshire and Telford & Wrekin and argues that, if there is to be a viable sector in the future, local authority fee settlements for 2009/10 must be realistic.

## 2. Cost Pressures

- 2.1. Over the past few years the base inflationary increases added to independent sector fees have risen by between 1.5% and 4% with the majority of settlements being around 2%. At the same time inflation as measured by the Consumer Price Index (CPI) and Retail Price Index (RPI) has been consistently higher and in the current financial year both indices have risen to over 5%. (see Figure 1.)

**Figure 1. Inflation as measured by the CPI and RPI September 2006 – September 2008.**



### Sept 2008: CPI up to 5.2%, RPI up to 5.0%

Consumer Prices Index (CPI) annual inflation – the Government's target measure – was 5.2 per cent in September, up from 4.7 per cent in August.

The largest upward pressure on the CPI annual rate came from housing and household services because of rises in average gas and electricity bills this year compared with falls last year.

## 2.2. Salary Costs

- 2.2.1. In October the National Minimum Wage rose to £5.73 per hour, an increase of 4% on last year's figure. Since 2005 the National Minimum Wage has risen by 18%. This has an effect across all employers because, in a sector where wage levels are historically low, even those

employers who pay at rates above the National Minimum Wage have to increase salaries proportionately.

2.2.2. Additionally new legislation on the Statutory Holiday Entitlement setting a minimum entitlement of 4.8 weeks (24 days) from October 2007 has further increased wage bills. This is due to be extended to 5.6 weeks (28 days) from 1<sup>st</sup> April 2009 and will put additional pressure on salaries and wages bills. A survey of SPIC members undertaken in September shows that salaries and wages have risen by an average of 8.86% as a result of the pressures outlined above.

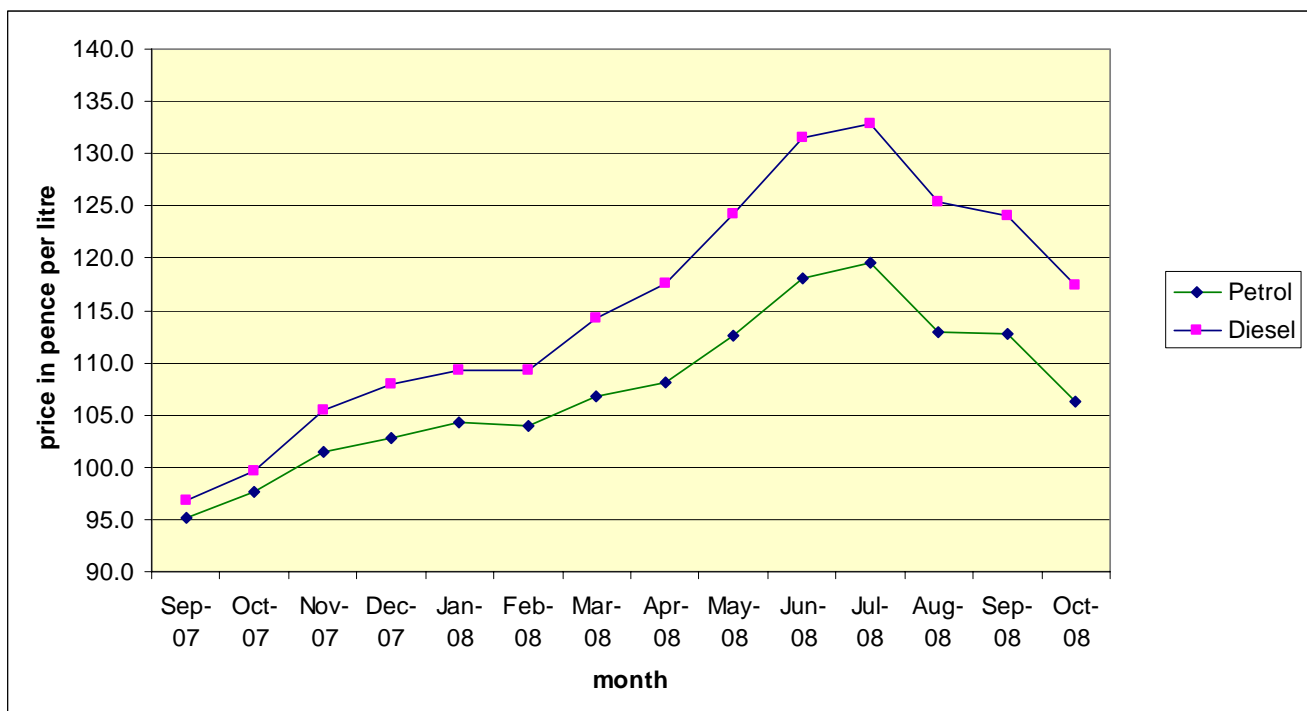
2.2.3. Since the independent social care and health sector typically draws its staff from a low paid, unqualified workforce pool, employers have traditionally met costs such as Criminal Records Disclosures which might otherwise deter prospective staff members if they had to meet these costs themselves. It is widely expected within the sector that employers will, similarly, pay the Independent Safeguarding Authority fee of £64 per person for care workers when these become due on 9<sup>th</sup> October 2009.

### 2.3. Non staff costs

#### 2.3.1. Fuel.

2.3.1.1. Increases in fuel costs have affected the whole sector but the domiciliary care sector has been particularly hit by rising petrol costs. Between September 2007 when Shropshire County Council set its Zone Contract rates and July of this year the price of petrol increased by 26% and diesel by 37% (see Table 2) and although prices have fallen in the past three months they still remain 12% and 21% respectively higher than September 2007 prices.

**Figure 2. Petrol & Diesel Prices (pence per litre) in the West Midlands – Sept 2007 – Oct 2008.**



Source: Automobile Association

2.3.1.2. Increases of this magnitude could not have been foreseen when Shropshire County Council accepted tenders from Zone Providers or when Telford & Wrekin Council made its fee offer for 2008/9 and, if we are to maintain a viable domiciliary care sector action will need to be taken to combat the problem.

2.3.1.3. Care workers are under considerable financial pressure. Providers have reported requests from staff for advances on their wages to put fuel in their cars just to be able to carry out their care calls.

2.3.1.4. Because the price paid by the local authorities for domiciliary care leaves little or no room for manoeuvre employers are not able to increase wages or mileage payments to cover the increased costs experienced by care workers in working for the sector

2.3.1.5. This is clearly an untenable position and one which must be addressed expeditiously before well trained staff leave to take jobs outside the sector where they do not need to make use of a car

2,3,1,6, In July 2008, Shropshire Partners in Care carried out a survey of its domiciliary care members with the following results:-

1. Fuel costs as a percentage of total business costs now stand at and average 9.97%
2. Providers have been able to increase mileage payments to staff by an average 1.5%
3. On a scale of 1- 5 a slight increase in staff turnover has been noted but with 27% of respondents reporting a markedly increased turnover

#### 2.4. Other Costs

2.4.1. The rises in fuel costs have a knock on effect on all other prices and the survey of members showed the following percentage increases in some major spending areas. (see table 3.)

**Table 3. Average percentage increase in some non-staff costs (2008/9) across independent sector employers in Shropshire and Telford & Wrekin.**

Cost Item	% increase	Comment
Food	24.78	
Medical Supplies	20.00	The cost of medical supplies has historically been above the general rate of inflation but major increases have been felt this year.
Training	8.35	These costs are likely to increase further with the introduction of charges by SPIC from January 2009.
Stationery etc.	18.95	
Utilities	16.38	Heating, light, gas, electricity, water. Some members have fixed price tariffs on some utilities which will lead to increased costs once these tariffs expire.

2.4.2. Additionally one employer reported an increase in advertising costs of 30% and two other employers reported increases in insurance costs one of 5% and the other of a massive 213%.

### 3. Use of Cost Models

- 3.1. Recently local authorities have begun using customised models to assess the cost of care particularly in Learning Disability services.
- 3.2. Concern has been expressed by some providers that these models are being used solely as a means to target savings rather than to look at all factors that contribute to the overall cost.
- 3.3. Transparency is required to assure providers that any model used unilaterally by a local authority is applied fairly with appropriate action being taken to adjust prices whether they are shown to be higher or lower.

### 4. Conclusions

- 4.1. Table 4 shows the current base level fees paid by the two local authorities as compared with the average price of independent sector providers taken from the 2008 'Mapping the Market' survey.
- 4.2. Table 5. shows that in both local authorities the gap between actual cost and fees paid for nursing care has widened since 2005 despite efforts by both and an undertaking by Telford & Wrekin Council in 2006 to close the gap within three years. The gap for Residential Care has become smaller but by only £5.65 in Shropshire and £10.51 in Telford & Wrekin

**Table 4. Fees paid by Shropshire County Council and Telford & Wrekin Council for Older People's Residential and Nursing Care in 2008 compared with the Average price of care**

	Older People Nursing	Older People Residential
SCC fees	446.48*	317.95
TWC fees	450.14**	348.61**
Average Price***	568.15	397.50

- includes Registered Nursing Care Contribution but excludes Quality Premium
- \*\* excludes Quality Premium
- \*\*\* Average across Shropshire and Telford & Wrekin combined. Source 'Mapping the Market 2008

**Table 5. Variances between the Average Price and Fees paid by Shropshire County Council and Telford & Wrekin Council for Older People's Residential and Nursing Care in 2008.**

	Older People Nursing	Older People Residential
SCC	£121.67	£79.55
TWC	£118.00	£48.89

- 4.3. 2008/9 has been a particularly difficult year for the independent social care and health sector and with the prospect of recession it is expected that the position will deteriorate further. The sector is largely predicated upon property values and as property is re-valued downwards the ability of providers to remain financially viable will be called into question.
- 4.3. Some 87% of all social care and health provision within the geographical area of Shropshire and Telford & Wrekin is provided by the independent sector and if the sector is to remain viable the two local authorities must make a significant effort to offer fee levels that reflect the actual cost of providing care within the county.

## **5. Recommendations**

- 5.1. **Increases for all independent social care and health services should reflect the general rate of inflation as measured by the CSI plus an amount in respect of the additional cost pressures upon the sector as outlined in this paper. Shropshire Partners in Care recommends a base rate increase of at least 8% for the next financial year.**
- 5.2. **Zone Provider contracts in Shropshire and Domiciliary Care fees in Telford & Wrekin should be reviewed and increased to compensate for the effect on the provision of services brought about by the dramatic increase in petrol and diesel fuel costs.**
- 5.3. **The use of cost models for Learning Disability services should be transparent and reflect the entirety of the service provided. Such models should not be used specifically to concentrate only on areas where savings can be made.**