Summary of responses to the annual discretionary fee review for 2025/2026 Appendix 2b: care homes

Gough, Grace (Corporate)

Staffordshire County Council

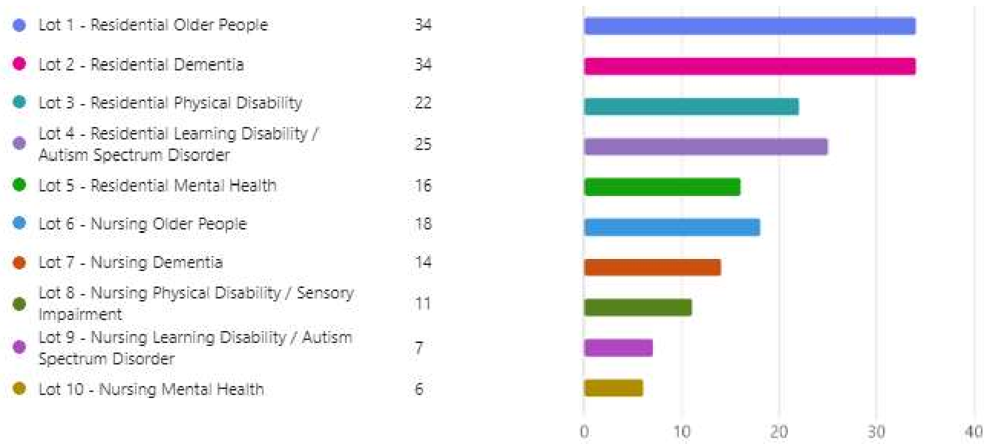
Overview

1. The questionnaire was sent out to all 808 contracted residential and nursing home care homes who are contracted via the Dynamic Purchasing Contract (DPS) by Staffordshire County Council, of which 251 care homes are within the Staffordshire County border.

2. The survey went live on the 18/11/2024 and closed 27 days later on the 15/12/2024. The link to the Microsoft Forms survey was sent out from the Council's Fee Review inbox to all contracted providers on the 18/11/2024. A further follow up email was sent on the 25/11/2024. Following this a further email was sent from the Council's Older People's inbox on the 27/11/2024. In addition, the survey was discussed and the link shared at the Care Home Forums on the 26 and 28 November 2024.

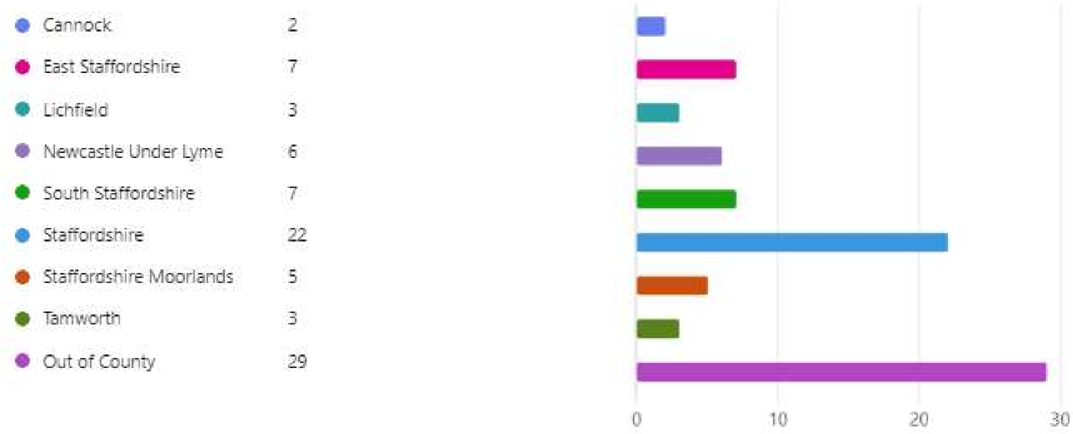
3. 60 individual responses were received, of which 31 were from individual care homes and 29 from providers who represented multiple care homes. A total of 137 (17%) contracted care homes were represented.

4. The providers that responded were commissioned for the following service areas:



5. Most responses received were completed jointly by providers from Lot 1 – Residential Older People and Lot 2 Residential Dementia. A total of 40 (67%) providers provide care across the Older People lots.

6. The graph below shows the localities covered by service providers who completed the survey.



Funding split of beds

7. The questionnaire was sent out to all 808 contracted residential and nursing home care homes who are contracted via the Dynamic Purchasing Contract (DPS) by Staffordshire County Council, of which 251 care homes are within the Staffordshire County border.

8. Providers were asked how many beds their homes had within the Staffordshire border, and were then asked to detail how many of those beds were funded by the following:

   - Staffordshire County Council
   - Self-Funders / Individuals
   - ICB or another authority
   - Vacant

9. Out of the 60 responses received, only 22 of the responses passed commissioner's validation checks due to the response total not equalling the overall total number of beds in the home(s) in Staffordshire by provider. Therefore, we have disregarded the total number of beds provided, along with any nil responses received, and have used the total number of beds of the 4 categories stated above in 2.2 to calculate the percentages in the below table:

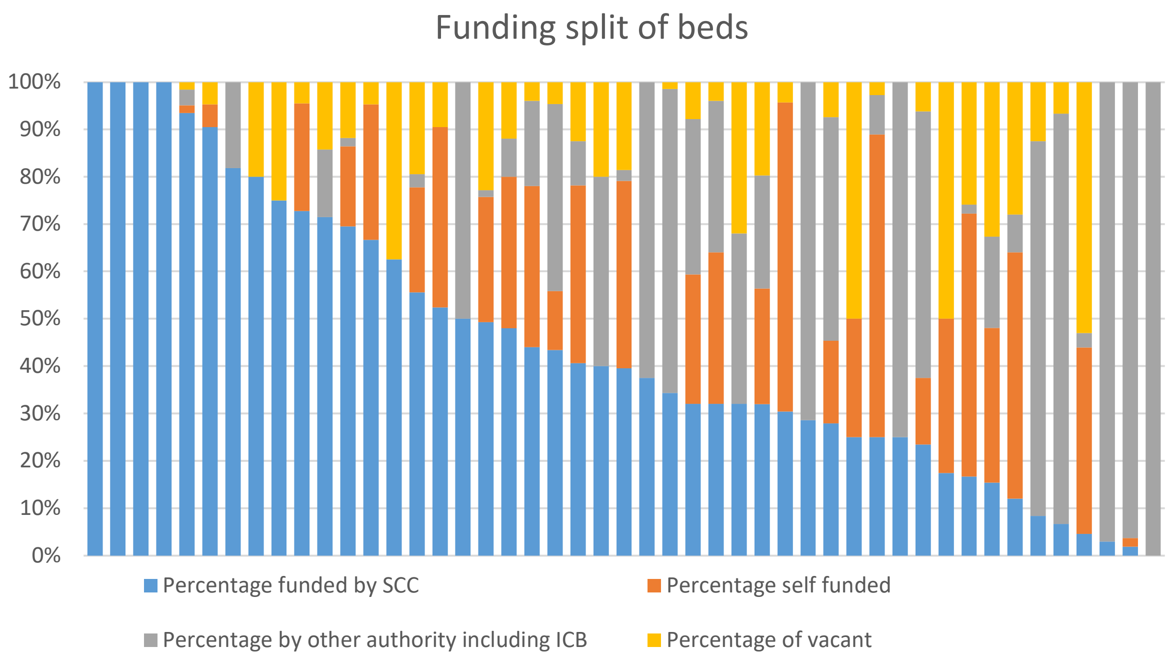
Bed occupancy	**Provider Responses**			
	Mean	**Highest**	**Lowest**	**Median**
SCC Funded	44%	100%	0%	38%
Vacant	13%	53*%	0%	7%

Self funded	17%	65%	0%	12%
ICB / Other LA	25%	100%	0%	8%

*This includes care homes that have recently opened and therefore have higher vacancy rates which the homes are looking to fill over the next 12 months.

10. The table above shows that although the mean of Staffordshire funded placements is 44%, it does vary greatly between providers with some homes having no Council funded places and other only having Council funded placements.

11. The below graph shows how the funding is split as detailed in 2.1, with each bar representing a provider:



*As in 2.3, any 'nil' responses that did not pass commissioner validation checks have been removed.

Occupancy

12. The lowest minimum percentage occupancy rate providers stated on their responses for financial viability of their home(s) was 60% and the highest of 97%. The majority (65%) of responses fell within 90-100% occupancy. The split was as follows:

Percentage	Number of responses
60-69	2
70-79	7
80-89	10

90-100	36

13. 84% of responses stated their expected occupancy rate for 25/26 met or exceeded their minimum occupancy rate, however 16% were showing as expecting to be below this threshold, with one home suggesting their occupancy would be less than half of that required to be financially viable, however this is due to a 2 new homes opening but it is being supported by the holding group.

Business Model Assumptions

14. The average profit margin assumption was 10%, with 7 homes stating their profit assumption was 0%. 72% of respondents gave a response of 10% or below, with the other responses ranging up to 25%.

15. For the business assumption of the return on capital, responses varied from 0% to 42%, with an average of 8.5%.

Cost Pressures

16. When asked to rank the financial cost pressures for the business for the year 25/26 the responses were as follows; National Living Wage and National Insurance Contributions were the top two cost pressure concerns. This was followed by recruitment and retention, insurance, inflation, use of agency and then auto enrolment as detailed in the below graph:

17. Following the Autumn budget, the Council anticipated that the top 2 priorities would include the National Living Wage (NLW) increase from £11.41 to £12.21in April 2025 and a change in threshold for National Insurance Contributions, therefore we asked providers further questions

around staffing costs and percentage of staff that fall within differing pay brackets to ascertain where the actual impact for providers and staff are.

18. For the total number of staff in the question we did not stipulate whether this was just in Staffordshire care homes, therefore the answers have been separated out below, with the average Staffordshire Care Home employing 58 people which equates to 43 Full Time Equivalents (FTE):

Category	Average Number of Staff	Average number of Full Time Equivalents (FTE)
Individual Care Homes	58	43
Umbrella Company	1082	514

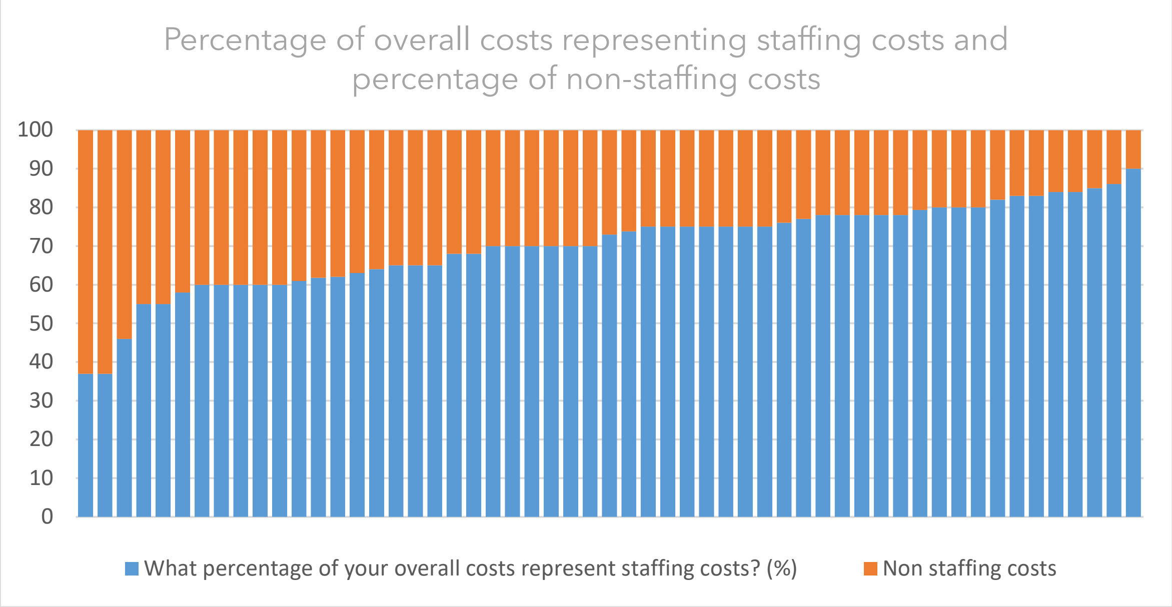
*Please note any provider that has stated the FTE equivalent is higher than the number of staff, that data has been omitted

19. To gauge what effect the change in National Living Wage and National Insurance contributions would have on the care home market, providers were asked what percentage of their staff fell into differing hourly rates. They were then also asked what percentage this equated of their overall costs within the business. The results can be seen in the table below:

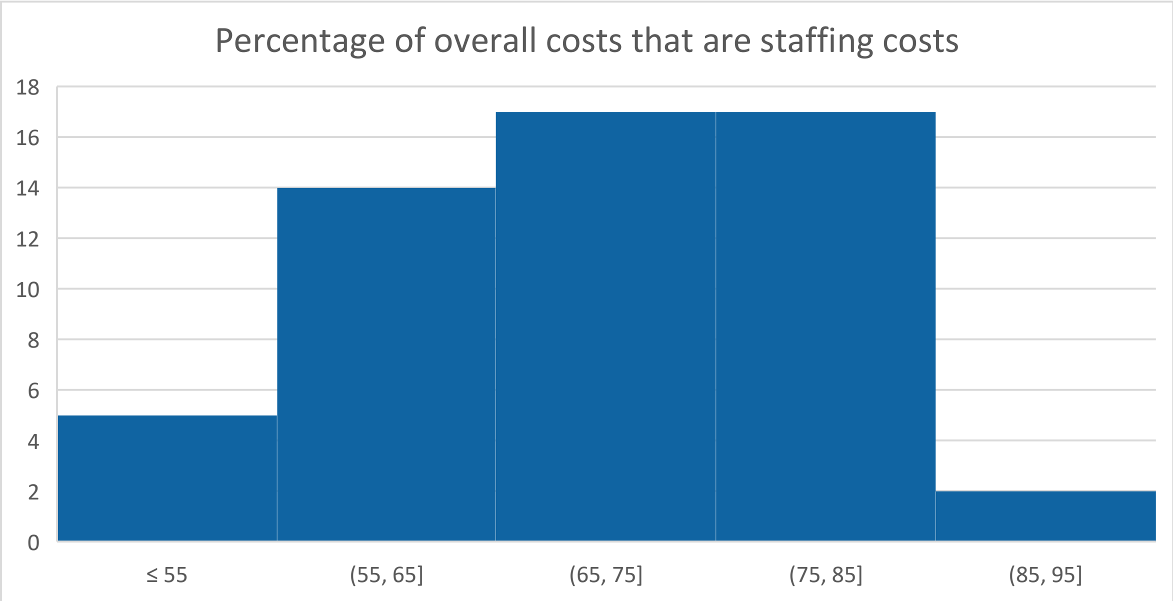
Earning bracket, per hour	**Average percentage of Staff**	**Average percentage of overall costs for the business**
£11.44 - £11.69	38%	26%
£11.70 - £11.95	11%	9%
£11.96 - £12.21	19%	18%
Total	68%	53%

20. The table above shows that 68% of the provider’s staff currently earn below the National Living Wage for April 2025.

21. When asked what proportion of their overall costs were attributed to staffing costs, answers varied between 37% and 90%. With an average response of 70%, however 50% of responses were above this and varied up to 90%. The chart below shows how on a provider-to-provider basis their individual split between staffing and non-staffing cost.

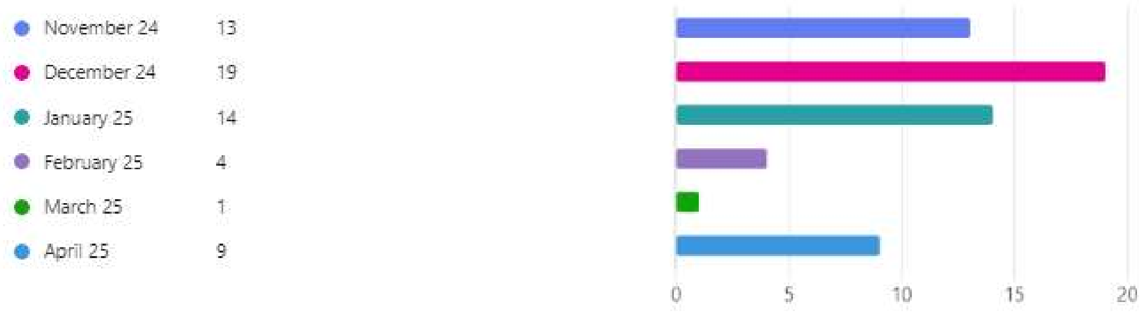


22. The histogram below shows where the majority of providers are spending 65%-85% on staffing alone, when analysing the data it showed that even though some providers are now moving over the 70% of overall costs on staffing, the mean, mode and median responses remain as in previous years at 70%



23. When asked in which month providers start to consider, as part of their bidding process for individual placements, impact on weekly cost for the next financial year, the majority of responses were for the period of November –

January with only 23% of providers starting in February and beyond as detailed below.



Other Feedback

24. Other feedback from providers:

- The majority of feedback focused on the National Insurance and National Living wage increases as the main concerns raised by providers with providers calculating the impact of this as follows:
    - "Per Full time employee a cost of £800 p/annum which is c.39% increase"
    - "The increased cost of NIC contributions is significant estimated at £800k pa roughly 3% of current wage cost"
    - "Will make it harder to recruit part time employees"
    - "The employer's NIC [National Insurance Contributions] change will cost around £835 per employer and for my small home with 56 staff the cost will be around £47,000. The NMW increase is 6.73%. I pay my staff more than the current £11.44 NMW and if I give the same pay increase this will cost me around £100,000"
    - "To continue to pay RLW [Real Living Wage] and to cover the national insurance increases we need fee increases of over 5% next year."
    - "We are a small nursing home (17 rooms). The increase in staff pay rates by 77p per hour will cost the equivalent of £58 per bed per week. The increase in the NI contributions will equate to approx. £28 per bed per week."
    - "The NMW and EMPR NI increases are going to result in increases of around £65k annually for our home. That is just the staffing costs!"
    - "We have had to ask for self-funded fee increases of around 15% to try to offset this unplanned huge increase in cost [NLW and NIC]. But we also need similar support from public sector funders"

   - "The impact of the 6.7% increase in NLW and the increase in Employers NI Contributions would mean our weekly fee would need to increase by 7% for the two regulatory changes alone, before any impact on inflation is applied."

- Percentage increases requests are:
   - "Our actual inflation cost for 2025/26 will be around 10%"
   - "…assuming all increase and contract sees a 11% increase in operating expenditure"
   - "All being told, we have projected that our total costs for the next year will increase by 9.5%"
- Other feedback was as follows:
   - "Long term packages are falling further and further behind current market benchmarks as historic uplifts have not kept pace with inflationary cost increases."

Individual Provider Letters

25. In addition to the completion of the survey by providers, the Council have received a further 36 letters from providers directly requesting differing percentage uplifts. These requests range from 6.7% - 15% with an average of 9.87% and cover both care home and community providers. Please be aware however that these providers may have also completed the survey and therefore duplicate and differing requests from providers are expected.

Risk, Issues and Next Steps

Identified Risk/Issues	**Next Steps**
Low response rate from care home providers across the contract.	Council to work with and continue to communicate with the market to increase future engagement and participation.
Low response rate from working age care home providers.	Council to work with care homes specialising in working age adults to encourage future participation and engagement.
Quality of Data	Council to consider clarification drop-in sessions for providers on future questionnaires, as there was a large

	proportion of nil responses and responses that did not make sense.
Awareness of financial pressures faced by providers.	These financial pressures were known to Council and have been factored into the process for the discretionary annual fee review offer formulas. Council to continue to ensure financial pressures faced by the market are considered when completing the discretionary annual fee review.
Staffing to non-staffing ratios.	Council to ensure that the formulas for fee review continue to align with staffing to non-staffing ratios provided by the market, currently at 70/30 as identified by most of the responses received.
Voluntary Services/Volunteers.	Council to work with the market to highlight opportunities and the benefits of utilising the voluntary sector to support people either in the care home or in the community, embedding supportive community's and strength-based approaches.