

## **Submission by the Registered Nursing Home Association to the Low Pay Commission October 2013**

The Registered Nursing Home Association would submit that the Low Pay Commission recognises the pressures outlined below and recommend that the adult national minimum wage be held at the current (October 2013) rate in October 2014.

The Adult Social Care sector, within which the members of the Registered Nursing Home Association operate, will be under severe cost and occupancy pressure in the year 2014/15 as a result of the continuing spending cuts being imposed on the public sector finances during that year.

Since the beginning of the financial difficulties facing the Country, Local Authorities have continued to use the Adult Social Care Sector to make significant savings in their expenditure. The majority have offered a zero percent increase over the past three years, whilst many have made reductions in the fees they are prepared to pay

We believe that one of the factors impacting upon this route for cost cutting is that the majority of the providers are in the independent sector with Local Authorities having very little of their own provision of care. We are seeing Local Authorities using their monopsony power to hold down fees. It is significant to note that those who do still have a provision pay themselves considerably more for that provision than they pay the private sector for comparable care, for example Birmingham charges £600 per week for the residential care it provides, whilst it pays less than £400 for residential care in the independent sector.

This leaves the independent Adult Social Care sector at a distinct disadvantage of being 'between a rock and a hard place' over the wages paid to its staff. On the one hand the Local Authorities, who purchase 60% of all residential care, have not increased their fees over the past three years whilst the National Minimum Wage has increased each year. Salaries account for circa 60% of our expected income.

Over the past three years this reluctance on the part of Local Authorities to pay a reasonable amount for care in residential and nursing homes has resulted in six Judicial Reviews between groups of providers and their Local Authority. Each has taken a similar line, that Local Authorities have not taken into account that "fee negotiation arrangements that recognise providers' costs and what factors affect them ( as well as any scope for improved performance) and ensure that appropriate fees are paid" as required by the Government Guidance, Building Capacity and Partnership in Care.

In each case the Local Authority has lost the Judicial Review, but still Local Authorities are failing to do as the guidance requires, with the result that funding of residential and nursing home care is spiralling downwards.

Privately funded service users are able to pay increases in prices but the Regional variation of these service users means that providers outside the South East can rarely make price increases. This is compounded by the fact that most provision of care by the independent sector is a mixture of State funded and privately funded service users. As such, any ability to increase income from private funding is diluted by the greater proportion of state funded patients.

There continues to be a number of factors which have significant impact on the ability of the sector to meet the cost of the National Minimum Wage. These include;

- The sector is unable to make efficiency savings in the costs of staff since the vast majority of the staff, carers, are paid at or just above the national minimum wage and the regulator requires us to maintain those staffing levels at all times. That is to say that staffing is required 24 hours per day, 7 days per week, 52 weeks per year.
- The sector is unable to mechanise or use technology to achieve efficiency savings since personal or nursing care is required to these defined levels.
- The sector currently has a staff turnover of approximately 20% per annum which can be evidenced by data from the National Minimum Dataset (NMDS -SC) maintained by Skills for Care. This staff turnover has regional variances and is most acute in the south east of the country.
- This staff turnover results in a need in certain parts of the country to rely upon overseas staff, the Government proposals to introduce further restriction on such recruitment will add to our difficulties.

However, the Migration Advisory Committee recognises the Adult Social Care Sector as being a low pay economy, as such, they refuse to list occupations within the sector as being 'shortage occupations' - there justification is that to do so would perpetuate the low pay economy by recruitment from overseas.

- The sector currently fully participates in all recruitment and retention initiatives operated by the Department of Health and other government departments but has been unable to significantly reduce the turnover level in recent years.
- The requirements of the staff employed has grown significantly as a result of the increasing standards required by successive regulators and standards setters over the past years without the consequent increases in the price paid for the service.

- As a consequence of further reductions in Local Authority funding eligibility criteria have increased, in turn, the service users who receive our services have ever more complex needs requiring us to provide ever more complex services and monitoring. Examples of these initiatives include higher standard End of Life Care, Nutritional Care, Diabetic Care, Wound Care, Continence Care, Prevention of Slips Trips and Falls, etc etc. We have been, and continue to be expected to absorb these additional costs within an already limited budget.
- The sector does not have a strategy to fund training resulting in many government departments implementing short term and changing grants which do not fully cover the costs of training. This results in providers having to absorb costs for training which vary across the country and across time. These schemes are costly to implement and require constant management time.
- The sector has had to absorb costs associated with registration of staff in the past and these costs continue to this day for schemes such as DBS (previously CRB) checks.
- The sector has some limited scope for making efficiency savings in direct costs of materials purchased, such as food and energy, but savings in these areas have already been made in previous years and therefore there is limited scope for further savings.
- Providers in the sector have consistently been awarded increases in prices by the Local Authority commissioners which have been below the percentage increases made to the National Minimum Wage with no redress from the commissioners who operate as a monopsony purchaser. The Association recognises that the LPC have access to Laing and Buisson data over the period and are content that the L&B dataset is a comprehensive report of the sector when viewed at a regional level.
- The Dilnot Commission on the Funding of Care and Support reported in July 2011 and the Government's response is in the Care Bill which is currently before Parliament. By the time that the Dilnot recommendations are implemented many Local Authority Commissioners will have reduced the fees payable for residential and nursing home care by more than 10% from the levels paid in 2010 / 11. Over the same period inflation is expected to continue to rise by circa 2 - 4% each year, say 10%. This will result in a very real shortfall of income v. expenditure of a minimum of 20%. In turn, this will cause many care homes to close.
- Auto enrolment, as part of the pension reforms introduced in 2012 is now underway and is affecting many care homes. It will bring with it further increases in costs for the sector. In addition to the proposed 3% contribution by Providers (although this is to be implemented over a number of years, some will be caught up from the start), we must expect that employees will seek an increase to cover their contribution as well as any cost of living increase.

The Registered Nursing Home Association would be available to provide additional evidence to the Low Pay Commission should that be necessary,

Yours sincerely,

Frank Ursell  
Chief Executive Officer

For Registered Nursing Home Association

21<sup>st</sup> October 2013