



CABINET – 28TH JUNE 2023

SUBJECT: SUPPLEMENTARY PAYMENT FOR RESIDENTIAL/NURSING CARE HOMES TO SUPPORT INCREASED COSTS OF AMENITIES AND FOOD COSTS

REPORT BY: DEPUTY CHIEF EXECUTIVE OFFICER

1. PURPOSE OF REPORT

- 1.1 To seek approval from Cabinet in respect of the repurposing of earmarked service reserves to address exceptional cost pressures faced by providers of residential and nursing care.

2. SUMMARY

- 2.1 In the latter part of the 2021/22 financial year Welsh Government (WG) provided additional one-off funding of £60m via the Revenue Support Grant (RSG) across all Welsh Local Authorities. Caerphilly CBC's element of this additional funding was £3.540m. While the RSG is un-hypothecated, WG strongly indicated that £595k of this additional funding should be earmarked to provide driving lessons and electric vehicles in order to reduce some of the barriers faced by workers entering the domiciliary care profession, particularly the unprecedented cost of petrol at that time. In response to this, Caerphilly CBC appropriated £595k into an earmarked reserve for future use once a firm plan had been developed to optimise the impact of this one-off funding.
- 2.2 Following consultation with domiciliary care provider organisations there has been very limited interest in the provision of electric vehicles and the personal taxation implications of paying for driving lessons for staff as a benefit in kind has meant there has been no demand for funded driving lessons. Furthermore, since the creation of the earmarked reserve, petrol prices have begun to fall, which in turn has helped to reduce the barriers to entering the domiciliary care profession.
- 2.3 Therefore, it is proposed that £507k of the earmarked reserve should be repurposed to address the exceptional cost pressures faced by providers of larger residential and nursing care homes, as a result of rising energy prices and food costs.
- 2.4 In response to concerns raised by the Social Services Scrutiny Committee on 30th May 2023, it is also proposed that a further £13,750 of the earmarked reserve should be repurposed to address similar cost pressures faced by providers of smaller residential and nursing care homes.

3. RECOMMENDATIONS

- 3.1 Cabinet is asked to approve the re-purposing of £520,750 of service reserves and agree that :

- A one-off payment is made to providers of larger residential and nursing care homes within the Caerphilly County Borough, equivalent to £1,000 per bed that is either currently commissioned by Caerphilly CBC or is vacant.
- A one-off payment is made to providers of small residential care homes within the Caerphilly County Borough, equivalent to £250 per bed that is either currently commissioned by Caerphilly CBC or is vacant.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To address the unprecedented cost of food and energy currently faced by providers of residential and nursing care at present.
- 4.2 To ensure equity of financial support in respect of unprecedented costs across the residential and nursing care home sector but reflect that for smaller care homes the energy bills do not form such a large part of the overall costs incurred.

5. THE REPORT

- 5.1 Following a one-off addition to the RSG in the latter part of 2021/22, an earmarked reserve was created by Caerphilly CBC to provide driving lessons and electric vehicles in order to bring down the travel costs of domiciliary care workers, which had been cited as a barrier to entering the profession.
- 5.2 Through consultation with domiciliary care provider organisations it has become apparent that the demand for electric vehicles will be very limited. The amount of funding made available meant that only a limited number of vehicles could be purchased, which raised concerns about the inequities across the workforce. Also, the one-off nature of the funding caused concerns for providers due to the potential replacement costs once the vehicles reached the end of their useful life. Despite these concerns, some providers have decided to trial the use of electric bikes, so it is felt prudent to retain around £74k of the earmarked reserve for this purpose.
- 5.3 Consultation with provider organisations also revealed concerns around the personal taxation implications for paying for driving lessons for their workers. While the provision of driving lessons would be beneficial to the workers employment, the benefits would not be solely employment related. Therefore, it is likely that the funding of driving lessons would be considered as a benefit in kind and the workers receiving this funding would be taxed on that benefit. As a result of this added complication, there has been no take up of funded driving lessons.
- 5.4 As a result of the feedback identified above, the Corporate Director for Social Services entered in to discussions with WG regarding a temporary increase to the commissioned hourly rate for domiciliary care of £1 per hour, which was being considered at a regional level across Gwent. It was felt that this increase would allow providers to pass this increase on to individual workers to assist them with the cost of travelling for work. WG agreed that this proposal would achieve the intended purpose of additional funding that had been provided through the RSG. As a result, it was agreed that the earmarked reserve could be used to fund this temporary increase for a six month period at an estimated cost of £215k. However, following slippage within the Regional Integration Fund (RIF) programme in 2022/23, the Gwent Regional Partnership Board subsequently agreed to fund this temporary increase through the RIF grant.
- 5.5 In summary, only £74k of the £595k earmarked reserve is currently committed to the provision of electric bikes leaving £521k available for other purposes. Officers considered that the recent fall in petrol prices has helped to reduce the barriers to entering the domiciliary care provision and that the remaining £521k could be better used to address the cost pressures

faced by residential and nursing care providers. The Corporate Director for Social Services has discussed this with WG and while it does not address the original purpose of the one-off increase in the RSG, they recognised that the RSG is un-hypothecated and that we are still proposing to use the funding to address pressures within the social care market. Therefore, WG have given their support to the proposal.

- 5.6 While the fees payable by Caerphilly CBC to all care providers were increased by 10.1% with effect from April 2023 in response to an equivalent increase in the Real Living Wage and similar levels of general inflation, care home providers have cited the exceptional increases in energy and food costs as a reason why this 10.1% increase falls short of their increasing costs. It is hoped that in the longer term that energy and food prices will reduce to a more manageable level. However, there is certainly an immediate pressure for larger residential/nursing care home providers currently, who are articulating ongoing concerns about the increases in utility costs and food costs. Smaller residential care homes are experiencing an increase associated with these costs also, but not to the extent that the larger care homes are, simply due to the scale and size of the larger homes alongside the vacancies that a number of them have. For the smaller residential care homes, the energy bills are not as significant and it is far easier for providers to manage the use of energy within the environment as far less people live in 1 property.
- 5.7 If the repurposing of £521k of service reserves were to be approved by Cabinet, it would allow a one-off payment to larger care home providers, amounting to £1,000 for each bed that is either currently commissioned by Caerphilly CBC or is vacant and for small residential homes, a £250 payment for each bed that is either currently commissioned by Caerphilly CBC or is vacant. We do not propose to make any additional payment to care homes within Caerphilly County Borough for beds commissioned by other local authorities, the Health Board or self-funders as the provider would be expected to negotiate with the appropriate body for those places. However, as occupancy levels within some care homes have yet to recover to pre-pandemic levels, some providers would be disadvantaged if we did not extend the £1,000 or £250 payment to cover vacant beds.
- 5.8 Many of the commissioned Residential and Nursing home providers have made representation in respect of the increased costs they are experiencing that are related to the payment of bills for gas, electricity, and food – whilst the providers articulate the increased costs associated with many different areas of their service, those relating to energy and food are undoubtedly the highest and the ones that cause them significant concern.
- 5.9 All providers are mindful of and are keen to ensure that they maintain the quality of life and health and well being for the residents they support, but to do that, need to retain an environment that comfortably and effectively supports vulnerable people who have a range of complex needs, many of whom are immobile and cared for in bed. In addition, the importance of high standards of nutrition and hydration for residents supported in care homes is key and supports the maintenance of their overall level of health and well-being.
- 5.10 Energy Costs – commissioned providers have raised serious concern about the increase in the costs associated with the energy bills they have experienced, continue to experience and will experience moving forward for the foreseeable future. The UK and other parts of the world are facing an unprecedented rise in wholesale gas and electricity prices and businesses do not see the benefit of the price cap on energy bills in the same way as domestic customers. Care Homes are high energy consumers as their job is to keep the elderly and vulnerable comfortable and safe. Residents need to be kept warmer than average, and homes are by their nature 24-hour operations. So high energy consumption goes with the territory.
- 5.11 Several different factors contribute to the high use of energy in the care home sector -
- Heating – Seventy percent of a typical care home's energy bill goes on heating.
 - Hot Water – Water heating is responsible for 12 percent of the average care home's energy consumption. There needs to be a constant supply of hot water to ensure that

personal care needs are met, laundry is undertaken, and that the kitchen environment operates efficiently and effectively.

- Lighting – care homes operate 24/7 and as such respond to the needs of individual people in the home – this means that the use of lighting is not restricted to evening/night-time, but is used throughout the day
- Building Fabric – all care homes are different, and therefore the energy use will be different dependent on the fabric of the building and its efficiency.

- 5.12 Caerphilly has a mixed picture in terms of the build and fabric of the commissioned care homes – some are relatively new, purpose built care homes that will have better efficiency capability than most, whilst others are much older buildings that have undergone and need to undergo refurbishment that will improve efficiency and there are a few homes that are much older, with extensions on what were formerly domestic dwellings, and these will undoubtedly feel the effects of less energy efficiency due to their fabric and age. Regardless of energy efficiency capability, all the commissioned care homes need to maintain a warm, safe environment for the residents, and this comes at a huge cost.
- 5.13 All commissioned care home providers are experiencing different levels of cost increases associated with gas and electric, all dependent on the differing circumstances of each home, but some of the feedback received from providers demonstrates the increased costs incurred. Several providers are indicating an increase of 25% - 30% in the costs of running a care home and that would include gas and electricity costs.
- 5.14 There is one care home in the Borough that is reliant on electricity to run everything in the home including the heating system as there is no gas supply at the home – this provider has advised that the electric bill for December 2022 fell just short of £27,000 which is clearly a significant cost. Whilst the provider is pursuing alternative methods of heating the home that are more cost effective and sustainable, this will require investment. Investment is currently proving difficult for this provider due to the number of vacancies at the home – banks/lenders view it as too much of a risk.
- 5.15 Food Costs - the issue of the increased costs associated with food and other household provisions, such as cleaning products is being widely felt by the whole of society and care homes are no different. Providers are advising of a 50% increase in some circumstances for bills relating to food and other products essential to the effective and safe running of a care home.
- 5.16 Whilst the cost of food has increased, there is additional pressure on care homes relating to nutrition and hydration and the need to have a focus on quality and the fortification of food for residents who are nutritionally compromised. The 'Food First' approach is always taken before the introduction of any prescribed supplements for residents – this means that chefs/cooks in care homes fortify food in order to increase the calorific value of the food for residents who are apt to lose weight easily or those who only eat very little. Products such as full fat milk, double cream, butter, etc... are used in vast quantities to fortify foods like mashed potato, desserts, milky/custard-based puddings, sauces and pureed food of any type for those with swallowing issues. Drinks are also fortified using ice cream for things like milk shakes and orange juice with lemonade for 'fruit boosts'. Food, snacks, and drinks have to be available 24/7 for residents in order to ensure as far as possible that all nutritional and hydration needs are met.
- 5.17 **Conclusion**

The proposed repurposing of £521k of earmarked reserves to address cost pressures in residential/nursing care homes has been supported by WG and would enable a one-off payment to larger care home providers, amounting to £1,000 for each bed that is either currently commissioned by Caerphilly CBC or is vacant and £250 for each bed that is either currently commissioned by Caerphilly CBC or is vacant. Any longer term effects of changes in

energy and food costs would need to be considered in the usual fee negotiation process undertaken with care providers on an annual basis

6. ASSUMPTIONS

6.1 There are no assumptions included in this report.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 No IIA has been completed because the funding referenced in the report was unhypothecated and in discussion with WG, it was agreed that it could be used to support residential/nursing care homes in the Borough with the significant increase in costs associated with utility bills and food, as explained in the report above and referenced in the conclusion at 5.17.

8. FINANCIAL IMPLICATIONS

8.1 A one-off payment to the 19 larger care homes within Caerphilly County Borough, amounting to £1,000 for each bed that is either currently commissioned by Caerphilly CBC or is vacant would cost £507k. This could be fully funded through the repurposing of earmarked reserves and would have no ongoing revenue budget implications:-

| | CCBC Commissioned | Vacant | Sub Total | Other Commissioners |
|------------------------|-------------------|---------|-----------|---------------------|
| Total number of beds | 413 | 94 | 507 | 260 |
| Total proposed payment | £413,000 | £94,000 | £507,000 | £Nil |

8.2 A one-off payment to the smaller care homes within Caerphilly County Borough, amounting to £250 for each bed that is either currently commissioned by Caerphilly CBC or is vacant would cost £13,750. This could be fully funded through the repurposing of earmarked reserves and would have no ongoing revenue budget implications:-

| | CCBC Commissioned | Vacant | Sub Total | Other Commissioners |
|------------------------|-------------------|--------|-----------|---------------------|
| Total number of beds | 43 | 12 | 55 | Not Available |
| Total proposed payment | £10,750 | £3,000 | £13,750 | £Nil |

9. PERSONNEL IMPLICATIONS

9.1 There are no personnel implications included in this report.

10. CONSULTATIONS

10.1 All consultation responses have been incorporated into this report.

10.2 Feedback from the Social Services Scrutiny Committee on Tuesday 30th May 2023 –

One Member expressed concerns that the supplementary payment would ultimately be going to the shareholders of larger residential care homes and asked for an explanation on why payment was made based on the number of vacant beds. The Corporate Director for Social

Services and Housing advised that this payment was a response to a sector that was in absolute crisis due to the cost-of-living and increased heating costs. A funding uplift of 10.1% on fee levels was deemed insufficient and therefore an innovative approach to increased payments was needed. Members heard how there were 21 independent sector care homes within the County Borough and that the vast majority were privately-owned entities rather than being part of a nationwide organisation answerable to shareholders. The Member wished to know why so many beds were vacant. The Assistant Director Adult Services advised that some beds were block booked by the Health Board for discharges as part of the “Step Closer to Home” programme, but when patients were then not discharged the beds remained vacant. There was also a greater need for EMI (Elderly Mentally Infirm) nursing beds rather than residential equivalents.

A Member observed that there was an over-reliance on using the Private Sector within the County Borough, and that because of the aging population this approach needed to be reviewed in the future. The Assistant Director Adult Services highlighted that the Council could not provide nursing care and was equipped to provide residential care only. The Local Authority had 6 in-house residential care homes and as demand was mostly for nursing care, was working closely with the Health Board to commission the right type of care.

One Committee Member welcomed the report and observed that supporting independent nursing care was essential due to the cost-of-living crisis. The Member then highlighted that in his opinion the County's smaller residential and nursing care homes should also be considered for the supplementary payment due to increased costs.

Committee Members made these comments as per the recommendations of the report.

11. STATUTORY POWER

11.1 Local Government Acts 1972 and 2003 and the Council's Financial Regulations.

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