

Provider Engagement Accommodation Based Provision

September 2025

Introduction

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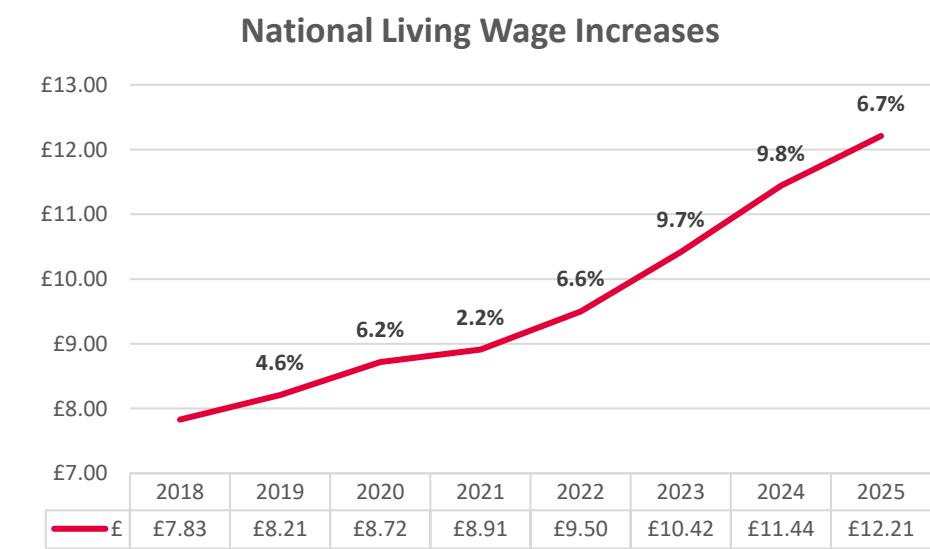
Inflation and Market Pressures

Social care providers as a whole have been exposed to market pressures over the past five years and beyond. Through this period we have experienced austerity, Covid, and subsequent high inflation to wages. The main contributors to these pressures are wage increases and general inflation to goods and services.

National Living Wage

Social care services are sensitive to changes to National Living Wage with many support staff being paid at or around the level of NLW. Increases to this therefore mean enforced increases in cost to providers in order to comply.

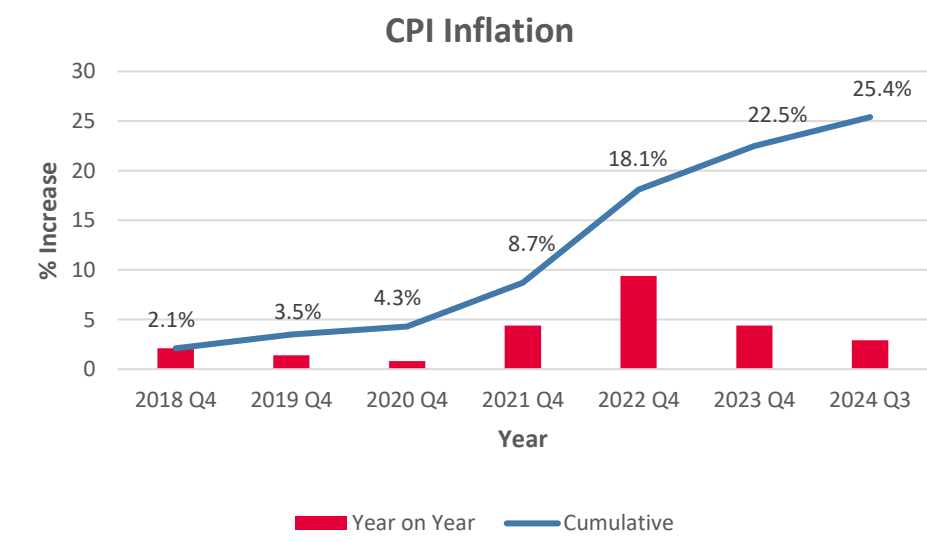
Since 2018 the NLW has increased from £7.83 to £12.21 as of April 2025. This is an equivalent increase of 46% in that time.



CPI Inflation

The other metric we use to calculate potential uplifts for providers is the Consumer Price Index (CPI) which reflects general inflation in the economy for goods and services.

Since 2018 the cumulative effect of inflation is in excess of 25%, which impacts providers in respect of what they buy to support services they deliver. This affects different categories differently, so in residential care where they are purchasing food and consumables for adults they will be exposed to these increases more than in supported living where it primarily impacts business purchases.



Older People Residential and Nursing

Methodology – Older People

Essex County Council have used a 'cost of care' model in Older People Residential and Nursing services since 2016. This model was designed by a consultant based on the Laing and Buisson model and engagement with the market at that time and refreshed 2019/20 informed from Laing Buisson 29th Edition (checked against 34th edition last year no material change). It has been updated annually to calculate uplifts linked to each years National Minimum / Living Wage figure and CPI, the nursing CoC also links to band 5 qualified nurse salary.

Between April 2022 October 2022 ECC was required by Government to complete a national Fair Cost of Care exercise alongside other Local Authorities. This covered Live at Home (+18) and residential and nursing (+65), the results of which are published on our provider hub. The median result of the exercise was within our pricing matrix available to providers through each year's annual refresh, but our average fee rates still fell short.

Over the past 5 years both residential and nursing care frameworks have been uplifted cumulatively more than the CoC cumulative increase. Framework rates were significantly increased in 2023/24 for nursing to encourage providers to join the framework and source packages at the framework rates. In addition to the framework matrix of rates there are two tiers of complex rates for those eligible packages, the exceptional needs rate was introduced 2012 and the high need rate introduced in 2024.

Model analysis – Residential Care

Our residential care costing model is linked to National Living Wage (NLW) rate and updated in April of each year. When setting updated rates prior to the formal NLW announcement ECC uses the mid-point of the Low Pay Commissions expected NLW range for the following year, non-staff related costs are linked to CPI.

Each cost driver was baselined from the 2019/20 Laing Buisson 29th Edition (checked against 34th edition last year no material change), blending Cost of Care Residential Care for Older People Dementia (70%) and Cost of Care for Older People Frail (30%). NLW or CPI percentage increase has been applied to each of the baseline costs year on year.

The table below shows the NLW/CPI ratios from 2020/21 to 2025/26.

Uplift Driver	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Staff (NLW)	61.27%	60.88%	60.41%	60.91%	62.28%	63.71%
CPI	38.73%	39.12%	39.59%	39.09%	37.72%	36.29%

		2023/24	2024/25	2025/26
A) STAFF, INCLUDING EMPLOYERS' ON-COSTS				
Care assistant staff cost (including activities)	NLW			
Catering, cleaning and laundry staff cost	NLW			
Management / administration / reception staff cost	NLW			
Agency staff allowance - nurses				
Agency staff allowance - care assistants	NLW			
Apprenticeship levy	NLW			
Training backfill	NLW			
Total staff		60.91%	62.28%	63.71%
B) REPAIRS AND MAINTENANCE				
Maintenance capital expenditure	CPI			
Repairs and maintenance (revenue costs)	CPI			
Contract maintenance of equipment	CPI			
Total repairs and maintenance		5.81%	5.58%	5.33%
C) OTHER NON-STAFF CURRENT COSTS				
Food	CPI			
Utilities (gas, oil, electricity, water, telephone)	CPI			
Handyman and gardening (on contract)	CPI			
Insurance	CPI			
Medical supplies (including medical equipment rental)	CPI			
Domestic and cleaning supplies	CPI			
Trade and clinical waste	CPI			
Registration fees (including CRB checks)	CPI			
Recruitment	CPI			
Direct training (fees, facilities, travel & materials) net of grants & subsidies	CPI			
Other non-staff current expenses	CPI			
Total non-staff current expenses		14.42%	13.85%	13.25%
D) CORPORATE OVERHEADS @ 5%		4.06%	4.09%	4.12%
E) RETURN ON ACCOMMODATION @ 6% pa OF CAPITAL COSTS				
Return on land	CPI			
Return on buildings and equipment meeting national minimum physical standards for new homes, extensions and 1st registrations since April 2002, including start-up losses	CPI			
Total returns		14.80%	14.21%	13.60%
Total		100.00%	100.00%	100.00%

Model analysis – Nursing Care

Our nursing care costing model is linked to National Living Wage (NLW) and qualified nurses' salary updated in April of each year. When setting updated rates prior to the formal announcement, ECC uses the mid-point of the Low Pay Commissions expected NLW range for the following year. We assume FNC is increased in line with qualified nurses' salary and non-staff related costs are linked to CPI.

Each cost driver was baselined from the 2019/20 Laing Buisson 29th Edition (checked against 34th edition last year no material change), Cost of Care Nursing Care for Frail Older People and Older People with Dementia per Resident per Week. NLW, qualified nurses' salary, CPI percentage increase has been applied to each of the baseline costs year on year.

The table below shows the NLW/CPI ratios from 2020/21

Uplift Driver	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Staff (NLW/QNS/FNC)	60.94%	60.64%	59.69%	60.15%	61.24%	62.68%
CPI	39.06%	39.36%	40.31%	39.85%	38.78%	37.32%

		2023/24	2024/25	2025/26
A) STAFF, INCLUDING EMPLOYERS' ON-COSTS				
Qualified nurse staff cost (excludes supernumerary)	Qual Nurse			
Care assistant staff cost (including activities)	NLW			
Catering, cleaning and laundry staff cost	NLW			
Management / administration / reception staff cost	NLW			
Agency staff allowance - nurses	Qual Nurse			
Agency staff allowance - care assistants	NLW			
Apprenticeship levy	Overall			
Training backfill	NLW			
Total staff (Gross)		82.95%	84.22%	85.81%
NHS FNC Funding Contribution (paid by ICBs)	FNC	-22.80%	-22.98%	-23.13%
Total staff (Net of FNC)		60.15%	61.24%	62.68%
B) REPAIRS AND MAINTENANCE				
Maintenance capital expenditure	CPI			
Repairs and maintenance (revenue costs)	CPI			
Contract maintenance of equipment	CPI			
Total repairs and maintenance		5.70%	5.52%	5.28%
C) OTHER NON-STAFF CURRENT COSTS				
Food	CPI			
Utilities (gas, oil, electricity, water, telephone)	CPI			
Handyman and gardening (on contract)	CPI			
Insurance	CPI			
Medical supplies (including medical equipment rental)	CPI			
Domestic and cleaning supplies	CPI			
Trade and clinical waste	CPI			
Registration fees (including CRB checks)	CPI			
Recruitment	CPI			
Direct training (fees, facilities, travel & materials) net of grants & subsidies	CPI			
Other non-staff current expenses	CPI			
Total non-staff current expenses		14.16%	13.70%	13.10%
D) CORPORATE OVERHEADS @ 5%		5.14%	5.17%	5.21%
E) RETURN ON ACCOMMODATION @ 6% pa OF CAPITAL COSTS				
Return on land	CPI			
Return on buildings and equipment meeting national minimum physical standards for new homes, extensions and 1st registrations since April 2002, including start-up losses	CPI			
Total return on accommodation		14.85%	14.36%	13.73%
Total		100.00%	100.00%	100.00%

Past Uplifts

	2022/23		2023/24		2024/25		2025/26	
	Amount	Capped	Amount	Capped	Amount	Capped	Amount	Capped
OP Residential	April 6.1% July 0.75%	£685.72 £690.90	8%	£746.27	7.38%	£801.36	6.93%	Locality Cap £800.24 - £856.87
OP Nursing	April 6.4% July 0.75%	£835.03 £841.26	20%	£1,009.40	7.44%	£1,084.51	6.99%	Locality Cap £1,028.51 - £1,160.32
Higher Needs Rate	N/A		N/A		£70.00		£70.00	
Exceptional Needs Rate	£80.01		£140.00		£140.00		£140.00	

- 2022/23 Both IRN and spot Older People placements were uplifted if below the capped amount.
- 2023/24 Only IRN homes' placements were uplifted if below the capped amount, no uplifts were applied to spot placements, as well as the exceptional needs being increased from £80.01 to £140.00.
- 2024/25 IRN homes were uplifted if below the capped amount and non-IRN homes were only uplifted if the placement fee was below the minimum framework rate of £695.38 for Residential and £855.75 for nursing. In addition to inflation existing IRN placements in IRN homes below the selected rate were uplifted to the new selected rate.
- 2025/26 IRN homes were uplifted if below the framework locality capped amount and non-IRN homes were only uplifted if the placement fee was below the minimum framework rate of £743.54 for Residential and £915.60 for nursing.

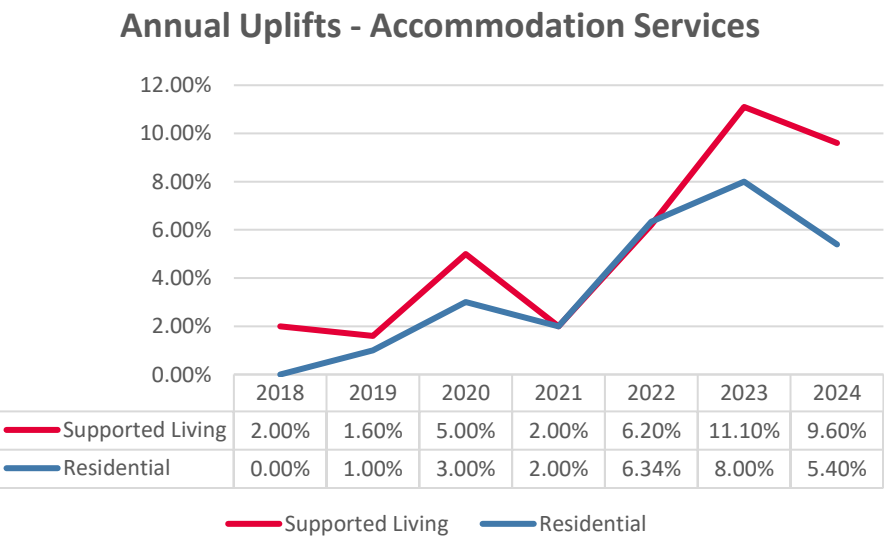
AWD Residential

ECC Uplift Approach

In response to the inflation and market pressures, ECC has committed to annual increases to the provider market to support them with the impact of these increases.

Approaches between the two accommodation categories vary slightly, and it is estimated that 80% of cost to a supported living provider will be from staffing alone, compared to 60% for residential care because of the higher number of non-care costs they have to factor in such as food, building maintenance, mortgage/rent etc.

Supported living operates on a specific “Cost of Care” model which is updated each year to give us a view of rates to be paid. Residential care is linked to Care Cubed our own uplift model. Uplifts from the past few years are listed below:



- Uplifts to SL services tend to be higher in years where the NLW increase is higher than CPI and the converse is true with residential care.
- The graph to the left shows the uplift position from ECC across the AWD accommodation categories in recent years.
- Cumulatively, we have awarded 37.5% worth of uplifts in supported living services, and 25.7% in residential care.

Methodology – AWD Residential

AWD Residential does not operate a strict cost of care model and was not included in the national exercise undertaken in 2022.

The focus in this sector is on personalised care for adults with learning disabilities and/or autism, and physical and/or sensory impairments. The Council has used Care Cubed for a number of years as a benchmarking tool to support us in ensuring best value across placements made.

The strategic direction the Council has taken in recent years is towards using residential care for adults with complex needs, and this led to the development of the Complex Residential Framework where providers set their rates, and they are benchmarked in-line with Care Cubed.

ECC spends around £100m per annum on AWD residential care with the average package costing around £2,100 per week.

Uplift Approach

Uplifts in recent years are calculated based on percentages applied to both increases in wages to support staff, and non-care costs relating to the accommodation and business costs to providers.

Given the introduction of the Complex Residential Framework to match the Council's strategic ambitions there is now some differentiation in the uplift awarded to providers on our framework and those who are not. This in part mirrors the additional cost we know providers are exposed to in delivery of care to adults with more complex needs.

Complex Residential Framework Uplift

- This model is based on 63% of the cost to providers being related to staff, and sensitive to changes in National Living Wage (NLW).
- The remaining 37% is related to non-care costs and is sensitive to changes in CPI.
- Data from the CRF shows that a typical core staffing ratio is 2 staff to 3 adults with 75% of care being delivered by support workers, and 25% by senior support workers.
- The model assumes that whilst support workers and senior support workers will feel fuller effects of any NLW increase, and management staff will receive a reduced increase to wages.

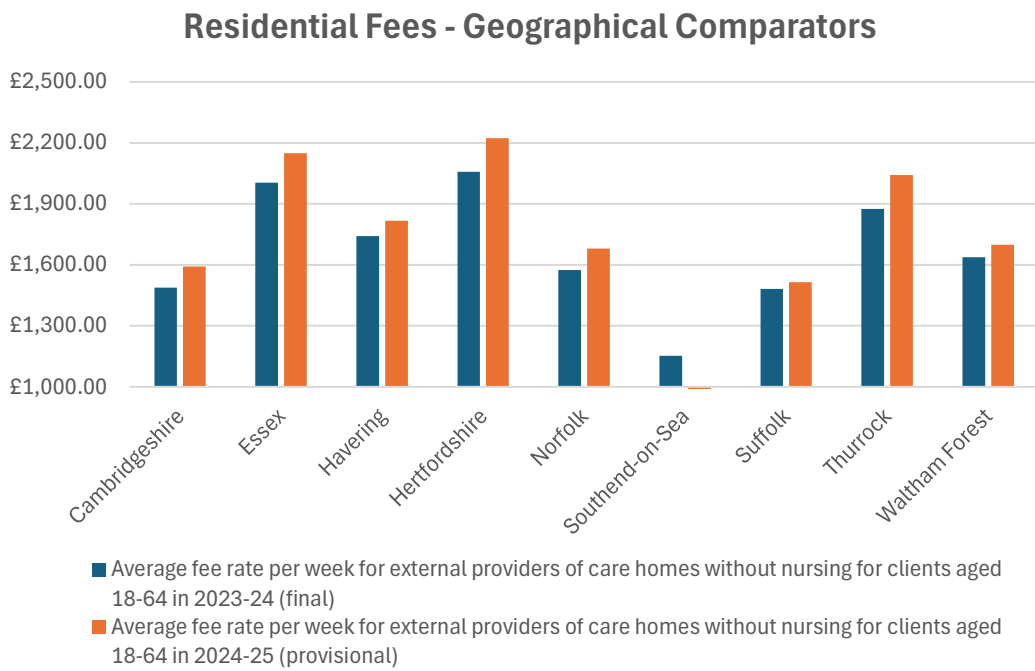
Non-Complex Spot Placements

- This model is based on 60% of the cost to providers being related to staff, and sensitive to changes in National Living Wage (NLW).
- The remaining 40% is related to non-care costs and is sensitive to changes in CPI.
- Due to less complexity of need, the staffing ratio assumed is 1:3.
- The model again assumes that whilst support workers and senior support workers will feel fuller effects of any NLW increase, and management staff will receive a reduced increase to wages.

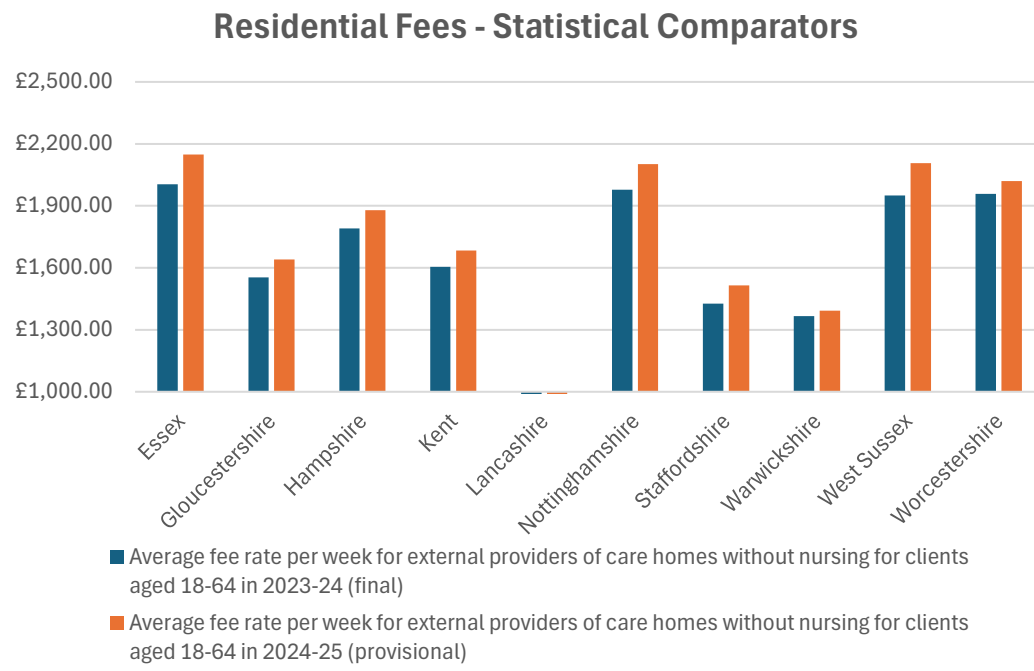
Residential Rates

The below charts show a comparison of rates paid in residential services by different local authorities. They are split into ‘geographical’ and ‘statistical’ comparators.

This information is taken from the DHSC Market Sustainability and Improvement Fund (MSIF): Provider fee reporting 2024 to 2025, local authority data tables.



Among geographical comparators, Essex has the second highest rates for residential care services.



Among statistical comparators, Essex has the highest rates for residential care services.

National Comparisons

Supported living: £ per blended hour	External providers for supported living	ECC
Local authority average fee 2024 to 2025 (provisional)	£21.33	£21.30
Local authority average fee 2023 to 2024 (final)	£20.06	£19.43
Local authority average % increase 2024 to 2025 (provisional)	6.4%	9.60%
Local authority average % increase 2023 to 2024 (final)	9.3%	11.10%

Nationally ECC sits around the average hourly rate for supported living services. Notably, the uplifts awarded in 2023/24 and 2024/25 were more substantial than other authorities and brought our rates in line with the average nationally.

Care homes: £ per client per week	External providers of care homes without nursing for clients aged 18 to 64	ECC
Local authority average fee 2024 to 2025 (provisional)	£1,692	£2,148.52
Local authority average fee 2023 to 2024 (final)	£1,598	£2,004.40
Local authority average % increase 2024 to 2025 (provisional)	6.0%	7.2%
Local authority average % increase 2023 to 2024 (final)	14.5%	8.0%

Residential rates in Essex are higher than the national averages and uplifts in 2024/25 were higher. The comparison between residential fees is more complex than other areas because of the absence of a standard unit of measurement like hours; this means whilst interesting to compare, we are not always comparing like-for-like.

Questions



What pressures are you currently experiencing?

Are there any changes in legislation or ways of working that we need to be aware of that haven't been covered in this session and may impact on your cost structure?

Is there anything else we haven't covered in this session that you think we should take into consideration?

What do you see as the likely impact to the proposed Employment Rights Bill to your organisation?

What is your current mix of private (or out of area) and Local Authority placements?