



HILLINGDON
LONDON

Fair Cost of Care and Market Sustainability Grant 2022-23

Annex B

Fair Cost of Care Report – 18+ Home Care

1. Introduction

The Cost of Care exercise undertaken by Hillingdon Council represents an extensive engagement and analytic cycle. This report, and all supporting information, was based on 14 home care providers operating within the borough. For consideration, the subsequent two paragraphs represent collated feedback from London local authorities, highlighting limitations of the exercise.

This exercise presented significant and fundamental constraints, including issues with data quality, lack of clarity in the structure and guidance for the exercise and unreliable results being produced by the mathematical median calculation method. These challenges are specified in further detail under Part Three (Approach to Analysis).

These limitations are such that the results produced by this exercise cannot be treated as wholly reliable or accurate. The London Borough of Hillingdon intends to work with providers from 2022/23 to agree local fee rates that are sustainable for the local market.

Further, we are unable to provide any detail on future rates until we have clarity on the national funding distribution is confirmed.

2. Provider Engagement

Initial Engagement

On 20th May 2022 Hillingdon reviewed the list of domiciliary care providers providing care to residents and determined which would be considered as in-scope. Of the 48 agencies correctly registered with the Care Quality Commission within the borough, the following table summarises why 8 of the domiciliary care providers were considered “out of scope” for the exercise. The number of service users for whom care is provided is accurate as of 27th June 2022.

Additionally, two lead providers not included on the website – CCS and Care Outlook – were deemed in-scope, resulting in a total of 42 in-scope providers. Both CCS and Care Outlook were originally not included on the website as they were in the process of being registered within the borough when initial analysis was undertaken. Care Outlook is now registered as a branch office within the borough.

Domiciliary Care Provider	Description from latest CQC inspection report	Service Users
Hanover Supported Living	Is a group of five supported living services	39
Priory Supported Living London & Home Counties	A supported living service to people living in their own flats or shared accommodation within ten 'supported living' schemes.	38
Albert Road - Salisbury Support 4 Autism Limited	Registered for 6 supported living units	29
Maya Supported Living Limited	Supported Living service to 8 younger adults with learning disabilities or autistic spectrum disorder. People live across two supported living settings .	15
Adolphus Care	The service supports people living in six ' supported living ' settings so people can be as independent as possible.	12
Panacea Care	Personal care and support to people who have mental health needs within a supported living and a domiciliary care setting . provided shared accommodation and support to 11 people living in two supported living settings one of which was the address of the registered location.	12
Brooklee Care	Dom care agency not been inspected and are closing	2
Envico Supported Living LTD	Is a supported living service providing personal care to up to six people. The service provides support to people with a learning disability and/or autism living in a shared accommodation within a 'supported living' scheme	5

Hillingdon Council (“Hillingdon”) contacted all “in-scope” domiciliary care providers on 20th May 2022, informing them of the Fair Cost of Care exercise and provided links to the LGA Homecare Cost of Care Toolkit. Shortly after, on 1st June 2022 Hillingdon hosted a monthly provider “drop-in” session, with the agenda set up specifically to provide further information and guidance. During this event the council:

- Re-introduced the Fair Cost of Care exercise
- Shared official guidance links for the Fair Cost of Care exercise
- Introduced the LGA Homecare Cost of Care Toolkit, outlining sources of support and information, and
- Held a question-and-answer session.

At this stage, the Council developed a Fair Cost of Care webpage for providers. The webpage included, but was not limited to:

- Background information for the exercise
- Direct links to the LGA Toolkit and common questions from providers
- Guidance on how to submit returns
- Dates and times of future engagement events
- Specific links for help and support, both from LGA and Hillingdon specifically.

The table below summarises the early engagement carried about by the council.

Date	Engagement
20 th May 2022	Identified all “in-scope” providers and distributed initial summary briefing.
20 th May 2022	Informed providers of the return deadline and that the Council would be using the LGA Homecare Cost of Care Toolkit to support the Fair Cost of Care exercise.
1 st June 2022	Hosted the first of monthly virtual engagement events for providers, with agenda item specifically around the Fair Cost of Care exercise.
7 th June 2022	Created Fair Cost of Care webpage for providers

Hillingdon appointed Grant Thornton UK LLP (“Grant Thornton”) to support the Council in the Fair Cost of Care exercise. Hillingdon informed all providers in scope via email of Grant Thornton involvement. Additionally, Grant Thornton was invited to attend all monthly provider “drop-in” sessions, giving them the chance to encourage further engagement and offer support where required.

Once all information, submissions and progress to date made by the Council was shared with Grant Thornton, they split all in scope providers into ‘buckets’ to determine the status of each provider:

“Bucket”

Engagement cycle carried out by Grant Thornton

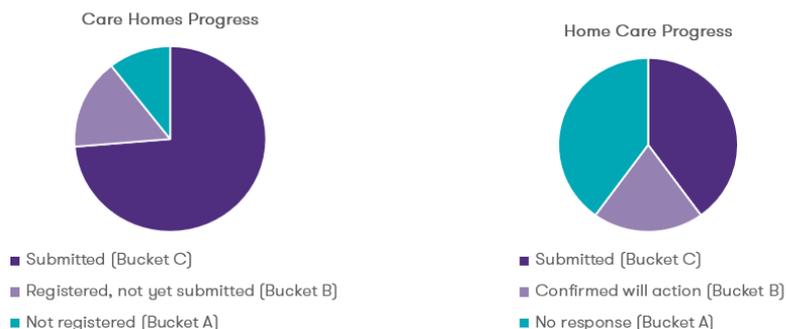
A) Toolkit not submitted	<ul style="list-style-type: none"> • Immediate engagement by email in the first instance, followed up by a phone call if required • Where providers refused to participate in the exercise and complete the toolkit, understand why, and share at weekly progress meetings with Hillingdon for escalation if required. It was noted that in most cases where providers responded to inform on non-completion noted capacity issues as the reason for not completing the exercise
B) Toolkit not submitted but provider confirmed participation	<ul style="list-style-type: none"> • Immediate engagement by email in the first instance, followed up by a phone call if required
C) Toolkit submitted	<ul style="list-style-type: none"> • No initial engagement • Analysis of returns started • Proposed clarification questions shared Hillingdon for discussion • Final clarification questions shared with provider by email in the first instance, followed up by a phone call if required

On 28th July 2022, once in-scope providers were allocated to a “bucket” Grant Thornton contacted each provider individually, offering support and guidance according to their bucket allocation following the planned engagement cycle. It was initially agreed that for submissions to be included within the Fair Cost of Care calculations, they would need to be provided by 12th August 2022, this would allow for additional engagement with providers to gain as many submissions as possible.

On 4th August 2022 emails were sent to all providers that were yet to confirm participation, along with those yet to submit their returns (i.e., those within Buckets A and B from the table above).

Weekly operational meetings were scheduled for Grant Thornton to provide Hillingdon Council Adults Social Care Reforms group with progress updates. A progress tracker was developed to monitor the progress engagement and providers submissions. Examples of the slides presented at these meetings and the progress tracker are included below:

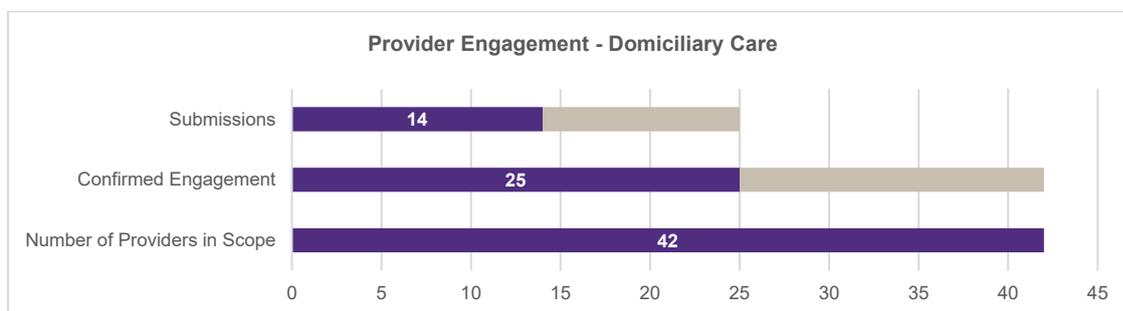
Provider Engagement



Within these operational meetings, it was agreed to extend the original deadline requested of providers, owing to a lack of further submissions. Therefore, on 19th August 2022 a final email was sent to providers falling within Buckets A and B, requesting for submission by 26th August 2022. The final status of provider engagement is illustrated in the bar chart below, and summarised as follows:

- 42 domiciliary care providers were deemed in scope for this exercise
- 25 of these 42 confirmed participation in the exercise
- 14 of the 25 providers subsequently submitted their returns

As introduced at the top of the report and in accordance with the detailed limitations listed at the end of Section 3, the data collected from home care submissions included significant levels of quality issues and large variation across providers. Note that of the 14 submissions, analysis could be reasonably carried out on 11 of these, owing to data quality issues within 3 submissions. Further information and justification for the omission of certain providers are included in the fair and reasonable adjustments paragraph within Section 3.



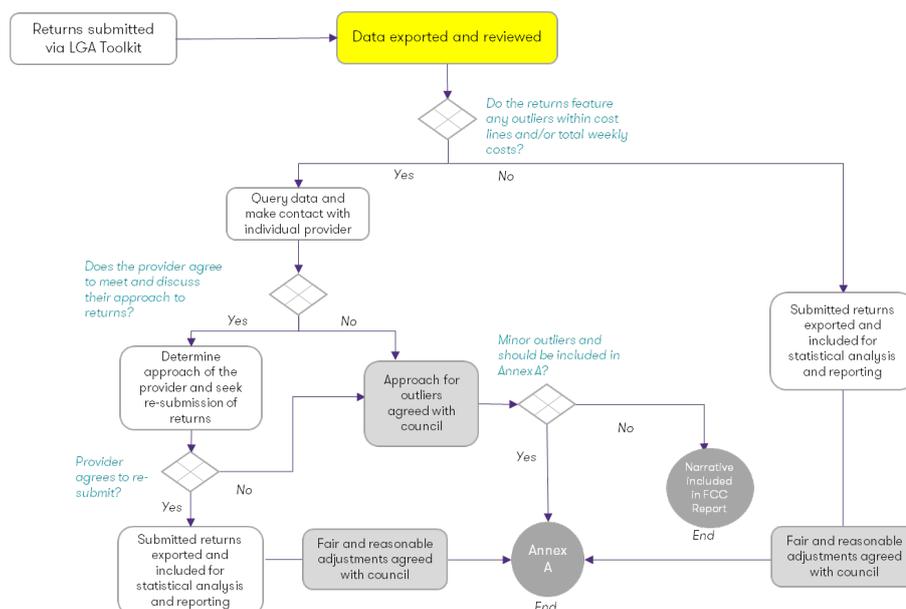
Clarification Questions

Any new submissions were reviewed on a weekly basis by Grant Thornton who validated provider responses and identified any outliers. Where required, further information and clarification questions were asked from providers through direct emails and phone calls. The clarification questions sent to four providers are listed below:

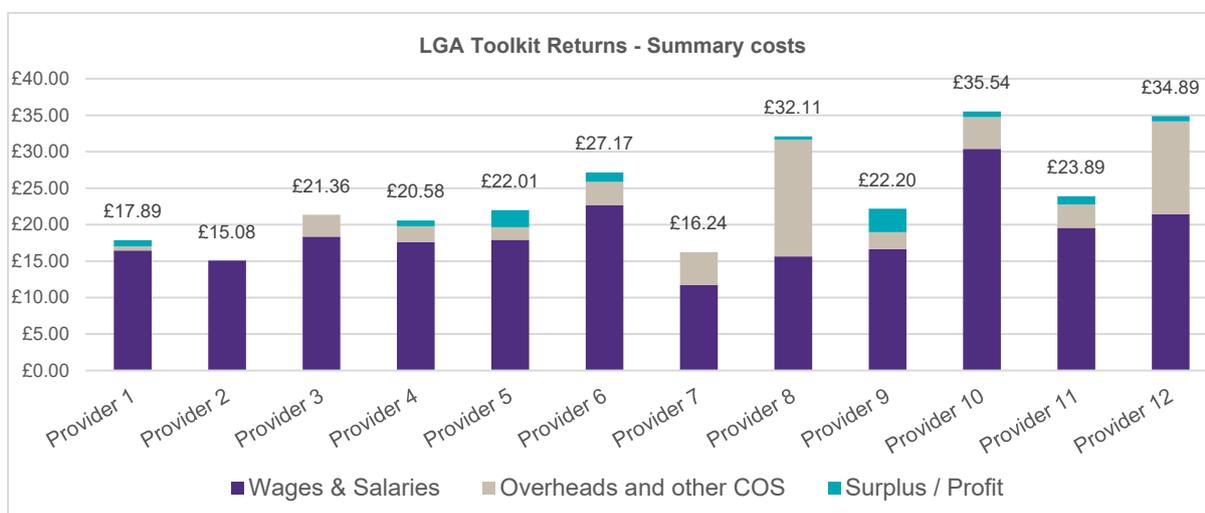
Provider Ref	Section of return	Clarification	Date of Contact and Response
1	Direct Care	<p>Within Section E you are required to enter the base pay rate for your Salaried Staff, along with their associated percentage of call allocations. Being empty, this is leading to calculation issues when determining Direct Care and Travel Time costs.</p> <p>We kindly ask for you to re-submit with Cell D79 completed.</p>	26 th August – No response
2	Direct Care, Back Office Staff	<p>Within Section E you are required to enter the base pay rate for your Salaried Staff, along with their associated percentage of call allocations. Within your submission Cell D79 is down as "NA", which is affecting the calculation of Direct Care and Travel Time costs. Further, within Section H, cells D128:D135 are meant to indicate the number of FTE staff by grade. I believe you have inputted the number of weekly hours (37.5) for each grade.</p> <p>We kindly ask for you to re-submit with Cell D79 and Cells D128:D135 updated.</p>	26 th August – No response
3	Back Office Staff	<p>Within Section H, cells D128:D135 are meant to indicate the number of FTE staff by grade. I believe you have inputted the number of weekly hours (37.5) for each grade.</p> <p>We kindly ask for you to re-submit with Cell D128:135 reflecting the number of FTE staff by grade.</p>	26 th August – No response
4	NI Contributions, Return on Operations	<p>Within Section H, cells D128:E135 are meant to indicate the number of FTE staff by grade, and their associated pay. As these cells are currently empty, this has led to negative NI contributions along with zero profit / surplus.</p> <p>We kindly ask for you to re-submit with Cell D128:E135 reflecting the number of FTE staff by grade and their associated pay.</p>	1 st September – No response
5	NI Contributions, Overheads	<p>Within Section H, cells D128:D135 are meant to indicate the number of FTE staff by grade. I believe you have inputted the number of weekly hours for each grade – this has led to negative NI contributions.</p> <p>We kindly ask for you to re-submit with Cell D128:135 reflecting the number of FTE staff by grade, and the amendments to NI contributions.</p>	1 st September – No response
6	Back Office Staff	<p>Within Section H, cell D128 is meant to indicate the number of FTE Registered Managers. I believe you have inputted the number of weekly hours (37.5) for Registered Managers - this has massively increased the costs associated with back-office staff.</p> <p>We kindly ask for you to re-submit with Cell D79 and Cells D128:D135 updated.</p>	26 th August – Provider resubmitted
7	NI Contributions	<p>Within Section A, cells D37:D39 are meant to indicate travel requirements for care staff. As these cells are currently empty, NI contributions are coming through as negative.</p> <p>We kindly ask you to re-submit with Cells D37:D39 updated.</p>	1 st September – Provider resubmitted
8	Overheads, Return on Operations	<p>Within Section G, cell D114 and D115 are meant to indicate the number of care staff required per annum to deliver care, and the associated NI threshold. Being empty, this has led to overhead costs and surplus/profit appearing as zero.</p> <p>We kindly ask for you to re-submit with Cells D114:115 reflecting the number of care staff per annum along with the NI threshold.</p>	1 st September – No response

3. Approach to Analysis

To determine the fair cost of care for domiciliary care as required by this exercise, the local authority has analysed provider submissions with reference to available evidence and sector guidance. All provider data was drawn from Homecare cost of care toolkit, as developed by the Local Government Association and ARCC-HR Ltd. Data exports were used to determine both statistical findings and the identification of outliers, summarised above as part of the clarification questions. Where Hillingdon had queries about specific cost lines in submissions, the local authority contacted individual providers to seek clarification or justification of costs and any missing data. The general approach to analysis, and subsequent updates to data, is best summarised in the flow chart below.



As per industry guidance, clarification was sought on statistically significant areas of spend. Initial analysis of the returns highlighted a large proportion of spend on staffing care (wages & salaries), though there was large variation across care homes. Providers were contacted in the event of anomalous staffing costs, as well as justification for exceptionally high overhead costs, and approaches adopted on Return on Operations. The chart below represents initial analysis of weekly costs, at which point 14 providers had submitted their returns. Please note that two providers have been excluded from the chart below, one for reporting an hourly rate of over £2,000 and the other due to significant errors within their submission. Provider names have been omitted from the chart.



Providers were contacted for clarification questions in advance of finalising the submissions, in line with the table within the section above. Once the final set of figures were agreed, and returns were updated to reflect any changes in provider submissions, the process to convert submissions into a fair cost of care was as follows.

1. For each provider, an hourly rate of care was calculated for all sub-service lines as broken down within the LGA Homecare Cost of Care Toolkit. These also represent the sub-service lines within Annex A, which allowed for a straightforward conversion of raw data exports into Annex A. The hourly rate of care for each sub-service line was based on the total expenditure in 2021/22, i.e., with no percentage uplift applied.
2. A total hourly rate of care was determined, based on a sum of the sub-service line medians as calculated from the approach so far. However, these figures were based on expenditure from 2021/22. Therefore, each sub-service median hourly rate was inflated based on relevant indices from the Retail Price Index, from April 2021 to April 2022.
3. At this point, two fair and reasonable adjustments were required. These centre around exceptionally high hourly rates of care, along with an appropriate approach to Return on Operations. These adjustments are detailed below.

Fair and Reasonable Adjustments

Exceptionally high hourly rates of Care

As referenced in Point 3 above, there were a number of domiciliary care providers that submitted returns indicating a greater-than-expected hourly rate of care. All these providers were contacted as per the clarification table within the previous section. In the absence of any re-submissions or explanation for the high rate of care, it was agreed that they could not be included in any median calculations for the Fair Cost of Care.

This is justified for the following three reasons:

1. Providers were contacted up to 3 times to justify their extraordinarily high rates of care. We received no response from those which have been excluded.
2. Framework contracts were recently agreed with the very same providers at significantly lower hourly rates of care.
3. The very same providers have successfully operated at significantly lower hourly rates of care.

For these reasons, along with our belief that sections of the LGA toolkit were incorrectly filled out by these providers, those indicating an hourly rate of care greater than £30/hour were excluded from median averages.

Return on Operations

As the figures submitted by Hillingdon domiciliary care providers for Return on Operations varied across a wide range, applying the approach outlined below supports consistency in calculating a median rate for this exercise, informed by industry guidance for care homes.

In determining that a rate of 3.8% for Return on Operations is the appropriate figure we have considered the factors listed below. These factors will inform - but not necessarily determine - our fee-setting decisions, but we have also had regard to them in moderating and deciding the information we will be submitting to the Department for Health and Social Care.

First, Hillingdon has a duty to consider how it will achieve the objectives prescribed by section 5(1) of the Care Act, which requires us to promote the efficient and effective market in our area. In doing so we must have regard to the matters outlined in section 5(2) of the Care Act.

Second, in doing so we must have regard to the matters set out in the Care and Support Statutory Guidance.

Third, we must have regard to the Market Sustainability and Fair Cost of Care Fund 2022 – 23 Guidance.

Fourth, as a public body we must reach a determination that is not irrational, in that it is within the range of decisions that a public body acting reasonably could make.

Finally, we must have regard to our public sector equality duty under s149 of the Equality Act.

Hillingdon have determined that the data we will submit to the DHSC will be premised on a minimum rate of 3.8% for surplus profit or Return on Operations being sufficient to support the market in our area. In our assessment, there is a high volume of provision in the borough overall that provides good quality services to clients. Based on an appraisal of local market sustainability and with reference to the UKHCA guidance, Hillingdon is of the view that a 2.8% rate for Return on Operations will be appropriate to secure sufficient and sustainable service provision, ensuring a variety of high-quality services in the borough.

To ensure full transparency of the approach adopted to the Fair Cost of Care exercise, the North West London (NWL) sub-region decided to work as a collective to garner the market's views on current and future sustainability for inclusion within individual market sustainability plans (MSPs). It was agreed that working cross borough in this regard was beneficial due to the single market NWL has created resulting from a shared procurement for care homes.

NWL agreed that an online event supplemented by a survey to encourage greater participation was the most effective way to capture the market's views. The online event combined both the 65+ Care Homes and the 18+ Domiciliary Care markets and was attended by over 50 providers. The survey generated 48 responses across both markets. The event focused on the questions posed in the MSP template provided within the Fair Cost of Care guidance document.

Limitations of Exercise

Having followed guidance, we are not confident that the cost of care figures provided here are fair or sustainable. They provide data without the context and insight to come to an accurate judgement on the fair cost of care. This is due to several reasons, namely:

- The cost is derived from a sample of the care market that chose to provide data, so risks not being fully representative of the cost of care.
- This is particularly true in London where small care markets are common, and where out-of-borough care home placements are also common.
- Costs varied significantly from provider to provider, impacted by factors that include the size of the organisation, variations in staff pay rates and use of agency staff.
- Costs varied significantly around Employer's National Insurance (ENI) contributions.
- The median calculation method produces results that do not reliably reflect market costs.
- DHSC guidance did not provide clear criteria for moderation (e.g., adjusting for ROO).
- DHSC guidance recommends querying outliers with providers, however there is no clear line between a cost being inefficient or an outlier.
- Rising inflation, living, and running costs mean that the data submitted through this exercise at a point in time may no longer be accurate.

Annex A Outputs

The table below sets out the median value for each category from the data received from providers. This represents the output within Annex A, and therefore reflects the fair and reasonable adjustments delineated in the approach to analysis section above.

Cost Lines	18+ Domiciliary Care
Total Careworker Costs	£15.93
Direct care	£11.06
Travel time	£0.91
Mileage	£0.23
PPE	£0.32
Training (staff time)	£0.12
Holiday	£1.55
Additional noncontact pay costs	£0.04
Sickness/maternity and paternity pay	£0.31
Notice/suspension pay	£0.01
NI (direct care hours)	£0.95
Pension (direct care hours)	£0.43
Total Business Costs	£4.87
Back-office staff	£3.04
Travel costs (parking/vehicle lease et cetera)	£0.01
Rent/rates/utilities	£0.26
Recruitment/DBS	£0.03
Training (third party)	£0.07

IT (hardware, software CRM, ECM)	£0.05
Telephony	£0.05
Stationery/postage	£0.03
Insurance	£0.09
Legal/finance/professional fees	£0.15
Marketing	£0.02
Audit and compliance	£0.03
Uniforms and other consumables	£0.04
Assistive technology	£0.01
Central/head office recharges	£0.91
Other overheads	£0.00
CQC fees	£0.07
Total Return on Operations	£0.74
TOTAL	£21.54

Cost Lines	18+ Domiciliary Care
Number of location level survey responses received	14
Number of locations eligible to fill in the survey	42
Care basic pay per hour	£11.33
Minutes of travel per contact our	4
Mileage payment per mile	£0.40
Total direct care hours per annum	2,686,177

Additional Information

The table below represents the lower quartile/median/upper quartile of number of appointments per week by visit length.

Visit Length/mins	Lower Quartile	Median	Upper Quartile
15	16	30	125
30	148	392	1,493
45	56	136	251
60	15	122	207

As detailed within Section 3 – Approach to Analysis, a fair cost of care was determined by calculating median weekly costs for sub-service cost lines and uplifting these rates to 2022/23. The median rates for 2022/23 are therefore standalone rates, rather than a median of individual provider rates. Essentially, this means that it is not possible to determine interquartile ranges on cost of care data for 2022/23. Theoretically, interquartile ranges could be drawn directly from the uplifted values in the LGA Toolkit returns, though this would lead to costs of care with no Fair & Reasonable Adjustments applied. To avoid inconsistency in the fair cost of care as determined through the Hillingdon's approach to analysis, interquartile ranges have not been included within the table below.

Note that of the 14 submissions via the LGA Toolkit, 2 were not useable given missing data in the returns, and a further 3 were omitted as per the Fair and Reasonable Adjustments explained in Section 3. Therefore, the count of observations within the table below stands at 9.

Cost Line	Count of Observations	Median
Careworker Costs	9	£15.93
Business Costs	9	£4.87
Return on Capital	9	£0.74
Total	9	£21.54

The below shows the table in Annex A, Section 3 with one column of median values for each care cost type after the requested provider adjustments and the application of the 3.8% minimum surplus profit rate. The median value is further broken down to the cost per visit for each of 15, 30, 45 and 60 minute visits (shorter visits have larger relative travel times so are relatively high in cost).

The median visit length within Hillingdon was 49.2 minutes.

Cost Line	Median	15 mins visit	30 mins visit	45 mins visit	60 mins visit
Careworker Costs	£15.93	£57.89	£28.94	£19.30	£14.47
Business Costs	£4.87	£15.28	£7.64	£5.09	£3.82
Return on Capital	£0.74	£	£	£	£
Total	£21.38	£	£	£	£