

Annex B Fair Cost of Care report – London Borough of Barnet

Introduction

The fair cost of care (FCOC) is a government policy which asks councils to survey local providers to establish a median cost model for residential & nursing care for the over 65s and home care for the over 18s. Councils are then asked to publish the details of their median cost model (using a format called Annex B) by the (date).

This document is Barnet council's Annex B and contains all the required information. In addition, we have included additional background and contextual information to assist those reading the document.

Annex B information includes:

- Our approach to calculating a median rate via surveys of our providers
- Our survey return rate for 65+ residential and nursing care and 18+ homecare
- Our median rates, with commentary
- Details of how we plan to uprate these rates in line with inflation in future financial years

Care Homes

Approach

The London Borough of Barnet gave all 65+ care home providers in the borough the option of completing the national cost of care tool hosted by iESE (<https://iese.org.uk/>) or a local template consistent with those used by the Council to determine annual inflationary uplifts. The majority of homes that responded opted to use the iESE tool (13), but one used the local tool.

The cost of care tool asks providers to submit information on their running costs and profits.

Providers were initially written to inviting them to participate in the fair cost of care exercise in June 2022. Since then, the Council has sought to maximise the response rate by:

- Hosting two face to face question & answer (Q&A) and discussion sessions on FCOC at Barnet's provider forum, in July 2022 and January 2023.
- Hosting two local MS teams on the exercise in Barnet, plus one North Central London sub-regional MS Teams Q&A session and signposting providers to equivalent national Q&A sessions hosted by IESE
- Regular written communication and reminders to providers
- One to one discussions with homecare and care home providers (with a particular focus on smaller providers not actively participating within regional representative organisations like the Care Provider Alliance)
- Offer of accountancy support to help complete returns

Return Rate

Of providers surveyed (44), 32% (14) submitted a return. Two of these returns did not contain enough information to meaningfully compare so were discounted.

There are 53 care homes in Barnet registered to support older adults. We chose not to survey nine because:

- 3 were newly opened with very low occupancy, as such their existing operating costs are not indicative of the wider market
- 4 are dual designated to support older and younger adults, however the majority of the people who live there are under 65. Hence, the Council decided not to survey these homes because their costs / model are therefore not typical of the 65+ market.
- Two are run by the Council's local authority trading company operating in council properties and are also holding higher than usual vacancies. As such the actual operating costs are not indicative of the wider market.

Of the twelve (12) providers that submitted returns which could be analysed, eleven (11) operate multiple homes either sub-regionally or nationally. Barnet Council attempted to get a higher return rate amongst sole businesses and smaller operators which make up roughly one third of the older person's care home sector in borough. Unfortunately, despite various efforts (listed above in 'Approach' section) only one 'sole business' submitted. As such, we have some concerns about the extent to which the 'fair cost of care' rate is reflective of the market as a whole, in light of the low response rate overall and the very low response rate from sole businesses.

Fair Cost of Care rates

Care Homes for the over 65s

Placement category	Median rate	Lower quartile	Upper quartile
Residential General	£840	£796	£920
Residential Dementia	£900	£843	£970
Nursing General	£1050	£963	£1200
Nursing Complex	£1150	£1035	£1250

Breakdown of care home median rates by category

Median Rates	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
Total Care Home Staffing	£500.00	£550.00	£687.50	£787.50
Nursing Staff			£187.50	£222.50
Care Staff	£335.00	£385.00	£335.00	£400.00
Activity Coordinators	£5.00	£5.00	£5.00	£5.00
Service Management (Registered Manager/Deputy)	£50.00	£50.00	£50.00	£50.00
Reception & Admin staff at the home	£10.00	£10.00	£10.00	£10.00
Chefs / Cooks	£45.00	£45.00	£45.00	£45.00
Domestic staff (cleaning, laundry & kitchen)	£45.00	£45.00	£45.00	£45.00
Maintenance & Gardening	£10.00	£10.00	£10.00	£10.00
Total Care Home Premises	£40.00	£40.00	£40.00	£40.00
Repairs and maintenance	£35.00	£35.00	£35.00	£35.00
Furniture, furnishings, fixtures and equipment	£5.00	£5.00	£5.00	£5.00
Total Care Home Supplies and Services	£140.00	£140.00	£145.00	£145.00
Food supplies	£35.82	£35.82	£37.10	£37.10
Domestic and cleaning supplies	£8.76	£8.76	£9.07	£9.07
Medical supplies (excluding PPE)	£10.09	£10.09	£10.45	£10.45
PPE	£0.41	£0.41	£0.42	£0.42
Office supplies (home specific)	£4.94	£4.94	£5.11	£5.11
Insurance (all risks)	£7.77	£7.77	£8.05	£8.05

Registration fees	£2.10	£2.10	£2.19	£2.19
Telephone & internet	£6.83	£6.83	£7.07	£7.07
Council tax / rates	£0.65	£0.65	£0.67	£0.67
Electricity, Gas & Water	£36.79	£36.79	£38.10	£38.10
Trade and clinical waste	£4.12	£4.12	£4.27	£4.27
Transport & Activities	£3.22	£3.22	£3.34	£3.34
Other care home supplies and services costs (please specify)	£18.50	£18.50	£19.16	£19.16
Total Head Office	£63.00	£70.00	£70.00	£70.00
Central / Regional Management	£15.44	£17.44	£17.44	£17.44
Support Services (finance / HR / legal / marketing etc.)	£25.25	£27.75	£27.75	£27.75
Recruitment, Training & Vetting (incl. DBS checks)	£6.87	£7.37	£7.37	£7.37
Other head office costs (please specify)	£15.44	£17.44	£17.44	£17.44
Total Return on Operations	£42.00	£45.00	£52.50	£57.50
Total Return on Capital	£55.00	£55.00	£55.00	£55.00
TOTAL	£840.00	£900.00	£1,050.00	£1,155.00

Data and commentary on figures

As a result of a lower than anticipated response rate from providers, particularly smaller businesses, London Borough of Barnet took a mixed method approach to determining fair cost of care price points for the 4 care categories. This triangulated:

- The provider returns submitted (adjusted for outliers and excluding non-comparable returns)
- Our existing 'cost models' for residential and nursing care based on industry standards for staff, property and other non-staff costs, which have been used by the council to set a minimum sustainable price for care in partnership with providers for several years. These cost models have been developed based on independent commissioned analysis and have been used to ensure that the Council do not commission residential and nursing care placements at unsustainably low levels.

The Council subsequently considers the data in the table above to be more reflective of the overall market than the sample of returns received from providers. However, whilst the Council considers this data to be a reasonable reflection of market expectations in general, the Council wishes to be clear that it does not consider these data points reflective of the rates it should pay for all placements. The Council sets fees on an individual placement and provider basis based on the individual cost structure of a care home and the needs of a client, with the minimum sustainable price (referred to above) being the rate below which we will not commission. This is a more sustainable approach than adopting fixed rates, given that costs vary by provider. We are subsequently interpreting the data in the table above as broadly reflective of what the Council may expect to pay as a median rate by category, rather than a rate to apply to all placements which should be based on what a sustainable cost is on a home-by-home and placement-by-placement basis.

This report now expands further on the approach taken to triangulate provider returns with our existing cost models below.

- Return on Operations (= operating profit)
 - o We had some responses to this question, ranging from operating surpluses of 5 to 15%. However, 5 out of the 12 providers that submitted returns were unwilling to disclose their expectations of profitability to the Council.
 - o Barnet has a mix of voluntary sector and private sector operators in borough. Most charities operate with lower than 5% surplus expectations, sometimes with as low as 2%. Most for-profit care home providers will have operating profit expectations above 5%. Our returns over-represented the latter over the former; however regardless, Barnet Council considers the question of return on capital / surplus to be a matter for negotiation in the context of market forces, limited financial resources and what is reasonable in the provision of an essential service to vulnerable adults. As such, we have included 5% as a reasonable rate of return in determining the rates above
- Non-staffing costs
 - o The responses received highlighted real ranges in non-staff operating costs. Within our 'fair cost of care' the Council has assumed between £200-£250pw per resident for non-staff costs across the placement categories, based on triangulating provider survey responses and our existing cost models
- Wages and staffing costs
 - o For wages, again the Council has triangulated provider survey responses and our existing cost models. These reflect differences in wages by types of caring role (e.g., care workers to nurses etc)
- Staffing levels – differences between categories
 - o Respondents to the survey in the main did not distinguish between different placement categories in their responses, suggesting there were minimal differences between staffing costs relative to complexity of need. The Council does not consider this a true reflection of market expectations and costs
 - o The Council has existing local definitions of standard and enhanced care categories based around assumptions tested with the sector on differences in staffing levels between them. Given the unrepresentative nature of the survey responses on these costs as described

above, the Council used these definitions to estimate median differences in staffing levels by different care categories

Future changes to 'Fair Cost of Care'

Future increases to the data will be made considering a range of factors, such as changes in average earnings, rental inflation, broader economic factors and inflation.

Homecare

1. The response rate of the exercise, as a percentage of those invited (excluding providers for whom the exercise turned out not to be relevant).

Surveys were shared with 29 providers operating in Barnet.

Surveys were received from 24 providers operating in Barnet, an 83% response rate.

Three surveys were excluded on the grounds of data quality.

A further two surveys were received too late after the deadline to be included in the analysis.

2. Median and upper / lower quartile of total care visits by length delivered by Barnet Homecare providers, broken down by length (15/30/45/60 mins)

Important note: Annex B requires councils to calculate and publish the rate for a 15-minute home care visit. However, Barnet council does not commission 15-minute visits as part of its care and support plans so this is excluded from the below

Total visit lengths	30 mins	45 mins	60 mins
First quartile	344.3	286.9	175.5
Median	547.4	489.8	440.8
Third quartile	1,063.5	1,069.4	718.4

This is based on council call monitoring data for September 2022.

3. Justification of the proposed approach to return on capital and return on operations

The Council considers a 5% return on operations as a reasonable rate of return. We have in addition built into our approach for homecare payment for cancelled calls where providers incur costs; and also, by rounding actuals by 10 mins to allow a small amount of 'over-payment' relative to actuals for care calls.

4. Median cost of care – Homecare 18+

Quartile	Cost
Lower Quartile	£19.39
Median	£20.42
Upper Quartile	£21.54

5. Breakdown of median rate

Median costs	18+ domiciliary care
Total Careworker Costs	£14.51
Direct care	£9.98
Travel time	£1.31
Mileage	£0.02
PPE	£0.09
Training (staff time)	£0.20
Holiday	£1.38
Additional noncontact pay costs	£0.00
Sickness/maternity and paternity pay	£0.12
Notice/suspension pay	£0.03
NI (direct care hours)	£0.92
Pension (direct care hours)	£0.24
Total Business Costs	£4.94
Back office staff	£2.68
Travel costs (parking/vehicle lease et cetera)	£0.06
Rent/rates/utilities	£0.43

Recruitment/DBS	£0.07
Training (third party)	£0.07
IT (hardware, software CRM, ECM)	£0.15
Telephony	£0.08
Stationery/postage	£0.06
Insurance	£0.07
Legal/finance/professional fees	£0.15
Marketing	£0.05
Audit and compliance	£0.03
Uniforms and other consumables	£0.04
Assistive technology	£0.10
Central/head office recharges	£0.79
Other overheads	£0.12
CQC fees	£0.05
Total Return on Operations	£0.97
TOTAL	£20.42

6. Consistent with the identified cost per contact hour, the cost per visit for each of 15-, 30-, 45- and 60-minute visits (shorter visits have larger relative travel times so cost relatively more)

See below, although note that the London Borough of Barnet do not commission 15-minute visits, so this is excluded from the table

Visit length	Cost
30 minutes	£21.50
45 minutes	£20.44
60 minutes	£19.92

5. A clear statement of when the results were collected (the base price year) and how they will be uplifted in future for inflation.

The data from providers was collected during July and August 2022, with the queries and clarification process ongoing well into September. The financial year was 2022-23.

Historic cost data was used for non-staff cost categories based on the providers most recent completed accounts. Each cost was uplifted to a 2022-23 baseline using an appropriate inflation index. Each cost line was updated from the middle of their respective financial year to May 2022 (close to the start of the 2022-23 financial year).

Providers were asked to identify any costs that had or would increase for 2022-23 to an extent that would not be reflected using national measures of inflation (i.e., Consumer Price Index or CPI). Many providers provided details about structural cost increases. Each provider's costs were updated to reflect any new baseline where data was supplied.

Payroll data was collected from a recent payroll period in the 2022-23 financial year to inform employer national insurance and pension contributions as a percentage of wages.

Any future updates to the cost models will be made considering a range of factors, such as changes in average earnings, rental inflation, broader economic factors and inflation.

6. A full description of the questions asked/template used as part of the exercise

The survey was designed by Care Analytics. The survey asks detailed questions about homecare delivery and the operating practices of each branch.

It asks for a detailed breakdown of current back-office staffing and wages/salary by role.

It asks a series of questions about care worker pay rates, including supporting information so a reliable average rate of pay can be calculated. Providers had the opportunity to present their pay structure in whatever format was easiest to them. This is essential for homecare owing to the diverse ways homecare providers pay their care workers.

The survey collects information about employment terms and conditions so employment on-costs can be accurately calculated.

Non-staff operating costs are collected from previous or current financial years at a granular level. To promote engagement, providers were offered the opportunity to submit financial information in whatever format is exported from their finance system or is already available in their accounts. Care Analytics then standardised the data into the required format for analysis. Many providers took advantage of this opportunity as it can save considerable time.

Finally, providers had the opportunity to answer a variety of questions in their own words to inform the market review.

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