

City of London Corporation

Fair Cost of Care Exercise Report 2022 (Annex B)

1. Introduction

- 1.1 In line with the expectations of government, and in common with all local authorities, the City of London Corporation (City Corporation) has undertaken a “Fair Cost of Care” (FCOC) exercise. Its aim is to evidence the actual costs a care provider incurs in delivering care. For residential and nursing care that is presented as the cost of a bed per week. For domiciliary care that is typically presented as a unit cost for an hour of such care. The exercise does not set the rates that the City Corporation or other local authorities will pay but provides a methodology to understand the level of costs that support a sustainable market of care providers.
- 1.2 The exercise and the information set out in this report reflect the unique circumstances of the City of London. It has a very small population, yet unlike other areas of small population, the City is surrounded by large, densely populated boroughs with significant and diverse care markets.
- 1.3 There are no care or nursing homes within the City of London. The volume of arising need and demand for residential care is not sufficient to sustain market or local authority provision. In responding to the demand for care to which the City Corporation delivers, its scale and variance is such that resilience cannot be prudently or viably secured through block contractual arrangements of residential care models.
- 1.4 The demand for domiciliary care – supporting residents to live well in their home – is met through a single commissioned provider. This is proportionate to the number of service users requiring such support.
- 1.5 This context has driven the nature and scope of our FCOC exercise and informs – and limits – the completion of this report and the supporting templates in line with the government’s proposed methodology.
- 1.6 With the agreement of government, the City Corporation reported a FCOC figure for residential and nursing home care based on an average of the median rates reported in local authority areas in which it places.
- 1.7 This approach provides a methodology, but it should be noted that the pattern and geography of placements experienced now, is not an accurate guide to future placements, beyond the broadest of headline trends. As such, our understanding of a relevant fair cost of care – in terms of shaping our approach to market sustainability – is informed by the exercises of our neighbouring authorities in the North East London sub-region of which the City Corporation is part.

- 1.8 The methodology supporting the FCOC exercise for domiciliary care requires a median hourly fair cost across a range of provider returns. The City Corporation has a single provider. It means the figures and cost breakdowns collected are attributable to an identifiable provider, and therefore they are redacted so as not to share what could be – in a competitive market - commercially sensitive information.
- 1.9 However, it is more important to note that a sample size of one is not an adequate indicator of the market context in which the City Corporation commissions or seeks to sustain market provision for domiciliary care. Therefore, our plans for market sustainability will be informed by the fair costs reported by the local authorities in the North East London sub-region.

2. Residential and Nursing Care Homes (65+)

- 2.1 The City Corporation uses a range of Residential Care and Nursing Homes across London and England. At the time of engaging our providers in October 2022, there were seventeen such placements.
- 2.2 With no in-borough provision, and given the pattern of placements made, a locally based Lower/Upper Quartile would not be relevant or obtainable. Instead, it was proposed by government that we collect the Median rates from the host authorities in which the Corporation has Residential and Nursing placements. An average of these provides the Corporation’s reported FCOC figure.
- 2.3 The host authorities report variable response rates but conclude enough responses have been received to make fair market assessments. Table 1 below, shows fee ranges and Median costs based on current placement prices with median values for each care type.

Table 1: Median costs based on current placement prices

Type	Clients	City median based on 22/23 fees	City current Fee Range (Pre FCC)
65+ Residential Homes	12	£840	£640 to £1280
65+ Residential Home Enhanced	0	n/a	n/a
65+ Nursing Homes	5	£900	£687 - £1428
65+ Nursing Home Enhanced	0	n/a	n/a

- 2.4 Table 2 below shows the Host LA Median Rates as reported for where we have placed City residents.

Table 2: Host LA Median Rates for where we have placed City residents

LA	Nursing Median by host local authorities	Residential Median by host local authorities
Barnet	£1,010	0
Barnet	-	£860
Enfield	-	No data
Lambeth	£1,138	-
Hackney	No Data	No Data
Kent	-	No data
Northumberland	-	No data
Southwark	-	£1,179
Stockport	-	No data
Tower Hamlets	£902	£928
Greenwich	-	£1,467
Total	-	-
LA HOST AVERAGE OF WEEKLY MEDIANS	£1,017	£1,059

- 2.5 Data was collected for this exercise In September 2022 and received during October 2022.
- 2.6 During the Cost of Care process, we reviewed the current Care Home market through research and liaison with providers and local authorities. In the light of recent market pressures, we consider it important that we support sustainable services that continues to deliver high quality care homes at sustainable prices.
- 2.7 Therefore, for 2023/24 onwards, we seek to align our uplifts with those of the host authority, including adjustments they may have made for inflationary pressures or the FCOC. However, to ensure sustainable fees, we will consult with providers to ensure that uplifts cover essential costs and apply our own annual uplift process that will consider two critical cost areas:
- I. London Living Wage uplifts as set by the Government alongside relevant market average earnings.
 - II. Operational costs. For these we will consider:

- consumer price index (CPI) rates,
- NEL regional shared priorities,
- a market risk assessment
- provider feedback and negotiation.

2.8 During liaison with our Care Home providers, we asked in general terms what they considered to be the risks and financial factors in their current market.

2.9 During discussions we also asked the following questions:

- What is your experience of staff recruitment and retention and what are your vacancy rates?
- Can you tell us how the current rise in interest rates is impacting your business?
- What additional costs you have incurred due to infection control?
- How are you managing increasing costs with limited uplifts?
- What price increases do you envisage next year?
- How do you think we can improve our monitoring to take greater account of emerging market pressures and risks?
- What is the best way for us to liaise with you in regard to fair pricing?
- In what ways can we support you in the current economic climate?
- Do you think a regional approach to supporting recruitment might help?

3. 18+ Domiciliary Care

3.1 In exploring a fair cost for the provision of domiciliary care the City Corporation completed the details of projected costs in a government template known as Annex A. The annex provides a tool for local authorities to report the median costs for specific cost elements drawn from the submissions of all their providers. This has informed this report (referred to by government as Annex B) which sets out how the details and estimates used to complete Annex A were obtained, and as such how we have derived FCOC figures. Annex A is not published.

3.2 As set out above, the City Corporation's single provider service limits the value of the methodology in informing our approach to a sustainable market, and would reveal commercially sensitive information linked to a single provider, which is not the intention of the exercise. For the latter reason some information is redacted. However, it is important to note that the intelligence gained from the exercises of our sub-regional colleagues, will provide a better insight and basis upon which to view and support a sustainable market and will inform our plans to do so.

3.3 The City Corporation's Domiciliary Care provider commenced their service during August 2022, following a competitive procurement exercise.

3.4 Our provider has submitted their revised cost breakdown and worked with us to help us understand emerging cost impacts and risks specific to the City Corporation and in the broader market.

3.5 The City Corporation does not offer or contract for 15 minute calls. The minimum call time is 30 mins, which we consider is the minimum suitable time. In comparison to other LA's, we have a lower numbers of calls per week. This is in line with NICE Quality Standard QS123 (Homecare for Older People) and NG21 (Delivering personal care and practical support to older people living in their own home).

3.6 Table 3 below highlights this, showing the weekly number of appointments per week by visit and cost.

Table 3: Weekly number of appointments per week by visit and cost

Week Commencing: 25th September 2022 - Number of Calls Per Week

Clients	15 mins	30 mins	45 mins	60 mins
Client 1	0	7	0	0
Client 2	0	0	0	22
Client 3	0	0	7	21
Client 4	0	7	0	7
Client 5	0	0	21	7
Client 6	0	21	0	0
Client 7	0	0	0	28
Client 8	0	14	0	0
Client 9	0	11	0	4
Client 10	0	7	7	1
Client 11	0	14	0	0
Client 12	0	7	14	9
Client 13	0	0	5	5
Client 14	0	7	0	8
Client 15	0	14	0	0
Client 16	0	6	0	5
Client 17	0	0	1	0
Client 18	0	14	0	14
Total	0	129	55	131

3.7 The table below is from Annex A, Section 3, showing our provider's projected operating costs and variance from the 2022/23 tendered rate.

Table 4: Projected operating costs

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	18+ domiciliary care
Total Care worker Costs	-
Direct care	

Travel time	
Mileage	
PPE	
Training (staff time)	
Holiday	
Additional non-contact pay costs	
Sickness/maternity and paternity pay	
Notice/suspension pay	
NI (direct care hours)	
Pension (direct care hours)	
Total Business Costs	
Back office staff	
Travel costs (parking/vehicle lease et cetera)	
Rent/rates/utilities	
Recruitment/DBS	
Training (third party)	
IT (hardware, software CRM, ECM)	
Telephony	
Stationery/postage	
Insurance	
Legal/finance/professional fees	
Marketing	
Audit and compliance	
Uniforms and other consumables	
Assistive technology	
Central/head office recharges	
Other overheads	
CQC fees	
Total Return on Operations	5%
TOTAL	-
Description	18+ homecare, £ per contact hour
Cost of care exercise result (from above)	
Average 2021/22 external provider fee rate (using iBCF definitions, consistently with 2022/23)	
Average 2022/23 external provider fee rate (using iBCF definitions)	
NHS funded nursing care rate 2022/23	Not applicable

Average 2022/23 external provider fee rate with FNC where applicable	-
Hence distance from cost of care exercise result (%)	-23.41%
Hence 2022/23 fee uplift compared to 2021/22 (% , excluding FNC)	2.19%

- 3.8 The Annex A submissions report a FCOC rate of £[REDACTED]. This is 23% above the current rate payable under contract.
- 3.9 The rate reflects (and is inflated by) an exercise that views delivery in the City in isolation. A sample size of one is not an adequate indicator or the market context in which the City Corporation commissions.
- 3.10 Our provider identifies the broader economy of scale gained from delivering in the context of contracts held with neighbouring authorities. This informs their contractual rate for delivering the City Corporation's service. This suggests a risk that this economy could be lost if other contracts were lost. Therefore, the price submitted reflects the cost determined by our provider for a *City only* delivery that does not benefit from these wider economies of scale.
- 3.11 Analysis of rates paid by neighbouring authorities, and the cost of care rates reported, would suggest the Corporation pays a sustainable and fair rate. Given the City Corporation will always commission from a market of providers delivering at much larger scale than the City, it is reasonable to look to these wider rates in assessing the sustainability of rates paid by the City Corporation.
- 3.12 Median FCOC figures reported for the North East London sub region provide a better guide. An average of the FCOC rates reported across the seven other North East London authorities for domiciliary care is £23.39. The median rate is £23.28. There is limited variance from these figures and those paid by the City Corporation.
- 3.13 The City Corporation considers that sustainability requires a reasonable return on operational costs. Our current provider makes provision for 5% return and the Corporation considers this – in the context of our size and contract values – to be a fair margin.
- 3.14 In tendering for a new service, the City Corporation reviewed the current local market for homecare provision. The current delivery price per hour applies for 2022/23 as determined through a competitive tender process from May to August 2022. As part of this process, bidders were asked to submit competitive but market relevant prices.
- 3.15 The base prices confirmed for the Domiciliary Care contract is relevant for 2022/23, but in the light of recent market pressures we consider it important to ensure a sustainable service that continues to deliver high quality homecare at market sustainable prices. While the rate paid aligns to FCOC figures identified in North

East London, we will continue to review rates paid in this context, and changes reflecting inflationary and fair cost uplifts.

3.16 Therefore, for 2023/24 onwards, we will develop a revised annual uplift to rates focussing on two distinct areas:

- i. London Living Wage uplifts as set by the Government alongside relevant market average earnings.
- ii. Operational costs. For these we will consider:
 - Consumer price index (CPI) rates,
 - NEL regional shared priorities,
 - Operational returns
 - A market risk assessment ,and
 - Provider feedback and negotiation.

3.17 During liaison with our contracted provider and in liaison with other authorities we asked in general terms what they considered to be the risks and financial factors in their current market and if that impacted supply.

3.18 In our discussions we also asked the following questions:

- What is your experience of staff recruitment and retention and what are your vacancy rates?
- Do you think a regional approach to supporting recruitment might help?
- Can you tell us how the current rise in interest rates is impacting on the homecare business?
- What additional costs you have incurred due to infection control?
- Can you tell us about any other additional cost impacts?
- How do you think the cost impact is affecting supply?
- What do you think is needed to attract investors to the market?
- How are you managing increasing costs with limited uplifts?
- What price increases do you envisage next year?
- What risks would you face if you had an increase in demand 1. In the City, 2. Other LA's contracts, 3. Both.
- How do you think we can improve our monitoring and/or engagement to take greater account of emerging market pressures and risks?
- What is the best way for us to consult with you in regard to future fair pricing?
- In what ways can we support you in the current economic climate?

4. Market Sustainability Plan

4.1 The completion of this exercise, and the information it contains – both qualitative and quantitative – will inform the develop of a Market Sustainability Plan. The plan will assess the impact and sustainability of our approach – in the context of identifying fee rates that sustain a vibrant provider market. It will also draw on the

intelligence and FCOC exercises in surrounding local authorities to consider, test and inform our approach. We will publish this plan.