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Parliamentary Office
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London Borough of Hounslow
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Cabinet Member for Adult and Health Integration

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Date: 16 March 2023

Dear Secretary of State,

I write to you to raise our continued concerns relating to the 'cost of care' exercise (previously referred to as the Fair Cost of Care) that the Department for Health and Social Care required all Local Authorities to undertake in the latter part of 2022.

We complied with the guidance issued, engaging with the local care market to conclude the exercise as (i) mandated and (ii) to ensure that the grant allocation in 22/23 of £675K was successfully secured and distributed to our providers.

Whilst we have concluded the fair cost of care exercise, like many other Local Authorities and observers in the wider social care sector we have concerns as to the nature of the exercise as mandated, most notably:

- There are limitations to the data submitted to the Council by care providers. This includes unknown variables that have proven to be key constraints preventing a thorough analysis. Where we were able to identify the variables (such as profit/loss) we could complete an analysis, but this was not always possible.
- The data submitted by providers was not supported by evidence. This has led us to conclude that some rates are aspirational and not reflective of costs incurred.
- Costs varied significantly from provider to provider and there was insufficient time to review data with each provider.
- For both care homes and home care, the median calculation method produced results that do not match current market rates.

This means that Hounslow will be required to take account like inflation, demand, capacity, quality and the affordability to the local authority whilst engaging with the market in setting rates as directed by our commissioning procedures.

It is imperative therefore that we now raise more directly our ongoing concerns as to the next steps related to the 'cost of care' exercise. There is an expectation that we publish the 'cost of care' fee rates (by 01 February) and the market position statement by end of March, and that publishing these documents are a requirement of securing further grant allocation to support moving towards the 'cost of care' rates.

The new Adult Social Care Market Sustainability and Improvement Funding to Hounslow for 2023/24 is £2.3 million as per the published allocations in December 2022. Although the detailed grant guidance is not yet published, the new grant is not wholly to address inflationary pressures, there is also an expectation that tangible improvements must be made to adult social care using this funding, as well as applying this funding to support other placement provision types that were not in the original scope of this exercise. Given that implementing the 'cost of care' rates that are required to be published across both home care and residential/nursing homes would require additional uplift above LLW increase of circa £3.9 million, or circa £7.0

million if the 'cost of care' rates were uplifted in line with current levels of CPI, as you can see the grant allocation – which is one of the lowest allocations across London – is wholly inadequate to support the Authority to move towards the 'cost of care' fee rates. Whilst we acknowledge that the published rates are not mandated to be implemented, we do believe that publishing these rates will raise the expectations of the provider market and hinder effective fee setting processes.

This should not be a surprise to Government and we urge the Secretary of State to revisit the funding settlement. In December 2021 when the Government published the white paper on which this legislation is based the world was about to fundamentally change and the research and assumptions in the 10-year vision were immediately flawed. Since the legislation was announced the cost-of-living crisis has blown up and the situation that providers find themselves in now is very different. There have been huge rises in heating costs, wage rises, inflation, electricity and a raft of other overheads. Indeed, when the legislation was first drawn up (it became an Act in 2022 but was a long time in the making) it would have been pre-Covid.

We pride ourselves in Hounslow in having a long standing effective working relationship with our social care market. We are also a London Living Wage organisation, supporting those in the care sector to be paid a fair wage for their labour, commitment and care.

Amongst London Boroughs we pay relatively high unit costs for residential, nursing, and home care already, whilst receiving one of the lowest grant allocations. This naturally results in overspend and is unsustainable.

In continuing with the 'cost of care' exercise 'as is' and in providing inadequate funding, Government risks fracturing the effective working relationships between the Authority and our local social care market. Furthermore, in not providing adequate funding, Government is loading further pressure on already pressurised Council / adult social care budgets which have been under sustained pressure over the last decade relating to both increasing demand and the failure of Government to deliver a sustainable funding solution for adult social care in England.

Neither of these factors sets the foundations for a sustainable solution to caring for a growing, aging population.

I would therefore ask that Government immediately review the funding allocations for 2023/24 for the 'cost of care' to Local Authorities to ensure that the funding adequately supports CLAs being able to move towards meeting the 'cost of care'. Whilst Government has made a number of funds available in 2022/23, for example the ASC Discharge Fund, such short-term funds aimed at supporting targeted activity over fixed periods of time are no substitute for long term adequate funding to support a sustainable move towards the 'cost of care' fee rates.

If the Government's aim in mandating the 'cost of care' exercise was to ensure a sustainable funding basis for social care providers, it must without question ensure that Local Authorities are allocated funds to meet the additional costs to sustain this in the long term. We would all wish to see a vibrant and sustainable social care provider market. Not providing adequate funding to Local Authorities will only further undermine this aim.

Yours sincerely,



Councillor Samia Chaudhary
Cabinet Member for Adult Health & Integration