LaingBuisson
Healthcare intelligence

REVIEW OF ACTUAL COST LEVELS FOR PROVISION OF LEARNING DISABILITY SUPPORTED LIVING SERVICES IN LANCASHIRE

Final Report
September 2016

Prepared for
Lancashire Learning Disability Consortium

CONTENTS

EXECUTIVE SUMMARY

SCOPE OF WORK

- This final report provides the Lancashire Learning Disability Consortium (LLDC) with a fully documented and evidence based review of the Actual Costs of providing learning disability supported living services in Lancashire

- Building on the original 'Workbooks' template developed by Lancashire County Council (LCC), we have focused on recalculating the 2015/16 'total' based on a more appropriate allowance for profit than was contained in the original 'Workbooks' spreadsheet

- We have also undertaken additional work to order to:
    - Quantify the impact of National Living Wage (NLW) and other inflationary pressures on Actual Costs in 2016/17; and
    - Identify the costs of learning disability supported living services provided by councils' own in-house teams in the North West region

- To complement the written report, we have extended the 'Workbooks' spreadsheet to enable users interactively to modify the profit benchmark and other determinants of costs, in order to assist providers and commissioners in determining reasonable prices on the basis of a common understanding of the elements of cost

- In line with the revised minimum scope agreed by LLDC on 26 January 2016, we have undertaken no further work at this stage to compare the actual cost of older people's home care and supported living for younger adults.

LCC SURVEY OF ACTUAL COSTS IN 2015/16

- We reviewed the structure of the LCC 'Workbooks' spreadsheet. We concluded that the pre-profit hourly cost result of £13.13 (i.e. £13.62 less the £0.49 per hour profit allowance in the 'hourly rate model' tab) is an accurate and fair representation of the costing data with which the Worksheets were originally populated by LCC for 2015/16

- However, we consider that the allowance for profit / retained earnings is insufficient as a commercial incentive for providers to remain committed to this market in the long term

- Holding all else the same, the following adjustments to the LCC model were made with a view to re-calculating the hourly rate for 2015/16 and 2016/17:
    - Adjustment of the 'profit / retained earnings' benchmark; and
    - Adjustment of staff pay for 2016/17 in line with National Living Wage and general inflation.

PROFITS / RETAINED EARNINGS

- We outline the reasons why we consider inappropriate the allowance for profit / retained earnings in LCC's original 'Workbooks' spreadsheet.

- An alternative approach to defining a reasonable profit benchmark is described, based on actual EBITDA[1] margins reported by major UK operators over the past decade. The conclusion is drawn that an EBITDA margin in the range of 7% to 10% is a reasonable benchmark in the light of the Care Act's provision that *'Local authorities should not undertake any actions which may threaten the sustainability of the market as a whole – for example, setting standard fee levels below an amount which is sustainable for providers in the long-term.'*

INTERACTIVE CALCULATION OF HOURLY COSTS IN 2015/16 AND 2016/17

- We have appended a worksheet to the original LCC 'Workbooks' spreadsheet to allow interactive calculation of appropriate hourly prices for supported living services in Lancashire for the years 2015/16 and 2016/17, by varying two sets of parameters:

    - Profit allowance (specifying an EBITDA margin within the range 7% to 10%);

    - Pay inflation for front line staff, to take account of the introduction of National Living Wage (NLW) in April 2016, to be set at a level necessary for providers to comply with regulations and to remain competitive in recruitment and retention.

- To inform the selection of a value for the **front line staff pay inflation factor** we commissioned Skills for Care to extract information (from their continuing surveys of social care providers) on pre- and post-April 2016 pay rates for front-line supported living staff in Lancashire.

- We have not sought any specific evidence on other inflationary pressures, including pay inflation for back office staff, though we have made provision for management / admin staff pay inflation to be entered into the 'Workbooks' spreadsheet in order to gauge its impact on total costs, if that is what users wish to do.

- Results from re-calculating the hourly rate for supported living services, as described above, are illustrated in Table 1:

[1] EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation of goodwill

Table 1

Summary results from recalculating Actual Costs after adjusting the allowance for profit and allowing for NLW related pay inflation in April 2016

	Hourly Rate	
	2015/16	2016/17
A) Baseline – LCC's own calculation of the hourly rate based on an EBITDA margin of 3.6% (equivalent to 4.9% mark-up on Direct Labour costs)	£13.62	
B) Recalculation of A) after applying an EBITDA margin of 7% (the low end of sustainable range, see Section 2.2.4)	£14.12	
C) Re-calculation of B) after applying a **7.6% pay inflation factor** for direct and indirect labour (mainly low paid staff, see Section 4) and zero inflation for other staff and overheads		£15.12

COMPARATIVE HOURLY / SESSIONAL RATES PAID TO INDEPENDENT SECTOR PROVIDERS BY COUNCILS IN THE NORTH WEST

- We obtained partial or complete information on the day and night (sleeping and waking) rates paid by 11 of the 23 Councils with Adult Social Services Responsibilities in the North West, see Section 5

- Lancashire County Council (LCC) is in the middle of the range as regards hourly rates paid by neighbouring councils. This does not, of course, imply that LCC's rates are reasonable

- Following LCC's recent decision to change the night time sleep-in rate to £8.58 per hour, LCC is in now line with the majority of councils in the North West which have recognised the additional costs flowing from the Whittlestone judgement. Again, this does not necessarily imply that LCC's rates are reasonable.

COMPARATIVE COSTS OF IN-HOUSE PROVISION IN THE NORTH WEST

- Through Freedom of Information requests, we obtained information on the 2015/16 costs of in-house supply (if any) of supported living services for adults with learning disabilities from 19 of the 23 Councils with Adult Social Services Responsibilities (CASSRs) in the North West, see Section 6

- The majority of those Councils for which costs of in-house services were available were paying materially more per hour for in-house compared with outsourced services in 2015/16. The exceptions were three CASSRs (including Lancashire) whose in-house costs were heavily weighted by sleep-in costs which appear to have been a pre-Whittlestone pay rates. In the absence of more granular data, it is not possible to weight the cost per hour of Lancashire's in-house provision so that it is comparable with the cost per hour of Lancashire's outsourced services on a standard mix of day, night-waking and sleep-in hours. Clearly, however, the mix must be taken into account when making comparisons of per-hour costs.

CONCLUSIONS

With the exception of the ‘profit / retained earnings’ item, LCCs calculation of operating costs within their ‘Workbooks’ spreadsheet is (as far as we can tell) an accurate and fair representation of the actual costing data with which the ‘Worksheets’ were originally populated by LCC for 2015/16, using the respondents’ returns;

However, LCC’s calculation of ‘profit / retained earnings’ is not valid, in our view, see Section 3.

A reasonable level of profit, or contribution to reserves, is essential to the long-term sustainability of the market for supported living services; a key issue is how to determine what a reasonable level of profit is;

In a competitive market with low barriers to entry (which characterises supported living and homecare), the average level of EBITDA recorded by major operators over a period of a decade (7-10% of revenue) is a reasonable guide to target profitability for sustaining the market over the long term;

If EBITDA at the lower end of this range (7% of revenue) is incorporated in the LCC actual costs model, it outputs **an hourly benchmark rate of £14.12 in 2015/16**;

Based on findings from research specially commissioned from Skills for Care (see Section 4), we have projected 2016/17 costs by applying a minimum 7.6% inflation rate to the direct and indirect labour pay rates recorded in the LCC ‘Workbooks’ spreadsheet for 2015/16. Using the same (7%) EBITDA benchmark, this outputs **an hourly benchmark rate of £15.12 in 2016/17**;

We have made no further allowance for support staff pay for 2016/17. However, because of the structure of the ‘Workbooks’ spreadsheet, the allowance for overheads rises pro rata with increased operating costs, the largest component of which is front-line staff costs.

1. BACKGROUND & REMIT

In September 2015 LaingBuisson was commissioned by Lancashire Learning Disabilities Consortium (LLDC) to conduct a review of the actual costs of supported living services for learning disabled people in Lancashire.

A revised minimum scope was proposed in an email to LLDC of 19 January 2016, accepted in LLDC's return email on 26 January 2016.

A draft report was submitted to LLDC in February 2016, following which LLDC requested revisions.

In April 2016 LaingBuisson proposed a further programme of work, summarised in Appendix 1, to which LLDC agreed, with a view to producing a second draft report in the third week of May 2016.

Prior to this, in March 2016, LLDC had addressed a letter to Lancashire County Council (LCC) setting out the background to its concerns regarding the inadequacy of the hourly and sessional rates offered by LLC to supported living providers and the failure of LLC to uplift them. The letter, which succinctly sets out the issues addressed in this second draft report, is reproduced in Appendix 2.

Following recommendations within the second draft report, presented in May 2016, it was agreed that two further pieces of research should be carried out:

- Freedom of Information requests in order to determine the level of costs of in-house supply of supported living services for learning disabled adults among such councils in the North West that had an in-house supply function.

- Commissioning of Skills for Care to calculate post-2016 (post NLW) front-line staff pay inflation for supported living providers in Lancashire, using their ongoing surveys which achieve a 50% plus response rate from all social care providers nationally.

In this final draft report we have focused on calculating the actual costs incurred by providers of supported living services for learning disabled people in Lancashire in both 2015/16 and 2016+/17, including a reasonable allowance for profit / contribution to reserves and an evidence based allowance for front-line staff cost inflation for 2016/17. We have done this by building on the results (in the form of populated 'Workbooks') of the actual cost survey carried out by LCC in 2015/16, using the same spreadsheet template so that modifications are transparent and auditable.

Using the same LCC costing model has the advantage that any debate over the results must revolve around the data that populates the model, not the structure of the model itself, which we consider to be sound.

In line with the revised minimum scope agreed by LLDC on 26 January 2016, we have undertaken no further work at this stage to compare the actual cost of **older people's home care** and supported living for younger adults.

2. LCC SURVEY OF ACTUAL COSTS IN 2015/16

During 2015 LCC carried out a survey of the actual costs of providers of supported living services for adults with learning disabilities in Lancashire. There were 32 valid responses, which were collated in spreadsheet consisting of a series of 'Workbooks', from which average costs for all 32 providers were calculated. These 'Workbooks' were made available to LaingBuisson in early 2016 in a file called: 'LB SHARED 120116', in which **total costs per hour** (including an allowance for profit / retained earnings) are calculated in the **'hourly rate model'** tab at **£13.62** for financial year **2015/16.**

We reviewed the structure of the LCC 'Workbooks' spreadsheet and came to the following conclusions:

- The spreadsheet is clear and professionally constructed;

- An anomaly was found in a version of the spreadsheet which had been split into for-profit and not-for-profit providers, but this was simply corrected;

- We considered there were some potentially significant issues with regard to imprecise definitions of 'non-staff overheads' and 'profit / retained earnings'. To resolve these issues, we sent a **request for clarification** to all respondents in April 2016. By the time of the second draft report (23 May) we had received responses from 13 of the 32 original respondents. All of the data amendments we received were minor and when we entered them in the LCC 'Workbooks' spreadsheet they had zero effect on the results in the 'hourly rate model' tab. For the record, we have described the clarification exercise in Appendix 3, but since the amendments were not material, they can be ignored for the purposes of this report;

- There were some calculated averages within the LCC 'Workbooks' spreadsheet which we believe would have been better defined as weighted averages rather than simple averages. But it is understood that weighted aggregation has now been done by LCC. In any case, modification to weighted averages makes no material difference to the 'total costs per hour' result;

- The calculation of 'non-staff overheads' at 13.7% of total staff costs (see Cell BD 34 of the 'Summary' worksheet of the LCC 'Workbooks' spreadsheet) may be questioned, since it disregards any provider's entries which were zero, blank or more than 25% and calculates a simple average for the remainder.

  While this is a fairly rough and ready method, there is no obviously better one, given that in most cases respondents were being asked to estimate overheads for part only of their business, for which allocations must ultimately have been subjective.

  In order to test the reasonableness of the 13.7%, we calculated the actual, whole business non-staff overheads for all major home care and supported living businesses operating in the UK for which statutory accounts are available for some or all of the period 2008-2015. This comparator has the merit of dealing with whole businesses, thus obviating the problem of subjective allocation of overheads to one part of a business, as was the case with many of the responses to the LCC survey. The results of the statutory accounts analysis are shown in Appendix 4. Most of the companies included in the list are homecare providers rather than supported living providers, but the business models are sufficiently similar to bundle the two together. Alternative Living Group Ltd is the only not-for-profit because it is the only business coming close to being 'pure play'. We have excluded others, like Mencap, from the list because they are mixed businesses, in Mencap's case because it is primarily a care home group. The result shown in Appendix 4 is that on average, over a period of almost a decade, **non-staff overheads** of major home care and supported providers operating in the UK averaged a 13.2% mark-up on staff costs, or 14.4% when calculated from **non-staff overheads + directors' / trustees' remuneration** as a mark-up on staff costs, which is probably the more appropriate comparator. The result is remarkably similar to the 13.7% mark-up calculated in the LCC 'Workbooks' spreadsheet

Our conclusion is that the **non-staff overheads** element of cost, as calculated in the 'hourly rate model' tab in the LCC 'Workbooks' spreadsheet, is as good a measure of overheads as is practicably possible.

- The 'profit/retained earnings' numbers calculated Cells S64 and T64 in the 'hourly rate model' tab of the LCC 'Workbooks' spreadsheet, are meaningless. They are calculated in Cell BE34 of the Summary worksheet as a simple average of respondents' entries in the profit/retained earnings' box, excluding any which were above 10% (of basic direct labour costs only) and, more important, excluding any respondents' entries which were blank or zero. And since it was not possible to enter a negative figure in the 'profit/retained earnings', no account at all was taken of operating losses. **In conclusion, the figure of 4.9% (profit as % direct staff costs) which appears in Cell S65 of the 'hourly rate model' worksheet of the LCC 'Workbooks' spreadsheet bears no necessary relation to what the respondents' aggregate profits/retained earnings actually were, or what they should have been for long-term market sustainability.**

- The definition of what a reasonable level of profitability should be is a key issue which is addressed in Section 3 of this report.

The overall conclusion from the foregoing analysis is that:

- **The pre-profit hourly cost result of £13.13 (i.e. £13.62 less £0.49) per hour in the 'hourly rate model' tab is (as far as we can tell) an accurate and fair representation of the actual costing data with which the Worksheets were originally populated by LCC for 2015/16**, using the respondents' returns;

Holding all else the same, we have made the following adjustments to the LCC model in order to calculate what we consider to be the actual hourly costs of delivering supported living services in Lancashire, including a reasonable allowance for profit / contribution to reserves, in both 2015/16 and 2016/17:

- We have calculated what we believe to be an appropriate 'profit / retained earnings' benchmark (see Section 3); and

- As described in Section 4, we have appended a new interactive worksheet labelled '**Interactive Actual Cost calculator'**, to the original LCC spreadsheet model. This incorporates the following as modifiable parameters:

- A profit / retained earnings benchmark; and

- Inflation factors for 2016/17 to take account of pay inflation, with separate factors for:

  - Direct labour (strongly impacted by NLW);
  - Indirect labour (strongly impacted by NLW); and
  - Management and administrative staff (where we have conservatively assumed zero inflation)

3. PROFIT / RETAINED EARNINGS

Statutory guidance on the implementation of the Care Act 2014 states that:

> *'Local authorities should not undertake any actions which may threaten the sustainability of the market as a whole – for example, setting standard fee levels below an amount which is sustainable for providers in the long-term.'*

In this section we have sought to identify what a sustainable level of profit is for providers of supported living services (both for-profit and not-for-profit), or at least define a reasonable range.

It is very important in this context to define terms, Section 3.1

3.1 Definitions

Wherever possible, we have expressed profit as **EBITDA** (Earnings Before Interest, Tax, Depreciation and Amortisation of goodwill). This definition excludes exceptional items as well. More loosely, EBITDA is sometimes called **'Operating Profit'**. It is defined in exactly the same way for for-profit and not-for-profit providers.

The reason for using EBITDA rather than, say, **Profit Before Tax (PBT)** is that finance costs such as interest, depreciation and amortisation can be hugely variable, and ultimately subjective, depending on the financial structure of the company. In an extreme example, a private equity owned company may be subject to an interest charge from its private equity owner which has provided capital in the form of a loan. In the healthcare sector this typically results in private equity owned companies reporting a loss on the PBT line.

EBITDA Margin (more loosely termed Operating Profit Margin) is defined as EBITDA as a percentage of trading **Revenue**.

Mark-up on Operating Costs is defined as **EBITDA** as a percentage of **Operating Costs**, where **Operating Costs** are in turn defined as **Revenue** minus **EBITDA.**

Using these definitions there is a precise relationship between **EBITDA Margin** and **Mark-up**. For example, if the EBITDA Margin is 10% then the corresponding Mark-up is 11.1% (i.e. 10% as a percentage of 90%).

It is important to note that the LCC 'Workbooks' spreadsheet defines **profit/retained earnings** in an unusual way, as profit (believed to have been entered as the equivalent of EBITDA by most if not all respondents) divided by '**Direct Labour'** costs.

The difference this makes can be illustrated by reference to the 'hourly rate model' in the LCC 'Workbooks' spreadsheet, where the 4.9% rate of profit (Cell S65) is calculated as a percentage of Direct Labour costs (Cell S51). This is equivalent, on the definitions we have set out in the foregoing paragraphs, to a **Mark-up on operating costs** of 3.7% and an **EBITDA Margin** of 3.6%)

3.2 Unreliability of the aggregated 'profit / retained earnings' calculation in the LCC 'Workbooks' spreadsheet

As noted above (Section 2) the 'profit / retained earnings' summary in the 'hourly rate model' worksheet of the LCC 'Workbooks' spreadsheet bears no necessary relation to what the respondents' aggregate profits/retained earnings actually were, or what they should have been. Providers were asked to enter in their provider 'Workbooks' their actual profits or retained earnings in the last year, applicable to their learning disability supported living activities in Lancashire. While the survey instructions were not entirely clear, we have assumed that most respondents will have entered an **EBITDA** figure, and this is borne out by most of the responses to the request for clarification we sent in April 2016 (see Appendix 3).

However, only 17 out of 32 sub missions included profit/retained earnings figures. As some providers pointed out, the spreadsheet cell would not accept negative figures, so losses were not quantified, if they did exist. Although it is possible that quite a number of the providers are currently making losses from their LD supported living businesses, only 2 explicitly said so, with one mentioning a small loss and the other indicating that they are making significant losses, and that the supported living business is heavily subsidised by other parts of the business. No conclusions can therefore be drawn on the overall current profitability or otherwise of supported living services, across Lancashire, based on actual data submitted in this survey, as presented in the individual provider 'Workbooks'.

We sought to improve the quantitative information on providers' actual profits though the April 2016 Clarification enquiry, but we did not succeed in doing so. It may be that providers are reticent to disclose either profits or losses because of commercial confidentiality considerations. It may also be that providers are reluctant to cite profits on selected parts of their businesses where the figure cited may be highly dependent on how whole business overheads are allocated. The issue is well illustrated by the very wide variability of non-staff overheads reported by respondents (see Cells BD 37:68 in the 'Summary' worksheet of the LCC 'Workbooks' spreadsheet). It is largely for this reason that we have sought evidence on reasonable profit benchmarks from 'whole business' statutory accounts for similar businesses operating in the UK (Section 3.2.2), where the overhead allocation issue does not arise.

3.3 Evidence of profits / retained earnings required for long term sustainability

3.3.1 Requirements stated by providers responding to the LCC survey

There were some insightful and helpful comments made by providers concerning the returns they required, especially in relation to not-for-profit provider requirements. Six not-for-profits cited specific **Mark-ups** required on operating costs or **Margins** needed on revenue, ranging from 3% to 5-8%, with the average **Mark-up** on operating costs being around 4%, equivalent to an EBITDA margin of 3.8%. Several of these providers mentioned the need to allow for covering risks and costs associated with non-availability of staffing (occasional suspensions and redundancies), the need for investment, including in housing, quality and service innovation. The need to comply with Charity Commission requirements for liquidity purposes, in terms of ensuring that reserves provide 6 months' cost cover, was also mentioned by several providers.

Only two for-profit providers mentioned minimum return requirements, with one indicating that they required a minimum 7.5% mark-up and another indicating that they needed a minimum 4% contribution to reserves (presumably equivalent to approximately a 5% return before tax.

These were interesting comments, but they cannot in any way be interpreted as a definitive statement of the level of profit required for sustainability in the long term. The question posed related to minimum profits at a time of intense pressure on public resources. Besides, only a minority of providers offered their view on the minimum requirement and they were not the largest providers.

3.2.2 Actual EBITDA benchmarks from statutory accounts

We have also collated evidence from statutory accounts of UK homecare and supported living providers on the actual EBITDA margins that providers of homecare and supported living services have historically returned over the past decade, going back to the pre-recession period. Homecare and supported living is a competitive sector, characterised by a high degree of fragmentation and with a high level of monopsony purchasing power exercised by local authorities. *Prima facie*, therefore, actual profitability should provide a useful guide to sustainable profitability. The results are set out in Table 2 and illustrated in Figure 1. They are based, over the period as a whole, on activity with an aggregate value of £4 billion.

Table 2

*EBITDA*as a percentage of revenue (EBITDA Margin), major UK homecare and supported living providers*

Provider	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MiHomecare				14.5%	15.0%	15.5%	13.4%	15.9%	13.3%	-3.6%
Lifeways Holdings Ltd	9.0%	5.5%	5.3%	10.2%	12.1%	14.3%	17.0%	17.6%	17.2%	
City & County Healthcare	4.8%	8.4%	11.6%	10.7%	9.6%	9.3%	10.6%	13.0%	9.8%	11.8%
Mears Group Care Division	5.6%	6.8%	9.3%	8.5%	10.4%	5.8%	8.3%	7.8%	7.8%	-1.1%
Care UK, Community Services Division	7.2%	7.3%	6.0%	3.1%	5.9%	6.0%	5.9%	6.7%	6.6%	
Allied Healthcare							7.4%	5.4%	2.5%	3.2%
Westminster Homecare						10.3%	12.0%	9.7%	8.5%	
Helping Hands							11.2%	12.2%	11.6%	
Alternative Futures		3.1%	6.6%	6.1%	4.3%	-3.6%	-6.8%	4.4%	5.6%	0.8%
AGGREGATE	**7.1%**	**6.9%**	**7.0%**	**7.4%**	**9.5%**	**9.5%**	**9.9%**	**7.8%**	**8.2%**	**2.9%**

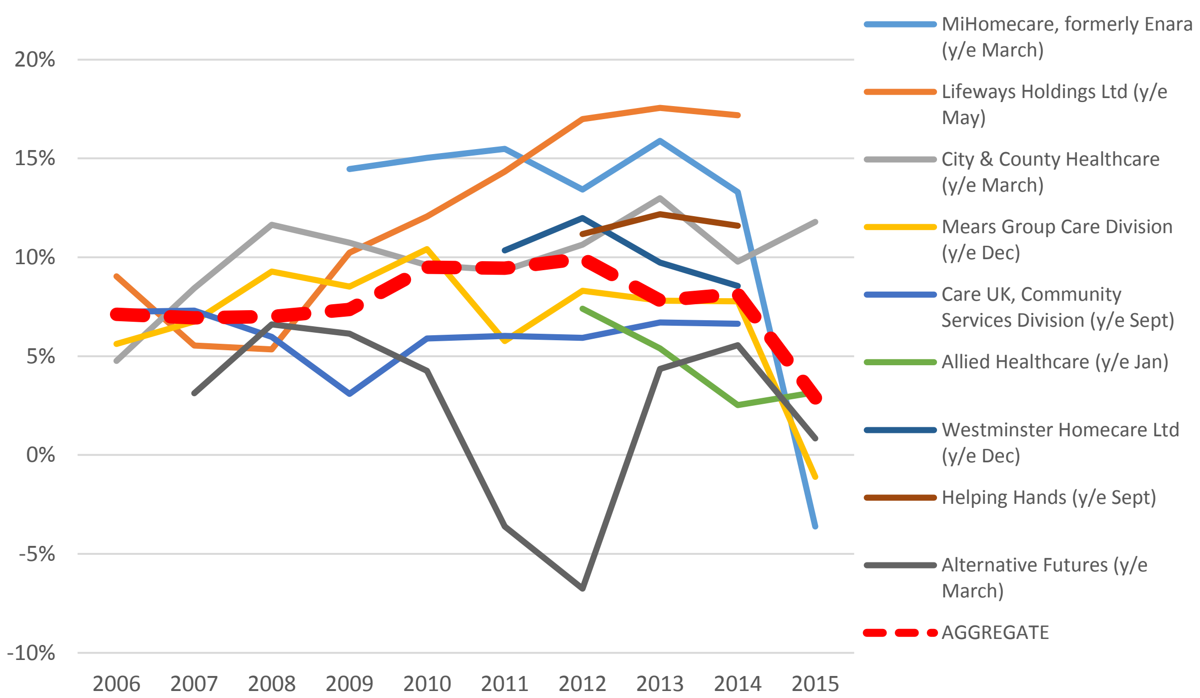
*Earnings Before Interest, Tax, Depreciation and Amortisation of goodwill
Source: Statutory accounts

Most of the major companies included in the analysis are homecare providers rather than supported living providers, but the business models are sufficiently similar to bundle the two together. Alternative Living Group Ltd is the only not-for-profit because it is the only business coming close to being 'pure play', with two-thirds of its revenues being derived from supported living services. We have excluded others, like Mencap, from the analysis because they are mixed businesses, in Mencap's case because it is primarily a care home group.

While individual companies' performances are variable, the clear picture that emerges, at aggregate level, is that average EBITDA margins have varied within the 7% to 10% range since the mid-2000s before collapsing to 2.9% in 2015, the year in which the market leader, Allied Healthcare, and one other major provider, Care UK, exited the market on the grounds of inadequate profitability.

Figure 1

*EBITDA*as a percentage of revenue (EBITDA Margin), major UK homecare and supported living providers*



Source: statutory accounts

3.2.3 Requirements of for-profit and not-for-profit providers

Generally, across the entirety of the independent healthcare sector, not-for-profit organisations report lower EBITDA margins than for-profit organisations. However, it is important to understand the reasons why before applying differential benchmarks. Many large, well established not-for-profits have strong balance sheets with substantial reserves which may have been derived and sustained from fund raising, assets gifted by the state and, to a lesser extent, built up from trading surpluses.

One such example in Mencap. Backed by substantial reserves, it can take a view that it should operate close to break-even or even operate at a substantial loss and make up the losses by fund raising. Mencap has reported *negative* EBITDA margins of -3.5%, -1% and -5% in the last 3 years, which would be unsustainable for an organisation without a fundraising capacity.

While we have not been able to obtain information on the reserves and charitable fund-raising capacity of not-for-profit supported living service providers in Lancashire, we believe that (other than Mencap) Alternative Futures is the only group with substantial reserves (£37 million in 2015, boosted in 2011 by £17 million gifted by its associated housing company). This has allowed Alternative Futures to operate on an average EBITDA margin of about 5% during 'normal times' and enabled it to undergo a period of loss-making restructuring when government austerity measures were first introduced, and has buffered the organisation against a further squeeze in margins in 2015.

Most of Lancashire's not-for-profit supported living providers, however, do not have the security of substantial reserves, and it would be inappropriate for LCC to set prices on the assumption that EBITDA margins close to break-even are sustainable in the long term for the majority of providers.

Our view is that the only valid distinction that can be made between for-profit and not-for-profit providers which do not enjoy either substantial reserves or a charitable fund raising capacity is that not-for-profits, which do not pay corporation tax, require roughly 20% less PBT in order to make the same post-tax contribution to reserves.

3.2.4 Conclusions on profits required for long term sustainability

Our conclusion, based on EBITDA margins returned by major UK homecare and supported living operators during 'normal' times over the last decade, is that **a long term sustainable EBITDA margin is in the range 7% - 10%,** with not-for-profits set at about 20% less than for-profits because of the corporation tax advantage.

This benchmark is in line with LaingBuisson's care cost benchmarks for care homes, which separates out property costs and defines a reasonable mark-up on operating costs for the operating business alone.

4. CALCULATION OF HOURLY COSTS IN 2015/16 & 2016/17

Drawing on the conclusions from the foregoing sections, we have adjusted the LCC Workbook spreadsheet in order interactively to calculate appropriate hourly prices for supported living services in Lancashire for the years 2015/16 and 2016/17.

Two modifications only have been applied to the original LCC 'Workbooks' calculation of Actual Costs:

1. **Profit:** Conservatively, we have used the lower end (7%) of the benchmark EBITDA margin range of 7% - 10%, which we calculated in Section 3.2.4, above, to replace the 'profits / retained earnings' allowance (4.9% of direct labour costs) in the hourly rate model' in the LCC 'Workbooks' spreadsheet, because we do not regard the latter as a valid indicator of profitability required for long term sustainability;

2. **Pay inflation:** To allow for the impact of National Living Wage, when projecting costs to 2016/17, we sought objective evidence from Skills for Care, the leading workforce development organisation in the social care sphere in England. Skills for Care holds a massive database of information on staffing matters, including pay rates. The organisation is mandated by government to collect the National Minimum Data Set for Social Care (NMDS – SC). Data are collected by means of continuing surveys in which social care employers are highly incentivised to participate since receipt of government training funds is conditional on completion of NMDS data requests. As a result, it is understood that Skills for Care holds recent information on pay and other staffing matters from over 50% of all social care providers in England.

   In June 2016 LaingBuisson commissioned Skills for Care to analyse their database in order to compare pay rates for front-line staff paid by providers of supported living services in Lancashire during a) financial year 2015/16 and b) the first three months of 2016/17. The Skills for Care report is reproduced in full in Appendix 5. The results are summarised in Table 2 of their report, and show that:

   - The mean hourly pay rate in Lancashire for the first 3 months of 2016/17 was, at £7.73, **9.2% higher** than the corresponding mean hourly pay rate of £7.08 during financial year 2015/16, prior to the introduction of National Living Wage in April 2016;

   - However, the analysis for the North West region as a whole shows a much lower mean pay inflation rate of **3.2%,** from a mean pay rate of £7.29 per hour in 2015/16 to £7.52 per hour in the first three months of 2016/17.

In principle, our view is that the Lancashire inflation factor should be adopted in preference to the North West region inflation factor, especially since the base number of worker records in 2016/17 as a proportion of the base number in 2015/16 was much higher for Lancashire than for the North West.

It is possible that the 9.2% inflation factor in Lancashire reflected pay rates having been held back in 2015/16, and this might account for pay inflation being higher than the 7.5% increase in statutory minimum pay (from £6.70 per hour NMW prior to April 2016 to £7.20per hour NLW post-April 2016).

However, faced with such a large disparity between the results from Lancashire and the North West region, our conclusion is that we should adopt the most conservative interpretation of the Lancashire data by measuring the inflation factor as the difference between the lower bound of the mean pay rate confidence interval for the first three months of 2016/17 (£7.66 per hour) and the upper bound of the mean pay rate confidence interval for 2015/16 (£7.12 per hour).

This gives a front line staff pay inflation factor of 7.6%, which we have applied to the Direct Labour and Indirect Labour elements of 2015/16 costs in the LCC 'Workbooks' spreadsheet in order to derive projected costs for 2016/17.

The following Tables summarise the results of the two modifications we have made to the original LCC 'Workbooks' spreadsheet in order to derive what we regard as a more appropriate calculation of Actual Costs, for both 2015/16 and 2016/17:

- Profit allowance set at an EBITDA margin of 7% rather than 3.6% as in the original LCC model, for both 2015/16 and 2016/17 (the benchmark of 7% being the lower end of the long term sustainable range of 7-10% as described in Section 3.2)

- An inflation factor of 7.6% applied to Direct Labour and Indirect Labour elements of cost (derived from the results of the Skills for Care survey, as described above).

Table 3a

ORIGINAL LCC BASELINE: 2015/16 *hourly rate as per original LCC Workbook spreadsheet @* ***EBITDA margin of 3.6%*** *(equivalent to 4.9% mark-up on Direct Labour costs)*

Direct Labour	
- hourly paid	£4.12
- salaried	£5.92
Sub-total direct labour	**£10.04**
Indirect Labour, Care Delivery	£0.72
Indirect support, management and admin	£0.94
Sub-total all staffing costs	**£11.70**
Non-staff overheads	£1.35
Travel	£0.08
Profit / retained earnings	£0.49
TOTAL HOURLY COST	**£13.62**

Table 3b

***2015/16** hourly rate recalculated @ **EBITDA margin of 7%** (low end of sustainable range, Section 2.2.4)*

Direct Labour	
- hourly paid	£4.12
- salaried	£5.92
Sub-total direct labour	**£10.04**
Indirect Labour, Care Delivery	£0.72
Indirect support, management and admin	£0.94
Sub-total all staffing costs	**£11.70**
Non-staff overheads	£1.35
Travel	£0.08
Profit / retained earnings	£0.99
TOTAL HOURLY COST	**£14.12**

Table 3c

2016/17** hourly rate recalculated @ **EBITDA margin of 7%** (low end of sustainable range, Section 2.2.4) **after inflating Direct and Indirect Labour costs only by 7.6%

Direct Labour	
- hourly paid	£4.46
- salaried	£6.39
Sub-total direct labour	**£10.85**
Indirect Labour, Care Delivery	£0.77
Indirect support, management and admin	£0.94
Sub-total all staffing costs	**£12.56**
Non-staff overheads	£1.42
Travel	£0.08
Profit / retained earnings	£1.06
TOTAL HOURLY COST	**£15.12**

4.1 Conclusions on Actual Costs

We have used available evidence to recalculate Actual Costs of supported living services for people with learning disabilities in Lancashire as follows:

Costing method	£ per hour
Original LCC Actual Costs for 2015/16	£13.62
LaingBuisson revision for 2015/16 after modifying the profit benchmark	£14.12
LaingBuisson projection for 2016/17 after modifying the profit benchmark and after applying NLW driven pay inflation for front line staff, but no allowance for other support staff	£15.12

5. COMPARATIVE RATES PAID BY COUNCILS IN THE NORTH WEST REGION

We sought information from each of the 23 Councils with Adult Social Services Responsibilities (CASSRs) in the North West region, requesting their day rates and sleeping / waking night rates for 2015/16 and 2016/17. We received responses from ten councils. Most of the respondents stated that they paid a fixed rate to all providers, though some paid variable rates to different providers on the basis of tender processes. The results are set out in Table 4a and Table 4b, taking account of Lancashire County Council's recent decision to increase the night time sleep-in rate to £8.58 per hour.

Table 4a

Hourly and sessional hourly rates paid by councils in the North West region for supported living services for learning disabled adults, Night Time

NIGHT TIME	2015/2016		2016/2017	
Council Name	Sleep in Sessional	Waking Night	Sleep in Sessional	Waking Night
Cheshire East	66.9/night	£85.06/night	£66.90/night	£85.06
Oldham MBC	£35/Night[5]		£70/night[9]	
Warrington MBC [1]	£35.48/night	12.60/hour	£35.48/night	12.60/hour
Bolton MBC	n/a	n/a	£62.97/night	
Rochdale MBC	n/a	n/a		
Tameside MBC	n/a	n/a	£34.09-£76.41 /night[10]	
Stockport MBC	n/a	n/a		
Blackburn with Darwen MBC	£38.40 - £96.30/night[6]			
Knowsley MBC[2]	£34.84-£45.27/night	£12.09-£13.96/hour		
St Helens	£40/night[7]		under review	
Blackpool	n/a	n/a	£8.00/hour	
Manchester City Council[11]	no hourly / sessional rates[11]		no hourly / sessional rates[11]	
Halton Borough Council	10-hour sleep-in: £49.01 8-hour sleep in: £44.03			
Liverpool City Council			£8.07/hour	
Lancashire County Council	9-hour sleep-in: £37.19		£8.58/hour	

Table 4b

Hourly and sessional hourly rates paid by councils in the North West region for supported living services for learning disabled adults, Day Time

DAY TIME	2015/2016	2016/2017
Cheshire East	N/A[3]	£13.33[3]
Oldham MBC	Non-complex: £11.80; Complex: £13.00	Non-complex: £13.13 Complex: £14.46
Warrington MBC [1]	£12.60	£12.60
Bolton MBC		£13.33
Rochdale MBC	Varies by provider and Client	Varies by provider and Client
Tameside MBC		£12.04-£13.50[8]
Stockport MBC	Varies by provider and Client	Varies by provider and Client
Blackburn with Darwen MBC	£12.73[4]	
Knowsley MBC[2]	Varies by provider, range £12.45-£13.96	Under review
St Helens	£12.50	£13.06
Blackpool		£13.00
Manchester City Council[11]	no hourly / sessional rates[11]	no hourly / sessional rates[11]
Halton Borough Council	£13.44	
Liverpool City Council	N/A[3]	£12.76
Lancashire County Council	£13.38	

[1]There are five providers on their learning disabilities supported accommodation - Warrington also has a contract with Catalyst (previously the council's in house provider service) who's prices are: Hourly rate: £24.35, Sleep in night: £34.01 and Waking night: £120.52.

[2] Knowsley's range excludes the rate payable to their in-house provider.

[3]Cheshire East's £13.33 (for 2016/2017) is a new standard rate; previously (i.e. in 2015/2016) hourly rates were negotiated on an individual case by case basis.

[4]LD day time hourly rates are variable according to the provider between £12 and £14.17 (for more complex work) but on average are £12.73

[5] Figure is for both Complex and Non Complex care

[6] Some of Blackburn with Darwen's schemes pay an hourly rate of £15.69 (which includes sleep ins)

[7] Sleep in is classed as 9 hours

[8] Average of Tameside's range of day rates is for 2016/17 is £12.71/hour

[9] Figure is for both Complex and Non Complex care.

[10] Average of Tameside's range of sleep-in night rates is for 2016/17 is £44.22 /night

[11]Manchester City Council does not pay an hourly rate scheme; rather they put in a needs-based placement bid with any given provider and the provider can then choose whether or not to accept the contract with the council.

Lancashire County Council is in the middle of the range as regards hourly rates paid by neighbouring councils. This does not, of course, imply that LCC's rates are reasonable. All councils in the north west are operating under severe budgetary constraints and it may be that most if not all rates would, if scrutinised, be found not to cover actual costs plus a reasonable level of profits / retained earnings. With regard to sleep-in night-time fees, following LCC's recent decision to change the night time sleep-in rate to £8.58 per hour, LCC is now ahead of the field among councils in the North West which have recognised the additional costs flowing from the Whittlestone judgement. Again, this does not necessarily imply that LCC's rates are reasonable.

6. COSTS OF IN-HOUSE SUPPORTED LIVING SERVICES IN THE NORTH WEST REGION

In June 2016 we sent a Freedom of Information request to all CASSRs in the North West region asking for the costs of councils' in-house provision (if any) of supported living services for learning disabled adults,

The Freedom of Information request is reproduced in Appendix 6.

We received returns from 19 of the 23 CASSRs within the statutory period for response. The councils which failed to respond to the FoI within the statutory period, and which had not responded to reminders by the date of this report (30 August 2016) include Blackpool, Sefton, Knowsley and Trafford.

The results are summarised in Table 5.

The majority of those Councils for which costs of in-house services were available were paying materially more per hour for in-house compared with outsourced services in 2015/16. The exceptions were Stockport and Wigan, whose in-house costs were heavily weighted by sleep-in costs which appear to have been at pre-Whittlestone pay rates.

Table 5

Costs of council in-house provision of supported living services for adults with learning disabilities in the North West region in 2015/16. Results from a Freedom of Information request sent to all CASSRs in the region in June 2016

	In House Provider?	Reason for Null response	Day time hours	Waking night hours	Sleep In night hours*	Total contact hours	Annual Cost	Cost p/hr 2015/16
Cumbria	Yes - direct		163,22	10,010	10,452	183,690	£3,236,962	**£17.62**
Blackburn with Darwen	Yes - direct		-	-	-	-	-	-
Bolton	Yes - direct		238,19	3,916	74,074	316,181	£6,312,805	**£19.97**
Bury	No		-	-	-	-	-	-
Cheshire East	Yes - direct		260,81	61,932	29,476	352,221	£7,378,760	**£20.95**
Chester West and Chester	No		-					
Lancashire****	Yes - direct		805,32	36,400	301392	1,143,116	£15,815,000	**£17.31**
Oldham		Yes - indirect**				not transparent within a larger block contract		
Liverpool	No		-	-	-	-	-	-

	In House Provider?	Reason for Null response	Day time hours	Waking night hours	Sleep In night hours*	Total contact hours	Annual Cost	Cost p/hr 2015/16
Manchester		Yes - direct				Section 43(2)***		
Rochdale	No		-	-	-	-	-	-
Wirral	No		-	-	-	-	-	-
St Helens	Yes - direct		185,43	14,716	7,280	207,428	£4,010,001	**£19.33**
Stockport	Yes - direct and indirect		502,55	19,405	176,609	698,569	£8,789,815	**£12.58**
Tameside	Yes - direct		226,30	14,600	54,750	295,654	£4,967,035	**£16.80**
Wigan	Yes - direct		297,02	14,560	102,934	414,518	£5,913,471	**£14.27**
Halton	Yes - direct		99,985	16,488	NA	116,473	£2,136,000	**£18.34**
Salford	No		-	-	-	-	-	-
Warrington	No		-	-	-	-	-	-
Blackpool	No response							
Sefton	No response							
Knowsley	No response							
Trafford	No response							

*Ten hours per shift are assumed where only the number of night shifts is reported,
**Oldham provides some LD supported living services indirectly through a council controlled non-statutory body.
***FOI Act 2000 Section 43(2) provides an exemption for information which if disclosed would be likely to prejudice the commercial interests of the Council or any other person or organisation.
****Cost per hour does not include sleep ins; sleep ins are based on nine hours per shift

7. CONCLUSIONS

The principal conclusions of this report are as follows:

- With the exception of the 'profit / retained earnings' item, LCCs calculation of operating costs within their 'Workbooks' spreadsheet is (as far as we can tell) an accurate and fair representation of the actual costing data with which the Worksheets were originally populated by LCC for 2015/16, using the respondents' returns

- However, we have challenged the 'profit / retained earnings' figure of 4.9% (profit as % direct staff costs, which is equivalent to 3.6% of revenue) which appears in Cell S65 of the 'hourly rate model' worksheet. It ignores any operating losses made by respondents and bears no necessary relation to what the respondents' aggregate profits/retained earnings actually were, or what they should have been for long-term market sustainability

- A reasonable level of profit, or contribution to reserves, is essential to the long-term sustainability of the market for supported living services; a key issue is how to determine what a reasonable level of profit is

- In a competitive market with low barriers to entry (which characterises supported living and homecare), the average level of EBITDA recorded by major operators over a period of a decade (7-10% of revenue) is a reasonable guide to target profitability for sustaining the market over the long term

- If EBITDA at the lower end of this range (7% of revenue) is incorporated in the LCC actual costs model, it outputs **an hourly benchmark rate of £14.12 in 2015/16**

- As well as allowing for EBITDA at 7% of revenue, an appropriate hourly rate for 2016/17 must allow for increases in front line staff pay which have been driven strongly by National Living Wage post-April 2016 as well as by other general inflationary pressures.

As described in Section 4, we have used research commissioned from Skills for Care, to determine an evidence based inflation factor to project 2015/16 Direct and Indirect Labour costs forward to 2016/17.

Adopting a conservative interpretation of the Skills for Care reported pay movements in Lancashire**, the pay Inflation Factor is 7.6%.**

This pay inflation factor has been applied to front-line staff costs only, not to support staff. However, because of the structure of the 'Workbooks' spreadsheet, the allowance for overheads rises pro rata with increased operating costs, the largest component of which is front-line staff costs.

In summary, we have recalculated the Actual Costs of supported living services for people with learning disabilities in Lancashire as follows:

Costing method	£ per hour
Original LCC Actual Costs for 2015/16	£13.62
LaingBuisson revision for 2015/16 after modifying the profit benchmark	£14.12
LaingBuisson projection for 2016/17 after modifying the profit benchmark and after applying NLW driven pay inflation for front line staff, but no allowance for other support staff	£15.12

APPENDIX 1 Programme of work

Edited extract of email from William Laing to LLDC officers 6 April 2016

I set out below a summary of how we propose to complete the revised minimum scope (as per David Roe's email to you of 19 January, accepted in your return email on 26 January.

The best starting point, I believe, is the Table summarising the results of LCC's survey of the costs of LD supporting people service providers, since this is the key 'deliverable' (along with a separate sleep-in analysis) that LLDC will wish to use in negotiations

As regards to methodology adopted by LCC in their analysis of the Workbooks, as David Roe has indicated, LCC would have been better advised to analyse the survey results provider by provider. Nevertheless, I am confident that LCC's averaging method has no material effect on the end result, as illustrated in the Table below.

There may be a case for adjusting / excluding some of the raw data in the Workbooks, but this too will not make a material difference.

By far the most important parameter that needs to be tied down is an appropriate allowance for profit. As you know, some of the Lancashire respondents gave a figure for their minimum profit requirement, but reliance on these is problematic because: a) only a minority responded; b) the responses were 'minimum' rather than 'reasonable'; and c) it is unclear whether the 'minimum' profit levels proposed by respondents were denominated on Operating Costs, Operating and Financing Costs, or Revenue.

We propose to take an entirely different approach to defining an appropriate profit benchmark, based on the actual EBITDA mark-ups / margins reported in statutory accounts of major home care / supported living operators in the UK over the last 5 years, after stripping out residential care activity as far as possible. I am also conscious that an 'acceptable' level of profits may depend on the state of the provider's reserves (the lower the reserves the less feasible it is to operate a business at break-even, as some not-for-profits with very strong balance sheets do), which we can also bring into the statutory accounts analysis.

You will see that I have entered an illustrative EBITDA mark-up of 10%. This is for the purposes of illustration only (based on for-profit statutory accounts), but you will see from the bottom line how important the benchmark mark-up is. There are clear parallels here with debates over the 'Fair Price' for care homes where, at the end of the day, operating costs can be agreed but providers and commissioners find it difficult to agree on what the profit benchmark should be. LB's task, as I see it, would be to argue demonstrate in the report that our approach is the best available, evidence based approach possible.

Based on the foregoing, here are the actions I propose.

Action A) Seek further clarification on LCC survey responses

Assuming we can derive (and defend) a benchmark level of reasonable profitability, it needs to be applied to TOTAL OPERATING COSTS. Unfortunately, we cannot be sure that the figure of £13.30 in the Table above represents operating costs, or operating + finance costs, or something in between. Ideally, therefore, LB (or LCC) should revert to the survey respondents, asking for clarification using the two following questions:

- "Please quantify the main elements of 'other non-labour overheads, separately identifying (if included) depreciation, amortisation of goodwill, investment income and interest expenses attributable to the activity you have reported on.

- Please state / estimate the Profit/(Loss) Before Tax line attributable to the activity you have reported on."

The first question is to allow LB to calculate the level of EBITDA to which the profit benchmark should be applied.
The second question is to identify loss-making operations and to quantify aggregate profitability of the sample of respondents, including loss makers.

Action B) Seek comparable supported living hourly and sleep-in rates paid by other CASSRs in the North West region

Action C) Seek comparable supported living hourly and sleep-in rates available to LCC in-house providers

Action D) Further discussion with LLDC on how best to present the sleep-in issue

I hope this is helpful and look forward to your response.

William Laing

APPENDIX 2 Letter From LLDC To LLC

9th March 2016

Learning Disability hourly rates for 2016/17

Dear Lancashire County Council

As office bears of, and on behalf of the members of, the Lancashire Learning Disability Consortium (LLDC), we write to express our profound concern about the issues which Learning Disability (LD) providers currently face consequent upon recent announcements by Lancashire County Council, changes in Employment Law and other cost and compliance pressures.

Background

During 2015 a procurement framework for LD services at a flat rate of £13.00 per hour and sleep-in rate of £37.19 was abandoned after arithmetical errors were discovered which would have corrected the day rate to £13.48. A replacement framework exercise was commenced later in the year.

On 13th January 2016 you wrote informing LD providers firstly of the postponement of the replacement procurement exercise for a Learning Disability Provider Framework, and secondly of your decision not to propose any changes to fees "until the outcome of [the LaingBuisson report commissioned by the LLDC] is completed and reviewed."

On 26th January 2016 you wrote to Older People's (OP) homecare providers announcing a significant increase in hourly rates to a "blended" rate of £13.21. A report submitted by the Head of Service, Policy, Information and Commissioning (Age Well) proposing these increases, and noting that these providers had received no uplift since April 2014, was approved by the Cabinet Member for Adult and Community Services on 11th February 2016.

Representations from both the Lancashire Domiciliary Care Providers' Forum (LDCPF) and the LLDC about the insufficiency of that increase to OP homecare rates were answered by the Council's Corporate Director (Commissioning) and Deputy Chief Executive in responses dated 16th February and 17th February respectively. In these responses the Director asserted the Council's belief that the proposed OP fees were sufficient and compliant with the Council's duties under the Care Act 2014.

Current situation

Unfortunately it now appears unlikely that the LLDC's report from LaingBuisson will be available to inform the fee setting exercise in the short term, if at all. The LLDC apologises for any inconvenience this may cause, but would point out that there was no commitment on our part to share, or indeed even to commission, such a report.

For an interlocking variety of reasons, therefore, and notwithstanding the lack of any anticipated input from LaingBuisson, it is imperative that your decision not to vary fees paid to LD providers is revisited with alacrity. We set out below the reasons why this is the case.

1. **Night Rates**

The historic and ongoing underfunding of sleep-in provision is no longer sustainable, given the impact of recent legislation and employment case law. To the best of our knowledge, all LLDC member organisations are now making adjustments to the pay of support staff performing sleep-in duties so that, for each reference period (pay period) the total pay divided by total hours worked complies with the National Minimum Wage (NMW) which is currently £6.70 per hour. This "Whittlestone" adjustment, the amount of which varies according to rates of pay, length of sleep, number of sleeps worked in the reference period and sleep rate paid is already, since October 2015's NMW increase, adding dramatically to providers' costs. The situation is set to worsen significantly with the introduction of the National Living wage (NLW) of £7.20 per hour in April 2016.

From 1st April, providers will be subsidising the cost of sleep-in provision to a remarkable extent. Ignoring, as we must, any notional cross subsidy from day rates, (because a supported living provider could, in theory, cease to provide sleep-in cover) the position will be as follows:

For a 10-hour sleep, which LCC purchases for £37.19, the effective cost to the provider who makes Whittlestone adjustments to comply with the law will thenceforth be £72 plus on costs and reliefs (say 8% holiday and 6% NIC) so £82.43. This equates to an annual loss, for one sleep-in, of £16,524. For the avoidance of doubt, were the provider to cease providing that single sleep-in, they would be £16,524 better off in year one. Some of our members provide dozens of sleep-ins every night. The fine for failure to pay the NLW for every working hour is £20,000 per employee who suffers such an illegal deduction. Some of our members employ hundreds of direct support staff.

Commissioning partners in Blackpool Council, by contrast, have announced a night payment rate of £8 per hour for 2016-17, accepting that the principle of sleep-in time as working time is now established and enabling providers to make the legally required payments to staff whilst protecting their viability.

The "contribution to sleep-in costs" might have been acceptable prior to the Whittlestone judgement: now that the effect of that judgement is amplified by the NLW, the payment system is manifestly broken and must be re-cast to avoid a crisis in the provision of essential night supports until some of these can, perhaps, safely be replaced by assistive technology solutions.

2. Holidays on Total Pay

There is now a raft of employment law cases which have effectively established that the first 20 days of Annual Leave must be paid on the basis of total pay. The Fulton v BEAR (Scotland,) Locke v British Gas, and Patterson v Castlereagh BC judgements when considered together establish the principle (which is, for the time being, restricted to the EU Working Time Directive 20 days paid leave) that a worker must not be discouraged by the prospect of financial loss from taking leave. In our members' context this means that sleep-in payments, overtime payments, enhancements, on-call payments and any other elements of an employee's normal total pay must now be considered as "holidayable"

3. NLW Implementation and Day Support costs

The impact of the NLW is not, of course, limited to its effect on required payments to sleep-in staff. Many of our members currently have starting rates of pay for staff which would become unlawful on 1st April 2016 and so will have to be increased. This bottom end wage inflation will, inevitably, produce pressures for restored differentials from more senior staff as well; in a recruitment environment in which supermarkets are recruiting staff on £9 per hour starting pay these pressures cannot be ignored for long.

4. Lack of past uplifts

In the report to Cabinet of 11th February, the Head of Service, Policy Information and Commissioning notes that OP homecare providers (who are not impacted to the same extent by point 1 and 2 above) have received no increase since April 2014. The same is, of course, true for LD providers who have had to absorb cost increases for pensions auto-enrolment, inspection fees, wage costs etc. on the benchmark rate of £13.38 or less whilst increasingly subsidising sleep-in provision.

5. Continued competition for staff from LCC in-house services

We understand that of the £70M spent on LD services, some £10M is expended on in-house services which are able to recruit staff on significantly higher starting rates than can be offered by our members. We do not find credible your ongoing assertions that these services are required to operate in line with the costs of externally commissioned service and urge you to include all such services costs in any future procurement exercise.

Conclusion

We understand, and acknowledge the invidious situation in which the Council finds itself as a result of decreasing budgets from central Government and undertake again to work with you in a constructive and cooperative manner to achieve reasonable, safe and sustainable savings through remodelling of services.

We are, however, dismayed by the prospect that the Council might endanger the viability of long established LD provider services by failing to recognise and ameliorate the dire position in which our members are placed by the current failure to uplift fees, even in the light of the issues enumerated above.

Clearly, your duties under the Care Act 2014 (s5) include taking account of the true costs of care and seeking not to destabilise the provider market – it is our sincere belief that, should you fail to enable our members to pay their staff in accordance with the law as it now exists, you will be in breach of each of these duties and, should that situation continue, we would have to consider the remedies available to us.

It appears to us that LD providers in Lancashire are being compelled to choose between breaking the law on the one hand, or risking insolvency on the other, and we call upon you, for the sake of the many hundreds of vulnerable adults who depend upon our services, to make appropriate adjustments to the rates in payment for the year 2016-17.

We look forward to the opportunity to discuss these matters further with senior officer at the meeting arranged for Monday 21st March at County Hall.

Yours sincerely
For the Lancashire Learning Disability Consortium

APPENDIX 3 Clarification requested from respondents to the LCC Actual Cost Survey

On reviewing the content of the LCC Actual Cost 'Workbooks' we concluded that, while information sought by LCC was fairly comprehensive and clearly defined, there were some ambiguities. In order to resolve these, we contacted each of the respondents with a request for further clarification, using a template (subject to individual tailoring) which is set out below. Essentially, we sought clarification on the following points:

- Whether or not the stated 'non-staff overheads' figures included / did not include financial costs (interest, depreciation, amortisation of goodwill) and any exceptional costs;

- Taking the answer to question above into account, whether the stated Gross Profit/ Retained Earnings represented either a) operating profit as defined by EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation of goodwill) or b) Profit Before Tax (PBT). The purpose of this question was to be allow us unambiguously to state the Lancashire Providers costs before interest, depreciation, amortisation of goodwill, in order to apply a 'reasonable' benchmark profit mark-up. What is 'reasonable' is a key question which is addressed below;

- Whether or not the pay rates for 2015/16 stated in each of the 'Workbooks' were for the whole of 2015/16 or just the first half (excluding the October 2015 uplift). In the latter case an adjustment would be required;

- At the time of writing this draft report (23 May 2016) we had received responses from 13 of the 32 original respondents and we have adjusted as necessary the raw data provided by the respondents in the 'yellow' sections of their Worksheets. Where adjustments have been made, the relevant cells were colour coded:

    - Amber for adjustments which make no material difference to the original £13.62 total costs per hour result for 2015/16 in the 'hourly rate model' tab; and

    - Red for adjustments which do make material difference to the original £13.62 total costs per hour result for 2015/16 in the 'hourly rate model' tab (**in fact there were no such material adjustments**).

CLARIFICATION EMAIL TEMPLATE

Dear {XXXX],

Request for clarification
Please respond to the 4 questions below and return this email, incorporating your responses, to the sender, Giulia Corsi: giulia@laingbuisson.co.uk 0207 841 0041

(for respondents who can simply confirm our assumptions are correct it should take no more than a couple of minutes, for others it will take longer)

If you have any questions, call or email William Laing on 0207 923 5399 william@laingbuisson.co.uk, or contact Giulia, as above, who will pass on a message

Background

In November 2015 LaingBuisson was commissioned by Lancashire Learning Disabilities Consortium to review all available evidence on the actual costs incurred by providers of supported living services for learning disabled adults in Lancashire with a view to calculating a sustainable level of price, including a reasonable allowance for profit for 2015/16 and succeeding years.

The key source of data for this review was a survey of providers initiated by Lancashire County Council, to which your organisation responded, with the 'workbook' copied in to LaingBuisson. Unfortunately, analysis of the results has revealed a handful of critical gaps in the information originally requested from survey respondents. The purpose of this email is to collect supplementary information to fill these gaps. Without it, it will not be possible to draw unambiguous conclusions on actual costs and sustainable price levels.

For your convenience, I attach your original Workbook. The clarification required varies to some extent from organisation to organisation, and for this reason I have set out the (tailored) questions below, leaving space for your response:

A) Overheads and operating profit/surplus (EBITDA)

By way of background, LaingBuisson's intention is to adjust the Workbooks (if required) to state operating costs at group level, including a reasonable apportionment of group overheads, before interest, tax, depreciation and amortisation of goodwill and exceptional items. This will allow us to apply an appropriate benchmark mark-up to allow for profit / contribution to overheads. We believe a reasonable benchmark mark-up on this basis can be derived from statutory accounts of asset-light providers of supported living and homecare providers over the last, say, 5 years by a weighted average of **group level EBITDA** divided by (**Revenue** less **group level EBITDA).**

QUESTION 1

Your workbook gave the following information. **Please expand / clarify as requested**:

Non Staff Overheads PER YEAR (Row 113)	£XXX

Please confirm the Non Staff Overheads PER YEAR and please confirm that this sum does NOT include any element of Interest, Tax, Depreciation and Amortisation of goodwill, Exceptional items or Profit / Contribution to Reserves, and that it DOES include all other overheads, including a reasonable apportionment of head office overheads.

……………………………………

If you cannot so confirm, please provide brief details of what the sum represents, and any element of it that should be excluded in order to arrive at a Total Operating Costs figure (where Total Operating Costs are Revenue less EBITDA). If necessary call William Laing on 0207 923 5399 to explain verbally, or email william@laingbuisson.co.uk asking him to call you back.

QUESTION 2

Your workbook gave the following information.

Gross Profit/ Retained Earnings (Row 114)	[£XXX,000]

You may have not have entered any number because you were unsure of the definition of gross profit / retained earnings. Or maybe because the cell would not accept a negative figure.

Can you please now state what the figure is (positive or negative) at the level of **EBITDA** (i.e. Earnings/operating profit Before Interest, Tax, Depreciation, Amortisation of goodwill and exceptional items (if any).

……

If any further clarification is required, call William Laing on 0207 923 5399 to explain verbally, or email william@laingbuisson.co.uk asking him to call you back.

……

QUESTION 3

Your workbook gave the following information.

PRICE DATE (ROW 3)	09/09/2015 (yes or no)

Please confirm that the hourly pay rates and salaries that you have reported in ROWS 8-17 reflect your costs BEFORE the National Minimum Wage uplift implemented on 1 October 2015.

……………………………………..

If you cannot so confirm, please provide brief details of what the sum represents. If necessary call William Laing on 0207 923 5399 to explain verbally, or email william@laingbuisson.co.uk asking him to call you back.

……

QUESTION 4

Please confirm that your organisation revises pay rates for care staff on 1 October in each year

…XXX …………………………………….

If you cannot so confirm, please provide brief details of the timing of annual pay uplifts. If necessary call William Laing on 0207 923 5399 to explain verbally, or email william@laingbuisson.co.uk asking him to call you back.

……

NOTE: THE REASON FOR ASKING THIS QUESTION IS TO CONFIRM THAT THE COSTS YOU HAVE REPORTED FOR FINANCIAL YEAR 2015/16 IN FACT RELATE TO THE FIRST 6 MONTHS (I.E. APRIL – SEPTEMBER 20105) AND FULL YEAR COSTS SHOULD IN PRINCIPLE BE ADJUSTED TO TAKE ACCOUNT OF (HIGHER) PAY RATES IN THE 6 MONTHS OCTOBER 2015 – MARCH 2016

End

APPENDIX 4 Calculation of non-staff overheads as a % mark-up on staff costs, derived from statutory accounts of providers of homecare and supported living services 2008-2015

	year end	operating revenue	staff costs	Directors / Trustees Remuneration	other (non-staff) operating costs (excluding finance costs	Non-staff overheads as % markup on	Non-staff overheads + Directors / Trustees
Agincare Group Ltd	2009	£18,048,182	£14,294,362	£171,843	£1,681,204	11.8%	13.0%
Agincare Group Ltd	2010	£22,348,898	£18,700,498	£1,149,045	£1,295,046	6.9%	13.1%
Agincare Group Ltd	2011	£24,645,760	£19,864,443	£59,004	£3,482,547	17.5%	17.8%
Agincare Group Ltd	2012	£22,709,802	£18,052,790	£232,032	£2,758,971	15.3%	16.6%
Agincare Group Ltd	2013	£21,653,166	£17,152,605	£269,974	£2,723,031	15.9%	17.4%
Agincare Group Ltd	2014	£24,278,035	£19,403,842	£258,988	£2,503,844	12.9%	14.2%
Agincare Group Ltd	2015	£28,141,234	£23,560,883	£195,695	£3,071,173	13.0%	13.9%
Alterbative Futures Group Ltd	2015	£57,791,667	£50,331,295	£15,972	£6,957,178	13.8%	13.9%
Alterbative Futures Group Ltd	2014	£55,917,825	£45,858,937	£15,403	£6,938,992	15.1%	15.2%
Alterbative Futures Group Ltd	2013	£54,421,909	£45,074,474	£15,000	£6,964,158	15.5%	15.5%
Alterbative Futures Group Ltd	2012	£55,385,379	£53,673,781	£0	£5,454,500	10.2%	10.2%
Alterbative Futures Group Ltd	2011	£56,819,881	£52,937,722	£0	£5,931,209	11.2%	11.2%
Alterbative Futures Group Ltd	2010	£52,255,398	£43,786,380	£0	£5,930,953	13.5%	13.5%
Alterbative Futures Group Ltd	2009	£44,788,708	£34,530,174	£0	£7,506,069	21.7%	21.7%
Alterbative Futures Group Ltd	2008	£38,845,029	£29,161,492	£0	£7,114,565	24.4%	24.4%
Ark Home Healthcare	2011	£6,669,000	£5,842,000	£394,000	£1,560,000	26.7%	33.4%
Ark Home Healthcare	2012	£11,397,000	£10,716,000	£448,000	£1,784,000	16.6%	20.8%
Ark Home Healthcare	2013	£17,898,000	£16,149,000	£385,000	£2,378,000	14.7%	17.1%
Ark Home Healthcare	2014	£16,182,000	£15,180,000	£430,000	£2,228,000	14.7%	17.5%
Aspirations	2010	£4,356,772	£2,681,719	£46,440	£355,002	13.2%	15.0%

	year end	operating revenue	staff costs	Directors / Trustees Remuneration	other (non-staff) operating costs (excluding finance costs	Non-staff overheads as % markup on	Non-staff overheads + Directors / Trustees
Aspirations	2011	£16,276,623	£10,467,301	£315,287	£1,525,582	14.6%	17.6%
Aspirations	2012	£20,283,006	£13,169,603	£392,247	£2,342,381	17.8%	20.8%
Aspirations	2013	£25,859,482	£17,577,041	£513,348	£2,782,138	15.8%	18.7%
Aspirations	2014	£28,982,882	£17,857,821	£465,714	£5,348,065	29.9%	32.6%
Aspirations	2015	£31,201,095	£19,343,222	£455,227	£5,312,395	27.5%	29.8%
Carewatch Care Services Ltd	2008	£3,275,000	£1,776,000	£171,000	£240,000	13.5%	23.1%
Carewatch Care Services Ltd	2009	£17,192,000	£10,700,000	£648,000	£1,849,000	17.3%	23.3%
Carewatch Care Services Ltd	2010	£37,998,000	£26,283,000	£855,000	£2,989,000	11.4%	14.6%
Carewatch Care Services Ltd	2011	£50,535,000	£32,999,000	£541,000	£8,252,000	25.0%	26.6%
Carewatch Care Services Ltd	2012	£51,515,000	£36,433,000	£512,000	£6,270,000	17.2%	18.6%
Carewatch Care Services Ltd	2013	£54,800,000	£40,088,000	£664,000	£6,187,000	15.4%	17.1%
Carewatch Care Services Ltd	2014	£63,030,000	£48,040,000	£826,000	£7,513,000	15.6%	17.4%
City & County Healthcare Group	2005	£11,522,368	£9,761,525	£127,736	£988,612	10.1%	11.4%
City & County Healthcare Group	2006	£16,779,632	£13,551,382	£129,000	£2,057,839	15.2%	16.1%
City & County Healthcare Group	2007	£19,435,968	£15,692,245	£156,559	£1,646,021	10.5%	11.5%
City & County Healthcare Group	2008	£22,508,589	£18,022,258	£204,500	£1,332,405	7.4%	8.5%
City & County Healthcare Group	2009	£24,176,870	£19,544,406	£297,762	£1,386,713	7.1%	8.6%
City & County Healthcare Group	2010	£14,202,828	£10,290,744	£280,087	£2,240,050	21.8%	24.5%
City & County Healthcare Group	2011	£36,162,649	£29,772,008	£504,367	£1,826,405	6.1%	7.8%
City & County Healthcare Group	2012	£55,397,811	£43,987,069	£497,653	£4,130,459	9.4%	10.5%
City & County Healthcare Group	2013	£76,434,302	£58,936,438	£464,071	£6,032,840	10.2%	11.0%
City & County Healthcare Group	2014	£31,135,233	£25,850,044	£142,232	£1,786,930	6.9%	7.5%
City & County Healthcare Group	2015	£101,384,216	£79,241,636	£611,553	£8,557,093	10.8%	11.6%

	year end	operating revenue	staff costs	Directors / Trustees Remuneration	other (non-staff) operating costs (excluding finance costs	Non-staff overheads as % markup on	Non-staff overheads + Directors / Trustees
Eden Futures	2009	£10,232,609	£7,133,744	£107,434	£1,429,482	20.0%	21.5%
Eden Futures	2010	£11,395,162	£8,432,485	£118,284	£1,823,558	21.6%	23.0%
Eden Futures	2011	£9,550,737	£7,360,426	£165,877	£1,601,451	21.8%	24.0%
Eden Futures	2012	£18,628,423	£12,523,612	£503,327	£1,386,651	11.1%	15.1%
Eden Futures	2013	£13,872,649	£9,151,171	£492,458	£1,008,380	11.0%	16.4%
Future Home Care Ltd	2010	£11,083,963	£9,150,980	£243,750	£1,100,410	12.0%	14.7%
Future Home Care Ltd	2011	£15,263,794	£12,911,212	£266,113	£1,006,655	7.8%	9.9%
Future Home Care Ltd	2012	£16,773,125	£14,540,383	£272,937	£1,308,528	9.0%	10.9%
Future Home Care Ltd	2013	£17,872,101	£14,800,501	£249,395	£1,543,666	10.4%	12.1%
Future Home Care Ltd	2014	£27,232,965	£21,539,140	£243,597	£2,695,578	12.5%	13.6%
Helping Hands	2012	£24,159,313	£18,090,885	£338,425	£2,917,719	16.1%	18.0%
Helping Hands	2013	£27,633,300	£20,486,395	£189,523	£3,486,059	17.0%	17.9%
Helping Hands	2014	£33,840,344	£25,041,131	£143,746	£4,588,817	18.3%	18.9%
Lifeways Group	2006	£27,819,507	£22,026,098	£248,704	£2,499,150	11.3%	12.5%
Lifeways Group	2007	£36,117,418	£28,684,094	£268,599	£4,552,543	15.9%	16.8%
Lifeways Group	2009	£49,317,235	£35,092,736	£608,924	£7,800,334	22.2%	24.0%
Lifeways Group	2010	£57,875,195	£44,777,891	£415,133	£4,937,858	11.0%	12.0%
Lifeways Group	2012	£114,748,840	£77,419,649	£595,513	£13,411,767	17.3%	18.1%
Mears Care Ltd	2005	£10,973,714	£9,754,667	£48,227	£968,382	9.9%	10.4%
Mears Care Ltd	2006	£13,713,081	£11,819,955	£0	£945,666	8.0%	8.0%
Mears Care Ltd	2007	£16,002,037	£13,408,218	£0	£1,264,013	9.4%	9.4%
Mears Care Ltd	2008	£17,358,194	£14,489,427	£0	£972,609	6.7%	6.7%
Mears Care Ltd	2009	£21,443,635	£18,727,052	£0	£663,194	3.5%	3.5%

	year end	operating revenue	staff costs	Directors / Trustees Remuneration	other (non-staff) operating costs (excluding finance costs	Non-staff overheads as % markup on	Non-staff overheads + Directors / Trustees
Mears Care Ltd	2010	£27,714,000	£23,200,000	£0	£1,249,000	5.4%	5.4%
Mears Care Ltd	2011	£87,724,000	£70,571,000	£5,687,000	£4,344,000	6.2%	14.2%
Mears Care Ltd	2012	£84,710,000	£68,144,000	£0	£8,904,000	13.1%	13.1%
Mears Care Ltd	2013	£75,142,000	£61,440,000	£0	£8,831,000	14.4%	14.4%
Mears Care Ltd	2014	£72,216,000	£58,030,000	£0	£9,936,000	17.1%	17.1%
MiHomecare Ltd	2009	£13,700,900	£9,873,119	£139,732	£1,261,620	12.8%	14.2%
MiHomecare Ltd	2010	£35,810,708	£26,623,906	£700,255	£2,411,474	9.1%	11.7%
MiHomecare Ltd	2011	£50,778,925	£34,352,222	£332,890	£7,183,575	20.9%	21.9%
MiHomecare Ltd	2012	£62,344,111	£47,957,642	£516,230	£4,483,792	9.3%	10.4%
MiHomecare Ltd	2014	£67,713,000	£49,046,000	£103,000	£4,131,000	8.4%	8.6%
MiHomecare Ltd	2015	£61,140,000	£53,004,000	£487,000	£4,805,000	9.1%	10.0%
Newcross Healthcare Solutions Ltd	2013	£31,928,847	£21,590,660	£243,462	£3,958,611	18.3%	19.5%
Newcross Healthcare Solutions Ltd	2014	£45,440,418	£31,495,661	£316,984	£4,977,079	15.8%	16.8%
Newcross Healthcare Solutions Ltd	2015	£67,575,487	£46,819,056	£412,888	£7,136,381	15.2%	16.1%
Nurse Plus	2009	£9,392,816	£7,461,118	£97,167	£874,933	11.7%	13.0%
Nurse Plus	2010	£12,954,565	£10,052,426	£227,872	£1,146,804	11.4%	13.7%
Nurse Plus	2011	£15,675,541	£12,234,202	£200,674	£1,266,132	10.3%	12.0%
Nurse Plus	2012	£18,877,378	£14,620,004	£309,897	£1,491,881	10.2%	12.3%
Progressive Care Ltd	2012	£3,899,792	£2,623,351	£0	£880,077	33.5%	33.5%
Progressive Care Ltd	2013	£4,211,858	£2,566,806	£0	£916,846	35.7%	35.7%
Progressive Care Ltd	2014	£4,527,801	£2,478,472	£0	£1,029,953	41.6%	41.6%
Q Care Ltd	2005	£4,066,149	£3,348,870	£44,552	£602,183	18.0%	19.3%
Q Care Ltd	2006	£4,932,844	£3,912,660	£68,890	£634,451	16.2%	18.0%

	year end	operating revenue	staff costs	Directors / Trustees Remuneration	other (non-staff) operating costs (excluding finance costs	Non-staff overheads as % markup on	Non-staff overheads + Directors / Trustees
Sevacare	2010	£24,387,908	£19,173,173	£35,760	£2,667,132	13.9%	14.1%
Sevacare	2011	£32,059,032	£25,790,865	£18,000	£3,312,998	12.8%	12.9%
Sevacare	2012	£42,901,695	£35,384,032	£293,000	£3,783,049	10.7%	11.5%
Sevacare	2013	£54,949,532	£44,570,136	£409,011	£5,476,732	12.3%	13.2%
Sevacare	2014	£61,405,250	£50,048,464	£435,140	£6,668,678	13.3%	14.2%
Springfield Homecare Services Ltd	2011	£8,170,632	£6,869,815	£121,316	£716,421	10.4%	12.2%
Springfield Homecare Services Ltd	2012	£8,427,002	£6,954,424	£121,645	£778,682	11.2%	12.9%
Springfield Homecare Services Ltd	2013	£9,209,478	£7,792,798	£267,435	£828,378	10.6%	14.1%
Springfield Homecare Services Ltd	2014	£11,487,815	£9,823,876	£321,167	£765,551	7.8%	11.1%
Westminster Homecare Ltd	2011	£21,779,689	£17,490,496	£45,000	£1,731,892	9.9%	10.2%
Westminster Homecare Ltd	2012	£25,427,065	£20,150,463	£45,000	£1,900,244	9.4%	9.7%
Westminster Homecare Ltd	2013	£33,925,991	£27,037,371	£45,000	£3,092,616	11.4%	11.6%
Westminster Homecare Ltd	2014	£35,911,997	£29,000,840	£45,000	£3,341,875	11.5%	11.7%
ALL	all years	£3,196,436,029	£2,491,538,254	£31,471,672	£328,026,246	13.2%	14.4%

APPENDIX 5 Results from Skills for Carer's analysis of post-April 2016 pay inflation for front-line supported living staff in Lancashire

The following five pages are a direct reproduction of the Skills for Care report *Hourly pay rate for care workers providing supported living services in Lancashire and the North West (Skills for Care workforce estimates and NMDS-SC).*

Hourly pay rates of care workers providing supported living services in Lancashire and the North West

Skills for Care workforce estimates and NMDS-SC

Introduction

This report for Laing & Buisson describes CQC regulated supported living services in Lancashire and the North West, including the adult social care workforce operating in these services and their hourly pay rates over the 12 months prior to April 2016 and over the period covering April 2016 to June 2016. Information presented here was derived from Skills for Care's workforce estimates as at September 2015 and from the National Minimum Dataset for Social Care (NMDS-SC)[1].

Table 1 shows that as at September 2015 there were 40 CQC regulated locations providing supported living services in Lancashire and 220 in the North West. Establishments in Lancashire employed around 2,300 care workers. Those establishments in the North West employed around 14,300. NMDS-SC coverage[2] of care worker jobs in these services was estimated at 52% for Lancashire and 34% for the North West.

Table 1: CQC regulated supported living services; establishments, jobs and care worker jobs in Lancashire and the North West

Source: Skills for Care workforce estimates, September 2015; NMDS-SC

	Lancashire	North West
Establishments	40	220
Jobs (all job roles)	3,400	18,600
Care worker jobs	2,300	14,300
Care worker jobs: NMDS-SC coverage	52%	34%

Data in this table have been rounded

Chart 1 shows estimated hourly pay rates for care workers in supported living services in Lancashire for the 12 months prior to April 2016 (2015-16) and also between April 2016 and June 2016 (2016-17). Hourly pay was estimated to be between £7.03 and £7.12 in 2015-16. In 2016-17 it was estimated to be between £7.66 and £7.79. This equates to an increase of between £0.58 and £0.70 per hour[3]. It was also found that all of those NMDS-SC establishments present in analysis conducted pre- and post-April 2016 showed an increase in average (mean) hourly pay.

[1] https://www.nmds-sc-online.org.uk/

[2] NMDS-SC coverage of all care worker jobs in each geographical cohort was calculated using all NMDS-SC worker records as a percentage of the corresponding Skills for Care estimate of the workforce.

[3] This increase was found to be statistically significant at 95% probability, suggesting that this increase is 'genuine' and not a product of sampling error.

Chart 2 shows estimated hourly pay rates for care workers in supported living services in the North West region for 2015-16 and early 2016-17. It was estimated that hourly pay was between £7.27 and £7.32 in 2015-16 and rose by around £0.23 per hour (between £0.17 and £0.28) to between £7.49 and £7.55[4]. The change between periods for the North West is less than that for Lancashire, suggesting that Lancashire-based employers increased wages for these workers to a greater extent than employers in the region as a whole.

Table 2: CQC regulated supported living services; establishments, jobs and care worker jobs in Lancashire and the North West
Source: NMDS-SC

	12 months prior to April 2016	April 2016 to June 2016
Lancashire		
Base (NMDS-SC worker records)	**624**	**412**
Lower confidence interval	£7.03	£7.66
Mean hourly pay	£7.08	£7.73
Upper confidence interval	£7.12	£7.79
North West		
Base (NMDS-SC worker records)	**3,662**	**1,222**
Lower confidence interval	£7.27	£7.49
Mean hourly pay	£7.29	£7.52
Upper confidence interval	£7.32	£7.55

Analysis conducted using quality-filtered NMDS-SC worker records updated since March 2015

[4] This change between periods was also found to be statistically significant at 95% probability.

Chart 1: Hourly pay rates of care workers providing supported living services in Lancashire (pre- and post- April 2016)
Source: NMDS-SC, March 2016 and June 2016

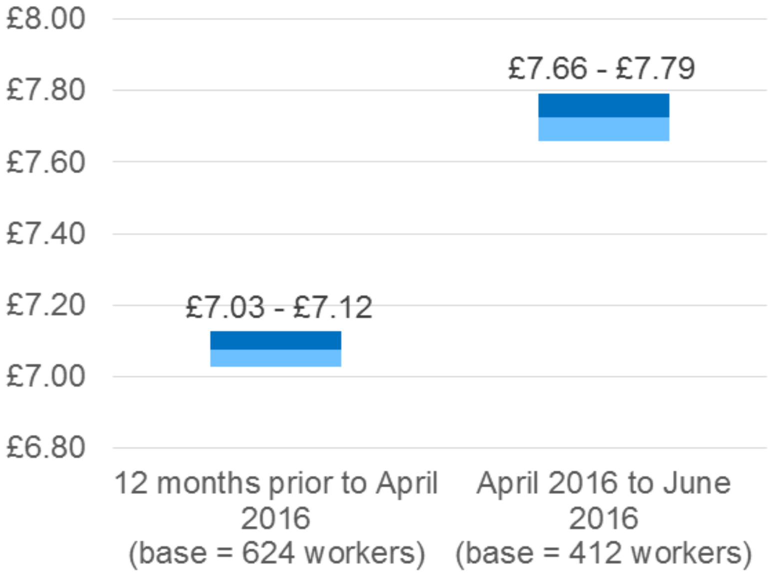
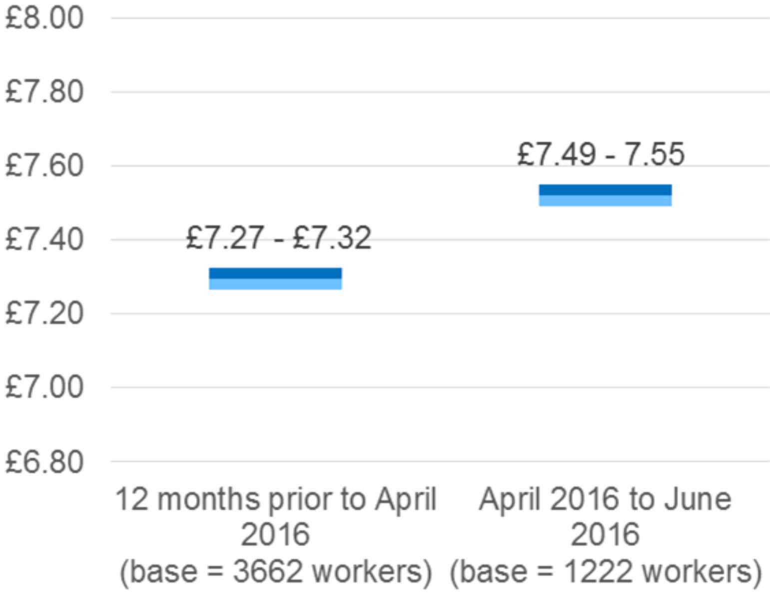


Chart 2: Hourly pay rates of care workers providing supported living services in the North West (pre- and post- April 2016)
Source: NMDS-SC, March 2016 and June 2016



Published by Skills for Care

This report has been published using data from the National Minimum Data Set for Social Care. To receive updates visit www.skillsforcare.org.uk and “Register“. Tick “Workforce Intelligence” under areas of interest to be added to our mailing list.

Data analysis services: Because we’ve been working with data from the NMDS-SC and other sources for over 8 years, our expert analysts can help you investigate, analyse and discover a specific business or social workforce issue using our analysis services. Contact analysis@skillsforcare.org.uk or call 0113 2410969 for more information.

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Web: www.skillsforcare.org.uk
Twitter: @sfc_nmds_sc

APPENDIX 6 Form of Freedom of Information request for CASSRs' own provision (if any) of supported living services for learning disabled adults

- START -

1. Does your council provide some or all of its supported living services for learning disabled adults in-house?
   Either
   a. Directly through council employed staff? Yes/No
      and/or
   b. Indirectly through a council controlled non-statutory body? Yes/No

   IF YES, CONTINUE.

2. Is there a **contract** or **service level agreement** in place governing the price and terms on which these in-house services are provided? Yes/No

3. If YES, please provide a copy of the document

4. If not covered by the above document, please provide the hourly rates paid to the in-house provider in 2015/16 for:
   a. Daytime supported living services? £ …………… per hour
   b. Night time waking supported living services? £ …………… per hour
   c. Night time sleeping supported living services? £ …………… per hour
   d. Any variances, e.g. for bank holidays

5. What was the Gross cost of the in-house supported living service in financial year 2015/16? £…………….

6. How many client contact hours of supported living service were provided for this gross cost*

7. Please confirm that Gross cost is stated in conformity with CIFPA's Code of Practice on Local Authority Accounting in the United Kingdom.

8. Please state whether, within the Gross cost figure, the cost of any council owned premises is included at full market rent Yes/No

9. If NO, please provide details.

*Note – using the responses to Questions 5 and 6, we intend to divide Gross cost by Contact hours in order to derive a Gross cost per hour statistic. which we expect to be consistent with the answers to Question 4.

- END -

CONTACTS

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