Homecare Association

Late payments and volume of hours survey

September 2023

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w: www.homecareassociation.org.uk

Company registration number: 03083104
Registered in England

Executive Summary

At least 70% of homecare hours are purchased by local authorities and NHS Integrated Care Boards (previously Clinical Commissioning Groups). The decisions made by local authority and NHS commissioners shape the quality, delivery and financial viability of the market.

Effective management of supply and demand in homecare depends on various factors. These include, but are not limited to, the total volume of hours required; local geography, including population density and travel requirement; fee rates; type of contract; e.g., framework or block; number of providers willing to contract with councils; number of careworkers; hours worked per careworker; presence and capacity of council or NHS in-house teams; and number of self-funded clients.

Inadequate central government funding for homecare has resulted in too great a focus on price, with some public bodies encouraging a race to the bottom and some tenders now placing more weight on price than quality.

Under the Care Act 2014, local authorities also have a statutory duty to 'shape' the social care market, to ensure there are sufficient good quality care services to meet needs.

The cost of delivering homecare is highly sensitive to the volume of hours delivered. The higher the volume of hours delivered per registered location, the greater the economies of scale and lower the operational costs per hour. Not only do all registered homecare providers need to cover overheads such as a registered manager, back office staff, training, recruitment, PPE, CQC registration, insurance, IT, telephony, office rent, rates, utilities, but the volume of hours can also impact on the experience of careworkers.

With a lower volume of hours, careworkers are more likely to have significant gaps in their rotas and this can reduce the salary they receive each day. It can also lead to inefficient use of their time; for example, careworkers may be out on the road for 40 hours in total, but deliver only 20 hours of paid contact time. It is difficult for them to use the time in the gaps productively. Employment conditions like this exacerbate staff turnover.

We conducted a survey of Homecare Association members during July and August 2023, to investigate reports from our members of a change in the number of homecare hours available to them from local authorities. We received responses from 225 homecare providers, representing just over 23,282 careworkers supporting nearly 42,995 older and disabled people.

We found that 8 in 10 (80%) of respondents who are being commissioned by local authorities had experienced a reduction in the number of hours available to them to provide. Nearly half (48%) said they had seen a 25% or above reduction in the number of hours available to them from their local authority. Data from other sources, including the ADASS Spring Survey, suggests there has not been a reduction in the total number of hours of local authority commissioned homecare; if anything, it has increased. Instead, the number of hours are being fragmented across more providers.

In some areas the use of international recruits has enabled new and existing providers to increase their capacity to deliver. International recruits must be employed on full-time salaried contracts and thus typically work more hours per week than the sector average per careworker (c. 25 hours per week). In some places, there are not enough hours available for international recruits to work full-time.

Reduction in volume of hours available per provider appears to be a particular issue in local authority areas which rely heavily on framework contracts. Where local authorities commission to a limited number of lead providers in specific geographic zones, volume of hours has remained more constant. In some areas, local authorities have allowed so many providers to join their frameworks, that they are struggling to find adequate resource to monitor quality of provision.

Framework contracts make it difficult for providers to plan effectively. Providers who responded to local authority requests to increase capacity and recruited internationally, have taken on substantial liabilities without guarantee of income. Losing 25% or more hours creates substantial risk to the viability of homecare providers. In some local authority areas, many smaller providers are handing back packages or ceasing to trade. Local authorities then have to manage potential safeguarding risks and find alternative provision, which obviously has a negative impact on people drawing on services and careworkers.

Late payments can also have a significant impact on businesses, leading to cash flow difficulties, which can affect ability to pay bills and the business's own suppliers. Without predictable payment terms, homecare providers find it difficult to invest and expand.

A majority (81%) of respondents that hold contracts with their local authority have experienced late payments. Over 8 in 10 (83%) that hold contracts with the NHS have experienced late payments. In some cases, payments have been outstanding for over a year. Individual small providers have told us they are owed as much as £350K by local authorities or ICBs. Some providers also commented on issues with inaccurate payments that may take months to resolve.

The definition of prompt payment for a small business supplier, contained in the voluntary Prompt Payment Code, is to pay 95 per cent of invoices within 30 days. We asked respondents about their average payment length with local authorities and the NHS. 21% said their average payment length was over 90 days from local authorities, and 7% said their average payment length was over 120 days. Nearly a quarter (23%) respondents said their average payment length was over 90 days from the NHS, and 9% said their average payment length was over 120 days.

Late payments can have an impact on availability and capacity in the homecare market. Some providers are choosing not to take on any work with their local authority or the NHS because of inadequate fee rates and unpredictability of payments for work delivered.

Recommendations

We call on:

- **Local authority commissioners** to appreciate the importance of volume of hours available per provider in ensuring staff retention and financial sustainability of services, and to balance more carefully supply and demand, particularly when using framework contracts.

- **Local authority and NHS commissioners** to abide by the Prompt Payment Code and ensure timely and accurate payment of invoices to homecare providers.

- **Local authority and NHS commissioners** to offer greater security of hours and income to trusted providers, so they are able to invest in their workforce and manage cash flow effectively. Ensuring an appropriate balance between block and spot purchase contracts combines certainty with flexibility. Offering payment in advance on planned commissioned hours, rather than in arrears on actual, is also helpful for maintaining provider stability.

- **Local authority and NHS commissioners** to move away from purchasing homecare 'by-the minute', with alternatively a focus on achieving the outcomes people want, enhanced by technology solutions.

- **Central government** to provide adequate funding for local authorities to enable them to move towards approaches to commissioning and purchase of homecare which encourage quality and sustainability of services. Ability to maintain and grow the workforce is central to this. Greater investment is needed to ensure that careworkers can receive wages at least equivalent to Band 3 healthcare assistants in the NHS with 2+ years' experience. According to the Homecare Association's Minimum Price for Homecare 2023-24, this would require an hourly fee rate of at least £28.44.

About the research

Responses were collected through a self-selecting online survey of Homecare Association member organisations between 26 July and 7 August 2023. Responses were received and accepted from 225 homecare providers, large and small, state-funded and private-pay funded, across England.

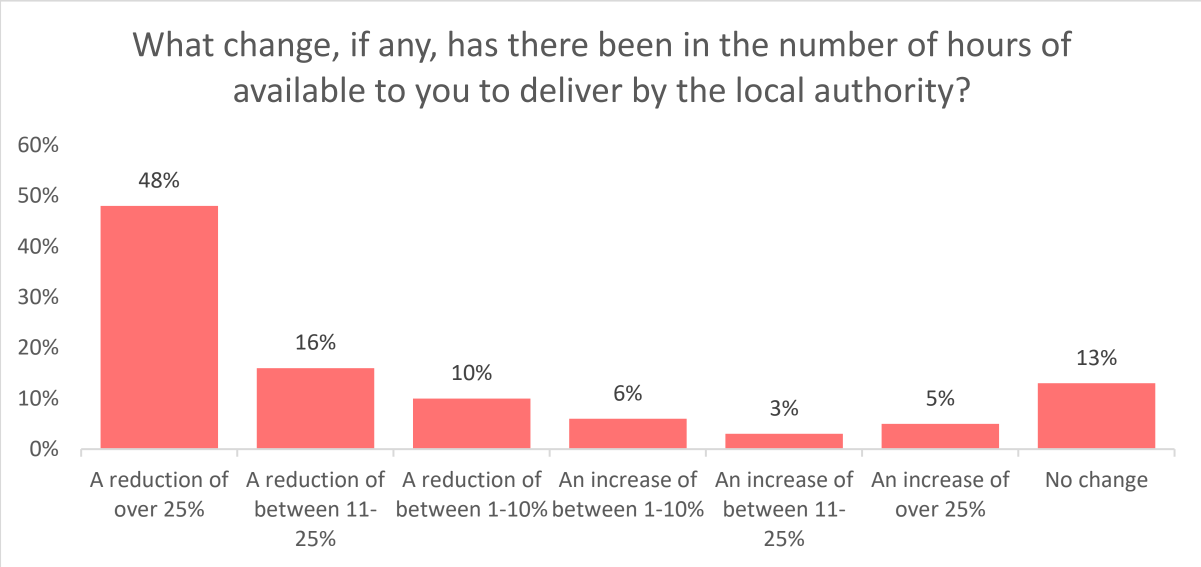
In total, the sample was delivering care to more than 42,995 clients and had 23,282 careworkers.

In our analysis, we have excluded the small number of responses stating that they did not know or preferred not to say the answer to questions, as well as responses from providers where questions were not applicable to them.

NB. Data labels on the graphs have typically been rounded to the nearest whole number. Where percentages have been, for example, added or subtracted, exact figures have been used – hence, there may be occasional rounding differences from the graph labels.

Key findings

Eight in ten (80%) respondents who are commissioned by a local authority to provide care said they had seen a decrease in the number of hours available to them. Nearly half (48%) reported a significant reduction of over 25% in the number of local authority hours available to them to provide.



We asked homecare providers about the impact of the reduction in hours they are being commissioned to deliver on their business. The comments showed that many businesses were having to find ways to cut overheads or reduce staff headcount to manage without the additional income:

"As a provider typically delivering 50% local authority and 50% private care, the significant reduction of LA commissioned care has meant our growth has stagnated and we have been 'treading water' for most of this year. It has also impacted our ability to plug gaps in carers' rotas when a client no longer requires care, which impacts team morale as their rotas as not as efficient as they used to be."

"Large impact on revenue and available hours for the carers. Whilst client numbers are up from September 2021 the hours delivered are down significantly. Average weekly hours per client has gone from 24.6 in 2021 to 16.3."

"We are losing trained and competent carers as we cannot give them the hours they require, which then impacts on our ability to grow clients' numbers."

"We have seen a significant reduction in hours commissioned by our council. We have teams based in rural areas, these teams have been diminished due to the lack of hours."

"We have been offered 3 packages in a month. Each package was for one 30 minute call per day. We have staff that we don't have the work for and have had to let them go. We have also stopped recruitment advertising. We cannot replace packages when they cease and we have had to focus on advertising for self-funding packages. The concerns are and with other providers alike, branches and small providers will have to close. Other concerns are winter pressures because if the demand increases, capacity will be non-existent which will have a knock on effect with delays of discharges from hospitals etc."

We asked respondents what they thought were the reasons for the changes in the number of hours available to them from local authorities. There were several explanations with the most support:

- Local authorities have opened up their portals to more providers
- Local authority budgets have been squeezed so they are commissioning less care
- There has been a growth in the number of homecare providers, including some who have recruited substantial numbers of new staff from overseas

What do you think the reasons are for a change in the number of hours that have been commissioned by local authorities?	
Local authorities have opened up their portals to more providers	41%
Local authority budgets have been squeezed so they are commissioning less care	32%
There has been a growth in the number of homecare providers	27%
Other (please specify)	27%
There have been significant delays in Care Assessments	20%
More people are ending up in hospital while waiting for care, reducing the number of people waiting in the community	19%
Local authorities are using different commissioning models (such a block contracts or outcome based commissioning)	17%
Local authorities are commissioning care with fewer providers	16%
Local authorities have increased the number of people receiving Direct Payments	11%
Thresholds for receiving local authority support have increased	8%

27% of respondents opted for the 'Other' category among their selected responses, further comments included:

"Local Authorities assigning packages to the cheapest bidder. Providers are undermining other providers by offering rates lower than the actual cost of care."

"They have said we are too expensive for them and we can't work at the prices they want to pay us so we are now getting no work from them. I tried to discuss this with them and they were not interested."

"The lead providers are able to accept more packages, due to an increase of overseas carers. We are framework providers and also have more capacity."

"LA has opened its own care company and is pushing assessments through it."

"Local authority are providing home care themselves. They employ 450+ staff and are growing this at the expense of private providers."

"Our local authority has taken a huge number of work in house and has very large delays in assessing those with care needs."

We invited respondents to tell us about the impact of changes in the number of hours available to them from local authorities on their business. Respondents told us about the impact of local authorities opening up their frameworks to more providers:

"From handing back packages last year due to a lack of staff, we are now losing staff due to the lack of hours being offered by LAs. From 30+ packages per day available at the same time last year, now we are lucky to compete for 1 or 2 per day, and with more providers joining the framework it is almost impossible to win any new contracts. We have built our capacity over the past few months, to find out that there are no packages available (!). We rely on packages from LAs, therefore this is having a huge impact on our business. We fear that we will not be able to retain our staff right before this winter."

"We are mainly a private care provider however we did rely on 50% of our hours coming via LA Spot purchases. These have all stopped, we do not get any spot purchases now. The LA have implemented a DPS system for the framework providers in October 2022, many long established providers are now getting v little or no work via the framework due to a huge influx of providers from out of the area and new start-ups."

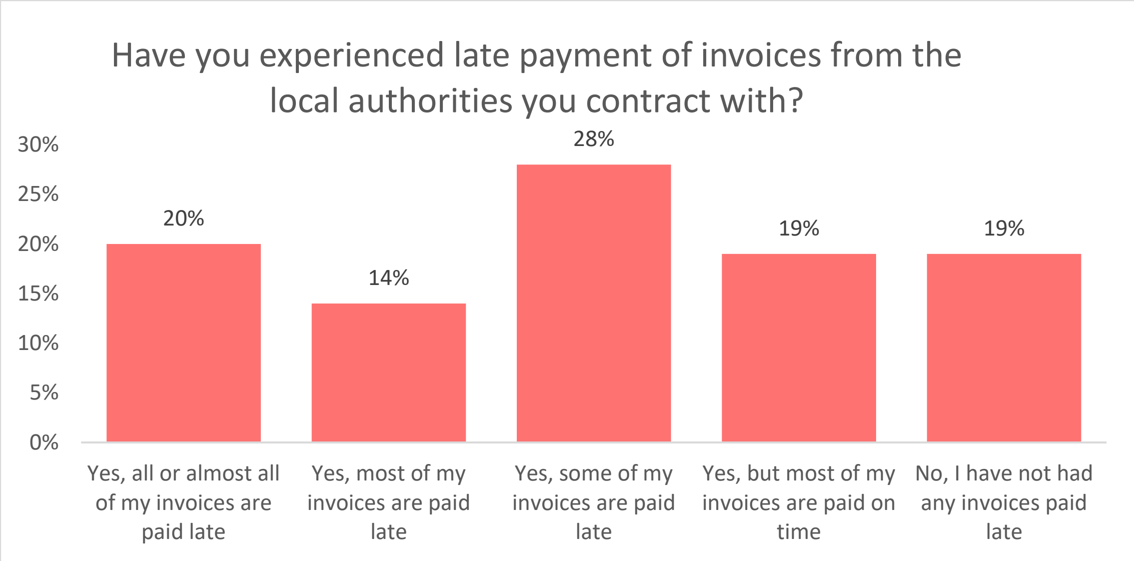
Respondents also expressed concern about business viability, having recruited internationally in the expectation of commissioned hours from the local authority that were no longer there:

"We are one of the contracted providers in our local authority. As such we have recruited from abroad in anticipation of demand for work and need to meet our contractual obligations. Significant impact has been that we have no work for the recruited workers, we are losing staff as a result and this affecting the financial standing of the business."

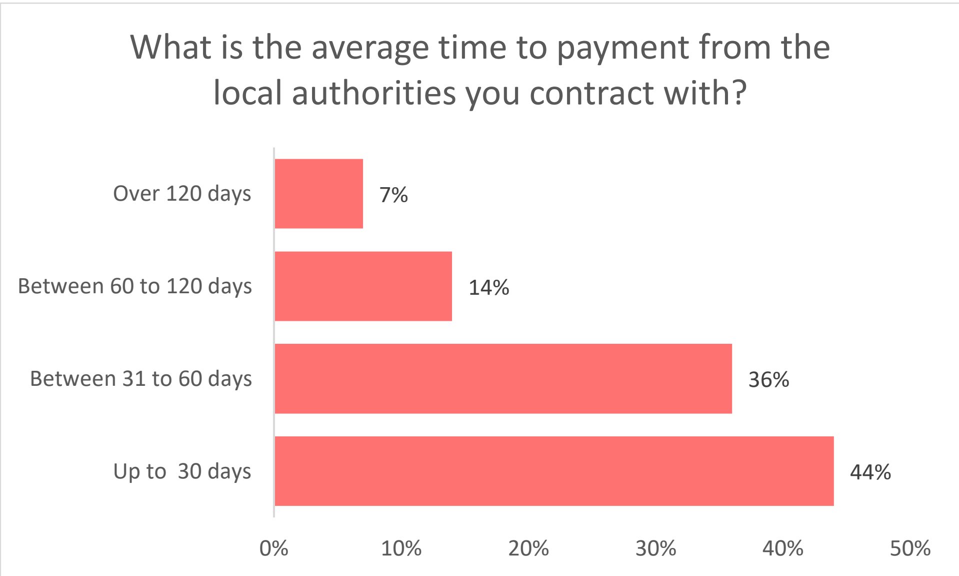
"We also have a sponsorship licence and overseas workers who are required to work a minimum of 38 hours per week. We now have significantly less hours and are obligated to provide them with the pay."

Late payment

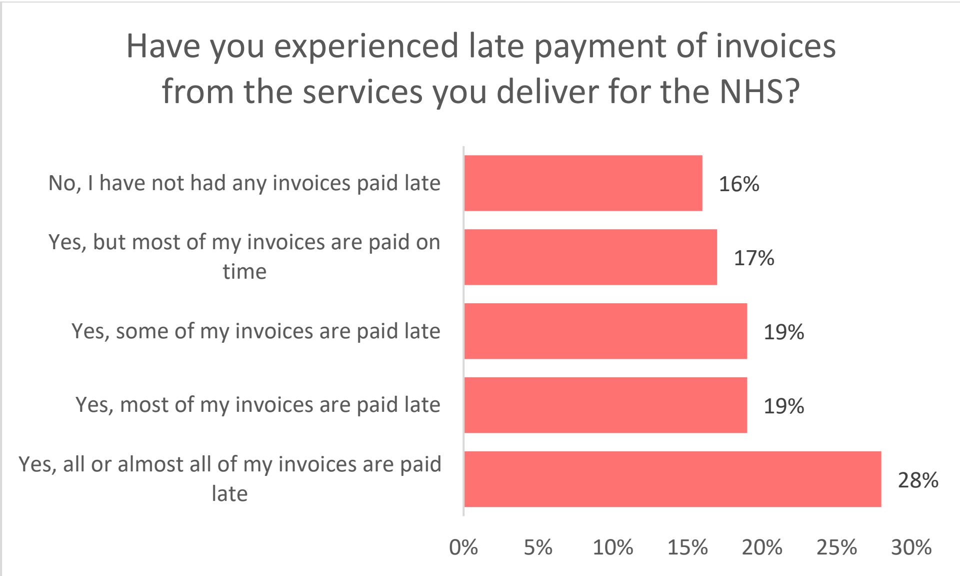
A majority of respondents (81%) who hold contracts with their local authority have experienced late payments. Over a third (34%) regularly experience late payments with most or almost all of their invoices paid late.



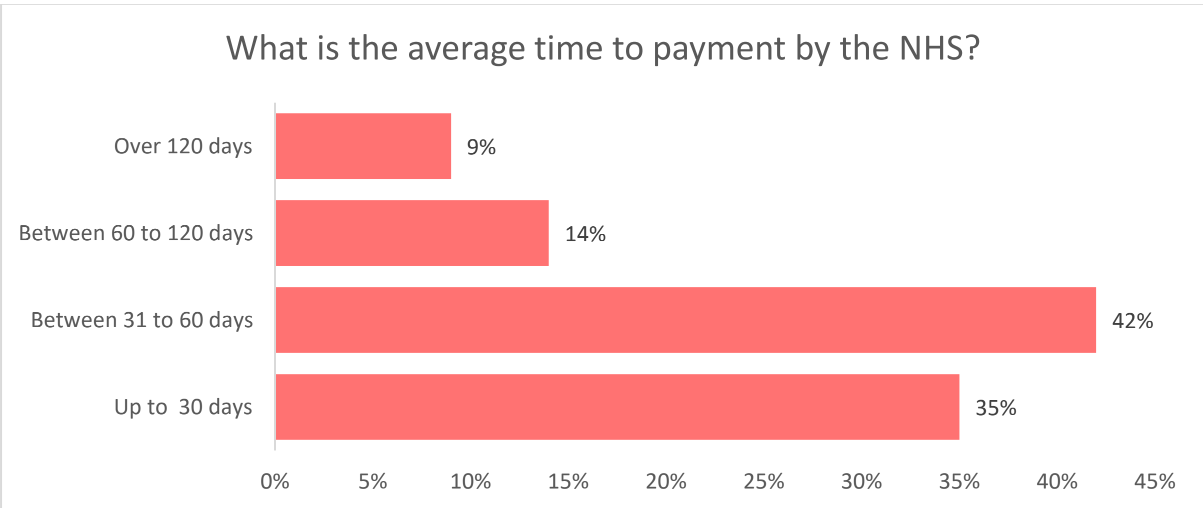
The definition of prompt payment for a small business supplier, contained in the voluntary Prompt Payment Code, is to pay 95 per cent of invoices within 30 days. We asked respondents about their average time to payment by local authorities. 57% of respondents said their average payment time was above 30 days, with 7% of respondents' average payment time over 120 days.



A majority of respondents (83%) who hold contracts with the NHS have experienced late payments. Nearly half (47%) regularly experienced late payments with most or all, or almost all, of their invoices paid late.



We asked respondents about the average payment time by the NHS. Nearly two thirds (65%) of respondents said their average payment time was above 30 days, with 9% of respondents' average payment time over 120 days.



We asked respondents to tell us more about their experiences of late payments when contracting with the NHS and local authorities. Respondents commented that, as a result of late payments, they have had to invest in additional finance resources:

"We have had to invest in a larger credit control function. We have had to double the size of the team which is a disproportionate resource."

"I have a finance coordinator that has developed a way of matching our invoicing to the NHS system so we don't send an invoice out in the wrong way. The slightest error means a whole invoice does not get paid."

"We have late payments due to new service commissioned that were not added to the portal. We have had to send additional schedule invoice separately and it takes between 4-10 weeks for this payment to be partly paid. We have had to send reminders to receive payments and staff spend extra 6 hours weekly checking what outstanding invoice is due. We are experiencing financial strangulation and we are also not able to meet our financial obligation to our suppliers."

Respondents also commented on the lack of communication from both local authorities and the NHS when trying to resolve any issues, and the challenges of incorrect payments:

"It is frustrating as there is no communication. Often there is a genuine query on the invoice - visits going over time etc. But the LA and NHS answer is simply not to pay. We have to spend ages chasing - often sending an email doesn't produce results and in this new age when people are often working from home, telephone queries can be extremely frustrating."

"For the NHS, we submit invoices via their Tradeshift portal but they are frequently rejected by the system. There is no route then to query why it has been rejected - we have no helpline within Tradeshift, the NHS finance department used to be able to help but have now stopped responding, and the original commissioners say they have done their bit and can't help."

"Late payments are not such an issue as incorrect payments. For the last ten months my payments have been either over or under and almost impossible to reconcile. An ever increasing amount of my time is taken chasing incorrect payments (due to incorrect information on their systems) and trying to reconcile for my accounts. Overpayments are suddenly deducted with no warning leading to impacts on cash flows for a small business."

"Our LA makes single payments into our account that never matches the invoice. There is never an explanation as to what package has been removed from the invoice. It's almost impossible to reconcile. We are currently owed £89,000 from packages the LA will not, cannot, do not recognise, all made up of £300 here, £500 there, and we have little to no power to recover it. The NHS is very slow at paying, but does seem to settle whole invoices eventually."

Some respondents explained they were declining NHS work as a result of late payments:

"No payments are made on time and they routinely refuse price increases despite paying staff more. We are declining all NHS work as a result. Their delays and unrealistic approach to pricing are reducing NHS client choice."

"We stopped providing care under NHS due to the late payments of invoices. When the business was first set up we had NHS clients and there would always be a delay in payment. One month I had to borrow money to cover payroll due non-payment of NHS invoices."