

Sefton Council



**Annex B**

**DHSC Market Sustainability  
and Cost of Care Exercise**

**2022-23**

**Domiciliary Care (18+)**

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## 1. Executive Summary

### 1.1. Context of the Cost of Care Exercise

1.1.1. On 16th December 2021 DHSC released its policy paper: 'Market Sustainability and Fair Cost of Care Fund: purpose and conditions 2022 to 2023' with further detailed guidance following on 24th March 2022. The 2022/23 funding provided under this policy is designed to ensure local authorities can prepare their markets for reform - particularly the impact of section 18(3) and the right for self-funders to request that a local authority purchase care on their behalf at the 'usual council rate'.

1.1.2. As a condition of receiving future funding, local authorities will need to evidence the work they are doing to prepare their markets and submit the following to DHSC by 14 October 2022:

1. Analysis of cost of care exercises conducted for 65+ care homes and 18+ domiciliary care. This includes a cost of care report and fully completed cost of care data table as found in Annex A, Section 3.
2. A provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market, with particular consideration given to the further commencement of Section 18(3) of the Care Act 2014. A final plan detailed plan will be required in February 2023; in the interim a 5-page provisional plan should be submitted utilising the Annex 3 template.
3. A spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose. A full breakdown of how funding has been allocated to support 65+ care home and 18+ domiciliary care markets (including domiciliary care providers who operate in extra care settings). This must specify whether, and how much funding, has been used for implementation activities and how much funding has been allocated towards fee increases beyond pressures funded by the Local Government Finance Settlement 2022 to 2023.

### 1.2. Scope of this Report

1.2.1. This report has been prepared in response to the first requirement and presents the analysis and findings from the cost of care exercise conducted within 18+ domiciliary care. Throughout this report the terms 'domiciliary care' and 'homecare' are used interchangeably.

1.2.2. The report covers the following:

- The overall cost of care analysis, including the approach to engagement and data capture, methodology utilised and the formulae to inform future uplifts
- An approach to sensitivity analysis; based on costs being covered on a given volume of hours delivered by Providers, in addition to whether costs change in relation to changes in volume

- Costs to consider when determining future fee rates based on different funding models, which includes the flexibility to accommodate a range of assumptions, for example: travel time, overheads, duration of visits, and other factors such as geographical coverage.
- Key findings and recommendations during the engagement to support future commissioning models.

### 1.3. Provider Engagement

- 1.3.1. A total of 59 Providers were contacted regarding them being involved in the exercise.
- 1.3.2. As part of this engagement work a dedicated workshop was also held with Providers.
- 1.3.3. 9 Providers responded to the exercise and submitted completed cost of care toolkits.
- 1.3.4. Where issues with the data were identified, queries were raised with the Providers in advance of submission of data to DHSC in October 2022. Upon further analysis of the data further queries were raised with Providers in in January 2023 and as a result the original data was amended and reflected in revised median cost calculations and the contents of this report.
- 1.3.5. Those Providers that completed and submitted workbooks are thanked for their submissions.

### 1.4. Local Cost of Care Results

#### 1.4.1. 2022/23 Cost of Care Median

- 1.4.1.1. As per the Department of Health and Social Care’s requirement, the exercise was required to identify a median cost of care for the delivery of services in financial year 2022/23.
- 1.4.1.2. The following table identifies a median rate of **£22.68**, this represents a 26.77% increase on the current rate of £17.89.

	LOW	MEDIAN	HIGH
	Cost £	Cost £	Cost £
Care Worker Costs	£13.50	£14.56	£21.15
Business Costs	£3.37	£4.81	£8.92
Surplus / Profit Contribution	£0.27	£1.03	£1.92
	£18.00	£22.68	£26.23

- 1.4.1.3. Section 4 provides a more detailed breakdown of the findings from the analysis.

## 1.5. How Sefton will use this data for Future Fee Setting

1.5.1. It should be re-emphasised that any Council has a duty under Section 5 of the Care Act to ensure they have a “sufficient” market to buy services from, and it is not the duty of any local authority to pay any specific “rate” for care. Rather, local authorities will need to consider how readily they are able to service their population’s needs via existing contracting and pay mechanisms they have with the market, taking into account:

- The scale of customer waiting for and length of time taken to implement packages of care,
- the level of unmet needs in the market,
- the availability of services and coverage of the market at existing framework or negotiated rates

and many other factors outside of simply cost. This assessment feeds into the cost of care to determine what ultimately gives the Council assurance around the overall sufficiency of care they are able to purchase from the market.

1.5.2. Whilst a long-term intention, in line with this cost of exercise may be to work towards the estimated median of £22.68, in the context of specific rates for care paid, DHSC guidance states that “fair means what is sustainable for the local market”. The Council should continue to monitor the pressure in the market (both staffing and business operating costs) through the fee exercise, and as was the case for this financial year with a 7.25% uplift, make adjustment (% fee uplifts) to reflect changes to operating costs.

1.5.3. No single exercise at any point in time becomes the “end” point for this assessment of market sustainability. It is an iterative process, and it is the duty of local authority commissioning to continually review and adapt their understanding of costs and contracting practices regularly.

## 2. Project overview / engagement

### 2.1. Project Scope

2.1.1. The scope of the project was determined by DHSC’s Fair Cost of Care guidance, in which homecare was defined as: *“Local authority contracted domiciliary care agencies (for those aged 18+) providing long term care, with a regular pattern per week, consisting of relatively short visits to support a person living in their own home with daily living tasks”*

- 2.1.2. The following services were out of scope: rapid response provision, short term / reablement support, blocks of care, sitting services, Extra Care and Supported Living.
- 2.1.3. Whilst some community-based services were out of scope of this project, as alluded to above, it is considered that the base model and scenarios presented as part of the analysis and in this report may be applicable to elements of these services; and will be worth future consideration by Sefton Council.

## 2.2. Project Governance

- 2.2.1. The Project was overseen by an internal working group consisting of Sefton Adult Social Care, Commissioning and Finance Officers.
- 2.2.2. An external organisation (ARCC-HR Limited) were commissioned to support the project and conduct the following activities;
- Technical Support to the Council on the cost of care exercise analysis
  - Facilitation and support to the Provider Workshop

## 2.3. Engagement Activities and Timeline

- 2.3.1. The cost of care exercise was launched on 28<sup>th</sup> June 2022 with a letter being sent to **61** Providers. Accompanying the letter was the **ARCC-HR Limited toolkit** and associated **LGA** guidance notes.
- 2.3.2. The 61 Providers encompassed a mix of Sefton CQC registered Providers and Providers registered outside of the Sefton borough, but who are delivering Domiciliary Care services in Sefton.
- 2.3.3. Upon receipt of the letter, it was clarified with 2 Providers that they were not required to engage with the exercise as they currently delivered Extra Care Housing and Supported Living services.
- 2.3.4. The letter highlighted that if Providers had any questions/queries then they could contact a dedicated Officer in the Council.
- 2.3.5. In the 28<sup>th</sup> June 2022 letter Providers were advised of the following timeline for the exercise;

Action	Timeframe
Letter to Providers outlining cost of care project and distribution of toolkit for completion / submission	28 <sup>th</sup> June 2022
Workshop with Providers to discuss the project and toolkit	11 <sup>th</sup> July 2022 (2pm to 3:30pm)

Further Provider drop-in session - to ask any questions and receive support on completing their returns	W/C 29 <sup>th</sup> July 2022
Deadline for Returns to be submitted to Sefton Council	12 <sup>th</sup> August 2022
Period for Council to collate responses together, review for any obvious areas for further questioning, identify any outliers	15 <sup>th</sup> August 2022 – 26 <sup>th</sup> August 2022
Hold provider drop-in sessions to discuss any queries from the above	W/C 29 <sup>th</sup> August 2022
Sefton Council completes required DHSC returns and submits in line with 14 <sup>th</sup> October 2022 deadline	September 2022 to 14 <sup>th</sup> October 2022

2.3.6. Further Emails to Providers encouraging them to engage in the exercise and re-sending them the 28<sup>th</sup> June 2022 and cost of care toolkit and guidance were sent on the following dates;

- 4<sup>th</sup> July 2022
- 8<sup>th</sup> July 2022
- 26<sup>th</sup> July 2022
- 4<sup>th</sup> August 2022

2.3.7. The cost of care exercise was also an agenda item on Domiciliary Care Partnership meetings with Providers which were held on the following dates;

- 29<sup>th</sup> June 2022
- 27<sup>th</sup> July 2022

2.3.8. As outlined in the timeline detailed in section 2.4.4 a dedicated workshop was held with Providers which was facilitated by ARCC-HR Limited. This workshop was held to further outline the local and national context for the exercise and for ARCC-HR Limited to present a practical demonstration on how the cost of care toolkit should be completed.

2.3.9. The workshop was attended by 7 Providers and during the workshop Providers were able to ask questions about the exercise and how the toolkit should be completed.

2.3.10. In order to support increased engagement in the exercise Providers were sent a letter on 16<sup>th</sup> August 2022 advising them that the deadline for submission of completed cost of care toolkits was extended to 24<sup>th</sup> August 2022.

2.3.11. The initial data received was used to submit Annex A and Annex B information, however upon further analysis of the data, some Providers were contacted in January 2023 regarding their submissions for clarification and as a result the Annex A information and this Annex B report was amended. The changes to the cost / Annex A information related to queries relating to Direct Care and Travel Time information which then impacted on other cost calculations.

## 2.4. Methodology for the Exercise

2.4.1. The council used the ARCC Cost of Care toolkit and did not ask further information of Providers, nor use any other data collection template.

2.4.2. In the letter of 28<sup>th</sup> June 2022 and during the workshop held on 11<sup>th</sup> July 2022 the following was outlined to Providers regarding how Sefton wished Providers to complete the toolkit;

- *Submitting full year figures related to 2021/22 on the tab named I. Standard (Cost+)*
- *After doing the above, Providers are then asked to make a copy of the toolkit for 2022/23 to update any figures that need changing to reflect the current costs – for example if in 2021/22 you paid staff £0.35 for mileage, but from April 2022 you increased this to £0.40 then on the copy of the 2021/22 then you would amend the figure.*
- *Sefton Domiciliary Care delivery only – For example if a Provider delivers a total of 2,000 hours but only 1,000 of these hours are in Sefton then we are requesting that they apportion the data/figures based on this Sefton only activity. So, if they had a Registered Manager that worked 37.5 hours per week, they would apportion 18.75 hours of their time and 50% of their salary and on-costs*
- *All Domiciliary Care activity / Packages in Sefton – whether it be Council commissioned, Health commissioned, Direct Payment or Private clients*

2.4.3. Providers were also advised in the letter and workshop that the above approach was being taken as it was viewed as being;

1. The best method of collating data to accurately reflect the cost of delivering services locally and will give more accurate information on factors such as Sefton Staff pay rates, travel time and mileage costs.
2. A mechanism to analyse full year (2021/22) costs and then give Providers an opportunity to submit information on current costs – which will then show how costs have changed

## 2.5. Limitations



- 2.5.1. It is important to note the inherent and practical limitations of such an exercise and reflect particularly on what the outputs to any cost modelling exercise aims to achieve. Any single cost median or model will not reflect the diversity within a whole market due to the number of variables to take into consideration, in addition meaning that any attempt to include all variables would result in an unusably large range of outputs in any practical sense. Thus, the median and any subsequent modelling can only be a simplified version of reality, using some explicit assumptions, which are discussed and refined to stakeholders' satisfaction. Furthermore, as the DHSC requirement was to generate median, upper and lower quartiles for each respective cost line the sum total will never add up to the profile of a local Provider.
- 2.5.2. It should be clearly understood that a cost exercise is not a magic formula that will set the 'best' market price for all providers. The realistic expectation in this project is that the model simply outputs a set of figures that are indicative of costs incurred by providers (based on data that some have provided) at a point in time. The model can then help to highlight different costs and cost drivers and this in turn can promote a greater level of understanding, particularly for Sefton Council as a Commissioner when it comes to consider future pricing.

### 3. The Sefton domiciliary care market

- 3.1. The market is seeing increased demand for Council commissioned services which is in line with both reduced demand for care home placements and the implementation of strategic aims to support more people to remain living independently in their own homes.
- 3.2. As at October 2022, the Council commissions services for in the region of 1,497 people per week (including packages commencements and packages that are ended) who receive a total of in the region of 18,385 hours of Domiciliary Care per week.
- 3.3. However, there are also currently 160 people awaiting a package of care in the community and if the above figures are used to calculate that the average care package consists of 12.28 hours of service per week then this equates to 1,965 hours per week of unmet need.
- 3.4. This leads to a current level of service / demand of 20,350 hours per week (18385 current + 1,965 unmet), however it is important to highlight that in line with the above points demand is expected to increase.
- 3.5. The following table is based on a previous analysis of all weekly visit durations, with revised calculations to show the potential split of visits across the total and then current annual expenditure based on the 2022/23 Council fee rate;

Previous Analysis			Revised - to reflect 20,350 hours - so 10.69% more than 18,385 hours		Current Annual Budget - Based on current £17.89 hourly rate which is pro-rated (i.e. 30 minute rate is 50% of the hourly rate)
Visit Duration	Number of Visits	Hours	Potential Number of Visits	Hours	Current Annual Cost

15	580	145	621.48	155.70	£144,854.51
30	22,373	11,187	23,974.36	11,987.85	£11,188,321.01
45	1,549	1,161	1,659.51	1,244.30	£1,161,252.30
60	5,309	5,309	5,689.17	5,689.17	£5,307,060.96
90	128	192	137.07	206.27	£191,834.78
120	195	390	208.94	417.87	£389,805.18
	<b>30,133</b>	<b>18,385</b>	<b>32,291</b>	<b>19,701</b>	<b>£18,383,128.74</b>

3.6. It is important to note that in line with Council objectives and to support a more sustainable market and Care Staff, it is the intention that 15-minute visit durations will not be commissioned and existing care packages that include such visits will be reviewed and amended.

#### 4. Response rate to the exercise

- 4.1. A total of **9** responses were received.
- 4.2. This equates to a response rate of **15.25%** - based on the toolkit being initially sent to 61 Providers and 2 Providers then being advised that they were out of scope for the exercise.
- 4.3. In terms of the 9 Providers who responded to the exercise and their volume of work commissioned by the Council (as outlined in section 3) the Council currently commissions in the region of 18,385 hours of Domiciliary Care per week and the 9 Providers deliver 7,599 of these hours, which equates to **41.33%** of current weekly Council commissioned hours.

#### 5. Cost Analysis

- 5.1. Provider Cost information in this section relates to 2022/23 Provider cost of care toolkit submissions.
- 5.2. The following table highlights the initial data submitted by Providers.

Provider Reference	1	2	3	4	4	6	7	8	9	LOW	MEDIAN	HIGH
Hourly Breakdown	Cost £	Cost £	Cost £	Cost £	Cost £	Cost £	Cost £	Cost £	Cost £	Cost £	Cost £	Cost £
<b>Care worker costs:</b>	<b>£13.50</b>	<b>£21.04</b>	<b>£14.52</b>	<b>£13.55</b>	<b>£13.08</b>	<b>£16.55</b>	<b>£17.29</b>	<b>£13.75</b>	<b>£18.46</b>	<b>£13.08</b>	<b>£14.52</b>	<b>£21.04</b>
Direct Care	£10.58	£13.67	£10.98	£9.98	£10.53	£10.82	£10.16	£9.76	£10.64	£9.76	£10.58	£13.67
Travel Time	£0.00	£0.64	£0.00	£0.03	£0.00	£1.43	£1.79	£1.05	£0.00	£0.00	£0.03	£1.79
Mileage	£0.14	£0.42	£0.46	£1.25	£0.00	£0.29	£0.00	£0.49	£0.41	£0.00	£0.41	£1.25
PPE	£0.23	£0.12	£0.30	£0.00	£0.00	£0.00	£1.20	£0.00	£0.00	£0.00	£0.00	£1.20

Training (staff time)	£0.06	£0.21	£0.45	£0.04	£0.18	£0.29	£0.38	£0.05	£3.39	£0.04	£0.21	£3.39
Holiday	£1.32	£1.82	£1.42	£1.22	£1.28	£1.54	£1.53	£1.37	£1.69	£1.22	£1.42	£1.82
Additional Non-Contact Pay Costs	£0.00	£1.10	£0.00	£0.00	£0.00	£0.12	£0.34	£0.00	£0.00	£0.00	£0.00	£1.10
Sickness/Maternity & Paternity Pay	£0.26	£0.49	£0.16	£0.29	£0.15	£0.47	£0.14	£0.54	£0.31	£0.14	£0.29	£0.54
Notice/Suspension Pay	£0.00	£0.32	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.32
NI (direct care hours)	£0.73	£1.71	£0.42	£0.44	£0.75	£1.18	£1.31	£0.11	£1.55	£0.11	£0.75	£1.71
Pension (direct care hours)	£0.18	£0.55	£0.33	£0.31	£0.19	£0.40	£0.43	£0.38	£0.47	£0.18	£0.38	£0.55
<b>Business costs:</b>	<b>£4.23</b>	<b>£3.37</b>	<b>£4.67</b>	<b>£7.05</b>	<b>£7.05</b>	<b>£8.92</b>	<b>£3.91</b>	<b>£4.81</b>	<b>£3.77</b>	<b>£3.37</b>	<b>£4.67</b>	<b>£8.92</b>
Back Office Staff	£3.30	£1.68	£2.21	£3.22	£3.56	£6.82	£2.16	£2.75	£2.35	£1.68	£2.75	£6.82
Travel Costs (parking/vehicle lease etc.)	£0.00	£0.00	£0.27	£0.00	£0.00	£0.16	£0.00	£0.00	£0.00	£0.00	£0.00	£0.27
Rent / Rates / Utilities	£0.35	£0.31	£0.19	£0.37	£0.10	£0.13	£0.34	£0.33	£0.14	£0.10	£0.31	£0.37
Recruitment / DBS	£0.05	£0.19	£0.19	£0.28	£0.07	£0.61	£0.21	£0.44	£0.05	£0.05	£0.19	£0.61
Training (3rd party)	£0.03	£0.01	£0.00	£0.14	£0.09	£0.03	£0.10	£0.04	£0.15	£0.00	£0.04	£0.15
IT (Hardware, Software CRM, ECM)	£0.18	£0.23	£0.08	£0.31	£0.07	£0.61	£0.32	£0.11	£0.15	£0.07	£0.18	£0.61
Telephony	£0.04	£0.04	£0.02	£0.07	£0.34	£0.32	£0.17	£0.08	£0.04	£0.02	£0.07	£0.34
Stationery / Postage	£0.02	£0.02	£0.08	£0.09	£0.06	£0.00	£0.05	£0.00	£0.07	£0.00	£0.05	£0.09
Insurance	£0.04	£0.21	£0.06	£0.11	£0.22	£0.01	£0.01	£0.27	£0.28	£0.01	£0.11	£0.28
Legal / Finance / Professional Fees	£0.02	£0.11	£0.16	£0.08	£0.00	£0.02	£0.01	£0.09	£0.46	£0.00	£0.08	£0.46
Marketing	£0.02	£0.07	£0.03	£0.20	£0.07	£0.02	£0.15	£0.03	£0.00	£0.00	£0.03	£0.20
Audit & Compliance	£0.00	£0.09	£0.00	£0.00	£0.00	£0.01	£0.01	£0.09	£0.00	£0.00	£0.00	£0.09
Uniforms & Other Consumables	£0.06	£0.03	£0.03	£0.05	£0.02	£0.00	£0.01	£0.04	£0.01	£0.00	£0.03	£0.06
Assistive Technology	£0.00	£0.00	£0.00	£0.26	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.26
Central / Head Office Recharges	£0.05	£0.30	£1.27	£1.24	£1.84	£0.00	£0.26	£0.45	£0.00	£0.00	£0.30	£1.84
Additional Overhead #1	£0.00	£0.00	£0.00	£0.00	£0.34	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.34
Additional Overhead #2	£0.00	£0.00	£0.00	£0.09	£0.02	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.09
Additional Overhead #3	£0.00	£0.00	£0.00	£0.03	£0.01	£0.01	£0.00	£0.00	£0.00	£0.00	£0.00	£0.03
Additional Overhead #4	£0.00	£0.00	£0.00	£0.10	£0.17	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.17
Additional Overhead #5	£0.00	£0.00	£0.00	£0.14	£0.00	£0.01	£0.00	£0.00	£0.00	£0.00	£0.00	£0.14
Additional Overhead #6	£0.00	£0.00	£0.00	£0.13	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.13
Additional Overhead #7	£0.00	£0.00	£0.00	£0.06	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.06
Additional Overhead #8	£0.00	£0.00	£0.00	£0.00	£0.00	£0.06	£0.00	£0.00	£0.00	£0.00	£0.00	£0.06
Additional Overheads (Total)	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.55</b>	<b>£0.54</b>	<b>£0.09</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	£0.00	£0.00	£0.55
CQC Registration Fees(4)	£0.08	£0.08	£0.06	£0.10	£0.08	£0.09	£0.10	£0.10	£0.06	£0.06	£0.08	£0.10
<b>Surplus / Profit Contribution</b>	<b>£0.27</b>	<b>£0.73</b>	<b>£1.92</b>	<b>£1.03</b>	<b>£1.81</b>	<b>£0.76</b>	<b>£1.48</b>	<b>£0.56</b>	<b>£1.11</b>	<b>£0.27</b>	<b>£1.03</b>	<b>£1.92</b>

<b>Total Cost Per Hour</b>	<b>£18.00</b>	<b>£25.14</b>	<b>£21.11</b>	<b>£21.63</b>	<b>£21.94</b>	<b>£26.23</b>	<b>£22.68</b>	<b>£19.11</b>	<b>£23.34</b>	<b>£18.00</b>	<b>£21.94</b>	<b>£26.23</b>
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5.2.1. As referenced in section 2.3.11 of this report following further analysis of the data was conducted after October 2022 and Providers were contacted with queries. Providers responded with clarifications / amendments and as a result the following table details each cost line together with lower / median / upper quartile calculations for the 9 responses, with amendments highlighted in red text;

<b>All Providers</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>		<b>LOW</b>	<b>MEDIAN</b>	<b>HIGH</b>
<b>Hourly Breakdown</b>	<b>Cost £</b>	<b>Cost £</b>	<b>Cost £</b>	<b>Cost £</b>	<b>Cost £</b>	<b>Cost £</b>	<b>Cost £</b>	<b>Cost £</b>	<b>Cost £</b>		<b>Cost £</b>	<b>Cost £</b>	<b>Cost £</b>
<b>Care worker costs:</b>	<b>£13.50</b>	<b>£21.15</b>	<b>£14.56</b>	<b>£13.89</b>	<b>£14.48</b>	<b>£16.55</b>	<b>£17.29</b>	<b>£13.75</b>	<b>£20.41</b>		<b>£13.50</b>	<b>£14.56</b>	<b>£21.15</b>
Direct Care	<b>£9.50</b>	<b>£13.76</b>	£10.98	£9.98	<b>£10.68</b>	£10.82	£10.16	£9.76	£10.64		£9.50	£10.64	£13.76
Travel Time	<b>£1.08</b>	£0.64	£0.00	<b>£0.28</b>	<b>£0.61</b>	£1.43	£1.79	£1.05	<b>£1.43</b>		£0.00	£1.05	£1.79
Mileage	£0.14	£0.42	£0.46	£1.25	<b>£0.39</b>	£0.29	£0.00	£0.49	£0.41		£0.00	£0.41	£1.25
PPE	£0.23	£0.12	£0.30	£0.00	£0.00	£0.00	£1.20	£0.00	£0.00		£0.00	£0.00	£1.20
Training (staff time)	£0.06	£0.21	£0.45	£0.04	£0.18	£0.29	£0.38	£0.05	£3.39		£0.04	£0.21	£3.39
Holiday	£1.32	£1.82	£1.42	<b>£1.25</b>	<b>£1.37</b>	£1.54	£1.53	£1.37	<b>£1.86</b>		£1.25	£1.42	£1.86
Additional Non-Contact Pay Costs	£0.00	£1.10	£0.00	£0.00	£0.00	£0.12	£0.34	£0.00	£0.00		£0.00	£0.00	£1.10
Sickness/Maternity & Paternity Pay	£0.26	£0.49	£0.16	<b>£0.30</b>	<b>£0.17</b>	£0.47	£0.14	£0.54	£0.35		£0.14	£0.30	£0.54
Notice/Suspension Pay	£0.00	£0.32	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00		£0.00	£0.00	£0.32
NI (direct care hours)	£0.73	<b>£1.73</b>	<b>£0.47</b>	<b>£0.48</b>	<b>£0.88</b>	£1.18	£1.31	£0.11	<b>£1.80</b>		£0.11	£0.88	£1.80
Pension (direct care hours)	£0.18	£0.55	<b>£0.33</b>	<b>£0.32</b>	<b>£0.20</b>	£0.40	£0.43	£0.38	£0.51		£0.18	£0.38	£0.55
<b>Business costs:</b>	<b>£4.23</b>	<b>£3.37</b>	<b>£5.80</b>	<b>£7.05</b>	<b>£6.73</b>	<b>£8.92</b>	<b>£3.91</b>	<b>£4.81</b>	<b>£3.77</b>		<b>£3.37</b>	<b>£4.81</b>	<b>£8.92</b>
Back Office Staff	£3.30	£1.68	<b>£2.22</b>	£3.22	£3.56	£6.82	£2.16	£2.75	£2.35		£1.68	£2.75	£6.82
Travel Costs (parking/vehicle lease etc.)	£0.00	£0.00	£0.27	£0.00	£0.00	£0.16	£0.00	£0.00	£0.00		£0.00	£0.00	£0.27
Rent / Rates / Utilities	£0.35	£0.31	£0.19	£0.37	£0.10	£0.13	£0.34	£0.33	£0.14		£0.10	£0.31	£0.37
Recruitment / DBS	£0.05	£0.19	£0.19	£0.28	£0.07	£0.61	£0.21	£0.44	£0.05		£0.05	£0.19	£0.61
Training (3rd party)	£0.03	£0.01	£0.00	£0.14	£0.09	£0.03	£0.10	£0.04	£0.15		£0.00	£0.04	£0.15
IT (Hardware, Software CRM, ECM)	£0.18	£0.23	£0.08	£0.31	£0.07	£0.61	£0.32	£0.11	£0.15		£0.07	£0.18	£0.61
Telephony	£0.04	£0.04	£0.02	£0.07	£0.34	£0.32	£0.17	£0.08	£0.04		£0.02	£0.07	£0.34
Stationery / Postage	£0.02	£0.02	£0.08	£0.09	£0.06	£0.00	£0.05	£0.00	£0.07		£0.00	£0.05	£0.09
Insurance	£0.04	£0.21	£0.06	£0.11	£0.22	£0.01	£0.01	£0.27	£0.28		£0.01	£0.11	£0.28
Legal / Finance / Professional Fees	£0.02	£0.11	£0.16	£0.08	£0.00	£0.02	£0.01	£0.09	£0.46		£0.00	£0.08	£0.46
Marketing	£0.02	£0.07	£0.03	£0.20	£0.07	£0.02	£0.15	£0.03	£0.00		£0.00	£0.03	£0.20
Audit & Compliance	£0.00	£0.09	£0.00	£0.00	£0.00	£0.01	£0.01	£0.09	£0.00		£0.00	£0.00	£0.09
Uniforms & Other Consumables	£0.06	£0.03	£0.03	£0.05	£0.02	£0.00	£0.01	£0.04	£0.01		£0.00	£0.03	£0.06

Assistive Technology	£0.00	£0.00	£0.00	£0.26	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.26
Central / Head Office Recharges	£0.05	£0.30	£2.40	£1.24	£1.84	£0.00	£0.26	£0.45	£0.00	£0.00	£0.30	£2.40
Additional Overhead #1	£0.00	£0.00	£0.00	£0.00	£0.03	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.03
Additional Overhead #2	£0.00	£0.00	£0.00	£0.09	£0.02	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.09
Additional Overhead #3	£0.00	£0.00	£0.00	£0.03	£0.01	£0.01	£0.00	£0.00	£0.00	£0.00	£0.00	£0.03
Additional Overhead #4	£0.00	£0.00	£0.00	£0.10	£0.17	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.17
Additional Overhead #5	£0.00	£0.00	£0.00	£0.14	£0.00	£0.01	£0.00	£0.00	£0.00	£0.00	£0.00	£0.14
Additional Overhead #6	£0.00	£0.00	£0.00	£0.13	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.13
Additional Overhead #7	£0.00	£0.00	£0.00	£0.06	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.06
Additional Overhead #8	£0.00	£0.00	£0.00	£0.00	£0.00	£0.06	£0.00	£0.00	£0.00	£0.00	£0.00	£0.06
Additional Overheads (Total)	£0.00	£0.00	£0.00	£0.55	£0.22	£0.09	£0.00	£0.00	£0.00	£0.00	£0.00	£0.55
CQC Registration Fees(4)	£0.08	£0.08	£0.06	£0.10	£0.08	£0.09	£0.10	£0.10	£0.06	£0.06	£0.08	£0.10
<b>Surplus / Profit Contribution</b>	<b>£0.27</b>	<b>£0.74</b>	<b>£2.04</b>	<b>£1.05</b>	<b>£1.91</b>	<b>£0.76</b>	<b>£1.48</b>	<b>£0.56</b>	<b>£1.21</b>	<b>£0.27</b>	<b>£1.05</b>	<b>£2.04</b>
<b>Total Cost Per Hour</b>	<b>£18.00</b>	<b>£25.26</b>	<b>£22.41</b>	<b>£21.98</b>	<b>£23.13</b>	<b>£26.23</b>	<b>£22.68</b>	<b>£19.11</b>	<b>£25.38</b>	<b>£18.00</b>	<b>£22.68</b>	<b>£26.23</b>

5.2.2. As detailed above, these amendments resulted in a change to the Median value from £21.94 to £22.68.

## 6. Analysis of the Data / Issues Identified

- 6.1. The first issue has been the low response rate from Providers. Out of 59 Providers in scope, the Council received 9 responses.
- 6.2. Across these 9 Providers the toolkits submitted totalled the following level of service delivery;
- 766 Service Users
  - 10,833 contact hours per week
  - Average Service User hours per week of 14.14
- 6.3. As outlined in section 4, the 9 Provider responses represent 41.33% of current Council commissioned activity.
- 6.4. In addition, based on the above, and when analysed against Capacity Tracker data for Homecare Agencies registered in Sefton, the responses received equate to in the region of 23% of the Service User Market (Capacity Tracker data for 44 Providers who have reported 3,303 Service Users). However, it is recognised that for such Providers the number of Service Users may include those residing outside of the Sefton borough

and the Capacity Tracker data will only relate to those Providers CQC registered in Sefton and there are a number of currently commissioned Providers whose CQC registered location is not in Sefton.

- 6.5. As a result, there is a legitimate concern that the submitted cost of care data does not accurately reflect the whole Sefton Domiciliary Care market. Some Providers highlighted that they were unable to submit data as they operated across several other Local Authorities and had therefore received numerous requests to submit data which they were unable to furnish.
- 6.6. As outlined in section 2.5.2 of this report, Providers were asked to submit two toolkits – one detailing full year figures related to 2021/22 and then a toolkit for 2022/23 to update any figures that need changing to reflect the current costs. 5 Providers submitting toolkits only relating to 2022/23 data.
- 6.7. Upon receipt of toolkits from Providers they were reviewed, and queries were raised and clarified with the Providers. These initial queries were resolved and where required Providers submitted revised / updated toolkits. Issues raised were with regard to;
  - Whether the toolkits related to 2021/22 or 2022/23
  - If Direct Care Worker costs were inclusive/exclusive of travel time and whether travel time was paid
  - Some Provider cost lines where it was identified that figures may have been incorrect – for example where figures were recorded as being monthly figure where they were in fact annual figures and were therefore inflating costs.
- 6.8. Following further analysis, some Providers were again contacted in January 2023 regarding queries, which typically related to Direct Care and Travel Time costs, due to the low calculated figure for the travel time cost element, as some submitted toolkits did not have completed information for average travel time and distance between care calls. These queries were clarified and resulted in amendments to this specific data and then other data - highlighted in red in section 5.2.1 of this report. Resolution of these queries resulted in a change to the median calculated value from £21.94 to £22.68.
- 6.9. Whilst Provider submissions incorporated the full range of information that the Council expected to receive – for example data for each individual element of the toolkit, there are still some concerns relating to some of the data.
- 6.10. The breakdown by visit duration for some Providers may not be correct, for example one submission recorded that all visits were of the duration of 45 minutes, which does not correspond to Council held data and when queried the Provider stated that they were unable to provide a more detailed breakdown by actual durations and the individual visit elements of the toolkit. As a result, such data and its impact on cost calculations needs to be looked at with caution.

- 6.11. Business costs equate to in the region of 21% of total median costs and this percentage equates to previous fee modelling and cost of care exercises, however there were some cost lines for individual elements of the business costs elements of the toolkit that were not completed by all Providers, most notably the Assistive Technology and Audit & Compliance elements. Further understanding will therefore be required for such anomalies.
- 6.12. There are also concerns with the actual overall total hourly rate calculated in terms of firstly whether they are correct and then with respect to whether they actually reflect current 2022/23 costs. For all of the 9 submissions the rate calculated was above the 2022/23 set Council contracted rate. Whilst there is scope to take into account that Providers may levy higher rates for Domiciliary Care packages commissioned by other Commissioners, concerns remain given that Provider toolkit submissions were typically from Providers where Council commissioned work represents a significant, if not predominate proportion of their business and therefore such Providers are essentially reporting a significant differential between Council fee rates paid and actual costs.
- 6.13. It is important to note that the homecare cost of care toolkit is in itself a modelling tool and not simply used for the purposes of data collection. This can naturally lead to some discrepancies in reported costs in terms of the toolkit versus actual costs incurred. For example, the toolkit uses the same hourly rate as direct care costs for sick pay, maternity, training etc, where some providers may in actual fact revert back to National Minimum Wage or equivalent. In addition, the number of hours reported (or paid for) may differ from what was contracted to be provided (and therefore reported in the toolkit), for instance "frustrated visits" where the actual visit length may differ from what was contracted or paid.

## 7. Explanation and Justification on Approach to Surplus / Profit Contribution

- 7.1. The data detailed in section 5.2.1 shows that Surplus / Profit Contributions varied between 1.48% and 9.10% of Providers total costs, with the following low, median and high calculations;

	LOW	MEDIAN	HIGH
Surplus / Profit Contribution	£0.27	£1.05	£2.04
Total Cost Per Hour	£18.00	£22.68	£26.23

- 7.2. The Council has not adjusted these figures, as the figures submitted by Providers are their reported surplus / profit amounts associated with their own individual business models and at the commencement of the exercise Providers were requested to submit data based on their own calculated costs. However, section 11 of this report outlines how profit levels may be amended by the Council in future fee setting exercises.

## 8. Analysis of median provider by visit length (15, 30, 45 and 60 minutes)

8.1. The variation in cost for different visit lengths is due to the cost per hour being different from the cost per visit. Travel time and mileage can typically be worked out (on average) per visit, however it cannot be worked out the same on average per hour. This is why the cost base materially changes depending on the average visit time and the number of visits.

In addition, accruing more travel time will accrue more holiday pay and employer's NI, further impacting unit costs. The cost model only produces one rate at a time. It is by its nature a COST model, not a PRICING model. It is more accurate and straightforward to model (from a cost perspective) a single, aggregate number of visits and annual hours.

8.2. In order to model the impact of individual costs, a "median" provider model has been created in the toolkit with the following data:

- Utilising the median unit cost at £22.68 per care hour
- The median provider delivers 57,863 care hours per annum with a median visit length of 37.7 minutes, equating to 1,770 visits per week
- Median travel distance of 0.8 miles per visit
- Median mileage pay of £0.41 per mile
- Average 29 working hours per week per direct care staff

The model was then varied using the same volume of care hours per annum, with the following number of visits at the corresponding average visit length:

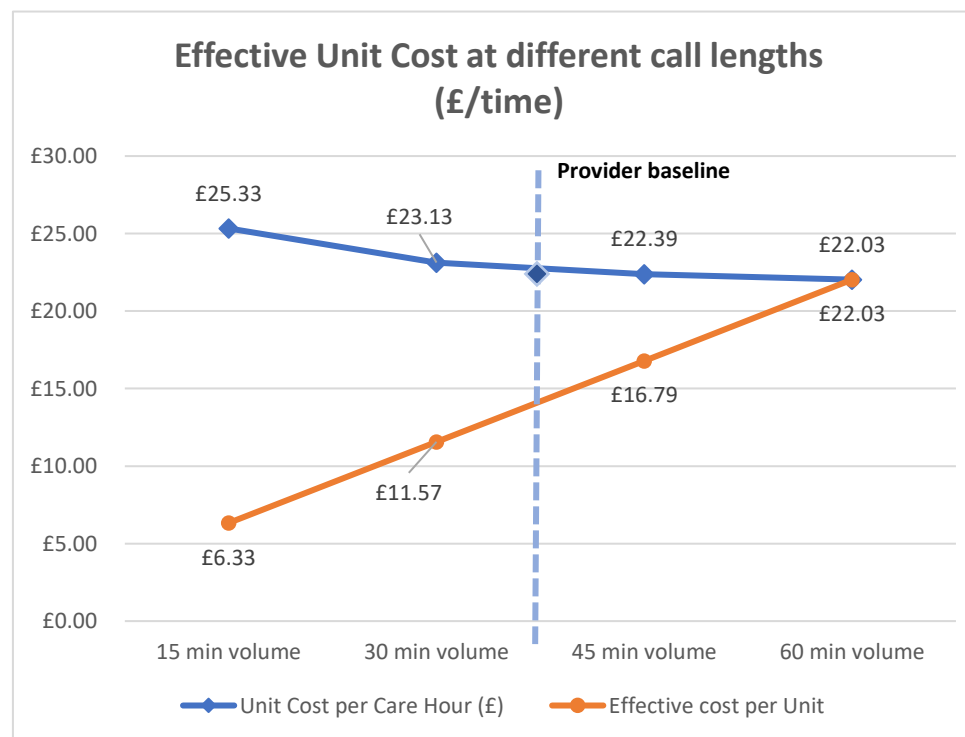
- a) 4,451 visits per week at 15 minutes
- b) 2,226 visits per week at 30 minutes
- c) 1,484 visits per week at 45 minutes
- d) 1,113 visits per week at 60 minutes

## 9. Cost per visit for different visit lengths (15, 30, 45 and 60 minutes)

9.1. The variations on the median model and varying visit lengths in section 8 has been modelled using the same volume of hours, by increasing the total visits needed to achieve the same care volume. The table below shows the impact on unit costs:



Scenario Models <sup>1</sup>	Description	Unit Cost per care hour <sup>2</sup>
#1a 15-minute call duration	Median cost adjusted to reflect avg.15-minute call duration	<b>£25.53</b>
#1b 30-minute call duration	Median cost adjusted to reflect avg.30-minute call duration	<b>£23.13</b>
#1c 45-minute call duration	Median cost adjusted to reflect avg.45-minute call duration	<b>£22.39</b>
#1d 60-minute call duration	Median cost adjusted to reflect avg.60-minute call duration	<b>£22.03</b>



<sup>1</sup> All scenario models are compliant with the Ethical Care Charter pay rate for all staff

<sup>2</sup> The variations on call length are expressed as unit cost per care hour, however the actual cost per call should be derived by the proportion of 1 hour that call represents, e.g. for a 30-minute call, the cost per care hour should be halved to arrive at the unit cost per 30 minute call

## 10. Approach to how costs will be uplifted in the future for inflation

10.1. The following table summarises the proposed approach to how costs would seek to be uplifted in the future for inflation, but also specific factors that may also need to be taken into account;

Hourly Breakdown	Proposed Approach	Specific Factors That May be Taken into Account
<b>Care worker costs:</b>		
Direct Care	National Living Wage % Increase	Decisions on further investment on sector and potential seeking of parity to NHS Band pay rates
Travel Time	Typically to reflect 10% of Direct Care Rate	
Mileage	National Living Wage % Increase	Analysis of typical split of Staff who are drivers / non-drivers
PPE	Consumer Price Index	Availability of free PPE
Training (staff time)	National Living Wage % Increase	
Holiday	National Living Wage % Increase	Future statutory holiday pay calculations
Additional Non-Contact Pay Costs	National Living Wage % Increase	
Sickness/Maternity & Paternity Pay	National Living Wage % Increase	
Notice/Suspension Pay	National Living Wage % Increase	
NI (direct care hours)	National Living Wage % Increase	Adjust where necessary to reflect changes in Employer's NI thresholds
Pension (direct care hours)	National Living Wage % Increase	
<b>Business costs:</b>		
Back Office Staff	National Living Wage % Increase	
Travel Costs (parking/vehicle lease etc.)	Consumer Price Index	
Rent / Rates / Utilities	Consumer Price Index	
Recruitment / DBS	Consumer Price Index	

Training (3rd party)	Consumer Price Index	
IT (Hardware, Software CRM, ECM)	Consumer Price Index	
Telephony	Consumer Price Index	
Stationery / Postage	Consumer Price Index	
Insurance	Consumer Price Index	
Legal / Finance / Professional Fees	Consumer Price Index	
Marketing	Consumer Price Index	
Audit & Compliance	Consumer Price Index	
Uniforms & Other Consumables	Consumer Price Index	
Assistive Technology	Consumer Price Index	
Central / Head Office Recharges	Consumer Price Index	
Additional Overheads (Total)	Consumer Price Index	
CQC Registration Fees(4)	Consumer Price Index	Actual fee rate increases levied by CQC
<b>Surplus / Profit Contribution</b>	3% Added to Care Worker + Business Costs combined total	Level may be dependent on both further analysis of cost of care decisions and wider determinants such as Interest Rate rises
<b>Total Cost Per Hour</b>		

## 11. How Sefton will use this data for future fee setting

- 11.1. Despite the issues identified in section 6 of this report, the data that Providers have submitted has not been amended at this stage and individual elements such as surplus / profit have not been amended as going forward there will need to be a review of the pre-existing fee model which allocated 3% for surplus / profit and whether the Council wishes to implement a model that encompasses a rate higher than this and which may take into account wider factors such as general interest rates.
- 11.2. The model is in part calculated based on Providers detailing the split of care visits by duration and whilst this information is useful, there are issues with some of the Provider submissions and this information needs to be further overlayed with Council data on commissioned visit durations.
- 11.3. The above is important as it is recognised that there is a need to reflect that elements such as mileage costs need to be re-calculated to reflect that they will be the same regardless of the visit duration. The current Council fee model takes the hourly rate and pro-rata's it for 45/30/15-

minute visits and the exercise has shown that such a methodology does not reflect both Provider and Staff costs against actual commissioning activity.

- 11.4. The data submitted relating to Business costs is useful both in terms of the information for each specific element and how such costs amount to in terms of the overall percentage element of the total fee rate. The percentage element mirrors calculations in previous fee calculation exercises.
- 11.5. In terms of Direct Care Staff pay rates, the exercise has shown significant variations in this together with issues concerning the separation of travel time costs. The pre-existing fee model that Council uses calculates Staff pay rates which reflect the previous cost of care exercise and Provider data on enhancements paid for evening and weekend working, and on an annual basis this cost element is increased by the percentage increase to the National Minimum Wage. The data submitted shows a variation between the pre-existing Council model. Travel time is then calculated based on it on average equating to 6 minutes of travel between calls. This calculation was based on an analysis of the geographical location of packages and was factored into the previous cost of care exercise the Council conducted, together with the expectation of Providers formulating their Staff rotas to limit travel time to ensure operational efficiency.
- 11.6. It is acknowledged that the Council will need to give further consideration to implementing enhanced rates for certain geographical areas to reflect additional travel and mileage costs together with the further factor that such areas may be difficult for Provider rota Staff to given that such areas may have a low number of packages within them and that Care Staff may not reside in those areas and therefore will need to travel into those areas.
- 11.7. However, linked to the above the Council will also need to use the data to review mileage costs in order to more accurately reflect the number of Staff who are Drivers and the number who are not.
- 11.8. The Council will also need to consider the issue of using median calculated values or alternative values such as averages.
- 11.9. As it stands if the data submitted, and outputs were to be used then there would be a significant budgetary impact and whilst the Council is committed to implementing a revised cost of care, the main factors which will impact on this implementation and the 'move' towards it, include, but are not limited to;
  - Affordability;
  - Further Central Government *Market Sustainability and Fair Cost of Care* funding;
  - Demand Management activities – including delivery of associated Intermediate Care and Care Home Strategies which will both impact on demand for services and the re-allocation of existing expenditure from some sectors into others to reflect these changes in demand and strategic objectives; and
  - New commissioning arrangements – including re-configuration of service delivery contracted localities and establishment of revised payment arrangements such as block-booking of services.

## **12. Conclusions**

- 12.1. The cost of care exercise conducted has been useful and Providers who responded are thanked for their submissions and the work they conducted to both complete the toolkits and address any queries/concerns raised with them relating to their initial submissions.
- 12.2. The Council is committed to using the outcomes of the exercise to inform future fee setting work and to move to a fee rate which reflects the outcomes and associated factors such as current and future commissioning activity.