

**Bath and North East Somerset (B&NES) Council**

**Cost Review of Domiciliary Care Services**

**By**

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**Report on 12<sup>th</sup> October 2022**

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## 1 Executive Summary

In May 2022, B&NES Council instructed Valuing Care Ltd to undertake a review of the cost of providing generic home care services for adults in B&NES. The objective of the review is to provide the Council with reliable information on what it usually costs to provide domiciliary services. The methodology specific to the review is set out within Appendix 5.

Valuing Care final survey dataset contained 9 provider samples who deliver 244,823 hours of home care per year amongst them. The company believe the survey should provide a reliable representation of the cost of delivering services in B&NES.

The following table presents the recommended FPoC rate for generic home care services in B&NES (at July 2022 prices), alongside the Valuing Care benchmark rate.

**Table 1 – FPoC rates compared to Benchmark**

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£11.41	£11.41	£0.00
Travel time	£1.60	£1.60	£0.00
<b>Sub Total - Direct Care + Travel Time (gross)</b>	<b>£13.01</b>	<b>£13.01</b>	<b>£0.00</b>
Cover for holidays (gross)	£1.64	£1.56	-£0.07
Cover for sickness, maternity/ paternity (gross)	£0.28	£0.18	-£0.10
Cover for staff training & supervision (gross)	£0.29	£0.51	£0.22
Employers National Insurance	£0.71	£0.53	-£0.18
Employers Pension Contribution	£0.24	£0.45	£0.20
Travel Expenses	£0.82	£0.82	£0.00
PPE	£0.23	£0.31	£0.08
<b>Sub Total - Care Worker Costs</b>	<b>£17.21</b>	<b>£17.36</b>	<b>£0.15</b>
Back Office Staff	£2.78	£5.77	£2.99
Recruitment & training	£0.34	£0.12	-£0.22
CQC Registration Fees	£0.10	£0.12	£0.02
Rent, rates & utilities	£0.32	£0.43	£0.11
IT equipment & telephones	£0.27	£0.39	£0.13
Consumables	£0.09	£0.12	£0.03
Insurance	£0.11	£0.09	-£0.01
Head office & support services	£0.67	£0.11	-£0.56
<b>Sub Total - Business Costs</b>	<b>£4.67</b>	<b>£7.15</b>	<b>£2.48</b>
<b>Total Operating Costs</b>	<b>£21.88</b>	<b>£24.52</b>	<b>£2.63</b>
Surplus / Profit Contribution	£1.09	£1.23	£0.13
<b>Total Rate Per Hour</b>	<b>£22.98</b>	<b>£25.74</b>	<b>£2.76</b>

Comparison of the FPoC rates against the benchmark shows a variance of £2.76/hr, which can be primarily attributed to business costs and profit contribution.

Expenditure on Back-office Staff (£2.99) appears high compared to previous surveys undertaken by Valuing Care although this is offset slightly by Head Office & Support Services (-£0.56).

This may be an area to explore further in the Council's uplift considerations. Further investigation or refreshing of this data may narrow the gap between the reported running the business costs and benchmark rates.

On the basis that each appointment in B&NES typically requires 6.5 minutes of paid travel time, Valuing Care have calculated FPoC rates for appointments of varying duration.

As B&NES provides additional cost weighting to shorter calls, the following table presents the FPoC rates for appointments of varying duration that more closely mirror the current operational approach and can be considered when setting fee rates.

**Table 2 – FPoC rates for varying appointment duration**

Cost Type	FPoC Rate	15 mins	30 mins	45 mins	60 mins	90 mins
Direct care	£11.41	£11.41	£11.41	£11.41	£11.41	£11.41
Travel time	£1.60	£4.95	£2.47	£1.65	£1.24	£0.82
<b>Sub Total - Direct Care + Travel Time (gross)</b>	<b>£13.01</b>	<b>£16.36</b>	<b>£13.88</b>	<b>£13.06</b>	<b>£12.65</b>	<b>£12.24</b>
Cover for holidays (gross)	£1.56	£1.97	£1.67	£1.57	£1.52	£1.47
Cover for sickness, maternity/ paternity (gross)	£0.18	£0.22	£0.19	£0.18	£0.17	£0.17
Cover for staff training & supervision (gross)	£0.51	£0.65	£0.55	£0.52	£0.50	£0.48
Employers National Insurance	£0.53	£0.67	£0.57	£0.54	£0.52	£0.50
Employers Pension Contribution	£0.45	£0.56	£0.48	£0.45	£0.43	£0.42
Travel Expenses	£0.82	£2.54	£1.27	£0.85	£0.63	£0.42
PPE	£0.31	£0.96	£0.48	£0.32	£0.24	£0.16
<b>Sub Total - Care Worker Costs</b>	<b>£17.36</b>	<b>£23.91</b>	<b>£19.08</b>	<b>£17.47</b>	<b>£16.66</b>	<b>£15.86</b>
Back Office Staff	£5.77	£5.77	£5.77	£5.77	£5.77	£5.77
Recruitment & training	£0.12	£0.12	£0.12	£0.12	£0.12	£0.12
CQC Registration Fees	£0.12	£0.12	£0.12	£0.12	£0.12	£0.12
Rent, rates & utilities	£0.43	£0.43	£0.43	£0.43	£0.43	£0.43
IT equipment & telephones	£0.39	£0.39	£0.39	£0.39	£0.39	£0.39
Consumables	£0.12	£0.12	£0.12	£0.12	£0.12	£0.12
Insurance	£0.09	£0.09	£0.09	£0.09	£0.09	£0.09
Head office & support services	£0.11	£0.11	£0.11	£0.11	£0.11	£0.11
<b>Sub Total - Business Costs</b>	<b>£7.15</b>	<b>£7.15</b>	<b>£7.15</b>	<b>£7.15</b>	<b>£7.15</b>	<b>£7.15</b>
<b>Total Operating Costs</b>	<b>£24.52</b>	<b>£31.07</b>	<b>£26.23</b>	<b>£24.62</b>	<b>£23.82</b>	<b>£23.01</b>
Surplus / Profit Contribution	£1.23	£1.55	£1.31	£1.23	£1.19	£1.15
<b>Total Rate Per Hour</b>	<b>£25.74</b>	<b>£32.62</b>	<b>£27.54</b>	<b>£25.85</b>	<b>£25.01</b>	<b>£24.16</b>
<b>Total Rate per Appointment</b>		<b>£8.15</b>	<b>£13.77</b>	<b>£19.39</b>	<b>£25.01</b>	<b>£36.24</b>

The survey results and their application provide the basis for the DHSC mandated Fair Cost of Care Review. However, the Council has discretion on the level and speed of progress towards the calculated rates.

Using the report as a key component when writing the Council's Market Sustainability Plan (MSP), the recommended next steps would be to consider the outcome of the review, with particular attention to the variations contained within.

## 2 Introduction

In September 2021, the Prime Minister confirmed the government would be providing funding to support local authorities move towards paying providers a fair rate of care. Further details of the funding available and the funding conditions were specified in the policy paper 'Market Sustainability and Fair Cost of Care Fund: Purpose and conditions 2022 to 2023,' which was published on the 16<sup>th</sup> December 2021 and further revised in June 2022.

The conditions to access funding include:

1. conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it
2. engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market (particularly the 65+ residential care market, but also additional pressures to domiciliary care)
3. strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions
4. use this additional funding to genuinely increase fee rates, as appropriate to local circumstances

To help meet these conditions, B&NES Council (the Council) instructed Valuing Care Ltd to undertake a review of the cost of providing generic home care services to adults in B&NES. *Further information about Valuing Care is included [in Appendix 1.](#)*

The objective of the review is to provide the Council with reliable information on what it usually costs to provide home care services, which may be used to inform future rates for services; also to assist the Council to develop a range of actions with the aim of ensuring a sustainable market, able to deliver the required quality and capacity of services to meet the needs of the local population.

The review required Valuing Care to engage local home care providers to participate in a survey reporting the cost of delivering their services. *Further information about the engagement of providers is included in [Appendix 2.](#)*

Valuing Care have methodically analysed the response to the survey to produce the local survey results, which seek to identify the range and usual cost of delivering home care in

B&NES. *Further information about Valuing Care's approach to survey analysis is included in [Appendix 3](#).*

To corroborate the local survey results, Valuing Care have used their cost model and national intelligence of home care operating costs to construct a benchmark rate for home care services in B&NES. Where there is a close level of similarity between the data sets, this should provide commissioners with additional confidence in the usual cost of operating services locally.

### 3 Survey Summary

In partnership with the Council, Valuing Care conducted a survey that included all CQC registered domiciliary providers with an office in B&NES. The key data aspects from the survey can be summarised as follows:

- Of the 13 templates received 12 were completed and considered for the survey.
- A total of 12 completed templates were further reviewed, 9 met the quality standard required and have been consolidated within a sample group that have been used to identify the survey results
- The median total contact hours of 437 hours per week is delivered in a mix of appointments of varying duration, with 30 minutes by far the most common
- The median appointment duration of 40.9 minutes reflects this common 30-minute duration with a narrow variation across the sample group (IQR=1.6 minutes)
- Providers reported a median travel distance of 1.8 miles, travel expenses of £0.45 per mile and travel time of 6.5 minutes per visit.
- The median cost of direct care £11.46 per hour before adjustment for travel time non survey completion, ranges between £10.50 and £11.90 across the middle fifty. The relatively narrow spread of costs (IQR=£1.40) provides confidence in the usual cost of direct care
- The median cost of travel time at £1.60 per contact hour, equates to approximately 9.7 minutes of the median cost of direct care
- Based on the median costs reported in the survey Valuing Care have calculated a FPoC rate of £25.74 per contact hour, including a £1.23 per hour profit mark-up.
- On the basis that each appointment in B&NES typically requires 6.5 minutes of paid travel time, VC have calculated FPoC rates for varying appointment duration – this varies between £24.16 per contact hour for 90 minutes appointments and £32.62 per contact hour for 15 minutes appointments

## 4 Response to survey

The following table summarises the final response to the survey. In total 34 HCA's were invited to participate. The original number of invitations has been revised downwards to exclude 6 HCAs who are not currently delivering generic home care in B&NES.

The following table sets out the response rate and the effect on the sample survey group:

**Table 4 – Response to the Survey –**

<i>Response to the Survey</i>	<b>No. of HCA</b>
Invited to participate	34
Invitation withdrawn - out of area / wrong service type	6
<b>Revised number invited to participate</b>	<b>28</b>
Completed templates received	13
Percentage templates received	46%
Templates not used - incomplete / inconsistent data	1
Templates not used - outside of reasonable range +/- 1.25 multiplied by median	3
<b>Total Templates Included in the Sample</b>	<b>9</b>

The table shows that of the 13 completed responses, representing 46% of the revised number invited to participate, 9 completed were suitable for inclusion within the survey results,

In addition a further 9 providers committed to sending templates but did not submit within the timescales, despite a small extension. Unfortunately, with DHSC mandated deadlines there was no opportunity to extend the deadlines further.

Of the providers who did not submit a template, 6 refused to submit for a variety of reasons including resource issues and data confidentiality

The 9 completed templates that are of good quality have been consolidated within a single sample group which has been analysed to identify the local survey results. However on 2 of the surveys the running the business costs have been excluded as they were considered outside of an acceptable range.

VC normally recommend the collection of a minimum of 10 templates to generate a statistically reliable result. In this instance only 9 were within a reasonable range but given the consistency within the returns and the higher than average response rate, Valuing Care concluded that the completed templates received should provide a reliable representation of the cost of delivering services in B&NES.



## 5 Survey Results – Appointment Duration and Travel Time

The survey template required HCAs to provide a breakdown of their visits per week by appointment duration, and to state the average travel time per visit. The template used this information to calculate the total contact and travel hours per week.

Travel time is a potentially significant and variable cost to HCAs, who are legally required to pay staff for time spent travelling between appointments. [The law is clear that time spent travelling between service user appointments counts as working time, as upheld by the Employment Appeals Tribunal (EAT) in the case of Whittlestone v BJP Home Support Limited].

In September 2020, an employment tribunal found that companies contracted by Haringey Council had breached wage rules after some carers were paid less than £4 per hour. The judgment said that travelling and waiting time of up to 60 minutes between appointments should be treated as working time.

The amount of travel and waiting time is likely to be affected by several factors which include: the concentration of service users within an area, the share of business between HCAs, and the duration of appointments with service users.

### 5.1 Survey Results – Contact Hours and Appointment duration

The following table presents a percentile analysis of the mix of appointment durations and total contact hours reported by all HCAs who completed survey templates.

**Table 6 – Percentile Analysis – Contact Hours & Appointments**

<i>Contact Hours &amp; Appointments</i>	<b>Count</b>	<b>1st Quartile</b>	<b>Median</b>	<b>3rd Quartile</b>	<b>IQR</b>
<b>Contact Hours / week</b>	<b>9</b>	<b>256</b>	<b>437</b>	<b>666</b>	<b>410</b>
Appointments - 15 mins duration	3	16	26	43	27
Appointments - 30 mins duration	9	130	247	400	270
Appointments - 45 mins duration	9	55	121	175	120
Appointments - 60 mins duration	8	66	109	164	98
Appointments - 75 mins duration	1	52	52	52	0
Appointments - 90 mins duration	6	4	10	14	11
Appointments - 120 mins duration	4	7	11	15	8
Appointments - 180+ mins duration	4	1	1	11	10
<b>Total Appointments</b>	<b>9</b>	<b>376</b>	<b>450</b>	<b>670</b>	<b>294</b>
<b>Appointment duration (mins)</b>	<b>9</b>	<b>39.6</b>	<b>40.9</b>	<b>41.1</b>	<b>1.6</b>

The table shows median total contact hours of 437 hours per week. This is delivered in a mix of appointments of varying duration, with 30 minutes by far the most common duration.

The mix of appointment durations is significant as it has a direct bearing on the average travel time and the average unit cost reported by each HCA. Appointments of longer duration require less travel time per contact hour and consequently reduce average unit costs.

Based on the mix of appointment durations reported by each HCA, Valuing Care calculated the average appointment duration for each HCA. Across the sample group, the median appointment duration is 40.9, with a narrow range compared to other authorities between the inter quartile range (IQR=1.6 minutes).

## 5.2 Survey Results – Travel Time & Expenses

The following table provides a percentile analysis of the travel time and expenses reported by participating HCA.

**Table 7 – Percentile Analysis – Travel Time & Expenses**

<i>Travel</i>	Count	1st Quartile	Median	3rd Quartile	IQR
Travel Distance (Miles)	8	1.0	1.8	2.5	1.5
Mileage/travel expenses (per mile)	9	£0.33	£0.45	£0.45	£0.12
Travel time per visit (minutes)	8	3.9	6.5	10.5	6.6
<b>Travel time per contact hour (minutes)</b>	<b>8</b>	<b>5.9</b>	<b>9.7</b>	<b>15.3</b>	<b>9.5</b>

The table shows a median travel distance of 1.8 miles, travel expenses of £0.45 per mile and travel time of 6.5 minutes per visit.

Based on the average appointment duration calculated for each HCA and the reported travel time per visit, Valuing Care have calculated the average travel time per contact hour for each HCA.

The table shows a median travel time per contact hour of 9.7 minutes, varying significantly across the middle-fifty (IQR=9.5 minutes). Understanding the relationship between travel time and appointment duration is important when determining a fair price for home care services. This is considered further in Section 8 of this report.

B&NES Council should be aware that including zero returns into the sample may affect the travel time calculations to some degree, particularly for the lower quartile and this should be considered when using this data for any other purposes.

## 6 Survey Results – Median Costs

The survey template requested HCAs to provide a summary of home care appointments and the cost of delivering their services at July 2022 prices. The survey template used this information to calculate an average unit cost per hour for each HCA.

The following table presents a percentile analysis of the unit cost breakdowns.

The totals within the table for total operating costs, and total rate per hour are the totals reported by individual HCA and are not the sums of the columns.

**Table 8 – Percentile Analysis – Standard Daytime Services**

<b>Cost Type</b>	<b>Count</b>	<b>1st Quartile</b>	<b>Median</b>	<b>3rd Quartile</b>	<b>IQR</b>
Direct Care	9	£10.50	£11.46	£11.90	£1.40
Travel Time	8	£0.63	£1.60	£3.05	£2.41
<b>Sub Total - Direct care + travel time</b>	<b>9</b>	<b>£11.46</b>	<b>£13.01</b>	<b>£14.06</b>	<b>£2.60</b>
Mileage	9	£0.51	£0.82	£1.57	£1.06
PPE	9	£0.10	£0.31	£0.71	£0.62
Training (staff time)	9	£0.28	£0.51	£0.64	£0.36
Holiday	9	£1.45	£1.56	£1.78	£0.33
Additional Non-Contact Pay Costs	9	£0.00	£0.00	£0.01	£0.01
Sickness/Maternity & Paternity Pay	9	£0.06	£0.18	£0.26	£0.20
Notice/Suspension Pay	9	£0.00	£0.00	£0.00	£0.00
NI (direct care hours)	9	£0.39	£0.53	£0.69	£0.30
Pension (direct care hours)	9	£0.39	£0.45	£0.49	£0.10
<b>Sub Total - Careworker costs</b>	<b>9</b>	<b>£15.48</b>	<b>£17.61</b>	<b>£20.83</b>	<b>£5.35</b>
Back Office Staff	7	£4.62	£5.77	£6.05	£1.43
Travel Costs (parking/vehicle lease etc.)	7	£0.01	£0.03	£0.08	£0.06
Rent, rates & utilities	7	£0.37	£0.43	£0.52	£0.14
Recruitment / DBS	7	£0.06	£0.09	£0.15	£0.09
Training (3rd party)	7	£0.01	£0.02	£0.03	£0.03
IT (Hardware, Software CRM, ECM)	7	£0.18	£0.28	£0.37	£0.20
Telephony	7	£0.06	£0.11	£0.33	£0.27
Stationery / Postage	7	£0.03	£0.06	£0.11	£0.08
Insurance	7	£0.04	£0.09	£0.13	£0.09
Legal / Finance / Professional Fees	7	£0.01	£0.05	£0.15	£0.15
Marketing	7	£0.01	£0.03	£0.05	£0.04
Audit & Compliance	7	£0.00	£0.03	£0.04	£0.04
Uniforms & Other Consumables	7	£0.03	£0.04	£0.05	£0.03
Assistive Technology	7	£0.00	£0.00	£0.00	£0.00
Central / Head Office Recharges	7	£0.00	£0.00	£1.23	£1.23
Other overheads	8	£0.00	£0.00	£0.02	£0.02
CQC Registration Fees	9	£0.10	£0.12	£0.12	£0.02
<b>Sub Total - Business costs</b>	<b>7</b>	<b>£7.52</b>	<b>£8.30</b>	<b>£10.19</b>	<b>£2.67</b>
<b>Total Operating Costs</b>	<b>7</b>	<b>£22.85</b>	<b>£24.48</b>	<b>£28.48</b>	<b>£5.63</b>
Surplus / Profit Contribution	9	£0.00	£1.14	£3.29	£3.29
<b>Total Rate Per Hour</b>	<b>7</b>	<b>£23.82</b>	<b>£24.48</b>	<b>£30.78</b>	<b>£6.96</b>

This table shows the median cost of direct care to be £11.46 per hour, ranging between £10.50 and £11.90 across the middle fifty. The relatively narrow spread of costs (IQR=£1.40) provides confidence in the usual cost of direct care.

Only 8 of the 9 HCAs reported the cost of travel time separately, as some HCAs include remuneration for travel time within their basic rate of pay. This means the median cost of direct care (£11.46) may be overstated to some extent and has therefore been adjusted in the FPoC rate to £11.41. This has been calculated by taking the median of the aggregated Direct Care and Travel Time rate together

The reported cost of back-office staff also varies significantly across the middle fifty (IQR=£1.43). This variability may reflect differences in organisational size and structure. For example, organisational size may impact on economies of scale, where fixed business costs are shared between a smaller number of contact hours.

With the original survey results Back-office Cost IQR spread being so wide it has created a much higher overall survey median hourly rate cost than the recommended FPoC rate. Rather than exclude specific providers from the overall sample a decision was made to exclude just the running the business costs from 2 providers within the sample.

## 7 Fair Price of Care Rate (FPoC)

Based on the local survey results Valuing Care have constructed a Fair Price of Care (FPoC) rate for generic home care service in B&NES.

To determine what constitutes a fair price VC have aggregated the median amounts identified in the local survey for each expenditure type reported by 50% or more of HCAs. Where the count of providers reporting a particular expenditure type is less than 50% of the sample group, this should not be considered a usual cost.

A cost structure based on the 50th percentile (or median amounts), could be used to describe a notional provider with average or usual costs across all expenditure types.

For a surplus/profit contribution VC have made a provisional allocation calculated as a 5% mark-up on total operating costs.

Unlike all other elements of a FPoC rate, surplus/profit is not expected to cover an associated cost, but to reward the HCA for delivering the care service. What constitutes a fair level of profit is therefore subjective and an area where Commissioners may choose to apply some discretion.

A reasonable case can be made for varying the amount of profit to reflect the quality of a home care service, although this requires a robust system of quality monitoring and evaluation to be in place.



The following table presents the FPoC rate alongside the count and median values reported in the local survey for each expenditure type. Please note that the totals for operating costs and the total rates are now shown as the sum of the columns.

**Table 9 – Fair Price of Care Rate**

<b>Cost Type</b>	<b>Count</b>	<b>Median</b>	<b>FPoC Rate</b>	<b>Variance</b>
Direct Care	9	£11.46	£11.41	-£0.05
Travel Time	8	£1.60	£1.60	£0.00
<b>Sub Total - Direct care + travel time</b>	<b>Calc</b>	<b>£13.05</b>	<b>£13.01</b>	<b>-£0.05</b>
Mileage	9	£0.82	£0.82	£0.00
PPE	9	£0.31	£0.31	£0.00
Training (staff time)	9	£0.51	£0.51	£0.00
Holiday	9	£1.56	£1.56	£0.00
Additional Non-Contact Pay Costs	9	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity Pay	9	£0.18	£0.18	£0.00
Notice/Suspension Pay	9	£0.00	£0.00	£0.00
NI (direct care hours)	9	£0.53	£0.53	£0.00
Pension (direct care hours)	9	£0.45	£0.45	£0.00
<b>Sub Total - Careworker costs</b>	<b>Calc</b>	<b>£17.41</b>	<b>£17.36</b>	<b>-£0.05</b>
Back Office Staff	7	£5.77	£5.77	£0.00
Travel Costs (parking/vehicle lease etc.)	7	£0.03	£0.03	£0.00
Rent, rates & utilities	7	£0.43	£0.43	£0.00
Recruitment / DBS	7	£0.09	£0.09	£0.00
Training (3rd party)	7	£0.02	£0.02	£0.00
IT (Hardware, Software CRM, ECM)	7	£0.28	£0.28	£0.00
Telephony	7	£0.11	£0.11	£0.00
Stationery / Postage	7	£0.06	£0.06	£0.00
Insurance	7	£0.09	£0.09	£0.00
Legal / Finance / Professional Fees	7	£0.05	£0.05	£0.00
Marketing	7	£0.03	£0.03	£0.00
Audit & Compliance	7	£0.03	£0.03	£0.00
Uniforms & Other Consumables	7	£0.04	£0.04	£0.00
Assistive Technology	7	£0.00	£0.00	£0.00
Central / Head Office Recharges	7	£0.00	£0.00	£0.00
Other overheads	8	£0.00	£0.00	£0.00
CQC Registration Fees	9	£0.12	£0.12	£0.00
<b>Sub Total - Business costs</b>	<b>Calc</b>	<b>£7.15</b>	<b>£7.15</b>	<b>£0.00</b>
<b>Total Operating Costs</b>	<b>Calc</b>	<b>£24.56</b>	<b>£24.52</b>	<b>-£0.05</b>
Surplus / Profit Contribution	9	£1.14	£1.23	£0.08
<b>Total Rate Per Hour</b>	<b>Calc</b>	<b>£25.71</b>	<b>£25.74</b>	<b>£0.04</b>

The FPoC provision for operating costs totals £24.52 per hour, excluding provision for profit. This is consistent with the median total operating costs reported in the survey (£24.56).

Valuing Care's provision allocation for profit at 5% of total operating costs, is also broadly consistent with the median profit requirements reported in the survey. The FPoC rate allows for an additional £0.08 per hour based on the FPoC rate

The double reporting of travel time has occurred due to the excel toolkit asking for the home care staff hourly cost but does not specify that this should be net of travel time: a further section of the template asked for cost of travel time.

The following sections considers how provider costs may vary depending on appointment duration.



## 8 FPoC rates for varying appointment durations

On the basis that each appointment in B&NES typically requires 8 minutes of paid travel time, VC have calculated FPoC rates for appointments of varying duration making the following assumptions:

- Provision for travel time has been adjusted to reflect the travel time required to deliver 1 contact hour for each appointment duration
- Provision for mileage and PPE has been adjusted to reflect the number of appointments per contact hour for each appointment duration
- Provision for staff cover of training, sickness and notice/suspension pay has been adjusted to reflect total direct care plus travel time
- Provision for holidays has been adjusted to reflect total gross pay (excluding holiday pay)
- Provision for Employers National Insurance and pension costs have been adjusted to reflect total gross pay
- All other operating costs have been assumed to remain constant across all appointment durations

The following table shows the travel minutes required to deliver one contact hour of each duration of appointment.

**Table 10 – Travel minutes for varying appointment durations**

<b>Appointment Duration</b>	<b>All Durations</b>	<b>15 mins</b>	<b>30 mins</b>	<b>45 mins</b>	<b>60 mins</b>	<b>90 mins</b>
Average Travel Mins per Appointment	6.5	6.5	6.5	6.5	6.5	6.5
Appointments per Contact Hour	1.29	4.0	2.0	1.3	1.0	0.7
<b>Travel Minutes per Contact Hour</b>	<b>8.4</b>	<b>26.0</b>	<b>13.0</b>	<b>8.7</b>	<b>6.5</b>	<b>4.3</b>

The following table presents the FPoC rates for the most common appointment durations of 30, 45, 60 and 90 minutes.

**Table 11 – FPoC Rates for Varying Appointment Durations**

Cost Type	FPoC Rate	15 mins	30 mins	45 mins	60 mins	90 mins
Direct Care	£11.41	£11.41	£11.41	£11.41	£11.41	£11.41
Travel Time	£1.60	£4.95	£2.47	£1.65	£1.24	£0.82
<b>Sub Total - Direct care + travel time</b>	<b>£13.01</b>	<b>£16.36</b>	<b>£13.88</b>	<b>£13.06</b>	<b>£12.65</b>	<b>£12.24</b>
Mileage	£0.82	£2.54	£1.27	£0.85	£0.63	£0.42
PPE	£0.31	£0.96	£0.48	£0.32	£0.24	£0.16
Training (staff time)	£0.51	£0.65	£0.55	£0.52	£0.50	£0.48
Holiday	£1.56	£1.97	£1.67	£1.57	£1.52	£1.47
Additional Non-Contact Pay Costs	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity Pay	£0.18	£0.22	£0.19	£0.18	£0.17	£0.17
Notice/Suspension Pay	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
NI (direct care hours)	£0.53	£0.67	£0.57	£0.54	£0.52	£0.50
Pension (direct care hours)	£0.45	£0.56	£0.48	£0.45	£0.43	£0.42
<b>Sub Total - Careworker costs</b>	<b>£17.36</b>	<b>£23.91</b>	<b>£19.08</b>	<b>£17.47</b>	<b>£16.66</b>	<b>£15.86</b>
Back Office Staff	£5.77	£5.77	£5.77	£5.77	£5.77	£5.77
Travel Costs (parking/vehicle lease etc.)	£0.03	£0.03	£0.03	£0.03	£0.03	£0.03
Rent, rates & utilities	£0.43	£0.43	£0.43	£0.43	£0.43	£0.43
Recruitment / DBS	£0.09	£0.09	£0.09	£0.09	£0.09	£0.09
Training (3rd party)	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02
IT (Hardware, Software CRM, ECM)	£0.28	£0.28	£0.28	£0.28	£0.28	£0.28
Telephony	£0.11	£0.11	£0.11	£0.11	£0.11	£0.11
Stationery / Postage	£0.06	£0.06	£0.06	£0.06	£0.06	£0.06
Insurance	£0.09	£0.09	£0.09	£0.09	£0.09	£0.09
Legal / Finance / Professional Fees	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05
Marketing	£0.03	£0.03	£0.03	£0.03	£0.03	£0.03
Audit & Compliance	£0.03	£0.03	£0.03	£0.03	£0.03	£0.03
Uniforms & Other Consumables	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04
Assistive Technology	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Central / Head Office Recharges	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Other overheads	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
CQC Registration Fees	£0.12	£0.12	£0.12	£0.12	£0.12	£0.12
<b>Sub Total - Business costs</b>	<b>£7.15</b>	<b>£7.15</b>	<b>£7.15</b>	<b>£7.15</b>	<b>£7.15</b>	<b>£7.15</b>
<b>Total Operating Costs</b>	<b>£24.52</b>	<b>£31.07</b>	<b>£26.23</b>	<b>£24.62</b>	<b>£23.82</b>	<b>£23.01</b>
Surplus / Profit Contribution	£1.23	£1.55	£1.31	£1.23	£1.19	£1.15
<b>Total Rate Per Hour</b>	<b>£25.74</b>	<b>£32.62</b>	<b>£27.54</b>	<b>£25.85</b>	<b>£25.01</b>	<b>£24.16</b>
<b>Total Rate per Appointment</b>		<b>£8.15</b>	<b>£13.77</b>	<b>£19.39</b>	<b>£25.01</b>	<b>£36.24</b>

The table demonstrates how the FPoC rate varies between £24.16 per contact hour (for 90 minutes appointments) and £32.62 per contact hour (for 15 minutes appointments). By dividing total operating costs per contact hour (for each appointment duration) by the number of appointments possible within an hour, Valuing Care have calculated a cost per appointment (for each duration).

The table shows the total cost of delivering a 15-minute appointment as £8.15 per appointment, and a marginal increase of £5.62 for each additional 15 minutes of appointment time.

## 9 Constructing Benchmark Rates

To corroborate the local survey results, VC has used its cost model and national intelligence of service costs to construct a benchmark rate for generic home care services in B&NES (at April 2022 prices).

Valuing Care's database currently contains over 650 anonymised cost records for HCA's operating across the UK. VC have used the collective intelligence to construct a cost model that calculates benchmark rates.

To calculate a benchmark rate for a specific area, the model requires the input of an hourly rate of pay, travel time and staff travel expenses. It is important that these cost allocations reflect the type of care being provided, the employment market and geography within the locality the rate is being calculated for.

As the cost survey likely represents the most reliable source of information required to populate the model, VC has sought to independently validate the median rates of pay identified in the survey results, before assuming them to be a fair reflection of local HCA costs.

### 10 Validation of Survey Results – Job Advertisements

To validate the cost of employing home care staff locally, Valuing Care have reviewed recent job advertisements for home care workers in B&NES.

The search of advertisement revealed 14 HCAs who were recently recruiting in B&NES, the advertisements varied from £10.50 per hour to £17.50 per hour. The majority were within a tight range of between £10.60–£11.85 per hour, excluding senior carers.

The figures compare favourably to the median hourly rate produced from the survey (£11.41 for direct care and £13.01 for combined direct care and travel time)

With direct cost of care reported in the survey including the senior carer hours it should be expected that the median survey results would be comparable to the higher end of the advertisements for carers.

Therefore, the Council can take confidence that the cost of direct care reported in the survey has been substantiated by VC's review of job vacancies and their own survey but should be mindful of the market changing in the future if there continues to be an upward pressure on recruitment pay rates.

## 11 Benchmark Cost Model Assumptions

Accepting the direct cost of care reported in the survey to be corroborated by an independent review of job advertisements, VC have made the following assumptions for constructing benchmark rates for home care services in B&NES:

- **Provision for the direct cost of care, travel time and mileage** – reflecting the median costs identified in the B&NES survey results
- **Cover for holidays** – based on the statutory annual leave entitlement of 5.6 weeks or 28 days for a full-time member of staff
- **Cover for sickness and training** – based on the median percentage value reported in previous surveys
- **Employers National Insurance** – calculated as 15.05% of earnings above the secondary threshold (assuming median rates of pay and hours worked by care workers in B&NES)
- **Employers Pension** – calculated as 3% of qualifying earnings (assuming median rates of pay and hours worked by care workers in B&NES)
- **Back-office staff** – calculated as a percentage of care worker costs (excluding mileage) based on the median percentage identified in previous surveys
- **Other business costs** – based on the median costs/values within VC's database of service costs for generic home care (uplifted for inflation to April 2022 prices)
- **Surplus / Profit contribution** – calculated as a 5% mark up on total operating costs

## 12 Benchmark Cost Allocations

The following table presents the benchmark cost allocations for generic home care services in B&NES at April 2022 prices. For comparison these are presented alongside the FPoC rate based on the total survey results.

**Table 12 – Benchmark rates for generic home care in B&NES**

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£11.41	£11.41	£0.00
Travel time	£1.60	£1.60	£0.00
<b>Sub Total - Direct Care + Travel Time (gross)</b>	<b>£13.01</b>	<b>£13.01</b>	<b>£0.00</b>
Cover for holidays (gross)	£1.64	£1.56	-£0.07
Cover for sickness, maternity/ paternity (gross)	£0.28	£0.18	-£0.10
Cover for staff training & supervision (gross)	£0.29	£0.51	£0.22
Employers National Insurance	£0.71	£0.53	-£0.18
Employers Pension Contribution	£0.24	£0.45	£0.20
Travel Expenses	£0.82	£0.82	£0.00
PPE	£0.23	£0.31	£0.08
<b>Sub Total - Care Worker Costs</b>	<b>£17.21</b>	<b>£17.36</b>	<b>£0.15</b>
Back Office Staff	£2.78	£5.77	£2.99
Recruitment & training	£0.34	£0.12	-£0.22
CQC Registration Fees	£0.10	£0.12	£0.02
Rent, rates & utilities	£0.32	£0.43	£0.11
IT equipment & telephones	£0.27	£0.39	£0.13
Consumables	£0.09	£0.12	£0.03
Insurance	£0.11	£0.09	-£0.01
Head office & support services	£0.67	£0.11	-£0.56
<b>Sub Total - Business Costs</b>	<b>£4.67</b>	<b>£7.15</b>	<b>£2.48</b>
<b>Total Operating Costs</b>	<b>£21.88</b>	<b>£24.52</b>	<b>£2.63</b>
Surplus / Profit Contribution	£1.09	£1.23	£0.13
<b>Total Rate Per Hour</b>	<b>£22.98</b>	<b>£25.74</b>	<b>£2.76</b>

The table shows Valuing Care's benchmark rate as £22.98/hr, which comprises care worker costs (£17.21), business costs (£4.67), and profit contribution (£1.09).

Comparison of the FPoC rates against the benchmark shows a variance of £2.76p/hr, which can be primarily attributed to business costs. Expenditure on Back-office Staff (£2.99) appear high, which is partially negated by the Head office and support services (-£0.56) which appears low compared to previous surveys undertaken by Valuing Care. To some extent this maybe be due to the providers who participated in the B&NES cost survey, who may not have Head Office support in the same way as other HCA providers in other parts of the country.

As may be expected the FPoC allocations for care worker costs bear a close similarity to the benchmark rates, which assume the median direct cost of direct care, travel time and travel expenses reported in the local survey.

The statutory requirements on employers to pay a minimum of 28 days holiday, national insurance and pension contributions also result in low variation between the data sets.

## 13 Appendices

### 13.1 Appendix 1 – About Valuing Care

Valuing Care Ltd is a company which specialises in reviewing the cost of health and social care services.

Since its inception in 2006, Valuing Care have advised and assisted 116 Councils and 70 NHS groups in reviewing the cost of local care home services, making recommendations as to what represents a fair price for services. This experience has allowed the company to develop and refine its processes for surveying providers and identifying the usual costs of care.

Valuing Care have used the collective intelligence from previous surveys to construct a range of cost models that calculate benchmark rates for services. This review specifically uses Valuing Care's cost model for generic home care services which has been adjusted to reflect local rates of pay.

Valuing Care prides itself on its independence in the market and its objective approach to identifying usual costs.

### 13.2 Appendix 2 – Engagement

To maximise participation in the survey and to demonstrate a fair and equitable approach, all home care agencies with a registered office in B&NES (34 HCA) were included in the survey.

VC wrote to all 34 HCA on the 7<sup>th</sup> June inviting them to participate in the survey by completing an 'Excel-based tool,' which had been made available by the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS).

HCA were requested to complete the 'standard cost worksheet' with an estimate of current activity and the costs of delivering standard home care services for 18+ service users (at July 2022 prices). Guidance instructions were provided along with contact details for key members of staff involved in the project.

The initial deadline for submission was set for 26<sup>th</sup> June, although the letter stated that requests for extensions would be considered.

Each HCA was subsequently telephoned to ensure receipt of the information and to provide an opportunity to ask any questions and a reminder email or telephone call was actioned each week thereafter.

Week beginning 18<sup>th</sup> July all providers yet to submit were emailed by the council to request participation issuing a final deadline of 31<sup>st</sup> July

To facilitate the completion and return of as many templates as possible, all templates received up to Monday 22<sup>nd</sup> August, have been included within the survey results.



### 13.3 Appendix 3 – Survey Analysis

Valuing Care have consolidated the information reported by each HCA and have calculated statistical percentiles to identify the range of costs and values reported by each HCA for each expenditure type.

The percentile analysis includes:

- The count of records within each sample
- The 25th percentile or 1st quartile amount
- The 50th percentile or median average
- The 75th percentile or 3rd quartile amount
- The interquartile range

The count of HCAs reporting on each operating measure/expenditure type is important, as the more records included in each sample, the greater confidence can be taken from the result.

To calculate the usual cost of providing services, VC have aggregated the median amount reported by service providers for each expenditure type. VC take the median average in preference to the mean average, as the mean can potentially be distorted by outliers arising from providers reporting particularly high or low costs.

Valuing Care also refer to the interquartile range (IQR) as a measure of variability, being equal to the difference between the upper and lower quartiles [IQR=Q3–Q1]. The inter-quartile range or ‘middle fifty’ provides a clearer picture of the overall dataset by removing/ignoring the outlying values.

When determining a fair price that meets required service standards, it is important that cost allocations are fair to allow for the long-term sustainability of the services and to allow for a reasonable return for the care provider. However, this requirement must be balanced with an expectation that costs are not disproportionately high for delivery of the required service and represent a cost-effective purchase for the commissioner of the service.

### 13.4 Appendix 4 – Managing the Annual Fee Adjustment

To ensure the FPoC rates continue to reflect the actual costs of providing home care services, we put forward a suggestion they are uplifted on an annual basis, by a predictive measure of inflation in year 1 (to 2022/23 prices), and then by actual inflation in subsequent years.

An estimate of future inflation is necessary in year 1 as actual inflation to mid-year 22/23 prices is not yet known. The estimate of future inflation should be updated annually to reflect anticipated cost pressures, with separate adjustment to reflect actual inflation over the previous year.

The following table summarises Valuing Care’s suggested adjustment for inflation over the next three years.

**Table 3 – Valuing Care’s suggested adjustment for inflation**

Year	Basis of Fee	Price Adjustment
Year 1 (2022/23)	FPoC rate (at July 2022 prices)	+ Estimate of future inflation to Sept 2022
Year 2 (2023/24)	FPoC rate (at 22/23 prices)	+ Adjusted to reflect actual inflation to September 2022 + Estimate of future inflation to Sept 2023
Year 3 (2024/25)	FPoC rate (at 23/24 prices)	+ Adjusted to reflect actual inflation to September 2023 + Estimate of future inflation to Sept 2024

VC recommend the following indices as the basis for adjusting the benchmark rates to reflect actual inflation:

- Care staff costs are inflated in line with the National Living Wage (NLW). The NLW is the minimum amount an employer must pay its staff per hour, if they are aged 25 or over
- Back-office staff costs are inflated in line with the Average Weekly Earnings (AWE) series for health and social work (K5BC). The AWE is the Office for National Statistics (ONS) headline measure of short-term earnings growth
- Non staff costs are adjusted in line with the relevant expenditure type of the Consumer Price Index. The CPI is a measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a basket of retail goods and services, excluding mortgage interest



- Provision for return on operations is maintained at 5% mark up on total operating costs

VC recognise there are other equally valid indices (or combinations of) which may be used to inflate home care fees but suggest that it is the adoption of clear methodology applied consistently on a year to year basis that is of primary importance to gain provider trust and confidence.

Based on the local survey results Valuing Care have constructed a Fair Price of Care (FPoC) rate for home care services in B&NES.

### 13.5 Appendix 5 – Calculation Methodology

To identify the usual cost of delivering services locally, Valuing Care have undertaken a survey of local Home Care Agencies (HCAs), using the ‘Excel-based Tool’ made available by the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS).

In response to the survey, VC received a total of 13 completed templates, one of which was incomplete. Of the 12 fully completed, 3 were rejected for being outside of a reasonable range. Valuing Care’s policy is to reject submissions that are greater than or less than 1.25 multiplied/divided by the median total hourly rate reported. This left 9 which have been consolidated into a sample group and used to identify the survey results.

Within those 9 surveys 2 had running the business costs outside of a reasonable range however, their staffing costs and travel time have been included to help increase the sample group and maintain consistency in the survey results.

The 9 that were included in the final sample group delivered 244,823 hours of home care per year amongst them.

The FPoC rate reflects the aggregated median amounts identified in the local survey for each expenditure type reported by 50% or more of HCAs. A cost structure based on the 50th percentile (or median amounts), could be used to describe a notional provider with average or usual costs across all expenditure types.

In addition, Valuing Care have included ‘0s’ as reported by providers in their data output returns as part of the median survey calculations. Although Valuing Care has made every effort to reduce the number of ‘0s’ from returns of this nature.

For a surplus/profit contribution VC have made a provisional allocation of a 5% mark-up on total operating costs. The survey results indicated a median profit level of 4.65% which is broadly in line with the allocation. Councils can vary the amount of profit to reflect the quality of a home care service, although this would require a robust system of quality monitoring and evaluation to be in place.

To validate the cost of employing home care staff locally, Valuing Care have reviewed recent job advertisements for home care workers in B&NES.

Accepting the direct cost of care reported in the survey to be corroborated by an independent review of job advertisements, Valuing Care have used their cost model and database of service costs, to calculate a benchmark rate for home care services in B&NES. The benchmark rate assumes the cost of direct care, travel time, and travel expenses reported in the local survey.