

# Cost of Care Report for Home Care (18+)

(Domiciliary care for people aged 18 and over)

**Market Sustainability and Fair Cost of Care Fund 2022 to 2023**

**Report created: 16<sup>th</sup> Sept 2022**

## Executive Summary

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In May 2022, Southend-on-Sea City Council ('the Council', 'SCC') instructed Valuing Care Ltd (VC) to undertake a review of the cost of providing generic home care services for adults in Southend. The objective of the review is to provide the Council with reliable information on what it usually costs to provide home care services, which can be used to inform a sustainable fee structure.

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) codeveloped with ARCC-HR Ltd. Full details of this cost tool utilised for the survey and a downloadable copy can be found at: <https://www.costofcaretoolkit.co.uk/>

The Council did not ask further information of providers, nor use any other data collection template.

In response to the survey, VC received a total of 19 completed templates out of 49 requested which represented 39% of the total, one of which were incomplete. Of the 18 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 15 which have been consolidated into a sample group and used to identify the survey results

The 15 that were included in the final sample group delivered 652,334 hours of home care per year amongst them which compared favourably to the total hours commissioned annually by Southend City Council of approximately 540,000 annual hours. The reason for the larger total hours from the survey is because the providers who responded also supplied care to self-funders, the NHS and other neighbouring local authorities.

Valuing Care believe the number of completed templates received should provide a reliable representation of the cost of delivering services in Southend.

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

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 based on the survey result which at 5% is the same as the 5% mark-up on total operating costs from VC's model.

To validate the cost of employing home care staff locally, Valuing Care have reviewed recent job advertisements for home care workers across the city.

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 Southend. The benchmark rate assumes the cost of direct care, travel time, and travel expenses reported in the local survey.

The following table presents the recommended FPoC rate for generic home care services in Southend (at 2022/23 prices), alongside the Valuing Care benchmark rate.

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

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£10.08	£10.08	£0.00
Travel time	£1.42	£1.42	£0.00
<b>Sub Total - Direct Care + Travel Time (gross)</b>	<b>£11.50</b>	<b>£11.50</b>	<b>£0.00</b>
Cover for holidays (gross)	£1.45	£1.46	£0.01
Cover for sickness, maternity/ paternity (gross)	£0.25	£0.21	-£0.04
Cover for staff training & supervision (gross)	£0.25	£0.16	-£0.10
Employers National Insurance	£0.74	£0.78	£0.04
Employers Pension Contribution	£0.23	£0.39	£0.16
Travel Expenses	£0.79	£0.79	£0.00
PPE	£0.22	£0.31	£0.10
<b>Sub Total - Care Worker Costs</b>	<b>£15.42</b>	<b>£15.60</b>	<b>£0.18</b>
Back Office Staff	£2.48	£4.66	£2.18
Recruitment & training	£0.34	£0.14	-£0.19
CQC Registration Fees	£0.10	£0.09	-£0.01
Rent, rates & utilities	£0.32	£0.49	£0.17
IT equipment & telephones	£0.27	£0.20	-£0.07
Consumables	£0.10	£0.15	£0.05
Insurance	£0.11	£0.14	£0.03
Head office & support services	£0.67	£0.18	-£0.50
<b>Sub Total - Business Costs</b>	<b>£4.39</b>	<b>£6.05</b>	<b>£1.67</b>
<b>Total Operating Costs</b>	<b>£19.80</b>	<b>£21.65</b>	<b>£1.85</b>
Surplus / Profit Contribution	£0.99	£1.08	£0.09
<b>Total Rate Per Hour</b>	<b>£20.79</b>	<b>£22.73</b>	<b>£1.94</b>

The table shows a total FPoC rate of £22.73 per hour, which comprises care worker costs of £15.60, business costs of £6.05, and profit contribution of £1.08.

The FPoC rate includes provision for travel time of £1.42 per contact hour, which equates to approximately 8.4 minutes of the cost of direct care (1 hour).

Comparison of the FPoC rates against the benchmark shows a favourable variance of £1.94/hr, which can be primarily attributed to business costs and profit contribution. Expenditure on Back-office Staff (£2.18) appears high compared to previous surveys undertaken by Valuing Care although this is offset slightly by Head Office & Support Services (-£0.50). This may be an area that the Council could consider as it moves towards purchasing care at the recommended FPoC rates. 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 Southend typically requires 8.4 minutes of paid travel time, VC have calculated FPoC rates for appointments of varying duration. The following table presents the FPoC rates for appointments of varying duration.

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

Cost Type	FPoC Rate	15 mins	30 mins	45 mins	60 mins	90 mins
Direct Care	£10.08	£10.08	£10.08	£10.08	£10.08	£10.08
Travel Time	£1.42	£3.36	£1.68	£1.12	£0.84	£0.56
<b>Sub Total - Direct care + travel time</b>	<b>£11.50</b>	<b>£13.44</b>	<b>£11.76</b>	<b>£11.20</b>	<b>£10.92</b>	<b>£10.64</b>
Mileage	£0.79	£1.87	£0.94	£0.62	£0.47	£0.31
PPE	£0.31	£0.74	£0.37	£0.25	£0.19	£0.12
Training (staff time)	£0.16	£0.18	£0.16	£0.15	£0.15	£0.15
Holiday	£1.46	£1.70	£1.49	£1.42	£1.38	£1.35
Additional Non-Contact Pay Costs	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity Pay	£0.21	£0.25	£0.22	£0.21	£0.20	£0.20
Notice/Suspension Pay	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
NI (direct care hours)	£0.78	£0.91	£0.80	£0.76	£0.74	£0.72
Pension (direct care hours)	£0.39	£0.45	£0.40	£0.38	£0.37	£0.36
<b>Sub Total - Careworker costs</b>	<b>£15.60</b>	<b>£19.55</b>	<b>£16.13</b>	<b>£14.99</b>	<b>£14.42</b>	<b>£13.85</b>
Back Office Staff	£4.66	£4.66	£4.66	£4.66	£4.66	£4.66
Travel Costs (parking/vehicle lease etc.)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Rent, rates & utilities	£0.49	£0.49	£0.49	£0.49	£0.49	£0.49
Recruitment / DBS	£0.07	£0.07	£0.07	£0.07	£0.07	£0.07
Training (3rd party)	£0.07	£0.07	£0.07	£0.07	£0.07	£0.07
IT (Hardware, Software CRM, ECM)	£0.11	£0.11	£0.11	£0.11	£0.11	£0.11
Telephony	£0.08	£0.08	£0.08	£0.08	£0.08	£0.08
Stationery / Postage	£0.08	£0.08	£0.08	£0.08	£0.08	£0.08
Insurance	£0.14	£0.14	£0.14	£0.14	£0.14	£0.14
Legal / Finance / Professional Fees	£0.11	£0.11	£0.11	£0.11	£0.11	£0.11
Marketing	£0.03	£0.03	£0.03	£0.03	£0.03	£0.03
Audit & Compliance	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04
Uniforms & Other Consumables	£0.07	£0.07	£0.07	£0.07	£0.07	£0.07
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	£0.09	£0.09	£0.09	£0.09	£0.09	£0.09
<b>Sub Total - Business costs</b>	<b>£6.05</b>	<b>£6.05</b>	<b>£6.05</b>	<b>£6.05</b>	<b>£6.05</b>	<b>£6.05</b>
<b>Total Operating Costs</b>	<b>£21.65</b>	<b>£25.61</b>	<b>£22.18</b>	<b>£21.04</b>	<b>£20.47</b>	<b>£19.90</b>
Surplus / Profit Contribution	£1.08	£1.28	£1.11	£1.05	£1.02	£0.99
<b>Total Rate Per Hour</b>	<b>£22.73</b>	<b>£26.89</b>	<b>£23.29</b>	<b>£22.09</b>	<b>£21.49</b>	<b>£20.89</b>
<b>Total Rate per Appointment</b>		<b>£6.72</b>	<b>£11.65</b>	<b>£16.57</b>	<b>£21.49</b>	<b>£31.34</b>

The table demonstrates how the FPoC rate varies between £31.34 per contact hour (for 90 minutes appointments) and £6.72 per contact hour (for 15 minutes appointments).

The increased costs per hour can be attributed to a combination of increased travel time per hour (and associated oncosts), travel expenses and consumables (which includes provision for Personal Protective Equipment (PPE)).

This exercise has provided a better understanding of costs experienced by some Home Care providers in Southend-on-Sea, though the Council will require further data and evidence to complete a full review of costs. The evidence base, when compared with benchmark data, suggests that the rates constructed are based on costs similar to costs experienced by providers in other areas of the country, which suggest this information will be useful for future reviews of fee rates.

The Council cannot take full confidence in the accuracy of the results of this exercise or the FPoC rates in this report as this an incomplete dataset from the home care market. In addition to this, whilst efforts were taken to ensure that care providers felt their reported figures were correct, more robust evidence is needed to confirm that the actual costs reported by providers are accurate. SCC will need to review this data and collect further evidence to build upon this dataset in future exercises.

### Managing the Annual Fee Adjustment

To ensure the fee rates continue to reflect the actual costs of providing home care services, uplifts can be applied on an annual basis, by actual inflation and by a predictive measure of inflation to reflect anticipated cost pressures.

The following table summarises the suggested approach for adjustment for inflation over the next three years.

**Table 3 - Adjustments for inflation**

Year	Basis of Fee	Price Adjustment
Year 1 (2022/23)	Fee rate (at April 2022 prices)	
Year 2 (2023/24)	Fee rate (at 22/23 prices)	+ Adjusted to reflect actual inflation to date of price review e.g. December 2022 + Estimate of future inflation to Sept 2023
Year 3 (2024/25)	Fee rate (at 23/24 prices)	+ Adjusted to reflect actual inflation date of price review e.g. December 2022 + Estimate of future inflation to Sept 2024

Valuing Care Ltd. recommended 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
- Return on operations is maintained at 5% mark up on total operating costs

## Introduction

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In September 2021, the Prime Minister confirmed the government would be providing some 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 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, Southend-on-Sea City Council (the Council) instructed Valuing Care Ltd to undertake a review of the cost of providing generic home care services to adults in Southend. *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 Southend. *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 Southend. 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.

## Survey Summary

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

- Of the 19 templates received 18 were completed and considered for the survey.
- A total of 18 completed templates were further reviewed, 15 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 609 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 33 minutes reflects this common 30-minute duration with a narrow variation across the sample group (IQR=3.6 minutes)
- Providers reported a median travel distance of 1.5 miles, travel expenses of £0.40 per mile and travel time of 5 minutes per visit.
- The median cost of direct care £10.55 per hour before adjustment for travel time non survey completion, ranges between £10.34 and £11.09 across the middle fifty. The relatively narrow spread of costs (IQR=£0.75) provides confidence in the usual cost of direct care
- The median cost of travel time at £1.42 per contact hour, equates to approximately 8.4 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 £22.73 per contact hour, including a £1.08 per hour profit mark-up which is similar to VC model rate of 5%
- On the basis that each appointment in Southend typically requires 5 minutes of paid travel time, VC have calculated FPoC rates for varying appointment duration – this varies between £20.89 per contact hour for 90 minutes appointments and £26.89 per contact hour for 15 minutes appointments

## Response to survey

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The following table summarises the final response to the survey. In total 60 HCA's were invited to participate. The original number of invitations has been revised downwards to exclude 11 HCA who are not currently delivering generic home care in Southend.

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

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

<b><i>Response to the Survey</i></b>	<b><i>No. of HCA</i></b>
Invited to participate	60
Invitation withdrawn – out of area / wrong service type	11
<b>Revised number invited to participate</b>	<b>49</b>
Complete templates received	19
Percentage of templates received	39%
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>15</b>

The table shows that of the 19 completed responses, representing 39% of the revised number invited to participate, 15 completed were suitable for inclusion within the survey results.

It is worth noting that reported costs in those found to be outside of a reasonable range point to significantly higher rates than local authorities have been paying, yet available supply from providers in the market at lower rates to SCC or other authorities draws into question how such providers remain operating if there is such disparity in rates paid versus cost, regardless of other potential sources of income. This may reflect higher costs due to different business practice or geographical factors, or this may represent a misunderstanding of the tool, however extensive support and guidance was on offer to mitigate this. Valuing Care's policy of excluding those outside of a reasonable range (+-1.25 multiplied by the median) has been utilised in other cost of care surveys and seems appropriate in this instance, particularly when also reviewing benchmark data, as inclusion may lead the council to doubt the extent to which the cost information is properly probative of real market pressures.

All 15 completed templates included are of good quality and have been consolidated with a single sample group which has been analysed to identify the local survey results. In addition a further 12 providers committed to sending templates but did not submit within the timescales, despite multiple extensions to the deadlines. Unfortunately, with DHSC mandated deadlines there was no opportunity to extend



the deadlines further. Of the providers who did not submit a template, 10 refused to submit for a variety of reasons and a further 7 did not engage with the process.

The 15 that were included in the final sample group delivered 652,334 hours of home care per year amongst them which compared favourably to the total hours commissioned annually by Southend City Council of approximately 540,000 annual hours. The reason for the larger total hours from the survey is because the providers who responded also supplied care to self-funders, the NHS and other neighbouring local authorities.

## 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.

## 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 HCA 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>15</b>	<b>251</b>	<b>609</b>	<b>932</b>	<b>681</b>
Appointments - 15 mins duration	8	25	86	214	190
Appointments - 30 mins duration	15	347	667	1,166	819
Appointments - 45 mins duration	15	95	178	294	200
Appointments - 60 mins duration	12	13	38	67	54
Appointments - 75 mins duration	3	4	7	11	7
Appointments - 90 mins duration	3	2	3	6	5
Appointments - 120 mins duration	4	2	6	10	8
Appointments - 180+ mins duration	4	13	40	63	50
<b>Total Appointments</b>	<b>15</b>	<b>448</b>	<b>960</b>	<b>1,609</b>	<b>1,161</b>
<b>Appointment duration (mins)</b>	<b>15</b>	<b>32.6</b>	<b>33.1</b>	<b>36.2</b>	<b>3.6</b>

The table shows median total contact hours of 609 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 33.1, with a narrow inter quartile range (IQR=3.6 minutes) compared to other authorities.

### 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)	15	1.0	1.5	2.0	1.0
Mileage/travel expenses (per mile)	15	£0.30	£0.40	£0.45	£0.15
Travel time per visit (minutes)	15	0.0	5.0	6.1	6.1
<b>Travel time per contact hour (minutes)</b>	<b>15</b>	<b>0.0</b>	<b>8.2</b>	<b>11.1</b>	<b>11.1</b>

The table shows a median travel distance of 1.5 miles, travel expenses of £0.40 per mile and travel time of 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 8.2 minutes, varying significantly across the middle-fifty (IQR=6.1 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 the section of this report titled “FPoC rates for varying appointment durations”.

## 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 2022/23 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.

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

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

<i>Cost Type</i>	<b>Count</b>	<b>1st Quartile</b>	<b>Median</b>	<b>3rd Quartile</b>	<b>IQR</b>
Direct Care	15	£10.34	£10.55	£11.09	£0.75
Travel Time	15	£0.00	£1.42	£2.07	£2.07
<b>Sub Total - Direct care + travel time</b>	<b>15</b>	<b>£11.33</b>	<b>£11.50</b>	<b>£13.01</b>	<b>£1.68</b>
Mileage	15	£0.20	£0.79	£1.39	£1.19
PPE	15	£0.09	£0.31	£0.65	£0.55
Training (staff time)	15	£0.00	£0.16	£0.47	£0.47
Holiday	15	£1.36	£1.46	£1.61	£0.25
Additional Non-Contact Pay Costs	15	£0.00	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity Pay	15	£0.05	£0.21	£0.32	£0.26
Notice/Suspension Pay	15	£0.00	£0.00	£0.00	£0.00
NI (direct care hours)	15	£0.36	£0.78	£1.35	£0.99
Pension (direct care hours)	15	£0.37	£0.39	£0.42	£0.06
<b>Sub Total - Careworker costs</b>	<b>15</b>	<b>£15.57</b>	<b>£16.22</b>	<b>£18.80</b>	<b>£3.23</b>
Back Office Staff	15	£3.08	£4.66	£6.89	£3.81
Travel Costs (parking/vehicle lease etc.)	15	£0.00	£0.00	£0.04	£0.04
Rent, rates & utilities	15	£0.42	£0.49	£0.73	£0.32
Recruitment / DBS	15	£0.04	£0.07	£0.13	£0.08
Training (3rd party)	15	£0.05	£0.07	£0.11	£0.06
IT (Hardware, Software CRM, ECM)	15	£0.06	£0.11	£0.27	£0.21
Telephony	15	£0.03	£0.08	£0.28	£0.25
Stationery / Postage	15	£0.03	£0.08	£0.13	£0.10
Insurance	15	£0.08	£0.14	£0.20	£0.12
Legal / Finance / Professional Fees	15	£0.02	£0.11	£0.20	£0.17
Marketing	15	£0.00	£0.03	£0.06	£0.06
Audit & Compliance	15	£0.01	£0.04	£0.15	£0.14
Uniforms & Other Consumables	15	£0.03	£0.07	£0.10	£0.07
Assistive Technology	15	£0.00	£0.00	£0.03	£0.03
Central / Head Office Recharges	15	£0.00	£0.00	£0.01	£0.01

Other overheads	15	£0.00	£0.00	£0.00	£0.00
CQC Registration Fees	15	£0.07	£0.09	£0.12	£0.05
<b>Sub Total - Business costs</b>	<b>15</b>	<b>£5.47</b>	<b>£6.79</b>	<b>£9.13</b>	<b>£3.66</b>
<b>Total Operating Costs</b>	<b>15</b>	<b>£22.94</b>	<b>£24.61</b>	<b>£25.58</b>	<b>£2.64</b>
Surplus / Profit Contribution	15	£0.26	£0.92	£1.77	£1.51
<b>Total Rate Per Hour</b>	<b>15</b>	<b>£24.27</b>	<b>£25.18</b>	<b>£26.72</b>	<b>£2.45</b>

**(Totals shown do not equal sum of columns)**

This table shows the median cost of direct care to be £10.55 per hour, ranging between £10.34 and £11.09 across the middle fifty. The relatively narrow spread of costs (IQR=£0.75) provides confidence in the usual cost of direct care.

Only 10 of the 15 HCA reported the cost of travel time separately, as some HCA include remuneration for travel time within their basic rate of pay. This means the median cost of direct care (£10.55) may be overstated to some extent and has therefore been adjusted in the FPoC rate to £10.08. 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=£3.81). 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 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 sample a decision was made to adjust the specific line within the calculations instead.

## Fair Price of Care Rate (FPoC)

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Based on the local survey results Valuing Care have constructed a Fair Price of Care (FPoC) rate for generic home care service in Southend. As this rate is based on survey medians from the sample group, SCC submitted these costs in its Annex A Section 3 submission to DHSC as part of its funding requirements.

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.

**Below is the supporting information also included in Annex A, Section 3:**

***Supporting information on important cost drivers used in the calculations:***

- *Number of location level survey responses received:* 19
- *Number of locations eligible to fill in the survey (excluding those found to be ineligible):* 49
- *Carer basic pay per hour:* £10.55\*
- *Minutes of travel per contact hour:* 8.4
- *Mileage payment per mile* £0.40
- *Total direct care hours per annum:* 652,334

\*This is the median value, however as mentioned in the previous section, only 10 of the 15 HCA in the sample reported the cost of travel time separately, as some HCA include remuneration for travel time within their basic rate of pay. This means the median cost of direct care (£10.55) may be overstated to some extent and has therefore been adjusted in the FPoC rate to £10.08. This has been calculated by taking the median of the aggregated Direct Care and Travel Time rate together.

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 (except for one value for the Direct care + travel time subtotal in the 'Median' column where the highlighted value of £11.50 is the median of providers responses as described above to illustrate the consideration for travel time within the final FPoC rate)

**Table 9 – Fair Price of Care Rate reported in Annex A compared to medians**

Cost Type	Count	Median	FPoC Rate – Annex A	Variance
Direct Care	15	£10.55	£10.08	-£0.47
Travel Time	15	£1.42	£1.42	£0.00
<b>Sub Total - Direct care + travel time</b>	<b>15</b>	<b>£11.50*</b>	<b>£11.50</b>	<b>£0.00</b>
Mileage	15	£0.79	£0.79	£0.00
PPE	15	£0.31	£0.31	£0.00
Training (staff time)	15	£0.16	£0.16	£0.00
Holiday	15	£1.46	£1.46	£0.00
Additional Non-Contact Pay Costs	15	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity Pay	15	£0.21	£0.21	£0.00
Notice/Suspension Pay	15	£0.00	£0.00	£0.00
NI (direct care hours)	15	£0.78	£0.78	£0.00
Pension (direct care hours)	15	£0.39	£0.39	£0.00
<b>Sub Total - Careworker costs</b>	<b>Calc</b>	<b>£15.60</b>	<b>£15.60</b>	<b>£0.00</b>
Back Office Staff	15	£4.66	£4.66	£0.00
Travel Costs (parking/vehicle lease etc.)	15	£0.00	£0.00	£0.00
Rent, rates & utilities	15	£0.49	£0.49	£0.00
Recruitment / DBS	15	£0.07	£0.07	£0.00
Training (3rd party)	15	£0.07	£0.07	£0.00
IT (Hardware, Software CRM, ECM)	15	£0.11	£0.11	£0.00
Telephony	15	£0.08	£0.08	£0.00
Stationery / Postage	15	£0.08	£0.08	£0.00
Insurance	15	£0.14	£0.14	£0.00
Legal / Finance / Professional Fees	15	£0.11	£0.11	£0.00
Marketing	15	£0.03	£0.03	£0.00
Audit & Compliance	15	£0.04	£0.04	£0.00
Uniforms & Other Consumables	15	£0.07	£0.07	£0.00
Assistive Technology	15	£0.00	£0.00	£0.00
Central / Head Office Recharges	15	£0.00	£0.00	£0.00
Other overheads	3	£0.21	£0.00	-£0.21
CQC Registration Fees	15	£0.09	£0.09	£0.00
<b>Sub Total - Business costs</b>	<b>Calc</b>	<b>£6.26</b>	<b>£6.05</b>	<b>-£0.21</b>
<b>Total Operating Costs</b>	<b>Calc</b>	<b>£21.86</b>	<b>£21.65</b>	<b>-£0.21</b>
Surplus / Profit Contribution	15	£0.92	£1.08	£0.16
<b>Total Rate Per Hour</b>	<b>Calc</b>	<b>£22.78</b>	<b>£22.73</b>	<b>-£0.05</b>

The table highlights the item of expenditure reported by a minority of providers, which have consequently been excluded from the FPoC rate. This includes other overheads that reduce the overall median rate by £0.21 per hour (reported by 3 HCAs).

The FPoC provision for operating costs totals £21.65 per hour, excluding provision for profit. This is consistent with the total of median operating costs reported in the survey (£21.86), within a reasonable margin of error.

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 £0.16 per hour based on the ROO rate.

It's important to remember that the FPoC rate reflects median unit costs for all appointment durations, and provision for travel time at £1.79 per contact hour equates to approximately 8.4 minutes per contact hour.

As this figure has been distorted by 5 HCAs including travel time in their direct contact hours an adjustment of 47p has been made to that figure. The aggregate total of Direct Care + Travel Time remains consistent at £11.50.

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.

## FPoC rates for varying appointment durations

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On the basis that each appointment in Southend 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 10 shows the travel minutes required to deliver one contact hour of each duration of appointment.

**Table 10 – Travel minutes for varying appointment durations****(FPoC - Travel Minutes per Contact Hour)**

Appointment Duration	All Durations	15 mins	30 mins	45 mins	60 mins	90 mins
Average Travel Mins per Appointment	5.0	5.0	5.0	5.0	5.0	5.0
Appointments per Contact Hour	1.69	4.0	2.0	1.3	1.0	0.7
<b>Travel Minutes per Contact Hour</b>	<b>8.4</b>	<b>20.0</b>	<b>10.0</b>	<b>6.7</b>	<b>5.0</b>	<b>3.3</b>

The following table 11 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	£10.08	£10.08	£10.08	£10.08	£10.08	£10.08
Travel time	£1.42	£3.36	£1.68	£1.12	£0.84	£0.56
<b>Sub Total - Direct Care + Travel Time (gross)</b>	<b>£11.50</b>	<b>£13.44</b>	<b>£11.76</b>	<b>£11.20</b>	<b>£10.92</b>	<b>£10.64</b>
Cover for holidays (gross)	£1.46	£1.70	£1.49	£1.42	£1.38	£1.35
Cover for sickness, maternity/ paternity (gross)	£0.21	£0.25	£0.22	£0.21	£0.20	£0.20
Cover for staff training & supervision (gross)	£0.16	£0.18	£0.16	£0.15	£0.15	£0.15
Employers National Insurance	£0.78	£0.91	£0.80	£0.76	£0.74	£0.72
Employers Pension Contribution	£0.39	£0.45	£0.40	£0.38	£0.37	£0.36
Travel Expenses	£0.79	£1.87	£0.94	£0.62	£0.47	£0.31
PPE	£0.31	£0.74	£0.37	£0.25	£0.19	£0.12
<b>Sub Total - Care Worker Costs</b>	<b>£15.60</b>	<b>£19.55</b>	<b>£16.13</b>	<b>£14.99</b>	<b>£14.42</b>	<b>£13.85</b>
Back Office Staff	£4.66	£4.66	£4.66	£4.66	£4.66	£4.66
Recruitment & training	£0.14	£0.14	£0.14	£0.14	£0.14	£0.14
CQC Registration Fees	£0.09	£0.09	£0.09	£0.09	£0.09	£0.09
Rent, rates & utilities	£0.49	£0.49	£0.49	£0.49	£0.49	£0.49
IT equipment & telephones	£0.20	£0.20	£0.20	£0.20	£0.20	£0.20
Consumables	£0.15	£0.15	£0.15	£0.15	£0.15	£0.15
Insurance	£0.14	£0.14	£0.14	£0.14	£0.14	£0.14
Head office & support services	£0.18	£0.18	£0.18	£0.18	£0.18	£0.18
<b>Sub Total - Business Costs</b>	<b>£6.05</b>	<b>£6.05</b>	<b>£6.05</b>	<b>£6.05</b>	<b>£6.05</b>	<b>£6.05</b>
<b>Total Operating Costs</b>	<b>£21.65</b>	<b>£25.61</b>	<b>£22.18</b>	<b>£21.04</b>	<b>£20.47</b>	<b>£19.90</b>
Surplus / Profit Contribution	£1.08	£1.28	£1.11	£1.05	£1.02	£0.99
<b>Total Rate Per Hour</b>	<b>£22.73</b>	<b>£26.89</b>	<b>£23.29</b>	<b>£22.09</b>	<b>£21.49</b>	<b>£20.89</b>
<b>Total Rate per Appointment</b>		<b>£6.72</b>	<b>£11.65</b>	<b>£16.57</b>	<b>£21.49</b>	<b>£31.34</b>



The table demonstrates how the FPoC rate varies between £20.89 per contact hour (for 90 minutes appointments) and £26.89 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 £6.72 per appointment, and a marginal increase of £4.92 for each additional 15 minutes of appointment time.

## Validity and Reliability of Fair Price of Care Rate

Valuing Care (VC) created the Fair Price of Care rates in this report at the request of the Council, to meet requirements of the Market Sustainability and Fair Cost of Care Fund 2022 to 2023, utilising available survey data from home care agencies that took part in the exercise. As only 39% of local home care agencies in scope responded to the exercise, these rates may not be representative of actual costs of operating home care services in Southend-on-Sea

Alongside communications from the Council, Valuing Care supported the survey process by engaging with home care providers regarding their cost submissions to highlight potential errors and confirm that they feel their data is accurate – however further evidence will be required from these providers, as well as others in the local care market to confirm that the costs reported by providers are actual costs, as opposed to budgeted or aspirational costs.

The Council cannot take full confidence in the results of this exercise or the FPoC rates in this report due to the lower response rate, lack of complete dataset from the wider care market and lack of robust evidence to confirm that the actual costs reported by providers are accurate.

SCC will need to review this data and collect further evidence to build upon this dataset in future exercises. To support this review, it is useful to make comparisons to wider evidence bases, such as third-party benchmark data of provider costs.

## Constructing Benchmark Rates

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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 Southend (at 2022/23 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.

This is not a replacement for a strong local evidence base of cost information and the Council recognise that these benchmark rates may not be entirely reflective of local costs.

## Validation of Survey Results – Job Advertisements

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

The search of advertisement revealed 9 HCA who were recently recruiting in Southend, The advertisements varied from £9.60 per hour to £13 per hour. The majority were within a tight range of between £10-£10.70 per hour, excluding senior carers.

The figures compare favourably to the median hourly rate produced from the survey (£10.55 for direct care and £11.50 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. These figures are further evidenced by a survey conducted by Southend City Council themselves in March 2022. In that survey the median care worker wage was £10.50 per hour which fits within the range brought out in the survey and through recent job advertisement

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.

## Benchmark Cost Model Assumptions

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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 Southend:

- **Provision for the direct cost of care, travel time and mileage** – reflecting the median costs identified in the Southend 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 Southend)
- **Employers Pension** – calculated as 3% of qualifying earnings (assuming median rates of pay and hours worked by care workers in Southend)

- **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 2022/23 prices)
- **Surplus / Profit contribution** – calculated as a 5% mark up on total operating costs

## Benchmark Cost Allocations

The following table presents the benchmark cost allocations for generic home care services in Southend at 2022/23 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 Southend**

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£10.08	£10.08	£0.00
Travel time	£1.42	£1.42	£0.00
<b>Sub Total - Direct Care + Travel Time (gross)</b>	<b>£11.50</b>	<b>£11.50</b>	<b>£0.00</b>
Cover for holidays (gross)	£1.45	£1.46	£0.01
Cover for sickness, maternity/ paternity (gross)	£0.25	£0.21	-£0.04
Cover for staff training & supervision (gross)	£0.25	£0.16	-£0.10
Employers National Insurance	£0.74	£0.78	£0.04
Employers Pension Contribution	£0.23	£0.39	£0.16
Travel Expenses	£0.79	£0.79	£0.00
PPE	£0.22	£0.31	£0.10
<b>Sub Total - Care Worker Costs</b>	<b>£15.42</b>	<b>£15.60</b>	<b>£0.18</b>
Back Office Staff	£2.48	£4.66	£2.18
Recruitment & training	£0.34	£0.14	-£0.19
CQC Registration Fees	£0.10	£0.09	-£0.01
Rent, rates & utilities	£0.32	£0.49	£0.17
IT equipment & telephones	£0.27	£0.20	-£0.07
Consumables	£0.10	£0.15	£0.05
Insurance	£0.11	£0.14	£0.03
Head office & support services	£0.67	£0.18	-£0.50
<b>Sub Total - Business Costs</b>	<b>£4.39</b>	<b>£6.05</b>	<b>£1.67</b>
<b>Total Operating Costs</b>	<b>£19.80</b>	<b>£21.65</b>	<b>£1.85</b>
Surplus / Profit Contribution	£0.99	£1.08	£0.09
<b>Total Rate Per Hour</b>	<b>£20.79</b>	<b>£22.73</b>	<b>£1.94</b>

The table shows Valuing Care's benchmark rate as £20.79/hr, which comprises care worker costs (£15.42), business costs (£4.39), and profit contribution (£0.99).

Comparison of the FPoC rates against the benchmark shows a favourable variance of £1.94p/hr, which can be primarily attributed to business costs. Expenditure on Back-office Staff (£2.18) appear high, which is partially negated by the Head office and support services (-£0.50) which appears low compared to previous surveys undertaken by Valuing Care.

To some extent this may be due to the providers who participated in the Southend 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.

## Appendices

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### 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 Ltd. were approached by Southend-on-Sea City Council to consult on the Fair Cost of Care, for their independence in the market and its objective approach to identifying usual costs.

### 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 Southend (60 HCA) were included in the survey.

SCC wrote to HCA on 9<sup>th</sup> May asking providers 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). Valuing Care also wrote to all 60 HCA on the 19<sup>th</sup> May requesting providers to complete this tool and participate in the survey.

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 2022/23 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 6<sup>th</sup> June, although the letter stated that requests for extensions would be considered. This process of engagement included;

- 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.
- Awareness raised at Home Care workshops 17<sup>th</sup> and 18<sup>th</sup> May 2022 (as part of separate project engagement)
- Frequent newsletters, emails and updates from SCC throughout May, June, July and August 2022.
- On 5<sup>th</sup> July 2022 a Fair Cost of Care update was provided to Home Care providers at the SCC virtual Care Provider Forum (hosted online)
- SCC shared key information and links to providers, including Q&A sessions about the excel based cost tool and videos from UKHCA and Care England

- The Council issued a joint letter from Care Provider Alliance and SCC on 30<sup>th</sup> June asking providers to take part and highlighting the importance of the exercise
- On 21<sup>st</sup> July 2022 SCC hosted a virtual update session for Home Care providers (hosted online) to encourage further response
- SCC held meetings with providers to answer questions and encourage further response
- Final emails, calls, support and awareness raising, with multiple deadline extensions to allow providers adequate time to respond.

The deadline was first extended to 10<sup>th</sup> July 2022, then to 22<sup>nd</sup> July 2022. On 22<sup>nd</sup> July all providers yet to submit were emailed by the council to request participation issuing a final deadline of 29<sup>th</sup> July.

To facilitate the completion and return of as many templates as possible, all templates received up to Thursday 11<sup>th</sup> August, have been included within the survey results.

### 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 25<sup>th</sup> percentile or 1<sup>st</sup> quartile amount
- The 50<sup>th</sup> percentile or median average
- The 75<sup>th</sup> percentile or 3<sup>rd</sup> 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.