

# Annex B: North Tyneside Cost of Care Report – Domiciliary Care

## Introduction

The cost of care exercise has been completed fully in line with the Department of Health and Social Care (DHSC) guidance and updates and also with the support of the Association of Directors of Adult Social Services (ADASS) and the Local Government Association (LGA).

This includes ensuring that the completion of the cost of care exercise has been:

- Consistent – we have used a consistent approach in line with the work with older persons care homes in North Tyneside by using the excel-based tool created by the LGA (Local Government Association) and ADASS (Association of Directors of Social Services) for providers to submit their real information and costs, using a single consultant to analyse the data / costs submitted and having a standard approach to dealing with the costs submitted;
- Transparent – the costs submitted are the costs that providers incurred in July 2022 and have submitted into the excel based tool. The market sustainability plan sets out our sustainability challenges and how supply will meet demand over the next 1-3 years;
- Partnership – domiciliary care providers have been given sufficient opportunity to participate in this important work and the engagement into the cost of care work and sustainability plan is referenced.

## Approach

North Tyneside Council commissioned an external consultancy company to undertake its Fair Cost of Care Exercise with the market. The consultants appointed to undertake this exercise were also working with three other councils across the North East. The rationale for appointing external consultants was to:

- Provide specialist expertise and experience on the cost exercise;
- Ensure independence between the Authority and domiciliary care providers in the process;
- Support with technical issues regarding the tool and calculations etc;
- Ensure the application of the cost exercise was in line with current and updated DHSC guidance.

Prior to the consultants commencing this work the Authority had communicated with all domiciliary care providers in the borough to advise them of the exercise and to encourage them to engage in the process. The consultancy company worked with the council to prepare communications with all care providers informing them of the work, the process and that the appointed consultancy company would be in contacted them on behalf of the council. Following the awarding of the contract, the consultancy company contacted all 31 domiciliary care providers with an office in North Tyneside, inviting them to join a webinar and outline the process for collecting data.

To maximise participation in the survey and to demonstrate a fair and equitable approach, all CQC registered home care agencies in North Tyneside were included. In addition, any agency who were currently providing services outside of the North Tyneside area were included too. In total 31 HCAs were included in the survey, using the excel based tool made available by the LGA (Local Government Association) and ADASS (Association of Directors of Adult Social Services).

The consultancy company sent regular reminder emails and they also contacted the providers directly to offer support with completing the exercise and made numerous telephone calls to each care provider that hadn't submitted information.

Following the submission of responses, validation checks were undertaken upon the data supplied by providers and any anomalies or significant outliers were then addressed directly with providers for them to either give confirmation of the current data supplied, along with an explanation regarding why the cost may appear to be an outlier, or changes to the data to correct errors that may have occurred.

The results were collected in August 2022.

### Response rate

The following table summarises the final response to the survey. In total 31 HCA's were invited to participate. The original number of invitations did not get revised down during the survey period.

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

**Table 1 – Response to the Survey**

<i>Response to the Survey</i>	<b>No. of HCA</b>
Invited to participate	31
Invitation withdrawn - out of area / wrong service type	0
<b>Revised number invited to participate</b>	<b>31</b>
Completed templates received	18
Percentage templates received	58%
Templates not used - incomplete / inconsistent data	2
Templates not used - outside of reasonable range $\pm 1.25$ multiplied by median	4
<b>Total Templates Included in the Sample</b>	<b>12</b>

The table shows that of the 18 completed responses, representing 58% of number invited to participate, 12 completed were suitable for inclusion within the survey results. In addition a further 11 providers committed to sending templates but did not submit within the timescales, despite timescale extensions. Unfortunately, with DHSC mandated deadlines there was no opportunity to extend the deadlines further. Of the providers who refused to submit a template, 1 quoted resource issues and 1 quoted data confidentiality.

The reduction in final cost survey numbers was not helped by cost outliers received which ranged from £31ph-£45ph. However, given the small original sample group and the higher-than-average response rate confidence can be taken from the sample group.

All 12 completed templates are of good quality and have been consolidated within a single sample group that has been analysed to identify the local survey results; and are statistically reliable. From this we believe we have a reliable representation of the cost of delivering services.

## **Results of the Exercise**

Based on the local survey results a Fair Cost of Care (FCoC) rate for home care services in North Tyneside has been constructed. The FCoC 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, '0s' have been included in all reported cost lines except 'other overheads' as reported by providers in their data output returns as part of the median survey calculations; although every effort has been made to reduce the number of '0s' from the returns.

For a surplus/profit contribution 5% has been allocated which is very similar to the mark-up on total operating costs (4.9%) from the survey. The DHSC guidance allowed councils to be able to 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. In this case we have adjusted this up marginally from 4.9% to 5%.

To validate the cost of employing home care staff locally, a review of recent job advertisements for home care workers has been undertaken and it corroborates the direct cost of care reported in the survey.

The following table presents the FCoC rate for generic home care services in North Tyneside (at July 2022 prices) resulting from the survey, alongside the benchmark rate which has been used to corroborate the local survey results. The benchmark cost model uses national intelligence of home care operating costs to construct a benchmark rate for home care services in North Tyneside. Where there is a close level of similarity between the data sets, this offers additional confidence in the usual cost of operating services locally.

**Table 2 – FCoC rates compared to Benchmark**

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£10.38	£10.38	£0.00
Travel time	£1.30	£1.30	£0.00
<b>Sub Total - Direct Care + Travel Time (gross)</b>	<b>£11.68</b>	<b>£11.68</b>	<b>£0.00</b>
Cover for holidays (gross)	£1.47	£1.55	£0.08
Cover for sickness, maternity/ paternity (gross)	£0.25	£0.36	£0.11
Cover for staff training & supervision (gross)	£0.26	£0.28	£0.02
Employers National Insurance	£1.00	£0.96	-£0.03
Employers Pension Contribution	£0.26	£0.35	£0.09
Travel Expenses	£0.96	£0.96	£0.00
PPE	£0.28	£0.53	£0.25
<b>Sub Total - Care Worker Costs</b>	<b>£16.16</b>	<b>£16.67</b>	<b>£0.52</b>
Back Office Staff	£2.56	£2.75	£0.19
Recruitment & training	£0.34	£0.10	-£0.23
CQC Registration Fees	£0.10	£0.10	£0.00
Rent, rates & utilities	£0.32	£0.37	£0.05
IT equipment & telephones	£0.27	£0.30	£0.03
Consumables	£0.04	£0.08	£0.04
Insurance	£0.11	£0.08	-£0.03
Head office & support services	£0.67	£0.10	-£0.57
<b>Sub Total - Business Costs</b>	<b>£4.41</b>	<b>£3.89</b>	<b>-£0.52</b>
<b>Total Operating Costs</b>	<b>£20.57</b>	<b>£20.57</b>	<b>£0.00</b>
Surplus / Profit Contribution	£1.03	£1.03	£0.00
<b>Total Rate Per Hour</b>	<b>£21.59</b>	<b>£21.59</b>	<b>£0.00</b>

The table shows a total FCoC rate of £21.59 per hour, which comprises care worker costs of £16.67, business costs of £3.89, and profit contribution of £1.03.

The FCoC rate includes provision for travel time of £1.30 per contact hour, which equates to approximately 7.5 minutes of the cost of direct care (1 hour) and a median of 5.1 minutes per visit.

Comparison of the FCoC rates against the benchmark shows an exact match with the benchmark rate. The FCoC is higher (£0.52ph) with respect to Care Worker Costs which is balanced by a lower Business Cost (£0.52ph lower).

Our consultants were working with three other authorities in the north-east region. All four reviews were conducted separately with each data set remaining independent. The results of the exercises in the three neighbouring authorities were compared in detail with the North Tyneside results with all results showing consistency in the samples received. The recommended rates range from £20.90 - £21.59.

Although the recommended rates were very similar, North Tyneside was the highest of the four Councils. From examining results from across the region, the main differential that was unexpected was the higher than average Travel Expenses cost. This figure was produced to the higher Inter Quartile Range from the statistical sample (IQR 1.2) which skewed the median upwards.

The Authority will therefore adjust the Travel Expenses cost in the submission down from £0.96 to £0.60 to represent a value in line with expectations in relation to results from similar authorities. This will be monitored and reviewed with providers and the market over the timescale of the market sustainability plan and also as part of the up-coming procurement exercise.

The final blended FCoC for North Tyneside is therefore **£21.23**

On the basis that each appointment in North Tyneside typically requires 5.1 minutes of paid travel time, VC have calculated FCoC rates for appointments of varying duration. The following table presents the FCoC rates for appointments of varying duration.

**Table 3 – FCoC rates for varying appointment duration**

Cost Type	FCoC Rate	15 mins	30 mins	45 mins	60 mins	90 mins
Direct Care	£10.38	£10.38	£10.38	£10.38	£10.38	£10.38
Travel Time	£1.30	£3.51	£1.75	£1.17	£0.88	£0.58
<b>Sub Total - Direct care + travel time</b>	<b>£11.68</b>	<b>£13.89</b>	<b>£12.13</b>	<b>£11.55</b>	<b>£11.26</b>	<b>£10.97</b>
Mileage	£0.60	£1.61	£0.80	£0.54	£0.40	£0.27
PPE	£0.53	£1.42	£0.71	£0.47	£0.35	£0.24
Training (staff time)	£0.27	£0.33	£0.29	£0.27	£0.26	£0.26
Holiday	£1.55	£1.85	£1.61	£1.53	£1.50	£1.46
Additional Non-Contact Pay Costs	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity Pay	£0.36	£0.43	£0.37	£0.35	£0.34	£0.34
Notice/Suspension Pay	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01
NI (direct care hours)	£0.96	£1.15	£1.00	£0.95	£0.93	£0.90
Pension (direct care hours)	£0.35	£0.42	£0.37	£0.35	£0.34	£0.33
<b>Sub Total - Careworker costs</b>	<b>£16.31</b>	<b>£21.09</b>	<b>£17.29</b>	<b>£16.03</b>	<b>£15.40</b>	<b>£14.76</b>
Back Office Staff	£2.75	£2.75	£2.75	£2.75	£2.75	£2.75
Travel Costs (parking/vehicle lease etc.)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Rent, rates & utilities	£0.37	£0.37	£0.37	£0.37	£0.37	£0.37
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)	£0.19	£0.19	£0.19	£0.19	£0.19	£0.19
Telephony	£0.11	£0.11	£0.11	£0.11	£0.11	£0.11
Stationery / Postage	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04

Insurance	£0.08	£0.08	£0.08	£0.08	£0.08	£0.08
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	£0.03	£0.03	£0.03	£0.03	£0.03	£0.03
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	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10
<b>Sub Total - Business costs</b>	<b>£3.89</b>	<b>£3.89</b>	<b>£3.89</b>	<b>£3.89</b>	<b>£3.89</b>	<b>£3.89</b>
<b>Total Operating Costs</b>	<b>£20.21</b>	<b>£24.98</b>	<b>£21.19</b>	<b>£19.92</b>	<b>£19.29</b>	<b>£18.66</b>
Surplus / Profit Contribution	£1.03	£1.27	£1.08	£1.01	£0.98	£0.95
<b>Total Rate Per Hour</b>	<b>£21.23</b>	<b>£26.25</b>	<b>£22.26</b>	<b>£20.94</b>	<b>£20.27</b>	<b>£19.61</b>
<b>Total Rate per Appointment</b>		<b>£6.56</b>	<b>£11.13</b>	<b>£15.70</b>	<b>£20.27</b>	<b>£29.41</b>

The table demonstrates how the FCoC rate varies between £19.61 per contact hour (for 90 minutes appointments) and £26.25 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) and travel expenses which includes provision for Personal Protective Equipment (PPE)).

### Managing the annual fee adjustment

To ensure the FCoC rates continue to reflect the actual costs of providing home care services, rates must be uplifted on an annual basis.

The estimate of future inflation should be updated annually to reflect anticipated cost pressures.

The Authority proposes the following indices as the basis for adjusting the benchmark rates to reflect annual inflation:

- Staff costs estimated at 80% of the overall cost 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 23 or over
- Non-staff costs estimated at 20% are inflated in line with 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

The Authority will continue to review this method and engage with providers on whether this fairly represents price increases, but it is suggested that the adoption of clear methodology applied consistently on a year-to-year basis that is of primary importance to gain provider trust and confidence.

## Survey details

All CQC registered domiciliary providers with an office in North Tyneside were surveyed. The key data aspects from the survey can be summarised as follows:

- Of the 18 templates received 16 were completed and considered of sufficient quality for the survey.
- A total of 16 completed templates were further reviewed, 12 met the 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 1210 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 35.6 minutes reflects this common 30-minute duration with a wider than average variation across the sample group (IQR=10.9 minutes)
- Providers reported a median travel distance of 1.6 miles, travel expenses of £0.30 per mile and travel time of 5.1 minutes per visit.
- The median cost of direct care £10.38 per hour before adjustment for travel time non survey completion, ranges between £10.11 and £10.55 across the middle fifty. The narrow spread of costs (IQR=£0.44) provides confidence in the usual cost of direct care
- The median cost of travel time at £1.30 per contact hour, equates to approximately 7.70 minutes of the median cost of direct care
- Based on the median costs reported in the survey after adjustment for travel expenses, £21.23 per contact hour is calculated as a FCoC rate, including a £1.03 per hour profit mark-up based on the VC model rate of 5%
- On the basis that each appointment in North Tyneside typically requires 5.1 minutes of paid travel time, varying appointment duration FCoC rates have been calculated – this varies between £19.61 per contact hour for 90 minutes appointments and £26.25 per contact hour for 15 minutes appointments

## 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 4 – Percentile Analysis – Contact Hours & Appointments**

<i>Contact Hours &amp; Appointments</i>	Count	1st Quartile	Median	3rd Quartile	IQR
<b>Contact Hours / week</b>	<b>12</b>	<b>433</b>	<b>1,210</b>	<b>1,494</b>	<b>1,061</b>
Appointments - 15 mins duration	11	101	266	406	305
Appointments - 30 mins duration	12	394	1,020	1,803	1,410
Appointments - 45 mins duration	12	85	193	236	151
Appointments - 60 mins duration	12	73	111	319	246
Appointments - 75 mins duration	6	15	16	20	5
Appointments - 90 mins duration	7	9	17	21	12
Appointments - 120 mins duration	7	12	15	24	12
Appointments - 180+ mins duration	8	7	17	25	18
<b>Total Appointments</b>	<b>12</b>	<b>649</b>	<b>1,915</b>	<b>2,635</b>	<b>1,986</b>
<b>Appointment duration (mins)</b>	<b>12</b>	<b>31.2</b>	<b>35.6</b>	<b>42.2</b>	<b>10.9</b>

The table shows median total contact hours of 1210 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.

Average appointment duration for each HCA is based on the mix of appointment durations reported by each HCA. Across the sample group, the median appointment duration is 35.6, with a relatively wide range compared to other authorities between the inter quartile range (IQR=10.9 minutes).

### Survey results – travel time and expenses

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

**Table 5 - Percentile Analysis – Travel Time & Expenses**

<i>Travel</i>	Count	1st Quartile	Median	3rd Quartile	IQR
Travel Distance (Miles)	11	1.2	1.6	2.4	1.2
Mileage/travel expenses (per mile)	11	£0.26	£0.30	£0.38	£0.13
Travel time per visit (minutes)	10	5.0	5.1	7.9	2.9
<b>Travel time per contact hour (minutes)</b>	<b>12</b>	<b>4.1</b>	<b>7.7</b>	<b>13.3</b>	<b>9.2</b>

The table shows a median travel distance of 1.6 miles, travel expenses of £0.30 per mile and travel time of 5.1 minutes per visit.

Average travel time per contact hour for each HCA is based on the average appointment duration calculated for each HCA and the reported travel time per visit.



The table shows a median travel time per contact hour of 7.7 minutes, varying significantly across the middle-fifty (IQR=9.2 minutes).

### **Validation of survey results – job advertisements**

To validate the cost of employing home care staff locally, recent job advertisements for home care workers have been reviewed.

The search of advertisements revealed 15 HCA who were recently recruiting in North Tyneside. The advertisements varied from £9.75 per hour to £15 per hour. The majority were within a tight range of between £10.10-£11.50 per hour, excluding senior carers. The figures compare favourably to the median hourly rate produced from the survey (£10.34 for direct care and £11.64 for combined direct care and travel time)

The combined direct care and travel time figure would normally be expected to be at the top end of the advertising range as this includes a proportion of senior carer costs which will be included in the survey. Therefore, there is confidence that the cost of direct care reported in the survey has been substantiated through the review of job vacancies; although we are mindful of the market changing in the future if there continues to be an upward pressure on recruitment pay rates.

### **Benchmark cost model assumptions**

Accepting the direct cost of care reported in the survey to be corroborated by an independent review of job advertisements, a number of assumptions have been made for constructing benchmark rates for home care services in North Tyneside:

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

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