

Newcastle City Council

Cost Review of Domiciliary Care Services

By

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Contents

1	Executive Summary	3
2	Managing the Annual Fee Adjustment.....	6
3	Introduction	7
4	Survey Summary.....	9
5	Response to survey	10
6	Survey Results – Appointment Duration and Travel Time	11
6.1	Survey Results – Contact Hours and Appointment duration.....	11
6.2	Survey Results – Travel Time & Expenses.....	12
7	Survey Results – Median Costs	13
8	Fair Price of Care Rate (FPoC).....	14
9	FPoC rates for varying appointment durations	17
10	Constructing Benchmark Rates	19
11	Validation of Survey Results – Job Advertisements	19
12	Benchmark Cost Model Assumptions	20
13	Appendices	23
13.1	Appendix 1 – About Valuing Care.....	23
13.2	Appendix 2 – Engagement	23
13.3	Appendix 3 – Survey Analysis.....	24

1 Executive Summary

In June 2022, Newcastle City Council (the Council) instructed Valuing Care Ltd (VC) to undertake a review of the cost of providing generic home care services for adults in Newcastle. 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).

In response to the survey, VC received a total of 15 templates, 2 were identical as they covered a provider with 2 offices in the local authority area and therefore one was discarded. Of the 14 originally included, 1 was rejected for being outside 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. The remaining 13 have been consolidated into a sample group and used to identify the survey results.

The 13 included in the final sample group delivered 881,174 hours of home care per year amongst them.

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

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

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' in all reported cost lines except 'other overheads' as reported by providers in their 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 5% based on our standard benchmarking which was very similar to the mark-up on total operating costs (4.6%) from the Newcastle survey. 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 across the council.

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 Newcastle. 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 Newcastle (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	£10.23	£10.23	£0.00
Travel time	£1.24	£1.24	£0.00
Sub Total - Direct Care + Travel Time (gross)	£11.47	£11.47	£0.00
Cover for holidays (gross)	£1.44	£1.42	-£0.02
Cover for sickness, maternity/ paternity (gross)	£0.25	£0.36	£0.11
Cover for staff training & supervision (gross)	£0.25	£0.25	-£0.01
Employers National Insurance	£0.93	£0.92	£0.00
Employers Pension Contribution	£0.25	£0.38	£0.12
Travel Expenses	£0.52	£0.52	£0.00
PPE	£0.25	£0.35	£0.10
Sub Total - Care Worker Costs	£15.37	£15.67	£0.31
Back Office Staff	£2.51	£2.86	£0.35
Recruitment & training	£0.34	£0.18	-£0.15
CQC Registration Fees	£0.10	£0.10	£0.00
Rent, rates & utilities	£0.32	£0.39	£0.07
IT equipment & telephones	£0.27	£0.34	£0.08
Consumables	£0.07	£0.10	£0.03
Insurance	£0.11	£0.09	-£0.02
Head office & support services	£0.67	£0.40	-£0.28
Sub Total - Business Costs	£4.38	£4.46	£0.08
Total Operating Costs	£19.75	£20.13	£0.39
Surplus / Profit Contribution	£0.99	£1.01	£0.02
Total Rate Per Hour	£20.73	£21.14	£0.41

The table shows a total FPoC rate of £21.14 per hour, which comprises care worker costs of £15.67, business costs of £4.46, and profit contribution of £1.01.

The FPoC rate includes provision for travel time of £1.24 per contact hour, which equates to approximately 7.3 minutes of the cost of direct care (1 hour) and a median of 4 minutes per visit.

Comparison of the FPoC rates against the benchmark shows a very close match with a variance of only £0.41/hr. The FPoC is higher (£0.31 ph) with respect to Care Worker Costs and also slightly higher with Business Costs (£0.08 ph higher)

On the basis that each appointment in Newcastle typically requires 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 1a – Northeast Regional Analysis, FPOC Compared Across the Region

Over the Spring and Summer of 2022, Valuing Care completed 4 Domiciliary Cost of Care reviews in Northeast England. All 4 reviews were conducted separately with each data set remaining independent.

The data set demonstrated the consistency in the samples received and the review process in determining the model rates. The recommended rates range from £20.90 – £21.59. Newcastle City Council can gain further assurance from this regional analysis.

With respect to outliers in the Newcastle return, the main differences were from a lower Care Worker Cost rate and conversely a higher Business Cost rate.

The Care Worker cost rate was further examined against regional partners through the review of Job adverts (section 11) and Newcastle’s advertised rates were lower than other regional areas. This may be due to a larger workforce pool being available to the local area.

With regard to Business Costs, the main differences related to Head office and Rent costs which may relate to the cost of providing business within the Newcastle City area. A fair and reasonable adjustment has been made to Back Office and Head office costs which have been revised to an average of the other regional LA’s costs.

Table 2 – FPoC rates for varying appointment duration

Cost Type	FPoC Rate	15 mins	30 mins	45 mins	60 mins	90 mins
Direct care	£10.23	£10.23	£10.23	£10.23	£10.23	£10.23
Travel time	£1.24	£2.73	£1.36	£0.91	£0.68	£0.45
Sub Total - Direct Care + Travel Time (gross)	£11.47	£12.95	£11.59	£11.14	£10.91	£10.68
Cover for holidays (gross)	£1.42	£1.60	£1.44	£1.38	£1.35	£1.32
Cover for sickness, maternity/ paternity (gross)	£0.36	£0.41	£0.37	£0.35	£0.34	£0.34
Cover for staff training & supervision (gross)	£0.25	£0.28	£0.25	£0.24	£0.24	£0.23
Employers National Insurance	£0.92	£1.04	£0.93	£0.89	£0.88	£0.86
Employers Pension Contribution	£0.38	£0.42	£0.38	£0.36	£0.36	£0.35
Travel Expenses	£0.52	£1.14	£0.57	£0.38	£0.29	£0.19
PPE	£0.35	£0.78	£0.39	£0.26	£0.19	£0.13
Sub Total - Care Worker Costs	£15.67	£18.64	£15.91	£15.01	£14.55	£14.10
Back Office Staff	£2.86	£2.86	£2.86	£2.86	£2.86	£2.86
Recruitment & training	£0.18	£0.18	£0.18	£0.18	£0.18	£0.18
CQC Registration Fees	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10
Rent, rates & utilities	£0.39	£0.39	£0.39	£0.39	£0.39	£0.39
IT equipment & telephones	£0.34	£0.34	£0.34	£0.34	£0.34	£0.34
Consumables	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10
Insurance	£0.09	£0.09	£0.09	£0.09	£0.09	£0.09
Head office & support services	£0.40	£0.40	£0.40	£0.40	£0.40	£0.40
Sub Total - Business Costs	£4.46	£4.46	£4.46	£4.46	£4.46	£4.46
Total Operating Costs	£20.13	£23.09	£20.37	£19.47	£19.01	£18.56
Surplus / Profit Contribution	£1.01	£1.15	£1.02	£0.97	£0.95	£0.93
Total Rate Per Hour	£21.14	£24.25	£21.39	£20.44	£19.96	£19.49
Total Rate per Appointment		£6.06	£10.70	£15.33	£19.96	£29.23

The table demonstrates how the FPoC rate varies between £19.49 per contact hour (for 90 minutes appointments) and £21.14 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 provision for Personal Protective Equipment (PPE)).

2 Managing the Annual Fee Adjustment

To ensure the FPoC rates continue to reflect the actual costs of providing home care services, we recommend 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 recommended adjustment for inflation over the next three years.

Table 3 – Valuing Care’s recommended 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.

3 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 16th of 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, Newcastle City Council (the Council) instructed Valuing Care Ltd to undertake a review of the cost of providing generic home care services to adults in Newcastle. *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 Newcastle. *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 Newcastle. 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.

4 Survey Summary

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

- Of the 14 templates all were completed and considered of sufficient quality for the survey.
- A total of 14 completed templates were further reviewed, 13 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 990 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 34.3 minutes reflects this common 30-minute duration with a wider than average variation across the sample group (IQR=11.7 minutes)
- Providers reported a median travel distance of 1.5 miles, travel expenses of £0.30 per mile and travel time of 4 minutes per visit.
- The median cost of direct care £10.40 per hour before adjustment for travel time non survey completion, ranges between £10.27 and £10.52 across the middle fifty. The narrow spread of costs (IQR=£0.25) provides confidence in the usual cost of direct care
- The median cost of travel time at £1.24 per contact hour, equates to approximately 7.30 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 £21.14 per contact hour, including a £1.01 per hour profit mark-up based on the VC model rate of 5%
- On the basis that each appointment in Newcastle typically requires 4 minutes of paid travel time, VC have calculated FPoC rates for varying appointment durations – this varies between £19.49 per contact hour for 90 minutes appointments and £24.29 per contact hour for 15 minutes appointments. (Newcastle do not currently commission for 15-minute appointments).

5 Response to survey

The following table summarises the final response to the survey. In total 29 HCA's were invited to participate. The original number of invitations was revised to 27 during the survey period as one provider was going through a business change and one confirmed they did not currently provide services in the area.

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>	No. of HCA
Invited to participate	29
Invitation withdrawn - out of area / wrong service type	2
Revised number invited to participate	27
Completed templates received	15
Percentage templates received	56%
Templates not used - incomplete / inconsistent data/duplicates	1
Templates not used - outside of reasonable range ± 1.25 multiplied by median	1
Total Templates Included in the Sample	13

The table shows that of the 15 completed responses, representing 56% of number invited to participate, 13 completed were suitable for inclusion within the survey results.

In addition a further 6 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, all 6 quoted resource issues as the reason.

All 13 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.

VC normally recommend the collection of a minimum of 10 templates to generate a statistically reliable result. Therefore, the number of completed templates received was of an acceptable number.

6 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.

6.1 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 HCA who completed survey templates.

Table 6 – Percentile Analysis – Contact Hours & Appointments

<i>Contact Hours & Appointments</i>	Count	1st Quartile	Median	3rd Quartile	IQR
Contact Hours / week	13	538	990	1,300	762
Appointments - 15 mins duration	10	159	387	536	378
Appointments - 30 mins duration	13	369	925	1,545	1,176
Appointments - 45 mins duration	12	97	167	226	129
Appointments - 60 mins duration	13	79	103	235	156
Appointments - 75 mins duration	6	5	16	20	15
Appointments - 90 mins duration	8	2	8	12	10
Appointments - 120 mins duration	9	10	14	16	6
Appointments - 180+ mins duration	7	15	22	26	12
Total Appointments	13	760	1,714	2,399	1,639
Appointment duration (mins)	13	30.6	34.3	42.3	11.7

The table shows median total contact hours of 990 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 34.3, with a relatively wide range compared to other authorities between the inter quartile range (IQR=11.7 minutes).

6.2 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)	12	1.0	1.5	1.7	0.8
Mileage/travel expenses (per mile)	11	£0.26	£0.30	£0.38	£0.12
Travel time per visit (minutes)	11	3.0	4.0	5.1	2.1
Travel time per contact hour (minutes)	13	2.3	7.1	8.4	6.1

The table shows a median travel distance of 1.5 miles, travel expenses of £0.30 per mile and travel time of 4 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 7.1 minutes, with a narrow than average spread 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 Section 8 of this report.

Newcastle City 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.

7 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

<i>Cost Type</i>	Count	1st Quartile	Median	3rd Quartile	IQR
Direct Care	13	£10.27	£10.40	£10.52	£0.25
Travel Time	13	£0.40	£1.24	£1.44	£1.04
Sub Total - Direct care + travel time	13	£10.82	£11.47	£12.12	£1.30
Mileage	13	£0.27	£0.52	£0.77	£0.50
PPE	13	£0.00	£0.35	£0.53	£0.53
Training (staff time)	13	£0.22	£0.25	£0.34	£0.13
Holiday	13	£1.35	£1.42	£1.58	£0.22
Additional Non-Contact Pay Costs	13	£0.00	£0.00	£0.06	£0.06
Sickness/Maternity & Paternity Pay	13	£0.22	£0.36	£0.40	£0.17
Notice/Suspension Pay	13	£0.00	£0.00	£0.04	£0.04
NI (direct care hours)	13	£0.58	£0.92	£1.12	£0.54
Pension (direct care hours)	13	£0.32	£0.38	£0.40	£0.08
Sub Total - Careworker costs	13	£14.29	£15.71	£16.86	£2.56
Back Office Staff	13	£2.15	£2.86	£4.36	£2.21
Travel Costs (parking/vehicle lease etc.)	13	£0.00	£0.00	£0.02	£0.02
Rent, rates & utilities	13	£0.21	£0.39	£0.60	£0.39
Recruitment / DBS	13	£0.03	£0.14	£0.17	£0.14
Training (3rd party)	13	£0.00	£0.04	£0.07	£0.07
IT (Hardware, Software CRM, ECM)	13	£0.08	£0.26	£0.45	£0.36
Telephony	13	£0.07	£0.09	£0.12	£0.05
Stationery / Postage	13	£0.01	£0.06	£0.13	£0.12
Insurance	13	£0.07	£0.09	£0.15	£0.08
Legal / Finance / Professional Fees	13	£0.00	£0.05	£0.15	£0.15
Marketing	13	£0.00	£0.04	£0.06	£0.06
Audit & Compliance	13	£0.00	£0.02	£0.06	£0.06
Uniforms & Other Consumables	13	£0.01	£0.04	£0.12	£0.11
Assistive Technology	13	£0.00	£0.00	£0.01	£0.01
Central / Head Office Recharges	13	£0.00	£0.28	£1.27	£1.27
Other overheads	4	£0.03	£0.04	£0.17	£0.14
CQC Registration Fees	13	£0.08	£0.10	£0.12	£0.04
Sub Total - Business costs	13	£5.02	£5.43	£7.76	£2.74
Total Operating Costs	13	£19.31	£21.45	£23.42	£4.11
Surplus / Profit Contribution	13	£0.84	£0.99	£1.09	£0.25
Total Rate Per Hour	13	£21.61	£22.52	£24.00	£2.39

This table shows the median cost of direct care to be £10.40 per hour, ranging between £10.27 and £10.52 across the middle fifty. The narrow spread of costs (IQR=£0.25) provides confidence in the usual cost of direct care.

11 of the 13 HCAs 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 £10.40 may need to be treated with some caution. However, the Direct Care and Travel Time subtotal should be a reliable guide of total direct carer costs.

The reported cost of back-office staff also varies significantly across the middle fifty (IQR=£2.21ph) as does the Central/Head office recharges (IQR = £1.27ph). 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. As mentioned earlier in the report a fair and reasonable adjustment has been made to Back Office and Head office costs which have been revised to an average of the other regional LA's costs.

8 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 Newcastle.

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

Cost Type	Count	Median	FPoC Rate	Variance
Direct Care	13	£10.40	£10.23	-£0.17
Travel Time	13	£1.24	£1.24	£0.00
Sub Total - Direct care + travel time	Calc	£11.64	£11.47	-£0.17
Mileage	13	£0.52	£0.52	£0.00
PPE	13	£0.35	£0.35	£0.00
Training (staff time)	13	£0.25	£0.25	£0.00
Holiday	13	£1.42	£1.42	£0.00
Additional Non-Contact Pay Costs	13	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity Pay	13	£0.36	£0.36	£0.00
Notice/Suspension Pay	13	£0.00	£0.00	£0.00
NI (direct care hours)	13	£0.92	£0.92	£0.00
Pension (direct care hours)	13	£0.38	£0.38	£0.00
Sub Total - Careworker costs	Calc	£15.85	£15.68	-£0.17
Back Office Staff	13	£2.86	£2.86	£0.00
Travel Costs (parking/vehicle lease etc.)	13	£0.00	£0.00	£0.00
Rent, rates & utilities	13	£0.39	£0.39	£0.00
Recruitment / DBS	13	£0.14	£0.14	£0.00
Training (3rd party)	13	£0.04	£0.04	£0.00
IT (Hardware, Software CRM, ECM)	13	£0.26	£0.26	£0.00
Telephony	13	£0.09	£0.09	£0.00
Stationery / Postage	13	£0.06	£0.06	£0.00
Insurance	13	£0.09	£0.09	£0.00
Legal / Finance / Professional Fees	13	£0.05	£0.05	£0.00
Marketing	13	£0.04	£0.04	£0.00
Audit & Compliance	13	£0.02	£0.02	£0.00
Uniforms & Other Consumables	13	£0.04	£0.04	£0.00
Assistive Technology	13	£0.00	£0.00	£0.00
Central / Head Office Recharges	13	£0.28	£0.28	£0.00
Other overheads	4	£0.04	£0.00	-£0.04
CQC Registration Fees	13	£0.10	£0.10	£0.00
Sub Total - Business costs	Calc	£4.49	£4.46	-£0.04
Total Operating Costs	Calc	£20.34	£20.13	-£0.20
Surplus / Profit Contribution	13	£0.99	£1.01	£0.01
Total Rate Per Hour	Calc	£21.33	£21.14	-£0.19

in Newcastle's survey all elements bar other overheads (-0.04) have a greater than 50% return rate. The number of returns has been greatly increased by including the '0s' in the survey return.

The FPoC provision for operating costs totals £20.13 per hour, excluding provision for profit.

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 reduces the median by 0.19p per hour based on the FPOC rate

It's important to remember that the FPoC rate reflects median unit costs for all appointment durations, and provision for travel time at £1.24 per contact hour equates to approximately 7.3 minutes per contact hour.

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

9 FPoC rates for varying appointment durations

On the basis that each appointment in Newcastle typically requires 5.1 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

Appointment Duration	All Durations	15 mins	30 mins	45 mins	60 mins	90 mins
Average Travel Mins per Appointment	4.0	4.0	4.0	4.0	4.0	4.0
Appointments per Contact Hour	1.82	4.0	2.0	1.3	1.0	0.7
Travel Minutes per Contact Hour	7.3	16.0	8.0	5.3	4.0	2.7

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	£10.23	£10.23	£10.23	£10.23	£10.23	£10.23
Travel time	£1.24	£2.73	£1.36	£0.91	£0.68	£0.45
Sub Total - Direct Care + Travel Time (gross)	£11.47	£12.96	£11.59	£11.14	£10.91	£10.68
Cover for holidays (gross)	£1.42	£1.60	£1.44	£1.38	£1.35	£1.32
Cover for sickness, maternity/ paternity (gross)	£0.36	£0.41	£0.37	£0.35	£0.34	£0.34
Cover for staff training & supervision (gross)	£0.25	£0.28	£0.25	£0.24	£0.24	£0.23
Employers National Insurance	£0.92	£1.04	£0.93	£0.89	£0.88	£0.86
Employers Pension Contribution	£0.38	£0.42	£0.38	£0.36	£0.36	£0.35
Travel Expenses	£0.52	£1.14	£0.57	£0.38	£0.29	£0.19
PPE	£0.35	£0.78	£0.39	£0.26	£0.19	£0.13
Sub Total - Care Worker Costs	£15.68	£18.64	£15.92	£15.01	£14.56	£14.10
Back Office Staff	£2.86	£2.86	£2.86	£2.86	£2.86	£2.86
Recruitment & training	£0.18	£0.18	£0.18	£0.18	£0.18	£0.18
CQC Registration Fees	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10
Rent, rates & utilities	£0.39	£0.39	£0.39	£0.39	£0.39	£0.39
IT equipment & telephones	£0.34	£0.34	£0.34	£0.34	£0.34	£0.34
Consumables	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10
Insurance	£0.09	£0.09	£0.09	£0.09	£0.09	£0.09
Head office & support services	£0.40	£0.40	£0.40	£0.40	£0.40	£0.40
Sub Total - Business Costs	£4.46	£4.46	£4.46	£4.46	£4.46	£4.46
Total Operating Costs	£20.13	£23.10	£20.38	£19.47	£19.02	£18.56
Surplus / Profit Contribution	£1.01	£1.15	£1.02	£0.97	£0.95	£0.93
Total Rate Per Hour	£21.14	£24.25	£21.39	£20.44	£19.97	£19.49
Total Rate per Appointment		£6.06	£10.70	£15.33	£19.97	£29.23

The table demonstrates how the FPoC rate varies between £19.49 per contact hour (for 90 minutes appointments) and £24.25 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 £6.06 per appointment, and a marginal increase of £4.63 for each additional 15 minutes of appointment time.

10 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 Newcastle (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.

11 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 the city.

The search of advertisements revealed 19 HCA who were recently recruiting in Newcastle. The advertisements varied from £9.50 per hour to £15.62 per hour. The majority were within a tight range of between £9.50–£11 per hour, excluding senior carers.

The figures compare favourably to the median hourly rate produced from the survey (£10.23 for direct care and £11.47 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, 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 but should be mindful of the market changing in the future if there continues to be an upward pressure on recruitment pay rates.

12 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 NEWCASTLE:

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

Benchmark Cost Allocations

The following table presents the benchmark cost allocations for generic home care services in Newcastle 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 Newcastle

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£10.23	£10.23	£0.00
Travel time	£1.24	£1.24	£0.00
Sub Total - Direct Care + Travel Time (gross)	£11.47	£11.47	£0.00
Cover for holidays (gross)	£1.44	£1.42	-£0.02
Cover for sickness, maternity/ paternity (gross)	£0.25	£0.36	£0.11
Cover for staff training & supervision (gross)	£0.25	£0.25	-£0.01
Employers National Insurance	£0.93	£0.92	£0.00
Employers Pension Contribution	£0.25	£0.38	£0.12
Travel Expenses	£0.52	£0.52	£0.00
PPE	£0.25	£0.35	£0.10
Sub Total - Care Worker Costs	£15.37	£15.68	£0.31
Back Office Staff	£2.51	£2.86	£0.35
Recruitment & training	£0.34	£0.18	-£0.15
CQC Registration Fees	£0.10	£0.10	£0.00
Rent, rates & utilities	£0.32	£0.39	£0.07
IT equipment & telephones	£0.27	£0.34	£0.08
Consumables	£0.07	£0.10	£0.03
Insurance	£0.11	£0.09	-£0.02
Head office & support services	£0.67	£0.40	-£0.28
Sub Total - Business Costs	£4.38	£4.46	£0.08
Total Operating Costs	£19.75	£20.13	£0.38
Surplus / Profit Contribution	£0.99	£1.01	£0.02
Total Rate Per Hour	£20.74	£21.14	£0.40

The table shows Valuing Care's benchmark rate as £21.14/hr, which comprises care worker costs (£15.68), business costs (£4.46), and profit contribution (£1.01). Newcastle City Council's adjusted FCOC rate based on the reasonable adjustment to Head Office and Back Office costs in line with the average FCOC rates for regional LA's is £20.58.

Comparison of the FPoC rates against the benchmark shows a small variation of £0.40 variance, with Care Worker Costs being higher and Business Costs being slightly higher

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. The one area with a noticeable difference is employer pension contribution (12p) and sickness cover (11p) which are higher than comparable surveys elsewhere.

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 CQC registered home care agencies in Newcastle were included. In total 29 HCAs were included in the survey.

VC attended a Councils' provider meeting on the 4th August to introduce the project and to talk about the approach that would be taken and to demonstrate the data collection spreadsheet.

Immediately after VC wrote to all 29 HCAs 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 14th August, 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 15th August all providers yet to submit were emailed by the council to request participation issuing a final deadline of 28th August.

To facilitate the completion and return of as many templates as possible, all templates received up to Monday 5th September, 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.