



Valuing Care



Durham County Council

Cost Review of Home Care Services

By

Valuing Care Ltd

(2022)



Executive Summary

In March 2022, Durham Council (the Council) instructed Valuing Care Ltd (VC) to undertake a review of the cost of providing generic home care services for adults in Durham. The objective of the review is to provide the Council with reliable information on what it costs to provide home care services, which can be used to inform discussions, alongside the Council's usual data and market knowledge, on 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).

All home care providers with a CQC registered office in Durham (36) were invited to participate along with those in neighbouring areas from whom the council purchases services (22).

In response to the survey, VC received a total of 15 templates, 13 of which were fully completed, this represents an overall submission rate of 30% and 41% of Durham HCAs.

Of the 13 fully completed templates 3 were rejected for being outside a reasonable range, following validation processes. In line with national guidance, the policy taken was to remove submissions greater than or less than 1.25 multiplied/divided by the median total hourly rate reported. The remaining 10 submissions have been consolidated in a sample group and used to identify the survey results – the 10 that were included in the final group delivered 826,843 hours of home care per year amongst them, showing this was a reasonable and robust sample.

The Council and Valuing Care believe the number of completed templates received should provide a reliable representation of providers delivering services in Durham.

Based on the local survey results, the Excel Based Tool and national guidance, Valuing Care have constructed a Fair Price of Care (FPoC) rate for home care services in Durham.

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 data output returns as part of the median survey calculations. Although Valuing Care has made every effort to reduce the number of '0s' from returns of this nature.

For a surplus/profit contribution VC have made a provisional allocation of 5% based on our standard benchmarking which was higher than the mark-up on total operating costs (3.7%) from the Durham survey. This is also in line with national guidance. Councils can vary the amount of profit to reflect the quality of a home care service, though this is a discussion which also needs to reflect strategic Council priorities.

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

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 Durham. 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 Durham (at April 2022 prices), alongside the benchmark rate.

Durham Council operate a rural premium for part of the county which may affect the recommended 'FPoC' rate. This will be expanded on later in the report.

'FPoC' rates compared to Benchmark

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£10.78	£10.78	£0.00
Travel time	£1.44	£1.44	£0.00
Sub Total - Direct Care + Travel Time (gross)	£12.23	£12.23	£0.00
Cover for holidays (gross)	£1.54	£1.52	-£0.02
Cover for sickness, maternity/ paternity (gross)	£0.26	£0.14	-£0.12
Cover for staff training & supervision (gross)	£0.27	£0.29	£0.01
Employers National Insurance	£0.99	£0.93	-£0.06
Employers Pension Contribution	£0.27	£0.41	£0.14
Travel Expenses	£0.93	£0.93	£0.00
PPE	£0.21	£0.18	-£0.03
Sub Total - Care Worker Costs	£16.70	£16.62	-£0.08
Back Office Staff	£2.67	£2.52	-£0.15
Recruitment & training	£0.34	£0.15	-£0.19
CQC Registration Fees	£0.10	£0.10	£0.00
Rent, rates & utilities	£0.32	£0.28	-£0.04
IT equipment & telephones	£0.27	£0.31	£0.04
Consumables	£0.11	£0.09	-£0.02
Insurance	£0.11	£0.11	£0.00
Head office & support services	£0.67	£0.11	-£0.56
Sub Total - Business Costs	£4.58	£3.67	-£0.92
Total Operating Costs	£21.29	£20.29	-£1.00
Surplus / Profit Contribution	£1.06	£1.01	-£0.05
Total Rate Per Hour	£22.35	£21.30	-£1.05

The table shows a total 'FPoC' rate of £21.30 per hour, which comprises care worker costs of £16.62, business costs of £3.67, and profit contribution of £1.01.

The 'FPoC' rate includes provision for travel time of £1.44 per contact hour, which equates to 8.1 minutes of the cost of direct care (1 hour).

Comparison of the 'FPoC' rates against the benchmark shows a variance of £1.05/hr, which can be primarily attributed to business costs and profit contribution. Expenditure on Head office staff (-£0.56), appears low compared to benchmark, though this may indicate HCA's delivering services for Durham are operating relatively efficiently compared to providers in other areas.

On the basis that each appointment in Durham typically requires 5 minutes of paid travel time, VC have calculated FPoC rates for appointments of varying duration.

Wider Benchmarking

During 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. Benchmarking from these exercises utilising the same general process show broadly similar outcomes, which further assures on the consistency of the approach taken.

Adjustment for Rural Premiums

Durham County Council currently operate a 'rural premium' for certain packages of care. For these packages, the Council recognises the need to pay an additional sum where appointments are some distance apart and travel costs will increase. Currently the rural premium is £3 per visit.

Of the 10 fully completed templates, 2 providers are considered by the Council as supplying rural packages. This is evidenced with these 2 providers having the highest reported costs.

The Fair Price of Care reported costs in the table above include these 2 providers. Both providers supply a mix of care in both urban and rural areas. However, if these were removed from the sample group and the percentages extrapolated out, **the FPoC rate would reduce by £0.33 per hour.** It is the Council's intention to maintain its rural uplift, in recognition of the challenges faced by providers in these areas; to incentivise delivery; and to ensure that people living in more remote areas of the County are not disadvantaged. **A revised 'FCOC' rate arising from the Durham survey would therefore be set at £20.97 per hour, this rate will be used in the discussions referenced above with the local market on future strategic commissioning and fee setting intentions.**

It is anticipated specifically that the Travel Time and Travel Expenses elements would be reduced by a total of £0.33 per hour to reflect the rurality of the diverse market / area.

FPoC rates for varying appointment duration

The following table presents the FPoC rates for appointments of varying duration.

Cost Type	FPoC Rate	15 mins	30 mins	45 mins	60 mins	90 mins
Direct care	£10.78	£10.78	£10.78	£10.78	£10.78	£10.78
Travel time	£1.44	£3.59	£1.80	£1.20	£0.90	£0.60
Sub Total - Direct Care + Travel Time (gross)	£12.23	£14.38	£12.58	£11.98	£11.68	£11.38
Cover for holidays (gross)	£1.52	£1.78	£1.56	£1.49	£1.45	£1.41
Cover for sickness, maternity/ paternity (gross)	£0.14	£0.17	£0.15	£0.14	£0.14	£0.13
Cover for staff training & supervision (gross)	£0.29	£0.34	£0.29	£0.29	£0.27	£0.27
Employers National Insurance	£0.93	£1.09	£0.95	£0.91	£0.89	£0.86
Employers Pension Contribution	£0.41	£0.48	£0.42	£0.40	£0.39	£0.38
Travel Expenses	£0.93	£2.33	£1.16	£0.78	£0.58	£0.39
PPE	£0.18	£0.45	£0.23	£0.15	£0.11	£0.08
Sub Total - Care Worker Costs	£16.62	£21.01	£17.34	£16.12	£15.51	£14.90
Back Office Staff	£2.52	£2.52	£2.52	£2.52	£2.52	£2.52
Recruitment & training	£0.15	£0.15	£0.15	£0.15	£0.15	£0.15
CQC Registration Fees	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10
Rent, rates & utilities	£0.28	£0.28	£0.28	£0.28	£0.28	£0.28
IT equipment & telephones	£0.31	£0.31	£0.31	£0.31	£0.31	£0.31
Consumables	£0.09	£0.09	£0.09	£0.09	£0.09	£0.09
Insurance	£0.11	£0.11	£0.11	£0.11	£0.11	£0.11
Head office & support services	£0.11	£0.11	£0.11	£0.11	£0.11	£0.11
Sub Total - Business Costs	£3.67	£3.67	£3.67	£3.67	£3.67	£3.67
Total Operating Costs	£20.29	£24.68	£21.01	£19.79	£19.18	£18.56
Surplus / Profit Contribution	£1.01	£1.23	£1.05	£0.99	£0.96	£0.93
Total Rate Per Hour	£21.30	£25.91	£22.06	£20.78	£20.13	£19.49
Total Rate per Appointment		£6.48	£11.03	£15.58	£20.13	£29.24

The table demonstrates how the FPoC rate varies between £19.49 per contact hour (for 90 minutes appointments) and £25.91 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 Personal Protective Equipment (PPE).

Introduction

In September 2021, the Prime Minister confirmed the government would be providing funding to support local authorities to ‘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 December 2021.

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 reform ambitions
4. use this additional funding to genuinely increased fee rates, as appropriate to local circumstances

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

The objective of the review is 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, using national guidance parameters. 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 reported cost using the methodology set, of delivering home care in Durham. 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 Durham. 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

- A total of 15 templates have been consolidated within a sample group of 10 valid templates that have been used to identify the survey results
- The median total contact hours of 1,128 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 37 minutes reflects this common 30 minute duration with a narrow variation across the sample group (IQR=9.5 minutes)
- Providers reported a median travel distance of 3 miles, travel expenses of £0.26 per mile and travel time of 5 minutes per visit. It is likely that the miles travelled is slightly skewed by the rural providers
- The median cost of direct care at £10.78 per hour, ranges between £10.40 and £10.87 across the middle fifty. The relatively narrow spread of costs (IQR=£0.47) provides confidence in the usual cost of direct care
- The median cost of travel time at £1.44 per contact hour, equates to approximately 8.1 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 £21.30 per contact hour, including a £1.01 per hour profit mark-up. However, this can be reduced in practice by 0.33p as the Council intends to maintain its enhanced payment arrangements for rural packages (the FCOC medians reported through the exercise will not reflect this, as its based on a local strategic decision by the Council).
- On the basis that each appointment in Durham typically requires 5 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 £25.41 per contact hour for 15 minutes appointments

Response to survey

The following table summarises the final response to the survey. In total 58 HCA's were invited to participate. The original number of invitations was revised downwards to exclude 8 HCA who are not currently delivering generic home care in Durham.

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

Response to the Survey

All Providers		
Original Caseload	58	
Withdrawn	8	
Final caseload	50	
Templates Received	15	30%
Refused	9	18%
Did not submit	26	52%
Durham Providers		
Original Caseload	36	
Withdrawn	7	
Final caseload	29	
Templates Received	12	41%
Refused	6	21%
Did not submit	11	38%

Response to the Survey	No. of HCA
Invited to participate	58
Invitation withdrawn - out of area / wrong service type	8
Revised number invited to participate	50
Completed templates received	15
Percentage templates received	30%
Templates not used - incomplete / inconsistent data	2
Templates not used - outside of reasonable range ± 1.25 multiplied by median	3
Total Templates Included in the Sample	10

The table shows that of the 15 completed responses, 10 were suitable for inclusion within the survey results, representing 30% of the revised number invited to participate overall and 41% of Durham providers. We understand from national discussions on response rates that this figure and the hours included remains at a level which DHSC would consider appropriate and is broadly in line with, if not greater than, the percentage of HCA's in the data sample in other LA areas.

In addition a further 11 providers committed to sending templates but did not submit within the timescales, despite a small extension. Unfortunately, bearing in mind nationally 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 15 did not engage with the process.

All 10 completed templates are assessed by VC as being of good quality and have been consolidated with a single sample group which 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. Consequently, the number of completed templates received should provide a reliable representation of the Durham costs required by the 'FCOC' exercise.

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].

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.

Percentile Analysis – Contact Hours & Appointments

<i>Contact Hours & Appointments</i>	Count	1st Quartile	Median	3rd Quartile	IQR
Contact Hours / week	10	535	1,128	1,923	1,388
Appointments - 15 mins duration	9	49	205	740	691
Appointments - 30 mins duration	9	400	1,471	1,800	1,400
Appointments - 45 mins duration	9	168	200	272	104
Appointments - 60 mins duration	10	75	192	559	484
Appointments - 75 mins duration	7	12	14	30	18
Appointments - 90 mins duration	7	6	22	29	23
Appointments - 120 mins duration	4	5	7	15	10
Appointments - 180+ mins duration	4	2	9	19	18
Total Appointments	10	758	1,985	3,360	2,602
Appointment duration (mins)	10	32.1	37.0	41.6	9.5

The table shows median total contact hours of 1128 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 37, with a tight spread between the inter quartile range (IQR=9.5 minutes).

Survey Results – Travel Time & Expenses

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

Percentile Analysis – Travel Time & Expenses

Travel	Count	1st Quartile	Median	3rd Quartile	IQR
Travel Distance (Miles)	10	2.3	3.0	3.9	1.6
Mileage/travel expenses (per mile)	9	£0.20	£0.26	£0.30	£0.10
Travel time per visit (minutes)	8	5.0	5.0	5.7	0.7
Travel time per contact hour (minutes)	10	7.2	8.1	9.3	2.1

The table shows a median travel distance of 3 miles, travel expenses of £0.26 per mile and travel time of 5 minutes per visit.

It's important to note that not all HCA reported these costs. Two HCA have subsequently confirmed that remuneration for travel time is included in their basic rate of pay, which demonstrates that the market can have variances / complexities in terms of costs.

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 8.1 minutes, varying significantly across the middle-fifty (IQR=2.1 minutes). Understanding the relationship between travel time and appointment duration is important when determining costs for home care services. This is considered further below.

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 April 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.

Note 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.

Percentile Analysis – Standard Daytime Services

Cost Type	Count	1st Quartile	Median	3rd Quartile	IQR
Direct Care	10	£10.40			£0.47
Travel Time	10	£1.27	£10.78	£10.87	£0.40
Sub Total - Direct care + travel time	10	£11.74	£1.44	£1.67	£0.77
Mileage	10	£0.63	£12.07		£0.89
PPE	10	£0.00	£12.50		£0.36
Training (staff time). Holiday	10	£0.21	£0.93	£1.51	£0.15
Additional Non-Contact Pay	10	£1.47	£0.18	£0.36	£0.09
Costs Sickness/Maternity & Paternity Pay Notice/Suspension Pay	10	£0.00	£0.29	£0.36	£0.12
	10	£0.10	£1.52	£1.55	£0.17
	10	£0.00	£0.00	£0.12	£0.04
	10	£0.80	£0.14	£0.27	£0.20
NI (direct care hours)	10	£0.32	£0.00	£0.04	£0.10
Pension (direct care hours)	10	£15.90	£0.93	£0.99	£1.73
Sub Total - Careworker costs	10	£2.19	£0.41	£0.42	£0.91
Back Office Staff	10	£0.00	£17.07		£0.00
Travel Costs (parking/vehicle lease etc.) Rent, rates & utilities	10	£0.18	£17.64		£0.17
Recruitment / DBS	10	£0.03	£2.52	£3.10	£0.15
Training (3rd party)	10	£0.03	£0.00	£0.00	£0.04
	10	£0.03	£0.28	£0.35	£0.11
IT (Hardware, Software CRM, ECM) Telephony	10	£0.15	£0.11	£0.18	£0.08
	10	£0.03	£0.03	£0.07	£0.03
	10	£0.09	£0.24	£0.26	£0.06
	10	£0.02	£0.07	£0.12	£0.09
Stationery / Postage	10	£0.01	£0.04	£0.07	£0.04
Insurance	10	£0.01	£0.11	£0.14	£0.03
Legal / Finance / Professional Fees	10	£0.02	£0.07	£0.11	£0.06
Marketing	10	£0.00	£0.03	£0.06	£0.00
Audit & Compliance	10	£0.00	£0.01	£0.03	£0.95
Uniforms & Other Consumables	4	£0.05	£0.05	£0.08	£0.04
Assistive Technology	10	£0.09	£0.00	£0.00	£0.03
Total Operating Costs	10	£20.06	£21.39	£21.83	
Surplus / Profit Contribution	10	£0.52	£0.74	£1.07	
Total Rate Per Hour	10	£21.36	£21.85	£0.55	

This table shows the median cost of direct care using the parameters outlined in the national tool to be £10.78 per hour, ranging between £10.40 and £10.87 across the middle fifty. The relatively narrow spread of costs (IQR=£0.47) provides confidence in the figure.

Only 8 of the 10 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 (£10.78) may be overstated to some extent.

The median cost of travel time at £1.44 per contact hour, equates to 8.1 minutes of the median cost of direct care.

The reported cost of travel time does not vary significantly across the middle fifty (IQR=£0.40/hr). As previously acknowledged, variation in the cost of travel time is likely to reflect the average duration of appointments which appears to be within a narrow band.

The reported cost of back-office staff also varies significantly across the middle fifty (IQR=£0.91). This variability is likely to 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.

‘Fair Price of Care Rate’ (FPoC)

Based on the local survey results and working within national guidance and tool parameters, Valuing Care have constructed a ‘Fair Price of Care’ (FPoC) rate for generic home care services in Durham.

To determine what constitutes this 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, particularly when determining how much weight to apply to the exercise when discussing future fee rates.

For example a reasonable case can be made for varying the amount of profit to reflect the quality of a home care service, although this clearly 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.

Fair Price of Care Rate

Cost Type	Count	Median	FPoC Rate	Variance
Direct Care	10	£10.78	£10.78	£0.00
Travel Time	10	£1.44	£1.44	£0.00
Sub Total - Direct care + travel time	10	£12.23	£12.23	£0.00
Mileage	10	£0.93	£0.93	£0.00
PPE	10	£0.18	£0.18	£0.00
Training (staff	10	£0.29	£0.29	£0.00
time) Holiday	10	£1.52	£1.52	£0.00
Additional Non-Contact Pay Costs	10	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity	10	£0.14	£0.14	£0.00
Pay Notice/Suspension Pay	10	£0.00	£0.00	£0.00
NI (direct care hours)	10	£0.93	£0.93	£0.00
Pension (direct care hours)	10	£0.41	£0.41	£0.00
Sub Total - Careworker	Calc	£16.62	£16.62	£0.00
costs Back Office Staff	10	£2.52	£2.52	£0.00
Travel Costs (parking/vehicle lease	10	£0.00	£0.00	£0.00
etc.) Rent, rates & utilities	10	£0.28	£0.28	£0.00
Recruitment / DBS	10	£0.11	£0.11	£0.00
Training (3rd	10	£0.03	£0.03	£0.00
party)	10	£0.24	£0.24	£0.00
IT (Hardware, Software CRM,	10	£0.07	£0.07	£0.00
ECM) Telephony	10	£0.04	£0.04	£0.00
Stationery / Postage	10	£0.11	£0.11	£0.00
Insurance	10	£0.07	£0.07	£0.00
Legal / Finance / Professional Fees	10	£0.03	£0.03	£0.00
Marketing	10	£0.01	£0.01	£0.00
Audit & Compliance	10	£0.05	£0.05	£0.00
Uniforms & Other Consumables	10	£0.00	£0.00	£0.00
Assistive Technology	4	£0.00	£0.00	-£0.07
Central / Head Office Recharges	10	£0.07	£0.07	£0.00
Other overheads	Calc	£3.74	£3.67	-£0.07
Total Operating Costs	Calc	£20.36	£20.29	-£0.07
Surplus / Profit Contribution	10	£0.74	£1.01	£0.27
Total Rate Per Hour	Calc	£21.10	£21.30	£0.20

The table highlights the items of expenditure reported by a minority of providers, which have consequently been excluded from the FPoC rate. In this case it is only Other Overheads that have been excluded.

The FPoC provision for operating costs totals £20.29 per hour, excluding provision for profit.

Valuing Care's provision allocation for profit at 5% of total operating costs (£1.01), is higher than that recorded in the survey (£0.74). Durham County Council may wish to consider the survey results when discussing future hourly rates, alongside their usual market information and considering strategic priorities.

It's important to remember that the FPoC rate reflects median unit costs for all appointment durations, and provision for travel time at £1.54 per contact hour equates to 8.1 minutes per contact hour.

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

'FPoC' rates for varying appointment durations

On the basis that each appointment in Durham typically requires 5 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.

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	5.0	5.0	5.0	5.0	5.0	5.0
Appointments per Contact Hour	1.61	4.0	2.0	1.3	1.0	0.7
Travel Minutes per Contact Hour	8.0	20.0	10.0	6.7	5.0	3.3

The following table presents the 'FPoC' rates for the most common appointment durations of 15, 30, 45, 60 and 90 minutes.

'FPoC' Rates for Varying Appointment Durations

Cost Type	'FPoC' Rate	15 mins	30 mins	45 mins	60 mins	90 mins
Direct Care	£10.78	£10.78	£10.78	£10.78	£10.78	£10.78
Travel Time	£1.44	£3.59	£1.80	£1.20	£0.90	£0.60
Sub Total - Direct care + travel time	£12.23	£14.38	£12.58	£11.98	£11.68	£11.38
Mileage	£0.93	£2.33	£1.16	£0.78	£0.58	£0.39
PPE	£0.18	£0.45	£0.23	£0.15	£0.11	£0.08
Training (staff time)	£0.29	£0.34	£0.29	£0.28	£0.27	£0.27
Holiday	£1.52	£1.78	£1.56	£1.49	£1.45	£1.41
Additional Non-Contact Pay Costs	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity Pay	£0.14	£0.17	£0.15	£0.14	£0.14	£0.13
Notice/Suspension Pay	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
NI (direct care hours)	£0.93	£1.09	£0.95	£0.91	£0.89	£0.86
Pension (direct care hours)	£0.41	£0.48	£0.42	£0.40	£0.39	£0.38
Sub Total - Careworker costs	£16.62	£21.01	£17.34	£16.12	£15.51	£14.90
Back Office Staff	£2.52	£2.52	£2.52	£2.52	£2.52	£2.52
Travel Costs (parking/vehicle lease etc.)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Rent, rates & utilities	£0.28	£0.28	£0.28	£0.28	£0.28	£0.28
Recruitment / DBS	£0.11	£0.11	£0.11	£0.11	£0.11	£0.11
Training (3rd party)	£0.03	£0.03	£0.03	£0.03	£0.03	£0.03
IT (Hardware, Software CRM, ECM)	£0.24	£0.24	£0.24	£0.24	£0.24	£0.24
Telephony	£0.07	£0.07	£0.07	£0.07	£0.07	£0.07
Stationery / Postage	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04
Insurance	£0.11	£0.11	£0.11	£0.11	£0.11	£0.11
Legal / Finance / Professional Fees	£0.07	£0.07	£0.07	£0.07	£0.07	£0.07
Marketing	£0.03	£0.03	£0.03	£0.03	£0.03	£0.03
Audit & Compliance	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01
Uniforms & Other Consumables	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05
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
Sub Total - Business costs	£3.67	£3.67	£3.67	£3.67	£3.67	£3.67
Total Operating Costs	£20.29	£24.68	£21.01	£19.79	£19.18	£18.56
Surplus / Profit Contribution	£1.01	£1.23	£1.05	£0.99	£0.96	£0.93
Total Rate Per Hour	£21.30	£25.91	£22.06	£20.78	£20.13	£19.49
Total Rate per Appointment		£6.48	£11.03	£15.58	£20.13	£29.24

The table demonstrates how the 'FPoC' rate varies between £19.49 per contact hour (for 90 minutes appointments) and £25.91 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 30-minute appointment as £11.03 per appointment, and a marginal increase of £4.55 for each additional 15 minutes of appointment time.

Constructing Benchmark Rates

To corroborate as far as possible 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 Durham (at April 2022 prices).

Valuing Care's database currently contains over 450 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 the 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 the particular local HCA costs.

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 county.

The search of advertisements revealed 7 HCA who were recently recruiting in Durham, The advertisements varied from £9.40 per hour to £12 per hour. The majority were within a tight range of between £10.20–£10.70 per hour, excluding senior carers.

By way of comparison, the median cost of direct care reported in the survey was £10.78 with a range between the first quartile (£10.40) and third quartile (£10.87) of only 47p, a very narrow range.

With direct cost of care reported in the survey including the senior carer hours it should be expected that the median survey results would be comparable to the higher end of the advertisements for carers. Therefore, the Council can take some confidence that the cost of direct care reported in the survey has been broadly substantiated by VC's review of job vacancies.

Benchmark Cost Model Assumptions

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

- Provision for the direct cost of care, travel time and mileage – reflecting the median costs identified in the Durham 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 Durham)
- Employers Pension – calculated as 3% of qualifying earnings (assuming median rates of pay and hours worked by care workers in Durham)
- 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 Durham at April 2022 prices. For comparison these are presented alongside the 'FPoC' rate based on the local survey results.

Benchmark rates for generic home care in Durham

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£10.78	£10.78	£0.00
Travel time	£1.44	£1.44	£0.00
Sub Total - Direct Care + Travel Time (gross)	£12.23	£12.23	£0.00
Cover for holidays (gross)	£1.54	£1.52	-£0.02
Cover for sickness, maternity/ paternity (gross)	£0.26	£0.14	-£0.12
Cover for staff training & supervision (gross)	£0.27	£0.29	£0.01
Employers National Insurance	£0.99	£0.93	-£0.06
Employers Pension Contribution	£0.27	£0.41	£0.14
Travel Expenses	£0.93	£0.93	£0.00
PPE	£0.21	£0.18	-£0.03
Sub Total - Care Worker Costs	£16.70	£16.62	-£0.08
Back Office Staff	£2.67	£2.52	-£0.15
Recruitment & training	£0.34	£0.15	-£0.19
CQC Registration Fees	£0.10	£0.10	£0.00
Rent, rates & utilities	£0.32	£0.28	-£0.04
IT equipment & telephones	£0.27	£0.31	£0.04
Consumables	£0.11	£0.09	-£0.02
Insurance	£0.11	£0.11	£0.00
Head office & support services	£0.67	£0.11	-£0.56
Sub Total - Business Costs	£4.58	£3.67	-£0.92
Total Operating Costs	£21.29	£20.29	-£1.00
Surplus / Profit Contribution	£1.06	£1.01	-£0.05
Total Rate Per Hour	£22.35	£21.30	-£1.05

The table shows Valuing Care's benchmark indicative rate as £22.35/hr, which comprises care worker costs (£16.70), business costs (£4.58), and profit contribution (£1.06).

Comparison of the 'FPoC' rates against the benchmark shows a variance of £1.05p/hr, which can be primarily attributed to business costs. Expenditure on Head office and support staff (-£0.56) and back-office staff (-£0.15) also varies when compared to previous surveys undertaken by Valuing Care.

To some extent this may be due to the providers who participated in the Durham cost survey, who may not have Head Office support in the same way as other HCA providers in

other parts of the country. For example, this may be a reflection of relatively smaller providers in the Durham area. It may also indicate HCA's delivering services for Durham operating relatively efficiently compared to providers in other areas.

As may be expected the FPoC allocations for care worker costs bear a close similarity to the benchmark rates, which assumes 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.

Summary / Durham Position

The Council has carried out a 'FCOC' / 'FPoC' survey as required by DHSC guidance. The Council notes the surplus / profit element described above and will discuss this further with the local provider market when considering the value of the exercise in terms of setting future care fees. The Council's considers that while prices have been addressed at April 2022, carrying out the survey on a period of time when we know that provider costs may still have been affected by the Covid pandemic may, we believe, lead to some potential validity issues. As outlined in this report, some outliers have been removed using best judgement where national guidance supports this position and this includes provider returns where costs may have been inflated by Covid-19 grant funding. The various Infection Control & Testing, Workforce Recruitment & Retention and Omicron Support funds were all distributed during the pandemic period and amounted to a substantial amount of funding for providers. While removing some outliers may mitigate the impact of this, it is possible that some grant funding is still reflected in cost lines for providers whose data remains in scope. It is currently unclear to what extent the impacts of the covid pandemic will be felt in the longer term, however it appears to be unlikely that costs will remain as significant in all of the areas for which grant funding was provided as they were during the pandemic.

The Council intend to use the results of the indicative 'FCOC' return data reported in the Annex A 'Cost of Care Data Table' to inform further discussion with providers on strategic direction and future fee levels in Durham. This information will be used alongside the Council's own strategic market information and local indicators on the health of the local home care market. These discussions will also be informed by the rapidly changing position on provider costs both since the period covered by the 'FPoC' / 'FCOC' exercise and in the coming months / years. As an example, we are aware that currently inflation is high but is forecast by many analysts to reduce in the next year and beyond. This reinforces the timing issues highlighted by carrying out the 'FCOC' exercise on the period selected, and that, as outlined in national guidance, this cannot replace the need for Council strategic market management and associated local fee negotiation and setting.

Appendices

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 115 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.

Appendix 2 – Engagement

To maximise participation in the survey and to demonstrate a fair and equitable approach, all home care agencies with a CQC registered office in Durham (36) were invited to participate along with those in neighbouring areas from whom the council purchases services (22).

VC wrote to all 58 HCAs on the 27th April 2022 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).

HCAs 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 April 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 15th May 2022, 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.

On the 27th May 2022 the council sent an email to all HCA that had not submitted requesting their support.

To facilitate the completion and return of as many templates as possible, all templates received up to Friday 17th June, 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 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.