

# Worcestershire County Council Cost of Care Exercise 18+ Domiciliary Care (Annex B)

## Introduction and Context

This report is compiled as part of the DHSC submission regarding Adult Social Care Charging Reforms. The report is structured in line with the DHSC guidance: [Annex B: Cost of Care Report Contents](#)

The report has been submitted to DHSC in line with the guidance issued to local authorities ([Market Sustainability and Fair Cost of Care Fund 2022 to 2023 guidance](#)) and the DHSC update on Market Sustainability and Fair Cost of Care Fund – Review next steps, received late December 2022. An accessible version of the report is published on the Worcestershire County Council website.

Readers of the report are reminded that DHSC, as set out in their guidance, published in March 2022, the outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation. DHSC expects local authorities to use the insight gained from their cost of care exercises to support their commissioning and contract negotiation for the relevant services in practice.

## The Report (Annex B – 18+ Domiciliary Care)

### Worcestershire Domiciliary Care Services and Provider response to the exercise

1. 22 providers responded to the requests for information as part of the Cost of Care exercise conducted through 2022, representing 33% of the LA commissioned Domiciliary Care market. A number of queries were raised against the submissions. A proactive exercise resulted in all submissions being included in the final analysis
2. Worcestershire has the second highest number of registered domiciliary care providers in the West Midlands region. Only Birmingham has more.
3. Whilst fee rates are quoted per hour, not all calls are of one hour’s duration. The charging reform required the split of call duration to be reported and the data gives lower quartile/median/upper quartile of number of appointments per week by visit length (15/30/45/60 mins):

Table 1: Median call length

Mins per visit	Visits Per Week Median	Visits Per Week Upper Q	Visits Per Week Lower Q
15	35	46	28
30	441	876	217
45	166	281	77
60	114	206	66

## Our analysis

4. In analysing the submissions and data received from providers, Worcestershire County Council (WCC) has considered the following:
  - a) The proportion of local providers who have provided information, or a type of information.
    - Worcestershire County Council (WCC) was disappointed that only 22 domiciliary care providers engaged with the cost care exercise, representing 33% of commissioned hours. Given a relatively low level of return, it is likely that the information garnered may not be

sufficiently representative to inform future fee discussions and decisions. WCC considers the level of information to be borderline in this regard.

- b) Whether the cost information received from providers encompasses the range of information requested by WCC; or which WCC would expect to receive.
- WCC is satisfied in this regard, providers were largely able to fulfil the requirements listed within the nationally recommended data collection spreadsheet.
- c) Where WCC has received information from providers which requires clarification or verification, whether those providers have been willing to clarify or verify the information with supporting evidence, when requested to do so.
- WCC has been able to resolve all queries on the data with providers.
- d) Where WCC has evidence to indicate that information from providers is incorrect. For example, where a home care provider has stated that its average travel distance is X miles per visit, however WCC in fact commissions from that provider, and from that commissioning knows that the information supplied by the provider in its CoC data return is incorrect.
- WCC did not identify any concerns in this regard. Where anomalies occurred, or outliers were identified, providers engaged to provide clarification in order for the county council to exercise a judgement as to the inclusion of the data or to assign as an outlier, in line with guidance
- e) Close analysis of the robustness of staffing costs is particularly important, given that such costs make up a significant proportion of the cost of delivering care services. So, for example, if a provider states that it pays its staff a particular rate, but the LA has seen job advertisements from that provider offering jobs for a lower rate of pay than that reported, then this is likely to be important evidence in deciding on the rate to pay providers.
- In their submissions, providers reported a range in staffing costs which we understand from local knowledge and discussion to relate to a variety of business explanations and mostly to the staffing ratios (front line to back office/business support functions) rather than actual pay rates. It would be helpful to better understand front line staff pay rates as WCC has provided (and, with the ICB will be providing) significant support to providers in relation to workforce. (See also f), below))
- f) Whether the cost information given by providers is consistent with the current state of capacity in the market. For example, if the cost information given by providers conveys that the existing rates which providers are being paid is significantly below what is necessary to fund the market, this could indicate an on-going level of vacancies which impacts on the ability to deliver care.
- WCC remains concerned that despite of significant financial injection to domiciliary care providers in 2021/22 granted expressly to address workforce issues including pay rates, recruitment and retention, that were resulting in very significant numbers of care packages being returned and long waiting lists indicating a near collapsing market, there may still be some way to go as a recent survey indicated very different approaches by providers. Market engagement during 2021/2 to better understand the drivers behind the issues within the market led to a multi-million 'in year' one off payment and, for 2022/3 an agreed annual investment of £6.24m.

The in-year payment recognised the significant challenges within the sector at the time and was delivered between December 2021 and January 2022 in response the following issues identified by providers:

- Raising the fee levels to accommodate a £13/hour care worker cost
- An across the county 8% enhancement to ensure a supply of services for evening and weekend calls
- Increase the mileage rate from 40p to 80p rate and the travel time paid across Worcestershire’s rural locations (all zones).
- Payment of a winter retention bonus at £250 for full time and £125 for part-time front-line workers (rounded up and a one-off payment)

Alongside the ‘in year’ funding increases the Council approved to raise the fees in 2022/3 for all provision of Domiciliary Care in Worcestershire at a Tiered Rate. This considered the issues identified by providers (see bullet points above) and that in rural areas of Worcestershire there were additional demand and cost pressures. An additional £0.5m was also allocated to recognise the cost of providing weekend calls. This resulted in a cost to the Council of £6.24m and an increase of Tier Rates by, on average, 16%.

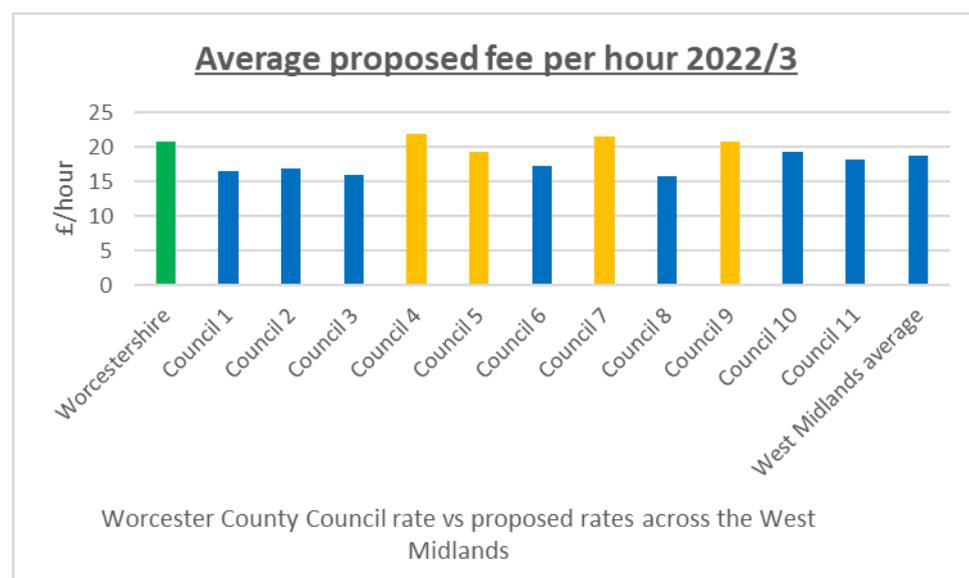
Finding from a recent, but poorly responded to survey has shown, from the responses received, that few providers actually raised the staff pay rates in line with the funding allocated for the purpose as the prime issue they faced in managing recruitment and retention.

g) Consistency with rates paid by similar local authorities

- WCC considers that rates paid today are not inconsistent with rates paid by similar local authorities (although WCC does not know how much the finally reported Median Costs of Care may differ by, authority to authority).

The following bar chart shows the Worcestershire proposed fees for 2022/3 versus 12 of the West Midlands counties plus the West Midlands average that was available to inform the DHSC exercise. The semi-rural counties are highlighted in yellow. It can be seen that Worcestershire rates are on a par with comparable counties, and above the majority of fees paid across the West Midlands as a whole.

Illustration 1: Worcestershire average fees in relation to the West Midlands



Individual cost lines may be skewed by providers who offer services significantly beyond

that necessary to provide an appropriate level of care, such as by having significantly higher staffing ratios than are reflective of industry norms or regulatory requirements.

- WCC did not find evidence of this. From the returns received, not from any discussions regarding clarification of data.
5. WCC also sought to correlate costs with CQC ratings. Our key observations on the data submitted are outlined below:
- a) 88% of commissioned hours are delivered by submitting organisations whose back-office staff costs (as a total of all staff costs) make up 20% or less of the hours commissioned. This figure has therefore been limited to an upper limit of 20%
  - b) Training costs (incorporated with the line for Recruitment, Training & Vetting for residential settings) ranged from 0.13% of the hourly staff cost, to 11.55%. WCC has applied the average training costs from the providers achieving an outstanding CQC rating in calculating the median cost of care (MCC) i.e. 1.33% of staff costs
  - c) Return on operations showed significant variation, from 0% to 9%. WCC has limited the return to 3% in line with the HCA report on UK home care funding (published October 2021) which states that the provider requires a profit/surplus of 3% to enable a sustainable business. Providers were reminded of this report in our letter and FAQ (6 May 2022) inviting participation.
  - d) These assumptions and judgements are broadly in line with the data available within the Home care report [The Minimum Price for Home Care](#) published in December 2021
6. Worcestershire County Council does not enter into different contractual or different fee arrangements for differing domiciliary care types. All are commissioned identically. There are therefore no additional tables for differing sectors where domiciliary care is delivered.

## Presentation of the data

7. Over page, as per the DHSC guidance, the median cost per hour extracted from Annex A, along with (and consistent with) with the identified cost per contact hour, the cost per visit for each of 15-, 30-, 45- and 60-minute visits as calculated from the data submitted for this exercise

The revised Annex A contains the following notes:

- The revised Annex A documentation local authorities were asked to submit and changed from the original format notes the following:
  - The total return on operations does not have to be the median of reported ROO. Local authorities are able to exercise their judgement in the estimation of their ROO, as defended in their report
  - The TOTAL is no longer the sum of the subtotal medians. Local authorities are able to adopt the most appropriate median-based analytical approach to the estimation of their total median cost of care.

The County Council considers that it has fully and adequately explained the rationale where judgement has been exercised. DHSC has requested no clarification on the returns submitted in October 2022

Table 2: Median costs per contact hour calculated from provider submissions

<b>Total Care Worker Costs</b>	<b>£17.22</b>
Direct care	£10.40
Travel time	£1.78
Mileage	£0.82
PPE	£0.49
Training (staff time)	£0.46
Holiday	£1.56
Additional non-contact pay costs	£0.13
Sickness/maternity and paternity pay	£0.43
Notice/suspension pay	£0.06
NI (direct care hours)	£0.70
Pension (direct care hours)	£0.40
<b>Total Business Costs</b>	<b>£6.62</b>
Back office staff	£3.18
Travel costs (parking/vehicle lease et cetera)	£0.43
Rent/rates/utilities	£0.41
Recruitment/DBS	£0.08
Training (third party)	£0.23
IT (hardware, software CRM, ECM)	£0.34
Telephony	£0.13
Stationery/postage	£0.06
Insurance	£0.14
Legal/finance/professional fees	£0.13
Marketing	£0.16
Audit and compliance	£0.06
Uniforms and other consumables	£0.05
Assistive technology	£0.03
Central/head office recharges	£1.07
Other overheads	£0.02
CQC fees	£0.10
<b>Total Return on Operations</b>	<b>£0.72</b>
<b>TOTAL</b>	<b>£24.56</b>

Table 3: Median cost of care by call length, showing cost per resident per week

	<b>18+ domiciliary care Median</b>	<b>15 mins Median</b>	<b>30 mins Median</b>	<b>45 mins Median</b>
<b>Care Worker Costs:</b>	<b>£17.22</b>	<b>£5.34</b>	<b>£8.99</b>	<b>£12.65</b>
Direct care	£10.40	£2.60	£5.20	£7.80
Travel time	£1.78	£1.12	£1.12	£1.12
Mileage	£0.82	£0.56	£0.56	£0.56
PPE	£0.49	£0.12	£0.24	£0.36
Training (staff time)	£0.46	£0.12	£0.23	£0.35
Holiday	£1.56	£0.39	£0.78	£1.17
Additional non-contact pay costs	£0.13	£0.03	£0.06	£0.09
Sickness/maternity and paternity pay	£0.43	£0.11	£0.22	£0.32
Notice/suspension pay	£0.06	£0.01	£0.03	£0.04
NI (direct care hours)	£0.70	£0.17	£0.35	£0.52
Pension (direct care hours)	£0.40	£0.10	£0.20	£0.30
<b>Business Costs:</b>	<b>£6.62</b>	<b>£1.66</b>	<b>£3.31</b>	<b>£4.97</b>
Back office staff	£3.18	£0.80	£1.59	£2.39
Travel costs (parking/vehicle lease et cetera)	£0.43	£0.11	£0.21	£0.32
Rent/rates/utilities	£0.41	£0.10	£0.21	£0.31
Recruitment/DBS	£0.08	£0.02	£0.04	£0.06
Training (third party)	£0.23	£0.06	£0.11	£0.17
IT (hardware, software CRM, ECM)	£0.34	£0.09	£0.17	£0.26
Telephony	£0.13	£0.03	£0.07	£0.10
Stationery/postage	£0.06	£0.01	£0.03	£0.04
Insurance	£0.14	£0.03	£0.07	£0.10
Legal/finance/professional fees	£0.13	£0.03	£0.07	£0.10
Marketing	£0.16	£0.04	£0.08	£0.12
Audit and compliance	£0.06	£0.01	£0.03	£0.04
Uniforms and other consumables	£0.05	£0.01	£0.02	£0.03
Assistive technology	£0.03	£0.01	£0.01	£0.02
Central/head office recharges	£1.07	£0.27	£0.54	£0.80
Other overheads	£0.02	£0.01	£0.01	£0.02
CQC fees	£0.10	£0.03	£0.05	£0.08
<b>Return on Operations</b>	<b>£0.72</b>	<b>£0.18</b>	<b>£0.36</b>	<b>£0.54</b>
<b>TOTAL</b>	<b>£24.56</b>	<b>£7.17</b>	<b>£12.66</b>	<b>£18.16</b>
<b>Supporting information on important cost drivers used in the calculations:</b>	NA			
<i>Number of location level survey responses received</i>	22			
<i>Number of locations eligible to fill in the survey (excluding those found to be ineligible)</i>	89			
<i>Carer basic pay per hour</i>	£10.56			
<i>Minutes of travel per contact hour</i>	15			
<i>Mileage payment per mile</i>	£0.81			
<i>Total direct care hours per annum</i>	688286			

8. The information for the 18+ domiciliary care market was collected using the ADASS cost of care template. Worcestershire County Council has engaged extensively with providers. 6 written communications were sent to home care providers, including FAQ's. The quality of WCC communications was considered "best in class" by the Care Provider Alliance (CPA) and shared (by them) with the LGA and other Local Authorities nationally. Additionally, WCC arranged 2 days of dedicated helpline Commissioner support, 2 provider forums with the CPA, Home Care Association (HCA), Care England and the West Midlands Care Association and a joint communication on behalf of the Council and member associations. A further 60 emails were sent/responded to, and all providers received open invitations to all national and regional webinars. Regular telephone calls encouraged participation, answered ad-hoc queries and resolved anomalies in the data sets received.
9. Information was collected as at 2021/2 as per DHSC guidelines. At the time of submitting reports and prior to the Autumn Statement, the following were considered in terms of inflation but were also recognised as likely to be unaffordable. Since the reports were submitted, inflation has of course continued to escalate. (See also para 10)
  - a. The Low Pay Commission consultation on increases in the National Living Wage (NLW) in April 2023 and April 2024
  - b. General inflation of 7.5% in 2023/24 and 5.0% in 2024/25. This assumes that providers receive significant compensation for the very high inflation this year and there is some continuing impact.
  - c. Combined with NLW increases of 8.6% and 6.1%, composite inflation rates are 8.27% in 2023/4 and 5.77% in 2024/5
10. In order to extend dialogue with providers, communications from the County Council have continued, with updates from providers being requested after the October 2022 submission to DHSC. At the time of updating this report no domiciliary care providers have responded to our request for further information.
 

Further dialogue from member associations continues to be received along the same lines, requesting data that evidences movement towards the cost of care as calculated from this exercise.

This demonstrated that neither the intent of DHSC in providing funding for fee increases post Autumn statement, nor the separation of these calculations from the act of consulting on fee increases are fully appreciated
11. Accepting that the County Council cannot dictate employment terms and conditions, we do periodically attempt to reach a view as to localised cost movements by matters such as the locally advertised rates for jobs in the sector, rates of local job vacancies, and patterns or rates of staff turnover. The Skills for Care, National Minimum Data Set for Social Care also provides reliable and potentially relevant information on cost movements. Historically we have found providers unwilling to feed data into these local exercises, the most recent being for domiciliary care as described in para 4, f).

### Provider fees and next steps

12. In consulting and setting fees, Worcestershire County Council has due regard for the Care Act 2014 and relevant case law.<sup>1, 2</sup>

<sup>1</sup> *R (Care North-East) v Northumberland CC [2013] EWHC 234 (Admin); which affirmed [2013] EWCA Civ 1740 ("Care North-East")*,

<sup>2</sup> *R (Care England) v Essex CC [2017] EWHC 3035 (Admin)*

- a. Section 5(1) of the Care Act 2014 provides that LAs “must promote the efficient and effective operation of a market in services for meeting care and support needs with a view to ensuring that any person in its area wishing to access services in the market— (a) has a variety of providers ... provide a variety of services; (b) has a variety of high-quality services ...; (c) has sufficient information to make an informed decision ...”.
- b. Section 5(2) provides in part that “In performing that duty, a local authority must have regard to the following matters in particular— ... (b) the need to ensure that it is aware of current and likely future demand for such services and to consider how providers might meet that demand ... (d) the importance of ensuring the sustainability of the market...(e) the importance of fostering continuous improvement in the quality of such services and the efficiency and effectiveness with which such services are provided ...”.
- c. The Care and Support Statutory Guidance requires Local Authorities to have regard to the following matters in deciding on care home and domiciliary care fees rates:
  - §4.31: “... evidence that ... fee levels for care and support services are appropriate to provide the delivery of the agreed care packages with agreed quality of care ... allow for the service provider ability to meet statutory obligations to pay at least the national minimum wage and provide effective training and development of staff. It should also allow retention of staff commensurate with delivering services to the agreed quality, and encourage innovation and improvement. Local authorities should have regard to guidance on minimum fee levels necessary to provide this assurance, taking account of the local economic environment ...”;
  - §4.35: “... whilst recognising that individual providers may exit the market from time to time - ensure the overall provision of services remains healthy in terms of the sufficiency of adequate provision of high-quality care and support needed to meet expected needs. This will ensure that there are a range of appropriate and high-quality providers and services for people to choose from”;
  - Annex A, §11: not set “arbitrary amounts or ceilings for particular types of accommodation that do not reflect a fair cost of care”.
- d) DHSC issued revised an update entitled “Market Sustainability and Fair Cost of Care Fund – Review next steps in late December 2022. This guidance is clear and has been communicated to providers in two separate letters - the cost of care and the fee review consultation.

Within these letters, Worcestershire County Council has confirmed that, as part of the autumn statement, the Government has decided to delay the adult social care charging reforms for two years and has removed the requirement to move towards the median cost of care, along with any ring-fenced grant for the purpose. As a result, the £162M for 2022/3 (which was fully passported to providers and none reserved for undertaking the DHSC exercise), and £600M for each of 2023/4 and 2024/5 has been replaced by a grant of £562M for 23/4, which includes the £162M from 2022/3 (all figures are national). DHSC confirmed in its update that Local Authorities should use this grant to “make tangible improvements to Adult Social Care and in particular address discharge delays, social care waiting times, low fee rates, workforce pressures and promote technological innovation within the sector”.

- e) Our duty is therefore to ensure that this is our objective from the fee review and forms the premise of using the grant across *all* our care sectors to meet the aims set by DHSC. The County Council will continue to explain the rationale for the subtle change of direction by DHSC and about how we shall appropriately use this funding to achieve the goal.

- f) Worcestershire County Council will therefore consult on fee increases in line with DHSC requirements (discharge delays, social care waiting times, low fee rates, workforce pressures and promote technological innovation within the sector) and also market sustainability/pressures and affordability, noting that DHSC has confirmed that The outcome of the cost of care exercise is not intended to be a replacement for the fee setting element of local authority commissioning processes or individual contract negotiation, although we are fully aware that a certain expectation within the provider market has been set.
- g) The revised guidance from December therefore overturns the earlier guidance issued on 25 August (not published on the DHSC website, but emailed out to their Charging Reform mail list) which stated that:
- We [DHSC] recognise that outlining median figures for the broad service types within scope (standard residential care, residential care for enhanced needs, standard nursing care, nursing care for enhanced needs and domiciliary care) may oversimplify what is a complex picture of care and support needs.
  - The outcome of the cost of care exercise is not therefore intended to be a replacement for the fee setting element of local authority commissioning processes or individual contract negotiation.
  - In practice we [DHSC] will expect actual fees to be informed by the fair cost of care, which is the median value rate local authorities will be moving towards. Fee rates will also continue to be based on sound judgement, evidence, and through a negotiation process, as is the case currently. As such there will be variation in the rates providers are paid to reflect the quality and level of service. Ultimately paying a fair cost of care does not mean that all providers are paid the same rate, but rather the fair cost of care is the median value which fee rates will be “moving towards”.
  - The Fair Cost of Care guidance therefore states that: “as many local authorities move towards paying the fair cost of care, it is expected that actual fee rates paid may differ due to such factors as rurality, personalisation of care, quality of provision and wider market circumstances”.