

## WARRINGTON BOROUGH COUNCIL

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**Title of report:** Annex B Domiciliary Fair Cost of Care Report – October 2022

### 1. PURPOSE

- 1.1 The purpose of this report is to communicate the outcome of Warrington Borough Council's Domiciliary Care Fair Cost of Care exercise in response to the Department for Health and Social Care's (DHSC) requirement.
- 1.2 The report will also advise DHSC on the process undertaken in relation to engaging and calculating the Fair Cost of Care.

### 2. INTRODUCTION AND BACKGROUND

- 2.1 Approximately £12 million is currently spent annually by Warrington Borough Council on domiciliary placements in the borough of Warrington. Around 900 service users receive domiciliary care in Warrington and 62% of the care hours are placed with providers at the current standard rate of £19.32. A further 38% of care hours are commissioned at separate single purchase rates.
- 2.2 Following the conclusion of the recent tender for domiciliary care the new fee structure for Domiciliary Care is as follows:

Table 1:

| WBC rate for Care | Standard Fee Rate 2022/23 | Notes                                   |
|-------------------|---------------------------|---|
| Urban             | £19.32                    | Standard rate                           |
| Rural             | £20.32                    | Rural rate to be introduced in Jan 2023 |

### 3. RESOURCES

- 3.1 In order to meet the requirements of the DHSC Fair Cost of Care, the Council utilised the Contracts and Commissioning Team to undertake the exercise. This decision was made as it was felt the relationship between the team and the providers would positively impact on the numbers of providers willing to participate. This has been evidenced in our return rates detailed below. It is also important for the team to understand the costings of domiciliary care when fee setting processes are undertaken annually and provides market insight to inform the market position statements for the services.

- 3.2 In addition, the Council commissioned a specialist consultancy company from ARCC Solutions Ltd to provide advice, guidance and data review as the exercise progressed.

## **4. COST OF CARE APPROACH**

### **4.1 Provider Engagement**

- 4.1.1 Warrington Borough Council held an initial provider engagement session on 6 May 2022. We provided an overview of the exercise including DHSC requirements, timescales, resources, support and information. This was followed up with a further email to all providers which included the presentation slides and links to further information and guidance. Within the communication providers were asked to provide feedback in relation to the local market and sustainability to inform the Market Sustainability Plan.
- 4.1.2 On 9 May 2022 we sent a letter to 18 domiciliary care providers fully explaining the process and requirements with an invite to a further engagement session.
- 4.1.2 The second engagement session was held on 25 May 2022, providers were fully informed of the tool which we intended to utilise and the requirements of the provider. Training and guidance information and a copy of the ARCC Home Care costing Tool was provided. We set up a new email address for cost of care to enable providers to communicate directly with those involved in the process if they required support or guidance.
- 4.1.3 Email reminders were sent to providers on 26 June 2022, the ARCC Home Care Costing Tool and letter were reissued.
- 4.1.4 On 30 June 2022 a further email was sent to all providers with further links to demonstrations and FAQ sessions.
- 4.1.5 FAQ information was issued to all providers on 7 July 2022.
- 4.1.6 Follow up individual emails were sent to agencies which had not responded. Deadlines for receipt of data were flexible and agreed with individual providers based on discussions regarding availability.
- 4.1.7 Provider presentation of findings from the cost of care exercise prior to reporting to DHSC took place on 4 October 2022, this did not detail costings, and this was an overview of our approach.

### **4.2 Tool**

- 4.2.1 Warrington Borough Council used the Home Care Costing Tool provided via ARCC and did not ask further information of providers, nor use any other data collection template.
- 4.2.2 The tool calculated a Cost of Care price per hour of care.
- 4.2.3 The tool considered the following cost headings:
- (i) Wages & salaries cost;
  - (ii) Travel Cost;
  - (iii) Staffing Hours;

- (iv) Expenditure/Overheads;
- (v) Return on Operations (profit or surplus).

### 4.3 Response Rate

4.3.1 A total of 18 domiciliary care agencies were within the scope of this exercise in Warrington.

4.3.2 Warrington Borough Council received 12 provider submissions which is 67% of the market. This is equal to 8,855 hours out of a possible 10,582 commissioned by the Council and therefore 84% of the hours commissioned by the Council.

4.3.3 Of the 12 submissions 11 required further clarification. Follow up emails were sent to providers asking them to review the queries and to date 9 providers have responded.

4.3.4 The reasons for clarification included:

- (i) Payment of mileage;
- (ii) Staff delivery;
- (iii) Profit or surplus.

4.3.5 A total of 6 agencies did not respond or engage in the process.

### 4.4 Summary of Provider Fair Cost of Care Returns

4.4.1 The table below summarises the cost of care data we received from providers. Please note, the data below includes the provider's: wages & salaries cost; overheads; profit or surplus, to give a total cost per hour. Please note, any returns which had a nil cost/zero within individual cost lines were removed to ensure this did not skew the median calculations:

Table 2:

|                       | Number of Returns | Cost of Care Lower Quartile (£) | Cost of Care Median (£) | Cost of Care Upper Quartile (£) |
|-----------------------|-------------------|---------------------------------|-------------------------|---------------------------------|
| Cost of Care Per Hour | 12                | £20.31                          | £23.95                  | £43.80                          |

4.4.2 Two providers did not provide a profit or surplus figure.

4.4.3 The table below summaries the range of return on operations (RoO) which was received by providers:

Table 3:

|                               | Profit or Surplus (RoO) |       |        |
|-------------------------------|-------------------------|-------|--------|
|                               | Min                     | Max   | Median |
| Return on Operations          | £0.97                   | £3.36 | £1.39  |
| As percentage of Cost of Care | 4%                      | 14%   | 6%     |

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### 4.5 Caveats to the data

- 4.5.1 The exercise has delivered a varied dataset with wide variances between the cost inputs for travel time, mileage and back office costs.
- 4.5.2 Some data submissions include the costs for providing care to private and Continuing Health Care placements as they form part of the branch costs.
- 4.5.3 During the requested data collection period (2021/22) Covid-19 grants were paid to providers. The tool does not account for the additional grant income paid.
- 4.5.4 In addition to Covid-19 related grants providers also received a share of the Workforce Development Grant, this may temporary inflate their costs to account for the additional funding however the funding has now ended so costs may reduce in future years.
- 4.5.5 Some providers are still receiving PPE through the Covid-19 supply portal whilst some are sourcing their own PPE at cost to themselves. The duration of the continued supply of PPE through the portal ends on 31 March 2023 and therefore may impact costs.
- 4.5.6 The way that some care providers pay staff differs from others, with some paying staff for contact time plus travel time and others paying a flat hourly rate which includes travel time. The model assumes that the cost of travel is added to the hourly visit cost.
- 4.5.7 Since the Cost of Care data was provided by organisations a number of fiscal policy changes have been announced by Government in their Growth Plan 2022, the changes which impact this data exercise are as follows:
  - a) New 6 month Energy Bill Relief Scheme for businesses, providing discounted energy prices, a three month review is expected to inform policy from March 2023;
  - b) Cuts to National Insurance contributions from November 2022;
  - c) Cancelled the Health and Social Care Levy; and
  - d) Cancelled the planned rise in Corporation Tax to 35%, maintaining it at 19%.

#### 4.6 Justification for the Proposed Approach to Return on Operations

- 4.6.1 The Council used the ARCC Home Care Costing Tool which used a median figure of 6% for the Return on Operations based on the submission of providers.
- 4.6.2 The median figure for Return on Operations was 6%, this is detailed below:

Table 4:

|            | Percentage Return on Operations |
|------------|---------------------------------|
| Provider 1 | 4.4%                            |
| Provider 2 | 3.0%                            |
| Provider 3 | 5.0%                            |
| Provider 4 | 10.0%                           |
| Provider 5 | 8.0%                            |
| Provider 6 | 15.0%                           |
| Provider 7 | 5.0%                            |
| Provider 8 | 15.0%                           |

|               | Percentage Return on Operations |
|---------------|---------------------------------|
| Provider 9    | No return                       |
| Provider 10   | No return                       |
| Provider 11   | 7.0%                            |
| Provider 12   | 2.0%                            |
| <b>Median</b> | <b>6.0%</b>                     |

#### 4.7 Fair Cost of Care (Return on Operations – 6%)

4.7.1 Detailed below is a table showing the count of observations, lower quartile, median and upper quartile of all items in Annex A, Section 3:. Please note, median calculations were taken from each individual cost line rather than on subtotal and we did not remove any outliers:

Table 5:

| Hourly Breakdown                          | Count of Observations | Lower Quartile | Median | Upper Quartile |
|---|-----------------------|----------------|--------|----------------|
| Direct Care                               | 12                    | £10.21         | £10.49 | £11.72         |
| Travel Time                               | 11                    | £1.10          | £1.55  | £3.54          |
| Mileage                                   | 12                    | £0.34          | £0.52  | £2.39          |
| PPE                                       | 9                     | £0.30          | £0.44  | £2.17          |
| Training (staff time)                     | 8                     | £0.25          | £0.30  | £0.40          |
| Holiday                                   | 12                    | £1.47          | £1.54  | £1.70          |
| Additional Non-Contact Pay Costs          | 2                     | £0.24          | £0.28  | £0.36          |
| Sickness/Maternity & Paternity Pay        | 9                     | £0.26          | £0.29  | £0.69          |
| Notice/Suspension Pay                     | 1                     | £0.65          | £0.65  | £0.65          |
| NI (direct care hours)                    | 12                    | £0.66          | £0.95  | £1.48          |
| Pension (direct care hours)               | 12                    | £0.40          | £0.43  | £0.49          |
| Back Office Staff                         | 12                    | £2.17          | £2.93  | £7.77          |
| Travel Costs (parking/vehicle lease etc.) | 3                     | £0.09          | £0.16  | £0.17          |
| Rent / Rates / Utilities                  | 12                    | £0.28          | £0.41  | £0.71          |
| Recruitment / DBS                         | 11                    | £0.06          | £0.11  | £0.88          |
| Training (3rd party)                      | 8                     | £0.04          | £0.08  | £0.10          |
| IT (Hardware, Software CRM, ECM)          | 12                    | £0.12          | £0.18  | £0.45          |
| Telephony                                 | 12                    | £0.08          | £0.11  | £0.66          |
| Stationery / Postage                      | 12                    | £0.02          | £0.05  | £0.26          |
| Insurance                                 | 11                    | £0.09          | £0.12  | £0.31          |
| Legal / Finance / Professional Fees       | 9                     | £0.07          | £0.15  | £0.85          |
| Marketing                                 | 9                     | £0.02          | £0.05  | £0.17          |
| Audit & Compliance                        | 8                     | £0.02          | £0.05  | £0.12          |
| Uniforms & Other Consumables              | 10                    | £0.02          | £0.03  | £0.23          |
| Assistive Technology                      | 0                     |                |        |                |
| Central / Head Office Recharges           | 4                     | £0.07          | £0.34  | £1.70          |
| Storage                                   | 1                     | £0.02          | £0.02  | £0.02          |
| Entertainment                             | 1                     | £0.01          | £0.01  | £0.01          |

| Hourly Breakdown              | Count of Observations | Lower Quartile | Median        | Upper Quartile |
|-------------------------------|-----------------------|----------------|---------------|----------------|
| Additional PPE                | 1                     | £0.17          | £0.17         | £0.17          |
| Repairs/ servicing            | 1                     | £0.07          | £0.07         | £0.07          |
| Other overheads               | 0                     |                |               |                |
| CQC Registration Fees(4)      | 12                    | £0.06          | £0.09         | £0.19          |
| Surplus / Profit Contribution | 10                    | £0.97          | £1.39         | £3.36          |
| Total Cost Per Hour           | 12                    | £20.31         | £23.95        | £43.80         |
| Wages & Salaries              | 12                    | £17.16         | £19.13        | £28.45         |
| Overheads and other COS       | 12                    | £2.18          | £3.42         | £11.99         |
| Surplus / Profit              | 12                    | £0.97          | £1.39         | £3.36          |
| <b>Total</b>                  | <b>12</b>             | <b>£20.31</b>  | <b>£23.95</b> | <b>£43.80</b>  |

4.7.2 Detailed below is the full table as presented in Annex A, section 3, this includes 1 column of median values:

Table 6:

| Cost of care exercise results - all cells should be £ per contact hour, MEDIANS. | 18+ domiciliary care |
|--|----------------------|
| <b>Total Care Worker Costs</b>   | <b>£17.44</b>        |
| Direct care  | £10.49               |
| Travel time  | £1.55                |
| Mileage  | £0.52                |
| PPE  | £0.44                |
| Training (staff time)  | £0.30                |
| Holiday  | £1.54                |
| Additional noncontact pay costs  | £0.28                |
| Sickness/maternity and paternity pay   | £0.29                |
| Notice/suspension pay  | £0.65                |
| NI (direct care hours)   | £0.95                |
| Pension (direct care hours)  | £0.43                |
| <b>Total Business Costs</b>  | <b>£5.12</b>         |
| Back office staff  | £2.93                |
| Travel costs (parking/vehicle lease et cetera)                                   | £0.16                |
| Rent/rates/utilities   | £0.41                |
| Recruitment/DBS  | £0.11                |
| Training (third party)   | £0.08                |
| IT (hardware, software CRM, ECM)   | £0.18                |
| Telephony  | £0.11                |
| Stationery/postage   | £0.05                |
| Insurance  | £0.12                |
| Legal/finance/professional fees  | £0.15                |
| Marketing  | £0.05                |

| <b>Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.</b> | <b>18+ domiciliary care</b> |
|---|-----------------------------|
| Audit and compliance  | £0.05                       |
| Uniforms and other consumables  | £0.03                       |
| Assistive technology  |                             |
| Central/head office recharges   | £0.34                       |
| Other overheads   | £0.28                       |
| CQC fees  | £0.09                       |
| <b>Total Return on Operations</b>   | <b>£1.39</b>                |
| <b>TOTAL</b>  | <b>£23.95</b>               |

4.4.7 The data was provided for 2021/22 and costings are therefore potentially skewed due to Covid-19 grants and the way providers utilised the grants differed by setting.

4.4.8 The range of data relating to travel costs showed a large degree of variation due to the differing ways that providers pay staff for their travel. As a result, the combined cost of travel time and mileage costs varied from 84p up to £5.41.

#### **4.8 Cost of Care Summary**

4.8.1 The median cost of care hourly rate is £23.95.

#### **4.9 Fee Setting Process**

4.9.1 Each Autumn WBC undertakes consultation with providers in relation to cost pressures. Providers return a cost pressures survey, results are collated and then utilised to inform the fee levels set for the following year. As part of this process we will ensure that an additional percentage uplift is applied to enable us to work towards to the agreed fair cost of care.

4.9.2 Providers were informed at the session on 4<sup>th</sup> October 2022 that the fair cost of care will not automatically apply upon completion of this process.