

Newham Council

Cost Review of Home Care Services

By

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1 Prelude to Executive Summary – Travel Time Cost Options for Newham Council

The domiciliary survey collection method used for the remainder of this report was the national recommended LGA toolkit. The tool was created for the National Fair Cost of Care exercise and, as a trailblazer, Newham Council was one of the first to report findings from the provider returns.

One issue that arose from the data collection was the reported level of costs relating to staff travel time. This was discovered at the end of the survey process. The reported cost from the LGA survey toolkit is £2.37 per contact hour which equates to an average of 12.5 minutes per call.

The travel time per call was higher than the average when compared to previous surveys completed by Valuing Care. Those previous surveys used the company's internal template and reporting mechanisms. The anomaly was particularly noticeable when considering the urban nature of the borough and the patch-based approach for commissioning care.

Valuing Care approached the providers who had submitted the surveys for clarification on their reported travel time costs and discovered a high level of estimation. This cast further doubt on the findings from the LGA toolkit for this specific cost line.

Newham Council had conducted a previous cost of care exercise in 2019. This survey had reported a travel time cost of 8% which equates to 5 minutes per call. This figure was lower than the 12.5 minutes reported from the LGA toolkit returns. Following the 2019 survey, Newham Council agreed the 8% with Unison as a level of on-costs relating to travel time which equated to the 5 minute per call calculation.

For national consistency of the LGA toolkit and to mirror Valuing Care's other commissioned surveys, the remainder of this report still details the outcome of the surveys to match the approach taken elsewhere, using the LGA toolkit.

However, an option for Newham Council when setting the FCOC rate, could be to use the previous data collection exercise in the borough and to adjust the travel time element to 8%. This will reduce the cost relating to travel time from £2.37 per contact hour to £0.91.

As other associated staff on-costs are based on a percentage of the carer's hourly rate, the travel time contact hourly rate will have a knock-on effect to associated costs such as National Insurance.

Working with the Council, Valuing Care have created an alternative cost structure for the staffing cost elements. Details of the changes and their adjustment to the FCOC rate are set out in the table below:

RATE ELEMENT	LGA toolkit reported FCOC RATE	FCOC travel time adjusted rate
Hrly Rate for Contact Time	11.36	11.36
Travel Time	2.37	0.91
NI	0.98	0.88
Pension	0.41	0.37
Holiday	1.65	1.47
Training	0.42	0.37
Sick Pay / Notice	0.30	0.27
Mileage	0.24	0.24
<u>SUB-TOTAL (Care Worker Cost)</u>	<u>17.74</u>	<u>15.88</u>
Managers and Supervisors	2.17	2.17
Staff Recruitment	0.06	0.06
Training and Supervision	0.12	0.12
IT & Telephony	0.14	0.14
Rent, Rates and Utilities	0.34	0.34
Statutory Regulation	0.08	0.08
Governance Costs	0.09	0.09
Stationery and Postage	0.02	0.02
PPE (exc: Covid)	0.35	0.35
Business Overheads	0.15	0.15
<u>SUB-TOTAL (Running A Business)</u>	<u>3.53</u>	<u>3.53</u>
Profit	1.04	1.04
<u>Hourly Rate</u>	<u>22.32</u>	<u>20.45</u>

All other costs remain consistent with the LGA toolkit survey. By constructing two options the Council can consider the merits of both and decide on the make-up of the final recommended FCOC rate.

2 Executive Summary

In February 2022, Newham Council (the Council) instructed Valuing Care Ltd (VC) to undertake a review of the cost of providing generic home care services for adults in Newham. 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 14 completed templates which have been consolidated in a sample group and used to identify the survey results – this includes 8 templates from main patch holders, and 5 from approved providers.

Valuing Care believe the number of completed templates received from main patch holders and approved providers should provide a reliable representation of the cost of delivering services in Newham.

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

To 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.

For a surplus/profit contribution VC have made a provisional allocation calculated as a 5% mark-up on total operating costs. 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.

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

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 Newham. The benchmark rate assumes the cost of direct care, travel time, and travel expenses reported in the local survey.

The following table presents the FPoC rate for generic home care services in Newham (at April 2022 prices), alongside the benchmark rate.

Table 1 – FPoC rates compared to Benchmark

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£11.36	£11.36	£0.00
Travel time	£2.37	£2.37	£0.00
Sub Total - Direct Care + Travel Time (gross)	£13.73	£13.73	£0.00
Cover for holidays (gross)	£1.73	£1.65	-£0.08
Cover for sickness, maternity/ paternity (gross)	£0.30	£0.25	-£0.04
Cover for staff training & supervision (gross)	£0.30	£0.47	£0.16
Employers National Insurance	£1.12	£0.98	-£0.14
Employers Pension Contribution	£0.31	£0.41	£0.11
Travel Expenses	£0.24	£0.24	£0.00
Sub Total - Care Worker Costs	£17.73	£17.74	£0.01
Back Office Staff	£3.01	£2.17	-£0.83
Recruitment & training	£0.34	£0.18	-£0.16
CQC Registration Fees	£0.10	£0.08	-£0.02
Rent, rates & utilities	£0.32	£0.34	£0.02
IT equipment & telephones	£0.27	£0.14	-£0.12
Consumables	£0.32	£0.44	£0.12
Insurance	£0.11	£0.04	-£0.06
Head office & support services	£0.67	£0.12	-£0.55
Sub Total - Business Costs	£5.13	£3.53	-£1.60
Total Operating Costs	£22.86	£21.27	-£1.59
Surplus / Profit Contribution	£1.14	£1.06	-£0.08
Total Rate Per Hour	£24.00	£22.34	-£1.66

The table shows a total FPoC rate of £22.34 per hour, which comprises care worker costs of £17.74, business costs of £3.53, and profit contribution of £1.06.

The FPoC rate includes provision for travel time of £2.37 per contact hour, which equates to approximately 12.5 minutes of the cost of direct care (1 hour).

Comparison of the FPoC rates against the benchmark shows a favourable variance of £1.66/hr, which can be primarily attributed to business costs. Expenditure on back office staff (-£0.83), and head office and support services (-£0.55) appear unusually low compared to previous surveys undertaken by Valuing Care.

To some extent this maybe be due to the relatively large providers who participated in the Newham cost survey, who may be benefitting from economies of scale. It may also

indicate HCA's delivering services for Newham are operating relatively efficiently compared to providers in other areas.

On the basis that each appointment in Newham typically requires 10 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 2 – FPoC rates for varying appointment duration

Cost Type	FPoC Rate	30 mins	45 mins	60 mins	90 mins
Direct care	£11.36	£11.36	£11.36	£11.36	£11.36
Travel time	£2.37	£3.79	£2.53	£1.89	£1.26
Sub Total - Direct Care + Travel Time (gross)	£13.73	£15.15	£13.89	£13.26	£12.63
Cover for holidays (gross)	£1.65	£1.82	£1.67	£1.59	£1.52
Cover for sickness, maternity/ paternity (gross)	£0.25	£0.28	£0.26	£0.25	£0.23
Cover for staff training & supervision (gross)	£0.47	£0.52	£0.47	£0.45	£0.43
Employers National Insurance	£0.98	£1.09	£0.99	£0.95	£0.90
Employers Pension Contribution	£0.41	£0.46	£0.42	£0.40	£0.38
Travel Expenses	£0.24	£0.38	£0.25	£0.19	£0.13
Sub Total - Care Worker Costs	£17.74	£19.69	£17.95	£17.09	£16.22
Back Office Staff	£2.17	£2.17	£2.17	£2.17	£2.17
Recruitment & training	£0.18	£0.18	£0.18	£0.18	£0.18
CQC Registration Fees	£0.08	£0.08	£0.08	£0.08	£0.08
Rent, rates & utilities	£0.34	£0.34	£0.34	£0.34	£0.34
IT equipment & telephones	£0.14	£0.14	£0.14	£0.14	£0.14
Consumables	£0.44	£0.65	£0.47	£0.37	£0.28
Insurance	£0.04	£0.04	£0.04	£0.04	£0.04
Head office & support services	£0.12	£0.12	£0.12	£0.12	£0.12
Sub Total - Business Costs	£3.53	£3.74	£3.55	£3.46	£3.37
Total Operating Costs	£21.27	£23.43	£21.51	£20.55	£19.59
Surplus / Profit Contribution	£1.06	£1.17	£1.08	£1.03	£0.98
Total Rate Per Hour	£22.34	£24.60	£22.58	£21.57	£20.57
Total Rate per Appointment		£12.30	£16.94	£21.57	£30.85

The table demonstrates how the FPoC rate varies between £20.57 per contact hour (for 90 minutes appointments) and £24.60 per contact hour (for 30 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 consumables (which includes provision for Personal Protective Equipment (PPE)).

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.

3 Managing the Annual Fee Adjustment

The Fair Price of Care (FPoC) Rates are stated at April 2022 prices.

To ensure they continue to reflect the actual costs of providing services, Valuing Care recommend they are adjusted on an annual basis, by an estimate of future inflation in year 1 (to September 2022 prices), and then to reflect 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 April 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.

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

To help meet these conditions, Newham Council (the Council) instructed Valuing Care Ltd to undertake a review of the cost of providing generic home care services to adults in Newham. *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 Newham. *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 Newham. 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.

5 Survey Summary

- A total of 14 completed templates have been consolidated within a sample group and used to identify the survey results, including 8 templates from main patch holders, and 5 from approved providers
- The median total contact hours of 2,151 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 44.2 minutes varies significantly across the sample group (IQR=33 minutes)
- Providers reported a median travel distance of 1 mile, travel expenses of £0.22 per mile and travel time of 10 minutes per visit
- The median cost of direct care £11.36 per hour, ranges between £11.14 and £11.57 across the middle fifty. The relatively narrow spread of costs (IQR=£0.43) provides confidence in the usual cost of direct care
- The median cost of travel time at £2.37 per contact hour, equates to approximately 12.5 minutes of the median cost of direct care
- The reported cost of travel time varies significantly across the middle fifty (IQR=£2.42/hr). This is primarily likely to reflect variances in average appointment duration
- Based on the median costs reported in the survey Valuing Care have calculated a FPoC rate of £22.34 per contact hour, including a 5% profit mark up on total operating costs of £21.27 per hour
- On the basis that each appointment in Newham typically requires 10 minutes of paid travel time, VC have calculated FPoC rates for varying appointment duration – this varies between £20.57 per contact hour for 90 minutes appointments and £24.60 per contact hour for 30 minutes appointments

6 Response to survey

The following table summarises the final response to the survey.

The original number of invitations has been revised downwards to exclude 9 HCA who are not currently delivering generic home care in Newham.

Table 4 – Response to the Survey

Response to the Survey	No. of HCA
Invited to participate	51
Invitation withdrawn - out of area / wrong service type	9
Revised number invited to participate	42
Completed templates received	14
Percentage templates received	33%

The table shows that 14 completed templates have been received which were suitable for inclusion within the survey results, representing 33% of the revised number invited to participate.

A further 6 templates were received but insufficiently completed to be included within the survey results.

The following table summarises the contractual relationship with the Council of the 14 providers who completed templates.

Table 5 – Contractual Relationship to Newham Council

Contractual Relationship	Invited	Completed Templates	Completed %
Main Patch Holder	10	8	80%
Additional Approved Providers	11	5	45%
Not on Framework	21	1	5%
Completed templates received	42	14	33%

The table shows that 8 of the completed templates were received from main patch holders, 5 from approved providers, and 1 from a provider not currently party to the Council's framework agreement.

All 14 completed templates 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 cost of delivering services in Newham.

7 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.

7.1 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	14	1,559	1,934	3,255	1,696
Appointments - 15 mins duration	14	0	0	0	0
Appointments - 30 mins duration	14	616	1,210	1,326	710
Appointments - 45 mins duration	14	384	458	627	244
Appointments - 60 mins duration	14	347	396	627	280
Appointments - 75 mins duration	14	1	9	20	19
Appointments - 90 mins duration	14	32	51	59	27
Appointments - 120 mins duration	14	4	42	105	101
Appointments - 180+ mins duration	14	1	16	56	55
Total Appointments	14	1,884	2,151	2,501	618
Appointment duration (mins)	14	41.6	44.2	76.4	34.7

The table shows median total contact hours of 2,151 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 44.2 minutes, although this varies significantly across the sample group (IQR=33 minutes).

7.2 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)	10	0.6	1.0	2.5	1.9
Mileage/travel expenses (per mile)	9	£0.20	£0.22	£0.30	£0.10
Travel time per visit (minutes)	11	9.7	10.0	15.0	5.3
Travel time per contact hour (minutes)	11	5.8	12.4	19.2	13.5

The table shows a median travel distance of 1 mile, travel expenses of £0.22 per mile and travel time of 10 minutes per visit.

The regularity of these amounts (1 mile and 10 minutes), is indicative of a bottom-up approach to cost estimation, and may therefore not be an accurate reflection of actual costs.

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.

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 12.4 minutes, varying significantly across the middle-fifty (IQR=13.5 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.

8 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.

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

Cost Type	Count	1st Quartile	Median	3rd Quartile	IQR
Direct Care	14	£11.14	£11.36	£11.57	£0.43
Travel Time	11	£1.15	£2.37	£3.57	£2.42
Mileage	9	£0.17	£0.24	£0.34	£0.17
PPE	13	£0.14	£0.35	£0.39	£0.25
Training (staff time)	10	£0.23	£0.42	£0.50	£0.27
Holiday	14	£1.48	£1.65	£1.83	£0.35
Additional Non-Contact Pay Costs	4	£0.20	£0.27	£0.29	£0.10
Sickness/Maternity & Paternity Pay	14	£0.21	£0.25	£0.54	£0.33
Notice/Suspension Pay	7	£0.04	£0.05	£0.07	£0.03
NI (direct care hours)	14	£0.73	£0.98	£1.18	£0.45
Pension (direct care hours)	14	£0.33	£0.41	£0.48	£0.16
Back Office Staff	14	£1.81	£2.17	£2.81	£0.99
Travel Costs (parking/vehicle lease etc.)	10	£0.04	£0.05	£0.06	£0.02
Rent, rates & utilities	14	£0.16	£0.34	£0.59	£0.43
Recruitment / DBS	13	£0.03	£0.06	£0.12	£0.09
Training (3rd party)	11	£0.05	£0.12	£0.14	£0.08
IT (Hardware, Software CRM, ECM)	14	£0.04	£0.11	£0.18	£0.14
Telephony	14	£0.02	£0.04	£0.08	£0.06
Stationery / Postage	13	£0.01	£0.02	£0.05	£0.03
Insurance	13	£0.03	£0.04	£0.09	£0.07
Legal / Finance / Professional Fees	12	£0.04	£0.05	£0.13	£0.09
Marketing	9	£0.02	£0.03	£0.05	£0.03
Audit & Compliance	12	£0.02	£0.04	£0.10	£0.08
Uniforms & Other Consumables	8	£0.02	£0.03	£0.04	£0.01
Assistive Technology	3	£0.01	£0.01	£0.07	£0.06
Central / Head Office Recharges	5	£0.03	£0.17	£0.38	£0.35
Other overheads	2	£0.06	£0.09	£0.12	£0.06
CQC Registration Fees	14	£0.05	£0.08	£0.10	£0.05
Total Operating Costs	14	£19.99	£20.90	£23.71	£3.72
Surplus / Profit Contribution	13	£0.57	£1.04	£1.67	£1.11
Total Rate Per Hour	14	£20.76	£22.64	£24.38	£3.62

This table shows the median cost of direct care to be £11.36 per hour, ranging between £11.14 and £11.57 across the middle fifty. The relatively narrow spread of costs (IQR=£0.43) provides confidence in the usual cost of direct care.

Only 11 of the 14 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 (£11.36) may be overstated to some extent.

The median cost of travel time at £2.37 per contact hour, equates to approximately 12.5 minutes of the median cost of direct care. This is consistent with the median travel time reported in the previous section (at 12.4 minutes).

The reported cost of travel time varies significantly across the middle fifty (IQR=£2.42/hr). As previously acknowledged, variation in the cost of travel time is likely to reflect the average duration of appointments.

The reported cost of back office staff also varies significantly across the middle fifty (IQR=£0.99). 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.

9 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 Newham.

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	14	£11.36	£11.36	£0.00
Travel Time	11	£2.37	£2.37	£0.00
Mileage	9	£0.24	£0.24	£0.00
PPE	13	£0.35	£0.35	£0.00
Training (staff time)	10	£0.42	£0.42	£0.00
Holiday	14	£1.65	£1.65	£0.00
Additional Non-Contact Pay Costs	4	£0.27	£0.00	-£0.27
Sickness/Maternity & Paternity Pay	14	£0.25	£0.25	£0.00
Notice/Suspension Pay	7	£0.05	£0.05	£0.00
NI (direct care hours)	14	£0.98	£0.98	£0.00
Pension (direct care hours)	14	£0.41	£0.41	£0.00
Back Office Staff	14	£2.17	£2.17	£0.00
Travel Costs (parking/vehicle lease etc.)	10	£0.05	£0.05	£0.00
Rent, rates & utilities	14	£0.34	£0.34	£0.00
Recruitment / DBS	13	£0.06	£0.06	£0.00
Training (3rd party)	11	£0.12	£0.12	£0.00
IT (Hardware, Software CRM, ECM)	14	£0.11	£0.11	£0.00
Telephony	14	£0.04	£0.04	£0.00
Stationery / Postage	13	£0.02	£0.02	£0.00
Insurance	13	£0.04	£0.04	£0.00
Legal / Finance / Professional Fees	12	£0.05	£0.05	£0.00
Marketing	9	£0.03	£0.03	£0.00
Audit & Compliance	12	£0.04	£0.04	£0.00
Uniforms & Other Consumables	8	£0.03	£0.03	£0.00
Assistive Technology	3	£0.01	£0.00	-£0.01
Central / Head Office Recharges	5	£0.17	£0.00	-£0.17
Other overheads	2	£0.09	£0.00	-£0.09
CQC Registration Fees	14	£0.08	£0.08	£0.00
Total Operating Costs	Calc	£21.81	£21.27	-£0.54
Surplus / Profit Contribution	13	£1.04	£1.06	£0.02
Total Rate Per Hour	Calc	£22.85	£22.34	-£0.52

The table highlights the items of expenditure reported by a minority of providers, which have consequently been excluded from the FPoC rate. This includes additional non-contact pay costs (reported by 4 HCA), and central head office recharges (reported by 5 HCA).

The FPoC provision for operating costs totals £21.27 per hour, excluding provision for profit. This is consistent with the median total operating costs reported in the survey (£20.90), within a reasonable margin of error.

Valuing Care's provision allocation for profit at 5% of total operating costs, is also consistent with the median profit requirements reported in the survey.

It's important to remember that the FPoC rate reflects median unit costs for all appointment durations, and provision for travel time at £2.37 per contact hour equates to approximately 12.5 minutes per contact hour.

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

10 FPoC Rates for varying appointment durations

On the basis that each appointment in Newham typically requires 10 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	30 mins	45 mins	60 mins	90 mins
Average Travel Mins per Appointment	10.0	10.0	10.0	10.0	10.0
Appointments per Contact Hour	1.25	2.0	1.3	1.0	0.7
Travel Minutes per Contact Hour	12.5	20.0	13.3	10.0	6.7

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	30 mins	45 mins	60 mins	90 mins
Direct Care	£11.36	£11.36	£11.36	£11.36	£11.36
Travel Time	£2.37	£3.79	£2.53	£1.89	£1.26
Mileage	£0.24	£0.38	£0.25	£0.19	£0.13
PPE	£0.35	£0.55	£0.37	£0.28	£0.18
Training (staff time)	£0.42	£0.46	£0.42	£0.40	£0.38
Holiday	£1.65	£1.82	£1.67	£1.59	£1.52
Additional Non-Contact Pay Costs	£0.00	£0.00	£0.00	£0.00	£0.00
Sickness/Maternity & Paternity Pay	£0.25	£0.28	£0.26	£0.25	£0.23
Notice/Suspension Pay	£0.05	£0.05	£0.05	£0.05	£0.04
NI (direct care hours)	£0.98	£1.09	£0.99	£0.95	£0.90
Pension (direct care hours)	£0.41	£0.46	£0.42	£0.40	£0.38
Back Office Staff	£2.17	£2.17	£2.17	£2.17	£2.17
Travel Costs (parking/vehicle lease etc.)	£0.05	£0.05	£0.05	£0.05	£0.05
Rent, rates & utilities	£0.34	£0.34	£0.34	£0.34	£0.34
Recruitment / DBS	£0.06	£0.06	£0.06	£0.06	£0.06
Training (3rd party)	£0.12	£0.12	£0.12	£0.12	£0.12
IT (Hardware, Software CRM, ECM)	£0.11	£0.11	£0.11	£0.11	£0.11
Telephony	£0.04	£0.04	£0.04	£0.04	£0.04
Stationery / Postage	£0.02	£0.02	£0.02	£0.02	£0.02
Insurance	£0.04	£0.04	£0.04	£0.04	£0.04
Legal / Finance / Professional Fees	£0.05	£0.05	£0.05	£0.05	£0.05
Marketing	£0.03	£0.03	£0.03	£0.03	£0.03
Audit & Compliance	£0.04	£0.04	£0.04	£0.04	£0.04
Uniforms & Other Consumables	£0.03	£0.03	£0.03	£0.03	£0.03
Assistive Technology	£0.00	£0.00	£0.00	£0.00	£0.00
Central / Head Office Recharges	£0.00	£0.00	£0.00	£0.00	£0.00
Overhead #1 Example	£0.00	£0.00	£0.00	£0.00	£0.00
CQC Registration Fees	£0.08	£0.08	£0.08	£0.08	£0.08
Total Operating Costs	£21.27	£23.43	£21.51	£20.55	£19.59
Surplus / Profit Contribution	£1.06	£1.17	£1.08	£1.03	£0.98
Total Rate Per Hour	£22.34	£24.60	£22.58	£21.57	£20.57
Total Rate per Appointment		£12.30	£16.94	£21.57	£30.85

The table demonstrates how the FPoC rate varies between £20.57 per contact hour (for 90 minutes appointments) and £24.60 per contact hour (for 30 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 £12.30 per hour, and a marginal increase of £4.64 for each additional 15 minutes of appointment time.

11 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 Newham (at April 2022 prices).

Valuing Care's database currently contains over 400 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.

12 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 East London.

Based on advertisements from 14 HCA recently recruiting in East London, VC estimate that home care staff typically earn an average of £11.10/hr, ranging between £10.58/hr and £11.50/hr depending on experience and enhancements for weekend work.

By way of comparison, the cost of direct care reported in the survey ranged between £11.14 and £11.57 across the middle fifty, with a median rate of £11.36/hr.

The Council may thus take confidence that the cost of direct care reported in the survey has been substantiated by VC's review of job vacancies.

13 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 Newham:

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

14 Benchmark Cost Allocations

The following table presents the benchmark cost allocations for generic home care services in Newham at April 2022 prices. For comparison these are presented alongside the FPoC rate based on the local survey results.

Table 12 – Benchmark rates for generic home care in Newham

Cost Type	Benchmark Rate	FPoC Rate	Variance
Direct care	£11.36	£11.36	£0.00
Travel time	£2.37	£2.37	£0.00
Sub Total - Direct Care + Travel Time (gross)	£13.73	£13.73	£0.00
Cover for holidays (gross)	£1.73	£1.65	-£0.08
Cover for sickness, maternity/ paternity (gross)	£0.30	£0.25	-£0.04
Cover for staff training & supervision (gross)	£0.30	£0.47	£0.16
Employers National Insurance	£1.12	£0.98	-£0.14
Employers Pension Contribution	£0.31	£0.41	£0.11
Travel Expenses	£0.24	£0.24	£0.00
Sub Total - Care Worker Costs	£17.73	£17.74	£0.01
Back Office Staff	£3.01	£2.17	-£0.83
Recruitment & training	£0.34	£0.18	-£0.16
CQC Registration Fees	£0.10	£0.08	-£0.02
Rent, rates & utilities	£0.32	£0.34	£0.02
IT equipment & telephones	£0.27	£0.14	-£0.12
Consumables	£0.32	£0.44	£0.12
Insurance	£0.11	£0.04	-£0.06
Head office & support services	£0.67	£0.12	-£0.55
Sub Total - Business Costs	£5.13	£3.53	-£1.60
Total Operating Costs	£22.86	£21.27	-£1.59
Surplus / Profit Contribution	£1.14	£1.06	-£0.08
Total Rate Per Hour	£24.00	£22.34	-£1.66

The table shows Valuing Care's benchmark rate as £24.00/hr, which comprises care worker costs (£17.73), business costs (£5.13), and profit contribution (£1.14).

Comparison of the FPoC rates against the benchmark shows a favourable variance of £1.66/hr, which can be primarily attributed to business costs. Expenditure on back office staff (-£0.83), and head office and support services (-£0.55) appear unusually low compared to previous surveys undertaken by Valuing Care.

To some extent this may be due to the relatively large providers who participated in the Newham cost survey, who may be benefitting from economies of scale. It may also indicate HCA's delivering services for Newham are operating relatively efficiently compared to providers in other areas.

As maybe 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.

15 Appendices

15.1 Appendix 1 – About Valuing Care

Valuing Care Ltd (formerly OLM Financial Management 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 114 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.

15.2 Appendix 2 – Engagement

To maximise participation in the survey and to demonstrate a fair and equitable approach, all home care agencies with a registered office in Newham (37 HCA), and all home care agencies providing services on behalf of the Council but registered in other London Boroughs (14 HCA), were invited to participate in the survey.

VC wrote to all 51 HCA on the 13th April 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 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 1st May 2020, 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.

To facilitate the completion and return of as many templates as possible, all templates received up to Monday 6th June, have been included within the survey results.

15.3 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 interquartile 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.