

Hull City Council
Annex B Cost of Care Report for Homecare

1. In accordance with the requirements issued by the Department of Health and Social Care (DHSC), Hull City Council has completed the 'Fair Cost of Care' exercise for Homecare. This report details the results of that exercise, as prescribed in the guidance document 'Market sustainability and fair cost of care fund 2022 and 2023'.

Requirement – description of the template used as part of the exercise

2. Hull City Council utilised the homecare toolkit produced by ARCC Consulting which was commissioned by The Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) via the Care and Health Improvement Programme (CHIP)¹.

Requirement – engagement with the market

3. Communication and engagement with providers was identified as a priority at an early stage of this process within Hull. The 'Fair Cost of Care' exercise was first introduced by the Director of Adult Social Care (DASS) on 19 May 2022 at the Ask the Director provider teleconference session. This was followed by the first communications to homecare providers on 19 May with a letter which gave the background to the Fair Cost of Care exercise, details of how to access the ARCC toolkit and how and where to access help and support.
4. A dedicated inbox was created to deal with all queries and communications relating to this exercise. Specific communications on this exercise were sent from the dedicated mailbox (and thus there is an audit trail) and the weekly provider newsletter which is shared with all providers in the City featured a weekly update.
5. Two question and answer sessions for providers were held on 9 and 15 June 2022 with a panel comprising of the Head of Adults Commissioning, the respective Commissioning Manager and two Finance representatives. Representatives from 11 providers attended the session on 9 June and two attended the session on 15 June. This is 72% of those who were asked to participate in this exercise.
6. A workshop session to support providers to work through the ARCC toolkit was held on 20 June 2022. Representatives from nine providers attended this session (50%).
7. Alongside the specific support and information that was offered to providers, established provider forums hosted by the DASS and by the Commissioning team included information on this exercise and encouraged providers to become involved. The Commissioning team also covered specific questions during their regular contacts with providers of commissioned services.

¹ Now Partners in Care and Health

8. In addition to the Hull City Council offer of information, help and support, resources from the Care Provider Alliance were shared with providers and the Hull and East Riding Care Association (HERCA) also encouraged its members to participate in the exercise.
9. As a result of queries with some of the data submitted, meetings took place between a member of the finance team and three providers on a one to one basis to discuss the queries and agree a way forward. This resulted in the data being re-submitted by the providers.
10. Providers were initially given until 24 June 2022 (4 weeks) to complete their submissions. However, following requests from providers, this was extended by two weeks to 4 July 2022 and then again by a further two weeks to 15 July 2022. After this deadline, providers were invited to contact Hull City Council if they still wished to submit a completed toolkit.
11. Following submission on 14 October 2022 and the subsequent guidance from DHSC that publication should take place on 1 February 2023, further consultation sessions were held with providers on 19 January 2023. These sessions shared with providers the unadjusted medians which were submitted on 14 October and a version of the median data which had been adjusted and invited comments from providers.

Requirement - Response rate of the exercise as % of those invited (excluding those for whom the exercise turned out not to be relevant)

12. The timing of this exercise for homecare presented some challenges within Hull due to the tender of the new Community Wellbeing contract. The contract was tendered during Spring 2022 at a unified rate of £20.95; a rate which was acceptable to the market at that time. For this reason, the toolkit was initially only shared with the successful Community Wellbeing providers. However, due to concerns that some of the new providers would not have the historic data at a local level needed to complete the toolkit and following advice from CHIP, existing homecare providers were also invited to complete the toolkit. In total, the ARCC toolkit was shared with 18 homecare providers.
13. Five completed homecare toolkits were submitted. One submission was from a day service provider whose personal care services did not meet the definition within the DHSC guidance and their submission was therefore excluded. Four homecare submissions have therefore contributed towards this exercise. This is a total submission rate for eligible homecare providers of 22%.

Number / %	Totals
Total homecare providers	18
Number of submissions received	4
Percentage rate of returns	22.22%

14. All of the homecare submissions have come from new Community Wellbeing providers. None of the providers who were unsuccessful on the Community Wellbeing tender submitted a completed toolkit.

Validation process

15. The returns submitted by providers using the ARCC model were analysed with a view to considering two main issues;
 - (i) Any apparent inaccuracies or potential errors in the data submitted or the assumptions used and;
 - (ii) Any potential outliers when comparing the details of any submission with those received from other providers

16. In relation to point (i), a number of issues were identified and queries were raised with the relevant providers accordingly with emails from the dedicated mailbox. These included;
 - Correct application of Employer's National Insurance rate in section G of the ARCC model (both under and over statements were amended)
 - Proportion of staff assumed pensionable (section G)
 - Assumed usage of PPE equipment and unit costs (section D)
 - Assumptions made regarding number of service users. One provider's data was not in line with Hull City Council's records and was subsequently amended by the provider.

17. In relation to point (ii), all providers were asked to comment on any particular cost lines where their original submission appeared to be out of line with others received in the relevant care category, for both high and low cost outliers. Particular areas in which dialogue took place with one or more providers included;
 - The basis of the apportionment of Back Office and Non-Pay costs (section H-J of the ARCC model)
 - Telephone costs (section J)
 - Call duration (section A)
 - Assumed factors applied for Operating Profit / Surplus (section K)

18. Where amendments were agreed with providers through this clarification and validation process, providers submitted updated returns. Where explanations were provided in respect of apparent outlying values, or providers indicated that they did not wish to change the figures originally submitted, the original (unamended) data was used in the calculation of the median values identified in the original Annex A submission.

Adjustments to provider data

19. The data used in calculating the median values in the original Annex A submission in October 2022 was drawn from the information submitted by the relevant providers using the ARCC model. However, one adjustment was been made to the data submitted as detailed below;
 - **Return on Operations (ROO)** – as per paragraph 26, the approach taken to the calculation of ROO has been applied to the total operating cost² from the ARCC data. This is in line with the requirements of the updated Annex A template issued by DHSC on 3 October 2022.

² Sum of medians on each cost line

20. The effect of these adjustments is summarised in the below table;

18+ homecare	£/contact hour
Original median from provider returns (unadjusted)	23.00
Adjustments	
Return on Operations	(-) 0.16
Median as reported in Annex A	22.84

Requirement - the full table in Annex A section 3 with one column of median values for each care type

21. The median values contained in Annex A were originally calculated on the basis of the information submitted by providers in each category of care subject to the adjustments covered in paragraph 19. The calculation of median values was based on the sum of the median values for each cost line (other than for ROO as noted above) as this was felt to offer greatest sensitivity in the analysis of the data than the use of sub-total medians. Zero values were included in the calculation of the medians in each individual cost line.
22. Whilst this approach remains fundamentally intact, some amendments have subsequently been made to the calculation of the median values on individual cost lines to reflect the outcome of further analysis carried out since the original submission was made in October 2022 – see paragraphs 30-32 below for further explanation of these adjustments. The full updated table from Annex A section 3 for residential care is replicated at Appendix A.

Requirement – one table for each service type with each showing the count of observations, lower quartile, median and upper quartile (where relevant) of all items in Annex A, section 3

23. The table at Appendix B demonstrates the count of observations and median values from the updated data. Lower and upper quartile values have not been included due to the small number of submissions received.

Requirement - The lower quartile / median / upper quartile of number of appointments per week by visit length (15/30/45/60 mins)

24. The table at Appendix C shows the median of the number of appointments per week by visit length. One provider submitted data on the number of 20 minute visits on their return. This has therefore been reflected alongside the 15/30/45/60 minute visit durations requested. There are also a number of visits which exceed 60 minutes which were submitted (and queried) with providers. All of the 60 minutes plus visits have been grouped on one line at the bottom of the table.

Requirement - Consistent with the identified cost per contact hour, the cost per visits for each of 15, 30, 45 and 60 min visits (shorter visits have larger relative travel times so cost relatively more)

25. Costs by duration of visit based on the median value set out in Annex A are summarised in Appendix D.

Requirement - A clear statement of when the results were collected (the base price year) and how they will be uplifted in future for inflation.

26. The returns from which the median calculations in Annex A have been drawn are based on April 2022 prices as submitted by the relevant providers using the ARCC model. The table at Appendix E provides details of the intended uplift mechanisms to be applied to individual cost lines.

Requirement - Justification of the proposed approach to return on operations

27. The Homecare Association in their publication 'A Minimum Price for Homecare' (April 2022 to March 2023) apply a surplus of 3% in their calculations but note "that a margin of 3% is an absolute minimum and makes it difficult to ensure financial resilience or to enable investment in the workforce, innovation and technology". In recognition of these comments, Hull City Council has elected to apply a factor of 3.5% to bolster financial resilience amongst providers in the sector and help create financial headroom to encourage investment in the workforce.

Robustness of the data on which Annex A median values have been calculated

28. As outlined above, the original median cost values recorded in Annex A as originally submitted in October 2022 were calculated from the data submitted by providers using the ARCC model with very few adjustments as detailed in paragraphs 19-20.
29. As noted in the original submission in October, there were however some instances in which it was felt that the data provided might require further adjustment, beyond those already made. These factors are as follows;
- As the table at paragraph 13 demonstrates, only 22% of homecare providers submitted costing returns as part of this exercise. Whilst there may be some specific factors behind this low rate of return including the fact that the Community Wellbeing contract was re-tendered in 2022 at a rate that was acceptable to the market, four returns represents a relatively limited basis from which to develop a definitive view of the cost of service provision in Hull. Whilst this information will therefore be a factor in the consideration of how fees might be structured moving forwards, further work will be required.
 - The returns received from providers included employer national insurance calculations which are based on the current rate of 15.05% inclusive of the 1.25% levy introduced earlier in the year. In the recent mini-budget, HM Government announced that this uplift was to be discontinued with effect from November 2022. No adjustment has been made to Annex A to take account of this change in approach.
 - Local and regional provider forums have highlighted shift pay as a factor which may bolster recruitment and retention within the homecare sector. The information submitted by providers does not include any costs related to shift pay and nor have they been adjusted to take account of this. However, this may be a factor to take into consideration in determining the final fee payable for homecare in the City.
30. Therefore, whilst the data on which the original Annex A submission was based suggested a recalibration of fee rates needs to be considered, it was felt that further

work was required to refine any such adjustments. This work has now commenced and is discussed further in paragraphs 30-33 below.

Revisions since October 2022 submission

30. In light of the issues highlighted across paragraphs 28-30 above, further analysis has been carried out since the original submissions made in October 2022 to determine how the costing data contained in Annexes A and B might be strengthened. To date, this has made particular references to the following factors;
- Further consideration of the data submitted by providers in relation to each category of cost within the ARCC model
 - Reference to regional data relating to each cost line
31. With regards to provider data, further consideration has now been given to the range of values submitted on each cost line. Where this indicated that costs are generally clustered but that some discernible outliers appear to exist – for which further explanation was not readily apparent in the original data validation exercise – these outliers have been excluded and the median values for the relevant cost lines recalculated accordingly. This approach has been applied to both low and high side outliers with the result that some median values have either increased or decreased on individual cost lines from those originally submitted.
32. In a similar manner, the median values for Hull for each cost line of the model (as recalibrated in line with paragraph 31 above), has also been compared with data available from other local authorities in the region to establish whether any significant variation from regional norms is evident in the Hull data.
33. The effect of these changes have now been built into a revised version of Annex A which is appended to this report (see Appendix A). The impact of the overall total is however summarised in the total below for information;

18+ homecare	£/contact hour
Median as reported in Annex A (October 2022 submission)	22.84
Adjusted median (January 2023)	22.74

34. As the table shows, the net effect of the adjustments made to date has been very limited. Whilst the exclusion of apparent high-side values has resulted in a reduction in the reported median on some cost lines, the exclusion of low-side values has had the reverse effect on other lines with the result that the overall net difference from the original submission is negligible. The review of regional intelligence has been helpful in determining on which cost lines the recalibration of the median value should take place.
35. The nature of the amendments outlined in paragraphs 30-34 above were discussed with providers at a meeting held on 19 January 2023. The rationale behind the approach taken – and the proposed changes to the figures originally submitted – was explained. Other than to query the approach taken re the calculation of the rate of return on operations (see paragraph 27 above), no specific questions were raised as

to the proposed approach to the resubmission of the median calculations on the basis outlined.

36. It was however confirmed at the meeting that whilst these amendments represent a refinement of the median costs originally submitted in the October returns, they are still not regarded by the Council as being a definitive view of the cost of homecare provision in Hull and that the relatively limited rate of submission (see paragraph 13) and other specific issues mean that further refinement may still be necessary to determine median costings which are completely robust.
37. Furthermore, it was also emphasised at the meeting that the ability of the Council to undertake any recalibration of rates moving forward – as an integral part of the wider market sustainability planning carried out in conjunction with partners across the care sector – will be critically dependent on wider affordability considerations, whatever level may ultimately be established for the final median value for the cost of homecare provision in Hull.

Other issues – pace of implementation

38. There is a gap between the rate currently payable by Hull City Council for homecare and the updated median value outcomes of this exercise. As noted at paragraph 37, the pace at which the implementation of any recalibrated rate for homecare can take place will be critically dependent on the level of additional funding which is made available to Hull City Council to support any move to increased rates. Without additional funding to support this process, the implementation of recalibrated rates will not be affordable for Hull City Council.

Summary

39. In accordance with the DHSC policy note which was circulated to Local Authorities on 25th August 2022, this exercise will not replace the Hull City Council fee setting process but the data gathered from this exercise will inform that process. Fee rates will continue to be based on sound judgement, evidence and a thorough negotiation process. For the reasons outlined in this report, the costing data compiled to date is still not necessarily complete nor sufficiently robust in all instances to form the basis of an increase in fees based upon this information alone without further consideration. However, Hull City Council does accept that this data represents an important source of intelligence to advise the fee setting process and equally that this must take place within both the context of the wider market shaping necessary to meet current and future demand – and within the strictures of the wider affordability considerations incumbent on the Council. Hull City Council will therefore continue to work closely with providers to explore these complex issues further. Confirmation of future funding settlements will however exert a crucial bearing in determining the pace at which the implementation of any resulting developments can take place.

APPENDIX A - the full table in Annex A section 3 with one column of median values for each care type

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	18+ domiciliary care
Total Careworker Costs	£16.60
Direct care	£10.89
Travel time	£1.25
Mileage	£0.74
PPE	£0.42
Training (staff time)	£0.33
Holiday	£1.54
Additional noncontact pay costs	£0.00
Sickness/maternity and paternity pay	£0.35
Notice/suspension pay	£0.00
NI (direct care hours)	£0.78
Pension (direct care hours)	£0.30
Total Business Costs	£5.37
Back office staff	£3.65
Travel costs (parking/vehicle lease et cetera)	£0.00
Rent/rates/utilities	£0.35
Recruitment/DBS	£0.13
Training (third party)	£0.06
IT (hardware, software CRM, ECM)	£0.37
Telephony	£0.13
Stationery/postage	£0.08
Insurance	£0.11
Legal/finance/professional fees	£0.08
Marketing	£0.03
Audit and compliance	£0.01
Uniforms and other consumables	£0.12
Assistive technology	£0.00
Central/head office recharges	£0.15
Other overheads	£0.00
CQC fees	£0.10
Total Return on Operations	£0.77
TOTAL	£22.74

Supporting information on important cost drivers used in the calculations:	18+ domiciliary care
Number of location level survey responses received	4
Number of locations eligible to fill in the survey (excluding those found t	18
Carer basic pay per hour	£10.62
Minutes of travel per contact hour	6
Mileage payment per mile	£0.30
Total direct care hours per annum	258891

APPENDIX B - one table for each service type with each showing the count of observations, lower quartile, median and upper quartile (where relevant) of all items in Annex A, section 3

18+ homecare	Count of observations	Median (£)	Lower Quartile (£)	Upper Quartile (£)
Total Careworker Costs				
Direct care	4	10.89	-	-
Travel time	4	1.25	-	-
Mileage	3	0.74	-	-
PPE	3	0.42	-	-
Training (staff time)	4	0.33	-	-
Holiday	4	1.54	-	-
Additional non-contact pay costs	4	0.00	-	-
Sickness / maternity and paternity pay	4	0.35	-	-
Notice / suspension pay	4	0.00	-	-
NI (direct care hours)	4	0.78	-	-
Pension (direct care hours)	4	0.30	-	-
Total Business Costs				
Back-office staff	4	3.65	-	-
Travel costs (parking / vehicle lease et cetera)	4	0.00	-	-
Rent / rates / utilities	4	0.35	-	-
Recruitment / DBS	4	0.13	-	-
Training (third party)	4	0.06	-	-
IT (hardware, software CRM, ECM)	4	0.37	-	-
Telephony	4	0.13	-	-
Stationery / postage	4	0.08	-	-
Insurance	4	0.11	-	-
Legal/finance / professional fees	3	0.08	-	-
Marketing	4	0.03	-	-
Audit and compliance	4	0.01	-	-
Uniforms and other consumables	4	0.12	-	-
Assistive technology	4	0.00	-	-
Central / head office recharges	4	0.15	-	-
Other overheads	4	0.00	-	-
CQC fees	4	0.10	-	-
Total Return on Operations	4	0.77	-	-
TOTAL	/	22.74	/ ³	/ ⁴

³ Lower quartile values have not been calculated for homecare as only four submissions were received in total

⁴ Upper quartile values have not been calculated for homecare as only four submissions were received in total

APPENDIX C - The lower quartile / median / upper quartile of number of appointments per week by visit length (15/30/45/60 mins)

Durations	Count of observations	Median	Lower Quartile	Upper Quartile
Duration – 15 mins	4	281.5	-	-
Duration – 20 mins	4	101.5	-	-
Duration – 30 mins	4	1,508.5	-	-
Duration – 45 mins	4	85.0	-	-
Duration – 60 mins	4	159.5	-	-
Duration 60+ mins	4	78.5	-	-
Total	/	2,214.5	/⁵	/⁶

⁵ No lower quartile values have been calculated given the low number of returns received

⁶ No upper quartile values have been calculated given the low number of returns received

APPENDIX D - Consistent with the identified cost per contact hour, the cost per visits for each of 15, 30, 45 and 60 min visits (shorter visits have larger relative travel times so cost relatively more

Duration of visit	Cost per visit (£)
15 minutes	6.24
30 minutes	11.49
45 minutes	16.73
60 minutes	21.98

APPENDIX E - intended uplift mechanisms to be applied to individual cost lines

Cost Element	Indexation Factor to be applied
Total Careworker Costs	
Direct care	National Living Wage increase, announced Autumn for the following April
Travel time	National Living Wage increase, announced Autumn for the following April
Mileage	Local Govt casual user mileage rate
PPE	CPI - 06.1 Medical products, appliances and equipment. November indices, published December. Table 22
Training (staff time)	National Living Wage increase, announced Autumn for the following April
Holiday	National Living Wage increase, announced Autumn for the following April
Additional non-contact pay costs	National Living Wage increase, announced Autumn for the following April
Sickness / maternity and paternity pay	National Living Wage increase, announced Autumn for the following April
Notice / suspension pay	National Living Wage increase, announced Autumn for the following April
NI (direct care hours)	National Living Wage increase, announced Autumn for the following April
Pension (direct care hours)	National Living Wage increase, announced Autumn for the following April
Total Business Costs	
Back-office staff	National Living Wage increase, announced Autumn for the following April
Travel costs (parking / vehicle lease et cetera)	CPI - 07 Transport. November published December. Table 22
Rent / rates / utilities	CPI - 04.5 Electricity, gas and other fuels 80% / 04.4 Water supply & misc. services for the dwelling 20%. November published December. Table 22
	CPIH - 04.9 Council Tax and rates. November published December. Table 8.
Recruitment / DBS	CPI - 10.4 Tertiary Education. November indices, published December. Table 22
Training (third party)	CPI - 12 Miscellaneous goods and services. November indices, published December. Table 22
IT (hardware, software CRM, ECM)	Average of 09.1.3.1 Personal computers and 09.1.3.3 Software
Telephony	CPI - 08.2/3 Telephone and telefax equipment and services, November published December. Table 22
Stationery / postage	CPI - 09.5.4.9 Other stationery and drawing materials. November published December. Table 22
Insurance	CPI - 12.5 Insurance, November published December. Table 22
Legal / finance / professional fees	CPI - 12.7.0.2 Legal services and accountancy, November, published December Table 22
Marketing	CPI - 12 Miscellaneous goods and services. November indices, published December. Table 22

Audit and compliance	CPI - 12.7.0.2 Legal services and accountancy, November, published December Table 22
Uniforms and other consumables	CPI 03.1 Clothing
Assistive technology	06.1 Medical products, appliances and equipment
Central / head office recharges	Local Govt Pay award (increase for Grade 17)
Other overheads	CPI - 12 Miscellaneous goods and services. November indices, published December. Table 22
CQC fees	CQC fees scheme increases, generally notified annually in December
Total Return on Operations	Calculated as factor applied to total operating costs