



Cambridgeshire County Council

Cost of Care exercise – Autumn 2022

Homecare

# 1 Introduction

## 1.1 Headline Results

- 1.1.1 In 2021, the Department for Health and Social Care (DHSC) published [Build Back Better-our plan for health and social care](https://www.gov.uk/government/publications/build-back-better-our-plan-for-health-and-social-care)<sup>1</sup> and [People at the heart of care - adult social care reform white paper](https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper)<sup>2</sup> which outlined significant legislative changes to Adult Social Care which would come into effect from October 2023. As part of these changes, councils across England with social care responsibilities were required to conduct an exercise with the local provider market to establish the costs of providing care based on guidance and a standardised methodology issued by DHSC. This report sets out the results of that exercise for homecare provision in Cambridgeshire for people over the age of 18.
- 1.1.2 Submissions for the CoC exercise were received from 37 providers, 5 of whom were deemed to be out of scope for the exercise – one was an extra care provider and four were providers in Peterborough who are not on the Council's homecare framework contract. Of the remaining 32 providers, all of them on the Council's homecare framework contract, and 28 of them are currently providing homecare to the Council's service users. The 32 returns represent 48% of providers in scope for this exercise.
- 1.1.3 Table 1 below shows the Cost of Care (CoC) median output from the exercise, together with Cambridgeshire County Council's (the council average hourly homecare framework rate and average hourly off-framework rate for homecare. The full breakdown of the figures from the CoC exercise can be found in Appendix 1, Table 3.

Table 1: CoC output and Cambridgeshire County Council's homecare hourly rates, as at September 2022

	CoC median output	CCC average hourly framework rate	CCC average hourly off-framework rate
Hourly rate	£24.73	£19.24	£20.19

- 1.1.4 The median CoC returned by providers is higher than the Council is currently able to procure through its homecare framework, and off-framework. This is a key concern as the Council strives to balance its duties to obtain best value for money for the public purse with the market position on costs that are being incurred in the provision of care. And the impact is wider than the CoC exercises undertaken so far, as these only cover homecare and care homes for those aged over 65. The financial impact of increasing rates of pay in these areas will be felt across the wider care market with rates for other care provision also increasing and creating significant financial pressure.

<sup>1</sup> <https://www.gov.uk/government/publications/build-back-better-our-plan-for-health-and-social-care>

<sup>2</sup> <https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper>

1.1.5 As with many local authorities, the Council is in an extremely difficult financial situation with significant savings to find to deliver a balanced budget in 2023/24 and beyond. The Council has many statutory services to deliver, which are all subject to increasing costs, of which adult social care is but one. Inflation is running at unusually high levels and putting further pressure on organisations and individuals which in turn puts pressure on the Council's limited budget. Therefore, whatever our aspirations for improving funding levels in the adult social care market, unless funding from central government meets the increased costs of this, the Council will be unable to meet the increased funding expectations generated by this exercise.

1.1.6 The Council recognises that the challenges of low fee rates, high inflation and workforce pressures affect the whole care market. It will target additional funding received from Government for 2023/24 and 2024/25 to address low fee rates to providers in the Cambridgeshire care market to help manage these challenges.

## **1.2 Contents of the Report**

1.2.1 This report sets out:

- Section 2 – the approach Cambridgeshire County Council took to complete this exercise
- Section 3 – the level of provider engagement undertaken in completing the exercise and how the Council and LaingBuisson sought to promote provider engagement.
- Section 4 – the approach taken with the data received from providers including:
  - data validation,
  - identification of outlier values,
  - the approach taken with incomplete provider toolkit submissions,
  - how data has been uplifted to April 2022 values (where relevant),
  - the approach adopted for return on operations.
- Section 5 – analysis of the value and representativeness of the data collected.
- Section 6 – the relationship between the median CoC output and fee rates, including comparison to fee rates currently paid by the Council.
- Section 7 – the Council's approach to uplifting fee rates.

1.2.2 The Council would like to thank the providers who submitted data for this exercise for their time and effort in engaging with the process and we look forward to having the opportunity to engage with you and the wider market further over the coming months.

## 2 Approach

- 2.1.1 In June 2022, the Council commissioned LaingBuisson to undertake a Cost of Care (CoC) exercise covering registered homecare providers, as described and specified in Department of Health and Social Care (DHSC) guidance. LaingBuisson undertook provider engagement, data collection, validation and analysis for the Council and provided the Council with a CoC report and their analysis Excel spreadsheet.
- 2.1.2 The Council's Finance Team then undertook their own analysis and quality checking of the data. Four providers in the LaingBuisson dataset were excluded as these providers were based in Peterborough and they are not on the Council's homecare framework, therefore the Council does not consider them to be part of its market. Where other out of county providers are on the Council's homecare framework they were left in the dataset.
- 2.1.3 Data was collected between June and September 2022 using the cost of care toolkit developed by ARCC-HR Ltd in partnership with the Local Government Association. The toolkit is an Excel spreadsheet where providers input data, with the spreadsheet calculating outputs, including the data outputs required for the DHSC CoC exercise. Care providers submitted their toolkits to LaingBuisson.
- 2.1.4 All data providers gave was either given as 2022/23 values, or adjusted to 2022/23 values, as explained in section 4.

## 3 Provider Engagement

### 3.1 Approach

- 3.1.1 LaingBuisson worked with the Council throughout July and August to engage with providers through a variety of communication channels. The Council sent out multiple communications about the exercise to its providers via formal letters, email, newsletters and promoted the exercise through relevant provider forums and contract management meetings and negotiations. LaingBuisson contacted providers by telephone, explaining the exercise and encouraging them to participate.
- 3.1.2 The Council and LaingBuisson held 2-weekly project meetings to discuss progress with provider engagement and submission of toolkits. Council officers identified key strategic providers (those who provide a large number of hours of Council-commissioned homecare) who had not responded. LaingBuisson engaged in more targeted and intensive communication for those providers, with Council officers from contracts and commissioning teams contacting providers where they still did not want to engage with the process.
- 3.1.3 Whilst clear deadlines were set and communicated to the market, a flexible approach was taken to receiving submissions which aimed to maximise the

response rate. The Council and LaingBuisson agreed to extend the deadline for providers to submit returns three times, with the original date of 24<sup>th</sup> June 2022 being extended to the final submission date of 1<sup>st</sup> September 2022. This increased the initial length of time for submissions from 2 weeks to just under 12 weeks. Providers have also been able to alter their submissions after that date, with any updated submissions incorporated into data analysis.

- 3.1.4 LaingBuisson re-contacted all providers submitting toolkits by telephone after receiving their returns. The re-contact was necessary to clarify ambiguities in the toolkit submissions and provided the opportunity to ask further questions to gather supplementary information that could be used to inform the Council's future commissioning strategy. Toolkit ambiguities are further addressed in section 4.

## **3.2 Level of Engagement**

- 3.2.1 In total 32 care providers submitted toolkits for the exercise. There were 67 providers in scope for the exercise – either homecare providers based in Cambridgeshire or close to the border who operate in Cambridgeshire and are on the Council's homecare framework. This represents a 48% response rate from providers in scope for the exercise. Those that didn't complete a submission were contacted by LaingBuisson to encourage positive engagement with the process and/or to ascertain why a submission would not be made.
- 3.2.2 The Council currently has service users placed with 28 of the homecare agencies who submitted a return in this exercise, although all 32 providers are on the Council's homecare framework.
- 3.2.3 Further exploration of the representativeness of submissions can be found in section 5.4. Table 6 in Appendix 1 shows segmented response rates as calculated by LaingBuisson.
- 3.2.4 Three of the providers LaingBuisson succeeded in contacting gave outright refusals to participate, with many more expressing hesitation and ultimately choosing not to submit returns. Where providers chose not to submit CoC returns, reasons given included concerns around confidentiality of information sharing, company policy preventing participation in surveys, that the provider did not believe the exercise would lead to any change in funding rates, and that the CoC exercise was too time consuming.
- 3.2.5 The latter was a particular problem for smaller providers, who do not necessarily have the in-house expertise to complete the return and would, for instance, outsource the preparation of their annual accounts. Large corporate groups who provide homecare were able to allocate staff to the task of completing multiple submissions. This is reflected in the over-representation of large corporate groups in Cambridgeshire's submissions and the under-representation of small group or independent providers.

## 4 Data

### 4.1 Data Quality

- 4.1.1 The quality of the data submitted by providers was variable, with some providers able to complete all sections of the toolkit, while others only filled out part of the template. Where possible, information from all submissions has been used.
- 4.1.2 LaingBuisson have said that in their experience from similar cost of care exercises, large corporate groups typically have the resources to submit consistent and reliable numbers, but SMEs and micro-businesses can find it challenging to deal with the volume and complexity of data requested in toolkits and may leave some questions unanswered and incorrectly answer others. Therefore, robust statistical validation of the data is necessary.

### 4.2 Data Validation

- 4.2.1 LaingBuisson checked toolkit submissions for sense and consistency and re-contacted all providers who submitted toolkits. This allowed the resolution of ambiguities around three specific datapoints reported in the toolkits, each of which could potentially have a significant impact on reported total costs:
- The financial year the costs submitted in the toolkit related to. It is not made clear in the ARCC toolkit what date providers should submit costs as at. It transpired that while some Cambridgeshire providers had submitted 2022/23 data, others had submitted data relating to 2021/22. Where this was the case LaingBuisson adjusted the data to 2022/23 values, as explained in 4.4.
  - Whether the provider's direct staffing cost in the toolkit included travel hours. The ARCC toolkit assumes that providers' direct staffing costs will be the gross hourly pay rate, multiplied by the contracted and travel hours. However, LaingBuisson understands practice in much of the homecare sector is to include an element of mileage in their gross hourly pay rate and only pay contract hours. The direct staff costs in the dataset have been adjusted to reflect individual providers' treatment of this datapoint.
  - What elements providers had included in their back-office costs. Back-office costs stated in toolkits were highly variable, with some accounting for a large proportion of total costs. Some anomalies LaingBuisson came across in their conversations with providers were staff doubling up as care workers and back-office staff, and back-office staff being used to support other business lines. Both of these instances would lead to double counting and overstatement of costs. Where anomalies were found, LaingBuisson amended toolkit submissions with the provider's agreement.

4.2.2 LaingBuisson have fully validated submissions from 26 providers in scope for this exercise. They have partially validated data from all 6 remaining providers.

### 4.3 Missing and Incomplete Toolkit Submissions

4.3.1 Missing and apparent outlier values remain in Cambridgeshire's data where providers have been unable or have not wanted to engage in the validation process. However, where possible data from all toolkits has been included in the CoC output.

4.3.2 LaingBuisson used an outlier exclusion approach to identify and exclude outliers from the dataset. Outliers are defined as null or zero values for any cost line where a null or zero value is inappropriate, and non-zero values which are outside specified boundaries.

4.3.3 They adopted Double Median Absolute Deviation (Double MAD) as their preferred approach to setting outlier boundaries for each individual cost line.<sup>3</sup> This method was chosen because statistical testing for skewedness in the dataset confirms that it suffers from a highly asymmetric distribution across almost all categories. Using a singular Median Absolute Deviation (MAD) value would disregard this asymmetry and produce unreliable results.

4.3.4 An outlier was determined to be any data point that was more than 2 X MAD above or below the median of the validated dataset, with any such outlier excluded from the calculation of median costs in Table 3 (Appendix 1). This means that where LaingBuisson have not validated a provider's full submission, the provider's data is still included in the calculation of median costs if it is within 2 X MAD of the median of the validated submissions.

### 4.4 Base Price Year and Uplifts

4.4.1 All the CoC results cited in this report are expressed at April 2022 prices. Where a provider only submitted 2021/22 data, LaingBuisson have uplifted these figures to 2022/23 prices. They have uplifted the data based on the National Living Wage for low-paid staff (care and domestic), the monthly earnings index for other staff, and CPI (Consumer Price Index) and CPIH

---

<sup>3</sup>  $MAD = median(|X_i - \bar{X}|)$

Median Absolute Deviation (MAD) is calculated by finding the absolute difference between each validated data point and the validated sample median and then calculating the median of these absolute differences. For normally distributed data, MAD is multiplied by a constant  $b = 1.4826$ , however, the distribution is unknown and not symmetric in our data sample.

The premises of the Double MAD method are similar to the classic version, with the only difference being the calculation of two Median Absolute Deviations: 1) the median absolute deviation from the median of all points less than or equal to the median and (2) the median absolute deviation from the median of all points greater than or equal to the median. This allows us to set pertinent outlier thresholds taking into account skewness in the data sample.

(Consumer Price Index with Housing) percentage change figures for non-staffing costs for the 12 months up to April 2022<sup>4</sup>. These figures have been chosen on a point-by-point basis, where appropriate figures have been identified to account for relative price effects<sup>5</sup>, with overall CPI inflation figures used where no appropriate, goods/services-specific CPI figure has been identified. Uplift figures with CPI codes for each cost heading can be found in Table 7 in Appendix 1.

## 4.5 Choice of Subtotals or Individual Lines

- 4.5.1 The output of the DHSC CoC exercise (shown in Table 3, Appendix 1) must be submitted to DHSC as Annex A of councils' Market Sustainability and Fair Cost of Care returns. DHSC allows an Annex A return that assumes the CoC to be the sum of individual lines, the sum of the subtotals for each section of costs, the median total cost stated in returns, or any other median-based approach. Authorities are encouraged to choose the most appropriate median-based approach for their dataset.<sup>6</sup>
- 4.5.2 Given the varied approach of providers to paying care workers for their travel time separate to their contracted hours or including an allowance for travel in the gross pay rate, to use the sum of individual data lines would skew the direct care costs. Taking the median of the direct care cost when some of the data includes an allowance for travel time and some does not would return a value that is artificially high for a rate that does not include travel time and artificially low for a rate that does. Taking the median of the travel time datapoint would return a value that is artificially low for travel time, but is non-zero, so is also not appropriate for providers who include an allowance for travel time in the rates they pay.
- 4.5.3 Therefore, it is considered that taking the total of the two subtotals "total careworker costs" and "business costs" is the most appropriate treatment of the data. The business costs subtotal is also more aligned with the Homecare Association's (HCA) costs of running the business (£5.95) than the sum of the lines in the business costs section.
- 4.5.4 However, it should be noted that taking the sum of individual lines returns a CoC output of £23.88 per hour. This is £0.85 lower than the CoC output taking the total of the two subtotals "total careworker costs" and "business costs". The sum of individual care worker costs lines is £0.30 lower than the median "total careworker costs" subtotal, and the sum of individual business costs lines is £0.51 lower than the median "business costs" subtotal. Therefore,

---

<sup>4</sup> Table 22, <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation>

<sup>5</sup> Our approach to uplifting is broadly in line with guidance on inflationary adjustment set out in The Green Book 2022, Section 5.13, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1063330/Green\\_Book\\_2022.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063330/Green_Book_2022.pdf)

<sup>6</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1100304/annex-a-example-grant-template-august-2022.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1100304/annex-a-example-grant-template-august-2022.xlsx) (accessed 03/10/2022)



there is a risk that the CoC output of £24.73 may be overstating the cost of care. On balance though, it is believed this is the most appropriate treatment of the data for the reasons previously stated.

#### **4.6 Return on Operations**

- 4.6.1 The Council has chosen to use a return on operations (RoO) figure of 5%. The return on operations represents the provider's profit before interest, tax, depreciation, amortisation and rent payments. Although there are some not-for-profit providers in the homecare market, these providers specialise in supported living for younger adults and are therefore not representative of the wider homecare market.
- 4.6.2 Amongst the toolkit submissions stating a return on operations percentage, the mean RoO was 5.6%, with the median and modal value both being 5%. The Homecare Association's minimum price for homecare allows a profit/surplus figure of 3%.
- 4.6.3 The Council has considered the return on operation submissions of providers, together with the Homecare Association's 3% profit margin. The Council recognises that it has both a duty to stewardship of public funds and a duty to support the care provider market, which are often in conflict with one another. However, the Council's adult social care commissioning strategy is to move towards supporting more people in their own homes and reducing reliance on accommodation-based care. Therefore, it wishes to recognise the need to support the homecare market to invest in the development of services in its CoC output.

### **5 Validity and Representativeness of Data**

#### **5.1 Sensitivity of Data**

- 5.1.1 The median total costs set out in Table 3 (Appendix 1) are sensitive to the following factors:
- The efficacy of the validation process in eliminating implausible and incorrect toolkit submissions for individual cost lines.
  - The validity of the rules adopted for elimination of outliers before calculating the medians for each cost line.
  - The return on operations benchmark adopted.
- 5.1.2 This section examines some of these sensitivities.
- 5.1.3 The Double MAD method of data validation is a reasonable method of removing outliers, although the number of outliers removed varies greatly across individual lines, with the lowest percentage of submissions used for an individual line being 25.0% and the highest being 87.5%. The mean percentage used was 67.0%. On average, this means that around a third of datapoints were excluded as outliers, giving some idea of the variability of the data.

5.1.4 A larger sample size would probably have allowed better identification of outliers, as it would be expected that the majority of the sample would trend towards a norm. However, identification of outliers is harder in a smaller sample of data.

5.1.5 The return on operations benchmark has been set at 5%. Were this to be reduced to the Homecare Association's minimum rate of 3%, it would reduce the CoC output by 47 pence. Each 1% change in return on operations represents a 24 pence change in the hourly rate.

## 5.2 Testing against the Homecare Association's Minimum Price for Homecare

5.2.1 The Homecare Association is the trade body for the independent homecare sector in the UK. It has published pro-forma costing models, the latest of which is for the year 2022/23.<sup>7</sup> To date it has been the only benchmark in the public domain for the hourly costs of homecare.

5.2.2 The HCA defines different minimum prices for homecare by wage rate. The two most appropriate to the Cambridgeshire market are the minimum homecare rate for providers paying the national living wage and the minimum homecare rate for providers paying the real living wage, which are reproduced below in Table 2.

	HCA minimum hourly rate		CoC median output
	Paying National Living Wage (£ per hour)	Paying Real Living Wage (£ per hour)	
Careworkers' contact time (gross pay before on-costs)	9.50	9.90	10.80
Careworkers' travel time (gross pay before on-costs)	1.93	2.02	0.70
NI and pension contributions	1.34	1.39	1.60
Other wage-related on-costs	2.28	2.38	3.66
Mileage	1.52	1.52	1.21
Running the business	5.95	6.18	5.58
Profit or surplus (3%)	0.68	0.70	1.18
<b>Total</b>	<b>23.20</b>	<b>24.08</b>	<b>24.73</b>

Table 2: Homecare Association's minimum price for Homecare by wage rate 2022-23, compared to the median output of Cambridgeshire's CoC exercise.

5.2.3 The median hourly rate (excluding travel time) paid to care workers in the toolkit submissions we have received from providers is £9.95. Therefore, the real living wage rate seems the most appropriate comparator. Although £9.95 is the median rate for carers, and the value for care workers' contact time will be weighted for a mix of carers and senior carers and include enhancements for weekend and bank holiday working.

<sup>7</sup> <https://www.homecareassociation.org.uk/resource/homecare-association-minimum-price-for-homecare-2022-2023.html> (accessed 06/10/22)

- 5.2.4 Care worker's contact time is £0.90 higher in Cambridgeshire's CoC output than the HCA rate. This is likely because Cambridgeshire's toolkit returns include a number of providers whose pay rates include an allowance for travel time. This is borne out by the median travel time in the CoC output, which is £1.32 lower than the HCA rate.
- 5.2.5 Overall, the HCA rate for direct care costs (everything excluding running the business and profit) is £17.21. This is £0.76 lower than the CoC output value of £17.97.
- 5.2.6 The cost of running the business is set at £6.18 by the HCA, whereas the equivalent figure in the output of the CoC exercise is £5.58. Possibly the HCA includes PPE in its business costs rather than in its direct care costs, but this would still leave a discrepancy of £0.17, with the CoC output being lower than the HCA rate. It is possible that although providers' returns show they are on average paying the real living wage or above, they do not pay their back-office staff the real living wage. This may mean the business costs in the CoC output are better compared to the HCA's national living wage rate of £5.95.
- 5.2.7 The different treatment of return on operations to the HCA figure has been explored in 4.6.
- 5.2.8 Overall, Cambridgeshire's CoC output of £24.73 is 2.7% higher than the HCA's minimum hourly rate for a provider paying the real living wage.

### **5.3 Data Sample Size**

- 5.3.1 The dataset covered 32 homecare providers, which represents 48% of providers in scope for the exercise. The Council currently has service users placed with 28 of the providers, although all 32 providers are on the Council's homecare framework. A return rate of 48% is reasonable but means 52% of providers in scope for the exercise did not submit a return and over half the market is missing. Additionally, the sample size for some data points was far smaller than for others, as not all providers filled in the full return.
- 5.3.2 There is a substantial variation in the figures returned by providers, even once their toolkits have been validated, which makes statistical exclusion of outliers in the data difficult. In a larger sample of data, values would be expected to trend towards a median point, making it easier to identify outliers. The variability of the data limits the confidence we can have in its accuracy, hence comparison to benchmarks such as the Homecare Association's minimum costs becomes more important. The variation in the data is demonstrated by the lower and upper quartiles shown in Table 3, Appendix1.

### **5.4 Representativeness of the Data Sample**

- 5.4.1 The dataset represents 48% of homecare providers in scope that are on the Council's homecare framework, meaning over half of the data needed to

make a fully informed judgement on the cost of care for in-county framework providers is not available.

- 5.4.2 If we consider the number of hours of homecare delivered by providers over the past month, the toolkit returns come from providers delivering 58% of the Council's homecare hours. This is a slightly improved representation level in comparison to the percentage of providers represented and reflects the fact that ten providers deliver around half of our homecare hours. However, 42% is still a large proportion of commissioned hours that are not represented through this exercise.
- 5.4.3 No toolkit submission was received from two of the Council's top three providers in terms of numbers of hours of care delivered. These providers represent 16.4% of the Council's spot commissioned hours of homecare in the last month, with one provider providing 9.5% of these hours. Therefore, there is a significant portion of the Council's commissioned homecare that is not represented in the returns. Had these providers submitted returns, whatever rates they submitted could have had a significant impact on CoC median output and would certainly have had an impact on the CoC rate weighted for the number of hours of homecare provided to the Council's service users.
- 5.4.4 It is unknown whether these providers would have submitted a higher or lower hourly rate than the CoC exercise, but they are currently delivering around 4,700 hours of homecare per week for the Council at or below the homecare framework maximum rate of £20.16.
- 5.4.5 The Council has calculated a weighted average hourly rate for the data return, based on the number of hours of care delivered over the last month by each provider in the data sample. This returns an hourly rate of £24.57. While it is understood that a median cost of care for a whole market is perhaps a better demonstration of the cost of providing care in that market, this demonstrates the variability of the data. It could also be inferred that providers delivering more hours of care are able to deliver care at a lower cost. Although it is recognised that the hours of care commissioned by the Council will rarely make up a provider's whole business.
- 5.4.6 LaingBuisson have provided a segmented analysis of responses (Appendix 1, Table 6). This shows that representation does vary by provider group size, with large corporate groups and medium groups better represented than small groups and independent providers. If providers have differing cost bases according to their size then this underrepresentation of small and independent providers could be skewing the output of the exercise. Certainly, CIPFA believes that micro-enterprises could deliver lower cost homecare for councils than large providers.<sup>8</sup>
- 5.4.7 The DHSC CoC exercise is aiming to find a median rate for a council's whole market. However, in a large county such as Cambridgeshire, it can be the

---

<sup>8</sup> CIPFA webinar: Making the most of the cost of Care Exercise – 20<sup>th</sup> July 2022

case that there are different, more localised care markets. Staffing costs make up the largest proportion of a provider's homecare rate, meaning the fee rate is highly sensitive to the hourly rate paid to carers. In Cambridgeshire there could be said to be distinct, localised markets for care staff; in Cambridge city there are numerous employment options paying above National Living Wage, making working in the care sector a less attractive option. South Cambridgeshire has good transport links to Cambridge city and other employment centres south of the county, whereas residents in Fenland have poorer transport options to employment centres.

## **5.5 Out of County Placements**

- 5.5.1 Cambridgeshire is bordered by eight other local authorities with responsibility for adult social care, who have all completed their own median cost of care exercises. Homecare agencies do operate across county boundaries and are often on different local authorities' homecare frameworks at different rates. This makes it important for local authorities to work with their neighbouring authorities to understand the implications of the outcome of this CoC exercise on each other's markets. As stated above, it may be that in a large county such as Cambridgeshire, different rates for different district areas are appropriate – the Council's homecare framework currently has a different lot for each district.
- 5.5.2 The Council has 103 providers on its homecare framework contract, although it only currently has 80 framework providers delivering homecare placements. This means 36 framework providers (35%) are outside the scope of this exercise as they are based in another local authority area and their main market is outside Cambridgeshire. This number drops to 13 providers (16%) outside scope if we only consider providers currently delivering homecare hours on-framework.
- 5.5.3 If we consider the 80 providers delivering homecare placements for the Council, the 28 submissions to the CoC exercise from providers currently delivering homecare hours represent 35%.
- 5.5.4 Cambridgeshire will need to work with its neighbouring authorities to understand the output of their CoC exercises and determine whether there are more localised homecare markets, that may or may not overlap local authority borders.

## **5.6 Further Testing**

- 5.6.1 LaingBuisson note that in previous cost of care exercises they have undertaken, they have sought external confirmation of the figures returned, by asking providers to submit payroll data to confirm staffing costs or staffing rotas to confirm hours of care provided, for example. They have not sought this evidence from providers for this exercise.
- 5.6.2 The Council has not undertaken any verification of the data through external evidence either. The Council notes that this is something that may need to be

undertaken to ensure that none of the returns are misrepresenting costs in any way and would require cooperation from the provider market in making the information available to verify costs in their submissions. The Council has a duty of stewardship of public funds and must achieve best value. Under adult social care reform, if local authorities and individuals funding their care privately are to move towards paying the same rate for a care placement, local authorities also have a duty to these individuals to set fee rates that represent value for money.

## 6 Relationship between the cost of care and fee rates

- 6.1.1 The Department for Health and Social Care (DHSC) has recognised in its guidance that the median actual operating costs from which local authorities arrive at a cost of care in their area will not reflect the costs of each individual provider in their local area. The guidance states that “the outcome of this 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.”<sup>9</sup>
- 6.1.2 The DHSC expectation is that actual fees will be informed by the cost of care exercise, but fee rates will continue to be based on sound judgement, evidence, and through a negotiation process, as is the case currently. The guidance goes on to say “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”.... As many local authorities move towards paying the fair cost of care, it is expected that actual fee rates may differ due to such factors as rurality, personalisation of care, quality of provision and wider market circumstances.”
- 6.1.3 Table 1 in Section 1 shows Cambridgeshire County Council’s average hourly homecare framework rate and average hourly off-framework rate for homecare, compared to the CoC median output. It is reproduced here for ease.

Table 1: CoC output and Cambridgeshire County Council’s homecare hourly rates, as at September 2022

	CoC median output	CCC average hourly framework rate	CCC average hourly off-framework rate
Hourly rate	£24.73	£19.24	£20.19

- 6.1.4 The Council procures most of its homecare through a framework contract, which has a maximum hourly rate of £20.16 in 2022/23. There are 103 providers registered on the framework, some of whom are based outside Cambridgeshire. Currently 80 providers on framework are providing homecare to Cambridgeshire service users. Around 28,500 hours of homecare per week

<sup>9</sup> <https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance> (accessed 30/09/22)

are provided to adults over the age of 18 through the homecare framework contract.

- 6.1.5 Hourly rates for homecare on the framework range from £17.78 to £20.16, with a mean hourly rate of £19.24. The homecare framework started in 2017, with providers' hourly rates uplifted each year by a contractual mechanism. Therefore, providers' current hourly rates are the rates they tendered with in 2017, with five years of uplifts applied. In the past two years the Council has awarded additional uplifts to bring fee rates up to more sustainable levels. Further details of uplifts awarded are in section 7.
- 6.1.6 Around 1,100 hours of homecare per week are provided off-contract, so are commissioned on an exemption rate because no provider on the framework can be found to take on the care package. These are largely placements for service users with learning disabilities who require specialist provision. These homecare hours are delivered by 20 providers. The mean hourly rate for off-contract homecare placements is £20.19.
- 6.1.7 As demonstrated by the data in Table 1, the Council currently pays substantially less than the CoC output for its framework and most of its off-framework homecare. However, these rates do reflect what the Cambridgeshire and surrounding market is willing to accept placements at.
- 6.1.8 This is likely to be because there is still cross-subsidy in the market between individuals privately funding their care and local authorities/ the NHS. Although data collected by LaingBuisson shows that among the providers who submitted toolkits, 84% of their business is council-funded. This would suggest that unless private individuals are charged substantially more than council rates there is not a high level of cross-subsidy occurring in the homecare market.
- 6.1.9 This does raise the question of how homecare providers can run their businesses as going concerns when most of their business is at hourly rates at least 22.7% below the median output of the CoC exercise.
- 6.1.10 Therefore, although the Council intends to move towards uplifting its lowest fee rates, it does not expect the output of the CoC exercise to represent the fee rates it should currently be paying the market. Particular concerns with this exercise include:
- the low number of toolkit submissions collected, particularly in light of the significant variation in their data, making statistical exclusion of outliers difficult;
  - the lower level of engagement of smaller providers in the cost of care exercise;
  - differences in the labour markets across the county in which providers are operating, meaning a single CoC value may not be appropriate if there are more localised markets in operation; and
  - inflationary issues with inflation running at such unusually high levels at the current time.

6.1.11 Further work will be needed in collaboration with the market as part of future fee setting.

## 7 Approach to Uplifting Fee Rates

7.1.1 The Council has not yet set its uplift strategy for 2023/24. However, the general approach to setting an inflation budget to uplift fee rates applies. The Council applies the percentage uplift in the National Living Wage to the care commitment assumed to relate to staffing costs for the lowest paid workers, and an estimate for CPI increase to other parts of the commitment it intends to award uplifts on.

7.1.2 For 2023/24, the Council is likely to take an approach of awarding some uplifts as recurrent funding and offer further, one-off support to providers to help them to deal with inflationary pressures in the current economic climate. Some prices (energy, fuel) are volatile and are currently affected by an international situation that will eventually change, with prices expected to return to more normal levels as a result.

7.1.3 The Council's elected Members have made a commitment to support care providers in moving towards paying the Real Living Wage where they do not currently do so, and the uplift strategy will align with this commitment.

7.1.4 The Council's homecare framework has an inbuilt contractual mechanism for uplifts that links these to national living wage and CPI increases. In addition to contractual uplifts, over the past two years the Council has given extra support to homecare providers in bringing their fee rates up to more sustainable levels. In December 2020 providers were given a 1% increase to their fee rates, with a further 4% applied in April 2021. In February 2022 65 pence per hour was added to all provider homecare fee rates, backdated to the start of April 2021. And in April 2022 homecare providers were awarded an additional 10 pence per hour to help them meet the employer cost of the health and social care levy. This has had the impact of increasing the maximum fee rate on the homecare framework from £17.62 per hour in April 2020 to £20.16 per hour in April 2022.

7.1.5 The data collected through the CoC exercise is welcomed, as it enables the Council to further understand the split of costs in homecare placements and should help us to develop our uplift strategy for homecare in a more targeted manner. Where the data shows consistency, we may be able to apply more targeted CPI indices to elements of our placement costs.

7.1.6 It should be noted that, as with all local authorities, Cambridgeshire County Council is in an extremely difficult financial situation with significant savings to find to deliver a balanced budget in 2023/24. The Council has many statutory services to deliver, which are all subject to increasing costs, of which adult social care is but one. Therefore, whatever our aspirations for improving funding levels in the adult social care market, unless funding from central



government meets the increased costs of this the Council will be unable to meet the increased funding demands of the care provider market.

## Appendix 1

Table 3: Median cost of care exercise results presented to DHSC in Cambridgeshire County Council's Annex A submission. Also showing the lower and upper quartiles of the data.

	Median		1st Quartile		3rd Quartile	
	£		£		£	
<b>Total Careworker Costs:</b>	<b>17.97</b>	<b>(22)</b>	<b>16.52</b>	<b>(22)</b>	<b>20.67</b>	<b>(22)</b>
Direct Care - direct pay	10.80	(25)	10.36	(25)	12.06	(25)
Travel Time	0.70	(24)	0.00	(24)	1.87	(24)
Mileage	1.21	(21)	0.87	(21)	1.63	(21)
PPE	0.50	(24)	0.35	(24)	0.88	(24)
Training (staff time)	0.22	(23)	0.09	(23)	0.34	(23)
Holiday	1.67	(22)	1.60	(22)	1.85	(22)
Additional Non-Contact Pay Costs	0.36	(10)	0.16	(10)	0.44	(10)
Sickness/Maternity & Paternity Pay	0.46	(25)	0.19	(25)	0.64	(25)
Notice/Suspension Pay	0.15	(9)	0.11	(9)	0.31	(9)
NI (direct care hours)	1.16	(23)	0.82	(23)	1.37	(23)
Pension (direct care hours)	0.44	(22)	0.39	(22)	0.49	(22)
<b>Business Costs:</b>	<b>5.58</b>	<b>(25)</b>	<b>4.10</b>	<b>(25)</b>	<b>7.39</b>	<b>(25)</b>
Total Back Office Staff	3.30	(24)	2.63	(24)	4.42	(24)
Travel Costs (parking/vehicle lease etc.)	0.13	(9)	0.08	(9)	0.22	(9)
Rent / Rates / Utilities	0.35	(23)	0.23	(23)	0.46	(23)
Recruitment / DBS	0.13	(28)	0.06	(28)	0.27	(28)
Training (3rd party)	0.06	(23)	0.03	(23)	0.17	(23)
IT (Hardware, Software CRM, ECM)	0.15	(23)	0.10	(23)	0.24	(23)
Telephony	0.08	(27)	0.03	(27)	0.15	(27)
Stationery / Postage	0.04	(25)	0.02	(25)	0.05	(25)
Insurance	0.14	(24)	0.04	(24)	0.18	(24)
Legal / Finance / Professional Fees	0.09	(21)	0.06	(21)	0.16	(21)
Marketing	0.05	(17)	0.01	(17)	0.08	(17)
Audit & Compliance	0.06	(21)	0.03	(21)	0.14	(21)
Uniforms & Other Consumables	0.05	(22)	0.02	(22)	0.10	(22)
Assistive Technology	0.05	(9)	0.03	(9)	0.13	(9)
Central / Head Office Recharges	0.24	(12)	0.04	(12)	0.52	(12)
Additional Costs (Totals)	0.04	(8)	0.02	(8)	0.27	(8)
CQC Fees	0.11	(23)	0.09	(23)	0.13	(23)
<b>Sub-total Operational Costs</b>	<b>23.56</b>		<b>20.62</b>		<b>28.06</b>	
<b>Return on Operation</b>	<b>1.18</b>		<b>1.03</b>		<b>1.40</b>	
<b>Total Cost per hour</b>	<b>24.73</b>		<b>21.65</b>		<b>29.47</b>	

Supporting Information on important cost drivers used in calculations:	
Number of location level survey responses received	32
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	67
Carer basic pay per hour	£10.12
Minutes of travel per contact hour	11.1
Mileage payment per mile	£0.36
Total direct care hours per annum	669,164.0

The values in brackets are the number of submissions contributing towards that figure. Section subtotals are the median subtotals, rather than the subtotal of the costs they relate to.

Table 4: Cost per visit length

Visit Length	Average Cost (£)	Median Cost (£)
15 minutes	8.45	7.92
30 minutes	14.05	13.39
45 minutes	19.66	18.86
60 minutes	25.27	24.33

The “average cost” is the mean. Hourly rates include travel costs.

The figures are not directly comparable with the CoC output in Table 3, as they have necessarily had to exclude providers who include travel time in the hourly rate paid to carers, rather than paying travel time separately.

Table 5: Number of appointments per week by visit length

Visit Length	Median	1st Quartile	3rd Quartile
15 minutes	71	44	141
30 minutes	477	153	772
45 minutes	152	68	230
60 minutes	63	22	133

Table 6: Segmented response rates (validated plus partially validated) by key characteristics

Responses	Respondents	Respondents as % of services in scope
Total	32	48%
Validated	26	39%
Strategic providers	8	67%
For-profit	31	51%
Not-for-profit	1	20%
Large corporate group	4	67%
Medium group	5	56%
Small group or independent	23	44%
Large service scale (100,000+ hours annually)	5	N/A
Medium service scale (15,000 - 99,999 hours annually)	22	N/A
Small service scale (< 15,000 hours annually)	4	N/A
Good or Outstanding	23	43%
Requires Improvement or Inadequate	4	50%
Urban	6	N/A
Mainly Urban	11	N/A
Rural	2	N/A
Mainly Rural	9	N/A
Mainly (60%+) private pay	0	N/A
Mainly (60%+) public pay	26	N/A

Table 7: Uplifts from 2021/22 to 2022/23

	CPI Code	CPI Item	12 Month % change to April 2022
Direct Care	-	National Living Wage % increase <sup>10</sup>	6.6
Travel Time	-	National Living Wage % increase	6.6
Mileage	D7H3	07.2 Operation of personal transport equipment	16.5
PPE	D7NO	06.1 Medical products, appliances and equipment	1.3
Training (staff time)	-	National Living Wage % increase	6.6
Holiday	-	National Living Wage % increase	6.6
Additional Non-Contact Pay Costs	-	National Living Wage % increase	6.6
Sickness/Maternity & Paternity Pay	-	National Living Wage % increase	6.6
Notice/Suspension Pay	-	National Living Wage % increase	6.6
NI (direct care hours)	-	-	-
Pension (direct care hours)	-	National Living Wage % increase	6.6
Back Office Staff	-	Average earnings index, April – April	4.1
Travel Costs (parking/vehicle lease etc.)	D7GE	07 Transport	13.5
Rent / Rates / Utilities	D7GB	04 Housing, water, electricity, gas and other fuels	19.2
Recruitment / DBS	D7OB	12.7 Other services (nec)	-3.1
Training (3rd party)	L7TA	10.4 Tertiary education	5.1
IT (Hardware, Software CRM, ECM)	D7IY	08.2/3 Telephone and telefax equipment and services	2.6
Telephony	D7IY	08.2/3 Telephone and telefax equipment and services	2.6
Stationery / Postage	D7GF	08 Communication	2.8
Insurance	D7HF	12.5 Insurance	11.7
Legal / Finance / Professional Fees	D7GJ	12 Miscellaneous goods and services	2.9
Marketing	D7GJ	12 Miscellaneous goods and services	2.9
Audit & Compliance	D7GJ	12 Miscellaneous goods and services	2.9
Uniforms & Other Consumables	D7GA	03 Clothing and footwear	8.3
Assistive Technology	D7GJ	12 Miscellaneous goods and services	2.9
Central / Head Office Recharges	D7G7	CPI (overall index)	9.0
Other Costs	D7G7	CPI (overall index)	9.0
CQC Registration Fees (4)	-	-	-

Source: Office for National Statistics for different CPI series

<sup>10</sup> [https://www.gov.uk/government/news/national-living-wage-increase-boosts-pay-of-low-paid-workers#:~:text=The%20improvement%20in%20the%20economic,2.2%20per%20cent\)%20in%202021.](https://www.gov.uk/government/news/national-living-wage-increase-boosts-pay-of-low-paid-workers#:~:text=The%20improvement%20in%20the%20economic,2.2%20per%20cent)%20in%202021.)