

Market Sustainability and Fair Cost of Care Fund 2022 to 2023

Annex B: Cost of Care Report - Age 65+ care homes
Lincolnshire County Council

Background and context

The Market Sustainability and Fair Cost of Care Fund ('the fund') sets out funding parameters in support of local authorities to prepare their markets for reform, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to specifically support local authorities to move towards paying providers a fair cost of care.

As a condition of receiving future funding from the fund, local authorities are required to evidence the work undertaken to prepare their markets for wider charging reform and thereby increase market sustainability. This required them to produce:

- Cost of care exercises for 65+ care homes and 18+ domiciliary care
- A provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market, with consideration given to the further commencement of Section 18(3) of the Care Act 2014 (which is currently in force only for domiciliary care) – a final plan will be submitted in February 2023
- A spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose

The remainder of this report sets out the approach adopted by Lincolnshire in meeting the conditions of the fund and how the cost of care estimates submitted to DHSC within Annex A have been arrived at.

Approach to the exercise

The local authority, alongside several other East Midlands local authorities, commissioned the services of Care Analytics, a specialist in the financial analysis of care markets and the cost of care, to undertake a 'Fair Cost of Care' (FCoC) detailed cost analysis exercise. All providers operating in the 65+ care home market within the area of the local authority were sent a detailed survey designed to capture the necessary operational and contextual detail to draw out the inherent costs of delivering care in the local market. Responses were received directly by Care Analytics, rather than by the local authority, to address any concerns regarding confidentiality of business data. These returns have been reviewed by Care Analytics, with responses clarified where needed, to produce the resulting data analysis of median and quartile costs required from this exercise.

Provider engagement sessions were set up for providers to attend, to go through the survey template and wider FCoC process with the support of Care Analytics. The council worked closely with Lincolnshire Care Association (LiNCA), the trade organisation which represents care home providers across Lincolnshire. Sessions were held with Lincolnshire Care Association (LiNCA) to finalise the survey for Lincolnshire. LiNCA were also involved in promoting provider engagement with the exercise. This offered support and guidance to individual care homes in collaboration with the local authority to promote the exercise.

Interpretation of Annex A results

The exercise has provided valuable intelligence and insight into the local care market however, there remain significant weaknesses in the methodology and the use of the median position as a basis for considering the cost

of care. Consequently, these figures the median alone do not represent a robust basis on which to make assumptions about the actual cost of care delivery in an area.

The median is less skewed by high outlier values (as opposed to mathematical averages), the median values themselves can be skewed if the dataset does not comprise an appropriate and representative sample of the existing make-up of providers in the local market. Although Lincolnshire's survey response resulted in a reasonable sample size (see section below on 'response rates'), this should not be taken as necessarily indicating that the sample was sufficiently representative of the market. It is also vitally important to recognise (and ensure) whether the data that has been obtained reflects an overall pool of efficient providers as referenced in the requirements of Section 4.31 of the Care and Support Statutory Guidance.

Lincolnshire has many care home operators operating in the local market which have different underlying business models. For example, care homes operated by groups have a different level of head office costs than those operated by independent smaller operations. In addition, newer built care homes will inherently have higher capital investments as opposed to older care homes, where mortgages have been considerably reduced or settled over time. These are both key considerations when setting an appropriate return on capital. We would also need to fully assess the impact of post-pandemic occupancy levels in care homes and any residual impact that may be having on unit costs (which again would impact the calculation of an appropriate return on operations).

The exercise does not exclude any homes because of low occupancy, where unit costs are sometimes much higher. There is no clear cut-off point for the FCoC exercise, especially given that occupancy in many homes is lower than usual owing to the Covid-19 pandemic. In most cases, the lower the homes occupancy, the more unreliable their staffing unit costs (as some homes can manage without backfilling staff, so there is a risk that staff costs are overstated if allowances are made for holidays, etc. in the usual way).

Staffing costs are whole home/unit staffing, only excluding care workers explicitly identified as providing one-to-one support to residents. Some of the staff costs included within the FCoC results will be covered by higher fees (or enhancements) paid by the ICB in particular and other residents for need-based and other reasons. There is no way of stripping these costs out for the FCoC return (which is why care staffing in costs models must be standardised to be meaningful). In addition, staffing levels vary enormously between homes, and it is not just for need-based reasons. Many homes include a level of ancillary staffing that is aimed at self-funders and is not necessary for safe and legally compliant care. Even if these homes all have costs that are above the median, the resulting median can be dragged up to be in the higher end of costs for standard-rated care.

Some cost categories are highly variable. The median can therefore be somewhat arbitrary and easily moved. This is especially true of head-office costs (or equivalent), which vary from £5 to £200+ per resident week. There is no practical way of scrutinising central overheads of groups for these types of exercises. It is also not in the council's long-term interest to report 'limits' for such cost categories, as it may distort future exercises of a similar nature.

For these reasons, the FCoC median costs obtained through this exercise (and reported in Annex A) do not have sufficient robustness to provide an absolute basis sufficient to inform any finalised sustainable fee rates for future council commissioning. The data collected through this process will provide rich intelligence on which to base further work to support future council commissioning and market shaping. Further detailed analysis will be carried out on the data obtained through the FCoC exercise and the composite of the median costs, to help us to assess the appropriateness of the data as a fair and meaningful representation of provider cost structures for those organisations that operate in our local market. The results of this further work will inform the rates on which to

base our usual fee rates/commissioning going forwards. This work will be evidenced in the final market sustainability plan, to be submitted in February 2023.

Response rates

A total of 78 care homes submitted a survey to inform both the council's FCoC return and the wider analysis of the local care home market that is to follow.

Of these submitted surveys, 57 have been used in the FCoC return. To promote engagement and gather as much data as possible for the market review, providers were encouraged to submit partially completed surveys where they would not complete the survey in full. These surveys contributed to the understanding of the market but did not supply enough data to be able to calculate their full staffing cost or their full non-staffing cost. The partial surveys have not been used in the FCoC return owing to issues with overlapping costs.

All surveys that were in scope of the exercise were usable after an extensive query process to resolve gaps, uncertainties, and other data quality issues. Therefore, out of the total of 181 of older adult care homes in Lincolnshire, 31% ultimately submitted a usable survey. This includes 25 out of 57 older adult nursing homes and 32 out of 57 older adult residential care homes. Additionally, 11 out of the 25 older adult nursing homes reported a significant number of residential residents and so their data has been used for both the residential and nursing analysis. Where nursing homes reported only a handful of residential residents (i.e. without nursing), all residents were classified as nursing.

Justification of the proposed approach to return on capital and return on operations

Within Annex E to the fund, DHSC has provided some guidance in support of the calculation of a return on capital and a return on operations. There is a large amount of discretion around the underlying calculation of both elements and expectations of a level of return will differ across provider business structures. Clearly the level of return needs to deal with the layers of risk and desired profit. Lincolnshire's approach to both elements is below:

- **Return on capital**

Lincolnshire has provisionally used the 'Potential Approach 1' as set out in the DHSC guidance whereby the return on capital value has been calculated using the median freehold value per bed. Additionally, a provision has been made in the calculation to reflect an estimate for the value of the equipment and furniture in a care home (the equivalent of depreciation). A return on capital has then been calculated using a rate of return on capital of 6.0%. This approach is used within our existing fees model. The alternative DHSC suggested method ('Potential Approach 2') using the Local Housing Allowance for Lincolnshire would potentially generate a lower return.

- **Return on operations**

Return on operations is a mark-up on operating costs. To maintain a working market, providers need a reasonable rate of return on operations. The public sector should not be rewarding care home operators with excess profits, but equally we recognise that providers need to make a return to remain in the market and maintain provision. The exercise includes a 5% for a return on operations. The council believes this is a fair minimum plausible mark-up, though we note that different operating models can

produce very different needs for a rate of operating return. The figure should therefore be seen as a guide rather than representing a robust assessment.

Lower quartile, median and upper quartile costs

A table setting out, lower quartile, median and upper quartile (where relevant) of all items in Annex A, is included as *Appendix 1* to this report. For ease, the medians are shown as residential excluding nursing (which combines placements without nursing and without nursing, enhanced needs from Annex A) and residential including nursing (which combines placements with nursing and with nursing, enhanced needs from Annex A).

Basis of data collection

The data from providers was collected during the summer of 2021. The financial year was 2021/22. In some instances, historic cost data was used for non-staff cost categories, based on the providers most recent completed financial accounts. Each such cost was then uplifted to a 2022/23 equivalent baseline using an appropriate CPI index. This was done at the most granular level possible so that inflation adjustments are as accurate as possible. We have applied a 6.6% increase to care worker wage costs. This is consistent with the percentage increase in the statutory National Living Wage. The rate was also adjusted reflect the changes in national insurance to include the Health and Social Care Levy although it is recognised that this is being reversed. The fair cost of care exercise has uplifted all non-staff costs using CPI indices comparing May 2021 to May 2022.

Providers identified costs that had (or would) increase for 2022/23 to an extent that would not be reflected using CPI measures of inflation. Many providers took advantage of this by providing details about structural cost increases, notably utilities and insurance. Given the volatility surrounding these costs when the 2022/23 rates were negotiated, the council established a Hardship Fund against which providers could access financial support towards both increases in utilities and/or insurance costs.

For future years, to uplift the FCoC cost model:

- Staffing costs would be uplifted using a combination of the National Living Wage (for lower paid staff) and any other reasonable method (for higher paid staff). Such a methodology would need to reflect any pay differentials where necessary to reflect different roles/responsibilities of staff.
- Non-staff costs would be uplifted using an appropriate CPI index. Future energy and insurance costs will be informed by the evidence-based increases providers continue to submit to the council.
- Any inflation methodology would also need to consider structural changes relevant to care home costs.

Description of the questions asked/template used as part of the data gathering exercise

The survey was designed by Care Analytics. As Care Analytics market reviews have a wider scope than the FCoC exercise required by DHSC, the survey includes a wider set of questions and enabled a thorough analysis of the marketplace to be undertaken.

The survey asks detailed questions about the care home's facilities and residents. It then asks for a detailed breakdown of current staffing, wage rates by role, employment terms and conditions, and use of agency staff.

Non-staff operating costs are collected from previous or current financial years at a granular level. Finally, there are a range of free text questions that providers can answer in their own words to inform the market review.

To promote engagement, providers were offered the opportunity to submit financial information in whatever format was exported from their finance system or was already available in their accounts. Care Analytics then standardised the data into the required format for analysis. Many providers took advantage of this opportunity as it saved them considerable time.

To support the data submissions received from providers via the survey, two financial years' worth of accounts data were also requested, to help identify outlier costs or exceptional spends in any one particular year. This then allowed for informed treatment for the purpose of the exercise.

Non-staff costs have been standardised to fit the necessary structure of the FCoC Annex A template. This is not an exact science as costs are recorded in diverse ways in finance systems. Wherever possible, we have sought not to leave costs as 'other', as this makes meaningful comparison between homes difficult.

Annex A Placements excluding nursing

		1st quar- tile	Median	3rd quar- tile
Cost of care exercise results - all cells should be £ per resi- dent per week, MEDIANS.	Count	All resi- dential place- ments (excluding nurses)	All resi- dential place- ments (excluding nurses)	All resi- dential place- ments (excluding nurses)
Total Care Home Staffing				
Nursing Staff				
Care Staff	38	£256.62	£292.69	£344.10
Therapy Staff (Occupational & Physio)				
Activity Coordinators	36	£9.95	£12.52	£17.21
Service Management (Registered Manager/Deputy)	37	£34.66	£43.99	£60.04
Reception & Admin staff at the home	32	£10.60	£13.34	£19.62
Chefs / Cooks	36	£20.73	£26.71	£33.82
Domestic staff (cleaning, laundry & kitchen)	37	£53.78	£67.02	£80.59
Maintenance & Gardening	35	£9.34	£12.06	£16.07
Other care home staffing (please specify)				
Total Care Home Premises				
Fixtures & fittings				
Repairs and maintenance				
Furniture, furnishings and equipment				
Other care home premises costs (please specify)	38	£19.48	£29.16	£35.62
Total Care Home Supplies and Services				
Food supplies	38	£27.82	£30.75	£33.70
Domestic and cleaning supplies	37	£9.13	£10.06	£18.22
Medical supplies (excluding PPE)	35	£1.61	£4.63	£8.91
PPE				
Office supplies (home specific)	37	£1.58	£3.19	£6.40
Insurance (all risks)	30	£3.96	£5.00	£6.22
Registration fees	30	£3.26	£3.53	£4.33

Telephone & internet	29	£0.85	£1.26	£2.88
Council tax / rates				
Electricity, Gas & Water	38	£27.29	£34.22	£39.72
Trade and clinical waste	25	£4.57	£5.70	£6.42
Transport & Activities	29	£1.13	£2.40	£4.58
Other care home supplies and services costs (please specify)		£19.26	£10.65	£8.21
Total Head Office				
Central / Regional Management				
Support Services (finance / HR / legal / marketing etc.)				
Recruitment, Training & Vetting (incl. DBS checks)				
Other head office costs (please specify)	38	£20.19	£39.12	£163.91
Total Return on Operations		£26.57	£32.40	£44.10
Total Return on Capital		£63.36	£57.53	£45.83
TOTAL		£621.42	£737.93	£971.95

Supporting information on important cost drivers used in the calculations:	Count	All residential placements (excluding nurses)	All residential placements (excluding nurses)	All residential placements (excluding nurses)
Number of location level survey responses received	45	45	45	45
Number of locations eligible to fill in the survey				
Number of residents covered by the responses	45	1242	1242	1242
Number of carer hours per resident per week	38	21.4	24.5	28.4
Number of nursing hours per resident per week				
Average carer basic pay per hour	38	£9.71	£9.84	£10.14
Average nurse basic pay per hour				
Average occupancy as a percentage of active beds	45	75.0%	80.0%	92.9%
Freehold valuation per bed				

Annex A Placements including nursing

		1st quartile	Median	3rd quartile
Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	Count	All nursing placements	All nursing placements	All nursing placements
Total Care Home Staffing				
Nursing Staff	20	£114.27	£145.79	£186.50
Care Staff	20	£236.24	£271.51	£305.57
Therapy Staff (Occupational & Physio)				
Activity Coordinators	20	£10.57	£12.33	£17.27
Service Management (Registered Manager/Deputy)	20	£31.03	£32.69	£47.63
Reception & Admin staff at the home	20	£11.36	£13.01	£19.47
Chefs / Cooks	20	£14.63	£25.29	£28.28
Domestic staff (cleaning, laundry & kitchen)	20	£55.46	£69.13	£81.06
Maintenance & Gardening	20	£9.84	£12.03	£13.90
Other care home staffing (please specify)				

Total Care Home Premises				
Fixtures & fittings				
Repairs and maintenance				
Furniture, furnishings and equipment				
Other care home premises costs (please specify)	19	£22.16	£26.76	£32.63
Total Care Home Supplies and Services				
Food supplies	19	£29.76	£32.50	£35.10
Domestic and cleaning supplies	19	£8.33	£11.71	£18.14
Medical supplies (excluding PPE)	19	£7.16	£10.25	£12.19
PPE				
Office supplies (home specific)	19	£2.30	£4.36	£5.67
Insurance (all risks)	16	£4.54	£5.47	£6.74
Registration fees	17	£3.37	£3.69	£4.02
Telephone & internet	15	£0.87	£1.17	£2.75
Council tax / rates				
Electricity, Gas & Water	19	£27.91	£35.65	£45.66
Trade and clinical waste	15	£5.58	£5.79	£6.38
Transport & Activities	15	£1.06	£1.93	£2.78
Other care home supplies and services costs (please specify)		£18.56	£9.13	£11.64
Total Head Office				
Central / Regional Management				
Support Services (finance / HR / legal / marketing etc.)				
Recruitment, Training & Vetting (incl. DBS checks)				
Other head office costs (please specify)	19	£15.61	£50.95	£188.84
Total Return on Operations		£34.02	£39.06	£52.46
Total Return on Capital		£55.91	£50.87	£37.47
TOTAL		£770.25	£871.08	£1,139.06

Supporting information on important cost drivers used in the calculations:	Count	All nursing placements	All nursing placements	All nursing placements
Number of location level survey responses received	24	24	24	24
Number of locations eligible to fill in the survey				
Number of residents covered by the responses	24	118	118	118
Number of carer hours per resident per week	20	19.7	22.4	25.6
Number of nursing hours per resident per week	20	4.9	6.5	8.1
Average carer basic pay per hour	20	£9.67	£9.84	£10.02
Average nurse basic pay per hour	20	£17.85	£18.20	£19.03
Average occupancy as a percentage of active beds	24	73.3%	85.8%	91.9%
Freehold valuation per bed		£52,290.00	£52,290.00	£52,290.00

Market Sustainability and Fair Cost of Care Fund 2022 to 2023

**Annex B: Cost of Care Report – Domiciliary Care
Lincolnshire County Council**

Background and context

The Market Sustainability and Fair Cost of Care Fund ('the fund') sets out funding parameters in support of local authorities to prepare their markets for reform, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to specifically support local authorities to move towards paying providers a fair cost of care.

As a condition of receiving future funding from the fund, local authorities are required to evidence the work undertaken to prepare their markets for wider charging reform and thereby increase market sustainability. This required them to produce:

- Cost of care exercises for 65+ care homes and 18+ domiciliary care
- A provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market, with particular consideration given to the further commencement of Section 18(3) of the Care Act 2014 (which is currently in force only for domiciliary care) – a final plan will be submitted in February 2023
- A spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose

The remainder of this report sets out the approach adopted by Lincolnshire in meeting the conditions of the fund and how the cost of care estimates submitted to DHSC within Annex A have been arrived at.

Approach to the exercise

The council, alongside a number of other East Midlands local authorities, commissioned the services of Care Analytics, a specialist in the financial analysis of care markets and the cost of care, to undertake a 'Fair Cost of Care' (FCoC) detailed cost analysis exercise. The nine prime providers operating in the domiciliary home care market were sent a detailed survey designed to capture the necessary operational and contextual detail to draw out the inherent costs of delivering care in the local market. Responses were received directly by Care Analytics, rather than by the council, in order to address any concerns regarding confidentiality of business data. These returns have been reviewed by Care Analytics, with responses clarified where needed, in order to produce the resulting data analysis of median and quartile costs required from this exercise.

Only prime providers were invited to complete surveys. It would have required a disproportionate effort to expand the scope of the exercise after the data collection process for our market review had finished. As the council has a prime provider approach, other homecare providers will not be able to influence the median results (unless they are given undue weighting). In addition, other homecare providers will likely have incommensurable business models and costs than the prime providers (who have a wider responsibility than most traditional homecare branches).

Provider engagement sessions were set up for providers to attend, in order to go through the survey template and wider FCoC process with the support of Care Analytics. We additionally worked closely with Lincolnshire Care Association (LiNCA), the trade organisation which represents domiciliary care providers across Lincolnshire. Sessions were held with Lincolnshire Care Association (LiNCA) to finalise the survey for Lincolnshire. LiNCA were

also involved in promoting provider engagement with the exercise. This offered support and guidance to individual providers in collaboration with the local authority to promote the exercise.

Interpretation of Annex A results

The exercise has provided valuable intelligence and insight into the local care market however, there remain weaknesses in the methodology and the use of the median position as a basis for considering the cost of care. Consequently, these figures alone do not represent a robust basis on which to make assumptions about the actual cost of care delivery in an area.

It is important to recognise (and ensure) whether the data that has been obtained reflects an overall pool of efficient providers as referenced in the requirements of Section 4.31 of the Care and Support Statutory Guidance.

The data collected through this process will provide rich intelligence on which to base further work to support future council commissioning and market shaping. Further detailed analysis of the data obtained through the FCoC exercise will now be undertaken and the composite of the median costs, in order to help us to assess the appropriateness of the data as a fair and meaningful representation of provider cost structures for those organisations that operate in our local market. The results of this further work will further inform the rates on which to base our usual fee rates/commissioning going forwards. This work will be evidenced in the final market sustainability plan, to be submitted in February 2023.

Response rates

A total of nine providers (100%) submitted a survey to inform both the council's FCoC return and the wider analysis of the local home care market that is to follow.

All surveys that were submitted were within the scope of the exercise. None were therefore excluded on these grounds.

The data submitted within these surveys will contribute to our understanding of the local market, but the providers did not supply sufficient data to be able to reliably calculate their total care worker costs or their full business overhead costs.

All nine home care surveys have been able to be used to underpin the analysis in the council's FCoC return. All of these surveys have full unit cost calculations, both for care worker costs and for business costs.

Lower quartile/median/upper quartile of number of appointments per week by visit length (15/30/45/60 mins)

	15 mins	30 mins	45 mins	60 mins
First quartile	1,031	1,414	396	90
Median	1,294	1,567	438	108
Third quartile	1,882	1,776	522	132

Justification of the proposed approach to return on operations

Councils can decide what return on operations (or surplus) to include in their FCoC return.

It is important to recognise that this return on operations cannot all be taken out of the respective business as profit. The surplus is also needed to pay both for investment back into the business and for exceptional costs that will inevitably arise from time to time.

The council's expectation of a sustainable surplus would normally range from 3% upwards. Further to this, a surplus below 5% can only be considered sustainable where the assumed costs are not rigid and there is therefore some elasticity to reduce costs. By contrast, a higher assumption may be reasonable where the operating costs are assumed to be the product of an extremely efficient organisation.

When determining an appropriate return on operations, the council also needs to consider existing payment rules, as comparatively generous payment rules can indirectly include a significant amount of surplus (generation of revenue without the normal associated costs). By contrast, if payment rules are 'tighter', providers could be incurring costs where there is no associated income. Payment rules have been flexible over the period of the pandemic in order to assist the provider market with challenges to financial viability and sustainability.

Another critical dimension to consider around assumptions relating to the level of surplus is the nature and balance of the local provider market, in particular: (i) the size of local home care branches, and, (ii) whether the market is principally made up of owner-operated or corporate businesses.

The way the results for the FCOC return are calculated take a generous interpretation of travel time. Each providers results assumes both (i) the provider pays for travel time in full, and (ii) the full visit length takes place. Whilst the council regularly analyses call-monitoring data to understand operating practice, providers are allowed to leave visits early where the clients needs have been met. They are still paid for the full visit length. As providers mainly pay all their care workers on contact time, this creates a degree of flexibility in practice compared to the way the providers costs are represented in the FCOC analysis.

In almost all home care businesses, the main financial risks from changes in demand relate to back-office staffing (which is harder to flex week-to-week) and other fixed costs (such as rent and insurance). For this reason, smaller, owner-managed business can often operate with less risk, as they invariably have lower fixed costs, especially where the owner is either unsalaried or has only a low salary. The fact that owners receive remuneration through a combination of pay, profit and the expenses they charge to the business also means the level of 'surplus' for such providers may be less than some groups.

Using this intelligence and the related dynamics of our local commissioned market, the council has made an initial judgment about a level of return on operations and this has provisionally been set at 5% in the FCoC analysis. Different operating models can produce very different needs for a rate of operating return. The council believes this is suitable for the Lincolnshire market given the exclusive nature of the prime provider model.

Lower quartile, median and upper quartile costs

A table setting out details showing the count of observations, lower quartile, median and upper quartile (where relevant) of all items in Annex A, Section 3 is included as **Appendix 1** to this report.

To be included in the FCoC analysis, the provider had to report enough data to be able to calculate all their care worker costs OR all their business overheads. If the total observation count is higher than the respective counts for the sub-sections, this will be because of a handful of providers where both sets of costs could not be reported.

Annex A, Section 3

The full table in Annex A, Section 3 is included as **Appendix 2** to this report and sets out the median values for each care type.

Please also refer to **Appendix 2** to this report, which also includes (consistent with the cost per contact hour of Annex A), the cost per visit for each of 15, 30, 45 and 60 minute visits. These are theoretical models, calculated on the assumption that the only variables that change are the contact time (visit duration) and travel costs (i.e. shorter visits have larger relative travel times so cost relatively more). It is also assumed that there are no changes in average travel time between visits, sickness levels, and that workforce characteristics remain unchanged.

Basis of data collection

The data from providers was collected during Spring 2022. The financial year was 2022/23. In some instances, historic cost data was used for non-staff cost categories based on the providers most recent completed financial accounts. Each such cost was then uplifted to a 2022/23 equivalent baseline using an appropriate CPI index. This was done at the most granular level possible so that inflation adjustments are as accurate as possible. Each cost line was updated from the middle of their respective financial year to May 2022 (close to the start of the 2022/23 financial year).

Providers were also asked to identify any costs that had (or would) increase for 2022/23 to an extent that would not be reflected using CPI measures of inflation. Many providers took advantage of this by providing details about structural cost increases. Each provider's costs were updated to reflect any new baseline where data was supplied.

Payroll data was collected from a recent payroll period in the 2022/23 financial year to inform employer national insurance and pension contributions as a percentage of wages.

For future years, in order to uplift the FCoC cost model:

- Staffing costs would be uplifted using a combination of the National Living Wage (for lower paid staff) and any other reasonable method (for higher paid staff). Such a methodology would need to reflect any pay differentials where necessary to reflect different roles/responsibilities of staff.
- Non-staff costs would be uplifted using an appropriate CPI index.
- Any inflation methodology would also need to take into account structural changes relevant to care home costs.

Using the data collected through this exercise, work will continue to configure various standardised cost models to inform the council's future commissioning. The council will also provide a clear basis to update these cost models for inflation based on the above considerations.

It is likely that the council's commissioning of home care could significantly change over the next few years as it implements its commissioning strategies. As a result, provider costs will potentially change depending on how the council commissions home care in the future, as costs incurred by home care providers tend to be intrinsically linked to how the council commissions and pays for home care.

Description of the questions asked/template used as part of the data gathering exercise

The survey was designed by Care Analytics. It is an adapted version of the survey that they have used to conduct their existing market review service. As Care Analytics market reviews have a wider scope than the FCoC exercise required by DHSC, the survey includes a wider set of questions. This will enable a thorough analysis of the marketplace to be undertaken subsequent to the current FCoC process.

The survey asks detailed questions about home care delivery and the operating practices of each branch. It also asks for a detailed breakdown of current back-office staffing and wages/salary by role and a series of questions about care worker pay rates, including supporting information, so that a reliable average rate of pay can be calculated. The survey also collects information about employment terms and conditions, so that employment on-costs can be accurately calculated. Providers had the opportunity to present their pay structure in whatever format was easiest to them. This is essential for home care owing to the diverse ways home care providers pay their care workers.

Non-staff operating costs were collected from previous or current financial years at a granular level. To promote engagement, providers were offered the opportunity to submit financial information in whatever format was exported from their finance system or was already available in their accounts. Care Analytics then standardised the data into the required format for analysis. Many providers took advantage of this opportunity as it saved them considerable time.

Appendix 1 - Lower quartile, median and upper quartile costs

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	Re-response rates by question	1st quartile	Median	3rd quartile
Total Careworker Costs		£13.70	£14.49	£15.33
Direct care	11	£9.54	£9.62	£9.62
Travel time	11	£1.20	£1.45	£1.77
Mileage	11	£0.49	£0.69	£0.95
PPE	8	£0.07	£0.22	£0.35
Training (staff time)	11	£0.19	£0.19	£0.20
Holiday	11	£1.26	£1.29	£1.33
Additional noncontact pay costs				
Sickness/maternity and paternity pay	11	£0.11	£0.11	£0.11
Notice/suspension pay	11	£0.03	£0.03	£0.03
NI (direct care hours)	11	£0.60	£0.67	£0.73
Pension (direct care hours)	11	£0.22	£0.23	£0.23
Total Business Costs		£3.49	£4.65	£6.03
Back office staff	11	£2.19	£2.36	£2.83
Travel costs (parking/vehicle lease et cetera)	10	£0.04	£0.08	£0.10
Rent/rates/utilities	11	£0.21	£0.35	£0.41
Recruitment/DBS	11	£0.06	£0.22	£0.28
Training (third party)	9	£0.03	£0.04	£0.08
IT (hardware, software CRM, ECM)	11	£0.24	£0.32	£0.41
Telephony	10	£0.08	£0.17	£0.19
Stationery/postage	10	£0.03	£0.04	£0.06
Insurance	9	£0.09	£0.10	£0.13
Legal/finance/professional fees	10	£0.03	£0.07	£0.13
Marketing	11	£0.02	£0.04	£0.11
Audit and compliance				
Uniforms and other consumables	10	£0.03	£0.04	£0.05
Assistive technology				
Central/head office recharges	10	£0.28	£0.46	£0.84
Other overheads	9	£0.06	£0.23	£0.28
CQC fees	10	£0.11	£0.12	£0.14
Total Return on Operations		£0.86	£0.96	£1.07
TOTAL		£18.05	£20.10	£22.43

Supporting information on important cost drivers used in the calculations:	Re- response rates by ques- tion	1st quartile	Median	3rd quartile
Number of location level survey responses received	11	11	11	11
Number of locations eligible to fill in the survey	11	11	11	11
Carer basic pay per hour	11	£9.50	£9.50	£9.50
Minutes of travel per contact hour	11	7.5	9.0	11.1
Mileage payment per mile	11	£0.25	£0.30	£0.33
Total direct care hours per annum * <i>This is the distribution of each providers individual hours, including private and other customers. The total hours from the sample is 24,345.</i>	11	1,973.6	2,108.6	2,371.8

Appendix 2 – Median costs and duration of 15, 30, 45 and 60mins

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	15 minutes	30 minutes	45 minutes	60 minutes
Total Careworker Costs	£17.06	£14.43	£13.56	£13.12
Direct care	£9.62	£9.62	£9.62	£9.62
Travel time	£2.83	£1.42	£0.94	£0.71
Mileage	£1.35	£0.67	£0.45	£0.34
PPE	£0.43	£0.21	£0.14	£0.11
Training (staff time)	£0.22	£0.19	£0.18	£0.18
Holiday	£1.45	£1.29	£1.23	£1.20
Additional noncontact pay costs				
Sickness/maternity and paternity pay	£0.12	£0.11	£0.11	£0.10
Notice/suspension pay	£0.03	£0.03	£0.03	£0.03
NI (direct care hours)	£0.75	£0.67	£0.64	£0.62
Pension (direct care hours)	£0.26	£0.23	£0.22	£0.21
Total Business Costs	£4.65	£4.65	£4.65	£4.65
Back office staff	£2.36	£2.36	£2.36	£2.36
Travel costs	£0.08	£0.08	£0.08	£0.08
Rent/rates/utilities	£0.35	£0.35	£0.35	£0.35
Recruitment/DBS	£0.22	£0.22	£0.22	£0.22
Training (third party)	£0.04	£0.04	£0.04	£0.04
IT (hardware, software CRM, ECM)	£0.32	£0.32	£0.32	£0.32
Telephony	£0.17	£0.17	£0.17	£0.17
Stationery/postage	£0.04	£0.04	£0.04	£0.04
Insurance	£0.10	£0.10	£0.10	£0.10
Legal/finance/professional fees	£0.07	£0.07	£0.07	£0.07
Marketing	£0.04	£0.04	£0.04	£0.04
Audit and compliance	£0.00	£0.00	£0.00	£0.00
Uniforms and other consumables	£0.04	£0.04	£0.04	£0.04
Assistive technology	£0.00	£0.00	£0.00	£0.00
Central/head office recharges	£0.46	£0.46	£0.46	£0.46
Other overheads	£0.23	£0.23	£0.23	£0.23
CQC fees	£0.12	£0.12	£0.12	£0.12
Total Return on Operations	£1.09	£0.95	£0.91	£0.89
TOTAL	£22.79	£20.03	£19.12	£18.66