

Hartlepool Borough Council

Cost of Care Report – Domiciliary Care (Annex B)

1.0 Purpose of Report

- 1.1 In September 2021 the government announced a reform of the adult social care system which would aim to protect people from unpredictable costs; offer more choice and control over care received; offer outstanding quality; and be accessible to those who need it; stating that “A sustainable care market is fundamental to underpinning this ambition.”
- 1.2 The government guidance issued at the time also stated “While recognising that local authorities are responsible for facilitating the efficient and effective operation of local care markets, we want to support them, where necessary, to address issues affecting their markets, and move them to a more stable footing.”
- 1.3 The government guidance continued:- “First, from October 2023 we will enable more people who fund their own care in care homes to ask their local authority to arrange care on their behalf to secure better value (those in domiciliary care can already do so), by further bringing into effect section 18(3) of the Care Act 2014. This will help to address the current differential in fee rates charged to some self-funders. The market effect of this change will be that some providers will over time need to reduce reliance on subsidising state-funded care from self-funders. Where this has an impact, local authorities will need to ensure their market can be sustained and fee rates are sustainable. Second, uncertainty over future funding, combined with low fees by some local authorities, has resulted in under-investment in local care markets, buildings and innovation, and call-cramming (systematically cutting visits short to allow time for travel) in domiciliary care. This is leading to poorer quality outcomes and therefore needs to be addressed to enable local authorities to successfully deliver our system reform ambitions”.
- 1.4 Additional government funding is to be provided to local authorities to fund these proposals although there is no indication as to how much funding individual authorities will receive.
- 1.5 As a condition of receiving grant funding in the current year and the 2 following years, local authorities need to submit to the Department of Health and Social Care (DHSC):
- a cost of care exercise – produced by surveying local providers for 65+ residential and nursing care and 18+ homecare to determine a sustainable fee rate for different care settings. Exercises will need to accurately reflect local costs such as staff pay and travel time, and provide for an appropriate return on capital or return on operations.
 - a provisional market sustainability plan setting out local strategy for the next 3 years (2022 to 2025) – using the cost of care exercise as a key input, this provisional plan will demonstrate the pace at which local authorities intend to move towards a sustainable fee rate, in particular taking account of the impact of section 18(3) as well as other pressures they have identified. Strategic planning for changes in types of provision in response to local need with other local areas, taking into consideration the role of new models of care (including housing)

- 1.6 This report is in response to the requirement of local authorities to undertake a cost of care exercise and to provide an overview of the outcome, process and how and to what extent this information will be used.

2.0 Government Requirements for Undertaking a Cost of Care Exercise

- 2.1 In order to receive the additional grant funding local authorities have been required to undertake a cost of care exercise for 65+ care homes and 18+ domiciliary care with a view to accurately reflect local costs such as staff pay and travel time. In addition authorities also need to provide, and evidence, an appropriate return on capital in care homes, and return on operations in both care homes and domiciliary care.
- 2.2 Local authorities are required to survey a range of providers (representative of the local market) as part of the cost of care exercise, to improve their understanding of the actual costs of delivering care in their area. Local authorities are required to use the exercise to determine and report the median actual operating costs across a range of specified categories, plus evidence and values for return on capital and return on operations. Local Authorities were required to engage with these relevant providers and get them to complete a nationally agreed and issued 'financial return template' and then to include the results in a Cost of Care report.
- 2.3 The national template/tool required to be completed was commissioned by the Care and Health Improvement Programme (CHIP) - jointly delivered through ADASS and LGA - and delivered by ARCC-HR Ltd. The tool was issued to authorities in May 2022 as an Excel template requiring various cost and activity data to be entered by providers to arrive at an hourly cost of care. Once completed by providers they were to submit to the local authority who would then review and collate the information to be able to calculate the overall median cost of local provision.
- 2.4 Following completion by providers all authorities were required to complete a financial template ('Annex A') and submit this to the DHSC by 14th October 2022. Although Annex A is not to be published, Tables from this Annex are required to be published as part of this Cost of Care Report (see Section 4.0).

3.0 Process Undertaken by Hartlepool Borough Council

- 3.1 As one of the smallest unitary authorities in the country and with a total of 2 main domiciliary care providers within the scope of the exercise, it was determined to undertake this cost of care exercise 'in-house' rather than to procure any external support. Discussions were held with other regional authorities, some of whom were using external organisations, however there were concerns around the availability and capacity of suitable organisations across the region to be able to provide 'added value' support other than simply 'collating' the data and they would not have the 'local knowledge'.
- 3.2 Subsequently, HBC completed all elements of the COC exercise with detailed input from internal HBC officers, as well as ongoing and detailed support from the North East Regional Commissioning Network, which includes commissioning representatives from all North East Councils. This regional work was used to share learning, guidance and knowledge to support the individual councils to understand all elements of the COC process and where changes, updates and revised

- 3.3 The relationship the Council has with both its main domiciliary care providers involves regular contact and discussions between both parties (phone, e-mail, Teams and face to face). It was therefore determined to use the skills and knowledge of staff from across the Council (including contract management, commissioning, data analysis and finance) to undertake and support this Cost of Care exercise. This project was run jointly by finance and commissioning sections to ensure all relevant knowledge areas were consulted, including specific conversations with providers to explain the process, support query resolution and ensure consistency and correctness. Senior management of HBC were kept updated of the process and were consulted wherever required.
- 3.4 Providers made aware of the exercise and invited to participate in late May 2022 with a formal e-mail letter being issued on 8th June 2022 detailing the process and requirements and encouraging them to take part in the exercise. Council Officer's contact details were provided and support was available to providers regarding technical queries, requesting clarifications and information to enable them to complete the tool/spreadsheet.
- 3.5 The Council were wanting as many providers to participate in the exercise as possible to fully inform the process so although an initial deadline of 30th June 2022 was given in the letter, the Council have been very flexible around this deadline.
- 3.6 On receipt of the completed returns, the Council reviewed all lines to identify any areas where data appeared to be incorrect, missing or, compared to other returns, appeared particularly high or low.
- 3.7 Areas which were queried included:-
- clarification of contact hours to understand whether any self-funders or fully health funded clients were included
 - whether they had included or excluded the advanced NLW costs from their figures
 - confirmation as to level of 15 minute visits
 - clarification around travel, including average travel time and distance
 - Confirmation of Sickness % rates which appeared either high or low compared to other returns
 - Enhancement % rates
 - Frequency of on-call payments
 - Operating Profit / Surplus
- 3.8 Both providers responded to the Council's queries and, where applicable, the providers amended their figures.
- 3.9 Although the template required providers to submit 2021/22 cost information the Council also asked them to submit the same information updated for their April 2022 cost inflation ie. incorporate, where applicable, any relevant pay awards or increases in allowances.
- 3.10 One of the providers only submitted data for 2021/22 however the information required to complete Annex A requires 2022/23 financial data. 2022/23 hourly carer pay and revised mileage rates were provided so, as there was insufficient time to request the provider to include relevant % uplifts for the other lines, and it is important to include all submitted returns in the exercise, the Council have uplifted the 2021/22 cost data for this provider as detailed in paragraph 3.11 below.

- 3.11 The 2021/22 'Data Output' costs per hour were inflated using the percentage increase in carer pay provided to maintain the percentage pay differential for other care staff, mileage rate updated for actual figure and all other costs used the same percentage increase as the carer pay. This resulted in an updated 2022/23 cost base for that provider which has been included within the exercise.
- 3.12 Without being able to undertake further work with our providers to understand their operational model and the basis for the rates submitted the Council determined not to arbitrarily amend any figures at this stage without a clear rationale.
- 3.13 Therefore, where the provider has confirmed the figure they submitted, *no subsequent changes have been made by the Council.*
- 3.14 As required, the median costs have been included. Discretion has been given to authorities to use the median on a cost 'line by line' basis or by sub-total of each heading. Hartlepool have used the median of each cost line on the basis that the templates and Annex A require this information so as this information is available and required then it should be used.

4.0 Outcome of Cost of Care Exercise

- 4.1 The response rate was 100% with both of the main providers within scope completing the exercise.
- 4.2 Other Domiciliary Care providers on the specialist framework were contacted and invited to participate (this was 5 companies who deal with much smaller numbers of specialist cases for adults) and all declined to take part.
- 4.3 A requirement of the DHSC guidance is to show for each service type the median cost, count of observations and the lower and upper quartiles from Annex A. This information has *not* been included as there are only 2 providers participating therefore publishing such information would allow a provider to identify the content from the other provider.
- 4.4 In addition, a copy of the relevant Table from Annex A showing all median values and the total cost per contact hour is to be included within this Report. As there are only the 2 providers this has also not been fully included for the reasons identified in paragraph 4.3 above. However, a 'high level' summary of the Table is shown below.

Table 1 – Cost of Care Exercise (Summary from Table 3 Annex A)

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	18+ domiciliary care
Total Careworker Costs	£16.34
Total Business Costs inc Return on Operations	£4.85
TOTAL	£21.19

- 4.5 Table 1 identifies a cost per 60 minute visit. In line with current arrangements a 45 minute or 30 minute visit would be paid pro-rata although there is currently a higher weighting paid for 15 minute visits (see Section 5.1).
- 4.6 Council's are also required to publish the lower quartile/median/upper quartile of number of appointments per week by visit length (15/30/45/60 mins). However, this

information has *not* been included as there are only 2 providers participating therefore publishing such information would allow a provider to identify the content from the other provider.

5.0 Analysis of Annex A Responses

- 5.1 Current fees for home care are £16.66/hour with a higher rate for 15 minute calls (equating to £25.24/hour).
- 5.2 Hartlepool, along with seven of the other 12 North East Councils, use the 'Affinity Landscape' tool which provides up to date, dynamic intelligence of all services to enable detailed market analysis, as well as prediction information on trends over the next three years. This includes details of all clients receiving domiciliary services, hours of service, call duration and cost.

6.0 Annual Fee Setting Process

- 6.1 The DHSC are quite clear that "The outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation." "In practice, and as many local authorities move towards paying the fair cost of care, it is expected that actual fee rates paid may differ due to such factors as rurality, personalisation of care, quality of provision and wider market circumstances."
- 6.2 Annual fee uplifts have historically been calculated by the Council using a financial model which incorporates a 'weighted average' of 70% relating to the annual increase in the national living wage and 30% relating to the six-monthly average RPI (June to November) to arrive at an overall annual percentage uplift. Where there are national changes impacting on home care, for example the increase in employers NI contributions, the model is adapted to include these additional costs that will be incurred by providers. There are no plans to change this model which is transparent, removes any subjective judgements and is shared with providers each year.
- 6.3 As with other years, 2023/24 fee uplift rates will be calculated based on 2022/23 base line fees (excluding any 'Premium' payment – see Section 7.0) continuing to use the model as outlined above.

7.0 Market Sustainability and Fair Cost of Care Grant 2022/23

- 7.1 In 2022/23 the government provided grant funding to local authorities to "to support local authorities to prepare their markets for reform of the adult social care system, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to support local authorities to move towards paying providers a fair cost of care. Where average fee rates are below the fair cost of care, local authorities should use this additional funding to increase fee rates paid to providers (in respect of residential and nursing care for those aged 65 and over, and domiciliary care for those aged 18 and over, including those who operate in extra care settings) beyond the level required to cover increases in core costs such as inflation, workforce pressures, National Living Wage, and National Insurance."
- 7.2 £162m of funding was provided nationally with Hartlepool Council receiving £338,000. In line with the grant conditions 25% of this funding is to be retained by the Council to fund the implementation activities associated with preparing care

markets for reform. The balance of funding (£254,000) will be paid to relevant care providers in accordance with the grant conditions.

- 7.3 Exact details of how this funding will be allocated are still being finalised. Given the uncertainty around future years grant funding and the financial risk of committing additional funding without any indication of how much grant funding the Council will receive next year and future years, it has been determined to pay this grant to in-scope care providers as a percentage 'premium additional' payment.
- 7.4 This payment will be paid as a percentage pro-rata to actual fees paid by the Council for the remaining 2022/23 payments covering the period between 10th October 2022 and 26th March 2023.
- 7.5 This additional 'premium' payment will be paid for the above period at an expected rate of 2% on top of the current fees paid during the period 10th October 2022 to 26th March 2023. This payment will end on 26th March 2023 with fees reverting back to their 2022/23 base level plus the annually calculated uplift (see Section 6.0 above).

8.0 Overview

- 8.1 The Council are undertaking this Cost of Care exercise as a 2 stage process of which Annex A and Annex B are just the first stage. Providers need to be further engaged so that the Council can fully understand the workings and rationale behind some of the data included in Annex A. The October deadline and some national / regional discussions which are currently on-going (for example around operating profit/surplus) mean that this detailed analysis cannot be completed in a meaningful and robust way before the October deadline.
- 8.2 This two-stage approach is consistent with the process for market sustainability plans. Provisional market sustainability plans are to be submitted on 14th October 2022 and are an opportunity for local authorities to assess the impact current fee rates are having on their market and potential future risks, particularly in the context of adult social care reform. They will serve as a vehicle for setting high level strategic choices in how funding will be used to address these sustainability challenges. Final market sustainability plans are due to be submitted in February 2023. This two-stage process was intended to enable authorities to produce a costed plan outlining how funding in future years will be spent in line with key actions, after local government budgets have been finalised.
- 8.2 Consequently, Annex A has been completed based on the DHSC guidance issued and on the final returns as submitted by providers. No changes have been made by the Council to any of their figures other than to inflate one provider to 2022/23 costs. Further work needs to be undertaken with in-scope providers to understand their operational model and the basis for the rates submitted. On this basis the Council determined not to arbitrarily amend any figures at this stage without a clear rationale.
- 8.3 The period covered by this exercise (2021/22) is exceptional as the care sector were still being significantly affected by the impact of the COVID pandemic, in terms of costs and also the additional funding they received to fund some of these costs which by definition were 'one-off'.
- 8.4 The production of Annex A and the figures provided in Table 2 above will now provide a basis on which the Council will engage further with providers to fully understand the range of areas where there may have been inconsistencies in

approach, double-counting / overstatement of costs (for example arising from COVID grant funding) and the treatment of return on operations given some national and regional discussions around possibly applying a uniform and consistent approach.

- 8.5 The cost data in Annex A above which requires further analysis and discussions between providers and the Council are outlined below:
- All Staff Costs – The Council and CCG provided additional grant funding in the final quarter of 2021/22 to domiciliary care providers to ‘advance’ either the National Living Wage or annual pay award so the costs in 2021/22 will be higher than they otherwise would; in addition, 2021/22 costs have then been inflated by the 2022/23 pay award which potentially ‘double-counts’ the costs;
 - Travel distance, time and costs to determine any weighting (if applicable) for 15 minute, 30 minute or 45 minute costs per visit
 - Return on Operations – Significant national and regional discussions around what percentage figure is ‘reasonable’ and what should be included have been held but with no definitive outcome

9.0 Next Steps

- 9.1 As detailed in paragraph 8.5 there are a number of areas to be reviewed before an agreed cost of care can be determined.
- 9.2 The submission of returns from providers and completion of Annex A provides a series of numbers and data which the Council will use to work further with providers in order to better understand and refine the information to arrive at an agreed and consistent Cost of Care.
- 9.3 Councils do not have funding to pay for any increases in fees arising from a cost of care exercise. Inflationary costs, energy prices rises and the national pay award have all increased pressure on existing Council funds. Hartlepool Council has a forecast budget deficit in 2023/24 of at least £8.6m, even after increasing Council Tax by the threshold limit of 2.9% and implementing the Adult Social Care Precept.
- 9.4 Any increases in fees will need to be funded from the specific government grant funding identified for local authorities to fund the Cost of Care (£600m nationally in 2023/24). The details will not be announced until at least December 2022 and the funding is to be used for Care Homes and 18+ Domiciliary Care.
- 9.5 There are no guarantees any funding will be sufficient to pay the full Cost of Care once a rate for this has been agreed. Indeed, the government guidance issued states “Our policy expectation is that local authorities make as much progress as possible towards the fair cost of care identified locally in your exercise within this Spending Review period; Our policy guidance talks about ‘moving towards’ because we recognise that this is a journey. Although we expect local authorities to move towards paying a fair cost of care, we know local authorities will be starting from different points, with some further away from the fair cost of care than others. This means some local authorities will reach the fair cost of care for their local area in this Spending Review period, whereas others are on a longer journey and will not. Our policy expectation is therefore that you make as much progress as possible.”
- 9.6 DHSC guidance also states “We know the median actual operating costs from which LAs arrive at a FCC in their area will not reflect the costs of each individual provider in their local area. The outcome of the CoC exercise is not therefore intended to be a replacement for fee setting ... or individual contract negotiation. In

practice we will expect actual fees to be informed by the FCC ... Fee rates will also continue to be based on sound judgement, evidence, and through a negotiation process, as is the case currently.”

- 9.7 On this basis the Council is not in a position to commit any additional funding from April 2023 to providers to fund increased rates outside of the ‘normal’ annual fee uplifts.