

**Cost Review of Home Care Services for Older People  
for Oxfordshire County Council**

**Executive Summary of Final Report**

**Jim White**  
**Senior Finance Consultant**  
**Valuing Care Ltd**

## 1. Introduction

In July 2020, Oxfordshire County Council (the Council) instructed Valuing Care (VC), to undertake a review of the home care market in Oxfordshire.

The objective of the review is to provide the Council with the necessary intelligence to develop a range of actions which ensure a sustainable market, able to deliver the required quality and capacity of service to meet the needs of the local population.

The scope of the work undertaken includes:

- A survey of local Home Care Agencies (HCA) to obtain information on levels of activity and the unit cost of delivering home care services per contact hour
- Analysis of the survey results to identify the usual cost of delivering standard daytime, waking night, sleep-in and extra care services
- Separate calculation of VFM rates using VC's cost model and national intelligence, to facilitate benchmarking of the local survey results

This Executive Summary synthesises the main findings of the draft report dated 25<sup>th</sup> September 2020.

## 2. Survey Results

In response to the survey, VC received completed templates from 44 HCA delivering services in Oxfordshire, of which, 42 HCA reported the cost of standard daytime care, 9 waking night care, 5 sleep-in care and 2 extra care.

Valuing Care have consolidated the information reported by each provider and have used statistical percentiles to identify the survey results for each service type, which include the range of costs and values reported for each activity and expenditure type.

To estimate the usual cost of providing services, VC have aggregated the median amount reported by HCA for each expenditure type. VC use the median average in preference to the mean average, as the mean can potentially be distorted by outliers arising from providers reporting particularly high or low costs.

A cost structure based on the 50th percentile (or median amounts), could be used to describe a notional provider with average or usual costs across all expenditure types.

Whilst the number of HCA included in the sample group for standard daytime should provide a high level of confidence in the results for this type of service, the relatively low number of templates included in the samples for sleep-in and extra-care, require these results to be treated with caution.

## 3. Survey Results – Median Costs per Contact Hour for each Service Type

The Cost Template required HCA to provide a breakdown of the cost of providing 1 contact hour of homecare for each service type.

The following table presents the survey median costs reported for each service type.

The totals for care staff costs, business costs and operating costs are the sums of the columns and are not totals reported by individual HCAs. Consequently, each data set presented in the tables (for example, the standard daytime medians) will include a mix of costs reported by different HCAs.

Please note that total operating costs excludes the amounts reported for profit/surplus.

**Table 1 – Median Cost per Contact Hour for each Service Type**

Cost Type	Standard Daytime (7am-10pm)	Waking Night (10pm-7am)	Sleep-in Night (10pm-7am)	Extra Care (1:1 Hours)
Average rate paid to Care Worker per hour	£10.50	£11.50	£9.50	£10.23
Average cost of travel time per contact hour	£1.84	£0.00	£0.00	£0.00
<b>Total Gross Pay including Travel Time</b>	<b>£12.03</b>	<b>£11.50</b>	<b>£9.50</b>	<b>£10.23</b>
Employers National Insurance (on gross pay)	£0.99	£1.04	£0.77	£0.76
Employers Pension Contribution (on gross pay)	£0.35	£0.39	£0.29	£0.25
Cover for holidays (gross, NI & Pension)	£1.56	£1.57	£1.17	£1.24
Cover for sickness (gross, NI & Pension)	£0.28	£0.23	£0.19	£0.34
Cover for staff training & supervision	£0.28	£0.29	£0.22	£0.32
Travel Expenses	£0.70	£0.19	£0.00	£0.05
<b>Care Staff Costs (Direct Costs)</b>	<b>£16.18</b>	<b>£15.21</b>	<b>£12.13</b>	<b>£13.18</b>
Registered Manager, supervisors and assessors	£1.87	£1.78	£1.53	£2.13
Care co-ordinators, service administrators & finance	£1.10	£0.89	£0.54	£2.10
Job adverts, CRB checks, staff training and qualifications	£0.50	£0.50	£0.43	£0.07
CQC Registration Fees	£0.15	£0.15	£0.10	£0.07
Rent, rates & utilities	£0.46	£0.30	£0.26	£0.10
IT equipment & telephones	£0.30	£0.25	£0.26	£0.13
Stationary, protective clothing (gloves & aprons)	£0.68	£0.27	£0.50	£0.15
Insurance (all risks)	£0.18	£0.20	£0.10	£0.10
Marketing, banking, legal & accountancy	£0.70	£0.70	£0.61	£0.15
<b>Business Costs (Indirect Costs)</b>	<b>£5.94</b>	<b>£5.03</b>	<b>£4.32</b>	<b>£4.99</b>
<b>Total Operating Costs</b>	<b>£22.12</b>	<b>£20.24</b>	<b>£16.45</b>	<b>£18.17</b>

The table shows total median operating cost of delivering standard daytime care to be £22.12/hour, comprising of direct care staff costs of £16.18/hr and indirect business costs of £5.94/hr.

After allowing for travel time, the median gross pay including travel time has been identified as £12.03 per standard daytime contact hour.

It is important to note that only 32 of the 42 HCA reported the cost of travel time separately, indicating that some HCA include this within their average hourly rate. This means the average rate paid to care workers per hour (£10.50) is likely to be overstated.

The table also suggests that waking night hours are remunerated at a higher rate (£11.50/hr) than standard daytime hours (£10.50/hr). Conversely that sleep-in hours are remunerated at a lower rate of £9.50/hr. This is in line with VC's experience, that care staff receive higher rates of pay for working anti-social hours, but lower rates for sleep-in shifts.

As maybe expected for the delivery of waking night, sleep-in and extra care services, no travel time is usually required between service user appointments.

Apart from hourly rates of pay, the cost of travel time and travel expenses, VC would not usually expect other direct costs to vary significantly between types of service. Naturally, the cost of staff cover requirements and employers on costs should vary proportionally to gross pay, but the effect on total cost is only marginal.

The median business costs reported by HCA in Oxfordshire which total £5.03/hr for waking night and £4.32/hr for sleep-in, suggest lower levels of overhead absorption, particularly of management and administration costs.

As 9-hour waking night and sleep-in shifts are likely to require reduced management and administration time (compared to daytime appointments), there is some rationale to these results. Irrespective of this, in VC's experience, most HCAs usually report the same business costs for waking night and sleep-in as they do for standard daytime care.

#### 4. Survey Results – Activity for Standard Daytime Care

The survey template required HCAs to report the total number of contact hours supplied for each type of care and the total travel time (between appointments) required to deliver those contact hours. This allowed VC to identify a median average travel time of 10.6 minutes per contact hour for standard daytime care.

HCA were also asked to report the total number of appointments being supplied of each appointment duration. Based on the aggregated mix of appointments durations and the average travel time of 10.6 minutes per contact hour, VC have calculated the average travel time required to deliver each appointment (at 6.2 minutes), and the average travel time required to deliver a full contact hour of appointments for each duration.

The following table summarise the aggregated contact hours, travel time and appointment activity reported by participating HCA, and the average travel time required to deliver a full contact hour of appointments for each duration.

**Table 2 – Survey Results – Estimated Travel Minutes per Standard Daytime Hour**

Appointment Duration	All Durations	15 mins	30 mins	45 mins	60 mins
Total Number of Appointments each Week	24,090	2,055	15,274	3,499	3,263
Total Contact Hours each Week	14,037	514	7,637	2,624	3,263
Total Travel Minutes to deliver contact hours	149,074	12,717	94,519	21,649	20,189
Average Travel Mins per Appointment	6.2	6.2	6.2	6.2	6.2
Appointments per Contact Hour	1.7	4.0	2.0	1.3	1.0
<b>Average Travel Minutes per Contact Hour</b>	<b>10.6</b>	<b>24.8</b>	<b>12.4</b>	<b>8.3</b>	<b>6.2</b>

The table shows that one appointment of 60 minutes will typically require average travel time of 6.2 minutes between appointments; that two appointments of 30 minutes will typically require travel time of 12.4 minutes between appointments; that four appointments of 15 minutes will typically require travel time of 24.8 minutes between appointments.

This information is key to understanding how direct costs will typically vary delivering appointments of varying duration.

## 5. Survey Results – Average unit cost for appointments of varying duration

The following table presents the median survey results for delivering standard daytime care per contact hour, which VC have used to calculate the unit cost of delivering appointments for each duration.

Provision for average pay per hour and the cost of travel time has been calculated, by working back from the median rate of gross pay including travel time (at £12.03/hr), respecting the median travel time reported in the survey (at 10.6 minutes).

The median amount of paid travel time (£1.81/hr) and median staff travel expenses (£0.70/hr), have been adjusted to reflect the average travel minutes per contact hour (shown in Table 2).

The cost of staff cover and employers on-costs have also been adjusted to reflect total basic pay per contact hour.

Running the business costs have been assumed to remain constant across all appointment durations at £5.94 per contact hour. A case may be made for varying the apportionment of running the business costs between appointment durations.

**Table 3 - Median Cost per Standard Daytime Contact Hour, varied by Appointment Duration**

Cost Type	Median	15 mins	30 mins	45 mins	60 mins
Average rate paid to Care Worker per hour	£10.22	£10.22	£10.22	£10.22	£10.22
Average cost of travel time per contact hour	£1.81	£4.21	£2.11	£1.40	£1.05
<b>Total Gross Pay including Travel Time</b>	<b>£12.03</b>	<b>£14.43</b>	<b>£12.32</b>	<b>£11.62</b>	<b>£11.27</b>
Employers National Insurance (on gross pay)	£0.99	£1.19	£1.01	£0.96	£0.93
Employers Pension Contribution (on gross pay)	£0.35	£0.42	£0.36	£0.34	£0.33
Cover for holidays (gross, NI & Pension)	£1.56	£1.87	£1.60	£1.51	£1.46
Cover for sickness (gross, NI & Pension)	£0.28	£0.33	£0.28	£0.27	£0.26
Cover for staff training & supervision	£0.28	£0.34	£0.29	£0.27	£0.26
Travel Expenses	£0.70	£1.63	£0.82	£0.54	£0.41
<b>Cost Of Sales (Direct Costs)</b>	<b>£16.18</b>	<b>£20.21</b>	<b>£16.68</b>	<b>£15.51</b>	<b>£14.92</b>
Registered Manager, supervisors and assessors	£1.87	£1.87	£1.87	£1.87	£1.87
Care co-ordinators, service administrators & finance	£1.10	£1.10	£1.10	£1.10	£1.10
Job adverts, CRB checks, staff training and qualification	£0.50	£0.50	£0.50	£0.50	£0.50
CQC Registration Fees	£0.15	£0.15	£0.15	£0.15	£0.15
Rent, rates & utilities	£0.46	£0.46	£0.46	£0.46	£0.46
IT equipment & telephones	£0.30	£0.30	£0.30	£0.30	£0.30
Stationary, protective clothing (gloves & aprons)	£0.68	£0.68	£0.68	£0.68	£0.68
Insurance (all risks)	£0.18	£0.18	£0.18	£0.18	£0.18
Marketing, banking, legal & accountancy	£0.70	£0.70	£0.70	£0.70	£0.70
<b>SG&amp;A Expenses (Running the Business)</b>	<b>£5.94</b>	<b>£5.94</b>	<b>£5.94</b>	<b>£5.94</b>	<b>£5.94</b>
<b>Total Operating Costs per Contact Hour</b>	<b>£22.12</b>	<b>£26.15</b>	<b>£22.62</b>	<b>£21.44</b>	<b>£20.85</b>
<b>Total Operating Costs per Appointment</b>		<b>£6.54</b>	<b>£11.31</b>	<b>£16.08</b>	<b>£20.85</b>

On the basis that each appointment in Oxfordshire typically requires 6.2 minutes of travel time, VC estimate that total operating costs may vary between £20.85 per contact hour for 60 minutes appointments, and £26.15 per contact hour for 15 minutes appointments.

Please note these figures are shown exclusive of any return or profit to the home care provider.

## 6. VFM Rates

To corroborate the local survey results, VC has used its cost model and national intelligence of service costs to construct a value for money rates for each service type in Oxfordshire.

To calculate a VFM rate for a specific area, the model requires the input of an hourly rate of pay, travel time and staff travel expenses. It is important that these cost allocations reflect the employment market and geography within the locality the VFM rate is being calculated for.

To validate the reported rates of pay, Valuing Care have considered the requirements on providers to respect NLW for contact and travel time (between appointments), undertaken research of advertised home care jobs in Oxfordshire, and compared the reported rates of pay and travel costs with previous surveys.

While reported rates of pay in Oxfordshire appear high compared to previous cost surveys undertaken by VC, they are consistent with rates of pay advertised in recent job advertisements.

Accepting that the rates of pay, travel time and transport costs identified in the local survey results seem reasonable, VC have made the following assumptions for constructing Value for Money Rates for home care services in Oxfordshire:

- **Provision for gross pay (including travel time)** – reflecting the median rates identified in the Oxfordshire survey results
- **Employers National Insurance Contributions** – based on the median percentage value reported in previous surveys
- **Employers Pension Contributions** – based on the minimum employer contributions required under automatic enrolment (3% of earnings above the lower level of qualifying earnings)
- **Cover for holidays** – based on the statutory annual leave entitlement of 5.6 weeks or 28 days for a full-time member of staff
- **Cover for sickness and training** – based on the median percentage value reported in previous surveys
- **Provision for staff travel expenses standard daytime** - reflecting the median cost of £0.70/hr identified in the Oxfordshire survey results
- **Provision for staff travel expenses waking night and sleep-in** - reflecting the cost of delivering 1 appointment of standard daytime in Oxfordshire (£0.41), divided by the 9 hours which make up a typical waking/sleep-in night shift
- **Provision for all business costs** - based on the median costs/values within VC's database of service costs for standard daytime care (uplifted for inflation to September 2020 prices)
- **Provision for Return on Operations/ Profit** – calculated as a 5% mark-up on total operating costs

The following table presents VC's value for money cost allocations for home care services in Oxfordshire at 20/21 prices.

**Table 3 – Total VFM Rate for each Service Type**

Cost Type	Standard Daytime (7am-10pm)	Waking Night (10pm-7am)	Sleep-in Night (10pm-7am)	Extra Care (1:1 Hours)
Average rate paid to Care Worker per hour	£10.22	£11.50	£9.50	£10.23
Average cost of travel time per contact hour	£1.81	£0.00	£0.00	£0.00
<b>Total Gross Pay including Travel Time</b>	<b>£12.03</b>	<b>£11.50</b>	<b>£9.50</b>	<b>£10.23</b>
Employers National Insurance (on gross pay)	£0.93	£0.89	£0.74	£0.79
Employers Pension Contribution (on gross pay)	£0.16	£0.15	£0.13	£0.14
Cover for holidays (gross, NI & Pension)	£1.65	£1.58	£1.30	£1.40
Cover for sickness (gross, NI & Pension)	£0.28	£0.27	£0.22	£0.24
Cover for staff training & supervision	£0.29	£0.28	£0.23	£0.25
Travel Expenses	£0.70	£0.05	£0.05	£0.00
<b>Care Staff Costs (Direct Costs)</b>	<b>£16.04</b>	<b>£14.71</b>	<b>£12.16</b>	<b>£13.05</b>
Registered Manager, supervisors and assessors	£1.87	£1.87	£1.87	£1.87
Care co-ordinators, service administrators & finance	£0.77	£0.77	£0.77	£0.77
Job adverts, CRB checks, staff training and qualifications	£0.32	£0.32	£0.32	£0.32
CQC Registration Fees	£0.10	£0.10	£0.10	£0.10
Rent, rates & utilities	£0.30	£0.30	£0.30	£0.30
IT equipment & telephones	£0.25	£0.25	£0.25	£0.25
Stationary, protective clothing (gloves & aprons)	£0.30	£0.30	£0.30	£0.30
Insurance (all risks)	£0.10	£0.10	£0.10	£0.10
Marketing, banking, legal & accountancy	£0.63	£0.63	£0.63	£0.63
<b>Business Costs (Indirect Costs)</b>	<b>£4.63</b>	<b>£4.63</b>	<b>£4.63</b>	<b>£4.63</b>
<b>Total Operating Costs</b>	<b>£20.67</b>	<b>£19.35</b>	<b>£16.79</b>	<b>£17.68</b>
Return on Operations / Profit	£1.03	£0.97	£0.84	£0.88
<b>Total VFM Rate</b>	<b>£21.70</b>	<b>£20.31</b>	<b>£17.63</b>	<b>£18.56</b>

The table shows Valuing Care's provision for total operating costs as £21.70/hr for standard daytime services, £20.31/hr for waking night, £17.63/hr for sleep-in, and £18.56 for extra care.

The main difference between the total for each service type is due to provision for gross pay (including travel time) which reflect the local cost survey, and impact on the cost of employers on costs and cover requirements.

Even though the rate of pay reported for extra care services only reflects the costs reported by 2 HCA, there is a reassuring consistency with the average rate for standard daytime care (excluding travel time).

VC are also satisfied that the rates of pay reported for waking night and sleep-in seem reasonable based on the results of previous surveys, which suggest a higher rate is usually paid for waking night and a lower rate for sleep-in.

VC's provision for travel expenses is shown to be minimal for waking night, sleep-in and extra care services, where care staff work in a single location, and are not usually required to travel between appointments.

VC recognise that a case may be made for allocating reduced business costs to waking night and sleep-in services, which are likely to require reduced co-ordination and administration time. However, previous surveys have shown that most HCA allocate the same business costs per contact hour to each service type they provide.

## 7. Conclusion

In July 2020, Oxfordshire County Council commissioned VC, to undertake a review of the home care market for older people's services in Oxfordshire. The primary objective is to provide the Council with the necessary intelligence to develop a range of actions which ensure a sustainable market going forward.

To meet these requirements, Valuing Care has undertaken a survey of local providers to gather intelligence of the home care market in Oxfordshire and to identify the range and usual cost of delivering services locally.

The response to the survey was positive with 44 different HCA completing and returning templates. VC have consolidated this data to form sample groups, which have been used to identify the survey results.

VC's analysis of the survey results has shown:

- An increase in the aggregated number of service users receiving services over the last year (+6%), and an increase in the aggregated number of care staff (+10%)
- Relatively low levels of staff turnover (@ 26% per annum) compared to OLA areas
- That HCAs may be positively affecting the retention of staff by increasing the use of guaranteed hours contracts and paying higher rates of pay
- That travel times average 10.6 minutes per contact hour and travel expenses £0.70 per contact hour for standard daytime services
- That care staff are paid an average of £10.50/hr for standard daytime services, a higher rate £11.50 for waking night, and a lower rate of £9.50/hr for sleep-in
- That the total median operating cost of delivering standard daytime care totalled £22.12/hour, comprising of direct care staff costs of £16.18/hr and indirect business costs of £5.94/hr
- On the basis that each appointment in Oxfordshire typically requires 6.2 minutes of travel time, VC estimated that total operating costs may vary between £20.85 per contact hour for 60 minutes appointments, and £26.15 per contact hour for 15 minutes appointments
- That the survey results for waking night and sleep-in, suggest lower levels of overhead absorption, particularly of management and administration costs
- While HCA reported median average profit margins of 4.1% for delivering standard daytime services for the Council, providers with total median costs of £22.12/hr maybe achieving significantly higher levels of return
- The most common COVID and Brexit pressures identified by participating HCA included, the cost and availability of PPE, difficulties recruiting and retaining staff leading to pay inflation, and the additional cost of cover for sickness and isolation caused by COVID



To validate the reported rates of pay in Oxfordshire, Valuing Care have considered the requirements on providers to respect NLW for contact and travel time (between appointments), undertaken research of advertised home care jobs in Oxfordshire, and compared the reported rates of pay and travel costs with previous surveys.

VC's analysis has shown that median gross pay reported for standard daytime services (at £12.03 per contact hour), exceeds the rate required to meet NLW regulations from April 2020, calculated as £10.26 per contact hour for 70.6 minutes of working time. It would also seem that there is some capacity within the median gross pay of £12.03, to absorb the new cost pressure of paid waiting time.

While reported rates of pay in Oxfordshire appear high compared to previous cost surveys undertaken by VC, they are consistent with rates of pay advertised in recent job advertisements.

Confidence may also be taken that the median travel minutes reported in Oxfordshire for daytime services (@ 10.6 minutes/hr) and travel expenses (@ £0.70/hr), appear reasonable compared to other local authority areas.

Based on the rates of pay, travel times and travel expenses reported in the local survey, Valuing Care have used their cost model and database of service costs, to calculate value for money cost allocations for services in Oxfordshire, including a provisional allocation for return on operations/profit.

Comparison of the local survey results against the VFM rates has shown:

- The variance between the survey results and the VFM cost allocations for direct care staff costs is negligible for each service type – this is largely due to the assumption of the median rates of pay, travel time and expenses reported in the local cost survey
- That the total median business costs identified in the survey for standard daytime care (at £5.94 per hour) exceed the VFM cost allocations by £1.30 per hour – this variance may be partly due to COVID which has increased costs of delivery, and partly due to local cost pressures
- Despite the smaller sample groups, the total median business costs reported for waking night and sleep-in showed a lower level of overall variance with the VFM cost allocations

In summary it appears that HCAs operating in Oxfordshire are paying relatively high rates of pay compared to other areas where VC have previously undertaken surveys.

The relatively high rates of pay may have helped local providers recruit increased numbers of care workers to meet what appears to be growth in demand for home care services, also reducing staff turnover.

The close similarity between the total median survey results for direct care staff costs and the VFM cost allocations, should provide the Council with confidence in what represents reasonable provision to cover care staff costs.

Recognising that the business costs for standard daytime services reflect the costs reported by 42 HCAs, VC suggest that there is a good case for the Council to base its future rates on these figures. Equally a case may be made for the Council to set rates which are not inflated by short term cost pressures associated with COVID.

VC recognise that a case may be made for allocating reduced business costs to waking night and sleep-in services, which are likely to require reduced co-ordination and administration time. However, previous surveys have shown that most HCA allocate the same business costs per contact hour to each service type they provide.



Whilst VC always recommends its value for money rates as providing a fair and reasonable basis for the determination of home care fees, the Council may wish to give greater weight to the results of the local cost survey and provide for a higher/lower return on operations.

To ensure VC's value for money rates continue to reflect the actual costs of providing home care services, we recommend they are uplifted on an annual basis, by a predictive measure of inflation in year 1 (to 2021/22 prices), and then by actual inflation in subsequent years.