

# Adult Social Care Reforms

## Annex B: Cost of Care Report

Report 2

**Domiciliary Care Report (18+)**



## 1) Background

In December 2021 the DHSC issued the Market Sustainability and Fair Cost of Care Fund Policy Paper which set out estimated additional funding available to Councils to support reform and “move towards paying providers a fair cost of care”. The Government recognised in the report that Council fee rates are in many cases unsustainably low, and it set out plans to support moves towards a ‘Fair Cost of Care’ with new injections of central Government money, starting in financial year 2022/23. The governments national allocation is £1.4bn for 3 years:

- In 2022/23 - £162m – Funding can be used to by Councils to support work on Cost of Care and increasing rates
- In 2023/24 - £600m – Funding is expected to go to providers through increased rates
- In 2024/25 - £600m – Funding is expected to go to providers through increased rates

The funding allocation Shropshire Council received for 2022/23 totalled £0.94m. Early planning for 2022/23 assumed some increase in inflationary pressures, expected to abate during the year. Subsequent national and global economic events have led to a situation where the actual pressure in this year and future years is now more than double that. In that changing context, the Council elected to award an uplift of 6% to our provider market, at a cost of £7.1 million. The difference between the funding received of £0.94m, the estimated costs of c£3.0m, and the actual costs in this year alone of £7.1m demonstrate the significant funding gap between estimated costs and resources.

**Update (January 2023)- The allocation for the next 2 years is £3. 264m per annum, as such it is hard to see how, under current conditions, this gap can be closed without additional funding allocated nationally. In addition, the allocated £600m has since been reduced to £562m**

There are conditions on Councils in order to receive funding in 2023/24 and 2024/25. All councils were required to complete Cost of Care (CoC) exercise for Residential and nursing care for people aged 65+ and Home care for people aged 18+. This was mandated to be produced by surveying local providers to obtain actual and accurate cost information. The government has indicated that the outcomes from the Cost of Care exercise will not impact how the funding is allocated.

This funding and spending position specific to CoC is part of the wider medium-term financial challenges the Council is currently tackling. Our current estimate is that there is a budget deficit in the next three years (excluding CoC) amounting to c£30m (around 10% of net spending). This figure is due to a combination of inflationary pressures which have broadly doubled to c £45m per year as at October 2022, combined with the cessation of COVID funding despite the continuation of related spending pressures. These pressures are more acute in a geography like our own, with an often sparse and largely rural population.

Despite this position, the Council is aiming to meet the challenge and is actively planning how we will take the lessons learnt during COVID to enable us to ‘deliver more with less’. We are confident that we will achieve this and that we will secure financial balance across the coming years.

**In the absence of more proportionate funding being provided, however, the Cost of Care policy will further stretch this Council’s resources and is likely lead to service reductions (and so detriment to all social care clients) contrary to the objectives of the CoC policy.**

Shropshire Council has taken a consistent, transparent, and collaborative approach to the Cost of Care exercise. This Report covers all activity, actions, and decisions from the start of the Cost of Care process through to the finalising of Cost of Care figures. The report highlights how the Council has approached the exercise and how data was received and analysed. It also sets out the concerns and limitations in regards

the rates of response and quality of the data, and the consequent concerns in regards the validity of the exercise.

## **2) Cost of Care Exercise**

Shropshire Council is in the positive position of having good engagement and communications with our wide and diverse provider market. Of particular advantage is that Shropshire's provider market has a representative organisation: Shropshire Partners in Care (SPiC) who have membership covering over 85% of our active market. Through discussion with SPiC and providers it was established that bringing in a third party to undertake and oversee the Cost of Care exercise was unlikely to yield as good an outcome as working directly with the market through Shropshire Partners in Care. A Joint Cost of Care board was consequently established to include SPiC, provider representatives as well as Council officers from Commissioning, Business, Finance and Insight teams to oversee actions and decision-making through a collaborative and transparent process for the entire exercise.

Through the West Midlands Association of Directors of Adult Social Services, (WMADASS) Shropshire Council also have the advantage of being part of an active forum involving 14 West Midlands Councils and are also a member of the regional Cost of Care group with WMADASS. This has enabled us to ensure we are operating the exercise in a consistent manner with all Councils across the WMADASS region, and also have the opportunity to work closely with support and advice from the LGA to ensure robust engagement and compliance.

There was no national prescribed tool or format to engage with provider markets or collect and collate data, however the Joint CoC board chose to work closely with WMADASS and other regions for transparency and consistency and adopt the tools being used across our region. We used the CHIP commissioned cost of care tools, which were the iESE care home tool and ARCC home care tool, and we did not ask providers for any further information other than to complete the tool unless clarification was required.

## **3) Engagement**

Shropshire Council established a Fair Cost of Care Implementation Board to oversee work for both the Domiciliary Care and Care Homes Fair Cost of Care research. The Fair Cost of Care Implementation Board met frequently during the early stages of work (fortnightly) and as needed as the work progressed and became more firmly established. The Board brought together a mix of stakeholders including commissioners, contract managers, provider infrastructure support leads, provider representatives, finance leads, legal/governance adviser, communications and marketing officer, and data analysts and researchers. All supported communication with providers through the completion process.

On 19<sup>th</sup> April 2022 Shropshire Council, working with Shropshire Partners in Care, issued a letter to all commissioned care providers setting out an overview of the Market Sustainability and Fair Cost of Care Fund and the Fair Cost of Care exercise. The letter detailed the stages of work with clear timescales, explained what providers would be asked to do and how, and what the information from providers would be used for and influence. This communication initiated the project and set the scene for the engagement that followed.

### **Domiciliary Care (Home Care) CoC engagement**

- Shropshire Council made the decision to use the ARCC-HR Ltd Fair Cost of Care tool for Domiciliary Care (delivered in partnership with ADASS and the LGA). The tool was delivered as a completable Excel file. All in scope domiciliary care providers were asked to complete the ARCC-HR Ltd tool.

- On the 21<sup>st</sup> April 2022 domiciliary care providers were issued with more detailed information relating to the toolkit and submissions process. Details were shared to equip providers with links to national websites, webinars and online guidance, and details of national and local support available. This allowed providers time to understand the tool and expectations prior to the local launch.
- Shropshire Council worked with Shropshire Partners in Care to prepare frequently asked questions and guidance, responding to, and anticipating questions and key concerns (including data sharing and confidentiality). This guidance was issued to providers and made available as a resource along with the project period on Shropshire Council's website (17<sup>th</sup> May 2022).
- Early feedback from providers highlighted concerns about confidentiality. For that reason, officers from Shropshire Council Insight team (central support staff with analytical skills) worked independently from Adult Social Care and commissioning leads to manage submissions and enquiries from providers. Local contact details were provided alongside the national support offer to manage enquiries.
- DHSC guidance asked providers to use data as at April 2022.
- On 17<sup>th</sup> May Shropshire Council launched the Domiciliary Care provider Fair Cost of Care exercise and asked all providers to respond by the 5<sup>th</sup> June (this deadline was later extended until the 17<sup>th</sup> June 2022) and on 7<sup>th</sup> July 2022 providers were informed that late submissions would be accepted.
- On 31<sup>st</sup> May slides from The Local Government Association and Care and Health Improvement Programme were shared with providers for additional information and support.
- On 26<sup>th</sup> May the first submission was made to Shropshire Council and more followed over the following weeks.
- Throughout the submission period email and telephone calls were used as reminders. Officers undertaking care provider monitoring calls supported the project through follow-ups with providers where either a submission had not been made or the provider had not indicated their intention not to submit a return (a proportion of providers highlighted their inability to respond within the timeframe due to staff resource/availability issues and pressures).
- On the 7<sup>th</sup> July 2022, following a public letter addressed to providers from the Department of Health and Social Care encouraging returns, Shropshire Council reassured providers again that late submissions would be accepted (subject to data submission deadlines).
- As submissions were received, they were acknowledged and then checked individually by working through each return.
- A second process of checking was also undertaken to further determine data quality. All returns were extracted and compared against average/expected results. A 'heat map' type approach was used to highlight data outside the expected range/any anomalies. This proved helpful in identifying a few additional queries (these were then followed up).
- Most returns were of a very good standard but there were some common errors or misunderstandings in the completion of the ARCC-HR Ltd Fair Cost of Care tool (for example staffing hours rather than FTE number of staff, travel time inconsistencies etc.) Where concerns were identified providers were

**Please note – all figures were accurate at the time of initial submission to DOHSC in October 2022**

contacted with an explanation of the issue and possible cause (with examples of the expected range a value would sit in) and re-submissions were encouraged. In most cases corrections could be made but 2 submissions were excluded (the data was very clearly inaccurate, and providers had been unable to correct the errors). Despite clear explanations within guidance materials and correspondence, a further 2 care providers outside of the scope of the exercise provided a return (these had to be excluded in order to meet national guidance and ensure accuracy).

- One provider submitted only the ARCC-Ltd tool data output sheet (a summary of total costs, excluding the workings on sheet 1). This return was included in the analysis because it provided adequate data in line with expected costs.
- Overall, the quality of submissions was good, however the return rate was not high but not out of line with other local authorities.

Maximising engagement was a significant priority for Shropshire. Deadlines were extended multiple times to accommodate time pressures being quoted by providers. Where providers indicated that they were struggling all available tools were offered, one to one calls were set up to discuss issues, FAQs and information was shared to minimise any confusion and complexities.

The interim outcomes were presented to Members on 18/7/2022 to outline the level of engagement and ask members support to encourage constituent companies to engage in the exercise. The deadlines for completion were once again extended.

The Joint Cost of Care board analysed all engagement processes and decisions on 1/8/2022 and concluded that every possible route of engagement had been explored and all support offered and opportunities for engagement had been utilised. The Board concluded that there was no other action to take that would enhance the level of engagement. We must conclude that providers who wish to engage with the exercise have done so. Provider board members also noted that more have not engaged due to the expectation that there will be no tangible outcome from the Department of Health and Social Care. Outcomes were presented to Informal cabinet on Monday 3<sup>rd</sup> October following presentation to Senior management teams.

#### 4) Responses

Shropshire Council has 80 providers and 73 of those are commissioned by the local authority. 15 returns were provided giving rates (at the end of July 2022) of: 23% for number of providers and 25% for number of providers commissioned by the local authority

#### Average rates of response across the region

RETURN %'S	% of total local care market	% of local care market commissioned by Shropshire Council
Home Care	19%	21%

Across the region the response rate indicated through WMADASS returns ranged from 14% - 42%. At the end of July, across the 14 regions, Shropshire ranked 9<sup>th</sup> in terms of response rate.

## 5) Outcomes - Tables

	<b>Median Rate</b>	<b>Lower Quartile</b>	<b>Upper Quartile</b>	<b>15 mins</b>	<b>30 mins</b>	<b>45 mins</b>	<b>60 mins</b>
Direct Care	10.48	10.16	11.16	10.48	10.48	10.48	10.48
Travel Time	1.47	1.08	1.68	3.59	1.84	1.26	0.97
Mileage	1.03	0.70	1.32	3.44	1.76	1.21	0.93
PPE	0.49	0.28	0.87	1.65	0.84	0.58	0.44
Training (staff time)	0.30	0.23	0.63	0.30	0.30	0.30	0.30
Holiday	1.43	1.39	1.59	1.77	1.56	1.49	1.45
Additional Non-Contact Pay Costs	-	-	0.07	0.14	0.12	0.12	0.11
Sickness/Maternity & Paternity Pay	0.27	0.19	0.46	0.28	0.25	0.23	0.23
Notice/Suspension Pay	-	-	-	-	-	-	-
NI (direct care hours)	0.85	0.70	1.14	1.14	0.84	0.74	0.68
Pension (direct care hours)	0.44	0.34	0.45	0.23	0.20	0.19	0.19
Back Office Staff	4.92	4.28	5.76	4.92	4.92	4.92	4.92
Travel Costs (parking/vehicle lease etc.)	-	-	0.02	-	-	-	-
Rent / Rates / Utilities	0.46	0.33	0.70	0.46	0.46	0.46	0.46
Recruitment / DBS	0.05	0.04	0.14	0.05	0.05	0.05	0.05
Training (3rd party)	0.06	0.04	0.15	0.06	0.06	0.06	0.06
IT (Hardware, Software CRM, ECM)	0.33	0.17	0.47	0.33	0.33	0.33	0.33
Telephony	0.13	0.10	0.21	0.13	0.13	0.13	0.13
Stationery / Postage	0.10	0.04	0.14	0.10	0.10	0.10	0.10
Insurance	0.13	0.09	0.17	0.13	0.13	0.13	0.13
Legal / Finance / Professional Fees	0.22	0.12	0.31	0.22	0.22	0.22	0.22
Marketing	0.03	0.02	0.18	0.03	0.03	0.03	0.03

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Audit & Compliance	0.04	0.01	0.05	0.04	0.04	0.04	0.04
Uniforms & Other Consumables	0.05	0.03	0.11	0.05	0.05	0.05	0.05
Assistive Technology	-	-	-	-	-	-	-
Central / Head Office Recharges	-	-	-	-	-	-	-
Other Overheads	0.04	-	0.17	0.04	0.04	0.04	0.04
CQC Registration Fees(4)	0.09	0.08	0.12	0.09	0.09	0.09	0.09
Surplus / Profit Contribution	0.80	0.27	1.35	1.98	1.67	1.57	1.51
<b>Total Cost Per Hour</b>	<b>24.21</b>	<b>20.65</b>	<b>29.36</b>	<b>31.64</b>	<b>26.51</b>	<b>24.80</b>	<b>23.95</b>

- **Return on operations**

To calculate return on operations we took a mean average of the overall profit on each of the valid returns output tab. The answer was 3% so we then applied this across all of the returns and included the median value

- **Analysis**

After the initial review process whereby the insight team queried any obvious and/or potential issues with the data and then agreed a revised return with providers there were no further amendments made to the data reported. The method of using median average as opposed to the mean average meant any potential outliers did not impact the return. On this basis we made the decision to use the sum of all the individual cost rate lines as opposed to the median, as this method removed outliers on a line by line basis.

## **6) Conclusions and validity**

Due to the relatively low rate of responses in comparison to other councils across the West Midlands region, we have to conclude that the response in Shropshire is not fully representative of our market.

The responses we received do encompass the full range of information requested by the council, however not the wide range of information which the council had hoped to receive

This suggests that the information cannot be fully relied on as an accurate reflection of the market in Shropshire however it can be used in concert with other local and national information as part of an indication current rates for domiciliary care.



## 7) Future rates and Funding

It is clear from communications with the market in Shropshire that the exercise has raised a level of expectation that the government will increase funding for care in line with current costs. However, the level of funding being proposed will not meet current or expected future cost pressures.

Whilst Councils recognise their responsibility to understand the costs of providing care the ability to fund this rests on central funding increases. The County Councils Network (CNN) commissioned an independent report: *Impact Assessment of the Implementation of Section 18(3) of The Care Act 2014 and Fair Cost of Care* by healthcare market specialists LaingBuisson. Their report analyses two key aspects of the government's adult social care reforms: Proposals to allow private payers to ask councils to arrange care on their behalf at lower local authority rates and the intention to introduce a new 'Fair Cost of Care, which aims to increase care fees paid by councils to make the care market more sustainable. Built on detailed financial modelling, analysis of the government proposals and wide-ranging engagement with the care sector, the report concludes that:

*'the government's funding allocations to support the introduction of a fair cost for care and new self-funder duties under Section 18(3) of the Care Act 'seriously underestimates' the amount of new funding required and could cause a 'severe sustainability risk'.*

The work undertaken by Shropshire Council to estimate future funding and costs based on our assessment of market needs and expectations confirms the conclusion also reached by LaingBuisson, which is that **the current proposals are likely to be unaffordable within the existing financial framework for social care councils; this exercise has indicated that they are clearly unaffordable for this Council (without drastic service reductions).**

This Council hopes that our detailed review is received by Government in the spirit in which it is submitted – i.e. that while we support Government's policy objective and the way it seeks to better support social care clients, this objective will not be achieved without sufficient funding being provided.

In the absence of sufficient funding, councils will be forced to reduce other services – to the detriment of all only social care clients and to the detriment of all other residents as well. We urge the Government to consider what can be done to ensure genuine funding sufficiency, particularly in regards of rural areas with sparse populations.

- **Fee setting**

Shropshire Council currently have a budget of £41.013m for Dom Care +18 and a standard/average rate of £20.80 per hour, by increasing our fee to £24.21 per hour (a 16% increase) would cost the Authority an additional £6.723m per annum. This is not affordable to the LA especially when taking into account annual inflation as described below.

**Shropshire Council will have to take into account affordability before committing to any increase in rates and before any details on the grant we will receive from DHSC are known.**