Appendix 1 – Domiciliary Care Fee Report

1. Background

1.1. In line with contractual requirements, the Council is required to set fees and rates for Providers' for the 2017/18 financial year. Fee setting should take into account the legitimate current and future costs faced by Providers and the Council should ensure that it has in place fee negotiation arrangements that recognise Providers' costs and what factors affect them. One key area identified is the impact on Providers of the new National Minimum Wage/National Living Wage.

1.2. In January 2017 Sefton Council, Southport and Formby CCG and South Sefton CCG commissioned RedQuadrant to carry out an independent review of the local domiciliary care market in order to improve the understanding of local costs, inform future decisions regarding fees and assist in developing a continuing viable local domiciliary care market. The review was to be conducted with input from providers in order to further understand current and future costs, demands and factors affecting the Sefton domiciliary care market.

1.3. The borough of Sefton is currently 'split' into six areas and contracts are in place with four Providers to deliver Domiciliary Care Services in these areas. Two Providers have two contracted areas each and two Providers have one area each.

1.4. Current contracts were awarded from 1st April 2012 for an initial term of five years and were extended to 30th April 2018, in order to support work taking place on the tender for future contracts from 1st May 2018. This tender is being conducted as part of Liverpool City Region Tripartite (Sefton/Knowsley/Liverpool) joint working.

2. The RedQuadrant Review & Consultation Processes

2.1. Providers were advised on 30th January 2017 that *"When setting care home fees for 2016/17 the Council agreed to commission (in partnership with Sefton CCGs) an external body to conduct a detailed analysis of the local market. The purpose of this work is to gain further understanding of both current and future costs, demands and factors affecting the Sefton care home and domiciliary care markets. We have now commissioned RedQuadrant to undertake this work and they will be in touch with you soon to invite you to complete a template which will give you the opportunity to demonstrate the* *costs of providing your services. They will also be running a series of workshops to help them understand the cost pressures and other issues that you are facing. We would strongly urge you to engage with this exercise as the recommendations from RedQuadrant will play a large part in determining future fee levels"*

2.2. The review included the following activities;

- Gathered information on comparative fees from CIPFA (the Chartered Institute of Public Finance and Accountancy) comparator authorities and local neighbours;
- Benchmarked the costs of adult social care against local and national comparators
- Developed a 'cost of care' template for domiciliary care providers to complete to help identify the actual costs of providing domiciliary care in Sefton – three out of the four contracted Providers submitted completed templates
- Analysed the factors affecting Sefton's adult social care market
- Held one provider consultation event on 17th March 2017 with domiciliary care providers. This was to explain the context of the work and seek their input, and was attended by four providers, including non-contracted providers.

2.3. Following these activities, RedQuadrant produced a draft version of the report which was issued to contracted Providers on 3rd July 2017, requesting that they review the report and submit any comments to RedQuadrant by 14th July 2017. The main body of the report concerned RedQuadrant's formulation of a fee rate for the 2017/18 year, including details of how they had costed various elements of the overall fee rate. The report also includes proposals for fee rates for the 2018/19 and 2019/20 financial years. The report proposed an hourly fee rate of £13.83, which represents an increase of 6.38% to the 2016/17 fee of £13.00. The table below shows how the £13.83 was formulated, alongside the averaged costs submitted by Providers for each element shown;

Type of Cost	**RedQuadrant Proposed Costs**	***Template costs Submitted by Providers***
Carer Basic Rate	**£7.59**	*£8.10*
Travel Time	**£0.76**	*£0.54*
Annual Leave	**£0.90**	*£0.93*
Training	**£0.14**	*£0.18*

Sickness	**£0.16**	
NI	**£0.37**	*£0.68*
Pension	**£0.10**	*£0.09*
Mileage	**£0.35**	*£0.32*
Total direct costs	**£10.37**	***£10.84***
Other costs	**£3.04**	*£3.93*
Profit	**£0.42**	*£0.54*
Hourly cost	**£13.83**	***£15.30***
Other costs percentage	**22.0%**	*25.8%*
Profit percentage	**3.00%**	*3.50%*

2.4. The main contents of the report are detailed in Section 3 of this report, including feedback received from Providers.

2.5. When the report was issued to Providers, Sefton Council were also provided with a copy of the report, and following an initial analysis of the financial implications of the proposed rate, Sefton Council wrote to Providers on 4th July 2017 advising that *"The cost of their draft recommendations on fee rates, if unchanged following comments from Providers and subsequently accepted by Sefton Council are likely to exceed the allocation provided within the Medium Term Financial Plan. As such, this matter will need to be considered by Cabinet rather than the Cabinet Member Adult Social Care as originally intended".* Providers were also advised of the following timetable for Sefton Council to make a decision on fees;

Action	Target Date
• *Draft RedQuadrant report sent to Providers for consultation*	03/07/17
• *Providers submit comments / responses to draft report*	03/07/17 to 14/07/17
• *Assessment of Provider Responses / Finalisation of RedQuadrant report*	23/07/17
• *SMBC Letter to All Providers* o *Provide feedback to Providers, outlining SMBC fee proposals to be considered by Cabinet.*	31/07/17
• *Providers submit comments on SMBC fee proposals*	31/07/17 to 18/08/17

• *Cabinet agenda published*	31/08/17
• *Cabinet decision*	07/09/17

2.6. A final version of the report was then produced following RedQuadrant receiving feedback from Providers. In the report the proposed rate of £13.83 remained unchanged. Following receipt of the report, and in line with the above timetable, Sefton Council then wrote to Providers again on 31st July 2017, advising that "*it is the intention of the Council to submit to Cabinet on 7th September 2017, a recommendation to implement the proposed rate*". Providers were advised that if they did not agree with the proposed rate then they should "*provide any further additional information to your existing submissions as part of the RedQuadrant costs template exercise and comments on their draft report*" by Friday 18th August 2017. Additional comments were received from two Providers and are detailed in Section 5 of this report.

3. Provider Feedback Included in the RedQuadrant Report

3.1. The Final report from RedQuadrant also included feedback received from Providers in relation to the draft report. This is summarised below, together with RedQuadrant's responses to the feedback received;

3.2. Brief & Methodology

Provider response "No reluctance to complete it [ie the cost of care template]. The concern was it would not be taken seriously. There are only 4 active providers for Sefton Council." "Provider/Commissioner engagement - this is inadequate locally. To be still agreeing fees half way through the current financial year is unacceptable. We are told September for an outcome. ADASS advised of a provider consultation regarding sustainability for the Sefton area and bordering authorities but with only one clear day notice given. No wonder poor attendance as no one knew or had chance to make arrangements to attend. It's easy to consult with no audience. Better engagement is critical" RedQuadrant: we have made extensive use of the data generated from the cost of care exercise throughout the report. Unclear about the reference to ADASS. The point regarding delay is fair but we have addressed this as far as we can by proposing backdating increase to 1st April

3.3. Council's Legal Obligations

Provider feedback: "*Councils must not take any actions that could undermine the sustainability of the local care market, for example by setting fee levels below an amount that is sustainable for providers.*" "*Councils are obliged to take account of the actual cost of care when setting domiciliary care fees. As the main purchaser of domiciliary care they need to set fees at such a level as to ensure a sustainable, diverse market exists providing high quality services.*" In 2015 as a result of the introduction of the National Living Wage and Employers Pension Liabilities it was clear that an uplift of fees greater than the greater the 2% or CPI allowed by the contract would be required to sustain domiciliary care services. Having accepted this necessity, in principal, Sefton then imposed a fee, which they determined they could afford, but which failed to meet our revised costs. This was despite formal representation on our part backed up by full disclosure of our Company accounts. In this respect Sefton failed to meet their legal obligations. The consequence is that [company name] is operating at an unsustainable financial loss. The RedQuadrant recommended rate of £13.85 remains short of requirements to reverse our losses and perpetuates Sefton's failure to meet this basic legal obligation".

"You make the point on page 11 that councils legally "must not...setting fee levels below an amount that is sustainable for providers" this report broadly ignores the templates provided in favour of your own model (not operationally based) and the overall guidance of the sector professional body UKHCA and recommends the exact opposite - this will undermine sustainability and would be viewed as such if reviewed in the context of future provider failure"

RedQuadrant: we do not accept either comment. The basis of our approach has been to determine the actual cost of care taking into account provider costs, in order that the proposed rates do take account of the actual cost of care – we have explained where and why we have diverged from using the costs indicated in the provider returns. The UKHCA model is one of a number of models in use and does not have any statutory authority; we have however referenced it throughout the report

3.4. Comparator Data Analysis

Provider feedback: "Comparative data presented in this report indicates that the fees offered by Sefton are amongst the lowest in the Country. Furthermore, the uplift recommended by RedQuadrant will keep them at or close to the bottom of the table. This is despite the fact that South Sefton includes some of the most socially deprived areas in the Country. By choosing National Comparators with similar socio-economic characteristics RedQuadrant appears to be justifying a link between these characteristics and spending on social care with the most deprived populations deserving of the least money when the reverse is unquestionably the case. Affordability is a separate issue, which the report totally neglects to take into account in respect of Sefton Council. It is a remarkable deficiency of the report that recommendations on fees have been made based solely on factually underestimated provider costs and with no data what-so-ever on Council finances, economic efficiency or even relative expenditure on social care. In this respect it is a onesided report."

RedQuadrant response: the proposed rate for 2017/18 is very similar to that for neighbouring authorities, although, to be fair, we do not know how or if it will change the relative standings in the comparator table. We do not accept the argument that care should cost more in areas of greater deprivation – why would this be the case? We are unclear as to the relevance of Council finances, economic efficiency or relative expenditure to this issue – the focus is surely about the cost of providing care which is only marginally affected by these parameters?. We have acknowledged above that Council domiciliary care expenditure is low

3.5. Formulation / Rationale for the Proposed Rate

Provider response: "In its present form this report under- estimates the costs associated with sustainable provision of Domiciliary Social Care in South Sefton. Specifically, it seriously underrates the value of Carers and the need to reward them appropriately in order to achieve levels of recruitment and retention sufficient to meet the capacity obligations of the Sefton contract. In the current employment market, to advocate remuneration of Carers at the basic National Living Wage rate of £7.50, especially without taking any account of other available opportunities for employment at higher levels of remuneration, is arbitrary, unrealistic and irresponsible. Despite paying our Carers a basic hourly rate of £8.10, plus travel costs, we have been unable to maintain sufficient capacity to accept all referrals from Sefton according to contract. This is the 'going rate' of pay of Carers in our area comparing closely with the rates paid by neighbouring Providers. The RedQuadrant recommended fee rate for the current financial year of £13.85, £2.85 less than the minimum recommended by the UKHCA, is well below that required to enable [company name] to sustain Carers' pay at the current rate and, if implemented, will inevitably result in termination of our service."

"You need to realise that enhancements are paid for weekends and bank holiday and this amounts top more than you have allocated in your report. I don't believe any provider is only paying a blended rate of £7.59. This needs to be recognised with a minimum .51p increase at £8.10"

"There is an tacit assumption in the report that minimum wage pay is acceptable - you are not allowing for the supply and demand basic economic principals at play here. Less available workers and high demand for workers = higher pay rates. You won't get that for £13.83, we know that our costs for recruitment in this area are increasing and we have no margin to play with. The bare minimum wage is not attractive for this type of work. Our template showed a higher pay rate in order to attract and compete. There is no mention anywhere in your report about the link between low rates - low care hourly rates - poor retention - poor continuity - higher employment costs. This cannot be ignored in a report dealing with rates and sustainability.

“We are not able to pay our staff and retain them only paying minimum wages or 9p more. In order for ‘Care work’ to be recognised as a career and a job to be proud of we need to be able to pay accordingly

RedQuadrant response: this is the key issue and not surprisingly attracted the most comments from providers. Although the template responses indicated an average blended rate of £8.10, in at least one of the three responses the providers did not pay travel time and one it is unclear whether they paid or not. We have priced travel time separately at 6 mins per hour: effectively our proposal translates to a rate of £8.35 with travel time not paid. So whilst we accept the argument that £7.59 with no paid travel time is too low we consider that £8.35 with no paid travel time is consistent with what we were told by providers and with the figures used by UKHCA (who base their model on NMW)

The blended rate of £7.59 includes a premium of £7.80 for all bank holidays and weekends so we are at a loss to see a rationale for £8.10 with travel time paid

3.6. Staff Salary Costs

Provider response: “In its present form this report under- estimates the costs associated with sustainable provision of Domiciliary Social Care in South Sefton. Specifically, it seriously underrates the value of Carers and the need to reward them appropriately in order to achieve levels of recruitment and retention sufficient to meet the capacity obligations of the Sefton contract. In the current employment market, to advocate remuneration of Carers at the basic National Living Wage rate of £7.50, especially without taking any account of other available opportunities for employment at higher levels of remuneration, is arbitrary, unrealistic and irresponsible. Despite paying our Carers a basic hourly rate of £8.10, plus travel costs, we have been unable to maintain sufficient capacity to accept all referrals from Sefton according to contract. This is the ‘going rate’ of pay of Carers in our area comparing closely with the rates paid by neighbouring Providers. The RedQuadrant recommended fee rate for the current financial year of £13.85, £2.85 less than the minimum recommended by the UKHCA, is well below that required to enable [company name] to sustain Carers’ pay at the current rate and, if implemented, will inevitably result in termination of our service.”

“You need to realise that enhancements are paid for weekends and bank holiday and this amounts top more than you have allocated in your report. I don’t believe any provider is only paying a blended rate of £7.59. This needs to be recognised with a minimum .51p increase at £8.10”

“There is an tacit assumption in the report that minimum wage pay is acceptable - you are not allowing for the supply and demand basic economic principals at play here. Less available workers and high demand for workers = higher pay rates. You won't get that for £13.83, we know that our costs for recruitment in this area are increasing and we have no margin to play with. The bare minimum wage is not attractive for this type of work. Our template showed a higher pay rate in order to attract and compete. There is no mention anywhere in your report about the link between low rates - low care hourly rates - poor retention - poor continuity - higher employment costs. This cannot be ignored in a report dealing with rates and sustainability.

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The blended rate of £7.59 includes a premium of £7.80 for all bank holidays and weekends so we are at a loss to see a rationale for £8.10 with travel time paid

3.7. Cost Comparisons

Provider comment: "The RedQuadrant Report states "*The implied average cost per hour of £15.30 from the template returns is significantly higher than the 2016/17 hourly rate of £13.00. This can mainly be explained by the former figure including uprating for the increase in NLW;* ***we also think there is some double-counting of travel time in the carer basic rate (see above)****".* [company name] rejects the veracity this latter point, which appears to have been inserted to justify a recommended fee rate well below that advised by the template returns and for which no evidence is offered"

RedQuadrant: We find the implied figure of £15.30 to be implausible as, even with the NLW effect, it would imply that providers are running at huge losses over a long period, which seems unlikely. It is also based on an expectation of 29.3% of all costs to be dedicated to other costs and profit which seems indefensible when compared, for example to the equivalent figure of 17.8% proposed by supported living providers 15.2% quoted by wellbeing teams

We have explained the double-counting point earlier. There is no doubt that some providers supplied rates which included travel time whilst others paid for it separately

3.8. Proposed Fee

Provider response: “[company name] fully supports the move away from Zero Hours Contracts and believes that all Carers should have the option of contracted guaranteed hours of work and pay. However, there will be a significant increased cost to employers. The RedQuadrant Report states “*The recommended fee will enable providers to comply with Stages 1 and 2 of the Ethical Care Charter, thus allowing the removal of zero hours’ contracts …..”* No evidence or estimates of the added cost of implementing and maintaining Zero Hours Contracts are offered and there is no justification for this statement, particularly in view of the other cost pressures on Providers detailed in the report and our responses to the report.”

“As a provider we want to make a commitment to the Ethical care charter and do through all our other services however in order for us to do this we need to ensure a sustainable workforce”

“ECC - whether you accept it or not, zero hour contracts are related to volumes and guarantees of services purchased. Also, data and evidence points to the fact that many staff prefer the flexibility this allows. It is impossible to safely offer fixed hour contracts with a workforce that relies on work that is not funded if it isn't provided. I.e. if a call is cancelled Sefton won't pay for it, nor give any assurance of offering an alternative. If we provide an hour of care, we pay a worker for an hour of care - if the council won't pay for the care we can't pay a worker for the care either. At the proposed rate you are continuing the call off nature of home care - fixed hours will never thrive in this environment as employers simply can't cover the cost in a period of low referrals and workers not having enough work. Therefore, this report doesn't support stage 1 or 2 of ECC as the proposal doesn't allow for the cost of capacity to be addressed”

RedQuadrant response: we accept some of the points made above in relation to ECC. Our model does not include the cost of non-productive time so this does make it difficult to fully comply with stage 2 of the ECC. We have amended the report to reflect this

Provider comment: “Sustainability is not being addressed at £13.83. There is no reference to volumes of services provided by providers either which is critically important. You cannot possible ascribe cost on a penny for penny basis against an hourly rate when services have dramatically different overheads and structures .We are a high volume provider and therefore we are better able to absorb costs and lack of clarity from Sefton regarding fee levels. Smaller providers are going out of business every month in England due to low rates and low volumes. Locally capacity is falling from contracted providers and being requested from spot providers who have market rates of over £16 per hour. Volume is the only defense for low rates being paid. At £13.83 Sefton are still below a sustainable level for larger providers such as ourselves and we cannot cross subsidise services going forwards. [company name] has substantially higher unit costs than £13.83 yet there volumes are increasing month on month currently. This also perversely changes the recruitment market as they pay more and attract staff away from artificially cheaper provision.”

“With the hourly rate of £13.83 it is difficult to understand how you believe we will have a Sustainable market. One large provider from Sefton has recently exited and handed back their whole contract and I am aware of another handing back part of their contract. They have all exited because of the low hourly rate causing huge recruitment issues. Low rates do not give a sustainable market”

“I believe that this service cannot be delivered less than £14.44 and for fee level 2017/2018. Your recommendations are one year behind.”

“As a minimum the starting point for 2017/2018 should be £14.50 for dom care and fair increases considered against inflation and employment costs from April and starting in April every year - not 6 months later”

“We have accepted price reductions in the past (over 19% in 2010) and Sefton financial troubles have been our problem too for many years. As a XXXXX year plus provider in Sefton it would appear that commissioners think the market will always fall to the price that they make, it may well do that - but at the cost of stable, consistent and well reputed providers like us”

“Sustainable market - recently at least 4 providers have exited or handed back contracts in the immediate local area. They have all cited price paid, volumes and related recruitment issues. Low rates do not give a sustainable market”

“In short your recommendations are 12-18 months behind in terms of fair price for care. We costed and transparently forecast our costs in late 2015/2016 at approx £14.70 from Apr 2016 onwards. We were given £13.00. Before that we were paid £10.92 for many years. Since April 2016 we have made redundancies, reduced our ability to respond to referrals, seen an increase in turnover levels for our workers and dramatically increased recruitment and care certificate costs amongst others. To assume reducing transaction costs is folly. Supporting workforce retention and development cannot be done at less than £14.50 an hour. We work with 10 other LAs. None are below £14.50 and all increase every other year.”

“This report is seriously flawed. The conclusions concerning the costs of social care in South Sefton bear no relationship to reality. Evidence submitted by Providers in the form template returns has been either rejected or ignored in favour of arbitrarily estimated costs based upon the basic National Living Wage and randomly determined travel allowances. No reference has been made to the local employment market and the highly critical issues of recruitment and retention of staff. The recommended fees are not consistent with a sustainable service as far as [company name] is concerned and, if implemented, will jeopardise all domiciliary services in the area”

“Capacity will fall further in future years (we are seeing this happening already across England) as LA dependent providers exit and remodel there services to self funders. Commissioners need to be attractive partners for the challenges a provider faces and paying a rate that allows for fair recruitment and therefore retention. Many providers asking the question why would I want to work with that LA - there is little incentive for the massive challenges and risks facing providers”

"The template we provided was fairly completed and offers value with reference to our volume considerations and averages we see across our many contracts in comparable LA's we work with in the North of England. At this level providers should be able to make a clear commitment to the ECC and provide visibility over travel time paid, down time and above min wage basic payments (£8.00 min). Service users would benefit from better retention and higher quality of staff"

RedQuadrant response: The rate of £13.83 has been calculated on the basis of the actual cost of care and is comparable to that of neighbouring authorities. The difference in rates between this figure and the proposed figures of £14.44 and £14.50 is explained by the treatment of non-staff overheads – using the UKHCA figure of 25.5% for non-staff overheads would result in a rate of £14.50 but we think this is not defensible for the reasons quoted earlier. Furthermore 31p of the 49p difference in direct costs between the template average and our calculation is explained by out NI calculation methodology, a point that no-one has challenged

The move to a sub-regional market should allow for some economies of scale in relation to the volume point made above

4. RedQuadrant Report Recommendations & Provider Feedback

4.1. Below are extracts from the Final report, produced by RedQuadrant following feedback from Providers. They are the views of RedQuadrant based upon the work undertaken.

4.2. Comparison with other areas

- Council hourly rates are somewhat below national comparators and a little below regional comparators
- Usage of domiciliary care by the Council is below comparator averages
- Both Sefton CCGs are paying an average hourly rate which is slightly above average when compared to their comparator group
- There is significant variation in the number of CHC hours paid per adult per week by South Sefton CCG and Southport & Formby CCG for domiciliary care when compared to each other

1.1. Findings in relation to the cost of care

- Cost pressures are reported from providers in three main areas:
    - staffing costs (National Living Wage, pension auto-enrolment, training, recruitment, holiday pay);
    - travel time and costs; and

    - impacts arising from changes made by other organisations (e.g. CQC costs and inspections, HMRC).

- Providers clearly face unavoidable cost increases in relation to the National Living Wage (NLW), pension auto-enrolment and CPI. Our cost of care calculation does appear to indicate that current fee levels do not cover reasonable costs.

- There is some evidence of pressures in the local market with the Council currently experiencing some difficulty obtaining domiciliary care in some cases. The CCGs have also experienced difficulties in securing packages of care. Providers report that they offset the lower fees paid by the Council with the higher volume of work from CCGs, private work and complex cases, for which they receive a higher hourly rate through CHC funding.

- Providers said that they supported changing the delivery model from time-and-task to an outcome based service delivery model, but that introduction would require investment from Sefton to make the transition.

1.2. **Recommendations from the cost of care analysis**

- On balance, the duty on Councils to take account of legitimate costs when setting domiciliary care fees leads us to conclude that an increase in fees is warranted.
- Given that there is no single cost of care in Sefton one approach would be for the Council to agree individual fees for each domiciliary care provider. We think this would not be a helpful approach for the Council to adopt in fulfilling its' duty. As the main purchaser of domiciliary care, the Council needs to set fees at such a level as to ensure there is a sustainable, diverse market providing high quality services. We therefore recommend that the Council maintains its current approach of setting standard fees.
- We propose an hourly rate of £13.83 for Council funded domiciliary care for 2017/18, an increase of 6.3% on the 2016/17 hourly rate. We consider that this rate will enable providers to comply with Stages 1 of the Ethical Care Charter and all but one element of Stage 2, thus allowing payment at the NLW rate and provision of sick pay, training, mobile phones and paid travel time
- In future years, there will be further increases in the National Living Wage and pension liabilities. The impact of these on fee levels for 2018/19 and 2019/20 should be reflected in an increase in the hourly rate in these years However the Council is working with neighbouring authorities to ensure a

more efficient sub-regional Council-funded domiciliary care market and it is not unreasonable to assume that this should lead to lower transaction costs for providers. Taking into account these factors we propose hourly rates of £14.50 for 2018/19 and £15.21 for 2019/20 provided that sub-regional joint commissioning arrangements are in place by April 2018

1.3. **Recommendations from the provider workshops**

- Sefton finance reviews its response to fee queries to ensure it provides a prompt and efficient service, including providing a named contact.

- Social work teams:
    - provide prompt reviews to service users receiving domiciliary care where requested, and a named contact;
    - enable providers take on a Trusted Assessor role; and
    - Explore moving to an outcome based delivery model.

5. Provider Consultation Following Receipt of Final Draft RedQuadrant Report

5.1. Following receipt by Sefton of the Final Report from RedQuadrant report Providers were then written to on 31st July 2017 advising that "*it is the intention of the Council to submit to Cabinet on 7th September 2017, a recommendation to implement the proposed rate".* Providers were also sent a copy of the Final Report once sections of it had been redacted in order to ensure that commercial information submitted by Providers was not published.

5.2. Providers were also advised that "*If you do not agree with the proposed rate, then please provide any further additional information to your existing submissions as part of the RedQuadrant costs template exercise and comments on their draft report".*

5.3. Providers were given until 18th August 2017 to submit comments / additional information and two responses were received. These were;

"I am extremely worried that the position being recommended could cause market failure. The position now is far from sustainable and there is little visibility 2018 onwards".

Sefton Consultation on 2017/18 Domiciliary Care Fees : 'Final' Draft RedQuadrant Report

Having studied the 'Final' Draft of the RedQuadrant Report, which we received on 15th August we have the following additional points to add to our initial submission to the Formal Consultation process. These are based only upon the Authors' responses to Providers' comment that were not included in the first draft.

Page 10. *The point regarding delay is fair but we have addressed this as far as we can by proposing backdating increase to 1st April*

Whether by intent or inefficiency Sefton have imposed an unacceptable additional financial burden on Providers by delaying essential fee uplifts by 6 months in both 2016/17 and 2017/18. There should surely be no question that increases must be backdated to 1st April. This statement by the authors implies that a concession is being made, which is not the case. We acknowledge the assistance provided to Companies by Sefton in the form of a payment on account this year.

Page 13. *The basis of our approach has been to determine the actual cost of care taking into account provider costs, in order that the proposed rates do take account of the actual cost of care – we have explained where and why we have diverged from using the costs indicated in the provider returns*

The report does not include full and detailed information on the 'actual cost of care' currently being incurred in South Sefton., or any explanation of those costs and how they compare with those of Providers in other areas. This is a deficiency of the Review that has contributed to their under-estimatation of sustainable fees.

Page 16. *the first part of this argument (*the fees allowed by Sefton MBC have been insufficient to cover the costs of employment) *only holds if the fees are insufficient to cover costs, which we do not accept.*

That the fees payed to our Company are insufficient to cover the costs of employment is a fact for which there is incontrovertible evidence. They may argue that we are paying our Carers too much, which we strongly dispute (see below)

Page 23. *We do not accept the argument that care should cost more in areas of greater deprivation – why would this be the case?*

Our argument is not that care should cost more in areas of greater deprivation but that care should not be less well-funded than it is in wealthy areas. It is difficult to understand how the Authors could manage to misinterpret this argument to mean the opposite!

Page 33. *if the rate paid is XXXXX then the provider argument is valid as the rate is very low. This report makes a proposal for an uplift to be backdated to 1st April*

This comment relates to underpayment of our Company for CHC Domiciliary are services and supports our claim for back payment. However, we have paid at the £11.29 ph rate since 2009 and back payment owing must be calculated accordingly.

Page 34. *The templates indicated that hourly rates for care staff varied between 7.41 and £8.10 .. with one provider at the lower scale paying for travel time, and the higher rate not.*

This is not correct. Our blended rate, including unsocial hour enhancements is £8.31.

Page 36. *effectively our proposal translates to a rate of £8.35 with travel time not paid…. The blended rate of £7.59 includes a premium of £7.80 for all bank holidays and weekends so we are at a loss to see a rationale for £8.10 with travel time paid*

This is incomprehensible. They recommend a bended rate of £7.59 and then claim that this effectively translates to £8.35 travel time not paid. Then say they cannot understand the rationale for £8.10 travel time paid. We do not know what is actually being recommended. We pay a blended rate of £8.31 travel not paid. This is not affordable from a fee of £13 and our projections indicate it will not be affordable from a fee of £13.83. It simply does not make sense to us.

Page 37. *We do address the issues of leave, sickness, training and travel but not other non contact time and increments.*

The Authors concede here that there are costs of employment to Providers that they have not taken into account.

Page 39. we accept that total overheads currently are greater than 22%. However we stand by our view that "for more than 25% of the fee to be devoted to business costs and profit is not defensible,

We accept that overheads must be constantly reviewed and trimmed to a minimum but the implication that Providers are taking excess profits is totally unfounded.

Page 40 *it does seem very surprising that an organisation would choose to run at a loss of this type. The cost issues in this case appear to be linked to the hourly rates paid by this provider which are higher than comparators;*

This is a ridiculous statement. No organisation would choose to run at a loss. The hourly rates paid to our Carers have been determined by the laws of supply and demand as they affect the employment market and by a contracted requirement to accept all referrals from Sefton SS irrespective of manpower limitations.

Page 42. *we accept some of the points made above in relation to ECC. Our model does not include the cost of non productive time so this does make it difficult to fully comply with stage 2 of the ECC.*

This is an important concession by the Authors, which places upon Sefton the onus to ensure that fees are increased above those recommended in order to make compliance with ECC possible.

Page 44. The rate of £13.83 has been calculated on the basis of the actual cost of care

It has not been based upon the actual cost of care but upon the Authors opinion as to the minimum cost of care consistent with a sustainable service. Here is a consensus amongst all Providers that £13.85 is definitely NOT consistent with a safe and sustainable service.

Finally, although a significant number of the opinions expressed in the Report are contentious and we do not accept that the recommendations on fees to be valid, or consistent with a sustainable service, we commend Sefton on the RedQuadrant initiative. It has highlighted important issues and provided a rational basis for debate compared to what has gone before.

5.4. A meeting was also held with two Providers (at their request) on 9th August 2017. At the meeting the following points were raised by the Providers;

- The RedQuadrant report does not reflect the costs information submitted by Providers
- Report does not reflect the circumstances of Sefton Providers
- Fee increases are not matching increases to employment costs
- It is hard for Providers to keep staff, there is high staff turnover
- Other services delivered by Providers are “propping up” Sefton Domiciliary Care services

6. Conclusions

6.1. It is recommended that the proposed rates formulated following the RedQuadrant Market Oversight Exercise are implemented.

6.2. Whilst they still do not meet with the levels requested by Providers, it is considered that the revised proposed rates provide a competitive rate, comparable with rates paid elsewhere in the local market place and would enable Providers to meet the known additional costs (E.G. National Minimum Wage/National Living Wage, Pension Auto-Enrolment).

6.3. In addition, the proposed increase to rates also supports the Council ambition of meeting the aims of the Ethical Care Charter, including providing an element for travel time which Sefton Council is not obliged to pay for under existing contractual arrangements.

6.4. The Council will take into account the possibility that some Domiciliary Care Providers may face difficulties in adapting their services (such as reducing their overhead costs) if the recommendations were to be implemented and as a consequence could then become unviable which would lead them to seek to terminate their current contracts. In order to minimise the risk of this happening the Council will continue to consult with Domiciliary Care Providers and other stakeholders, to develop an improving understanding of the cost of providing Domiciliary Care and assist in ensuring that there is a continued viable Domiciliary Care market.

6.5. In addition the Council will be imminently commencing a tender exercise for new Domiciliary Care contracts which will be in place from 1st May 2018. This tender encompasses the implementation of a revised service model and contractual arrangements, both of which will seek to deliver more outcome based and efficient services. It is therefore expected that these revised ways of working will support Providers to adapt their services and become more efficient.

6.6. It is now for Cabinet to approach this matter with an open mind, take account of all the information available, attach whatever weight they feel appropriate to the information and to arrive at their own view on which to base their decision. If having taken into account all of the information available to them Cabinet consider that the recommendation would not result in the Council’s proposed rates being sufficient they could decide to set them at a higher level.