Essex County Council

Provider Engagement Live at Home and Community Based Care

September 2025

Agenda

1 **Introduction**

2 **Methodology – Supported Living**

3 **Methodology – Live at Home**

4 **Discussion**

Introduction

The purpose of this session is to share more detail and gather market feedback on our contractual price model and the pricing approach for the future contracts.

Essex County Council has used a ‘cost of care’ model for Live at Home (LAH) services since 2016, and 2018 for Supported Living services.

The LAH model is based on the United Kingdom Homecare Association (UKHCA) model which was then refined following a consultation exercise with ECC contracted care providers. The Fair Cost of Care exercise, undertaken in conjunction with Laing Buisson in 2022 confirmed that this model was broadly in line with the market’s approach.

The Supported Living model was based on the LAH work and engagement with the market at that time.

In 2022 Central Government announced the national cost of care work which was intended to cover all types of regulated care. However, Supported Living services were ultimately dropped from the scope.

Inflation and Market Pressures

Social care providers as a whole have been exposed to market pressures over the past five years and beyond. Through this period we have experienced austerity, Covid, and subsequent high inflation to wages. The main contributors to these pressures are wage increases and general inflation to goods and services.

National Living Wage

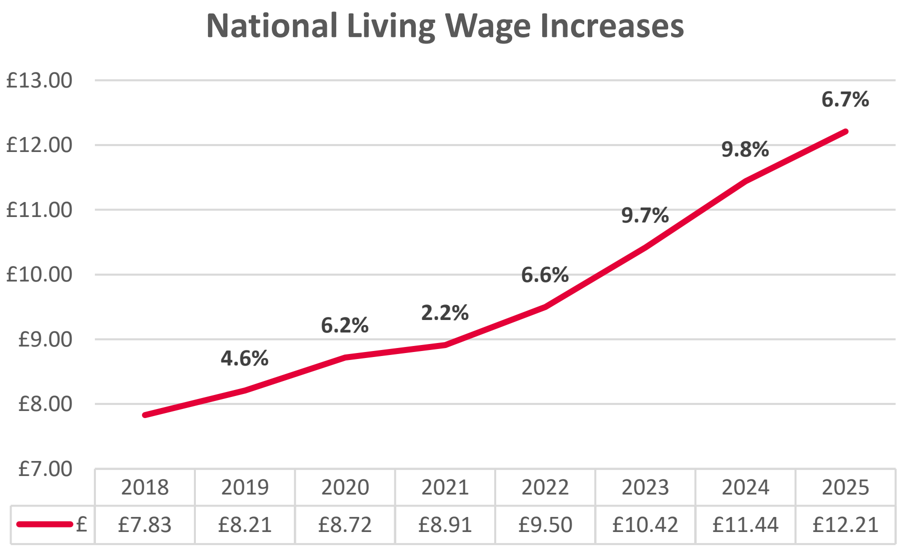
Social care services are sensitive to changes to National Living Wage with many support staff being paid at or around the level of NLW. Increases to this therefore mean enforced increases in cost to providers in order to comply.

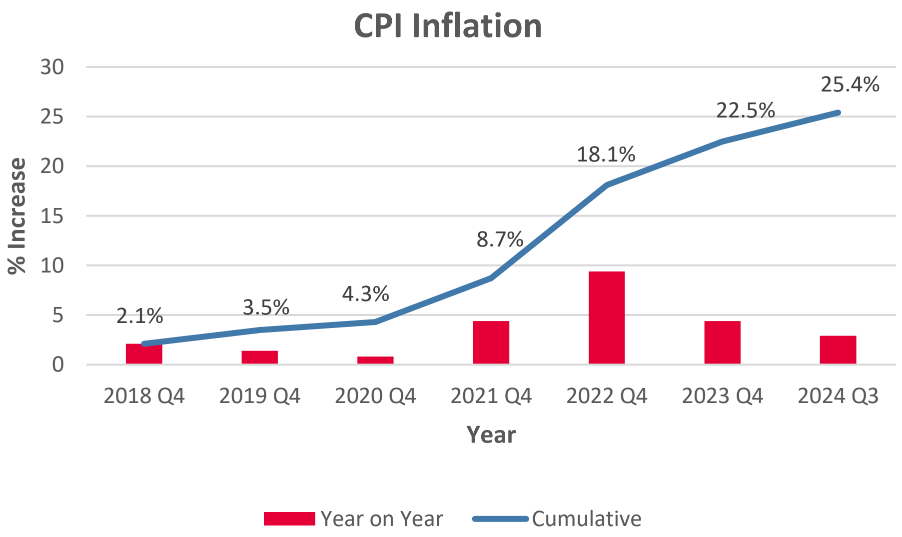
Since 2018 the NLW has increased from £7.83 to £12.21 as of April 2025. This is an equivalent increase of 46% in that time.

CPI Inflation

The other metric we use to calculate potential uplifts for providers is the Consumer Price Index (CPI) which reflects general inflation in the economy for goods and services.

Since 2018 the cumulative effect of inflation is in excess of 25%, which impacts providers in respect of what they buy to support services they deliver. This affects different categories differently, so in residential care where they are purchasing food and consumables for adults they will be exposed to these increases more than in supported living or domiciliary care where it primarily impacts business purchases.





Supported Living

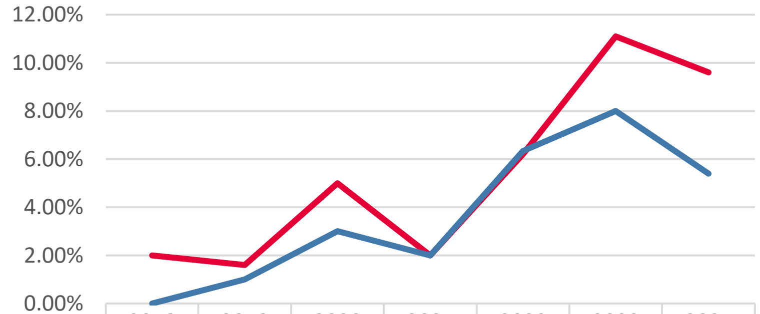
ECC Uplift Approach

In response to the inflation and market pressures, ECC has committed to annual increases to the provider market to support them with the impact of these increases.

Approaches between the two accommodation categories vary slightly, and it is estimated that 80% of cost to a supported living provider will be from staffing alone, compared to 60% for residential care because of the higher number of non-care costs they have to factor in such as food, building maintenance, mortgage/rent etc.

Supported living operates on a specific “Cost of Care” model which is updated each year to give us a view of rates to be paid. Residential care is linked to Care Cubed our own uplift model. Uplifts from the past few years are listed below:

Annual Uplifts - Accommodation Services



	2018	2019	2020	2021	2022	2023	2024
Supported Living	2.00%	1.60%	5.00%	2.00%	6.20%	11.10%	9.60%
Residential	0.00%	1.00%	3.00%	2.00%	6.34%	8.00%	5.40%

Supported Living   Residential

- Uplifts to SL services tend to be higher in years where the NLW increase is higher than CPI and the converse is true with residential care.
- The graph to the left shows the uplift position from ECC across the AWD accommodation categories in recent years.
- Cumulatively, we have awarded 37.5% worth of uplifts in supported living services, and 25.7% in residential care.

Methodology – Supported Living

Essex County Council have used a 'cost of care' model in Supported Living services since 2018. This model was based on engagement with the market at that time and has been updated annually to calculate uplifts linked to each years National Living Wage figure.

Between April 2022 October 2022 ECC were required by Government to complete a national Fair Cost of Care exercise alongside other Local Authorities. Ultimately, Supported Living was removed from this exercise.

The original model was not developed specifically to consider the difference in costs to a provider between complex and non-complex services, and this was a key driver for updating it.

The methodology of our approach was to use the existing model as a base and to issue it to our entire market to ask them to review and then adjust the percentages we have been using, and the hourly rates they actually pay to their staff. This has formed the basis of our non-complex model presented later.

We wanted to reflect too that complex needs provision is more expensive to run for a variety of reasons. We engaged directly with providers on our framework caring for complex adults and asked them for key areas where costs were higher to them for complex adults compared to non-complex. This resulted in the creation of new lines on our model which was then issued to all complex providers to ask them to complete and is also presented here

Model Analysis Non-Complex

Our Supported Living costing model is linked directly to the current % increase in National Living Wage (NLW) rate and updated in April of each year. When setting updated rates prior to the formal NLW announcement ECC uses the mid-point of the Low Pay Commission's expected NLW range for the following year.

A base rate is established which provides for weekends then each cost line within the costing model is then calculated based on a percentage of that base rate as shown in the table to the right

Prior to 2023/24, the model was driven directly from the NLW rate. However, the cost of care exercise completed that year demonstrated the median rate currently paid by providers was higher than this rate. A one off higher than NLW increase was given that year as a result. Future increases are now based on the % increase to NLW on this higher rate

Careworker costs	NI & Pension	Employer's NI	10.0%
		Pension contrib	2.0%
	Other wage related on-costs	Holiday pay	10.7%
		Training time	2.2%
		Sickness/Maternity pay	5.0%
		Notice & suspension pay	0.3%
Gross Margin	Business costs	Scheme Manager/Snr Support Staff/Team Leaders	18.8%
		Staff recruitment	4.0%
		Management/Office Team	6.0%
		Insurance (Statutory Registration Fees)	1.0%
		Rent, rate and utilities	2.4%
		IT & telephony	1.7%
		PPE and consumables	1.0%
		Other business overheads	9.0%
	Profit	Profit / surplus	3.0%

Model Example Non-Complex

The example below shows how the 2025/26 hourly rate was arrived at noting that the rate used as the basis is higher than NLW as per the cost of care exercise.

				25/26
Careworker costs	Gross Pay	Hourly rate for contact time		£12.34
		Careworkers' travel time		£0.00
	NI & Pension	Employer's NI	12.7%	£1.57
		Pension contrib	2.0%	£0.24
	Other wage related on-costs	Holiday pay	10.7%	£1.33
		Training time	2.2%	£0.28
		Sickness/Maternity pay	5.0%	£0.62
		Notice & suspension pay	0.3%	£0.04
	Travel	Mileage reimbursement	£ -	£0.00
Gross Margin	Business costs	Scheme Manager/Snr Support Staff/Team Leaders	18.8%	£2.32
		Staff recruitment	4.0%	£0.49
		Management/Office Team	6.0%	£0.74
		Insurance (Statutory Registration Fees)	1.0%	£0.12
		Rent, rate and utilities	2.4%	£0.30
		IT & telephony	1.7%	£0.21
		PPE and consumables	1.0%	£0.12
		Stationery and postage	0.0%	£0.00
		Equipment hire (governance costs)	0.0%	£0.00
		Other business overheads	9.0%	£1.11
	Profit	Profit / surplus	3.0%	£0.65
	ECC cost of care			**£22.48**

Model Example Complex

The example below shows how the 2024/25 hourly rate was arrived at noting that the rate used as the basis is higher than NLW as per the cost of care exercise.

				25/26
Careworker costs	Gross Pay	Hourly rate for contact time		£13.13
		Careworkers' travel time		£0.00
	NI & Pension	Employer's NI	12.7%	£1.67
		Pension contrib	2.0%	£0.26
	Other wage related on-costs	Holiday pay	10.7%	£1.41
		Training time	2.2%	£0.29
		Additional training for Complex Needs	2.5%	£0.33
		Sickness/Maternity pay	5.0%	£0.66
		Notice & suspension pay	0.3%	£0.04
	Travel	Mileage reimbursement	£ -	£0.00
Gross Margin	Business costs	Scheme Manager/Snr Support Staff/Team Leaders	18.8%	£2.47
		Additional management oversight	1.8%	£0.24
		PBS and Specialist Support teams	3.3%	£0.43
		Staff recruitment	4.0%	£0.53
		Management/Office Team	6.0%	£0.79
		Insurance (Statutory Registration Fees)	1.0%	£0.13
		Rent, rate and utilities	2.4%	£0.32
		IT & telephony	1.7%	£0.22
		PPE and consumables	1.0%	£0.13
		Stationery and postage	0.0%	£0.00
		Equipment hire (governance costs)	0.0%	£0.00
		Other business overheads	9.0%	£1.18
	Profit	Profit / surplus	3.0%	£0.73
	ECC cost of care			£24.94

Final Points

The current approach in Essex is for a fixed rate which has thus far been successful in ensuring sustainable rates are paid and a vibrant market is maintained

The increased specialism for complex care delivery has been recognised in the cost of care going forwards in line with what providers have told us

The link between wage increases in the sector and cost pressure to providers is well acknowledged in the modelling and responds to increases in NLW, which we know drives at least 80% of provider costs in the market

National Comparisons

Supported living: £ per blended hour	External providers for supported living	ECC
Local authority average fee 2024 to 2025 (provisional)	£21.33	£21.30
Local authority average fee 2023 to 2024 (final)	£20.06	£19.43
Local authority average % increase 2024 to 2025 (provisional)	6.4%	9.60%
Local authority average % increase 2023 to 2024 (final)	9.3%	11.10%

Nationally ECC sits around the average hourly rate for supported living services. Notably, the uplifts awarded in 2023/24 and 2024/25 were more substantial than other authorities and brought our rates in line with the average nationally.

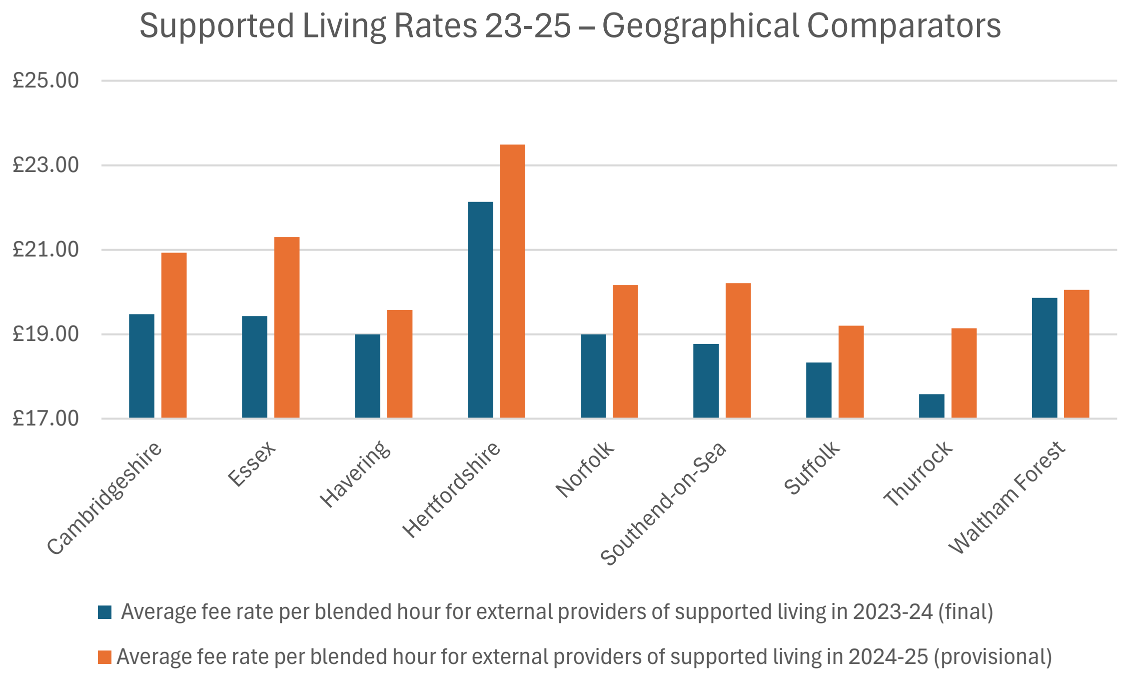
Care homes: £ per client per week	External providers of care homes without nursing for clients aged 18 to 64	ECC
Local authority average fee 2024 to 2025 (provisional)	£1,692	£2,148.52
Local authority average fee 2023 to 2024 (final)	£1,598	£2,004.40
Local authority average % increase 2024 to 2025 (provisional)	6.0%	7.2%
Local authority average % increase 2023 to 2024 (final)	14.5%	8.0%

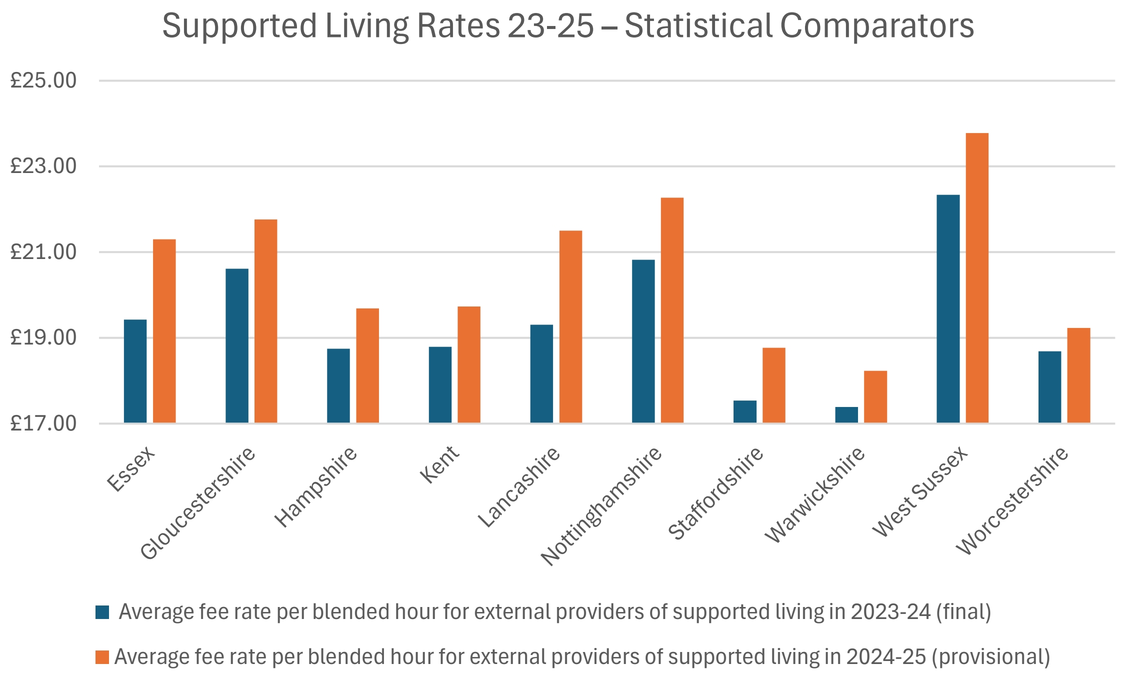
Residential rates in Essex are higher than the national averages and uplifts in 2024/25 were higher. The comparison between residential fees is more complex than other areas because of the absence of a standard unit of measurement like hours; this means whilst interesting to compare, we are not always comparing like-for-like.

Supported Living Rates

The below charts show a comparison of rates paid in supported living services by different local authorities. They are split into 'geographical' and 'statistical' comparators.

This information is taken from the DHSC Market Sustainability and Improvement Fund (MSIF): Provider fee reporting 2024 to 2025, local authority data tables.





Among geographical comparators, Essex has the second highest rates for supported living services.

Among statistical comparators, Essex has the fifth highest rates for supported living services.

Questions for providers

- Does this cost structure feel right and reflect your organisation’s cost structure?
- What are your views on the annual uplift / indexation approach?
- If we were to widen the rates available to providers and open up competition, do you believe you could deliver for less than the fixed rates set out?
- What are the current pay rates to staff on night sleep shifts?

Live at Home

Methodology – Live at Home

Essex County Council have used a 'cost of care' model in Live at Home services since 2016. This model was based on engagement with the market at that time and has been updated annually to calculate uplifts linked to each years National Minimum / Living Wage figure.

Between April 2022 October 2022 ECC was required by Government to complete a national Fair Cost of Care exercise alongside other Local Authorities. This covered Live at Home (+18) and residential and nursing (+65), the results of which are published on our provider hub. The median result of the exercise was within our pricing matrix available to providers through each year's annual refresh, but the average fee rates selected by providers were below this.

The £4m funding provided by Department of Health and Social Care (DHSC) for 2022/23 was primarily used to invest in our Live at Home market as this had been where there were supply issues, and this decision aligned to our market strategy, ensuring more people can be supported and remain within their own homes for longer. We now have good capacity and supply across all of Essex in this market.

Model analysis

- The LAH costing model is linked directly to the current National Living Wage (NLW) rate and updated in April of each year.
- When setting updated rates prior to the formal NLW announcement ECC uses the mid-point of the Low Pay Commission's expected NLW range for the following year.
- The ECC hourly rate within the model is based on a blend of weekdays, weekend and bank holidays premiums.
- Each cost line within the costing model is then calculated based on a percentage of NLW, as shown in the table to the right.
- Mileage is based on average number of miles travelled per hour of care (2.7 miles) at the current £0.45 rate as determined by HMRC.
- Note that this is based an "average" provider in 2016, we are aware that average hours per provider have grown and therefore most are bidding at a lower price point than the current cost of care suggests – providers costs may be lower or higher against each line depending on their overheads and staffing contracts.

	NLW		**£ 12.21**
		2023/24	
Weekdays	1.0 x	252	
Weekends	1.5 x	106	
Bank Holidays	2.0 x	8	
	Blended Hourly rate	366	**£ 14.22**
Care worker costs			£ 14.22
	Careworkers' travel time	8.9%	£ 1.26
	Employer's NI	11.5%	£ 1.78
	Pension contrib	3.0%	£ 0.46
	Holiday pay	12.1%	£ 2.14
	Training time	1.7%	£ 0.31
	Sickness pay	2.9%	£ 0.51
	Notice & suspension pay	0.3%	£ 0.05
	Mileage reimbursement	£ 1.20	£ 1.20
Gross Margin	Management & supervisors	18.5%	£ 2.86
	Staff recruitment	1.5%	£ 0.23
	Training & supervision	2.7%	£ 0.42
	Statutory registration fees	1.3%	£ 0.20
	Rent, rate and utilities	1.9%	£ 0.29
	IT & telephony	3.7%	£ 0.57
	PPE and consumables	2.2%	£ 0.34
	Stationery and postage	1.1%	£ 0.17
	Governance costs	3.6%	£ 0.56
	Other business overheads	1.5%	£ 0.23
	Profit / surplus	3.0%	£ 0.83
			£ 28.65

Approach to uplifts within LAH

The uplift to be applied is determined in the following way:

Step 1 – Determine the % difference between the current CoC rate and the uplifted CoC rate (uplifted CoC rate methodology on previous slide)

Step 2 – For the uplift to the price matrix for new care packages - apply this % uplift to each of the price points. For the past 3 years this has been converted into a fixed increase for each price point as per step 4 below.

Step 3 – Adjust the price points (increasing them) to ensure each price point is divisible by 4

Step 4 – For the approach to uplifting existing packages – the % uplift is in effect turned into a fixed hourly rate increase based on the most recent dataset at the time. This hourly rate increase is applied to every existing care package for framework providers. This approach aims to ensure the lower priced providers remain sustainable and that the disparity between the bottom and top of the price matrix does not increase.

For spot providers, only those packages below the new minimum have been uplifted up to the new minimum rate.

LAH 2025 framework – price review process

Under the new LAH framework the Council has committed to carrying out an annual price review. The review will consider the rates for new packages in the context of wider market and inflationary pressures. The Council may elect to apply an uplift to the price matrix points for new packages, with a further option to apply an uplift to existing packages.

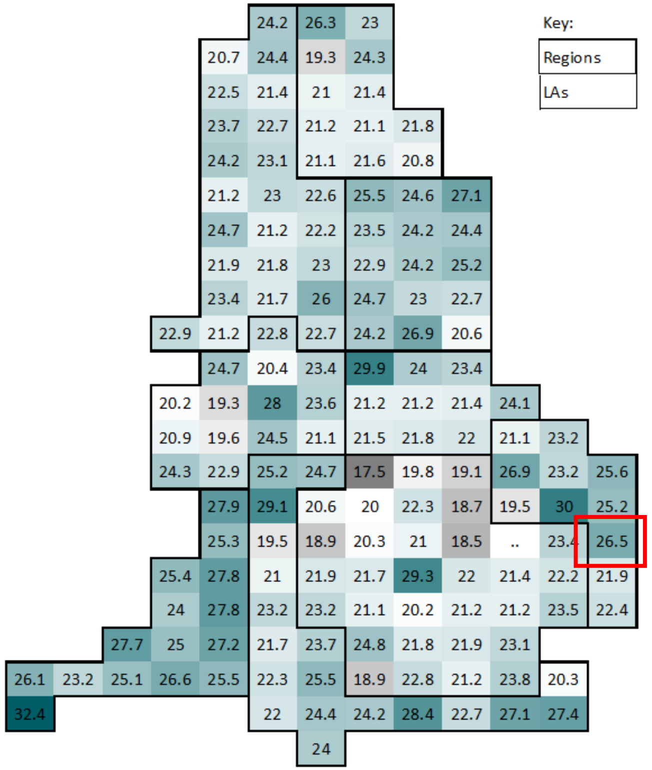
In a change to the price review process under the LAH 2021 framework where providers had the opportunity to select a different price point for new packages, the default position is that there will not be a price selection process.

Home Care Rates

The charts below show a comparison of rates paid in Home Care services by different local authorities.

Key Essex Data

2023-24 Rates (Final)	**£24.90**
2024-25 Rates (Provisional)	**£26.52**



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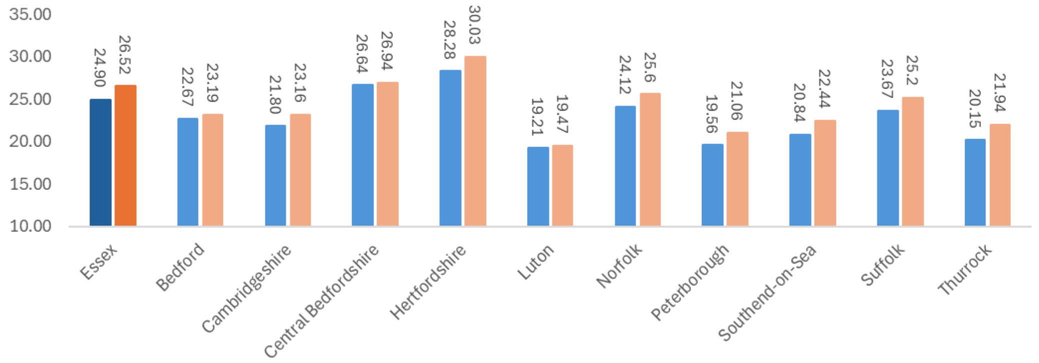
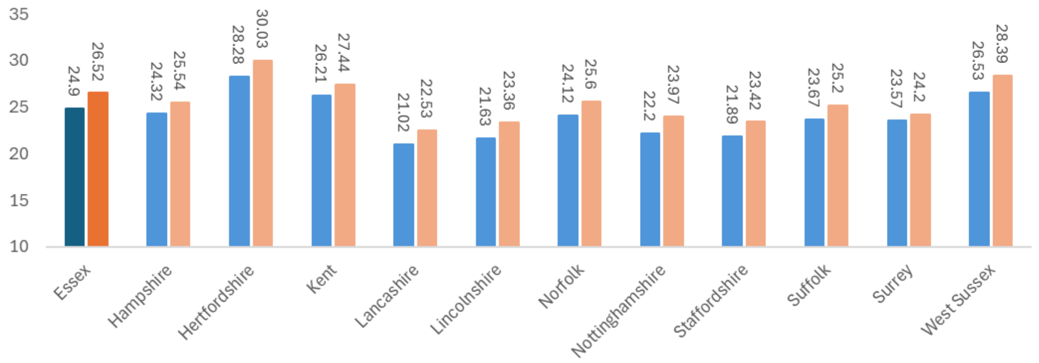
Eastern Region comparators



Statistical comparators.



Average fee rate per contact hour for external providers of home care in 2023-24 (final)

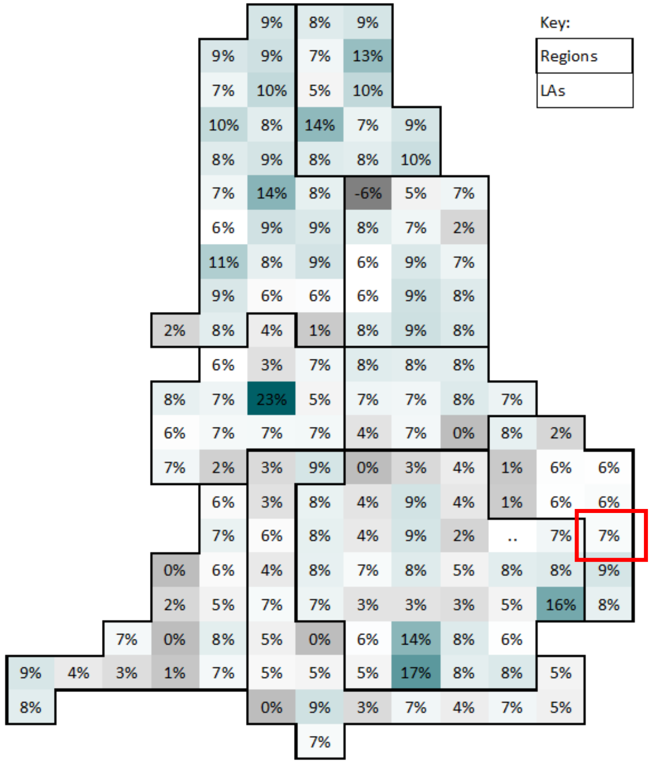
Average fee rate per contact hour for external providers of home care in 2024-25 (provisional)

Home Care Uplifts

The charts below show a comparison of uplifts paid in Home Care services by different local authorities. 2023/24 uplifts include the commencement of Fair Cost of Care funding

Key Essex Data

2023-24 Uplifts (Provisional)	**12.28%**
2024-25 Uplifts (Provisional)	**6.51%**



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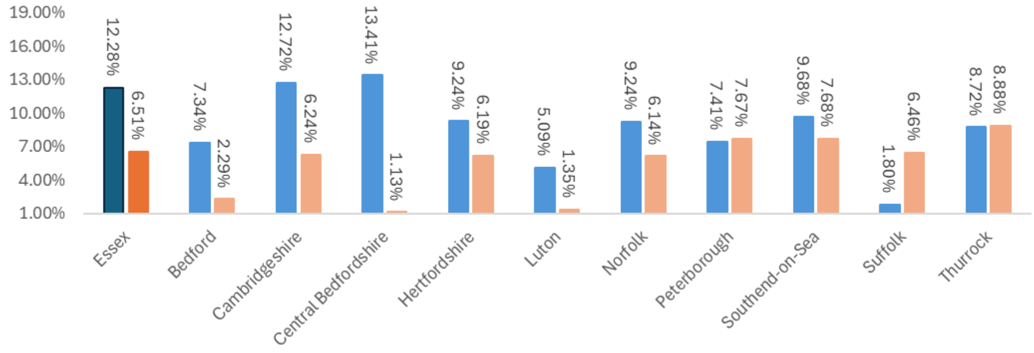
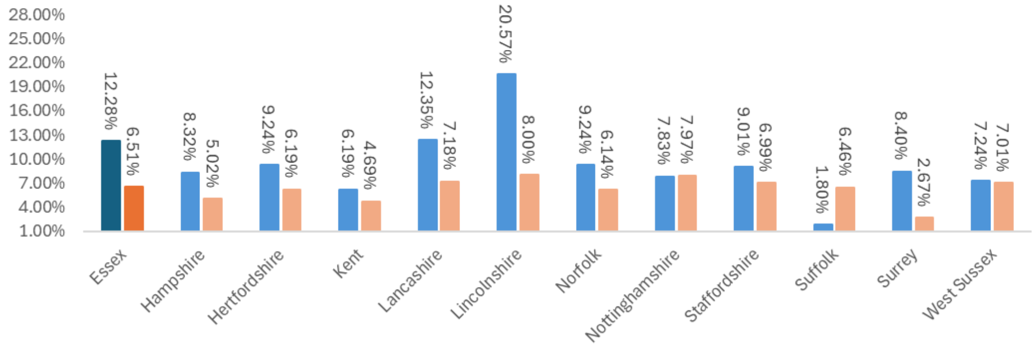
Eastern Region comparators



Statistical comparators.



Average fee rate uplift per contact hour for external providers of home care in 2023-24 (provisional)

Average fee rate uplift per contact hour for external providers of home care in 2024-25 (provisional)

Questions for providers

- Does this cost structure feel right and reflect your organisation’s cost structure?
- What are your views on the annual uplift / indexation approach?
- We are intending to trial mini-competitions for packages with longer hours of care i.e. those with more than 4 hours of care per visit – what needs to be considered as part of this?
- What are your views on potential impact of the proposed Employment Rights Bill on your organisation, for example the Statutory Sick Pay from day 1 proposal?
- Are there any changes in legislation or ways of working that we need to be aware of that haven’t been covered in this session and may impact on your cost structure?

Any Questions/Feedback