

## Annex B: Cost of Care Report – Care Homes Aged 65+

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### 1. Introduction

In December 2021 the government published a white paper, [People at the Heart of Care](#), that outlined a 10-year vision that puts personalised care and support at the heart of adult social care, ensuring that people:

- have the choice, control and support they need to live independent lives
- can access outstanding quality and tailored care and support
- find adult social care fair and accessible

The implementation of the Market Sustainability and Fair Cost of Care Fund is one of the first steps in the journey to achieve this. The primary purpose of the fund is to support local authorities to prepare their markets for reform, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to support local authorities to move towards paying providers a fair cost of care.

As a condition of receiving future funding, local authorities need to evidence the work they are doing to prepare their markets and submit the following to DHSC by 14 October 2022:

- cost of care exercises for 65+ care homes and 18+ domiciliary care
- a provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market, with particular consideration given to the further commencement of Section 18(3) of the Care Act 2014 (which is currently in force only for domiciliary care) – a final plan will be submitted in February 2023
- a spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose

The completion and reporting of a local cost of care exercises for 65+ care homes and 18+ domiciliary care is a requirement of the fund, however, the outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation.

The objective of the exercise is to identify the median actual operating costs of local authority contracted care in the local area, alongside justifiable approaches to return on operations and return on capital.

### 2. Cost of Care Exercise Process

The cost of care exercise was carried out using the Care Home Cost of Care Tool kit – CareCubed, developed for the LGA and ADASS by iESE. Providers were invited to complete a standard template which requested information on the following areas:-

- Detailed expenditure at both 2021-22 and 2022-23 prices.
- Return on Capital and Return on Operations.
- Average occupancy levels per care type.
- Details of staffing including hours delivered per week.
- Direct staff costs including oncosts, cover, training and agency costs.
- Total cost per resident week over each care type.

A summary of the timeline for the Care Homes cost of care exercise was as follows:-

- Microsoft Teams meeting held with providers on 27 May 2022 to outline the exercise and introduce the CareCubed tool. The presentation was then emailed to all care home owners with an initial deadline of 20 June 2022 for completion.
- An email was sent to all care home providers on 31 May 2022 reminding them to register with the CareCubed Tool, a pdf file was attached with joining instructions.
- All care homes were emailed on 7 June 2022 with details of the webinar sessions held by iESE demonstrating the CareCubed tool. This included a reminder to register on the system.
- A reminder was sent to care homes on 15 June 2022 to complete returns by the initial 20 June 2022 deadline.
- A number of care homes requested an extension to the initial deadline and this was extended to 1 July 2022.
- A meeting with providers was held on 29 September to discuss the key issues providers are currently experiencing and gave initial feedback on the process.

### **3. Cost of Care exercise outcomes**

The outcomes from the exercise can be summarised below:-

- A total of 32 providers were invited to participate in the cost of care exercise, of which 18 submissions were received, a response rate of 56%.
- The figures submitted were initially based on 2021-22 prices, but a further request was made to update to 2022/23 prices. However, two responses were received with costs based on 2021/22 prices. The providers were asked to update the figures, but no response was received. Therefore a decision was made to manually inflate the original returns to be able to include these in the overall exercise. These figures were uplifted using the median values % uplift for each line of expenditure taken from the other provider returns within the appropriate care type.
- Another return was received from a provider on an excel spreadsheet and not via the CareCubed tool and these figures have also been incorporated into the overall returns included in Annex A.
- We received one return from a provider in the form of a letter which stated their reservations about the CareCubed tool but there was insufficient information to incorporate the information into our figures.
- The Return on Capital (ROC) and Return on Operations (ROO) figures have been amended in Annex A from the original provider returns. Provider returns showed a significant variation in respect of the median % compared with the total operating weekly cost across all 4 care types and can be summarised below:

% on total operating costs (excluding ROC/ROO)	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
Return on Operations	13.4%	12.0%	9.3%	9.0%
Return on Capital	11.5%	10.1%	7.2%	5.4%
Combined Total (ROO/ROC)	<b>24.9%</b>	<b>22.1%</b>	<b>16.5%</b>	<b>14.4%</b>

This compares with the latest information from a recent LaingBuisson report commissioned by the County Council network which suggests a ROC of 6% and a ROO of 5%. Annex E of the Market Sustainability and Fair Cost of Care Fund guidance provides local authorities with the flexibility to make adjustments where justified. We believe the LaingBuisson rates to be the most appropriate rates to use and have therefore adjusted the figures submitted by providers in Annex A to be consistent across all care types.

- The table below shows a summary of observations, lower quartile, median and upper quartile per care type from the cost of care exercise (unadjusted):

Care Homes 65+	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing*	65+ care home places with nursing, enhanced needs*
Number of location level survey responses received	16	15	8	6
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	29	22	11	9
Lower Quartile - cost per resident per week (£)	623.61	589.85	899.20	903.35
<b>Median - cost per resident per week (£)</b>	<b>759.62</b>	<b>718.98</b>	<b>1086.27</b>	<b>1049.89</b>
Upper Quartile - cost per resident per week (£)	1048.90	958.78	1406.99	1465.05
*Figures include NHS funded nursing care @ £209.19				

- The tables below show the detailed results from the original provider returns adjusted for ROC and ROO in Annex A for each care type together with lower and upper quartile and the number of observations on each of the cost lines. The methodology used calculated the median value across each of the expenditure lines and then added these values together to obtain the overall median cost per hour.

## 65+ Care homes without Nursing

Care Homes - Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	65+ care home places without nursing	Lower Quartile	Upper Quartile	Observations
<b>Total Care Home Staffing</b>	<b>£452.16</b>	<b>£396.64</b>	<b>£543.53</b>	
Nursing Staff	£0.00	£0.00	£0.00	0
Care Staff	£326.16	£298.13	£353.35	16
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	0
Activity Coordinators	£9.67	£7.84	£12.60	14
Service Management (Registered Manager/Deputy)	£30.64	£23.74	£50.52	14
Reception & Admin staff at the home	£10.88	£6.59	£13.26	16
Chefs / Cooks	£21.56	£18.15	£37.64	14
Domestic staff (cleaning, laundry & kitchen)	£42.59	£33.36	£61.54	14
Maintenance & Gardening	£10.66	£8.83	£12.88	15
Other care home staffing (please specify)	£0.00	£0.00	£1.74	6
<b>Total Care Home Premises</b>	<b>£32.61</b>	<b>£15.60</b>	<b>£47.58</b>	
Fixtures & fittings	£7.77	£0.00	£11.97	10
Repairs and maintenance	£20.67	£15.56	£24.54	16
Furniture, furnishings and equipment	£4.17	£0.04	£7.34	12
Other care home premises costs (please specify)	£0.00	£0.00	£3.73	6
<b>Total Care Home Supplies and Services</b>	<b>£103.55</b>	<b>£80.32</b>	<b>£146.83</b>	
Food supplies	£29.99	£27.41	£37.45	16
Domestic and cleaning supplies	£8.74	£6.33	£15.12	16
Medical supplies (excluding PPE)	£0.87	£0.00	£6.52	11
PPE	£1.12	£0.00	£3.54	10
Office supplies (home specific)	£2.28	£1.14	£4.53	16
Insurance (all risks)	£7.35	£4.98	£12.21	16
Registration fees	£4.32	£3.81	£5.05	16
Telephone & internet	£1.68	£0.89	£2.96	16
Council tax / rates	£0.86	£0.62	£1.21	16
Electricity, Gas & Water	£38.17	£30.89	£42.64	16
Trade and clinical waste	£5.36	£3.36	£7.96	16
Transport & Activities	£1.57	£0.89	£2.24	14
Other care home supplies and services costs (please specify)	£1.24	£0.00	£5.40	11
<b>Total Head Office</b>	<b>£19.95</b>	<b>£12.69</b>	<b>£59.49</b>	
Central / Regional Management	£8.93	£4.20	£16.19	14
Support Services (finance / HR / legal / marketing etc.)	£7.79	£6.27	£30.69	16
Recruitment, Training & Vetting (incl. DBS checks)	£3.23	£2.22	£7.78	16
Other head office costs (please specify)	£0.00	£0.00	£4.83	7
<b>Total Return on Operations</b>	<b>£30.41</b>	<b>£30.41</b>	<b>£30.41</b>	<b>16</b>
<b>Total Return on Capital</b>	<b>£36.49</b>	<b>£36.49</b>	<b>£36.49</b>	<b>16</b>
<b>TOTAL COST PER RESIDENT PER WEEK</b>	<b>£675.17</b>	<b>£572.15</b>	<b>£864.33</b>	

## 65+ Care homes without Nursing with enhanced needs

Care Homes - Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	65+ care home places without nursing, enhanced needs	Lower Quartile	Upper Quartile	Observation
<b>Total Care Home Staffing</b>	<b>£425.06</b>	<b>£374.07</b>	<b>£535.84</b>	
Nursing Staff	£0.00	£0.00	£0.00	0
Care Staff	£306.24	£293.59	£356.90	15
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	0
Activity Coordinators	£9.46	£7.00	£11.15	12
Service Management (Registered Manager/Deputy)	£31.28	£24.37	£50.32	13
Reception & Admin staff at the home	£10.41	£0.00	£12.52	10
Chefs / Cooks	£21.07	£18.46	£31.41	13
Domestic staff (cleaning, laundry & kitchen)	£35.65	£21.83	£54.35	13
Maintenance & Gardening	£10.95	£8.82	£12.57	14
Other care home staffing (please specify)	£0.00	£0.00	£6.62	6
<b>Total Care Home Premises</b>	<b>£34.81</b>	<b>£14.55</b>	<b>£48.88</b>	
Fixtures & fittings	£8.31	£0.00	£12.70	10
Repairs and maintenance	£19.38	£14.52	£24.77	15
Furniture, furnishings and equipment	£5.54	£0.03	£7.26	11
Other care home premises costs (please specify)	£1.58	£0.00	£4.15	7
<b>Total Care Home Supplies and Services</b>	<b>£102.96</b>	<b>£77.09</b>	<b>£143.77</b>	
Food supplies	£29.47	£26.38	£40.51	15
Domestic and cleaning supplies	£8.12	£5.15	£11.63	14
Medical supplies (excluding PPE)	£2.20	£0.40	£8.17	11
PPE	£2.64	£0.04	£4.16	11
Office supplies (home specific)	£2.41	£1.40	£4.51	15
Insurance (all risks)	£7.07	£3.87	£9.96	15
Registration fees	£4.36	£3.70	£5.10	15
Telephone & internet	£1.69	£1.10	£2.97	15
Council tax / rates	£1.01	£0.67	£1.39	15
Electricity, Gas & Water	£36.28	£29.73	£40.37	15
Trade and clinical waste	£5.05	£3.52	£6.04	15
Transport & Activities	£1.66	£1.13	£2.56	14
Other care home supplies and services costs (please specify)	£1.00	£0.00	£6.40	10
<b>Total Head Office</b>	<b>£26.31</b>	<b>£12.83</b>	<b>£52.84</b>	
Central / Regional Management	£9.63	£4.15	£14.44	13
Support Services (finance / HR / legal / marketing etc.)	£9.43	£7.22	£21.44	15
Recruitment, Training & Vetting (incl. DBS checks)	£3.58	£1.46	£8.40	14
Other head office costs (please specify)	£3.67	£0.00	£8.56	10
<b>Total Return on Operations</b>	<b>£29.46</b>	<b>£29.46</b>	<b>£29.46</b>	
<b>Total Return on Capital</b>	<b>£35.35</b>	<b>£35.35</b>	<b>£35.35</b>	
<b>TOTAL COST PER RESIDENT PER WEEK</b>	<b>£653.95</b>	<b>£543.35</b>	<b>£846.14</b>	

## 65+ Care homes with Nursing

Care Homes - Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	65+ care home places with nursing	Lower Quartile	Upper Quartile	Observations
<b>Total Care Home Staffing</b>	<b>£768.36</b>	<b>£664.66</b>	<b>£919.36</b>	
Nursing Staff	£302.69	£245.87	£384.63	8
Care Staff	£329.50	£304.55	£354.06	8
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	0
Activity Coordinators	£9.74	£8.23	£10.74	8
Service Management (Registered Manager/Deputy)	£28.42	£23.74	£44.55	7
Reception & Admin staff at the home	£10.88	£10.07	£14.00	8
Chefs / Cooks	£21.56	£18.46	£30.90	8
Domestic staff (cleaning, laundry & kitchen)	£54.35	£44.60	£67.81	8
Maintenance & Gardening	£11.22	£9.14	£12.66	8
Other care home staffing (please specify)	£0.00	£0.00	£0.01	2
<b>Total Care Home Premises</b>	<b>£36.05</b>	<b>£15.71</b>	<b>£43.98</b>	
Fixtures & fittings	£9.42	£0.00	£11.97	5
Repairs and maintenance	£22.46	£15.56	£25.85	8
Furniture, furnishings and equipment	£4.17	£0.15	£6.16	6
Other care home premises costs (please specify)	£0.00	£0.00	£0.00	0
<b>Total Care Home Supplies and Services</b>	<b>£107.10</b>	<b>£82.69</b>	<b>£143.60</b>	
Food supplies	£29.62	£27.37	£34.02	8
Domestic and cleaning supplies	£10.02	£7.18	£15.12	8
Medical supplies (excluding PPE)	£1.59	£0.28	£7.15	6
PPE	£2.07	£0.00	£4.13	5
Office supplies (home specific)	£3.47	£1.90	£4.76	8
Insurance (all risks)	£6.17	£3.85	£7.86	8
Registration fees	£4.55	£3.24	£4.95	8
Telephone & internet	£1.63	£0.83	£3.20	8
Council tax / rates	£0.94	£0.66	£1.21	8
Electricity, Gas & Water	£38.17	£33.56	£45.57	8
Trade and clinical waste	£6.12	£2.69	£7.96	8
Transport & Activities	£1.94	£1.13	£2.28	8
Other care home supplies and services costs (please specify)	£0.81	£0.00	£5.39	5
<b>Total Head Office</b>	<b>£20.63</b>	<b>£13.66</b>	<b>£41.89</b>	
Central / Regional Management	£8.01	£4.76	£14.45	7
Support Services (finance / HR / legal / marketing etc.)	£7.06	£5.78	£15.10	8
Recruitment, Training & Vetting (incl. DBS checks)	£4.66	£3.12	£7.78	8
Other head office costs (please specify)	£0.90	£0.00	£4.56	4
<b>Total Return on Operations</b>	<b>£46.60</b>	<b>£46.60</b>	<b>£46.60</b>	
<b>Total Return on Capital</b>	<b>£55.92</b>	<b>£55.92</b>	<b>£55.92</b>	
<b>TOTAL COST PER RESIDENT PER WEEK</b>	<b>£1,034.66</b>	<b>£879.24</b>	<b>£1,251.35</b>	

## 65+ Care homes with Nursing with enhanced needs

Care Homes - Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	65+ care home places with nursing, enhanced needs	Lower Quartile	Upper Quartile	Observations
<b>Total Care Home Staffing</b>	<b>£735.31</b>	<b>£665.84</b>	<b>£1,002.33</b>	
Nursing Staff	£281.16	£255.07	£350.48	6
Care Staff	£323.71	£302.29	£470.63	6
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	0
Activity Coordinators	£9.66	£9.06	£9.86	6
Service Management (Registered Manager/Deputy)	£28.42	£23.78	£38.49	5
Reception & Admin staff at the home	£12.80	£10.60	£30.16	6
Chefs / Cooks	£22.30	£20.92	£31.01	6
Domestic staff (cleaning, laundry & kitchen)	£46.04	£34.92	£54.59	6
Maintenance & Gardening	£11.22	£9.20	£12.33	6
Other care home staffing (please specify)	£0.00	£0.00	£4.78	2
<b>Total Care Home Premises</b>	<b>£39.64</b>	<b>£26.44</b>	<b>£59.74</b>	
Fixtures & fittings	£12.70	£9.24	£18.51	5
Repairs and maintenance	£20.45	£13.49	£30.89	6
Furniture, furnishings and equipment	£6.49	£3.71	£10.34	5
Other care home premises costs (please specify)	£0.00	£0.00	£0.00	0
<b>Total Care Home Supplies and Services</b>	<b>£110.54</b>	<b>£90.30</b>	<b>£148.07</b>	
Food supplies	£28.06	£25.22	£39.13	6
Domestic and cleaning supplies	£11.35	£7.32	£16.16	5
Medical supplies (excluding PPE)	£7.98	£5.86	£10.44	6
PPE	£2.90	£1.79	£6.98	5
Office supplies (home specific)	£3.32	£1.96	£4.51	6
Insurance (all risks)	£4.34	£3.78	£6.90	6
Registration fees	£4.38	£3.38	£5.11	6
Telephone & internet	£2.52	£1.43	£4.05	6
Council tax / rates	£1.32	£0.89	£1.78	6
Electricity, Gas & Water	£36.51	£33.59	£38.30	6
Trade and clinical waste	£5.86	£3.70	£6.12	6
Transport & Activities	£1.78	£1.38	£2.30	6
Other care home supplies and services costs (please specify)	£0.22	£0.00	£6.29	3
<b>Total Head Office</b>	<b>£32.90</b>	<b>£19.28</b>	<b>£42.73</b>	
Central / Regional Management	£9.46	£7.12	£11.39	6
Support Services (finance / HR / legal / marketing etc.)	£9.59	£6.98	£11.26	6
Recruitment, Training & Vetting (incl. DBS checks)	£8.40	£4.26	£10.85	6
Other head office costs (please specify)	£5.45	£0.92	£9.23	4
<b>Total Return on Operations</b>	<b>£45.92</b>	<b>£45.92</b>	<b>£45.92</b>	
<b>Total Return on Capital</b>	<b>£55.10</b>	<b>£55.10</b>	<b>£55.10</b>	
<b>TOTAL COST PER RESIDENT PER WEEK</b>	<b>£1,019.41</b>	<b>£902.88</b>	<b>£1,353.89</b>	

- A validation exercise of the returns from providers was undertaken and a number of queries were submitted to providers via the CareCubed tool in respect of the clarification of data. These were mainly in respect of figures that were identified as an outlier. A small number of queries on staffing and supplies and services remain and despite several attempts are still unresolved. These figures have not been amended and are included within the submission in Annex A.
- It is felt that issues still remain with the overall quality of the data submissions, for example, the median cost per week for care homes without nursing with enhanced needs is less than care homes without nursing and this is the same for care homes with nursing. It would be expected that the outcome would be the rates for care homes with enhanced needs to be at least the same or more than those without enhanced needs.
- It is therefore proposed to carry out further engagement with providers before the further submission in February as part of the ongoing negotiations, including discussions about the rate of return on capital and operations.

#### **4. Future Fee Uplift**

- The overall outcome of the cost of care exercise based on the adjusted provider returns in Annex A, that reflect the LaingBuisson Return on capital and return on operations, shows a difference of between 13.89% and 20.79% compared with the weighted average cost per week currently paid to providers. These figures will be used in future engagement with care providers as part of a move towards determining a true fair cost of care.
- Any proposed future years inflation uplift will be considered as part of the Councils revenue budget setting process and will be outlined in the February submission. As in previous years this will take into account the increase in the National Living Wage and the Consumer Price Index. This will be considered together with the outcome of the Fair cost of care exercise.