

FAIR COST OF CARE

Annex B – Cost of Care Report

65+ Care Home services

1 Engagement with providers

The Isle of Wight has a total of 68 care homes with and without nursing. 49 of these provide a service for people aged 65+ and were therefore in the scope of this exercise. They were engaged in the Fair Cost of Care exercise and encouraged to be involved as detailed below.

- Initial engagement with Care Homes started in April when we informed all providers about the set up our specific Cost of Care email box. However, at this point we were not able to provide much detail about the Cost of Care process as the IESE toolkit had not yet been launched.
- In early June, when the toolkit was made available online, all providers were invited to register their business on the system and our first Provider Engagement discussion was held via Teams to brief providers on what was likely to be expected from them.
- During July we involved our providers in all the CPA/IESE demonstration sessions and set up further Teams meetings to attempt to answer their questions on the toolkit. We also sent out regular emails with links to extra information and made individual phone calls to providers to offer them support on completing the toolkit.
- Our first deadline for submissions was the end of July and although we received some submissions at this date we extended to the end of August and again, contacted individual providers to answer queries.

2 Response rate

Initially, 58 (85%) of the 68 care homes with and without nursing were registered with the IESE toolkit to be included in the Fair Cost of Care exercise. Of these, a total of 48 homes (71% of the overall total) were in scope for the project. Homes taken out of scope were those that:

- do not provide a service to people over 65,
- internal IW Council run homes, and
- one home that is likely to be closing in the foreseeable future.

Of the total 48 homes that remained in scope, submissions were received from 23 homes giving a response rate of 48%.

Initial examination of the responses received showed that despite the fairly low response rate we did have mix of different types and sizes of homes.

3. Analysis of submissions

3.1 Of the 23 submissions initially received, 11 were found to need further input from the homes submitting them. These took the form of:

- 6 homes had figures that looked to be an error in their Return on Capital calculation which were rectified quickly.
- 2 homes had queries around their staffing levels – these were discussed with the homes. One was a result of very low staffing levels due to difficulties with recruitment (and a high number of residents) and the other had a disproportionate number of nursing staff.
- 3 homes were found to have submitted insufficient information to be included – and unfortunately attempts to rectify this were unsuccessful.

In line with the guidance relating to LAs using their judgement regarding quality of returns and identified outliers to enable analysis it was decided, following the work detailed above to disregard 4 of the queried homes. This was on the basis that 3 homes had returned insufficient information and 1 home had submitted information which was inconsistent and an outlier.

3.2 This left a breakdown of considered submissions as follows:

- 2 x 65+ care homes without nursing
- 12 x 65+ care homes without nursing, enhanced needs
- 6 x 65+ care homes with nursing
- 0 x 65+ care homes with nursing, enhanced needs – one submission was received from a home in this category, but there were concerns about the reliability of the data in the submission, so it was considered an outlier and excluded.

This means that with a usable cohort of 41.6%, although there were a sufficient number of returns to conduct only a ‘high-level’ analysis to undertake the Fair Cost of Care exercise. However, the outputs may not be fully representative of the wider market provision and costs.

3.3 Other considerations regarding the analysis in relation to the useable returns should also be taken into account when considering the outputs and calculated rates. Although there was a mix of returns from across different settings, we need to be mindful regarding the possibility that some costings may be skewed by a poorly balanced mix of returns from different types of service. An example of this is where only 2 residential homes without nursing - 65+ without additional enhanced needs responded, this is 10 less than the cohort of respondents from residential homes without nursing – 65+ with enhanced needs. This means that 85.7% of the return for residential is based on enhanced need, which has the potential to give an inflated impression to the overall costs of residential without nursing and therefore the median in the Care Home without nursing category.

Although 61% of these homes have a higher proportion of residents who did not have enhanced needs, they are set up to provide enhanced care. The judgement was therefore taken that to have recorded these homes within the ‘standard’ without nursing category would have given a false representation of their costs.

The disproportionately small number of ‘standard’ residential homes without nursing also means that it is not possible to place reliance on this data in relation to this category in relation to Fair Cost of Care if it was to be disaggregated due to the limited sample.

In the interest of transparency of the Fair Cost of Care exercise we have chosen to leave the 2022/23 estimated costs submitted by providers within the FCoC modelling rather than revising to standard CPI rates. We therefore need to acknowledge that there will be

variances between providers in their assumptions on inflation and other potential cost rises including increases in salary costs. Due to the assumptions made and inconsistencies across the market this will influence the final calculations. This then is another element to be considered in relation to the exercise outputs and whether they are truly reflective of the wider market.

In addition, we do need to be mindful that the guidance for this exercise was to come to a median average of the aggregated returns. Although, useful to ensure a consistent approach by all local authorities, it does however, not provide the level of other important detail, such as where additional care is provided that would not normally be the responsibility of a local authority. This may include supported lifestyle choices of the individual that are not directly related to care costs, such as rooms with a view, double sized rooms, and additional sundry services not directly related to care. This would also include the requirement to provide additional care for complex cases which would be either solely or joint funded with health such as Continuing Health Care (CHC) or section 117 of the Mental Health Act (s117). In particular with regard to the nursing returns, we also need to be mindful that even for the less complex cases that the full cost of care would not fall to the local authority as Funded Nursing Care (FNC) would form part of the total, and not be in addition. There has been no guidance on how the health funded element such as CHC, FNC and s117 will also be increased as part of working towards the fair cost of care.

3.4 In terms of funding for beds overall:

- 56% of all homes are local authority funded (with a higher proportion of 61% nursing)
- 34% are paid for by self-funders (a slightly higher proportion of 38% in non-nursing care)
- The remainder are CHC and joint funded beds.

3.5 The data received for Return on Operations and Return on Capital was variable in terms of consistency, so it was agreed that the LaingBuisson recommendation of 6% on Return on Capital and 5% on Return on Operations against the applicable median Isle of Wight freehold valuation per bed would be used across all the care home submissions.

3.6 Detailed examination of all submissions across all cost lines was undertaken and it was felt that except for a couple of outlier lines for electricity/gas costs, the information was sufficient to encompass the full range of information supplied. The final figures were calculated on the median value for each cost line.

65+ care home places without nursing – enhanced needs

Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	MEDIAN	LOWER QUARTILE	UPPER QUARTILE	NUMBER OF RESPONSES
Total Care Home Staffing	£647.33	£538.50	£780.36	
Nursing Staff	£0.00	£0.00	£0.00	11
Care Staff	£444.20	£383.23	£508.14	11
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	12
Activity Coordinators	£14.01	£6.38	£17.66	12
Service Management (Registered Manager/Deputy)	£50.62	£45.14	£75.31	12

Reception & Admin staff at the home	£7.23	£0.00	£16.77	12
Chefs / Cooks	£59.73	£43.66	£64.76	12
Domestic staff (cleaning, laundry & kitchen)	£43.94	£34.48	£56.86	12
Maintenance & Gardening	£24.97	£23.16	£29.21	12
Other care home staffing (please specify)	£2.65	£2.45	£11.66	12
Total Care Home Premises	£30.42	£18.64	£48.10	
Fixtures & fittings	£5.04	£0.00	£11.99	12
Repairs and maintenance	£24.88	£18.64	£30.47	12
Furniture, furnishings and equipment	£0.00	£0.00	£5.00	12
Other care home premises costs (please specify)	£0.50	£0.00	£0.64	12
Total Care Home Supplies and Services	£103.36	£85.47	£129.65	
Food supplies	£38.59	£33.62	£40.50	12
Domestic and cleaning supplies	£7.89	£7.18	£12.40	12
Medical supplies (excluding PPE)	£1.31	£0.51	£3.24	12
PPE	£1.23	£0.11	£1.62	12
Office supplies (home specific)	£2.27	£1.67	£3.61	12
Insurance (all risks)	£9.56	£8.36	£10.29	12
Registration fees	£3.69	£3.28	£5.12	12
Telephone & internet	£2.35	£1.81	£3.17	12
Council tax / rates	£1.71	£1.47	£2.52	12
Electricity, Gas & Water	£22.62	£19.25	£27.68	12
Trade and clinical waste	£6.39	£4.97	£7.93	12
Transport & Activities	£3.37	£1.99	£8.24	12
Other care home supplies and services costs (please specify)	£2.41	£1.26	£3.34	12
Total Head Office	£47.95	£39.58	£82.85	
Central / Regional Management	£31.44	£30.21	£44.09	12
Support Services (finance / HR / legal / marketing etc.)	£6.27	£4.41	£8.57	12
Recruitment, Training & Vetting (incl. DBS checks)	£4.04	£2.21	£6.77	12
Other head office costs (please specify)	£6.21	£2.75	£23.42	12
Total Return on Operations	£41.45	£34.11	£52.05	
Total Return on Capital	£54.95	£51.28	£61.30	
TOTAL	£925.45	£767.58	£1,154.31	

65+ care home places with nursing

Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	MEDIAN	LOWER QUARTILE	UPPER QUARTILE	NO OF RESPONSES
Total Care Home Staffing	£758.94	£669.95	£857.94	
Nursing Staff	£164.30	£150.37	£187.74	5
Care Staff	£402.30	£350.36	£447.61	5
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	6
Activity Coordinators	£11.12	£0.00	£0.00	6

Service Management (Registered Manager/Deputy)	£50.59	£10.31	£15.41	6
Reception & Admin staff at the home	£17.09	£50.27	£52.88	6
Chefs / Cooks	£43.12	£8.25	£23.54	6
Domestic staff (cleaning, laundry & kitchen)	£49.57	£42.44	£47.94	6
Maintenance & Gardening	£20.87	£43.03	£53.06	6
Other care home staffing (please specify)	£0.00	£14.92	£29.77	6
Total Care Home Premises	£45.71	£25.84	£70.02	
Fixtures & fittings	£19.60	£10.06	£31.33	6
Repairs and maintenance	£19.56	£15.00	£25.79	6
Furniture, furnishings and equipment	£6.55	£0.78	£12.90	6
Other care home premises costs (please specify)	£0.00	£0.00	£0.00	6
Total Care Home Supplies and Services	£109.62	£95.72	£140.57	
Food supplies	£36.40	£34.01	£40.50	6
Domestic and cleaning supplies	£10.89	£8.13	£13.23	6
Medical supplies (excluding PPE)	£7.81	£6.32	£12.40	6
PPE	£0.00	£0.00	£0.00	6
Office supplies (home specific)	£2.38	£1.91	£2.58	6
Insurance (all risks)	£6.36	£5.82	£8.92	6
Registration fees	£4.03	£3.74	£4.40	6
Telephone & internet	£5.81	£4.13	£5.95	6
Council tax / rates	£0.92	£0.84	£1.73	6
Electricity, Gas & Water	£22.60	£21.54	£26.82	6
Trade and clinical waste	£8.52	£7.75	£10.82	6
Transport & Activities	£2.60	£1.52	£3.60	6
Other care home supplies and services costs (please specify)	£1.32	£0.00	£9.64	6
Total Head Office	£92.84	£45.52	£120.95	
Central / Regional Management	£50.73	£35.13	£53.04	6
Support Services (finance / HR / legal / marketing etc.)	£31.09	£5.55	£54.75	6
Recruitment, Training & Vetting (incl. DBS checks)	£10.89	£4.81	£13.01	6
Other head office costs (please specify)	£0.14	£0.04	£0.15	6
Total Return on Operations	£50.35	£41.85	£59.57	
Total Return on Capital	£97.97	£84.06	£159.47	
TOTAL	£1,155.42	£962.93	£1,408.52	

Supporting information on important cost drivers used in the calculations:	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		12	6	

Number of locations eligible to fill in the survey (excluding those found to be ineligible)		28	6	
Number of residents covered by the responses		345	198	
Number of carer hours per resident per week		29	27	
Number of nursing hours per resident per week			7	
Average carer basic pay per hour		£10.85	£10.90	
Average nurse basic pay per hour			£20.41	
Average occupancy as a percentage of active beds		96%	98%	
Freehold valuation per bed		£47,619.05	£84,911.19	

3.7 The tables shown above are extracted from the Isle of Wight Council Annex A submission. As per the rationale outlined in section 3.3, we have chosen to only duplicate the tables showing 65+ homes without nursing, enhanced needs and 65+ homes with nursing:

- There were only 2 submissions from homes in the 65+ without nursing category so it would not be possible to show median, upper and lower quartile figures, any figure calculated would not be representative of the marketplace and showing figures would identify individual homes.
- Similarly, there was only one home that submitted information in the 65+ without nursing category so it would be inappropriate to calculate a Cost of Care figure based on one home whose data was unreliable due to exceptionally high staffing ratios.

4. Conclusions

4.1 It is felt that the cost information supplied by our care home providers is generally consistent with other indicators of our perception with regard to the state of the market. As with the Home Care market, care homes are also under extreme pressure on the Isle of Wight due to a challenging recruitment and retention and this reflects the national picture. It should be noted that a considerable number of our care home providers are finding it difficult to recruit staff in order to maintain their existing staff teams at satisfactory levels.

Although our homes are generally operating at 96% occupancy, several homes have had to reduce the number of beds they have available due to staff shortages. This is an additional factor which has the potential to skew the results of this exercise. We are aware that there is a large disparity between what the Capacity Tracker indicates as unused bed capacity in the wider marketplace and that which is declared by providers themselves. As stated above, this is due to recruitment issues to bring the additional capacity online and thus potentially provide the opportunity for those providers to benefit from the economy of scale and additional income that this would provide. Therefore, had all our providers been fully staffed to meet demand, the data submitted for the Cost of Care exercise would have given a far better representation of the costs.

An additional factor in relation to the analysis of the information supplied by care homes is that it includes all aspects of their services which would in some cases include NHS services such as Continuing Health Care and therapy services. These costs have therefore inflated the overall Fair Cost of Care median rates as the local authority is not liable to pay for these services.

It should also be noted that during the last 2 years, we have seen fees for care homes increase significantly from the standard care bands that we have in place. Some providers will only accept local authority placements at their higher private rates or an increase from our standard care bands. The budget of adult social care is therefore under immense strain already with an estimated 10% overspend on care homes alone. Therefore, the variance between our current costs versus the calculated Fair Cost of Care rates do not accurately reflect the budget position as we are already in a deficit position paying higher fees than our budget allows.

This exercise has been incredibly helpful in increasing the councils understanding of the pressures that local providers are facing. The information provided will enable us to be more informed when considering adjustment of the rate we pay for care and support. However, although this has been helpful in general understanding of the challenges, due to the low number of returns and other issues already highlighted we are not able to conclude that the the figures are truly reflective of the fair Cost of Care and in two categories for the four have not been able to provide a median at all. It must also be noted, that in addition to reflecting what is believed to be the cost of care, that cost must be affordable and represent best value for the public purse. We remain committed to working with our providers to maximise their sustainability within the financial envelope available to us.

There is a real concern that our relationship with our care home market will be impacted by their expectation that the council will be able to afford to pay what they believe is due, yet funding from Government does not reflect the increases indicated within the exercise. In addition, as detailed in section 3.3 no indication or guidance has been provided in relation to how health commissioned element of care such as CHC, FNC and s117 will be uplifted to contribute appropriately to work towards meeting the fair cost of care. We continue to work hard to maintain our good relationships with our care home market and have been open and transparent with them through this exercise. This has been an opportunity to influence future funding, they have trusted us to represent them, and we will continue to work with them constructively in this space.