

## 65+ care home market cost of care report

The Fair Cost of Care Exercise was prescribed by the Department of Health and Social Care in 2022 for all local authorities with social service responsibilities to undertaken. The exercise was driven by cost data submitted by care homes and homecare agencies working in the Borough. The information was submitted in a defined template and did not allow for any moderation for where there were low numbers of responses, responses from organisations not commissioned by the Borough, or where the figures provided were inflated or unrepresentative.

Engagement was undertaken with providers for the completion of the cost modelling tool, and 1:1 sessions were offered. Feedback as indicated that the majority of local care homes felt this exercise was unlikely to lead to real change and was largely a symbolic exercise, in the absence of clear changes to national policy and funding. It was felt that the final rate would either be significantly distorted by high land values in Kensington and Chelsea, and influenced significantly by prices that any local authority could afford. Providers were also concerned that the tool did not provide sufficient variability to explain the detail and volatility of other costs such as debt servicing, increasing energy costs, and unplanned maintenance.

The key challenge for arriving at a fair cost of care for care home beds in RBKC was the high figures submitted for a return on capital figures. In addition, the differences between care homes in the Borough is extreme, from small-medium homes run by independent organisations to specialist settings such as the Royal Hospital Chelsea, home of the Chelsea Pensioners, or expensive private homes situated on prime London real estate. Identifying a reliable and fair single rate given this variety has not been a satisfactory task.

### Challenges with the data

For RBKC the challenges with data from this exercise included the following.

- Although our data validation allowed for some interrogation of costs, it was not possible to completely verify that the costs submitted are truly reflective of incurred costings.
- Due to the small number of care homes in borough, the sample size of the data collected is small.
- The requirement to base a fair costing exercise on a year in which care homes and commissioners faced significant pressures in relation to occupancy and costs as a result of the Covid-19 pandemic is a challenge that has been raised at a National level.
- In setting a fair cost of care locally, commissioners would like to be able to model several scenarios such as higher occupancy and lower Return on Operations and Return on Capital figures to better reflect an accurate local position.

### Approach to Inflation of 2021-22 Costs

The data collection tool asked social care providers to submit their 2021-22 costs with an option to apply an uplift to bring those costs in line with April 2022 costings. RBKC reviewed a number of inflationary methods to move providers actual 21-22 costs to April 2022 and decided that the best

### Approach to Return on Operations

Local care home providers submitted a range of responses setting out their expected returns on operations. The range spread from 1% to 15% and one provider left the field blank The average

value was 7.75% and the median was 5%. Having reviewed guidance and benchmarking information available the Borough has used the 5% figures as a means to support a sustainable local market.

### Approach to Return on Capital

Social Care providers took different approaches to expressing their expected return on capital. Only one home listed ROC as a percentage at 6.2%. The range submitted by providers was from £0 to £762.43 return on capital. Overall, when looking at all submissions used to calculate Annex A, the average value was £316.50 and the median, £251.78.

RBKC has reviewed guidance around benchmarks available and believe 5% is a reasonable ROC to enable sustainability in the market. However, this will be reviewed as prime Central London valuations significantly inflate the estimates of Return on Capital per bed making it unaffordable for Local Authority placements in the long term.

### Approach to Occupancy

Calculations within the data collection tool utilise occupancy rates submitted by providers, for fields where costs are shared across the whole home.

#### Total Active Beds Occupancy

- The average occupancy submitted by providers is 94%
- The median occupancy submitted by providers is 95%

#### CQC Total No. of Registered Beds

- The average occupancy submitted is 87%
- The median occupancy submitted is 89%

RBKC has reviewed submissions and guidance around benchmarks available and believe 89-95% median occupancy rates are fair. However, from CQC registered beds, median occupancy rates are lower than this and further modelling will need to take place to understand the impact of this on the costs listed.

Care Home Costs Data – Annex A Part 1

<b>Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.</b>	<b>65+ care home places without nursing</b>	<b>65+ care home places without nursing, enhanced needs</b>	<b>65+ care home places with nursing</b>	<b>65+ care home places with nursing, enhanced needs</b>
Total Care Home Staffing	<b>£621.41</b>	<b>£618.52</b>	<b>£1,001.98</b>	<b>£1,001.98</b>
Nursing Staff	£0.00	£0.00	£360.96	£360.96
Care Staff	£372.84	£369.95	£392.45	£392.45
Therapy Staff (Occupational & Physio)	£38.86	£38.86	£38.86	£38.86
Activity Coordinators	£20.26	£20.26	£20.26	£20.26
Service Management (Registered Manager/Deputy)	£50.25	£50.25	£50.25	£50.25
Reception & Admin staff at the home	£18.87	£18.87	£18.87	£18.87
Chefs / Cooks	£39.17	£39.17	£39.17	£39.17
Domestic staff (cleaning, laundry & kitchen)	£54.00	£54.00	£54.00	£54.00
Maintenance & Gardening	£18.24	£18.24	£18.24	£18.24
Other care home staffing (please specify)	£8.92	£8.92	£8.92	£8.92
<b>Total Care Home Premises</b>	<b>£185.84</b>	<b>£185.84</b>	<b>£185.84</b>	<b>£185.84</b>
Fixtures & fittings	£7.89	£7.89	£7.89	£7.89
Repairs and maintenance	£31.07	£31.07	£31.07	£31.07
Furniture, furnishings and equipment	£12.48	£12.48	£12.48	£12.48
Other care home premises costs (please specify)	£134.41	£134.41	£134.41	£134.41

Total Care Home Supplies and Services	<b>£160.84</b>	<b>£160.84</b>	<b>£160.84</b>	<b>£160.84</b>
Food supplies	£40.28	£40.28	£40.28	£40.28
Domestic and cleaning supplies	£16.74	£16.74	£16.74	£16.74
Medical supplies (excluding PPE)	£2.69	£2.69	£2.69	£2.69
PPE	£1.78	£1.78	£1.78	£1.78
Office supplies (home specific)	£2.33	£2.33	£2.33	£2.33
Insurance (all risks)	£12.24	£12.24	£12.24	£12.24
Registration fees	£4.21	£4.21	£4.21	£4.21
Telephone & internet	£5.27	£5.27	£5.27	£5.27
Council tax / rates	£1.45	£1.45	£1.45	£1.45
Electricity, Gas & Water	£40.57	£40.57	£40.57	£40.57
Trade and clinical waste	£5.86	£5.86	£5.86	£5.86
Transport & Activities	£7.39	£7.39	£7.39	£7.39
Other care home supplies and services costs (please specify)	£20.03	£20.03	£20.03	£20.03
<b>Total Head Office</b>	<b>£117.38</b>	<b>£117.38</b>	<b>£117.38</b>	<b>£117.38</b>
Central / Regional Management	£38.33	£38.33	£38.33	£38.33
Support Services (finance / HR / legal / marketing etc.)	£49.13	£49.13	£49.13	£49.13
Recruitment, Training & Vetting (incl. DBS checks)	£8.26	£8.26	£8.26	£8.26
Other head office costs (please specify)	£21.67	£21.67	£21.67	£21.67
Total Return on Operations	£84.74	£84.74	£84.74	£84.74
Total Return on Capital	£311.17	£311.17	£311.17	£311.17
<b>TOTAL</b>	<b>£1,481.39</b>	<b>£1,478.50</b>	<b>£1,861.96</b>	<b>£1,861.96</b>

## Care Homes Baseline Data – Annex A Part 2

<b>Care Homes</b>	<b>65+ care home places without nursing</b>	<b>65+ care home places without nursing, enhanced needs</b>	<b>65+ care home places with nursing</b>	<b>65+ care home places with nursing, enhanced needs</b>
Number of location level survey responses received	1	1	2	2
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	5	4	3	3
Number of residents covered by the responses	78.75	48	67	35.75
Number of carer hours per resident per week (AVERAGE)	28.59	26.82	29.77	29.77
Number of nursing hours per resident per week (AVERAGE)	N/a	N/a	14.46	15.42
Average carer basic pay per hour	£11.01	£11.01	£11.01	£11.01
Average nurse basic pay per hour	N/a	N/a	£20.19	20.19
Average occupancy as a percentage of active beds (AVERAGE)	94.45%	94.45%	94.45%	94.45%
Freehold valuation per bed	£360,656.46	£360,656.46	£360,656.46	£360,656.46