

Annex B

Cost of Care Report

Age 65+ Care Homes

14th October 2022



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1 Executive Summary

1.1 Context the Cost of Care Exercise

On the 16th December 2021 the Department of Health and Social Care (DHSC) released its policy paper: 'Market Sustainability and Fair Cost of Care Fund: purpose and conditions 2022 to 2023' with further detailed guidance following on the 24th March 2022. The 2022-23 funding provided under this policy is designed to ensure local authorities can prepare their markets for reform (particularly the impact of section 18(3) and the right for self-funders to request that a local authority purchase care on their behalf at the 'usual council rate').

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 14th October 2022:

1. Analysis of cost of care exercises conducted for 65+ care homes and 18+ domiciliary care. This includes a cost of care report and fully completed cost of care data table as found in Annex A, Section 3.
2. 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. A final detailed plan will be required in February 2023; in the interim a 5-page provisional plan should be submitted utilising the Annex C template.
3. A spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose. A full breakdown of how funding has been allocated to support 65+ care home and 18+ domiciliary care markets (including domiciliary care providers who operate in extra care settings). This must specify whether, and how much, funding has been used for implementation activities and how much funding has been allocated towards fee increases, beyond pressures, funded by the Local Government Finance Settlement 2022 to 2023.

1.2 Provider Engagement

To ensure a consistent approach for the collection of care home data across all English local authorities, the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) appointed a specialist data company called iESE. They developed an online financial data collection tool to ensure security of data, a convenient data entry approach via Excel, and helped ensure data is collected at the right level of detail. The iESE tool also ensured a consistent approach which the council was confident would meet the Department of Health and Social Care's requirements, as well as simplifying the process for those care home groups operating in several locations. Any provider data shared via the iESE tool is to be treated as commercially confidential. The aggregate data at an LA level (not identifiable to individual providers) is the information shared with the Department of Health and Social Care for the purpose of the Fair Cost of Care exercise. There is more information available here: <https://iese.org.uk/cost-of-care-tool/care-providers>

This review of cost of care has been informed by four months' engagement and data analysis work. There were 33 older people care homes within scope of this exercise in Bolton which were consulted with for the exercise.

Of the 33 care homes within the scope of the Fair Cost of Care exercise:

- The providers of 28 care homes registered with the iESE system
- The providers of 14 care homes registered to participate but chose not to submit a return
- The providers of 14 care homes submitted an information return to Bolton Council
- Of the 14 submissions one provider did not submit a complete set of operational costs, their data was therefore excluded from the exercise, the provider was given an opportunity to supply the missing information, they did not respond to this offer
- A total of 13 submissions were used for the completion of the Fair Cost of Care exercise, which is 39% of the care homes in Bolton
- The 13 care homes hosted 51% of all in borough older people care home beds (on 5th October 2022) and represented by volume of beds 53% of the total older people care home market in Bolton.
- Six care homes that submitted returns provide nursing care (and in some cases residential care as well) submitted returns, supplying a total of 558 beds in Bolton).
- Seven homes that submitted returns provide only residential care, supplying 272 beds in Bolton.

The engagement process comprised the following elements:

- Initial awareness raising via our regular Bolton Care Home Webinar
- Writing to all care home providers within scope, requesting their participation and requesting they register with iESE.
- Follow up emails and telephone calls to encourage providers in scope register.
- Closed feedback/questions: conducted via the iESE system to allow providers to consider additional questions and clarifications.
- Follow up emails and telephone calls where required.

1.3 Local Cost of Care Results

1.3.1 2022-23 Cost of Care Median

As per the DHSC requirement, the exercise was required to identify a median cost of care which was reflective of providers' April 2022 cost pressures. Across the following four care home categories:

Median values for each care type				
care home categories	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
Median values for each care type	£653.44	£701.27	£868.94*	£881.59*
Percentage increase on the current Bolton rate.	12%	8%	10%	3%

*Nursing rates include FNC payments of £209.19

Conclusions

The cost of care exercise was conducted during exceptionally challenging conditions for the sector nationally, not just in Bolton. Recruitment and retention pressures post pandemic and most recently inflationary costs has brought intense pressure on the care workforce and providers alike.

It is important to note when commissioning care services, that the council is not responsible for setting individual budget or cost lines for providers. Whilst pay rates and other non-pay costs have been utilised for the purposes of constructing the median cost models, this does not in any way represent the absolute shape and size of each provider, rather they are guidelines for producing an overall “budget” unit cost per care hour. For instance, setting a “base” pay rate does not mean providers are only able to pay workers at that rate. They are free to work within their budgets to pay whatever they are able to retain a sustainable workforce. As such, any model (and subsequent breakdown of costs) should not be taken explicitly as the exact cost the business needs to, or should it be read that it is the absolute maximum limit of, what the provider’s affordability will be for any and all costs incurred by their businesses. There are many other factors (such as the prevalence of self-funders and other customer types) that also affect independent care providers, and no exercise of this nature can take all of these into account.

It should be emphasised that the council has a duty under Section 5 of the Care Act to ensure there is “sufficient” market to buy services from, however, there is no duty to pay any specific “rate” for care. Rather, the council must consider how readily it is able to service its population’s needs via existing contracting and pay mechanisms they have with the market. This should take into account:

- the scale of customer waiting for, and length of time taken to implement packages of care
- the level of unmet needs in the market
- the availability of services and coverage of the market at existing framework or negotiated rates
- and many other factors outside of simply cost.

This assessment feeds into the cost of care to determine what ultimately gives the council assurance around the overall sufficiency of care they are able to purchase from the market.

Whilst a long-term intention, in line with this cost of care exercise may be to work towards the estimated median of Fair Cost of Care, in the context of specific rates for care paid, DHSC guidance states that “**fair means what is sustainable for the local market**”. The council will continue to monitor the pressure in the market (both staffing and business operating costs) through the fee exercise.

Achieving this median is not an indicator of a sustainable market; the ability to purchase the volume of care required in a timely manner is a primary indicator of how the market is performing. It is important to note that the council’s ability to move towards this rate will be dependent upon the future allocation of the Fair Cost of Care fund by the DHSC. It is also important to have a vibrant local market that can meet the local need and demand.

No single exercise at any point in time becomes the “end” point for this assessment of market sustainability. It is an iterative process, and it is the duty of the council’s commissioning function to continually review and adapt their understanding of costs and contracting practices regularly.

2 Project Overview

2.1 Project Scope

The scope of the project was determined by DHSC’s Fair Cost of Care guidance, in which care homes for older people was defined as: “*Local authority contracted care homes for older people (age 65+) excluding local authority in-house care. Some residents in these homes may be aged under 65*”. Specifically, the DHSC have requested a median fair cost of care to be calculated which reflected providers April 2022 cost pressures across the following four care home categories:

- Age 65+ care home places without nursing
- Age 65+ care home places without nursing, enhanced needs
- Age 65+ care home places with nursing
- Age 65+ care home places with nursing, enhanced needs.

The following services were out of scope:

- Residential intermediate care services and care homes predominately supporting people under the age of 65 years.

2.2 Approach, Methods, and Limitations

2.2.1 Project Governance

A project governance group was formed consisting of the Assistant Director for Social Care & Public Health Commissioning; Head of Finance (Department of People); Head of Strategic Commissioning Ageing Well; Head of Quality Assurance and Improvement; and the Principal Group Accountant (Department of People). This group met regularly to discuss progress, risks and mitigations arising throughout the course of the project.

The project group had clear links back to the Departmental Leadership Team and the Director of Adult Services (DASS).

2.2.2 Engagement Activities and Timeline

To ensure a consistent approach for the collection of care home data across all English local authorities, the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) appointed a specialist data company called iESA. They developed an online financial data collection tool to ensure security of data, a convenient data entry approach via Excel, and helped ensure data is collected at the right level of detail. Any provider data shared via the iESA tool is to be treated as Commercially Confidential. Ultimately, the aggregate data at an LA level (not identifiable to individual providers) is the information shared with the Department of Health and Social Care for the purpose of the Fair Cost of Care exercise. There is more information available here: <https://iese.org.uk/cost-of-care-tool/care-providers>

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- The providers of 14 care homes submitted an information return to Bolton Council
- Of the 14 submissions one provider did not submit a complete set of operational costs, their data was therefore excluded from the exercise, the provider was given an opportunity to supply the missing information, the declined to do this
- A total of 13 submissions were used for the completion of the Fair Cost of Care exercise, which is 39% of the care homes in Bolton
- The 13 care homes hosted 51% of all in borough older people care home placements (on 5th October 2022) and represented by volume of beds 53% of the total older people care home market in Bolton.
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The engagement process with care home providers commenced in May 2022 following the release of the national iESE tool kit and the published deadline for submission was 31st July 2022. Engagement comprised the following elements:

24 May 2022 – As part of the usual older people care home webinar information was shared on the Fair Cost of Care Exercise. Care homes were asked to sign up to the iESE Fair Cost of Care data collection tool. Instructions were shared on how to do this. The slides were shared with all providers, including those not in attendance, by email after the meeting.

27 May 2022 – A letter and step by step guide on how to register with iESE was emailed to all care homes, with an offer to contact the Commissioning Team if providers needed more help. Emphasis was placed on how important the exercise was. The Commissioning Team gathered information at this point on the representative from each care home who would be completing the data return.

8 June 2022 – A “deadline to register” email was sent urging those who had not engaged so far to sign up to the iESE system, the information on how to do this was shared again.

13 June 2022 – Quality Assurance Officers contacted those care homes who had not yet engaged by telephone to ensure they were aware of the need to complete the exercise

14 June 2022 – Commissioning Officers sent individual emails to all those care homes not currently registered with iESE urging them to sign up. The support and information which iESE could provide with registering onto their system was highlighted.

28 July 2022 – Commissioning Officers contacted those homes which had not submitted any information by telephone and where they could not speak to the FCOC representative identified in May they sent an email to ask them to submit their returns. A number of homes said they would look at the form, a number refused to share their information. Officers ensured that representatives from all care homes were aware of the return and were able to contribute if they wished to. Officers explained and coax care homes to submit information, where care homes were receptive. In a number of cases the provider advised council officers that they did not wish to share their information. Returns from nursing homes and smaller care home providers were under represented in the initial stages of the consultation, emphasis was therefore placed on persuading providers from these parts of the sector to submit to try to ensure the data provided a balanced representation of the Bolton care home market.

3 August to 14 September 2022 – All providers who submitted a return (13) required either support with their submission, or clarification was required by the council. Commissioning Officers liaised with providers via telephone and email to clarify the queries on their submission, some of these care homes needed approaching several times and required encouragement to do this. The council accepted data clarifications until early October.

Providers who did not participate or respond, did continue to receive information throughout the exercise.

Acknowledgement: Thanks are given to one particular care home who engaged in the project early and enabled the council to test the model and our understanding of the requirements on care homes.

2.2.3 Limitations

It is important to note the inherent and practical limitations of such an exercise and reflect particularly on what the outputs from any cost modelling exercise aims to achieve. Any single cost median or model will not reflect the diversity within a whole market due to the number of variables to take into consideration. In addition, this means that any attempt to include all variables would result in an unusably large range of outputs in any practical sense.

It should also be clearly understood that a cost exercise is not an absolute formula that will set a “single” or “minimum”, or “best” market price for all providers. The realistic expectation in this project is that the model simply outputs a set of figures that are indicative of costs incurred by providers (based on data that some have provided) at a point in time. The model can then help to highlight different costs and cost drivers and this in turn can promote a greater level of understanding, particularly for commissioners, when the commissioners come to consider future pricing.

Although the many efforts undertaken to engage with the market the level of participation from the providers was lower than hoped. We identified three main reasons as to why there was a seemingly low level of engagement:

1. **Time constraints:** the project was launched late May 2022 and the published deadline for submission was the 31st July which ran into holiday periods.
2. **Availability of information:** at the commencement of the exercise, some providers had not completed their annual figures for the year, thus, more effort was needed from providers to obtain their costs figures without the set of accounts ready.
3. **Burden on small providers:** the size of the providers impacted their willingness to proceed with the cost of care exercise. Small providers needed to rely on their accountants to help them complete the cost figures of their business. However, this task was not free, and the accountants charge them with a fee which discouraged providers from taking place in the exercise.

3. Cost Analysis

3.1 Provider Cost Information & Data Quality

Following the period of engagement with providers the council assessed a range of cost data which was submitted by providers via the iESE Fair Cost of Care portal to enable calculation of the fair cost of care across these categories:

- Age 65+ care home places without nursing
- Age 65+ care home places without nursing, enhanced needs
- Age 65+ care home places with nursing
- Age 65+ care home places with nursing, enhanced needs

Of the 33 care homes within scope of Fair Cost of Care the average occupancy, as recorded on the Capacity Tracker in September 2022 was 90%.

The following statistical approach has been utilised when undertaking the analysis of data returns:

- All providers completed the portal to reflect 2022-23 costs and provided their own estimated inflationary uplifts. Where inflationary uplifts looked like an anomaly, this was queried with providers who either corrected the data or provided an explanation for the inflation rate used.
- Queries were raised with providers regarding any other discrepancies or anomalies, examples of these were:
 - Omissions in the data return
 - Obvious errors, for example holidays being reported for the full workforce and not per full time employee (FTE)
 - Clarifying outlier costs when comparing provider costs across the data set
 - Pension and National Insurance percentages calculated based on paying the rate on an employee's full salary and not taking in to account any allowance at which the rate is not paid
 - If providers had occupancy over more than one category, providers were asked if they could split costs into staffing units to give more robust data sets for the four care home categories requested.

3.2 Approach to Median Calculation

After the initial analysis of the data received, we used the following methodology to arrive at our calculations:

- The council's approach to the fair cost of care calculations was to use the median cost of individual lines. This approach was taken as providers had broken their costs down into these individual cost lines when submitting their data and analysis showed a good count of responses against all but two individual lines (PPE and Therapy Staff). It also allowed us greater interrogation of individual costs, so we were able to challenge and clarify with providers where necessary as to their accuracy.
- Some lines are statistically zero. This means that the response to our questions for this section is a valid zero response, other instances where there is missing data, we have not used zero but instead discounted these in the calculation of a median (e.g., PPE is currently free but going forward this is likely to change so we have based the median on the 2 costs that were submitted otherwise the median for this would have returned a £0 cost). This was also our approach when calculating the median cost for Therapy Staff where again we only had 2 responses.

3.3 Approach to Return on Operations and Return on Capital

The council's approach to Return on Operations was to build in a percentage rate across all types of care that was reflective of returns received and is broadly in line with the current fee setting model. The council has utilised local intelligence, as well as NW and Greater Manchester benchmarking data which has resulted in adoption of a 6% return rate.

The council's Return on Capital methodology has been to use the DHSC; Option 1; annex E documentation which calculates Return on Capital using the freehold value per bed. To calculate the median freehold valuation per bed (which the council received for 9 out of the 13 submissions) a 5.5% yield for core care home stock was applied (as detailed in Knight Frank Health Care Capital Research) and then divided this figure by 52 to give a weekly Return of Capital of £46.77. The same ROC rate has been applied to all categories of care home rates.

3.4 Median Analysis of Provider Cost Data

Analysis of the cost information submitted by providers, including the count of responses, the upper/lower quartiles and median of each cost line has been presented below. There is a summary table followed by more detailed tables for each care home category. Generally speaking, "medians" can only be applied on one set of numbers at a time (i.e. each individual cost line), as such, the median of each cost line will not add up to any single identifiable provider.

- Table 1: Presents the Median Cost of Care calculated during this exercise for each care home category
- Table 2: Presents the Median Cost of Care, Upper and Lower Quartile calculated during this exercise for 65+ care home places without nursing. Also includes count of responses for each median calculation.
- Table 3: Presents the Median Cost of Care, Upper and Lower Quartile calculated during this exercise for 65+ care home places without nursing, enhanced needs. Also includes count of responses for each median calculation.

- Table 4: Presents the Median Cost of Care, Upper and Lower Quartile calculated during this exercise for 65+ care home places with nursing. Also includes count of responses for each median calculation.
- Table 5: Presents the Median Cost of Care, Upper and Lower Quartile calculated during this exercise for 65+ care home places with nursing and enhanced needs. Also includes count of responses for each median calculation.

Table 1 - Summary of Median Cost of Care calculated during this exercise for each care home category

Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	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
Total Care Home Staffing	£434.87	£480.00	£638.18	£650.11
Nursing Staff	£0.00	£0.00	£230.77	£206.91
Care Staff	£316.27	£361.40	£288.81	£324.60
Therapy Staff (Occupational & Physio)	£4.77	£4.77	£4.77	£4.77
Activity Coordinators	£7.62	£7.62	£7.62	£7.62
Service Management (Registered Manager/Deputy)	£28.12	£28.12	£28.12	£28.12
Reception & Admin staff at the home	£8.37	£8.37	£8.37	£8.37
Chefs / Cooks	£23.01	£23.01	£23.01	£23.01
Domestic staff (cleaning, laundry & kitchen)	£31.07	£31.07	£31.07	£31.07
Maintenance & Gardening	£7.43	£7.43	£7.43	£7.43
Other care home staffing (please specify)	£8.21	£8.21	£8.21	£8.21
Total Care Home Premises	£26.26	£26.26	£26.26	£26.26
Fixtures & fittings	£6.27	£6.27	£6.27	£6.27
Repairs and maintenance	£15.84	£15.84	£15.84	£15.84
Furniture, furnishings and equipment	£4.15	£4.15	£4.15	£4.15
Other care home premises costs (please specify)	£0.00	£0.00	£0.00	£0.00
Total Care Home Supplies and Services	£97.67	£97.67	£97.67	£97.67
Food supplies	£30.02	£30.02	£30.02	£30.02
Domestic and cleaning supplies	£7.54	£7.54	£7.54	£7.54
Medical supplies (excluding PPE)	£4.34	£4.34	£4.34	£4.34
PPE	£2.30	£2.30	£2.30	£2.30
Office supplies (home specific)	£2.15	£2.15	£2.15	£2.15
Insurance (all risks)	£5.75	£5.75	£5.75	£5.75
Registration fees	£3.35	£3.35	£3.35	£3.35
Telephone & internet	£1.29	£1.29	£1.29	£1.29
Council tax / rates	£0.68	£0.68	£0.68	£0.68
Electricity, Gas & Water	£32.57	£32.57	£32.57	£32.57
Trade and clinical waste	£5.00	£5.00	£5.00	£5.00
Transport & Activities	£0.76	£0.76	£0.76	£0.76
Other care home supplies and services costs (please specify)	£1.92	£1.92	£1.92	£1.92
Total Head Office	£13.53	£13.53	£13.53	£13.53
Central / Regional Management	£6.65	£6.65	£6.65	£6.65
Support Services (finance / HR / legal / marketing etc.)	£3.36	£3.36	£3.36	£3.36
Recruitment, Training & Vetting (incl. DBS checks)	£3.52	£3.52	£3.52	£3.52
Other head office costs (please specify)	£0.00	£0.00	£0.00	£0.00
Total Return on Operations	£34.34	£37.05	£46.54	£47.25
Total Return on Capital	£46.77	£46.77	£46.77	£46.77
TOTAL	£653.44	£701.27	£868.94	£881.59

Table 2 - 65+ care home places without nursing Data Table

	Lower Quartile	Median	Upper Quartile	Count of Responses
Total Care Home Staffing	£377.34	£434.87	£528.61	
Nursing Staff	£0.00	£0.00	£0.00	0
Care Staff	£286.55	£316.27	£358.68	13
Therapy Staff (Occupational & Physio)	£4.22	£4.77	£5.31	2
Activity Coordinators	£6.26	£7.62	£9.47	13
Service Management (Registered Manager / Deputy)	£20.49	£28.12	£33.54	12
Reception & Admin staff at the home	£6.34	£8.37	£11.11	11
Chefs / Cooks	£20.03	£23.01	£27.12	13
Domestic staff (cleaning, laundry & kitchen)	£26.50	£31.07	£47.36	13
Maintenance & Gardening	£6.79	£7.43	£14.01	13
Other care home staffing	£0.16	£8.21	£22.01	10
Total Care Home Premises	£10.86	£26.26	£56.09	
Fixtures & Fittings	£0.00	£6.27	£11.75	9
Repairs & Maintenance	£9.06	£15.84	£32.78	13
Furniture, furnishings and equipment	£1.80	£4.15	£7.77	11
Other care home premises costs	£0.00	£0.00	£3.79	6
Total Care Home Supplies and Services	£76.66	£97.67	£122.21	
Food supplies	£29.66	£30.02	£36.31	13
Domestic and cleaning supplies	£6.55	£7.54	£14.32	13
Medical supplies excluding PPE	£0.00	£4.34	£5.57	9
PPE	£0.93	£2.30	£2.31	5
Office supplies (Home specific)	£1.36	£2.15	£3.17	13
Insurance (all risks)	£5.09	£5.75	£6.20	13
Registration fees	£2.92	£3.35	£3.45	13
Telephone & Internet	£0.74	£1.29	£2.33	13
Council tax / rates	£0.33	£0.68	£1.22	11
Electricity, gas & water	£24.38	£32.57	£34.10	13
Trade and clinical waste	£3.55	£5.00	£5.63	12
Transport & Activities	£0.10	£0.76	£2.55	10
Other care home supplies	£1.05	£1.92	£5.05	13
Total Head Office	£3.19	£13.53	£61.75	
Central / regional management	£0.00	£6.65	£28.22	8
Support services (finance / HR / legal / marketing)	£1.73	£3.36	£26.52	10
Recruitment, Training & Vetting (inc. DBS checks)	£1.46	£3.52	£5.52	12
Other head office costs	£0.00	£0.00	£1.49	5
Total Return on Operations	£28.08	£34.34	£46.12	
Total Return on Capital	£43.14	£46.77	£57.17	
TOTAL	£539.27	£653.44	£871.95	

Table 3 - 65+ care home places without nursing, enhanced needs Data Table

	Lower Quartile	Median	Upper Quartile	Count of Responses
Total Care Home Staffing	£450.13	£480.00	£578.09	
Nursing Staff	£0.00	£0.00	£0.00	0
Care Staff	£359.34	£361.40	£408.16	6
Therapy Staff (Occupational & Physio)	£4.22	£4.77	£5.31	2
Activity Coordinators	£6.26	£7.62	£9.47	13
Service Management (Registered Manager / Deputy)	£20.49	£28.12	£33.54	12
Reception & Admin staff at the home	£6.34	£8.37	£11.11	11
Chefs / Cooks	£20.03	£23.01	£27.12	13
Domestic staff (cleaning, laundry & kitchen)	£26.50	£31.07	£47.36	13
Maintenance & Gardening	£6.79	£7.43	£14.01	13
Other care home staffing	£0.16	£8.21	£22.01	10
Total Care Home Premises	£10.86	£26.26	£56.09	
Fixtures & Fittings	£0.00	£6.27	£11.75	9
Repairs & Maintenance	£9.06	£15.84	£32.78	13
Furniture, furnishings and equipment	£1.80	£4.15	£7.77	11
Other care home premises costs	£0.00	£0.00	£3.79	6
Total Care Home Supplies and Services	£76.66	£97.67	£122.21	
Food supplies	£29.66	£30.02	£36.31	13
Domestic and cleaning supplies	£6.55	£7.54	£14.32	13
Medical supplies excluding PPE	£0.00	£4.34	£5.57	9
PPE	£0.93	£2.30	£2.31	5
Office supplies (Home specific)	£1.36	£2.15	£3.17	13
Insurance (all risks)	£5.09	£5.75	£6.20	13
Registration fees	£2.92	£3.35	£3.45	13
Telephone & Internet	£0.74	£1.29	£2.33	13
Council tax / rates	£0.33	£0.68	£1.22	11
Electricity, gas & water	£24.38	£32.57	£34.10	13
Trade and clinical waste	£3.55	£5.00	£5.63	12
Transport & Activities	£0.10	£0.76	£2.55	10
Other care home supplies	£1.05	£1.92	£5.05	13
Total Head Office	£3.19	£13.53	£61.75	
Central / regional management	£0.00	£6.65	£28.22	8
Support services (finance / HR / legal / marketing)	£1.73	£3.36	£26.52	10
Recruitment, Training & Vetting (inc. DBS checks)	£1.46	£3.52	£5.52	12
Other head office costs	£0.00	£0.00	£1.49	5
Total Return on Operations	£32.45	£37.05	£49.09	
Total Return on Capital	£43.14	£46.77	£57.17	
TOTAL	£616.43	£701.27	£924.40	

Table 4 - 65+ care home places with nursing Data Table

	Lower Quartile	Median	Upper Quartile	Count of Responses
Total Care Home Staffing	£563.04	£638.18	£782.95	
Nursing Staff	£211.86	£230.77	£303.05	6
Care Staff	£260.39	£288.81	£309.97	6
Therapy Staff (Occupational & Physio)	£4.22	£4.77	£5.31	2
Activity Coordinators	£6.26	£7.62	£9.47	13
Service Management (Registered Manager / Deputy)	£20.49	£28.12	£33.54	12
Reception & Admin staff at the home	£6.34	£8.37	£11.11	11
Chefs / Cooks	£20.03	£23.01	£27.12	13
Domestic staff (cleaning, laundry & kitchen)	£26.50	£31.07	£47.36	13
Maintenance & Gardening	£6.79	£7.43	£14.01	13
Other care home staffing	£0.16	£8.21	£22.01	10
Total Care Home Premises	£10.86	£26.26	£56.09	
Fixtures & Fittings	£0.00	£6.27	£11.75	9
Repairs & Maintenance	£9.06	£15.84	£32.78	13
Furniture, furnishings and equipment	£1.80	£4.15	£7.77	11
Other care home premises costs	£0.00	£0.00	£3.79	6
Total Care Home Supplies and Services	£76.66	£97.67	£122.21	
Food supplies	£29.66	£30.02	£36.31	13
Domestic and cleaning supplies	£6.55	£7.54	£14.32	13
Medical supplies excluding PPE	£0.00	£4.34	£5.57	9
PPE	£0.93	£2.30	£2.31	5
Office supplies (Home specific)	£1.36	£2.15	£3.17	13
Insurance (all risks)	£5.09	£5.75	£6.20	13
Registration fees	£2.92	£3.35	£3.45	13
Telephone & Internet	£0.74	£1.29	£2.33	13
Council tax / rates	£0.33	£0.68	£1.22	11
Electricity, gas & water	£24.38	£32.57	£34.10	13
Trade and clinical waste	£3.55	£5.00	£5.63	12
Transport & Activities	£0.10	£0.76	£2.55	10
Other care home supplies	£1.05	£1.92	£5.05	13
Total Head Office	£3.19	£13.53	£61.75	
Central / regional management	£0.00	£6.65	£28.22	8
Support services (finance / HR / legal / marketing)	£1.73	£3.36	£26.52	10
Recruitment, Training & Vetting (inc. DBS checks)	£1.46	£3.52	£5.52	12
Other head office costs	£0.00	£0.00	£1.49	5
Total Return on Operations	£39.23	£46.54	£61.38	
Total Return on Capital	£43.14	£46.77	£57.17	
TOTAL	£736.12	£868.94	£1,141.55	

Table 5 - 65+ care home places with nursing, enhanced needs Data Table

	Lower Quartile	Median	Upper Quartile	Count of Responses
Total Care Home Staffing	£582.90	£650.11	£730.04	
Nursing Staff	£191.47	£206.91	£215.11	3
Care Staff	£300.65	£324.60	£345.01	3
Therapy Staff (Occupational & Physio)	£4.22	£4.77	£5.31	2
Activity Coordinators	£6.26	£7.62	£9.47	13
Service Management (Registered Manager / Deputy)	£20.49	£28.12	£33.54	12
Reception & Admin staff at the home	£6.34	£8.37	£11.11	11
Chefs / Cooks	£20.03	£23.01	£27.12	13
Domestic staff (cleaning, laundry & kitchen)	£26.50	£31.07	£47.36	13
Maintenance & Gardening	£6.79	£7.43	£14.01	13
Other care home staffing	£0.16	£8.21	£22.01	10
Total Care Home Premises	£10.86	£26.26	£56.09	
Fixtures & Fittings	£0.00	£6.27	£11.75	9
Repairs & Maintenance	£9.06	£15.84	£32.78	13
Furniture, furnishings and equipment	£1.80	£4.15	£7.77	11
Other care home premises costs	£0.00	£0.00	£3.79	6
Total Care Home Supplies and Services	£76.66	£97.67	£122.21	
Food supplies	£29.66	£30.02	£36.31	13
Domestic and cleaning supplies	£6.55	£7.54	£14.32	13
Medical supplies excluding PPE	£0.00	£4.34	£5.57	9
PPE	£0.93	£2.30	£2.31	5
Office supplies (Home specific)	£1.36	£2.15	£3.17	13
Insurance (all risks)	£5.09	£5.75	£6.20	13
Registration fees	£2.92	£3.35	£3.45	13
Telephone & Internet	£0.74	£1.29	£2.33	13
Council tax / rates	£0.33	£0.68	£1.22	11
Electricity, gas & water	£24.38	£32.57	£34.10	13
Trade and clinical waste	£3.55	£5.00	£5.63	12
Transport & Activities	£0.10	£0.76	£2.55	10
Other care home supplies	£1.05	£1.92	£5.05	13
Total Head Office	£3.19	£13.53	£61.75	
Central / regional management	£0.00	£6.65	£28.22	8
Support services (finance / HR / legal / marketing)	£1.73	£3.36	£26.52	10
Recruitment, Training & Vetting (inc. DBS checks)	£1.46	£3.52	£5.52	12
Other head office costs	£0.00	£0.00	£1.49	5
Total Return on Operations	£40.42	£47.25	£58.21	
Total Return on Capital	£43.14	£46.77	£57.17	
TOTAL	£757.17	£881.59	£1,085.47	

3.5 Factors That Affect the Median Cost of Care

It should be noted that the median cost of care for this exercise may not match any particular fee rate – nor might it be expected to. The exercise is aimed at understanding the median cost and **not aimed at** disaggregating different levels of income or price points paid for care. Whilst both “sources of funding” and “expenditure” should ideally match to assure the validity of any set of costs; exploring income and profit in detail is **not the purpose of the exercise** and therefore checks and balances must always be applied.

It is not uncommon however for any typical observer to want to understand why this variance exists, and so it is important to offer context in this report as to how the outputs results can be impacted by real-life business operations:

- **Not all customers are equal:** Customers do not always buy care from the same provider at the same fee rate. Providers receive varying fees from the host local authority, outside local authorities, self-funders and continuing health care (CHC). Evidently, arriving at a single “unit” cost will be reflective of the **blended average rate** across the income and sources of funding received from all residents. In addition, other variances such as whether a resident needs a materially different package of care from a different level of trained staff will affect portions of cost from all aspects of the business.
- **Impact of costs during the pandemic:** Reviewing actual costs in 2021-22 is a helpful comparator when married alongside the DHSC requirement to model “expected” cost as of April 2022, which inevitably requires some form of forecasting and cannot always be guaranteed to be accurate. However, it must be remembered that the last two years have also been exceptional and therefore may not represent the most ideal situation in which to assess future costs. This is made more complex by the exceptional amount of grant funding applied to the sector to cover extraordinary costs in this year, and whilst some providers may make effort to disaggregate any expenditure via these routes, it can never be guaranteed that all costs are considered “normal” costs and so may be affected by additional non-typical costs during the pandemic years.
- **Information return:** Despite the council’s best endeavours to engage more providers to return data, the returns collected do not represent the whole care home market. Only three care homes which returned data were able to split staffing units into nursing with enhanced need. These were from larger care operators, analysis suggests that these provider types often have higher costs particularly in respect of central, overhead and return on capital costs. This means smaller care home cost profiles are not represented.
- **Timescales:** The external deadline set for this piece of work didn’t allow adequate time to facilitate an intensive deep dive into the provider data. Obvious errors and missing data were corrected by providers but for the data collected to be most accurate we would need to engage with providers on a more intensive basis to further understand the costs submitted with particular reference to outliers.
- **Changes to UK fiscal policy:** It is worth noting that this undertaking cannot forecast with any certainty the costs that providers will ultimately experience over the next two to three years, against the market’s current estimates. Whilst the current economic situation remains uncertain; recent announcement will also have an impact on the entire analysis within this report:
 - The reversal of the additional 1.25% on employer’s NI payments will reduce provider costs; whilst the levy was initially intended to fund health and social

- care the UK government has also said this will not impact on the availability of funding to the sector
- The business energy bill relief scheme will no doubt curb future energy costs, and is indeed difficult to predict due to the nature of variable tariffs in the market as well as fixed term contracts many providers will have secured over a period of time
- Cancellation of the planned rise in corporation tax will also continue to support provider's bottom-line profit/surplus

As detail of these changes are still being released by Government and have been introduced late in the process, it is not possible to measure the impact of these policy changes other than to hypothesise that the combined impact is likely to reduce the increased cost impact presented in this report.

3.6 Future Fee Uplifts

The council has a robust annual fee setting process and modelling which is usually checked back to provider data which is supplied during the fee setting process to check for accuracy of uplift and also identify other cost pressures. Note, normal provider data collection in 2022/23 budget setting was not carried out due to the pandemic response which particularly affected care home providers. As part of the 2022/23 fee setting process we allowed for inflationary uplifts to be applied based on the Real Living Wage increases and other non-pay inflationary uplifts.

Whilst the information collected for this exercise has captured a large volume of data due to the issues outlined in 3.4 above, this data will be used alongside our current fee setting models to help inform and enhance our future fee setting process. However, we intend to further enhance our approach to provider engagement.

The financial impact of the modelling considering commissioned care home places, is estimated to be a minimum of £3.2m per annum based on placement numbers at the end of August 2022. However, this does not take into account the recent in year increase to the Real Living Wage. There is a risk that should out of area placements (which we currently match host authority rates to) increase above these estimates we would have a further financial pressure. It is important to note that the Fair Cost of Care exercise will have a wider fee and budget impact beyond the service in scope for this particular exercise. E.g. Supported Living, and, under 65 residential care, and Direct Payments.

Our fee setting process for 2023/24 will take into account the data we have collected in this Fair Cost of Care exercise, whilst broadly reflecting our normal annual fee setting process noting we have already gathered the provider information.

Bolton is committed to continuing to financially support our care home provider market. Subject to grant funding conditions we will passport allocated funding to care home providers to increase the fee paid and or support management of demand.

4. Appendices

A. Questions Asked Template Used as Part of the Exercise



CareCubed FCOC
Tool - Data Items Guic

Guidance from iESE issued to providers in June 2022



FCOC CSV Export
Field List.xlsx

List of questions asked via the online iESE portal.