Annex B Bed Based Care Torbay

Torbay Council and Torbay & South Devon NHS Foundation Trust, as the joint commissioners of bed-based care in Torbay, engaged with providers through:

* Email briefings and documentation;
* Fair Cost of Care Workshops / Webinars; and
* Making available support from the appointed Consultants for the Fair Cost of Care exercise both remotely and on site as required.

All providers received calls and Teams Meetings to address specific issues, and individual/group emails to engage and progress responses.

This resulted in 18 responses being received within the deadline period which was widely publicised. Of the 18 submissions received 13 were used within this analysis and 5 were not used due to:

* 3 had submitted FCOC returns with no data;
* 1 had submitted a limited data set with no uplift of costs and no details on their ROO / ROC (Return on Operations / Return on Capital); and
* 1 provider’s costs were excessive and unrealistic at £14,040 per week, this is an outlier and is therefore excluded.

It should be noted that small sample size for bed-based care significantly reduces the weight and reliability we should place on the Fair Cost of Care rates. As the process was not mandatory for providers this is a self-selecting sample of the market.

**Nursing Care**

The valid return rate of 2 out of 9 providers (22%) does not provide a robust sample size for planning and market management, also the providers who responded with fair cost of care rates are below the general existing rate paid for Nursing Care placements in Torbay. However, we recognise that based on local demographics and demand we do need to develop and secure capacity in the Nursing Care and dementia markets to be future proof.

**Residential Care**

We did achieve a bigger sample response for Residential Care however a reliance on this fair cost of care data alone would not be prudent or sufficient and other factors would need to be considered such as local quality of providers across the care without nursing and dementia market. A balanced approach will need to be taken when moving towards fair costs of care rates whilst sustaining a resilient bed-based market to ensure sufficient affordable supply.

The 13 responses included 4 providers who provide care in 2 categories of care, so this resulted in 17 Fair Cost of Care results as follows:

* Care without Nursing – 5 Fair Cost of Care weekly costs;
* Care without Nursing but with Dementia Care – 8 Fair Cost of Care weekly costs;
* Care with Nursing – 2 Fair Cost of Care weekly costs; and
* Care with Nursing and Dementia Care – 2 Fair Cost of Care weekly Costs. Please note that this is a small sample that cannot be relied on alone as this is 2 out of 9 which is only 22% of the market at the lower end of fees.

For this exercise we used the Care Cubed Cost of Care portal, supported by ADASS and the LGA. Within this portal are the details of how a return on capital and return on operations should be approached which we used.

All 13 providers have a Return on Capital (ROC) target and 9 also have a Return on Operations (ROO) target.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| RoO & RoC £ per resident per week | 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 Return on operations £ per week | £128.69 | £75.52 | £22.07 | £143.10 |
| Total return on capital £ per week | £245.12 | £248.07 | £110.12 | £104.64 |
| Total Return on Operations – Percentage | 11.16 | 6.8 | 2.05 | 11.44 |
| Total return on Capital – percentage | 21.26 | 22.34 | 10.22 | 8.36 |
| Total return percentage (RoO plus RoC) | 32.43 | 29.14 | 12.27 | 19.80 |

The above table demonstrates that all providers will deliver a surplus on their Fair Cost of Care rates, despite increased costs in 2022/23 for energy, staffing and insurance. The levels of return would indicate that the market would be sustainable, but what is not known through the model is:

• The providers funding and debt servicing costs;

• The cashflow implications of capital loan repayments, which are not a revenue cost, but require income (surplus) to fund them; and

• The extent to which owners and company Director’s forgo salaries and take dividends, as this can be more beneficial from a taxation perspective.

Given the above Return on Operation and Capital may not be as high as it first appears and, if that is the case, market sustainability and therefore long-term financial health may be lower than the surplus would suggest.

The Fair Cost of Care submissions are 2022/23 costs with the model using 2021/22 data uplifted for inflation, both cost and inflationary increases for each cost type have been determined by the providers.

The responses were reviewed to calculate the median, upper and lower Quartile costs for each of the four types of care and the results are shown in the table below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| FCOC – Bed Based Care | Number of Submissions | Lowest Weekly Cost £ | Lower Quartile weekly cost £ | Average weekly cost £ | Upper quartile weekly cost £ | Highest weekly costs £ |
| Care Home occupied beds without nursing | 5 | 950.70 | 1,013.08 | 1,152.89 | 1,328.28 | 1,523.38 |
| Care Home occupied beds without nursing with dementia | 8 | 800.28 | 947.16 | 1,110.48 | 1,134.62 | 1,762.76 |
| Care Home occupied beds with nursing | 2 | 876.37 | N/A | 1,077.13 | N/A | 1,277.89 |
| Care Home occupied beds with nursing and dementia | 2 | 876.37 | N/A | 1,251.19 | N/A | 1,626.01 |

**Care Home occupied beds without nursing**

There were 5 responses in the category with weekly costs ranging from £950 per week to £1,152. The lowest quartile costs per week is £1,013, the average £1,152 and the upper quartile is £1,328.

**Care Home occupied beds without nursing with dementia (enhanced care)**

There were 8 responses in the category with weekly costs ranging from £800 per week to £1,762. The lowest quartile costs per week is £947, the average £1,110 and the upper quartile is £1,135.

**Care Home occupied beds with nursing**

There were 2 responses in the category with weekly costs ranging from £876 per week to £1,277. With only 2 responses there are no lower or upper quartile costs, and the average weekly cost is £1,077.

**Care Home occupied beds with nursing with dementia (enhanced care)**

There were 2 responses in the category with weekly costs ranging from £876 per week to £1,626. With only 2 responses there are no lower or upper quartile costs, and the average weekly cost is £1,251.

The average cost of care with nursing without dementia at £1,077 is lower than the cost without nursing and without dementia at £1,152. This would not be the expected outcome but could be due to the small sample sizes (both 2 submissions) in the ‘with nursing care category’ and with 1 submission in each category being significant lower, at £876 than the average of all submissions. It was not however the lowest which was £800 for ‘care without nursing’, indicating the weekly cost is valid and within the expected range.

Please find below the full table taken from Annex A, Section 3 with one column of median values for each care type

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **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** | **£483.88** | **£503.80** | **£713.99** | **£752.20** |
| Nursing Staff | £0.00 | £0.00 | £169.38 | £187.32 |
| Care Staff | £296.78 | £348.47 | £347.78 | £410.82 |
| Therapy Staff (Occupational & Physio) | £0.06 | £0.04 | £0.00 | £0.00 |
| Activity Coordinators | £9.79 | £6.85 | £11.80 | £10.19 |
| Service Management (Registered Manager/Deputy) | £61.66 | £45.52 | £61.33 | £48.96 |
| Reception & Admin staff at the home  | £0.71 | £4.71 | £15.96 | £9.95 |
| Chefs / Cooks | £30.66 | £23.25 | £31.15 | £24.56 |
| Domestic staff (cleaning, laundry & kitchen) | £53.29 | £42.46 | £64.43 | £50.97 |
| Maintenance & Gardening | £16.78 | £14.20 | £10.83 | £9.43 |
| Other care home staffing (please specify) | £14.15 | £18.30 | £1.33 | £0.00 |
| **Total Care Home Premises** | **£71.60** | **£61.03** | **£35.06** | **£25.91** |
| Fixtures & fittings | £18.17 | £7.22 | £5.87 | £6.90 |
| Repairs and maintenance | £24.40 | £42.74 | £19.18 | £6.59 |
| Furniture, furnishings and equipment | £25.82 | £9.54 | £10.01 | £8.62 |
| Other care home premises costs (please specify) | £3.21 | £1.53 | £0.00 | £3.80 |
| **Total Care Home Supplies and Services** | **£155.52** | **£151.68** | **£126.15** | **£138.50** |
| Food supplies | £48.30 | £40.82 | £33.61 | £35.32 |
| Domestic and cleaning supplies  | £16.38 | £15.85 | £16.25 | £12.99 |
| Medical supplies (excluding PPE) | £4.18 | £3.15 | £9.95 | £6.75 |
| PPE | £4.76 | £6.43 | £13.66 | £13.71 |
| Office supplies (home specific) | £3.49 | £2.14 | £1.76 | £1.46 |
| Insurance (all risks) | £5.55 | £5.33 | £5.70 | £14.78 |
| Registration fees | £4.47 | £4.77 | £4.54 | £3.64 |
| Telephone & internet | £4.09 | £3.50 | £3.46 | £3.55 |
| Council tax / rates | £2.19 | £1.84 | £0.93 | £5.02 |
| Electricity, Gas & Water | £49.02 | £48.89 | £26.79 | £26.92 |
| Trade and clinical waste | £6.49 | £5.73 | £7.39 | £6.82 |
| Transport & Activities | £3.71 | £5.12 | £1.49 | £1.40 |
| Other care home supplies and services costs (please specify) | £2.89 | £8.11 | £0.62 | £6.14 |
| **Total Head Office** | **£68.09** | **£70.37** | **£69.77** | **£86.85** |
| Central / Regional Management | £49.55 | £49.73 | £43.06 | £28.48 |
| Support Services (finance / HR / legal / marketing etc.) | £4.00 | £7.28 | £15.42 | £27.55 |
| Recruitment, Training & Vetting (incl. DBS checks) | £12.00 | £10.31 | £8.46 | £10.71 |
| Other head office costs (please specify) | £2.54 | £3.05 | £2.83 | £20.11 |
| **Total Return on Operations** | **£128.69** | **£75.52** | **£22.07** | **£143.10** |
| **Total Return on Capital** | **£245.12** | **£248.07** | **£110.12** | **£104.64** |
| **TOTAL** | **£1,152.90** | **£1,110.47** | **£1,077.16** | **£1,251.20** |
|  |  |  |  |  |
| **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 | 5 | 8 | 2 | 2 |
| Number of locations eligible to fill in the survey (excluding those found to be ineligible) | 51 | 36 | 15 | 9 |
| Number of residents covered by the responses | 92 | 130 | 48 | 90 |
| Number of carer hours per resident per week | 20 | 23 | 27 | 30 |
| Number of nursing hours per resident per week | 0 | 0 | 7 | 7 |
| Average carer basic pay per hour | £10.94 | £10.52 | £10.20 | £10.60 |
| Average nurse basic pay per hour | £0.00 | £0.00 | £18.75 | £20.00 |
| Average occupancy as a percentage of active beds | 88% | 88% | 98% | 92% |
| Freehold valuation per bed | £153,721.00 | £113,373.00 | £59,497.00 | £84,413.00 |

One provider in 65+ care home places without nursing, enhanced needs, has a zero freehold value, but are included in the average as that must be the case nationally. For information only the average of 7 would be £129,569 rather than £113,373.

The other costs are not all specified, where they are they are listed below. It does not say how much as it’s within a total unless just one area was listed.

**Other care home staffing**

Agency

**Other care home premises costs**

Waste Management, Plumbing, Electrical

**Other care home supplies and services costs**

Leasing, Uniforms, Equipment Rentals, Council Tax, Care Plan system, General expenses

**Other head office costs**

Private Healthcare, Motor expenses / Staff travel, Subscriptions / Software Licence fees, Equipment rental (IT / Telephones), Mobile phone costs, Accounting & payroll services, General expenses

The base year for this exercise is 2022/23 and includes pay awards granted and planned in 2022/23. It should be noted workforce recruitment and retention challenges are significant throughout the independent care sector, this has been reflected in the Fair Cost of Care exercise as some providers have increased wages since April 2022 to fill vacancies to endeavour to compete in the market with comparator jobs such as care posts in the NHS or other roles in the private sectors that often pay £2 to £3 hours more than care posts in the independent care sector.

For this exercise we used the Care Cubed Cost of Care portal, supported by ADASS and the LGA. Providers were asked to complete their return using this portal and the questions provided within.

As per the guidance, the average external provider fee rates exclude the NHS Funded Nursing Care rate where applicable.

Whilst the Fair Cost of Care exercise has provided a valuable snap shot of the costs of some key providers within the Torbay market, contributing to commissioners’ intelligence regarding fee setting, it is the view of the Council that these Cost of Care outputs cannot be assumed to be the costs of care that the Council should pay. The reasons for this are multiple:

* The proportion of the market that responded does not provide a statistically reliable sample size to place such reliance upon
* The staffing ratios were not collected as a part of the exercise; therefore, it is not known whether the staffing costs represent an efficient and effective use of public monies
* The management costs vary significantly. Torbay Council cannot pay for the golden standard of management costs – a baseline as to what is necessary, thus representing an efficient and effective use of public monies would need to be undertaken.
* The extent of any under occupancy was not captured as a part of the exercise. Torbay Council cannot pay for inefficiency in the market, as this would not represent an efficient and effective use of public monies.
* Return-on-operations and return-on-capital-costs vary significantly. Torbay Council cannot pay inflated costs, needing to pay that which ensures a sustainable market. A base figure of what this should be would need to be established to represent an efficient and effective use of public monies.
* Repairs and maintenance figures vary significantly. Torbay Council cannot pay for previous lack of upkeep of premises nor aging buildings.