

Sunderland City Council

Fair Cost of Care – Residential Care Report

1. Introduction

The report describes how the Fair Cost of Care (FCOC) exercise was undertaken in Sunderland for the 65+ care home market as directed in the Market Sustainability and Fair Cost of Care Fund 2022/2023 guidance, published in March 2022. It sets out how we arrived at the median cost of care figures presented in Annex A.

To add additional capacity and resource to facilitate the FCOC exercise, Sunderland City Council commissioned a consultant partner, C. Co to facilitate the FCOC in partnership with the Council and service providers. C.Co commenced working with the Council on the 23 June 2022.

2. How we engaged with Providers in the FCOC Exercise

At the start of this exercise, we shared our intention that the FCOC exercise was to be taken forward in a collaborative way with Providers and we encouraged Providers to actively participate in this with us.

We set and communicated a deadline date of 26 August 2022 for submissions with the aim of allowing providers the maximum amount of time to participate and work with us as part of the exercise.

At the early stages of the FCOC exercise, we provided a number of opportunities for Providers to engage and participate in the FCOC exercise and in May 2022 we sent Providers a letter that included the following:

- Provision of information about the purpose of the FCOC exercise
- Key dates
- Information about how to access the FCOC tool
- To establish the correct organisational contact
- To set out and seek feedback on some draft shared principles about how we envisaged the process being taken forward collaboratively with Providers
- To give an indication of the engagement mechanisms we would be offering to Providers

- Links to sources of support and email contacts

We arranged virtual Provider Forums that were held during week commencing 6 June 2022 to share information about the FCOC exercise and to offer an opportunity for Providers to ask questions about our intended approach and seek feedback on it. The presentation slides were sent out to all Providers after the session and included Providers that did not attend the Forums.

We had ongoing communication with Providers, via telephone, email and virtual meetings to encourage Providers to register on the iESE website for the FCOC tool. Information about the iESE FCOC tool was included in the presentation that was discussed with Providers in the Forums and subsequently shared with them.

We arranged twice weekly virtual drop-in Sessions which Providers were invited to attend. These supportive sessions were established to provide an opportunity for Providers to drop in to discuss any questions, queries, or areas of concern that they had with the process. These were held on a Tuesday and Thursday each week in the morning from week commencing 13 June and were planned until 14 October 2022. We changed these to one per week from September due to limited attendance.

We shared with Providers our plans to appoint an external consultant to work with us and Providers to facilitate the FCOC exercise and that we were following a procurement process to do this.

Following the appointment of the consultant, C. Co, they attended the virtual drop-in sessions to introduce themselves.

We sent a letter to Providers on 5 July to:

- Share information about the appointment of C. Co
- Share a copy of the Service Specification that C.Co would be working to
- Share a presentation prepared by C. Co to give background information about C. Co and how they would be approaching the FCOC exercise
- Provide dates of workshops that were being hosted by Care England, the Care Provider Alliance and C. Co
- Share key contact information

C.Co hosted, in partnership with Care England and the Care Providers Alliance, ten Provider virtual workshops which Providers were invited to attend throughout July and August 2022. These included two follow up Sunderland-specific virtual workshops in August. Providers were invited to these events via email and were sent reminders in the lead up to each session.

C.Co made direct 1:2:1 contact with those Providers who we felt may have needed additional support and guidance to participate.

C.Co contacted all Providers on a 1:2:1 basis via telephone and email to offer support and encourage participation in the exercise.

We continued to make offers of support to Providers and encouraged them to contact us or C.Co via a dedicated email address where they could request and access 1:2:1 support.

As the FCOC exercise progressed, attendance at the virtual events was low. Consequently, C. Co made targeted contact and engagement on a 1:2:1 basis with Providers.

As the deadline date of 26 August was nearing, C.Co targeted communication at those Providers who were yet to submit a response to encourage participation.

Throughout the duration of the FCOC exercise, we have either directly or through C.Co on our behalf, communicated and supported Providers to actively participate in the process. This has been through 1:2:1 meetings and virtual group meetings and workshops, 1:2:1 telephone discussions, 1:2:1 and group emails.

Post submission, engagement with Providers continued via telephone calls and online Teams meetings to continue the process of validation of information.

3. Data Collection and Response Rate

The tool used to collect information from Providers was the Care Home Cost of Care Tool which iESE delivered on behalf of Care and Health Improvement Programme (jointly delivered through ADASS and LGA) which was free to all councils (and any 3rd parties working with councils on cost of care) and providers to use. The tool is built on the web based CareCubed platform.

There are fifty-three Care Home locations in the Sunderland area, of which five are marked as Out of Scope and not included in the analysis. Four of the five Care Homes were deemed not to meet the criteria to take part in FCOC exercise because of the specialist nature of the care provision and one Care Home provided a blank submission. Of the remaining forty-eight locations, thirty-six completed returns, a response rate of 75%. We were able to use thirty-five returns, which is 97% of the 75% response rate.

For the total data sample, sample sizes are shown below (some Care Homes are in more than one category):

	No of Homes	No of Beds
Occupied beds without Nursing, without Dementia	33	466
Occupied beds without Nursing, with Dementia	30	600
Occupied beds with Nursing, without Dementia	14	119
Occupied beds with Nursing, with Dementia	11	122

Summary	Lower Quartile	Median	Upper Quartile
Occupied beds without Nursing, without Dementia	590.29	821.26	1,059.06
Occupied beds without Nursing, with Dementia	590.00	820.04	1,069.81
Occupied beds with Nursing, without Dementia	873.41	1,216.69	1,741.38
Occupied beds with Nursing, with Dementia	743.02	1,242.05	1,600.48

4. Findings of the FCOC Exercise: Median Values

The table below shows the median values collated as part of this exercise:

Cost of care exercise results (all cells should be £ 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
Care home staffing:	£408.94	£401.70	£781.87	£765.47
o Nursing Staff	£0.00	£0.00	£337.04	£316.05
o Care Staff	£276.86	£265.66	£312.53	£312.95
o Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00
o Activity Coordinators	£8.62	£8.76	£8.76	£8.62
o Service Management (Registered Manager/Deputy)	£34.20	£36.64	£25.86	£30.25
o Reception & Admin staff at the home	£9.66	£9.56	£9.86	£9.66
o Chefs / Cooks	£21.05	£20.51	£19.49	£19.01
o Domestic staff (cleaning, laundry & kitchen)	£49.47	£51.49	£58.32	£59.19
o Maintenance & Gardening	£9.08	£9.08	£10.03	£9.73
o <i>Other care home staffing (please specify)</i>	£0.00	£0.00	£0.00	£0.00
Care home premises:	£50.97	£50.71	£47.91	£52.32

o Fixtures & fittings	£6.38	£6.79	£2.73	£2.97
o Repairs and maintenance	£21.55	£20.60	£19.94	£20.79
o Furniture, furnishings and equipment	£1.77	£3.04	£2.33	£3.92
o <i>Other care home premises costs (please specify)</i>	£0.33	£0.50	£1.48	£2.56
Care home supplies and services:	£113.86	£112.64	£115.85	£112.95
o Food supplies	£31.63	£31.58	£30.06	£29.15
o Domestic and cleaning supplies	£7.45	£7.49	£7.59	£7.45
o Medical supplies (excluding PPE)	£1.92	£2.04	£3.03	£3.33
o PPE	£2.21	£0.94	£1.75	£1.01
o Office supplies (home specific)	£2.42	£2.49	£2.47	£2.55
o Insurance (all risks)	£6.63	£6.60	£6.90	£6.88
o Registration fees	£3.81	£3.70	£3.89	£3.95
o Telephone & internet	£1.40	£1.38	£1.11	£1.05
o Council tax / rates	£0.85	£0.82	£0.84	£0.80
o Electricity, Gas & Water	£31.30	£31.12	£29.82	£26.29
o Trade and clinical waste	£5.07	£5.06	£5.25	£5.04
o Transport & Activities	£1.22	£1.21	£1.44	£2.51
o <i>Other care home supplies and services costs (please specify)</i>	£2.45	£3.34	£1.87	£1.90
Head office:	£61.92	£66.03	£66.03	£62.52
o Central / Regional Management	£6.54	£14.17	£20.54	£20.70
o Support Services (finance / HR / legal / marketing etc.)	£32.87	£33.23	£34.46	£33.59
o Recruitment, Training & Vetting (incl. DBS checks)	£3.40	£3.18	£4.19	£2.21
o <i>Other head office costs (please specify)</i>	£4.91	£4.91	£1.38	£1.78
Return on Operations	£92.57	£95.21	£87.77	£108.79
Return on Capital	£93.00	£93.76	£117.26	£140.00
TOTAL	£821.26	£820.04	£1,216.69	£1,242.05
<i>Supporting information on important cost drivers used in the calculations:</i>				
o <i>Number of location level survey responses received</i>	32	29	14	11
o <i>Number of locations eligible to fill in the survey (excluding those found to be ineligible)</i>	1	24	3	20
o <i>Number of residents covered by the responses</i>	466	600	119	122
o <i>Number of carer hours per resident per week</i>	24.6	23.6	24.0	24.0
o <i>Number of nursing hours per resident per week</i>	n/a	n/a	13.7	12.8
o <i>Average carer basic pay per hour</i>	10.17	10.20	10.26	10.26
o <i>Average nurse basic pay per hour</i>	n/a	n/a	17.84	17.75
o <i>Average occupancy as a percentage of active beds</i>	94.0	94.7	88.6	88.9
o <i>Freehold valuation per bed</i>	38,421	40,813	51,739	57,784

5. Approach to Return on Capital and Return on Operations

The exercise established an overall median figure of 11.2% for the Return on Operations (ROO) and the overall median figure for the Return on Capital (ROC) as 10%. However, this can have variable cash values due to different home valuations.

We chose not to adjust any ROO/ROC figures which were submitted from providers (except for validation reasons which were agreed by individual providers) and to reflect what they have reported their costs for ROC and ROO to be. The guidance from LGA/DHSC relating to the potential use of the LHA method to influence the ROC and a 5% ROO (accepted as reasonable by Laing Buisson) were noted by us. These will be areas of future discussion with our providers when we move forward with our fee negotiation process. We would also welcome further discussion with our Providers on the following areas to gain a clearer and more accurate picture of the cost of care in Sunderland which again, would be beneficial for all parties during the fee negotiation process. The areas that require further clarification include:

- The market consists of a range of Providers that operate different business models depending on their organisational status (e.g., different structures/payment terms/overheads and capital liability) and we would welcome having an increased understanding of this from our Providers.
- We are aware that smaller Providers may pay themselves by way of dividend payments which may see a distortion compared with peer organisations between levels of pay and ROO.
- We acknowledge that all private businesses and third sector Providers must return a profit or surplus to remain viable and to maintain a high quality service. We're aware of the sensitivity of this subject and again, would appreciate closer working with providers to support our understanding of this.

The table below shows the median percentage Return on Operations and Return on Capital by care type:

Median Percentages	Without Nursing Without Dementia	Without Nursing With Dementia	With Nursing Without Dementia	With Nursing With Dementia
Return on Operations	11.0	11.4	11.0	11.4
Return on Capital	10.0	10.0	8.0	6.0

The median of the return value for Return on Operations and Return on Capital as a monetary value is shown in the table below:

	Without Nursing Without Dementia	Without Nursing, With Dementia	With Nursing, Without Dementia	With Nursing, With Dementia
Return on Operations (ROO)	92.57	95.21	87.77	108.79
Return on Capital (ROC)	93.00	93.76	117.26	140.00
Total	185.57	188.97	205.03	248.79

These figures are higher in homes with nursing care with dementia, potentially due to the greater need for capital investment in such homes.

Summary	Lower Quartile	Median	Upper Quartile
Occupied beds without Nursing, without Dementia	590.29	821.26	1,059.06
Occupied beds without Nursing, with Dementia	590.00	820.04	1,069.81
Occupied beds with Nursing, without Dementia	873.41	1,216.69	1,741.38
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6. 2022/2023 Rates and Future Fee Uplift Considerations

The current care home fees were uplifted in April 2022 by 8% and this rate was accepted by the market.

The information considered in this report is based on April 2022 figures. They take into account likely inflationary cost increases and pay rises Providers believe that they are or will be experiencing at April 2022.

As part of the fee negotiation process for 2023/24 it will be necessary for us to consider the types of information gathered through this exercise as we engage and talk to our Providers about future fees. We will look at the uplifts using the various categories within the CPI. This method will be discussed in more detail with Providers as we move forward with the fee negotiation exercise.

7. Conclusion

As set out in the guidance we have undertaken this exercise to gain a more detailed and shared understanding of what it costs to run quality and sustainable care home provision in Sunderland.

While the exercise itself has been helpful in some respects, there have been a number of inconsistencies in the process. There remain areas that require further discussion and clarification with our providers which means we don't feel that the median figure identified through this exercise can in isolation, form our fees for 2023/24. Some of the concerns we identified with the FCOC exercise are referenced below:

- The iESE tool was open to interpretation by Providers in a number of categories:
 - Not all homes defined non-care staff duties in the same way
 - Not all homes defined the different categories of premises costs in the same way
 - Not all homes defined the different categories of costs within the supplies and services in the same way
 - Not all homes defined the different categories of costs within the head office costs in the same way
 - Not all homes defined the ROO/ROC in the same way with different options being made available within the tool
- Not all care home Providers in the city participated in the FCOC exercise which means that we do not have full representation from the market
- The occupancy levels across all care home Providers in Sunderland is less than the median occupancy identified through the FCOC exercise which only considered the occupancy of those providers who participated in the process
- A number of submissions were not fully completed
- We have a mix of national, regional and local Providers which may mean business models and organisational structures could be different
- The time constraints given to complete the FCOC exercise was insufficient to be able to continue to hold discussions with individual Providers to fully understand the different business models and structures, including any economies of scale for larger Providers which may not be accessible to smaller organisations