

# Worcestershire County Council Cost of Care Exercise 65+ Residential Settings (Annex B)

## Introduction and Context

This report is compiled as part of the DHSC submission regarding Adult Social Care Charging Reforms. The report is structured in line with the DHSC guidance: [Annex B: Cost of Care Report Contents](#)

The report has been submitted to DHSC in line with the guidance issued to local authorities ([Market Sustainability and Fair Cost of Care Fund 2022 to 2023 guidance](#)) and the DHSC update on Market Sustainability and Fair Cost of Care Fund – Review next steps, received late December 2022. An accessible version of the report is published on the Worcestershire County Council website.

Readers of the report are reminded that DHSC, as set out in their guidance, published in March 2022, the outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation. DHSC expects local authorities to use the insight gained from their cost of care exercises to support their commissioning and contract negotiation for the relevant services in practice.

## The Report (Annex B – 65+ general residential care and residential nursing homes)

### Worcestershire 65+ Residential Services and Provider response to the exercise

- 33 providers, representing a total of 52 care homes submitted data for this exercise, 48% of the available bed base for 65+ residential/nursing care. Following a proactive exercise to reduce anomalies, the final analysis covered 38 homes (1,877 CQC-registered beds of which 622 were Local Authority (LA) commissioned, ranging from a 20-bedded to a 93-bedded home, with the median number of CQC-registered beds being 48. This represented 34% of the total market and 51% of the LA's commissioned market in Worcestershire.
- Worcestershire County Council (WCC) is aware that the reporting of the median cost of care (MCC) for older people's residential settings, as per DHSC requirements, requires reporting not just for nursing and residential placements, but also for home residents with, and without, dementia.
- Worcestershire has the third highest number of care homes compared to other Local Authorities in the West Midlands, and the third highest number of beds. Only Birmingham and Staffordshire are higher. From provider data, 65+ residential care beds available within Worcestershire (as of April 2022) were reported as follows, with an occupancy rate of 78% overall:

Table 1: Overall bed capacity

	County totals	Totals included in analysis
<b>Total active beds</b>	<b>2,187</b>	<b>1,798</b>
<b>No. of occupied beds (without nursing)</b>	554	520
<b>No. of occupied beds (without nursing, dementia)</b>	456	356
<b>No. of occupied beds (with nursing)</b>	341	277
<b>No. of occupied beds (with nursing, dementia)</b>	363	308
<b>Total occupied beds</b>	<b>1,714</b>	<b>1,460</b>

## Our analysis

- WCC does not currently distinguish between dementia/non-dementia beds in its fee setting and this has presented some issues in compiling both the data and the reports for providers and council alike. Within the County, fees are agreed against the care package required, and not the reason for the admission to

care. Many homes provide care for both dementia and non-dementia patients but do not arbitrarily split data by reason for residency and operate with some degree of flexibility. The values presented in this exercise are driven solely by provider returns. Unfortunately the DHSC reporting portal (for Annex A) requires data entry to all categories whether specific data can be determined or not. Where a provider has responded with the same data for both ordinary and enhanced care there is therefore potential for duplication. This potential duplication is corrected in this document, Annex B.

5. In analysing the submissions and data received from providers, Worcestershire County Council (WCC) has considered the following:
- a) The proportion of local providers who have provided information, or a type of information.
    - Worcestershire County Council (WCC) was, in general, pleased with the rate of return from older people residential care providers although a number of returns were made from providers operating entirely within the self-funder sector of the market which had the potential to skew results.
  - b) Whether the cost information received from providers encompasses the range of information requested by the Council; or which the Council would expect to receive.
    - WCC is satisfied in this regard, providers were largely able to fulfil the requirements listed within the iESE (Care Cubed) data collection tool recommended for this exercise nationally.
  - c) Where the Council has received information from providers which requires clarification or verification, whether those providers have been willing to clarify or verify the information with supporting evidence, when requested to do so.
    - There were one or two issues in this regard which adversely affected WCC's confidence in the data submitted. One national provider determined that it would answer no queries on their submission and it was discounted. 13 other providers (>20 homes) supplied data that could not be verified and so these specific lines were discounted, but otherwise the data supplied was used in calculations. WCC recognises that the inability to verify some data, or to seek clarification may have impacted upon the quality of the median calculations and therefore how reliable the data may be for use looking ahead as some data lines may have been based on all, or fewer, providers data submissions.
  - d) Where the Council has evidence to indicate that information from providers is incorrect.
    - With the modifications and ability to secure verification/clarification on outlying data as detailed in d) above, WCC has determined that it must otherwise hold reasonable belief that the data submitted and used as part of this exercise is accurate. It should be noted that WCC has not had the resources to conduct an in-depth financial review of either provider accounts, nor data supplied (non-outliers) and therefore the verification of all data has not been possible.
  - e) Close analysis of the robustness of staffing costs may be particularly important, given that such costs make up a significant proportion of the cost of delivering care services. So, for example, if a provider states that it pays its staff a particular rate, but the Council has seen job advertisements from that provider offering jobs for a lower rate of pay than that reported, then this is likely to be important evidence in deciding on the rate to pay providers.
    - In their submissions, providers reported quite a range in staffing costs (see para 6, below) which we understand from local knowledge and discussion to relate to a variety of business explanations and mostly to the staffing ratios (front line to back office/business support functions) rather than actual pay rates. It would have been very helpful to better

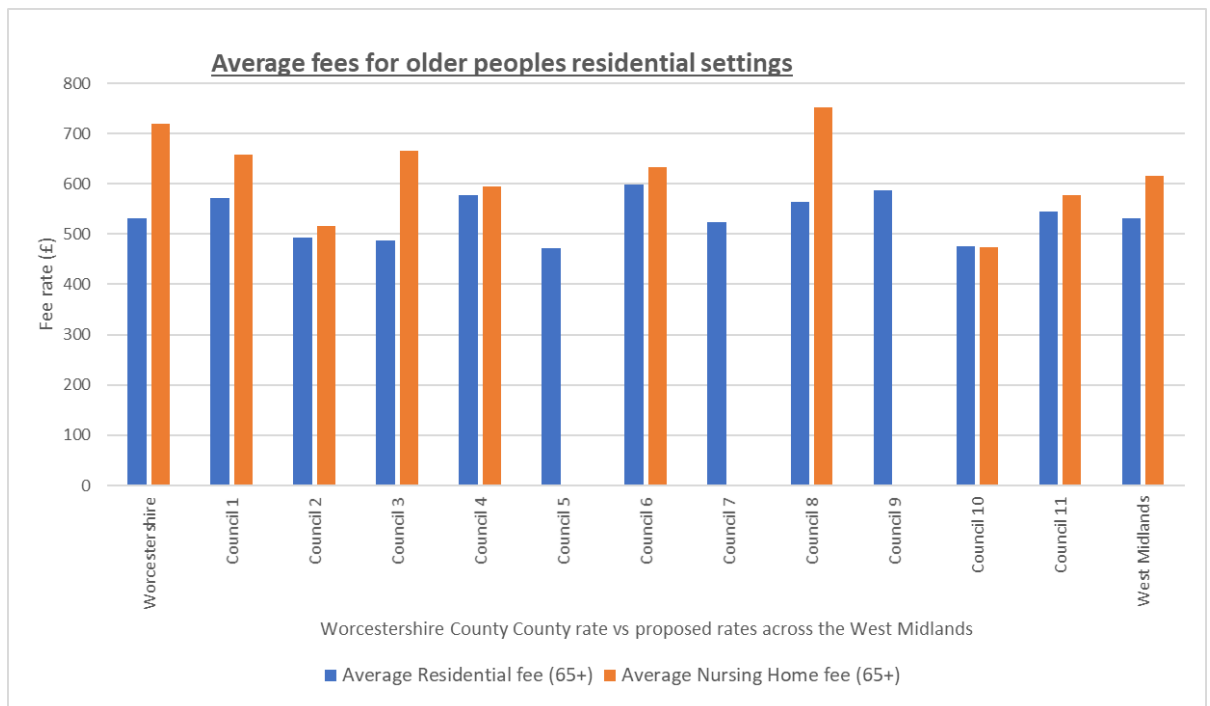
understand front line staff pay rates as WCC has provided (and, with the ICB will be providing) significant support to providers in relation to workforce.

f) Whether the cost information given by providers is consistent with the current state of capacity in the market. For example, if the cost information given by providers conveys that the existing rates which providers are being paid is significantly below what is necessary to fund the market, yet at the same time there is over-supply in the market, then that may lead the Council to consider the weight it is appropriate to attribute to the cost information received from providers.

- In Worcestershire, older people’s residential settings are running at approximately 20-22% vacancy rates. This in turn increases the ratio of fixed to direct costs and is a concern. During the financial year 2022-23 (April to November), for nursing homes, the average fee rate has increased by 6% and by 8.8% for general residential care. Clearly there will be a requirement for a degree of market shaping over the coming years whilst still protecting residents as far as possible, especially as the number of individuals entering residential care continues to slowly decline. The County Council is not financially in a position to fund the costs accumulated by providers where occupancy is reduced.

g) Consistency with rates paid by similar local authorities

- In reviewing 2022/3 fee rates for the West Midlands, fees in Worcestershire are comparable to fees proposed for the financial year for general residential care, but higher for nursing care, where data is available. From the bar chart below, it can be seen that Worcestershire rates are approximately 17% higher than the average nursing home rate that authorities proposed across the West Midlands region. (Note: not all councils have provided a nursing home fee rate in this analysis).



h) Whether the data has been skewed by returns from providers offering premium services of a nature or quality which it is not reasonable to expect the public purse to provide. For example, in some local authority areas there are a significant number of providers offering services which are luxurious in nature, such as fine dining or Michelin starred or inspired meals, or

accommodation with facilities and staffing levels which closer approximates a luxury hotel. There is a material sector of the market (not just a single isolated example), particularly in the South of England, that is oriented to luxury levels of accommodation, food and care. In some areas, even use of a median will not overcome the effect of this issue e.g. [Oakland Care launches new Michelin-Star inspired menus \(carehome.co.uk\)](https://www.carehome.co.uk/news/2022/08/01/oakland-care-launches-new-michelin-star-inspired-menus/).

- A number of returns were received from residential settings which cater solely for the self-funder market and whose costs as submitted were very significantly above those providers who accept admissions from both Council and self-funders
- i) Similarly to h) above, individual cost lines may be skewed by providers who offer services significantly beyond that necessary to provide an appropriate level of care, such as by having significantly higher staffing ratios than are reflective of industry norms or regulatory requirements.
- Here, our observations are addressed in para.6 below.

6. WCC sought to correlate costs with CQC ratings. Our key observations on the data submitted are outlined below:

- a) Homes where the staffing costs account for 60%+ of total are *not*, broadly speaking, those taking individuals with higher needs. Staff costs for nursing beds ranged from £1,067/week to £2,091/week and £510 to £1,731 for residential care. This could indicate higher staffing ratios for the levels of care but WCC was not able to reach a firm conclusion as it would not fit with the current placement data.
- b) There was little variation in staff pay rates across the county.
- c) Head office costs averaged at 7% of the total cost. There were 4 outliers with costs in excess of 10% (ranging up to 16%).
- d) Re Supplier / Service costs, with one exception, the national chains (as a proportion of total costs) were akin to other ownership types indicating there no cost benefits or efficiencies from the scale of operation, which is surprising. These costs ranged from 6% to 18% of the total, averaging at 10%.
- e) Premises costs averaged at 6%. 4 outliers submitted costs of up to 19% of the total. Unexpectedly, purpose-built homes including those built within 5 years have a similar cost profile to older buildings and 'stately home' conversions. It had been anticipated that new and relatively new, purpose-built facilities would have been more efficient premises to run than the older, converted large house type premises which would require higher levels of maintenance. It was not possible to gain a full understanding of the issues/reasons behind this finding
- f) For a number of providers responding, bed costs were very significantly higher than anticipated with no identified rationale, but local knowledge identified that the highest costs were from (residential and nursing) homes which accept self-funding clients only.

These significant outliers were excluded from calculations, in line with DHSC guidance emails issued (but not published) on 25 August 2022. This guidance accepts that the local authority is best positioned to interpret the data received and that there are many practical challenges of handling the data; whether that be due to the profile of the relevant providers for this exercise not marrying up to the profile which local authorities commission from (as in this case), or because the rates paid to individual providers vary from individual packages, as just two examples. For this reason, it was justifiable to omit the data submitted from these homes in calculating the median cost of care, but to accept that other variation would (at least in part) be due to the spot purchase of individual care packages.

For Nursing beds, the rate/week ranged from £1,067 to £2,091 (both ends of the range were rated “Good” indicating no clear correlation between cost and quality), average £1,433. For residential, the range was £510 to £1,731 (with an identical CQC/cost observation as above), average £1,095.

7. The % mark-up on operating costs saw 3 homes submit a 0% response. Outside of these 3 providers, the range of costs submitted was from 3%, to 25.8% (average 9%). WCC, unable to determine a reasonable level of mark up (unlike the Home Care Association which indicated minimum mark ups for a viable business, Care England felt unable to advise on a suitable percentage for residential settings). The County Council has therefore applied the average return on operating costs to its calculations. This may have artificially inflated the calculations.
8. The return on capital data ranged from 0% (18 returns) up to 16%. WCC chose to apply DHSC guidance “approach 2” (Annex E) in calculating the MCC, using as a proxy the Local Housing Allowance (LHA) paid to Housing Benefit recipients to support the cost of rent. The rates for each BRMA are available online. For Worcestershire, figures are quoted for Worcs North and Worcs South and an average of the two was taken (£78.83).

### Presentation of the data

9. Over page, as per the DHSC guidance, one table for each service type, with each showing the count of observations, lower quartile, median and upper quartile (where relevant) of all items in Annex A, Section 3 is shown within the following tables.

The revised Annex A contains the following notes:

- The revised Annex A documentation local authorities were asked to submit and changed from the original format notes the following:
  - The total return on operations does not have to be the median of reported ROO. Local authorities are able to exercise their judgement in the estimation of their ROO, as defended in their report
  - The TOTAL is no longer the sum of the subtotal medians. Local authorities are able to adopt the most appropriate median-based analytical approach to the estimation of their total median cost of care.

The County Council considers that it has fully and adequately explained the rationale where judgement has been exercised. DHSC has requested no clarification on the returns submitted in October 2022

Table 2: 65+ care homes places without nursing showing costs per resident, per week

	Median	Upper Quartile	Lower Quartile
<b>Care home staffing:</b>	<b>£526.58</b>	<b>£643.81</b>	<b>£407.65</b>
Nursing Staff	£0.00	£0.00	£0.00
Care Staff	£336.82	£375.74	£279.03
Therapy Staff (Occupational & Physio)	£6.83	£8.64	£5.01
Activity Coordinators	£12.30	£16.43	£11.65
Service Management (Registered Manager/Deputy)	£37.02	£48.18	£26.52
Reception & Admin staff at the home	£49.83	£83.47	£16.23
Chefs / Cooks	£45.21	£52.51	£33.93
Domestic staff (cleaning, laundry & kitchen)	£31.06	£34.49	£26.25
Maintenance & Gardening	£7.52	£10.24	£6.10
<i>Other care home staffing (Agency costs)</i>	£0.00	£14.13	£2.93
<b>Care home premises:</b>	<b>£47.34</b>	<b>£117.57</b>	<b>£34.65</b>
Fixtures & fittings	£5.24	£27.11	£1.23
Repairs and maintenance	£8.39	£19.57	£4.47
Furniture, furnishings and equipment	£33.71	£43.44	£27.65
<i>Other care home premises costs (Capital items / rentals)</i>	£0.00	£27.45	£1.30
<b>Care home supplies and services:</b>	<b>£102.08</b>	<b>£140.35</b>	<b>£84.91</b>
Food supplies	£34.78	£36.61	£28.89
Domestic and cleaning supplies	£6.60	£8.45	£5.96
Medical supplies (excluding PPE)	£2.59	£3.40	£1.21
PPE	£2.52	£3.04	£2.49
Office supplies (home specific)	£6.65	£7.90	£3.81
Insurance (all risks)	£6.74	£8.44	£5.35
Registration fees	£4.08	£4.39	£3.59
Telephone & internet	£2.49	£4.10	£1.96
Council tax / rates	£1.07	£1.28	£0.75
Electricity, Gas & Water	£27.01	£37.72	£25.21
Trade and clinical waste	£4.93	£5.96	£3.97
Transport & Activities	£0.61	£3.10	£0.17
<i>Other care home supplies and services costs (Uniforms, service contracts, subscriptions, marketing)</i>	£2.02	£15.99	£1.57
<b>Head office:</b>	<b>£112.70</b>	<b>£131.59</b>	<b>£69.05</b>
Central / Regional Management	£68.41	£75.87	£28.81
Support Services (finance / HR / legal / marketing etc.)	£32.20	£34.86	£28.79
Recruitment, Training & Vetting (incl. DBS checks)	£8.25	£12.13	£7.67
<i>Other head office costs (IT applications)</i>	£3.84	£8.73	£3.78
<b>Return on Operations</b>	<b>£70.08</b>	<b>£105.52</b>	<b>£74.75</b>
<b>Return on Capital</b>	<b>£78.83</b>	<b>£190.00</b>	<b>£140.75</b>
<b>TOTAL</b>	<b>£937.59</b>	<b>£1,328.83</b>	<b>£811.75</b>
<b>Supporting information on important cost drivers used in the calculations:</b>	N/A		
<i>Number of location level survey responses received</i>	30		
<i>Number of locations eligible to fill in the survey (excluding those found to be ineligible)</i>	125		
<i>Number of residents covered by the responses</i>	520		
<i>Number of carer hours per resident per week</i>	1012		
<i>Number of nursing hours per resident per week</i>	0		
<i>Average carer basic pay per hour</i>	£10.10		
<i>Average nurse basic pay per hour</i>	£19.31		
<i>Average occupancy as a percentage of active beds</i>	25%		
<i>Freehold valuation per bed</i>			

Table 3: 65+ care home places without nursing, enhanced needs, showing cost per resident, per week

	Median	Upper Quartile	Lower Quartile
<b>Care home staffing:</b>	<b>£435.42</b>	<b>£707.95</b>	<b>£335.64</b>
Nursing Staff	£0.00	£0.00	£0.00
Care Staff	£217.69	£425.41	£200.64
Therapy Staff (Occupational & Physio)	£3.20	£4.29	£3.56
Activity Coordinators	£13.39	£20.98	£12.03
Service Management (Registered Manager/Deputy)	£38.66	£49.63	£31.11
Reception & Admin staff at the home	£75.11	£78.99	£19.40
Chefs / Cooks	£45.72	£63.53	£44.22
Domestic staff (cleaning, laundry & kitchen)	£30.91	£35.06	£14.61
Maintenance & Gardening	£7.82	£13.41	£6.52
<i>Other care home staffing (Agency costs)</i>	£2.93	£16.66	£3.55
<b>Care home premises:</b>	<b>£51.19</b>	<b>£141.27</b>	<b>£27.20</b>
Fixtures & fittings	£5.64	£24.14	£1.21
Repairs and maintenance	£8.39	£26.30	£4.73
Furniture, furnishings and equipment	£37.16	£45.21	£6.73
<i>Other care home premises costs (Capital items / rentals)</i>	£0.00	£45.62	£14.52
<b>Care home supplies and services:</b>	<b>£105.30</b>	<b>£161.65</b>	<b>£92.63</b>
Food supplies	£36.52	£41.87	£33.99
Domestic and cleaning supplies	£6.68	£10.83	£5.98
Medical supplies (excluding PPE)	£2.83	£3.77	£2.62
PPE	£3.02	£3.02	£1.45
Office supplies (home specific)	£6.42	£7.29	£4.10
Insurance (all risks)	£7.08	£9.56	£6.55
Registration fees	£4.13	£4.44	£3.82
Telephone & internet	£2.49	£6.03	£1.97
Council tax / rates	£0.95	£1.12	£0.75
Electricity, Gas & Water	£27.01	£46.32	£25.13
Trade and clinical waste	£5.47	£5.81	£4.38
Transport & Activities	£1.00	£3.81	£0.49
<i>Other care home supplies and services costs (Uniforms, service contracts, subscriptions, marketing)</i>	£1.71	£17.79	£1.41
<b>Head office:</b>	<b>£134.16</b>	<b>£164.72</b>	<b>£90.97</b>
Central / Regional Management	£70.00	£78.22	£32.33
Support Services (finance / HR / legal / marketing etc.)	£32.62	£36.44	£31.29
Recruitment, Training & Vetting (incl. DBS checks)	£10.19	£15.07	£4.50
<i>Other head office costs (IT applications)</i>	£21.35	£34.99	£22.85
<b>Return on Operations</b>	<b>£70.76</b>	<b>£115.51</b>	<b>£76.13</b>
<b>Return on Capital</b>	<b>£78.83</b>	<b>£190.00</b>	<b>£139.84</b>
<b>TOTAL</b>	<b>£875.64</b>	<b>£1,481.09</b>	<b>£762.40</b>
<b>Supporting information on important cost drivers used in the calculations:</b>	NA		
<i>Number of location level survey responses received</i>	25		
<i>Number of locations eligible to fill in the survey (excluding those found to be ineligible)</i>	125		
<i>Number of residents covered by the responses</i>	356		
<i>Number of carer hours per resident per week</i>	624		
<i>Number of nursing hours per resident per week</i>	0		
<i>Average carer basic pay per hour</i>	£10.27		
<i>Average nurse basic pay per hour</i>	£19.32		
<i>Average occupancy as a percentage of active beds</i>	21%		
<i>Freehold valuation per bed</i>			

Table 4: 65+ care home placements with nursing, showing cost per resident, per week

	Median	Upper Quartile	Lower Quartile
<b>Care home staffing:</b>	<b>£778.80</b>	<b>£925.25</b>	<b>£663.60</b>
Nursing Staff	£222.05	£279.72	£179.97
Care Staff	£370.09	£400.50	£337.37
Therapy Staff (Occupational & Physio)	£10.45	£10.45	£10.45
Activity Coordinators	£20.89	£21.97	£13.87
Service Management (Registered Manager/Deputy)	£42.79	£64.03	£32.88
Reception & Admin staff at the home	£22.51	£24.02	£16.97
Chefs / Cooks	£35.83	£51.74	£28.60
Domestic staff (cleaning, laundry & kitchen)	£26.80	£36.76	£18.07
Maintenance & Gardening	£15.14	£19.32	£11.76
<i>Other care home staffing (Agency costs)</i>	£12.26	£16.76	£13.66
<b>Care home premises:</b>	<b>£58.21</b>	<b>£115.67</b>	<b>£32.90</b>
Fixtures & fittings	£1.38	£11.59	£1.23
Repairs and maintenance	£20.32	£43.84	£15.47
Furniture, furnishings and equipment	£21.75	£26.87	£1.68
<i>Other care home premises costs (Capital items / rentals)</i>	£14.76	£33.37	£14.52
<b>Care home supplies and services:</b>	<b>£124.47</b>	<b>£172.54</b>	<b>£74.89</b>
Food supplies	£33.20	£42.05	£11.65
Domestic and cleaning supplies	£10.57	£15.57	£6.30
Medical supplies (excluding PPE)	£3.03	£4.84	£2.66
PPE	£2.39	£2.67	£2.12
Office supplies (home specific)	£3.67	£4.52	£2.87
Insurance (all risks)	£7.37	£8.91	£6.58
Registration fees	£4.29	£4.39	£3.62
Telephone & internet	£3.63	£6.10	£1.60
Council tax / rates	£0.82	£1.46	£0.73
Electricity, Gas & Water	£27.01	£40.74	£24.38
Trade and clinical waste	£5.81	£8.48	£5.04
Transport & Activities	£3.08	£5.68	£1.30
<i>Other care home supplies and services costs (Uniforms, service contracts, subscriptions, marketing)</i>	£19.61	£27.14	£6.05
<b>Head office:</b>	<b>£80.44</b>	<b>£116.18</b>	<b>£68.86</b>
Central / Regional Management	£11.06	£23.16	£10.65
Support Services (finance / HR / legal / marketing etc.)	£35.94	£53.83	£26.25
Recruitment, Training & Vetting (incl. DBS checks)	£12.13	£16.86	£10.79
<i>Other head office costs (IT applications)</i>	£21.31	£22.33	£21.18
<b>Return on Operations</b>	<b>£103.23</b>	<b>£151.46</b>	<b>£124.16</b>
<b>Return on Capital</b>	<b>£78.83</b>	<b>£215.38</b>	<b>£140.00</b>
<b>TOTAL</b>	<b>£1,223.97</b>	<b>£1,696.47</b>	<b>£1,104.41</b>
<b>Supporting information on important cost drivers used in the calculations:</b>	NA		
<i>Number of location level survey responses received</i>	18		
<i>Number of locations eligible to fill in the survey (excluding those found to be ineligible)</i>	125		
<i>Number of residents covered by the responses</i>	277		
<i>Number of carer hours per resident per week</i>	506		
<i>Number of nursing hours per resident per week</i>	166		
<i>Average carer basic pay per hour</i>	£9.77		
<i>Average nurse basic pay per hour</i>	£19.10		
<i>Average occupancy as a percentage of active beds</i>	16%		
<i>Freehold valuation per bed</i>			



Table 5: 65+care home places with nursing, enhanced needs, showing cost per resident, per week

	Median	Upper Quartile	Lower Quartile
<b>Care home staffing:</b>	<b>£759.07</b>	<b>£894.00</b>	<b>£697.88</b>
Nursing Staff	£240.21	£290.33	£216.30
Care Staff	£344.94	£391.72	£337.37
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00
Activity Coordinators	£16.28	£18.64	£13.93
Service Management (Registered Manager/Deputy)	£48.82	£51.84	£45.81
Reception & Admin staff at the home	£16.97	£17.05	£16.89
Chefs / Cooks	£49.40	£64.74	£34.06
Domestic staff (cleaning, laundry & kitchen)	£18.33	£24.43	£12.22
Maintenance & Gardening	£15.80	£18.61	£12.98
<i>Other care home staffing (Agency costs)</i>	£8.33	£16.66	£8.33
<b>Care home premises:</b>	<b>£94.52</b>	<b>£121.08</b>	<b>£67.95</b>
Fixtures & fittings	£0.00	0	0
Repairs and maintenance	£27.12	£36.72	£17.51
Furniture, furnishings and equipment	£22.75	£34.07	£11.42
<i>Other care home premises costs (Capital items / rentals)</i>	£44.66	£50.30	£39.01
<b>Care home supplies and services:</b>	<b>£116.32</b>	<b>£133.62</b>	<b>£99.86</b>
Food supplies	£26.85	£34.45	£19.25
Domestic and cleaning supplies	£9.37	£10.91	£7.01
Medical supplies (excluding PPE)	£4.51	£5.36	£3.65
PPE	£2.21	£2.66	£1.76
Office supplies (home specific)	£3.75	£4.28	£3.21
Insurance (all risks)	£8.18	£8.58	£7.77
Registration fees	£3.77	£4.10	£3.43
Telephone & internet	£1.31	£3.75	£0.53
Council tax / rates	£1.40	£1.69	£1.11
Electricity, Gas & Water	£42.03	£44.17	£39.88
Trade and clinical waste	£8.48	£8.84	£8.12
Transport & Activities	£3.08	£3.42	£2.73
<i>Other care home supplies and services costs (Uniforms, service contracts, subscriptions, marketing)</i>	£1.41	£1.41	£1.41
<b>Head office:</b>	<b>£123.80</b>	<b>£129.96</b>	<b>£117.65</b>
Central / Regional Management	£26.11	£26.11	£26.11
Support Services (finance / HR / legal / marketing etc.)	£61.67	£61.72	£61.62
Recruitment, Training & Vetting (incl. DBS checks)	£14.98	£21.09	£8.88
<i>Other head office costs (IT applications)</i>	£21.04	£21.04	£21.04
<b>Return on Operations</b>	<b>£104.07</b>	<b>£130.63</b>	<b>£127.76</b>
<b>Return on Capital</b>	<b>£78.83</b>	<b>£136.45</b>	<b>£129.36</b>
<b>TOTAL</b>	<b>£1,276.60</b>	<b>£1,545.74</b>	<b>£1,240.45</b>
<b>Supporting information on important cost drivers used in the calculations:</b>	NA		
<i>Number of location level survey responses received</i>	19		
<i>Number of locations eligible to fill in the survey (excluding those found to be ineligible)</i>	125		
<i>Number of residents covered by the responses</i>	308		
<i>Number of carer hours per resident per week</i>	482		
<i>Number of nursing hours per resident per week</i>	166		
<i>Average carer basic pay per hour</i>	£9.99		
<i>Average nurse basic pay per hour</i>	£19.49		
<i>Average occupancy as a percentage of active beds</i>	17%		
<i>Freehold valuation per bed</i>			

10. Below, as per the DHSC guidance the Annex A - median values are tabulated:

Table 6: Annex A median cost values for all older peoples residential settings as submitted 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
<b>Total Care Home Staffing</b>	<b>£526.58</b>	<b>£435.42</b>	<b>£778.80</b>	<b>£759.07</b>
Nursing Staff	£0.00	£0.00	£222.05	£240.21
Care Staff	£336.82	£217.69	£370.09	£344.94
Therapy Staff (Occupational & Physio)	£6.83	£3.20	£10.45	£0.00
Activity Coordinators	£12.30	£13.39	£20.89	£16.28
Service Management (Registered Manager/Deputy)	£37.02	£38.66	£42.79	£48.82
Reception & Admin staff at the home	£49.83	£75.11	£22.51	£16.97
Chefs / Cooks	£45.21	£45.72	£35.83	£49.40
Domestic staff (cleaning, laundry & kitchen)	£31.06	£30.91	£26.80	£18.33
Maintenance & Gardening	£7.52	£7.82	£15.14	£15.80
Other care home staffing (please specify)	£0.00	£2.93	£12.26	£8.33
<b>Total Care Home Premises</b>	<b>£47.34</b>	<b>£51.19</b>	<b>£58.21</b>	<b>£94.52</b>
Fixtures & fittings	£5.24	£5.64	£1.38	£0.00
Repairs and maintenance	£8.39	£8.39	£20.32	£27.12
Furniture, furnishings and equipment	£33.71	£37.16	£21.75	£22.75
Other care home premises costs (please specify)	£0.00	£0.00	£14.76	£44.66
<b>Total Care Home Supplies and Services</b>	<b>£102.08</b>	<b>£105.30</b>	<b>£124.47</b>	<b>£116.32</b>
Food supplies	£34.78	£36.52	£33.20	£26.85
Domestic and cleaning supplies	£6.60	£6.68	£10.57	£9.37
Medical supplies (excluding PPE)	£2.59	£2.83	£3.03	£4.51
PPE	£2.52	£3.02	£2.39	£2.21
Office supplies (home specific)	£6.65	£6.42	£3.67	£3.75
Insurance (all risks)	£6.74	£7.08	£7.37	£8.18
Registration fees	£4.08	£4.13	£4.29	£3.77
Telephone & internet	£2.49	£2.49	£3.63	£1.31
Council tax / rates	£1.07	£0.95	£0.82	£1.40
Electricity, Gas & Water	£27.01	£27.01	£27.01	£42.03
Trade and clinical waste	£4.93	£5.47	£5.81	£8.48
Transport & Activities	£0.61	£1.00	£3.08	£3.08
Other care home supplies and services costs (please specify)	£2.02	£1.71	£19.61	£1.41
<b>Total Head Office</b>	<b>£112.70</b>	<b>£134.16</b>	<b>£80.44</b>	<b>£123.80</b>
Central / Regional Management	£68.41	£70.00	£11.06	£26.11
Support Services (finance / HR / legal / marketing etc.)	£32.20	£32.62	£35.94	£61.67
Recruitment, Training & Vetting (incl. DBS checks)	£8.25	£10.19	£12.13	£14.98
Other head office costs (please specify)	£3.84	£21.35	£21.31	£21.04
<b>Total Return on Operations</b>	<b>£70.08</b>	<b>£70.76</b>	<b>£103.23</b>	<b>£104.07</b>
<b>Total Return on Capital</b>	<b>£78.83</b>	<b>£78.83</b>	<b>£78.83</b>	<b>£78.83</b>
<b>TOTAL</b>	<b>£937.59</b>	<b>£875.64</b>	<b>£1,223.97</b>	<b>£1,276.60</b>

11. Of those providers submitting usable returns, 25 residential care homes demand fees above the MCC based on the data received. For nursing, the figure is 17. (See also Para. 5 f)

12. This exercise was completed using the iESE (Care Cubed) on-line tool designed for the 65+ care home settings cost of care calculations as recommended nationally. Worcestershire County Council has engaged extensively with providers. 6 written communications were sent to care home providers,

including FAQ's. The quality of WCC communications was considered "best in class" by the Care Provider Alliance (CPA) and shared (by them) with the LGA and other LA's. Additionally, WCC arranged 2 days of Commissioner support appointments, 2 provider forums with the CPA, Home Care Association (HCA), Care England and the West Midlands Care Association and a joint communication on behalf of the Council and member associations. A further 60 emails were sent/responded to, and all providers received open invitations to all national and regional webinars. Regular telephone calls encouraged participation, answered ad-hoc queries and resolved anomalies in the data sets received.

13. The information collected via the tool was, in line with instructions and guidance, from 2021/2 base prices which providers then uplifted to portray current i.e. as at April 2022 fees/prices. During the submission period, the tool underwent a series of changes and amendments. This did not help either provider or local authority who were then forced to resubmit/re-analyse data.
14. In order to continue dialogue with providers, communications from the County Council have continued, with updates from providers being requested after the October 2022 submission to DHSC. At the time of updating this report 4 residential care settings have responded to our request for further information. The information garnered from this continued dialogue may be summarised thus:
  - Provider 1 – struggling to meet fixed costs and direct staff costs due to an 80% vacancy rate
  - Provider 2 – disagrees with the reduction in fees proposed as part of the 2023/4 fee review consultation, even though the County Council is consulting in an increase to fees
  - Provider 3 – lodged a request for fee uplifts in excess of 20% for 2023/4
  - Provider 4 – responded in relation to working age learning disability care homes which form part of their wider portfolio, but which is outside of the exercise for 65+ residential care settings.

Further dialogue from member associations continues to be received along the same lines, requesting data that evidences movement towards the cost of care as calculated from this exercise.

This demonstrated that neither the intent of DHSC in providing funding for fee increases post Autumn statement, nor the separation of these calculations from the act of consulting on fee increases are fully appreciated

15. Accepting that the County Council cannot dictate employment terms and conditions, we do periodically attempt to reach a view as to localised cost movements by matters such as the locally advertised rates for jobs in the sector, rates of local job vacancies, and patterns or rates of staff turnover. The Skills for Care, National Minimum Data Set for Social Care also provides reliable and potentially relevant information on cost movements. Historically we have found providers unwilling to feed data into these local exercises, the most recent being for domiciliary care.

### Provider fees and next steps

16. In consulting and setting fees, Worcestershire County Council has due regard for the Care Act 2014 and relevant case law.<sup>1,2</sup>
  - a) Section 5(1) of the Care Act 2014 provides that LAs "must promote the efficient and effective operation of a market in services for meeting care and support needs with a view to ensuring that any person in its area wishing to access services in the market— (a) has a variety of providers ... provide a variety of services; (b) has a variety of high-quality services ...; (c) has sufficient information to make an informed decision ...".

<sup>1</sup> *R (Care North-East) v Northumberland CC [2013] EWHC 234 (Admin); which affirmed [2013] EWCA Civ 1740 ("Care North-East")*,

<sup>2</sup> *R (Care England) v Essex CC [2017] EWHC 3035 (Admin)*

- b) Section 5(2) provides in part that “In performing that duty, a local authority must have regard to the following matters in particular— ... (b) the need to ensure that it is aware of current and likely future demand for such services and to consider how providers might meet that demand ... (d) the importance of ensuring the sustainability of the market...(e) the importance of fostering continuous improvement in the quality of such services and the efficiency and effectiveness with which such services are provided ...”.
- c) The Care and Support Statutory Guidance requires LAs to have regard to the following matters in deciding on care home and domiciliary care fees rates:
- §4.31: “... evidence that ... fee levels for care and support services are appropriate to provide the delivery of the agreed care packages with agreed quality of care ... allow for the service provider ability to meet statutory obligations to pay at least the national minimum wage and provide effective training and development of staff. It should also allow retention of staff commensurate with delivering services to the agreed quality and encourage innovation and improvement. Local authorities should have regard to guidance on minimum fee levels necessary to provide this assurance, taking account of the local economic environment ...”;
  - §4.35: “... whilst recognising that individual providers may exit the market from time to time - ensure the overall provision of services remains healthy in terms of the sufficiency of adequate provision of high-quality care and support needed to meet expected needs. This will ensure that there are a range of appropriate and high-quality providers and services for people to choose from”;
  - Annex A, §11: not set “arbitrary amounts or ceilings for particular types of accommodation that do not reflect a fair cost of care”.
- d) DHSC issued revised an update entitled “Market Sustainability and Fair Cost of Care Fund – Review next steps in late December 2022. This guidance is clear and has been communicated to providers in two separate letters - the cost of care and the fee review consultation.

Within these letters, Worcestershire County Council has confirmed that, as part of the autumn statement, the Government has decided to delay the adult social care charging reforms for two years and has removed the requirement to move towards the median cost of care, along with any ring-fenced grant for the purpose. As a result, the £162M for 2022/3 (which was fully passported to providers and none reserved for undertaking the DHSC exercise), and £600M for each of 2023/4 and 2024/5 has been replaced by a grant of £562M for 23/4, which includes the £162M from 2022/3 (all figures are national). DHSC confirmed in its update that Local Authorities should use this grant to “make tangible improvements to Adult Social Care and in particular address discharge delays, social care waiting times, low fee rates, workforce pressures and promote technological innovation within the sector”.

- e) Our duty is therefore to ensure that this is our objective from the fee review and forms the premise of using the grant across *all* our care sectors to meet the aims set by DHSC. The County Council will continue to explain the rationale for the subtle change of direction by DHSC and about how we shall appropriately use this funding to achieve the goal.
- f) Worcestershire County Council will therefore consult on fee increases in line with DHJSC requirements (discharge delays, social care waiting times, low fee rates, workforce pressures and promote technological innovation within the sector) and also market sustainability/pressures and affordability, noting that DHSC has confirmed that The outcome of the cost of care exercise is not intended to be a replacement for the fee setting element of local authority commissioning processes or individual contract negotiation, although we are fully aware that a certain expectation within the provider market has been set.

g) The revised guidance from December therefore overturns the earlier guidance issued on 25 August (not published on the DHSC website, but emailed out to their Charging Reform mail list) which stated that:

- We [DHSC] recognise that outlining median figures for the broad service types within scope (standard residential care, residential care for enhanced needs, standard nursing care, nursing care for enhanced needs and domiciliary care) may oversimplify what is a complex picture of care and support needs.
- The outcome of the cost of care exercise is not therefore intended to be a replacement for the fee setting element of local authority commissioning processes or individual contract negotiation.
- In practice we [DHSC] will expect actual fees to be informed by the fair cost of care, which is the median value rate local authorities will be moving towards. Fee rates will also continue to be based on sound judgement, evidence, and through a negotiation process, as is the case currently. As such there will be variation in the rates providers are paid to reflect the quality and level of service. Ultimately paying a fair cost of care does not mean that all providers are paid the same rate, but rather the fair cost of care is the median value which fee rates will be “moving towards”.
- The Fair Cost of Care guidance therefore states that: “as many local authorities move towards paying the fair cost of care, it is expected that actual fee rates paid may differ due to such factors as rurality, personalisation of care, quality of provision and wider market circumstances”.