

## **DARLINGTON BOROUGH COUNCIL**

### **FAIR COST OF CARE EXERCISE – 2022 - ANNEX B – RESIDENTIAL CARE 65 PLUS**

#### **Summary**

The Market Sustainability and Fair Cost of Care (MSFCOC) Programme was introduced by the Government following its “People at the Heart of Care: Adult Social Care Reform” White Paper. Guidance has been produced by the DHSC that requires each Local Authority taking part in this exercise to submit an Annex B by 14<sup>th</sup> October that outlines the process and how the estimates presented in Annex A were arrived at.

#### **Data Collection**

Upon receipt of the guidance from Government we notified our care homes that the Fair Cost of Care exercise was taking place and arranged a briefing for all our providers, which took place at our regular Residential Care Provider Forum on 8 June 2022. The presentation that was given was also attached to the minutes of the meeting, to ensure that those providers who were unable to attend the Forum were also included.

The presentation outlined the process which the Council would be taking with regard to information collection and allowed the care homes to ask any questions that they had on the data collection process. This was intended as the starting point to build a dialogue between the Council and the providers, in order that the providers could ask the Council any questions they had whilst completing their information returns.

Providers were notified at this meeting that the Council was going to use the Care Cubed data collection tool to collect the Fair Cost of Care information and asked providers to register on the system. Providers were notified of a number of webinars and online tools that were provided by Care Cubed to assist all providers to register and enter their information onto the system. The Council also informed providers that they could ask the Council questions regarding the process by emailing a specially set up email account for the Fair Cost of Care process.

Care home providers were asked to complete the on-line toolkit iESE software, Care Cubed. All providers who submitted their costings used the toolkit.

There are twenty care homes within Darlington which are registered for the provision of residential/nursing care for people over the age of 65 years. All homes were asked to submit their costings onto the Care Cubed system with an initial deadline of 31 July 2022. However, three homes did require an extension until 12 August to enable them to complete the template, which was granted. Three further care homes had to be followed up numerous times before a submission was received. One care home, which is a small family run business, advised after a series of prompts to complete the iESE template that they did not have the resource to complete within the extended timescale. A further extension was agreed to allow them to complete a return, but the home was still not able to provide any data.

Only one care home did not engage with the process at all despite e mails and telephone contact being made with them on numerous occasions. Eighteen homes eventually submitted their costings which equated to a response rate of 90%.

Data was collected from care home providers during July and August and reflected their costs for the financial year 2021-22. At this stage we anticipate that we will continue to uplift future years fee

levels for inflation, using CPI for non-pay costs and National Living Wage increases for pay costs (Please see adjustments in the next section). This method has been used in our current formula which has been agreed with providers previously.

Once submissions were received the Council reviewed the data included in Care Cubed and identified any data that required further clarification. All provider submissions required further clarifications with the providers. Therefore, contact was made with each provider, with all formal queries regarding the cost of care submissions sent via the iESE system to ensure a consistent record was maintained.

Meetings with providers were held via Teams and care home providers were able to clarify submissions and raise any questions in these meetings. Appreciating that some of the information would be commercially sensitive, providers were also able to meet individually with officers and resolve any queries that they may have had. In addition, further supporting documents were also requested to evidence the information provided. For example, profit and loss accounts and tenancy agreements were requested. These were not always forthcoming from providers, and we needed to refer to Companies House to obtain this information.

Questions asked were specific to each provider and therefore are not listed within this document, however the Council retains a record of these questions. Questions focused on the Council understanding how providers had put their figures together and included confirmation of staffing, inflation uplifts used, occupancy etc.

A further update on the progress of the Fair Cost of Care exercise was given at a Residential Care Provider Forum held on 14 September, with an e mail update attached to the Minutes of the meeting and circulated to all providers, to ensure that those who did not attend were also included.

The Fair Cost of Care exercise in Darlington has been undertaken by directly employed staff. This has been done by seconding staff from their existing roles, paying overtime and also employing additional staff to undertake this exercise. The Council has not used any externally commissioned providers to undertake this work.

### **Data Included within Annex A**

The guidance received regarding the Fair Cost of Care exercise is clear that the Council should use the data submitted by providers. The guidance implies the Council should only make adjustments to the data provided where there is a justifiable reason to do so. The guidance does not allow the figures to be adjusted to make the Fair Cost of Care match the Council's funding resources, therefore we have made limited adjustments to the data submitted by our providers through the Care Cubed system.

Return on Operations and Return on Capital Employed have not been adjusted from the provider submissions and therefore have been included based on the figures submitted by the providers.

We have been unable to provide separate data on the enhanced needs services as providers did not separate out their costs for enhanced support so this was not usable.

**The Council believes that the data submitted by providers is in a raw form and therefore the Council at this stage cannot confirm that the data entered into Annex A is an accurate reflection of the true Cost of Care in Darlington. The Council does not believe the figures submitted by providers are not accurate, but that there are large differences in the data provided between the**

**individual providers and therefore it is likely that one provider has interpreted the requirements slightly differently to another. Before any confirmed figures can be agreed by the Council and providers, a significant review of the data needs to be undertaken.**

In line with national guidance, the Council has made a number of adjustments to the data provided which are explained as follows:

- **Occupancy** – A number of submissions currently have occupancy rates below the expected “usual” (pre Covid) rates. This therefore means that the cost per bed is higher as a number of fixed costs have been split over fewer beds. The Council has therefore revised all provider returns to reflect a 90% occupancy level, this excludes care and nursing staff costs. This occupancy level has been selected in line with the North-East region and also Darlington’s usual operational occupancy.
- **Inflation** – There has been a significant variation in the inflation levels used within providers’ returns. Therefore, to ensure consistency of figures, the Council has undertaken an inflationary adjustment. Providers have submitted their actual costs for 2021/22 which has been used as starting point, these have then been inflated by the April 2022 consumer price indices using a relevant index to reflect the correct inflation rate as of April 2022. This has provided revised figures across all providers that can be compared equitably.
- **Excluded providers**- We have received eighteen returns from our providers for the Fair Cost of Care exercise, however four of those providers have provided limited data, with many elements of their returns looking very different to other providers. We were notified by one of the providers (a national provider from whom we requested two returns) that they had made a decision to provide limited financial information and no occupancy data for any of their care homes. We considered the data provided and felt that it was insufficient to determine a weekly FCoC fee. The figures from these four returns are outliers and therefore fall well outside of the median calculation, we feel at this stage it is appropriate to exclude these figures from our initial results in Annex A, however we will continue to engage with these providers throughout the next few months as we finalize the results of the Fair Cost of Care exercise.

### **Annex A Summary**

<b>Medians</b>	<b>65+ care home places without nursing</b>	<b>65+ care home places without nursing, enhanced needs</b>	<b>65+ care home places with nursing</b>	<b>65+ care home places with nursing, enhanced needs</b>
<b>Total Care Home Staffing</b>	<b>£358.12</b>	<b>£358.12</b>	<b>£561.80</b>	<b>£561.80</b>
Nursing Staff	£0.00	£0.00	£203.68	£203.68
Care Staff	£203.38	£203.38	£203.38	£203.38
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00
Activity Coordinators	£10.77	£10.77	£10.77	£10.77
Service Management (Registered Manager/Deputy)	£39.00	£39.00	£39.00	£39.00

<b>Medians</b>	<b>65+ care home places without nursing</b>	<b>65+ care home places without nursing, enhanced needs</b>	<b>65+ care home places with nursing</b>	<b>65+ care home places with nursing, enhanced needs</b>
Reception & Admin staff at the home	£11.11	£11.11	£11.11	£11.11
Chefs / Cooks	£38.60	£38.60	£38.60	£38.60
Domestic staff (cleaning, laundry & kitchen)	£44.57	£44.57	£44.57	£44.57
Maintenance & Gardening	£10.69	£10.69	£10.69	£10.69
Other care home staffing (please specify)	£0.00	£0.00	£0.00	£0.00
<b>Total Care Home Premises</b>	<b>£29.45</b>	<b>£29.45</b>	<b>£29.45</b>	<b>£29.45</b>
Fixtures & fittings	£3.99	£3.99	£3.99	£3.99
Repairs and maintenance	£13.97	£13.97	£13.97	£13.97
Furniture, furnishings and equipment	£10.20	£10.20	£10.20	£10.20
Other care home premises costs (please specify)	£1.29	£1.29	£1.29	£1.29
<b>Total Care Home Supplies and Services</b>	<b>£83.63</b>	<b>£83.63</b>	<b>£83.63</b>	<b>£83.63</b>
Food supplies	£26.48	£26.48	£26.48	£26.48
Domestic and cleaning supplies	£6.33	£6.33	£6.33	£6.33
Medical supplies (excluding PPE)	£4.51	£4.51	£4.51	£4.51
PPE	£0.12	£0.12	£0.12	£0.12
Office supplies (home specific)	£2.92	£2.92	£2.92	£2.92
Insurance (all risks)	£2.21	£2.21	£2.21	£2.21
Registration fees	£2.72	£2.72	£2.72	£2.72
Telephone & internet	£1.06	£1.06	£1.06	£1.06
Council tax / rates	£1.59	£1.59	£1.59	£1.59
Electricity, Gas & Water	£31.86	£31.86	£31.86	£31.86
Trade and clinical waste	£3.53	£3.53	£3.53	£3.53
Transport & Activities	£0.01	£0.01	£0.01	£0.01
Other care home supplies and services costs (please specify)	£0.29	£0.29	£0.29	£0.29
<b>Total Head Office</b>	<b>£22.84</b>	<b>£22.84</b>	<b>£22.84</b>	<b>£22.84</b>
Central / Regional Management	£15.87	£15.87	£15.87	£15.87
Support Services (finance / HR / legal / marketing etc.)	£1.87	£1.87	£1.87	£1.87
Recruitment, Training & Vetting (incl. DBS checks)	£5.10	£5.10	£5.10	£5.10

<b>Medians</b>	<b>65+ care home places without nursing</b>	<b>65+ care home places without nursing, enhanced needs</b>	<b>65+ care home places with nursing</b>	<b>65+ care home places with nursing, enhanced needs</b>
Other head office costs (please specify)	£0.00	£0.00	£0.00	£0.00
<b>Total Return on Operations</b>	<b>£99.55</b>	<b>£99.55</b>	<b>£99.55</b>	<b>£99.55</b>
<b>Total Return on Capital</b>	<b>£66.42</b>	<b>£66.42</b>	<b>£66.42</b>	<b>£66.42</b>
<b>TOTAL</b>	<b>£660.01</b>	<b>£660.01</b>	<b>£863.69</b>	<b>£863.69</b>

<b>Supporting information on important cost drivers used in the calculations:</b>	<b>65+ care home places without nursing</b>	<b>65+ care home places without nursing, enhanced needs</b>	<b>65+ care home places with nursing</b>	<b>65+ care home places with nursing, enhanced needs</b>
Number of location level survey responses received	11	11	7	7
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	9	9	5	5
Number of residents covered by the responses	420	420	95	95
Number of carer hours per resident per week	24	24	35	35
Number of nursing hours per resident per week	0	0	11	11
Average carer basic pay per hour	£9.81	£9.81	£9.81	£9.81
Average nurse basic pay per hour	£0	£0	£18.26	£18.26
Average occupancy as a percentage of active beds	78%	78%	78%	78%
Freehold valuation per bed	£40,292.00	£40,292.00	£40,292.00	£40,292.00

<b>Lower Quartile</b>	<b>65+ care home places without nursing</b>	<b>65+ care home places without nursing, enhanced needs</b>	<b>65+ care home places with nursing</b>	<b>65+ care home places with nursing, enhanced needs</b>
<b>Total Care Home Staffing</b>	<b>£403.25</b>	<b>£403.25</b>	<b>£0.00</b>	<b>£0.00</b>
Nursing Staff	£0.00	£0.00	£0.00	£0.00
Care Staff	£289.76	£289.76	£0.00	£0.00
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00

	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>Lower Quartile</b>				
Activity Coordinators	£9.26	£9.26	£0.00	£0.00
Service Management (Registered Manager/Deputy)	£34.14	£34.14	£0.00	£0.00
Reception & Admin staff at the home	£3.63	£3.63	£0.00	£0.00
Chefs / Cooks	£17.19	£17.19	£0.00	£0.00
Domestic staff (cleaning, laundry & kitchen)	£27.37	£27.37	£0.00	£0.00
Maintenance & Gardening	£9.86	£9.86	£0.00	£0.00
Other care home staffing (please specify)	£12.05	£12.05	£0.00	£0.00
<b>Total Care Home Premises</b>	<b>£20.68</b>	<b>£20.68</b>	<b>£0.00</b>	<b>£0.00</b>
Fixtures & fittings	£2.40	£2.40	£0.00	£0.00
Repairs and maintenance	£13.36	£13.36	£0.00	£0.00
Furniture, furnishings and equipment	£4.81	£4.81	£0.00	£0.00
Other care home premises costs (please specify)	£0.11	£0.11	£0.00	£0.00
<b>Total Care Home Supplies and Services</b>	<b>£95.16</b>	<b>£95.16</b>	<b>£0.00</b>	<b>£0.00</b>
Food supplies	£25.24	£25.24	£0.00	£0.00
Domestic and cleaning supplies	£5.26	£5.26	£0.00	£0.00
Medical supplies (excluding PPE)	£2.63	£2.63	£0.00	£0.00
PPE	£2.49	£2.49	£0.00	£0.00
Office supplies (home specific)	£3.40	£3.40	£0.00	£0.00
Insurance (all risks)	£5.01	£5.01	£0.00	£0.00
Registration fees	£3.55	£3.55	£0.00	£0.00
Telephone & internet	£0.66	£0.66	£0.00	£0.00
Council tax / rates	£1.21	£1.21	£0.00	£0.00
Electricity, Gas & Water	£39.65	£39.65	£0.00	£0.00
Trade and clinical waste	£3.53	£3.53	£0.00	£0.00
Transport & Activities	£1.23	£1.23	£0.00	£0.00
Other care home supplies and services costs (please specify)	£1.31	£1.31	£0.00	£0.00
<b>Total Head Office</b>	<b>£21.88</b>	<b>£21.88</b>	<b>£0.00</b>	<b>£0.00</b>
Central / Regional Management	£17.86	£17.86	£0.00	£0.00
Support Services (finance / HR / legal / marketing etc.)	£2.70	£2.70	£0.00	£0.00
Recruitment, Training & Vetting (incl. DBS checks)	£1.33	£1.33	£0.00	£0.00
Other head office costs (please specify)	£0.00	£0.00	£0.00	£0.00
<b>Total Return on Operations</b>	<b>£30.14</b>	<b>£30.14</b>	<b>£0.00</b>	<b>£0.00</b>
<b>Total Return on Capital</b>	<b>£38.69</b>	<b>£38.69</b>	<b>£0.00</b>	<b>£0.00</b>

	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>Lower Quartile</b>				
<b>TOTAL</b>	<b>£609.81</b>	<b>£609.81</b>	<b>£0.00</b>	<b>£0.00</b>

	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>Upper Quartile</b>				
<b>Total Care Home Staffing</b>	<b>£426.81</b>	<b>£426.81</b>	<b>£574.80</b>	<b>£574.80</b>
Nursing Staff	£0.00	£0.00	£147.99	£147.99
Care Staff	£281.14	£281.14	£281.14	£281.14
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00
Activity Coordinators	£6.84	£6.84	£6.84	£6.84
Service Management (Registered Manager/Deputy)	£42.33	£42.33	£42.33	£42.33
Reception & Admin staff at the home	£4.80	£4.80	£4.80	£4.80
Chefs / Cooks	£44.51	£44.51	£44.51	£44.51
Domestic staff (cleaning, laundry & kitchen)	£35.84	£35.84	£35.84	£35.84
Maintenance & Gardening	£11.13	£11.13	£11.13	£11.13
Other care home staffing (please specify)	£0.24	£0.24	£0.24	£0.24
<b>Total Care Home Premises</b>	<b>£23.27</b>	<b>£23.27</b>	<b>£23.27</b>	<b>£23.27</b>
Fixtures & fittings	£0.37	£0.37	£0.37	£0.37
Repairs and maintenance	£12.51	£12.51	£12.51	£12.51
Furniture, furnishings and equipment	£5.07	£5.07	£5.07	£5.07
Other care home premises costs (please specify)	£5.32	£5.32	£5.32	£5.32
<b>Total Care Home Supplies and Services</b>	<b>£104.79</b>	<b>£104.79</b>	<b>£104.79</b>	<b>£104.79</b>
Food supplies	£36.14	£36.14	£36.14	£36.14
Domestic and cleaning supplies	£5.41	£5.41	£5.41	£5.41
Medical supplies (excluding PPE)	£5.09	£5.09	£5.09	£5.09
PPE	£0.00	£0.00	£0.00	£0.00
Office supplies (home specific)	£2.05	£2.05	£2.05	£2.05
Insurance (all risks)	£2.76	£2.76	£2.76	£2.76
Registration fees	£3.93	£3.93	£3.93	£3.93

	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>Upper Quartile</b>				
Telephone & internet	£4.26	£4.26	£4.26	£4.26
Council tax / rates	£0.70	£0.70	£0.70	£0.70
Electricity, Gas & Water	£32.56	£32.56	£32.56	£32.56
Trade and clinical waste	£4.59	£4.59	£4.59	£4.59
Transport & Activities	£0.85	£0.85	£0.85	£0.85
Other care home supplies and services costs (please specify)	£6.44	£6.44	£6.44	£6.44
<b>Total Head Office</b>	<b>£61.60</b>	<b>£61.60</b>	<b>£61.60</b>	<b>£61.60</b>
Central / Regional Management	£16.11	£16.11	£16.11	£16.11
Support Services (finance / HR / legal / marketing etc.)	£31.24	£31.24	£31.24	£31.24
Recruitment, Training & Vetting (incl. DBS checks)	£8.97	£8.97	£8.97	£8.97
Other head office costs (please specify)	£5.28	£5.28	£5.28	£5.28
<b>Total Return on Operations</b>	<b>£98.96</b>	<b>£98.96</b>	<b>£98.96</b>	<b>£98.96</b>
<b>Total Return on Capital</b>	<b>£78.26</b>	<b>£78.26</b>	<b>£78.26</b>	<b>£78.26</b>
<b>TOTAL</b>	<b>£793.70</b>	<b>£793.70</b>	<b>£941.69</b>	<b>£941.69</b>

## Comparison to current rates

Description	65+ care home without nursing, £ per resident per week	65+ care with nursing, £ per resident per week
<b>Cost of care exercise result (from above)</b>	<b>£660.01</b>	<b>£863.69</b>
Average 2021/22 external provider fee rate (using iBCF definitions, consistently with 2022/23)	<b>£553.84</b>	<b>£553.84</b>
Average 2022/23 external provider fee rate (using iBCF definitions)	<b>£607.65</b>	<b>£607.65</b>
NHS funded nursing care rate 2022/23	Not applicable	£209.19
<b>Average 2022/23 external provider fee rate with FNC where applicable</b>	<b>£607.65</b>	<b>£816.84</b>
Hence distance from cost of care exercise result (%)	-7.93%	-5.42%
Hence 2022/23 fee uplift compared to 2021/22 (%), excluding FNC)	9.72%	9.72%

### **Next Steps**

The Council has undertaken the Fair Cost of Care exercise in line with the guidance published by DHSC. We thank our providers for taking part in this exercise as we appreciate this has been an additional task for them at a very busy time for all in the industry.

As referenced above whilst we do not think that the information provided by our providers is not accurate, there does appear to be many issues that need to be investigated before the Council can say that the figures included with Annex A are confirmed, an example of this is that a number of providers cost of care is significantly more than the rate they currently charge for their private residents. It is true that in many cases providers use the private rates charged to subsidise the rate paid by the Council, therefore it would seem unlikely that the provider would operate privately commissioned care at a loss. In these examples, for the providers concerned their annual statement of accounts were shown to be profitable, which would not be the case if they were making large losses between the rates charged and the fair costs of care. We do not believe that our providers information is inaccurate, but we do believe that some of the questions may have been misinterpreted and therefore the costs included are overstated. We will need to work with our providers over the coming months to ensure we tease out these issues and therefore produce a Fair Cost of Care rate that both the Council and providers are happy to agree.

The Council has provided a draft submission of its Market Sustainability Plan along with this Annex. This draft plan explains the Councils position on its care fees and how we intend to move towards the Fair Cost of Care in the future.