

**Cost Review of Care Home Services for Older People**

**For Newham Council**

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|     |   |    |
|-----|---|----|
| 1.  | Executive Summary .....   | 3  |
| 2.  | Managing the Annual Fee Adjustment.....                                       | 7  |
| 3.  | Introduction.....   | 9  |
| 4.  | Survey Summary.....   | 10 |
| 5.  | Response to the Survey.....   | 11 |
| 6.  | Survey Results - Service Details & Occupancy .....                            | 12 |
| 7.  | Survey Results - Unit Costs (Last Financial Year) .....                       | 14 |
| 8.  | Survey Results – Penultimate Financial Year.....                              | 18 |
| 9.  | Survey Results – Staffing Costs.....  | 18 |
|     | 9.1 Nursing Staff Costs.....  | 18 |
|     | 9.2 Care Staff Costs.....   | 20 |
| 10. | Survey Results - Care and Nursing Hours per Resident.....                     | 22 |
| 11. | Survey Results - Units Costs for each Needs Groups (Last Financial Year)..... | 25 |
| 12. | Survey Results – Cost adjustment to April 2022 Prices .....                   | 28 |
| 13. | Survey Results – Earnings (Last Financial Year) .....                         | 30 |
| 14. | Return on Capital & Operations (ROCO) .....                                   | 32 |
|     | 14.1 Return on Capital (ROC).....   | 32 |
|     | 14.2 Return on Operations & Fair Price of Care Rates .....                    | 36 |
|     | 14.3 Bespoke Pricing of Services .....  | 37 |
| 15. | Comparison of FPoC Rates against Newham’s Fee Tariff 2022/23 .....            | 38 |
| 16. | Constructing Benchmark Rates .....  | 39 |
|     | 16.1 Benchmark Care and Nursing Staff Costs .....                             | 40 |
|     | 16.2 Benchmark Operating Costs .....  | 41 |
|     | 16.3 Total Benchmark Rate .....   | 42 |
| 17. | Comparison of Benchmark Allocations with Survey Results .....                 | 43 |
| 18. | Appendix.....   | 47 |
|     | 18.1 Appendix 1- About Valuing Care.....                                      | 47 |
|     | 18.2 Appendix 2 – Survey Engagement.....                                      | 48 |
|     | 18.3 Appendix 3 - Template Requirements.....                                  | 49 |
|     | 18.4 Appendix 4 - Survey Analysis.....  | 50 |
|     | 18.5 Appendix 6 - Benchmark Staffing Costs.....                               | 51 |

## 1. Executive Summary

In February 2022, Newham Council (the Council) instructed Valuing Care Ltd (VC) to undertake a review of the cost of providing care home services to older people in Newham. The objective of the review is to provide the Council with reliable information on what it usually costs to provide care home services, which can be used to inform a sustainable fee structure.

To identify the usual cost of delivering services locally, Valuing Care have undertaken a survey of all care homes located in Newham (6 care homes), and all care homes whom the Council is procuring services from located in other East London Boroughs (31).

In response to the survey, Valuing Care received 9 template submissions from 7 different provider organisations – this comprised 4 templates for residential services and 5 for nursing services.

The low level of participation has been exacerbated by some care homes not completing all of the survey template – only 6 care homes provided a breakdown of their expenditure and 5 providers a summary of staffing costs per hour.

Based on the local survey results Valuing Care have constructed Fair Price of Care (FPoC) Rates for each needs group. The following points summarise how the rates have been calculated.

- The cost of nursing staff has been calculated by multiplying the median number of nursing hours (reported across all 4 nursing homes), by the median direct cost of nursing staff per hour
- The cost of care staff has been calculated by multiplying the median number of care hours provided to service users in each needs group, by the median direct cost of care staff per hour
- All other operating costs reflect the median costs reported by all care homes that participated in the survey
- Provision for return on capital (ROC) to provide a net yield of 5.6% on a freehold valuation of £90,000 per bed
- Provision for return on operations (ROO) has been calculated at 5% of total operating costs

Valuing Care recognise that there is rational for varying provision for Return on Capital and Operations in accordance with the location of the service, the quality of the care home environment, and the quality of the services provided.

The following table summarises the FPoC Rates at April 2022 prices. As the number of care homes included in the subsamples is insufficient to ensure a reliable result, these estimates should be treated with a high level of caution.

**Table 1 – Fair Price of Care Rates (at April 2022 prices)**

| Survey Section       | Cost Type / Driver              | Residential Older People | Residential Dementia | Nursing Older People | Nursing Dementia |
|----------------------|---------------------------------|--------------------------|----------------------|----------------------|------------------|
| Income & Expenditure | Nursing Staff                   | £0                       | £0                   | £240                 | £240             |
|                      | Care Staff                      | £280                     | £311                 | £274                 | £311             |
|                      | Service Management              | £47                      | £47                  | £47                  | £47              |
|                      | Other Care Home Staff           | £133                     | £133                 | £133                 | £133             |
|                      | Premises                        | £37                      | £37                  | £37                  | £37              |
|                      | Supplies & Services             | £107                     | £107                 | £107                 | £107             |
|                      | Head Office                     | £54                      | £54                  | £54                  | £54              |
|                      | <b>Total Operating Costs</b>    | <b>£658</b>              | <b>£690</b>          | <b>£893</b>          | <b>£929</b>      |
|                      | Return on Capital               | £103                     | £103                 | £103                 | £103             |
|                      | Return on Operations            | £33                      | £34                  | £45                  | £46              |
|                      | <b>FPoC Rate</b>                | <b>£794</b>              | <b>£827</b>          | <b>£1,040</b>        | <b>£1,079</b>    |
| Staffing Costs       | Direct Cost per Nursing Hour    | n/a                      | n/a                  | £26.29               | £26.29           |
|                      | Direct Cost per Care Staff Hour | £13.24                   | £13.24               | £13.24               | £13.24           |
| Staffing Inputs      | Nursing Hours PRW               | 0.0                      | 0.0                  | 9.1                  | 9.1              |
|                      | Care Staff Hours PRW            | 21.1                     | 23.5                 | 20.7                 | 23.5             |

The table shows:

- Similar levels of care staff input for residential older people (21.1 hrs), and nursing older people (20.7 hrs)
- Similar levels of care staff input for residential dementia (23.5 hrs), and nursing dementia (23.5 hrs)
- the increased cost of care staff to deliver a residential dementia service compared to a residential older people service (+2.4 hrs, +£33 Per Resident Week (PRW))
- the increased cost of care staff to deliver a nursing dementia service compared to a nursing older people service (+2.8 hrs, +£39 PRW)
- The estimated cost of nursing staff at £240 exceeds the current rate of NHS funded nursing care (FNC) which increased to £209.19 per week in April 2022. Acknowledging that FNC is only expected to cover 88% of total nursing time and costs, the Council may reasonably be expected to fund the difference which equates to approximately 13% of direct nursing staff costs.

Independent of the local cost survey, Valuing Care have used their cost model and database of service costs, to calculate benchmark rates for care home services for each needs group. This provides an opportunity to compare the local survey results against Valuing Care’s cost model and national intelligence of service costs.

The following tables provide, a summary of the benchmark rates for care home services in Newham (Table 2), and a summary of the variance between the FPoC rates and the benchmark (Table 3).

**Table 2 – Valuing Care Benchmark Rates (at April 2022 Prices)**

|                                 | Cost Type / Driver              | Residential Older People | Residential Dementia | Nursing Older People | Nursing Dementia |
|---------------------------------|---------------------------------|--------------------------|----------------------|----------------------|------------------|
| <b>Income &amp; Expenditure</b> | Nursing Staff                   | £0                       | £0                   | £187                 | £172             |
|                                 | Care Staff                      | £290                     | £327                 | £280                 | £336             |
|                                 | Service Management              | £45                      | £45                  | £38                  | £38              |
|                                 | Other Care Home Staff           | £108                     | £108                 | £108                 | £108             |
|                                 | Premises                        | £39                      | £39                  | £39                  | £39              |
|                                 | Supplies & Services             | £91                      | £91                  | £95                  | £95              |
|                                 | Head Office                     | £53                      | £54                  | £55                  | £55              |
|                                 | <b>Total Operating Costs</b>    | <b>£626</b>              | <b>£663</b>          | <b>£800</b>          | <b>£842</b>      |
|                                 | Return on Capital               | £103                     | £103                 | £103                 | £103             |
|                                 | Return on Operations            | £31                      | £33                  | £40                  | £42              |
|                                 | <b>Total Benchmark Rate</b>     | <b>£760</b>              | <b>£799</b>          | <b>£943</b>          | <b>£988</b>      |
| <b>Staffing Costs</b>           | Direct Cost per Nursing Hour    | n/a                      | n/a                  | £24.07               | £24.07           |
|                                 | Direct Cost per Care Staff Hour | £13.31                   | £13.31               | £13.10               | £13.10           |
| <b>Staffing Inputs</b>          | Nursing Hours PRW               | 0.0                      | 0.0                  | 7.8                  | 7.2              |
|                                 | Care Staff Hours PRW            | 21.8                     | 24.6                 | 21.4                 | 25.7             |

**Table 4 – Variance between FPoC and Benchmark**

| Survey Section       | Cost Type / Driver              | Residential Older People | Residential Dementia | Nursing Older People | Nursing Dementia |
|----------------------|---------------------------------|--------------------------|----------------------|----------------------|------------------|
| Income & Expenditure | Nursing Staff                   | £0                       | £0                   | £53                  | £68              |
|                      | Care Staff                      | -£11                     | -£16                 | -£5                  | -£25             |
|                      | Service Management              | £2                       | £2                   | £9                   | £9               |
|                      | Other Care Home Staff           | £26                      | £26                  | £26                  | £26              |
|                      | Premises                        | -£2                      | -£2                  | -£2                  | -£2              |
|                      | Supplies & Services             | £16                      | £16                  | £11                  | £11              |
|                      | Head Office                     | £1                       | £1                   | £0                   | -£1              |
|                      | <b>Total Operating Variance</b> | <b>£33</b>               | <b>£27</b>           | <b>£93</b>           | <b>£87</b>       |
|                      | Return on Capital               | £0                       | £0                   | £0                   | £0               |
|                      | Return on Operations            | £2                       | £1                   | £5                   | £4               |
|                      | <b>Total Rate Variance</b>      | <b>£34</b>               | <b>£28</b>           | <b>£97</b>           | <b>£91</b>       |
| Staffing Costs       | Direct Cost per Nursing Hour    | -                        | -                    | £2.22                | £2.22            |
|                      | Direct Cost per Care Staff Hour | -£0.06                   | -£0.06               | £0.14                | £0.14            |
| Staffing Inputs      | Nursing Hours PRW               | 0.0                      | 0.0                  | 1.4                  | 2.0              |
|                      | Care Staff Hours PRW            | -0.7                     | -1.1                 | -0.6                 | -2.2             |

The table shows the main cause of the adverse variance in nursing home services to be attributable to the median cost of nursing staff (reported in the local survey). This is partly offset by reduced expenditure on care staff, which shows favourable variances across all needs groups.

Median expenditure on other care home staff (including activity co-ordinators, domestic and maintenance staff) and domestic and cleaning supplies is high compared to the benchmark allocations. Otherwise, there is a reassuring level of consistency between the survey results and the benchmark allocations.

In VC's experience undertaking cost surveys for Councils and the NHS across the country, benchmark provision for operating costs is likely to be a good indication of the usual cost of providing care home services. VC also acknowledge that there is likely to be variation in the average service offer between areas, likely reflecting levels of income deprivation amongst older people, and the percentage of self-funders procuring services.

When determining a fair price it's important that costs allocations are sufficient to ensure the sustainability of services and allow for a reasonable return for the care provider. However this requirement must be balanced with an expectation that cost allocations do not exceed what's required to meet the needs of service users, and represent a cost-effective purchase for the public purse.

## 2. Managing the Annual Fee Adjustment

The Fair Price of Care (FPoC) Rates are stated at April 2022 prices.

To ensure they continue to reflect the actual costs of providing services, Valuing Care recommend they are adjusted on an annual basis, by an estimate of future inflation in year 1 (to September 2022 prices), and then to reflect actual inflation in subsequent years.

An estimate of future inflation is necessary in year 1 as actual inflation to mid-year 22/23 prices is not yet known. The estimate of future inflation should be updated annually to reflect anticipated cost pressures, with separate adjustment to reflect actual inflation over the previous year.

The following table summarises Valuing Care’s recommended adjustment for inflation over the next three years.

**Table 5 – Valuing Care’s recommended adjustment for inflation**

| Year             | Basis of Fee                     | Price Adjustment  |
|------------------|----------------------------------|---|
| Year 1 (2022/23) | FPoC rate (at April 2022 prices) | + Estimate of future inflation to Sept 2022   |
| Year 2 (2023/24) | FPoC rate (at 22/23 prices)      | + Adjusted to reflect actual inflation to September 2022<br>+ Estimate of future inflation to Sept 2023 |
| Year 3 (2024/25) | FPoC rate (at 23/24 prices)      | + Adjusted to reflect actual inflation to September 2023<br>+ Estimate of future inflation to Sept 2024 |

Valuing Care recommend the following indices as the basis for adjusting the benchmark rates to reflect actual inflation:

- Staff costs are inflated in line with the Average Weekly Earnings (AWE) series for health and social work (K5BC). The AWE is the Office for National Statistics (ONS) headline measure of short-term earnings growth
- Non staff costs are inflated in line with Consumer Price Index (CPI). The CPI is a measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a basket of retail goods and services, excluding house prices and mortgage interest

- Provision for return on capital is adjusted in line with Local Housing Allowance rates
- Provision for return on operations is maintained at 5% mark up on total operating costs

Valuing Care recognise there are other equally valid indices (or combinations of) which may be used to uplift care home fees but suggest that it is the adoption of clear methodology applied consistently on a year-to-year basis that is of primary importance to gain provider trust and confidence.



### 3. Introduction

In September 2021, the Prime Minister confirmed the government would be providing funding to support local authorities move towards paying providers a fair rate of care. Further details of the funding available and the funding conditions were specified in the policy paper ‘Market Sustainability and Fair Cost of Care Fund: Purpose and conditions 2022 to 2023,’ which was published on the 16th December 2021.

The conditions to access funding include:

1. conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it
2. engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market (particularly the 65+ residential care market, but also additional pressures to domiciliary care)
3. strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions
4. use this additional funding to genuinely increase fee rates, as appropriate to local circumstances

To help meet these conditions, Newham Council (the Council) instructed Valuing Care Ltd to undertake a review of the cost of providing care home services to older people in Newham. *Further information about Valuing Care is included in [Appendix 1](#).*

The objective of the review is to provide the Council with reliable information on what it usually costs to provide care home services, which may be used to inform future rates for services; also to assist the Council to develop a range of actions with the aim of ensuring a sustainable market, able to deliver the required quality and capacity of services to meet the needs of the local population.

The review required Valuing Care to engage local care home providers to participate in a survey reporting the income and expenditure of operating their services. *Further information about the engagement of providers and the survey requirements are included in [Appendices 2 & 3](#).*

Valuing Care have methodically analysed the response to the survey to produce the local survey results, which seek to identify the range and usual cost of delivering services in Newham. *Further information about Valuing Care’s approach to survey analysis is included in [Appendix 4](#).*

The report also provides the Council with an explanation of Valuing Care’s methodology for determining a fair level of Return on Capital & Operations (ROCO). This takes into

consideration several factors including local rental values, the market value of care homes, and typical investment yields from care home real estate.

To corroborate the local survey results, Valuing Care have used their cost model and national intelligence of care home operating costs to construct benchmark rates for care home services in Newham. Where there is a close level of similarity between the data sets, this should provide commissioners with additional confidence in the usual cost of operating services locally.

#### 4. Survey Summary

Valuing Care's analysis of the survey results made the following observations:

- Residential and nursing services reported a median capacity of 20 and 81 registered beds respectively, which is representative of the wider market of care home services in Newham
- Care homes reported an average freehold valuation of £100k per operational bed, varying between £75k and £114k across the middle fifty percent of providers
- The occupancy level and costs reported by all care homes for the last financial year typically reflect the year ending 30<sup>th</sup> June 2021, and thus will include the effects of dealing with COVID over a full year
- Residential homes reported median occupancy of 97% for the last and penultimate financial years. This compares favourably with nursing homes where median occupancy decreased from 91% to 80% over the same period
- The cost types showing the highest level of variability are expenditure on nursing staff (IQR=£157), care staff (IQR=£65), and support services (IQR=£85)
- Nursing homes typically spend more on ancillary staff (+£58), premises (+£19), supplies and services (+£25), and head office (+£57)
- Residential services typically spend more on care staff (+£48)
- The median direct cost of employing nursing staff totals £24.66 per hour and care staff £12.42 per hour over the last financial year
- Residential homes reported an average of 21.1 hours per resident week (PRW) for older people and 23.5 hours PRW for dementia
- Nursing homes reported an average of 20.7 hours PRW for older people and 23.5 hours PRW for dementia
- Nursing homes reported an average of 9.1 hours PRW across all nursing services, but higher inputs for older people (9.1 hrs) and less for dementia (7.8 hrs)
- Based on the local survey results adjusted to April 2022 prices, Valuing Care have estimated the total operating costs to deliver residential older people services at £658

PRW, residential dementia at £690, nursing older people at £893, and nursing dementia at £929

- The adjusted cost of nursing staff at £240 for older people and dementia, exceeds the current rate of NHS funded nursing care which is currently paid at £209 a week
- Care homes reported median earnings of £111 PRW, equivalent to 11.4% of their average income from fees and charges

## 5. Response to the Survey

In response to the survey, Valuing Care received 9 template submissions from 7 different provider organisations – this comprised 4 templates for residential services and 5 for nursing services.

The following table summarises the survey response by registration category:

**Table 6 – Summary of response to Newham survey**

| Final Survey Response               | Residential | Nursing    | Total Care Homes |
|-------------------------------------|-------------|------------|------------------|
| Templates received - Newham         | 0           | 4          | 4                |
| Templates received - OLA            | 4           | 1          | 5                |
| Declined to participate             | 8           | 20         | 28               |
| <b>Total invited to participate</b> | <b>12</b>   | <b>25</b>  | <b>37</b>        |
| <b>Response Rate - Newham (%)</b>   | <b>0%</b>   | <b>80%</b> | <b>67%</b>       |
| <b>Response Rate - OLA (%)</b>      | <b>36%</b>  | <b>5%</b>  | <b>16%</b>       |
| <b>Response Rate - Total (%)</b>    | <b>33%</b>  | <b>20%</b> | <b>24%</b>       |

Whilst receiving template submissions for 67% of the care homes located in Newham is a relatively good response rate, care homes located in other local authority areas were less willing to participate.

The low level of participation has been exacerbated by some care homes not completing all of the survey template – only 6 care homes provided a breakdown of their expenditure and 5 providers a summary of staffing costs per hour.

Valuing Care have consolidated all the information from the submitted templates within a sample group containing all care homes and subsamples for each registration category (residential and nursing).

This sample including all completed templates (9) has been analysed to identify a generic set of results for ‘All Services’. The subsamples for residential services (4 templates) and nursing services (5 templates), are intended to facilitate a comparison of costs between registration categories.

Valuing Care normally recommend a sample of at least 10 to generate a reliable result. Consequently, the number of templates included in each sample/ subsample require the survey results to be treated with a high level of caution.

The survey template also asked providers to report on the different types of need met within their care homes, identifying average occupancy and average care and nursing hours provided to service users within each needs group.

The objective of this request was to allow the formation of subsamples, which could be used to estimate the usual cost of care and nursing staff provided to people within each needs group.

The following table summarises the number of care homes who reported the average support levels provided to service users within each needs group.

**Table 7 – Number of care homes serving each needs group**

| Service Types reported on:  | Residential | Nursing | Total Care Homes |
|-----------------------------|-------------|---------|------------------|
| Residential Older People    | 2           | 1       | 3                |
| Residential Dementia        | 4           | 3       | 7                |
| Residential Additional Care | 1           | 0       | 1                |
| Nursing Older People        | n/a         | 4       | 4                |
| Nursing Dementia            | n/a         | 2       | 2                |
| Nursing Additional Care     | n/a         | 1       | 1                |

The table shows that 3 care homes reported the average support levels for residential older people, and 7 reported average support levels for residential dementia. The number of homes reporting residential services is increased by some nursing homes delivering services to these needs groups.

Later in this report, Valuing Care have estimated the usual cost of care and nursing staff provided to each needs group, based on the median care and nursing staff inputs reported by the care homes included in each subsample.

As the number of care homes included in the subsamples is insufficient to ensure a reliable result, these estimates should also be treated with a high level of caution.

## 6. Survey Results – Service Details & Occupancy

The template sections for service details and occupancy requested care homes to submit a range of information including: the registered and operational capacity of the service, an estimate of the freehold value of the care home, and a summary of average occupancy over their last two full accounting years.

The following table presents a percentile analysis of the response to these sections from all the care homes who participated in the survey.

**Table 8 – Survey Results – Percentile Analysis of Service Details & Occupancy**

| Service Details                    | Count | 1st Quartile | Median   | 3rd Quartile | IQR     |
|------------------------------------|-------|--------------|----------|--------------|---------|
| Registered no. of Beds             | 9     | 20           | 45       | 81           | 61      |
| Average freehold value value / bed | 5     | £75,000      | £100,000 | £114,286     | £39,286 |
| Occupancy - last year              | 9     | 80.2%        | 94.4%    | 100.0%       | 19.8%   |
| Occupancy - penultimate year       | 7     | 87.6%        | 94.4%    | 100.0%       | 12.4%   |

The table shows that the median capacity of care homes included in the survey results to be 45 places, ranging between 20 and 81 places across the middle fifty.

A total of 5 care homes reported an estimate of the freehold value of their care home, with a median valuation of £100k per operational bed – these ranged between £75k and £114k across the middle fifty percent of care homes.

While freehold valuations are likely to be subjective, the spread of valuations (Inter Quartile Range (IQR) = £39k), is also likely to reflect a combination of factors including the location of the service and the quality of the building.

The median percentage occupancy for the last and penultimate financial years (at 94.4% of operational beds) is marginally above the long-term average reported in previous surveys undertaken by Valuing Care, although there was wide variability within the sample group. This variability is due to the high level of vacancies reported by three nursing homes located in Newham.

The following table summarises the median service details and occupancy reported by residential and nursing services. For comparative purposes, these are shown alongside the median service results for all care homes who participated in the survey.

**Table 9 – Survey Results – Median Service Details & Occupancy**

| Service Details                    | All Services | Residential | Nursing | Variance |
|------------------------------------|--------------|-------------|---------|----------|
| Registered no. of Beds             | 45           | 20          | 81      | 62       |
| Average freehold value value / bed | £100,000     | £100,000    | £94,643 | –£5,357  |
| Occupancy - last year              | 94.4%        | 97.4%       | 80.2%   | –17.1%   |
| Occupancy - penultimate year       | 94.4%        | 97.2%       | 91.0%   | –6.2%    |

The table shows that the nursing homes who participated in the survey were significantly larger in size (with 81 places), compared to their residential counterparts (with 20 places). This is representative of the wider market of care home services for older people in Newham, where nursing homes average 81 places and residential homes average 16 places.

Median occupancy in the smaller residential services appears to have held up over the last two financial years. This compares favourably with nursing services where median occupancy decreased from 91% to 80% over the same period.

Theoretically, larger nursing services may be able to achieve economies of scale by sharing fixed costs between increased numbers of service users. This is likely to be negated by the low occupancy levels reported by some of the nursing homes included in the sample.

## 7. Survey Results – Unit Costs (Last Financial Year)

The survey template required care homes to provide a breakdown of total operating costs over their last financial year and report their occupancy levels for the corresponding period.

This information has been used to calculate average unit costs for each care home by dividing total expenditure for each cost type by total occupancy (except for nursing staff costs). Total expenditure on nursing staff has only been divided between the reported occupancy of service users who required nursing services.

The median financial year end reported by care homes who provided a breakdown of their expenditure was the 30th June 2021, ranging between March and November 2021 across the middle fifty. This means the majority of care homes reported expenditure includes the additional cost of dealing with COVID over a full year.

Please note that capital costs were specifically excluded from the survey template. As capital costs vary depending on the ownership of each care home and its capital structure (the mix of equity to debt), the survey process was designed to identify usual operating costs excluding Interest, Tax, Depreciation of buildings, Amortisation and Rent (ITDAR).

Valuing Care will provide separate advice to the Council as to the determination of a fair level of return on capital to care homeowners.

The following table presents a percentile analysis of the average operating costs (for each expenditure type and cost group), of the sample including all completed templates.

The totals for each cost group (for staffing, premises, supplies and services etc), are the medians reported across all providers within the sample, and are not the sums of the columns.

**Table 10 – Survey Results – Percentile Analysis of Average Unit Cost**

| Expenditure Types                          | Count    | 1st Quartile | Median      | 3rd Quartile | IQR         |
|--|----------|--------------|-------------|--------------|-------------|
| Nursing Staff                              | 4        | £174         | £251        | £332         | £157        |
| Care Staff                                 | 6        | £203         | £214        | £268         | £65         |
| Activity Coordinators                      | 6        | £11          | £17         | £18          | £7          |
| Service Mangement                          | 6        | £42          | £43         | £44          | £3          |
| Reception & Admin staff                    | 6        | £13          | £16         | £21          | £8          |
| Chefs / Cooks                              | 5        | £21          | £27         | £28          | £7          |
| Domestic Staff                             | 6        | £30          | £42         | £61          | £31         |
| Maintenance & Gardening                    | 5        | £10          | £20         | £23          | £13         |
| <b>SUB TOTAL - STAFFING</b>                | <b>6</b> | <b>£409</b>  | <b>£477</b> | <b>£582</b>  | <b>£173</b> |
| Repairs & Mtce + Fixtures & Fittings       | 6        | £18          | £31         | £44          | £26         |
| Furniture & equipment                      | 6        | £2           | £3          | £12          | £10         |
| <b>SUB TOTAL - PREMISES</b>                | <b>6</b> | <b>£21</b>   | <b>£33</b>  | <b>£56</b>   | <b>£35</b>  |
| Food supplies                              | 6        | £26          | £26         | £27          | £2          |
| Domestic and cleaning supplies             | 5        | £8           | £18         | £21          | £14         |
| Medical supplies                           | 4        | £3           | £5          | £7           | £4          |
| Office supplies (home specific)            | 5        | £2           | £4          | £4           | £3          |
| Insurance (all risks)                      | 6        | £3           | £6          | £8           | £5          |
| Registration fees (incl DBS checks)        | 5        | £3           | £3          | £4           | £2          |
| Telephone & internet                       | 6        | £1           | £1          | £2           | £1          |
| Council tax / rates                        | 6        | £2           | £3          | £4           | £2          |
| Electricity, Gas & Water                   | 6        | £12          | £14         | £17          | £5          |
| Trade and clinical waste                   | 5        | £4           | £6          | £8           | £4          |
| Transport & Activities                     | 6        | £1           | £2          | £3           | £2          |
| Other.....                                 | 5        | £3           | £8          | £15          | £11         |
| <b>SUB TOTAL - SUPPLIES &amp; SERVICES</b> | <b>6</b> | <b>£75</b>   | <b>£104</b> | <b>£109</b>  | <b>£35</b>  |
| Central / Regional Management              | 4        | £29          | £38         | £47          | £18         |
| Support Services                           | 6        | £6           | £9          | £90          | £85         |
| Recruitment and Training                   | 6        | £2           | £3          | £5           | £3          |
| <b>SUB TOTAL - HEAD OFFICE</b>             | <b>6</b> | <b>£17</b>   | <b>£50</b>  | <b>£139</b>  | <b>£123</b> |
| <b>TOTAL OPERATING COSTS</b>               | <b>6</b> | <b>£523</b>  | <b>£703</b> | <b>£869</b>  | <b>£365</b> |

The table shows the median total operating costs as £703 per resident week (PRW), ranging between £523 and £869 across the middle fifty percent of care homes.

The cost types showing the highest level of variability are expenditure on nursing staff (IQR=£157), care staff (IQR=£65), and support services (IQR=£85).

In Valuing Care’s experience, expenditure on nursing and care staff are most likely to vary depending on the service model and mix of needs being met within each care home.

Expenditure on central management & support is likely to vary depending on ownership and organisational size. There is also a risk that central departments are operated as profit centres and costs are overstated.

Where the range of values for a particular cost type are narrow (with a low IQR), this provides a clear indication of usual costs (for example, expenditure on food supplies). In these instances, the Council may take confidence in what represents a reasonable allocation for these cost types.

The following table summarises the median unit costs reported for residential and nursing care services. For comparative purposes, these are presented alongside the median unit costs reported by all the care homes who participated in the survey.

Please note that the totals are now stated as the sums of the columns and not the median values reported across the sample and subsamples. This facilitates variance analysis between the sample and subsamples and with the benchmark allocations later in the report.



**Table 11 – Survey Results – Percentile Analysis of Average Unit Cost**

| Expenditure Types                          | All Services | Residential | Nursing     | Variance    |
|--|--------------|-------------|-------------|-------------|
| Nursing Staff                              | £251         | £0          | £251        | £251        |
| Care Staff                                 | £214         | £252        | £204        | -£48        |
| Activity Coordinators                      | £17          | £14         | £17         | £3          |
| Service Mangement                          | £43          | £42         | £44         | £2          |
| Reception & Admin staff                    | £16          | £8          | £20         | £12         |
| Chefs / Cooks                              | £27          | £27         | £24         | -£2         |
| Domestic Staff                             | £42          | £22         | £58         | £36         |
| Maintenance & Gardening                    | £20          | £10         | £21         | £12         |
| <b>SUB TOTAL - STAFFING</b>                | <b>£631</b>  | <b>£375</b> | <b>£641</b> | <b>£266</b> |
| Repairs & Mtce + Fixtures & Fittings       | £31          | £24         | £37         | £14         |
| Furniture & equipment                      | £3           | £3          | £9          | £6          |
| <b>SUB TOTAL - PREMISES</b>                | <b>£34</b>   | <b>£26</b>  | <b>£46</b>  | <b>£19</b>  |
| Food supplies                              | £26          | £27         | £26         | -£1         |
| Domestic and cleaning supplies             | £18          | £8          | £19         | £12         |
| Medical supplies                           | £5           | -           | £5          | -           |
| Office supplies (home specific)            | £4           | £2          | £4          | £3          |
| Insurance (all risks)                      | £6           | £2          | £8          | £6          |
| Registration fees (incl DBS checks)        | £3           | £3          | £4          | £1          |
| Telephone & internet                       | £1           | £3          | £1          | -£2         |
| Council tax / rates                        | £3           | £3          | £3          | £0          |
| Electricity, Gas & Water                   | £14          | £11         | £16         | £5          |
| Trade and clinical waste                   | £6           | £2          | £7          | £5          |
| Transport & Activities                     | £2           | £5          | £1          | -£4         |
| Other.....                                 | £8           | £8          | £9          | £1          |
| <b>SUB TOTAL - SUPPLIES &amp; SERVICES</b> | <b>£97</b>   | <b>£74</b>  | <b>£104</b> | <b>£25</b>  |
| Central / Regional Management              | £38          | £41         | £38         | -£3         |
| Support Services                           | £9           | £6          | £64         | £58         |
| Recruitment and Training                   | £3           | £2          | £5          | £2          |
| <b>SUB TOTAL - HEAD OFFICE</b>             | <b>£50</b>   | <b>£49</b>  | <b>£106</b> | <b>£57</b>  |
| <b>TOTAL OPERATING COSTS</b>               | <b>£811</b>  | <b>£524</b> | <b>£897</b> | <b>£373</b> |

The table facilitates a comparison of the average costs incurred by residential and nursing home services over their last full accounting year.

The table shows the aggregated median cost of nursing homes services to be £373 more than the aggregated median cost of residential homes.

Most of the variation can be attributed to the cost of nursing staff which averaged £251 per week on services users requiring nursing care.

It would also seem that nursing homes are typically spending more than residential homes on most types of expenditure, including ancillary staff (+£61), premises (+£19), supplies and services (+£25), and head office (+£57). To some extent these variances may be exacerbated by the low level of occupancy reported by participating nursing homes.

In comparison, residential services only appear to spend more on care staff (+£48).

## 8. Survey Results – Penultimate Financial Year

Anticipating that the survey results for the last financial year were likely to be impacted by COVID 19, care home providers were also requested to report their occupancy and expenditure for their penultimate financial year.

Unfortunately only 2 care homes provided a breakdown of their income and expenditure for the penultimate year. This is insufficient to provide a meaningful financial analysis of the impact of COVID on care homes in East London.

In recent surveys completed by Valuing Care for other Councils, the additional cost of dealing with COVID has ranged between an additional £47 and £78 PRW, which was largely attributable to additional care and nursing staff costs.

In both instances the additional costs were largely offset by an increase in funding, which included COVID support grants, Statutory Sickness Pay for staff required to isolate, and the furlough scheme.

## 9. Survey Results – Staffing Costs

This section required care homes to provide a summary of the average cost of employing care and nursing staff, senior care and nursing staff, and agency care and nursing staff.

The information requested for each type and grade of staff included, total hours per week, average rates of pay, employer on costs and paid cover days over the last full accounting year.

The information was used to calculate the average blended rate for care staff, and the average blended rate for nursing staff employed in each care home.

The median financial year end reported by care homes who provided a summary of their care and nursing staff costs per hour is 30<sup>th</sup> November 2021, with a mid-year point of 31<sup>st</sup> May 2021. This means that reported pay costs predominantly reflect the 2021/22 financial year.

### 9.1 Nursing Staff Costs

The following tables present a percentile analysis of the reported cost of nursing staff and senior nursing staff, reported by all nursing homes who participated in the survey.

Please note that the totals within the tables are values reported by individual providers and are not the sums of the columns.

**Table 14a – Percentile Analysis of Nursing Staff Costs per Hour**

| COST PER NURSE HOUR                                       | Count    | 1st Quartile  | Median        | 3rd Quartile  | IQR          |
|---|----------|---------------|---------------|---------------|--------------|
| <b>Average cost per hour (basic pay)</b>                  | <b>3</b> | <b>£18.25</b> | <b>£19.50</b> | <b>£20.25</b> | <b>£2.00</b> |
| Employers National Insurance                              | 3        | 9.0%          | 9.0%          | 9.0%          | 0.0%         |
| Employers Pension Costs                                   | 3        | 2.5%          | 3.0%          | 3.0%          | 0.5%         |
| <b>Cost of employers on-costs per hour</b>                | <b>3</b> | <b>£2.09</b>  | <b>£2.15</b>  | <b>£2.33</b>  | <b>£0.24</b> |
| Average no. of days holiday per worker                    | 3        | 26.5          | 28.0          | 28.0          | 1.5          |
| Average no. of days sickness/maternity per worker         | 3        | 1.5           | 3.0           | 4.0           | 2.5          |
| Average no. of days training per worker                   | 3        | 2.5           | 5.0           | 5.0           | 2.5          |
| Total days cover required (per worker per annum)          | 3        | 31.5          | 35.0          | 35.5          | 4.0          |
| <b>Cost of staff cover per hour</b>                       | <b>3</b> | <b>£2.83</b>  | <b>£3.05</b>  | <b>£3.35</b>  | <b>£0.52</b> |
| <b>Average Cost per Hour (incl. on costs &amp; cover)</b> | <b>3</b> | <b>£23.17</b> | <b>£24.25</b> | <b>£25.71</b> | <b>£2.54</b> |

The table shows the median total direct cost of nursing staff to be £24.25 per hour. This typically includes basic pay at £19.50 per hour, employer national insurance at 9% of basic pay, employer pension costs at 3% of basic pay, and paid cover of 35 days per annum.

**Table 14b – Percentile Analysis of Senior Nursing Staff Costs per Hour**

| COST PER SENIOR NURSE HOUR                                | Count    | 1st Quartile  | Median        | 3rd Quartile  | IQR          |
|---|----------|---------------|---------------|---------------|--------------|
| <b>Average cost per hour (basic pay)</b>                  | <b>3</b> | <b>£20.00</b> | <b>£22.00</b> | <b>£23.00</b> | <b>£3.00</b> |
| Employers National Insurance                              | 3        | 9.0%          | 9.0%          | 9.0%          | 0.0%         |
| Employers Pension Costs                                   | 3        | 2.5%          | 3.0%          | 3.0%          | 0.5%         |
| <b>Cost of employers on-costs per hour</b>                | <b>3</b> | <b>£2.29</b>  | <b>£2.42</b>  | <b>£2.65</b>  | <b>£0.36</b> |
| Average no. of days holiday per worker                    | 3        | 26.5          | 28.0          | 28.0          | 1.5          |
| Average no. of days sickness/maternity per worker         | 3        | 1.5           | 3.0           | 4.0           | 2.5          |
| Average no. of days training per worker                   | 3        | 2.5           | 5.0           | 5.0           | 2.5          |
| Total days cover required (per worker per annum)          | 3        | 31.5          | 35.0          | 35.5          | 4.0          |
| <b>Cost of staff cover per hour</b>                       | <b>3</b> | <b>£3.08</b>  | <b>£3.23</b>  | <b>£3.70</b>  | <b>£0.61</b> |
| <b>Average Cost per Hour (incl. on costs &amp; cover)</b> | <b>3</b> | <b>£25.37</b> | <b>£27.36</b> | <b>£29.20</b> | <b>£3.83</b> |

The table shows the median total direct cost of senior nursing staff to be £27.36 per hour. This typically includes basic pay at £22.00 per hour, employer national insurance at 9% of basic pay, employer pension costs at 3% of basic pay, and paid cover of 35 days per annum.

The following table presents a percentile analysis of the total direct cost of employing each type/grade of nursing staff, and the blended rate reported by all care homes with nursing who participated in the survey.

The total blended rate covers the mix of nursing staff, senior nursing staff and agency nursing staff employed in each care home, based on the total hours reported for each

type/grade of staff. None of the 3 care homes who reported the cost of nursing staff per hour, identified the cost of agency staff.

**Table 14c – Percentile Analysis of Total Blended Nursing Staff Costs per Hour**

| Type of Staff                                      | Count    | 1st Quartile  | Median        | 3rd Quartile  | IQR          |
|--|----------|---------------|---------------|---------------|--------------|
| Nursing staff                                      | 3        | £23.17        | £24.25        | £25.71        | £2.54        |
| Senior Nursing Staff                               | 3        | £25.37        | £27.36        | £29.20        | £3.83        |
| Agency Nursing Staff                               | 0        | -             | -             | -             | -            |
| <b>Total Blended Direct Nursing Costs per Hour</b> | <b>3</b> | <b>£22.43</b> | <b>£24.66</b> | <b>£26.37</b> | <b>£3.94</b> |

The table shows the median total blended cost of nursing staff to be £24.66 per hour, varying between £22.43 and £26.37 across the middle fifty percent of providers. The wide range of costs (IQR=£3.94) indicates significant variability between providers.

## 9.2 Care Staff Costs

The following table presents a percentile analysis of the reported cost of care assistants, of the sample including all care homes.

**Table 15a – Percentile Analysis of Care Assistant Costs per Hour**

| COST PER CARE ASSISTANT HOUR                              | Count    | 1st Quartile  | Median        | 3rd Quartile  | IQR          |
|---|----------|---------------|---------------|---------------|--------------|
| <b>Average cost per hour (basic pay)</b>                  | <b>5</b> | <b>£9.50</b>  | <b>£9.50</b>  | <b>£9.80</b>  | <b>£0.30</b> |
| Employers National Insurance                              | 5        | 7.0%          | 8.1%          | 9.0%          | 2.0%         |
| Employers Pension Costs                                   | 5        | 2.0%          | 2.0%          | 2.8%          | 0.8%         |
| <b>Cost of employers on-costs per hour</b>                | <b>5</b> | <b>£0.94</b>  | <b>£0.99</b>  | <b>£1.05</b>  | <b>£0.11</b> |
| Average no. of days holiday per worker                    | 5        | 28.0          | 28.0          | 28.0          | 0.0          |
| Average no. of days sickness/maternity per worker         | 5        | 0.0           | 2.5           | 5.0           | 5.0          |
| Average no. of days training per worker                   | 5        | 2.0           | 5.0           | 5.0           | 3.0          |
| Total days cover required (per worker per annum)          | 5        | 31.0          | 35.0          | 35.5          | 4.5          |
| <b>Cost of staff cover per hour</b>                       | <b>5</b> | <b>£1.56</b>  | <b>£1.57</b>  | <b>£1.61</b>  | <b>£0.05</b> |
| <b>Average Cost per Hour (incl. on costs &amp; cover)</b> | <b>5</b> | <b>£11.81</b> | <b>£12.00</b> | <b>£12.27</b> | <b>£0.46</b> |

The table shows the median total direct cost of care assistants to be £12.00 per hour. This typically includes basic pay at £9.50 per hour, employer national insurance at 8.1% of basic pay, employer pension costs at 2% of basic pay, and paid cover of 35 days per annum.

It is important to remember that the cost of care assistants reported in the Newham survey typically reflects the year to November 2021. Thus the average rates reported in the survey do not reflect the increase to the National Living Wage (NLW) in April 2022, which required workers aged 25 and above to be paid a minimum of £9.50 per hour.

While the average rate of pay for care assistants already appears to meet current NMW requirements, it is important to recognise that the average basic pay reported by each care home may cover a mix of staff paid at differing rates, some of whom will have

received a mandatory increase in their pay (in April 2022). Also to acknowledge the pressure on care home providers to maintain pay differential between grades of staff. The following table presents a percentile analysis of the reported cost of senior care assistants, of the sample including all completed templates.

**Table 15b – Percentile Analysis of Senior Care Assistant Costs per Hour**

| COST PER SENIOR CARE ASSISTANT HOUR                       | Count    | 1st Quartile  | Median        | 3rd Quartile  | IQR          |
|---|----------|---------------|---------------|---------------|--------------|
| <b>Average cost per hour (basic pay)</b>                  | <b>4</b> | <b>£10.49</b> | <b>£11.25</b> | <b>£12.13</b> | <b>£1.64</b> |
| Employers National Insurance                              | 4        | 6.5%          | 8.0%          | 9.0%          | 2.5%         |
| Employers Pension Costs                                   | 4        | 2.5%          | 3.0%          | 3.0%          | 0.5%         |
| <b>Cost of employers on-costs per hour</b>                | <b>4</b> | <b>£0.97</b>  | <b>£1.15</b>  | <b>£1.32</b>  | <b>£0.35</b> |
| Average no. of days holiday per worker                    | 4        | 26.3          | 28.0          | 28.0          | 1.8          |
| Average no. of days sickness/maternity per worker         | 4        | 2.3           | 4.0           | 5.0           | 2.8          |
| Average no. of days training per worker                   | 4        | 4.3           | 5.0           | 6.5           | 2.3          |
| Total days cover required (per worker per annum)          | 4        | 34.0          | 35.5          | 36.8          | 2.8          |
| <b>Cost of staff cover per hour</b>                       | <b>4</b> | <b>£1.89</b>  | <b>£1.93</b>  | <b>£1.99</b>  | <b>£0.10</b> |
| <b>Average Cost per Hour (incl. on costs &amp; cover)</b> | <b>4</b> | <b>£13.58</b> | <b>£14.14</b> | <b>£14.99</b> | <b>£1.41</b> |

The table shows the median total direct cost of senior care assistants to be £14.14 per hour. This typically includes basic pay at £11.25 per hour, employer national insurance at 8% of basic pay, employer pension costs at 3% of basic pay, and paid cover of 35.5 days per annum.

The following table presents a percentile analysis of the total direct cost of employing each type/grade of care assistants, and the blended rate reported by all care homes.

The total blended rate covers the mix of care assistants, senior care assistants and agency workers employed in each care home, based on the total hours reported for each type/grade of staff.

**Table 15c – Percentile Analysis of Blended Nursing Staff Costs per Hour**

| Type of Staff                    | Count    | 1st Quartile  | Median        | 3rd Quartile  | IQR          |
|----------------------------------|----------|---------------|---------------|---------------|--------------|
| Care Assistants                  | 5        | £11.81        | £12.00        | £12.27        | £0.46        |
| Senior Care Assistants           | 4        | £13.58        | £14.14        | £14.99        | £1.41        |
| Agency Care Assistants           | 1        | £13.00        | £13.00        | £13.00        | £0.00        |
| <b>Total Care Hours per Week</b> | <b>5</b> | <b>£11.81</b> | <b>£12.42</b> | <b>£12.92</b> | <b>£1.11</b> |

The table shows the median total blended cost of care staff to be £12.42 per hour, varying between £11.81 and £12.92 across the middle fifty percent of providers. The narrow range provides greater confidence in the usual cost of employing care staff in Newham.

## 10. Survey Results – Care and Nursing Hours per Resident

The survey template requested each care home to provide a summary of the total number of care and nursing staff hours employed each week. This information has been used to calculate the average care and nursing hours available per resident/week (for each care home), by dividing total hours by average occupancy.

Care home providers were also asked to estimate the level of care provided to each needs group they delivered services to, taking into consideration the average level of care and nursing hours available per resident each week. A care hours calculator was provided within the template to assist providers with these estimates, by inputting staff to service user ratios throughout the day and night.

As there was a low level response to the completion of this section, Valuing Care subsequently contacted each care home (delivering services to more than 1 needs group) to ask them specifically about the levels of care provided to the needs groups they serve. Only one of the participating homes subsequently reported differing levels of care, whilst 3 care homes declined to differentiate levels of care between older people and dementia services.

The following table presents a percentile analysis of the average care staff hours reported by care homes in each sample/ subsample group.

**Table 16a – Percentile Analysis of Care Staff Inputs per Resident Week**

| <i>Care Staff Hours PRW</i> | Count | 1st Quartile | Median | 3rd Quartile | IQR |
|-----------------------------|-------|--------------|--------|--------------|-----|
| All Care Homes              | 8     | 19.3         | 22.4   | 24.4         | 5.2 |
| All Residential Homes       | 4     | 21.8         | 23.5   | 25.2         | 3.5 |
| All Nursing Homes           | 4     | 19.3         | 20.7   | 22.8         | 3.6 |
| Residential Older People    | 3     | 21.1         | 23.1   | 23.9         | 2.8 |
| Residential Dementia        | 7     | 20.7         | 22.6   | 24.5         | 3.8 |
| Nursing Older People        | 4     | 19.3         | 20.7   | 22.8         | 3.6 |
| Nursing Dementia            | 2     | 22.8         | 23.5   | 24.1         | 1.3 |

The table shows that residential homes are typically providing a higher level of care staff inputs (median=23.5 hours PRW), than nursing homes (20.7 hours PRW).

Care homes delivering residential care services (which includes 3 nursing homes) reported an average of 23.1 hours PRW for older people and 22.6 hours PRW for dementia.

The following table presents a percentile analysis of the average care staff hours reported just by residential care homes.

**Table 16b – Percentile Analysis of Care Staff Inputs per Resident Week**

| Service Type             | Count | 1st Quartile | Median | 3rd Quartile | IQR |
|--------------------------|-------|--------------|--------|--------------|-----|
| All Residential Homes    | 4     | 21.8         | 23.5   | 25.2         | 3.5 |
| Residential Older People | 2     | 20.1         | 21.1   | 22.1         | 2.0 |
| Residential Dementia     | 4     | 21.8         | 23.5   | 25.5         | 3.7 |

The table shows that residential homes reported an average of 21.1 hours PRW for residential older people and 23.5 hours PRW for dementia.

In comparison nursing homes reported an average of 20.7 hours PRW for nursing older people and 23.5 hours PRW for nursing dementia.

The results suggest that nursing homes are typically providing comparable levels of care staff input to their residential counterparts (c. 21 hrs PRW standard, and 23.5 hrs PRW dementia). This finding is consistent with previous surveys where care homes usually report higher levels of care staff input to people with dementia

Despite the small size of the subsample groups, the survey results provide some support for maintaining a premium for dementia services. However, a case may also be made for introducing a single rate, based on care homes inability to differentiate levels of care between needs group.

The following table presents a percentile analysis of the average nursing staff hours reported by nursing homes, and the estimated inputs for each needs group.

Average nursing staff hours have been calculated by dividing total nursing hours by average occupancy of services users requiring nursing care services.

Service users receiving residential services in nursing homes have been assumed not to receive any nursing staff inputs, although it is unlikely that residential service users do not benefit from the supervision and oversight of nurses.

**Table 16b – Percentile Analysis of Nursing Staff Inputs per Resident Week**

| <i>Nursing Staff Hours PRW</i> | Count | 1st Quartile | Median | 3rd Quartile | IQR |
|--------------------------------|-------|--------------|--------|--------------|-----|
| All Nursing Homes              | 4     | 8.0          | 9.1    | 11.6         | 3.6 |
| Nursing Older People           | 4     | 8.0          | 9.1    | 11.6         | 3.6 |
| Nursing Dementia               | 2     | 7.5          | 7.8    | 8.0          | 0.5 |

The table shows that care homes with nursing are typically providing an average of 9.1 nursing staff hours PRW to service users with nursing care needs. This varies between 8.0 and 11.6 hours across the ‘middle fifty,’ indicating high variability between participating homes.

Variability in nursing staff hours is exacerbated by the three nursing homes that reported high levels of vacancies over the last financial year, resulting in nursing staff hours being shared between fewer service users.

As for care staff inputs, the number of care homes reporting the delivery of nursing standard and dementia creates uncertainty about the reliability of these results.

By way of comparison, Mazars review of NHS funded nursing care for the Department of Health (published 27th May 2016), reported 8.35 hours per resident week for nursing care and 8.67 hours for nursing and dementia care.

It would thus appear that nursing homes in Newham are providing similar levels of nursing care, to those identified by Mazars in 2016.

It is also important to note some activities undertaken by nursing staff (including general management and administration), are not required to be undertaken by a nurse, and are excluded by the Department of Health and Social Care (DHSC) when determining the amount of NHS funded nursing care (FNC).

The most recent review of FNC undertaken by Laing Buisson for the DHSC in 2019 concluded that 88% of total nursing time and costs were eligible for FNC (which is consistent with the proportion previously identified by Mazars in 2016). The implication of this finding is that Councils maybe reasonably expected to fund up to 12% of direct nursing costs, where a service user is eligible for FNC.



## 11. Survey Results – Units Costs for each Needs Groups (Last Financial Year)

Based on the response to the local cost survey, Valuing Care have identified the median direct cost of employing care and nursing staff, and the median levels of care and nursing staff input provided to service users within each needs group (over the last financial year).

By multiplying these elements it is possible to estimate total expenditure on care and nursing staff usually required to support service users within each needs group.

Despite the small size of the subsamples and the reluctance of some providers to differentiate levels of care, the survey results provide some support for maintaining a premium for dementia services. Valuing Care have thus made the following assumptions to estimate total expenditure on care and nursing staff for each needs group;

- Care staff inputs for residential older people and dementia reflect the median levels of care hours for each needs group reported just by residential homes
- Care staff inputs for nursing older people and dementia reflect the median levels of care hours for each needs group reported by nursing homes
- Nursing staff inputs for nursing older people and dementia reflect the median levels of nursing hours reported across all nursing home services (9.1 hrs)

The following table presents a summary of this calculation for each needs group.

**Table 17 – Estimated Cost of Care and Nursing Staff for each Needs Group**

|                                 | Residential Older People | Residential Dementia | Nursing Older People | Nursing Dementia |
|---------------------------------|--------------------------|----------------------|----------------------|------------------|
| Median Cost per Nursing Hour    | -                        | -                    | £24.66               | £24.66           |
| Median Cost per Care Staff Hour | £12.42                   | £12.42               | £12.42               | £12.42           |
| Median Nursing Hours PRW        | 0.0                      | 0.0                  | 9.1                  | 9.1              |
| Median Care Hours PRW           | 21.1                     | 23.5                 | 20.7                 | 23.5             |
| Estimated Exp. on Nursing Staff | £0                       | £0                   | £225                 | £225             |
| Estimated Exp. on Care Staff    | £262                     | £292                 | £257                 | £292             |

To estimate all other operating costs for each needs group, Valuing Care have assumed the median costs identified from the sample including all completed templates. In Valuing Care's experience other costs do not vary significantly between registration categories

The following table presents a detailed summary of the estimated cost of delivering services to each needs group based on the local survey results (for the last financial year).

**Table 18 – Estimated Total Operating Costs (last financial year)**

| <b>Expenditure Types</b>                   | <b>Residential Older People</b> | <b>Residential Dementia</b> | <b>Nursing Older People</b> | <b>Nursing Dementia</b> |
|--|---------------------------------|-----------------------------|-----------------------------|-------------------------|
| Nursing Staff                              | £0                              | £0                          | £225                        | £225                    |
| Care Staff                                 | £262                            | £292                        | £257                        | £292                    |
| Activity Coordinators                      | £17                             | £17                         | £17                         | £17                     |
| Service Mangement                          | £43                             | £43                         | £43                         | £43                     |
| Reception & Admin staff                    | £16                             | £16                         | £16                         | £16                     |
| Chefs / Cooks                              | £27                             | £27                         | £27                         | £27                     |
| Domestic Staff                             | £42                             | £42                         | £42                         | £42                     |
| Maintenance & Gardening                    | £20                             | £20                         | £20                         | £20                     |
| <b>SUB TOTAL - STAFFING</b>                | <b>£428</b>                     | <b>£457</b>                 | <b>£648</b>                 | <b>£682</b>             |
| Repairs & Mtce + Fixtures & Fittings       | £31                             | £31                         | £31                         | £31                     |
| Furniture & equipment                      | £3                              | £3                          | £3                          | £3                      |
| <b>SUB TOTAL - PREMISES</b>                | <b>£34</b>                      | <b>£34</b>                  | <b>£34</b>                  | <b>£34</b>              |
| Food supplies                              | £26                             | £26                         | £26                         | £26                     |
| Domestic and cleaning supplies             | £18                             | £18                         | £18                         | £18                     |
| Medical supplies                           | £5                              | £5                          | £5                          | £5                      |
| Office supplies (home specific)            | £4                              | £4                          | £4                          | £4                      |
| Insurance (all risks)                      | £6                              | £6                          | £6                          | £6                      |
| Registration fees (incl DBS checks)        | £3                              | £3                          | £3                          | £3                      |
| Telephone & internet                       | £1                              | £1                          | £1                          | £1                      |
| Council tax / rates                        | £3                              | £3                          | £3                          | £3                      |
| Electricity, Gas & Water                   | £14                             | £14                         | £14                         | £14                     |
| Trade and clinical waste                   | £6                              | £6                          | £6                          | £6                      |
| Transport & Activities                     | £2                              | £2                          | £2                          | £2                      |
| Other.....                                 | £8                              | £8                          | £8                          | £8                      |
| <b>SUB TOTAL - SUPPLIES &amp; SERVICES</b> | <b>£97</b>                      | <b>£97</b>                  | <b>£97</b>                  | <b>£97</b>              |
| Central / Regional Management              | £38                             | £38                         | £38                         | £38                     |
| Support Services                           | £9                              | £9                          | £9                          | £9                      |
| Recruitment and Training                   | £3                              | £3                          | £3                          | £3                      |
| <b>SUB TOTAL - HEAD OFFICE</b>             | <b>£50</b>                      | <b>£50</b>                  | <b>£50</b>                  | <b>£50</b>              |
| <b>TOTAL OPERATING COSTS</b>               | <b>£609</b>                     | <b>£638</b>                 | <b>£829</b>                 | <b>£863</b>             |

The table shows the estimated total operating costs for residential older people to be £609 PRW, and for nursing older people to be £829 PRW.

The net variance in total operating costs of £220 PRW can be attributed to the additional cost of nursing (+£225), marginally offset by the reduced cost of care staff (-£5). All other operating costs are assumed to be equal.

The additional cost of providing residential dementia services (at £638 PRW) over and above a residential older people service, can be entirely attributed to the higher cost of care staff (+£30).

The additional cost of providing nursing dementia services (at £863 PRW), compared to a nursing older people service, can be entirely attributed to increased care staff costs (+£35), as nursing staff costs have been assumed to be equal.

Valuing Care acknowledge that a reasonable case may be made for apportioning other operating costs on a different basis. For example, service users receiving dementia and additional care services may receive a greater share of service management time than a service user receiving a standard service for older people.

For the sake of simplicity and the marginal difference in total operating costs, Valuing Care believe the equal sharing of other operating costs should suffice.

Please note that total Operating Costs excludes the cost of Interest, Tax, Depreciation of buildings, Amortisation and Rent (ITDAR), for the reasons previously identified in Section 7 of this report.

## 12. Survey Results – Cost adjustment to April 2022 Prices

The survey template asked providers to report their expenditure over their last full accounting year. Valuing Care have used this information to estimate operating costs for each needs group based on average costs and staffing inputs.

It's important to recognise these costs are historic costs which reflect different price base.

The median financial year end reported by care homes who provided a breakdown of their expenditure is 30<sup>th</sup> June 2021, with a mid-year point of 31<sup>st</sup> December 2020.

The median financial year end reported by care homes who provided a summary of their care and nursing staff costs per hour is 30<sup>th</sup> November 2021, with a mid-year point of 30<sup>th</sup> June 2021.

Valuing Care usually index care home staffing and head office costs to Average Weekly Earnings (AWE) series for health and social work (K5BC). This data is not yet available for April 2022 – it's due to be published on 14<sup>th</sup> June 2022.

Therefore, to restate estimated operating costs for each needs group at April 2022 prices, Valuing Care have adjusted the unit costs in line with the following indices:

- Care and nursing staff have been adjusted in line with the increase in the National Living Wage (NLW) between April 2021 and April 2022 (6.6%), allowing for a 1 year change in the price base
- Other care home staffing and head office costs have been adjusted in line with the increase in the NLW between April 2020 and April 2022 (8.9%), allowing for a 2 year change in the price base
- Non staff costs have been adjusted in line with the most relevant category of the Consumer Price Index (CPI), between December 2020 and April 2022

The following table presents the price adjusted estimate of total operating costs for each needs group at April 2022 Prices.

**Table 19 – Adjusted Total Operating Costs (April 2022 Prices)**

| <b>Expenditure Types</b>                   | <b>Residential<br/>Older People</b> | <b>Residential<br/>Dementia</b> | <b>Nursing Older<br/>People</b> | <b>Nursing<br/>Dementia</b> |
|--|-------------------------------------|---------------------------------|---------------------------------|-----------------------------|
| Nursing Staff                              | £0                                  | £0                              | £240                            | £240                        |
| Care Staff                                 | £280                                | £311                            | £274                            | £311                        |
| Activity Coordinators                      | £19                                 | £19                             | £19                             | £19                         |
| Service Mangement                          | £47                                 | £47                             | £47                             | £47                         |
| Reception & Admin staff                    | £18                                 | £18                             | £18                             | £18                         |
| Chefs / Cooks                              | £29                                 | £29                             | £29                             | £29                         |
| Domestic Staff                             | £46                                 | £46                             | £46                             | £46                         |
| Maintenance & Gardening                    | £22                                 | £22                             | £22                             | £22                         |
| <b>SUB TOTAL - STAFFING</b>                | <b>£460</b>                         | <b>£491</b>                     | <b>£695</b>                     | <b>£731</b>                 |
| Repairs & Mtce + Fixtures & Fittings       | £33                                 | £33                             | £33                             | £33                         |
| Furniture & equipment                      | £4                                  | £4                              | £4                              | £4                          |
| <b>SUB TOTAL - PREMISES</b>                | <b>£37</b>                          | <b>£37</b>                      | <b>£37</b>                      | <b>£37</b>                  |
| Food supplies                              | £28                                 | £28                             | £28                             | £28                         |
| Domestic and cleaning supplies             | £20                                 | £20                             | £20                             | £20                         |
| Medical supplies                           | £5                                  | £5                              | £5                              | £5                          |
| Office supplies (home specific)            | £4                                  | £4                              | £4                              | £4                          |
| Insurance (all risks)                      | £7                                  | £7                              | £7                              | £7                          |
| Registration fees (incl DBS checks)        | £3                                  | £3                              | £3                              | £3                          |
| Telephone & internet                       | £1                                  | £1                              | £1                              | £1                          |
| Council tax / rates                        | £4                                  | £4                              | £4                              | £4                          |
| Electricity, Gas & Water                   | £17                                 | £17                             | £17                             | £17                         |
| Trade and clinical waste                   | £6                                  | £6                              | £6                              | £6                          |
| Transport & Activities                     | £2                                  | £2                              | £2                              | £2                          |
| Other.....                                 | £9                                  | £9                              | £9                              | £9                          |
| <b>SUB TOTAL - SUPPLIES &amp; SERVICES</b> | <b>£107</b>                         | <b>£107</b>                     | <b>£107</b>                     | <b>£107</b>                 |
| Central / Regional Management              | £41                                 | £41                             | £41                             | £41                         |
| Support Services                           | £10                                 | £10                             | £10                             | £10                         |
| Recruitment and Training                   | £4                                  | £4                              | £4                              | £4                          |
| <b>SUB TOTAL - HEAD OFFICE</b>             | <b>£54</b>                          | <b>£54</b>                      | <b>£54</b>                      | <b>£54</b>                  |
| <b>TOTAL OPERATING COSTS (TOCS)</b>        | <b>£658</b>                         | <b>£690</b>                     | <b>£893</b>                     | <b>£929</b>                 |
| <b>Percentage increase in TOCS</b>         | <b>8.2%</b>                         | <b>8.1%</b>                     | <b>7.7%</b>                     | <b>7.7%</b>                 |

The table shows price adjusted total operating costs of £658 PRW for a residential older people service and £893 PRW for a nursing older people service. These figures represent

a net increase of 8.2% and 7.7% respectively on the estimated total operating costs (last financial year).

The adjusted cost of nursing staff at £240 exceeds the current rate of NHS funded nursing care which increased to £209.19 per week in April 2022. Acknowledging that FNC is only expected to cover 88% of total nursing time and costs, the Council may reasonably expected to fund the difference which equates to approximately 13% of direct nursing staff costs.

The following table presents the adjusted cost of care and nursing staff for each needs group.

**Table 20 – Adjusted Cost of Care and Nursing Staff for each Needs Group**

|                                   | Inflation Adj. | Residential Older People | Residential Dementia | Nursing Older People | Nursing Dementia |
|-----------------------------------|----------------|--------------------------|----------------------|----------------------|------------------|
| Estimated Exp. on Nursing Staff   | 6.6%           | £0                       | £0                   | £240                 | £240             |
| Estimated Exp. on Care Staff      | 6.6%           | £280                     | £311                 | £274                 | £311             |
| Adjusted cost per Nursing Hour    | 6.6%           | -                        | -                    | £26.29               | £26.29           |
| Adjusted cost per Care Staff Hour | 6.6%           | £13.24                   | £13.24               | £13.24               | £13.24           |
| Adjusted Nursing Hours PRW        | -              | 0.0                      | 0.0                  | 9.1                  | 9.1              |
| Adjusted Care Hours PRW           | -              | 21.1                     | 23.5                 | 20.7                 | 23.5             |

The table shows the estimated cost of nursing staff (£26.29 per hour), and care staff (£13.24), after allowing for a 6.6% increase in the average costs reported in the survey.

While a case may be made for applying different inflation indices to each expenditure type, Valuing Care believe the adjustment made should be sufficient to reflect the cost inflation experienced by care home providers within a reasonable margin of error.

### 13. Survey Results – Earnings (Last Financial Year)

The survey template requested care homes to report a summary of their income from fees and charges, and the value of COVID support over their last full accounting year. Support measures available included COVID support grants, Statutory Sickness Pay for staff required to isolate, and the furlough scheme.

The reporting of income provides a helpful insight into the health of the local care home market, by allowing Valuing Care to estimate the level of earnings (EBITDAR), achieved by care homes in Newham.

The value of EBITDAR has been calculated for each care home by deducting average operating costs from average income. The table below presents a percentile analysis of income and earnings across all participating care homes who reported both their income and expenditure.

**Table 21 – Survey Results – EBITDAR per Resident Week**

|                          | Count | 1st Quartile | Median | 3rd Quartile | IQR   |
|--------------------------|-------|--------------|--------|--------------|-------|
| Care home fees & charges | 5     | £723         | £786   | £792         | £69   |
| COVID support            | 2     | £15          | £16    | £18          | £4    |
| TOTAL INCOME             | 5     | £723         | £788   | £792         | £69   |
| EBITDAR £                | 5     | -£149        | £111   | £221         | £370  |
| EBITDAR %                | 5     | -20.6%       | 11.4%  | 30.6%        | 51.2% |

The table indicates that providers are making average earnings of £111 PRW across all care homes who reported income and expenditure, equivalent to 11.4% of their average income from fees and charges. This varies between -£149 and £221 PRW across the middle fifty, indicating wide variability between providers.

The negative earnings reported by two homes located within Newham appear to be due to the low levels of occupancy reported in those homes.

Only two homes reported the value of COVID support over the last financial year, although the amounts appear negligible, with a median value of £16 PRW.

Further consideration is given to what represents a fair level of earnings in the following section.

## 14. Return on Capital & Operations (ROCO)

To calculate a fair price for care home services, additional provision needs to be made for return to the care homeowner and service provider.

Valuing Care’s preferred approach to determining a fair level of return is to separately calculate a return on capital (ROC) and a return on operations (ROO). The ROC rewards the care homeowner for their investment in land and buildings based on evidenced market rents, whilst the ROO rewards the operator for providing health and social care services, over and above a private landlord service.

### 14.1 Return on Capital (ROC)

To inform an assessment of what represents a fair level of ROC, Valuing Care take into consideration several factors including local rental values, the estimated market values of care homes and typical investment yields from care home real estate. By considering each of these factors, Valuing Care seeks to achieve a rational and balanced approach to determining ROC, which is both fair to care homeowners and commissioners alike.

#### Local Rental Values

Historically Valuing Care have used <sup>1</sup>Local Housing Allowance (LHA) rates as a guide to determining a fair level of ROC. LHA rates are used to limit the amount of housing benefit for tenants renting from private landlords, and the rates vary dependent upon the Broad Rental Market Area (BRMA) where a person resides.

Newham is covered by Outer East London BRMA. The rates for shared accommodation and the one-bedroom rate are identified in the following table at 2022/23 prices.

**Table 23 – LHA rates for Outer East London BRMA**

| BRMA                   | Shared Accommodation Rate | One Bedroom Rate |
|------------------------|---------------------------|------------------|
| Outer East London BRMA | £113.11                   | £241.64          |

In Valuing Care’s experience LHA rates provide a helpful proxy for the purpose of calculating a fair level of ROC.

The shared accommodation rate should afford a person their own bedroom in a house with access to a communal kitchen and bathroom facilities. This level of accommodation is likely to be inferior to a room in a care home with a private bathroom, or which has been built in accordance with National Minimum Standards (first published in 2002) .

The one-bedroom rate should afford a person their own self-contained accommodation, including their own kitchen, and bathroom facilities. This level of accommodation is likely to be at least equivalent to a room in a care home with a private bathroom.



When calculating fair provision for ROC, Valuing Care expect the total rent to cover annual expenditure on fixtures, fittings, building repairs and maintenance, as well as the capital investment in property.

The following table shows the apportionment of the shared accommodation and one-bedroom rate for Outer East London BRMA to cover median expenditure on fixtures, fittings, building repairs and maintenance (reported in the survey). The weekly return from an occupied place is calculated as the balancing figure.

**Table 24 – Financial Apportionment of Rent**

| <i>Financial Apportionment of Rent</i>      | LHA Shared Accommodation Rate | LHA 1 Bedroom Rate |
|---|-------------------------------|--------------------|
| Repairs & Maintenance + Fixtures & Fittings | £33.05                        | £33.05             |
| Weekly Return from Occupied Place           | £80.06                        | £208.59            |
| <b>Total Rent</b>                           | <b>£113.11</b>                | <b>£241.64</b>     |

The table shows that a rent equal to the shared accommodation rate will provide a return of £82.94 per week from an occupied place, after allowing for usual levels of expenditure on repairs, maintenance, fixtures and fittings. In comparison, a rent equal to the one-bedroom rate will provide a return of £211.47 per week from an occupied place.

To put these returns in context we need to consider them against the freehold value of care homes in Newham and East London.

### Estimated Freehold Valuations

To gain insight of real estate values in Newham, the survey asked providers to give an estimate of the freehold value of their care home.

To support the valuations reported in local cost surveys, Valuing Care routinely monitor care homes for sale across the UK.

The following table presents a percentile analysis of values reported in the local cost survey and the asking prices of care homes for sale in London over the last 3 years.

**Table 25 – Average Values per Operational Bed**

| Average market value / bed   | Count    | 1st Quartile  | Median         | 3rd Quartile    |
|------------------------------|----------|---------------|----------------|-----------------|
| Care homes for sale - London | 9        | £76,923       | £85,294        | £108,696        |
| <b>Newham Survey Results</b> | <b>5</b> | <b>75,000</b> | <b>100,000</b> | <b>£114,286</b> |

The table shows the valuations reported in the local cost survey to be fairly consistent with the asking prices of care homes advertised for sale. This provides confidence in the valuations reported in the survey.

### Net Yield on Investment

Assuming that care home valuations in Newham are likely to range between £70k and £110k per place, with an average value of approximately £90k, it is possible to calculate

the net yield likely to be achieved from the LHA shared accommodation and one bedroom rates (after allowing for median levels of expenditure on fixtures & fittings and repairs & maintenance).

The following table presents the net yield per place across the estimated range of market valuations assuming the median level of occupancy reported in the local cost survey (of 94%).

**Table 26 – Summary of Net Yield**

| <i>Net Yield per Place /Week</i>       | <b>LHA Shared Accommodation Rate</b> | <b>LHA 1 Bedroom Rate</b> |
|--|--------------------------------------|---------------------------|
| Weekly Return from Occupied Place      | £80.06                               | £208.59                   |
| Annual return from 94% occupied place  | £3,924                               | £10,224                   |
| Net Yield on £70,000 Market Valuation  | 5.6%                                 | 14.6%                     |
| Net Yield on £90,000 Market Valuation  | 4.4%                                 | 11.4%                     |
| Net Yield on £110,000 Market Valuation | 3.6%                                 | 9.3%                      |

The table shows that the LHA shared accommodation rate will generate a return of £3,924 per annum, equivalent to a yield of 4.4% on a £90,000 market valuation.

In comparison, the LHA one-bedroom rate will generate a return of £10,224 per annum, equivalent to a yield of 11.4% on a £90,000 market valuation.

Research by Knight Frank ‘Healthcare Capital Markets 2019’ reported that – “Yields for different healthcare property types range from 4% to 6% with tenant covenant, the level of acuity, and the resident (or patient) profile being the main determining factors. We have seen continued compression in the elderly care segment with prime and super-prime care homes transacting at yields as low as 3.75% in 2018. This reflects well-located, purpose-built stock with the strongest covenant and operating in the sought-after self-funder market. However, the more typical core stock, which tends to require more capital expenditure to bring up to standard and usually contains a more even mix of self-funded and publicly funded residents is currently trading between 5–6% (NIY)”.

The latest research by Knight Frank ‘Healthcare Capital Markets 2021’ reports that – “Core market elderly care stock has been trading closer to 6% and above in 2020.”

The table has shown that the shared accommodation rate will generate a net yield of approximately 5.6% on the 1<sup>st</sup> quartile freehold valuation of £70k per place. This level of return is consistent with the market rate of return for core stock, typically providing services to publicly funded residents.

### **Rational for Varying ROC**

Accepting a net yield of 5.6% as the market rate of return for core stock, but care home values are likely to vary depending on location and the quality of the building, a

reasonable case can be made for maintaining this yield across the range of freehold valuations reported in the survey. This would effectively reward care home owners for investing in higher environmental quality.

The following table presents the amount of ROC required to maintain a yield of 5.6% across the estimated range of valuations.

**Table 27 – Valuing Care’s recommended provision for ROC**

| Cost Group / Cost Element                  | Return on Capital (ROC) | Net Yield at 94% Occupancy |
|--|-------------------------|----------------------------|
| Low Market Valuation - £70,000 per place   | £80.06                  | 5.6%                       |
| Mid Market Valuation - £90,000 per place   | £102.94                 | 5.6%                       |
| High Market Valuation - £110,000 per place | £125.81                 | 5.6%                       |

The table provides a mechanism for varying provision for return on capital between £80 and £126 per resident week, depending on the environmental quality of each care home.

To implement a system of price discrimination between homes would require a robust system of quality monitoring to be in place. While Valuing Care are aware of other Councils who employ these systems, paying an enhanced rate for higher environmental quality, would seem to represent a payment exceeding the usual costs of care.

Consequently, for the purpose of constructing FPoC rates, Valuing Care will assume a net yield of 5.6% on the mid valuation of £90k per place, (equating to £102.94 per week).

## 14.2 Return on Operations & Fair Price of Care Rates

Unlike all other elements of a care home fee, return on operations (ROO) is not expected to cover an associated cost, but to reward the care homeowner for delivering the care service. What constitutes a fair level of ROO is therefore subjective and an area where Councils may choose to apply some discretion.

For this report, Valuing Care have included a provisional allocation for ROO at 5% of total operating costs. Similarly to ROC, Valuing Care believe there is a reasonable case for varying the amount of ROO to reflect the quality of a care homes operations – this could potentially be linked to achievement of the Care Quality Commission’s ratings, or to an independent system administered by the Council.

As the amount of ROO is dependent on total operating costs, this allocation varies depending on needs group.

Assuming the survey results to be an accurate reflection of the usual cost of delivering services in Newham and Valuing Care’s recommended provision for ROC and provisional allocation for ROO, the following table summarises Fair Price of Care rates for Newham.

**Table 28 – Fair Price for Care Rates (FPoC)**

| Rate Summary            | Residential Older People | Residential Dementia | Nursing Older People | Nursing Dementia |
|-------------------------|--------------------------|----------------------|----------------------|------------------|
| Total Operating Costs   | £658                     | £690                 | £893                 | £929             |
| Return on Capital       | £103                     | £103                 | £103                 | £103             |
| Return on Operations    | £33                      | £34                  | £45                  | £46              |
| <b>Total FPoC Rate</b>  | <b>£794</b>              | <b>£827</b>          | <b>£1,040</b>        | <b>£1,079</b>    |
| <b>% ROCO / EBITDAR</b> | <b>17.1%</b>             | <b>16.6%</b>         | <b>14.2%</b>         | <b>13.9%</b>     |

The table shows the FPoC rate to be £794 for residential older people, £827 for residential dementia, £1,040 for nursing older people and £1,079 for nursing dementia (including the cost of nursing staff).

The premium for dementia services ranges between £33 for a residential service and £39 for a nursing service.

The total provision for ROCO equates to approximately 17% of the total benchmark rates for residential services and 14% for nursing services. The reason for the differential is Valuing Care’s standard provision for ROC which makes up a greater proportion of the FPoC rate for a residential service.

The FPoC rates include Valuing Care’s recommended allocation for ROC assuming a market valuation of £90k per place, and provisional allocation for ROO at 5% of total operational costs. Valuing Care believe there is a rational for varying both of these

elements in accordance with the quality of the environment and the care services delivered by a care home operator.

### 14.3 Bespoke Pricing of Services

The FPoC rates presented above are based on the delivery of an average level of care to service users within each needs group. Consequently higher or lower levels of care may be required to meet the needs of some service users, which requires a bespoke pricing mechanism.

When calculating a bespoke price, the main cost driver is the number of care staff hours required to meet an individual service user’s need. Valuing Care recommend these should be quantified in rota form, differentiating between shared care and additional 1:1 hours.

To allow the calculation of a fair price to meet the specific needs of individual service users, Valuing Care have calculated hourly rates for procuring additional care and nursing hours.

The rates for additional care and nursing hours cover the direct cost of employing staff (including on-costs, cover requirements and agency), and allowance for ROO at 5% of the additional operating costs.

The hourly rates do not include any further contribution to service management, central management & support service costs, which are assumed to be shared equally between all services users and therefore covered by the standard FPoC rates presented above.

The following table sets out FPoC rates for additional care hours, based on the median direct cost of care and nursing staff reported in the local survey.

**Table 29 – FPoC Rates for Additional Hours**

| Staff / Cost Type                | Blended Care Assistant | Blended Nurse |
|----------------------------------|------------------------|---------------|
| Direct Cost per Hour             | £13.24                 | £26.29        |
| Return on Operations             | £0.66                  | £1.31         |
| <b>Hourly Rate for Extra Hrs</b> | <b>£13.90</b>          | <b>£27.61</b> |

When procuring additional hours for a service user, it is important to ensure their care requirements cannot be met by the hours allowed within the standard FPoC rate.

## 15. Comparison of FPoC Rates against Newham's Fee Tariff 2022/23

The Council has an approved fee tariff for care home services for older people. The rates differentiate between residential and nursing care for older people and people with dementia.

The following table summarises the Council's proposed tariff for 2022/23.

**Table 39 – Newham Council's proposed fee tariff 2022/23**

| <i>Fee Tariff</i>          | <b>Council Proposed Rates 2022/23</b> | <b>NHS - FNC</b> | <b>Total Gross Fee</b> |
|----------------------------|---------------------------------------|------------------|------------------------|
| Residential - Older People | £602.48                               | n/a              | £602.48                |
| Residential - Dementia     | £639.53                               | n/a              | £639.53                |
| Nursing - Older People     | £651.40                               | £209.19          | £860.59                |
| Nursing - Dementia         | £683.17                               | £209.19          | £892.36                |

The Council's rates for care home services are expected to cover its responsibility for accommodation and personal care. This may be augmented by the NHS contribution towards the cost of a place in a care home with nursing for people assessed as requiring the help of a registered nurse (NHS Funded Nursing Care (FNC)).

The following tables compares the FPoC Rates with Newham's proposed rates for 2022/23 including FNC.

**Table 30a – Comparison of FPoC Rates against Newham's Fee Tariff**

| <b>Service Type</b>      | <b>Newham Rates (Incl. FNC)</b> | <b>FPoC Rates</b> | <b>Variance</b> |
|--------------------------|---------------------------------|-------------------|-----------------|
| Residential Older People | £602                            | £794              | £192            |
| Residential Dementia     | £640                            | £827              | £187            |
| Nursing Older People     | £861                            | £1,040            | £180            |
| Nursing Dementia         | £892                            | £1,079            | £186            |

The tables show the FPoC rates to consistently exceed the Council's rates by approximately £190 PRW across all needs groups.

Assuming the local survey are a fair reflection of the cost of delivering services locally, the Council's approved rates are insufficient to cover the operating costs of delivering services in Newham.

## 16. Constructing Benchmark Rates

To corroborate the local survey results, VC has used its cost model and national intelligence of service costs to construct benchmark rates for each needs group in Newham (at April 2022 prices).

Valuing Care's cost model is based on years of experience, methodical collection of service cost data and cost validation processes.

Valuing Care's database currently contains over 600 anonymised cost records for care home services for older people, collected over the last 5 years. By referencing this large sample, usual costs can be identified with greater confidence than just working on a theoretical basis, or from a smaller sample group.

As a general principle when constructing benchmark rates, Valuing Care take the median value for each cost driver/type (from the database), which are then aggregated to form the benchmark rates.

Valuing Care's cost model also requires an estimate of basic pay per contact hour for each type of staff. It is important these allocations are localised to reflect the employment market in the area the benchmark rate is being calculated for.

A brief summary of how VC constructed benchmark rates for Newham:

- Care and nursing staff inputs based on the average hours PRW reported in previous surveys (of care homes for older people)
- Rates of pay based on an independent review of jobs recently advertised by care home providers operating in Newham and East London
- Allowance for non-staff costs based on the median costs reported in previous surveys, adjusted for estimated inflation to April 2022 prices
- Allowance for return on capital (ROC) to provide a 5.6% net yield on a freehold valuation of £90k per place, assuming 94% occupancy
- Allowance for return on operations (ROO) to provide a 5% mark up on total operating costs

## 16.1 Benchmark Care and Nursing Staff Costs

The following tables present a summary of the estimated cost of care and nursing staff included in the benchmark rate for each needs group. These estimates are calculated by multiplying the average hours reported in previous surveys, by the estimated cost of employing each type of staff per hour (including employers on costs and cover requirements).

**Table 33 – Benchmark Allocations for Care and Nursing Staff**

|                                    | Residential<br>Older People | Residential<br>Dementia | Nursing Older<br>People | Nursing<br>Dementia |
|------------------------------------|-----------------------------|-------------------------|-------------------------|---------------------|
| Estimated Exp. on Nursing Staff    | £0                          | £0                      | £187                    | £172                |
| Estimated Exp. on Care Staff       | £290                        | £327                    | £280                    | £336                |
| Estimated Cost per Nursing Hour    | n/a                         | n/a                     | £24.07                  | £24.07              |
| Estimated Cost per Care Staff Hour | £13.31                      | £13.31                  | £13.10                  | £13.10              |
| Nursing Hours per Resident Week    | 0.0                         | 0.0                     | 7.8                     | 7.2                 |
| Care Hours per Resident Week       | 21.8                        | 24.6                    | 21.4                    | 25.7                |

The table shows increased allocations for care homes providing dementia services, compared to those for older people.

Please note that the benchmark allocations for staff inputs are based on the delivery of an average level of care to service users within each needs group. Valuing Care recognise that higher or lower levels of care may be required to meet the needs of some service users within each needs group.

*Further information about Valuing Care’s benchmark staffing costs is included in [Appendix 6](#).*



## 16.2 Benchmark Operating Costs

The following table details the allocations for each expenditure type included in the benchmark rates for each needs group (at April 2022 prices).

**Table 34 – Benchmark Allocations for Total Operating Costs**

| Expenditure Types                          | Residential Older People | Residential Dementia | Nursing Older People | Nursing Dementia |
|--|--------------------------|----------------------|----------------------|------------------|
| Nursing Staff                              | £0                       | £0                   | £187                 | £172             |
| Care Staff                                 | £290                     | £327                 | £280                 | £336             |
| Activity Coordinators                      | £12                      | £12                  | £12                  | £12              |
| Service Mangement                          | £45                      | £45                  | £38                  | £38              |
| Reception & Admin staff                    | £14                      | £14                  | £14                  | £14              |
| Chefs / Cooks                              | £31                      | £31                  | £31                  | £31              |
| Domestic Staff                             | £40                      | £40                  | £40                  | £40              |
| Maintenance & Gardening                    | £11                      | £11                  | £11                  | £11              |
| <b>SUB TOTAL - STAFFING</b>                | <b>£443</b>              | <b>£480</b>          | <b>£612</b>          | <b>£653</b>      |
| Repairs & Mtce + Fixtures & Fittings       | £31                      | £31                  | £31                  | £31              |
| Furniture & equipment                      | £7                       | £7                   | £7                   | £7               |
| <b>SUB TOTAL - PREMISES</b>                | <b>£39</b>               | <b>£39</b>           | <b>£39</b>           | <b>£39</b>       |
| Food supplies                              | £32                      | £32                  | £32                  | £32              |
| Domestic and cleaning supplies             | £7                       | £7                   | £7                   | £7               |
| Medical supplies                           | £4                       | £4                   | £8                   | £8               |
| Office supplies (home specific)            | £3                       | £3                   | £3                   | £3               |
| Insurance (all risks)                      | £4                       | £4                   | £4                   | £4               |
| Registration fees (incl DBS checks)        | £3                       | £3                   | £3                   | £3               |
| Telephone & internet                       | £2                       | £2                   | £2                   | £2               |
| Council tax / rates                        | £2                       | £2                   | £2                   | £2               |
| Electricity, Gas & Water                   | £23                      | £23                  | £23                  | £23              |
| Trade and clinical waste                   | £4                       | £4                   | £4                   | £4               |
| Transport & Activities                     | £3                       | £3                   | £3                   | £3               |
| Other.....                                 | £3                       | £3                   | £3                   | £3               |
| <b>SUB TOTAL - SUPPLIES &amp; SERVICES</b> | <b>£91</b>               | <b>£91</b>           | <b>£95</b>           | <b>£95</b>       |
| Central / Regional Management              | £25                      | £25                  | £25                  | £25              |
| Support Services                           | £25                      | £25                  | £25                  | £25              |
| Recruitment and Training                   | £3                       | £4                   | £5                   | £5               |
| <b>SUB TOTAL - HEAD OFFICE</b>             | <b>£53</b>               | <b>£54</b>           | <b>£55</b>           | <b>£55</b>       |
| <b>TOTAL OPERATING COSTS</b>               | <b>£626</b>              | <b>£663</b>          | <b>£800</b>          | <b>£842</b>      |

The table shows provision for total operating costs to be £626 PRW for residential older people, and £800 PRW for nursing service older people.

The net variance in total operating costs of £174 PRW can be primarily attributed to additional nursing costs (+£187) and medical supplies (+£4), which are partly offset by reduced expenditure on care staff (-£10) and service management (-£7).

Previous surveys have shown median expenditure per service user to be largely consistent between registration categories, except for service management and medical supplies.

In Valuing Care's experience, service management costs are usually lower in nursing homes compared to residential services. This may be due to the economies of scale from operating larger services. Conversely nursing homes usually spend more on medical supplies than their residential counterparts.

The additional cost of providing residential dementia services (at £663 PRW) over and above a residential older people service, can be entirely attributed to increased care staff inputs (+£37 PRW).

The additional cost of providing nursing dementia services (at £842 PRW), over and above a nursing older people service, can be attributed to a combination of increased care staff inputs (+£56), partly offset by reduced nursing staff inputs (-£15).

The benchmark allocations for direct nursing staff costs in a service for older people (£187 PRW) and a service for dementia (£172) are both below the current rate of FNC (£209). Whilst this appears to represent a surplus in FNC, the NHS funding make no allowance for overhead costs or profit.

### 16.3 Total Benchmark Rate

The following table summarises Valuing Care's benchmark rates for each needs group (at April 2022 prices).

Provision for return on capital and operations is consistent with the allocations included in the FPoC rates (please see section 14 of this report).

**Table 35 – Total Benchmark Rate**

| Rate Summary                | Residential Older People | Residential Dementia | Nursing Older People | Nursing Dementia |
|-----------------------------|--------------------------|----------------------|----------------------|------------------|
| Total Operating Costs       | £626                     | £663                 | £800                 | £842             |
| Return on Capital           | £103                     | £103                 | £103                 | £103             |
| Return on Operations        | £31                      | £33                  | £40                  | £42              |
| <b>Total Benchmark Rate</b> | <b>£760</b>              | <b>£799</b>          | <b>£943</b>          | <b>£988</b>      |
| <b>% ROCO / EBITDAR</b>     | <b>17.7%</b>             | <b>17.0%</b>         | <b>15.2%</b>         | <b>14.7%</b>     |

## 17. Comparison of Benchmark Allocations with Survey Results

To gain some understanding of how the local survey results in Newham compare with the benchmark allocations, the following tables summarise the variance in total operating costs (between the data sets).

**Table 36 – Comparison of Total Operating Costs (April 2021 prices)**

| Needs Group                           | Benchmark | Newham Survey | Variance |
|---------------------------------------|-----------|---------------|----------|
| Residential Care Older People         | £626      | £658          | £33      |
| Residential Care People with Dementia | £663      | £690          | £27      |
| Nursing Care Older People             | £800      | £893          | £93      |
| Nursing Care People with Dementia     | £842      | £929          | £87      |

The tables show the survey results to exceed the benchmark provision for total operating costs across all needs groups.

The level of adverse variance appears consistent across the residential need groups (+£33 OP, +£27 Dementia), and across the nursing need groups (+£93 OP, +£87 Dementia).

The following table provides a detailed breakdown of the total variances for each needs group by expenditure type.

**Table 37 – Comparison of Total Operating Costs by Expenditure Type**

| Expenditure Types                          | Residential Older People | Residential Dementia | Nursing Older People | Nursing Dementia |
|--|--------------------------|----------------------|----------------------|------------------|
| Nursing Staff                              | -                        | -                    | £53                  | £68              |
| Care Staff                                 | -£11                     | -£16                 | -£5                  | -£25             |
| Activity Coordinators                      | £7                       | £7                   | £7                   | £7               |
| Service Mangement                          | £2                       | £2                   | £9                   | £9               |
| Reception & Admin staff                    | £4                       | £4                   | £4                   | £4               |
| Chefs / Cooks                              | -£2                      | -£2                  | -£2                  | -£2              |
| Domestic Staff                             | £6                       | £6                   | £6                   | £6               |
| Maintenance & Gardening                    | £10                      | £10                  | £10                  | £10              |
| <b>SUB TOTAL - STAFFING</b>                | <b>£17</b>               | <b>£12</b>           | <b>£83</b>           | <b>£78</b>       |
| Repairs & Mtce + Fixtures & Fittings       | £2                       | £2                   | £2                   | £2               |
| Furniture & equipment                      | -£3                      | -£3                  | -£3                  | -£3              |
| <b>SUB TOTAL - PREMISES</b>                | <b>-£2</b>               | <b>-£2</b>           | <b>-£2</b>           | <b>-£2</b>       |
| Food supplies                              | -£4                      | -£4                  | -£4                  | -£4              |
| Domestic and cleaning supplies             | £12                      | £12                  | £12                  | £12              |
| Medical supplies (including PPE)           | £2                       | £2                   | -£3                  | -£3              |
| Office supplies (home specific)            | £2                       | £2                   | £2                   | £2               |
| Insurance (all risks)                      | £2                       | £2                   | £2                   | £2               |
| Registration fees (incl DBS checks)        | £0                       | £0                   | £0                   | £0               |
| Telephone & internet                       | -£1                      | -£1                  | -£1                  | -£1              |
| Council tax / rates                        | £2                       | £2                   | £2                   | £2               |
| Electricity, Gas & Water                   | -£6                      | -£6                  | -£6                  | -£6              |
| Trade and clinical waste                   | £2                       | £2                   | £2                   | £2               |
| Transport & Activities                     | -£1                      | -£1                  | -£1                  | -£1              |
| Other.....                                 | £6                       | £6                   | £6                   | £6               |
| <b>SUB TOTAL - SUPPLIES &amp; SERVICES</b> | <b>£16</b>               | <b>£16</b>           | <b>£11</b>           | <b>£11</b>       |
| Recruitment and Training                   | £16                      | £16                  | £16                  | £16              |
| Recruitment and Training                   | -£15                     | -£15                 | -£15                 | -£15             |
| Recruitment and Training                   | £0                       | £0                   | -£1                  | -£1              |
| <b>SUB TOTAL - HEAD OFFICE</b>             | <b>£1</b>                | <b>£1</b>            | <b>£0</b>            | <b>-£1</b>       |
| <b>TOTAL OPERATING COSTS</b>               | <b>£33</b>               | <b>£27</b>           | <b>£93</b>           | <b>£87</b>       |

The table shows the main cause of the adverse variance in nursing home services to be attributable to the median cost of nursing staff (reported in the local survey). This is partly offset by reduced expenditure on care staff, which shows favourable variance across all needs groups.

Median expenditure on other care homes staff (including activity co-ordinators, domestic and maintenance staff) and domestic and cleaning supplies also appears high compared to the benchmark allocations. Increased expenditure on domestic staff and cleaning supplies may be in response to the COVID epidemic.

Otherwise, there is a reassuring level of consistency between the survey results and the benchmark allocations for premises, supplies & services and head office costs.

To provide further understanding of the reasons for the staffing variances, the following table presents the difference between median expenditure on care and nursing staff, the median staff inputs per resident week, and the median hourly rates. This is also presented as price and usage variance in the subsequent table.

**Table 38a – Variance in staff inputs and hourly rates**

|                                 | Residential<br>Older People | Residential<br>Dementia | Nursing Older<br>People | Nursing<br>Dementia |
|---------------------------------|-----------------------------|-------------------------|-------------------------|---------------------|
| Median Exp. on Nursing Staff    | -                           | -                       | £53                     | £68                 |
| Median Exp. on Care Staff       | -£11                        | -£16                    | -£5                     | -£25                |
| Median Cost per Nursing Hour    | -                           | -                       | £2.22                   | £2.22               |
| Median Cost per Care Staff Hour | -£0.06                      | -£0.06                  | £0.14                   | £0.14               |
| Nursing Hours per Resident Week | 0.0                         | 0.0                     | 1.4                     | 2.0                 |
| Care Hours per Resident Week    | -0.7                        | -1.1                    | -0.6                    | -2.2                |

**Table 38b – Price and Usage Variances (Care & Nursing Staff)**

|                                     | Residential<br>Older People | Residential<br>Dementia | Nursing Older<br>People | Nursing<br>Dementia |
|-------------------------------------|-----------------------------|-------------------------|-------------------------|---------------------|
| Nursing Staff Pricing Variance      | n/a                         | n/a                     | £20                     | £20                 |
| Nursing Staff Usage Variance        | n/a                         | n/a                     | £33                     | £47                 |
| <b>Total Nursing Staff Variance</b> | n/a                         | n/a                     | <b>£53</b>              | <b>£68</b>          |
| Care Staff Pricing Variance         | -£1                         | -£2                     | £3                      | £3                  |
| Care Staff Usage Variance           | -£9                         | -£15                    | -£8                     | -£29                |
| <b>Total Care Staff Variance</b>    | <b>-£11</b>                 | <b>-£16</b>             | <b>-£5</b>              | <b>-£25</b>         |

The tables show the adverse variances on nursing staff are due to a combination of higher costs per hour (+£2.22) and higher usage (+1.4 hours older people, +2.0 hours nursing dementia).

The favourable variances on care staff are predominantly due to lower usage across all needs groups. These vary between -0.6 hours PRW for nursing older people and -2.2 hours for nursing dementia. In comparison, the median cost of care staff reported in the local



survey is closely consistent with Valuing Care’s estimate, based on an independent review of job advertisements.

## 18. Appendix

### 18.1 Appendix 1 – About Valuing Care

Valuing Care Ltd (formerly OLM Financial Management Ltd) is a company which specialises in reviewing the cost of health and social care services.

Since its inception in 2006, Valuing Care have advised and assisted 114 Councils and 70 NHS groups in reviewing the cost of local care home services, making recommendations as to what represents a fair price for services. This experience has allowed the company to develop and refine its processes for surveying care home providers and identifying the usual costs of care.

Valuing Care have used the collective intelligence from previous surveys to construct a range of cost models that calculate benchmark rates for care home services. This review specifically uses Valuing Care's cost model for care home services for older people which has been adjusted to reflect local costs, including local rates of pay and property values.

Valuing Care prides itself on its independence in the market and its objective approach to identifying usual costs.

## 18.2 Appendix 2 – Survey Engagement

There are currently 6 care homes for older people and dementia in Newham. To increase the potential sample size and maximise participation in the survey, Commissioners agreed to extend invitations to:

- all care homes for older people and dementia located in Newham (6 care homes)
- all care homes from whom the Council are procuring older people and dementia services located in other East London boroughs (31 care homes)

This approach recognises that the Council’s market for older people and dementia services extends beyond the boundaries of Newham. It also assumes that care homes located in neighbouring boroughs are likely to be incurring similar levels of expenditure running their services.

Valuing Care subsequently wrote to 30 provider organisations operating 38 care homes in Newham and other East London boroughs on the 9<sup>th</sup> March, inviting them to participate in the survey by completing and returning a template.

Guidance instructions were included within the template along with contact details for key members of staff involved in the project.

Each provider was subsequently telephoned to ensure receipt of the information and to provide an opportunity to ask any further questions, and a reminder email or telephone call was actioned each week thereafter.

On the 21<sup>st</sup> April, the Council wrote to all providers who had not yet completed the survey or declined to participate, restating the importance of the review, encouraging their participation, and extending the timescale for survey completion to the 26<sup>th</sup> April 2022.

All templates received up to the 13<sup>th</sup> May 2022 have been included in the survey results. No further templates were received after this date.



### 18.3 Appendix 3 – Template Requirements

The survey template requested provider organisations to supply a range of cost and service data about their care home/s. The information requested in each of the five sections is summarised below:

- **Section 1 – Service Details**– details of the provider organisation, care home name and capacity, the estimated freehold value of the care home, and contact details for the person who completed the template
- **Section 2 – Occupancy** – a summary of average occupancy by needs group over the last two full accounting years
- **Section 3 – Income & Expenditure Template** – a breakdown of the total income and expenditure for the care home service over its last two full accounting years
- **Section 4 – Staffing Costs** – details of care and nursing staff hours, average rates of pay per hour, employers on costs and cover requirements over the last full accounting year
- **Section 5 – Care and Nursing Hours per Resident Week** – allowing providers to differentiate the level of care provided to service users within each needs group

The aim of these requirements was to facilitate the calculation of unit costs for each care home for their last and penultimate accounting years. The unit costs have been calculated by dividing actual expenditure by average occupancy, making adjustment for additional/reduced care hours provided to each needs group.

Two years of accounting records were requested to gain greater understanding of the financial impact of COVID on the local care home sector.

Please note that capital costs were specifically excluded from the survey template. As capital costs vary depending on the ownership of each care home and its capital structure (the mix of equity to debt), the survey process was designed to identify usual operating costs excluding Interest, Tax, Depreciation of buildings, Amortisation and Rent (ITDAR).

Valuing Care will provide separate advice to the Council as to the determination of a fair level of return on capital to care homeowners, taking into consideration the estimated market valuations reported in the cost survey.

## 18.4 Appendix 4 – Survey Analysis

The aim of Valuing Care’s survey template is to obtain a representation of each care homes business in a consistent format. This facilitates comparison of cost and service data on a like for like basis.

Valuing Care have consolidated the information reported by each provider and have used statistical percentiles to identify the range of costs and values reported across the sample and subsample groups.

The percentile analysis includes:

- The count of records within each sample
- The 25th percentile or 1st quartile amount
- The 50th percentile or median average
- The 75th percentile or 3rd quartile amount
- The interquartile range

The count of providers reporting each operating measure/expenditure type is important, as the more records included in each sample, the greater confidence can be taken from the result.

To calculate the usual cost of providing services, Valuing Care aggregate the median amount reported by service providers for each expenditure type. A cost structure based on the 50th percentile (or median amounts), could be used to describe a notional provider with average or usual costs across all expenditure types.

Valuing Care recommend use of the median average in preference to the mean average, as the mean can potentially be distorted by outliers arising from providers reporting particularly high or low costs.

Valuing Care also refer to the interquartile range (IQR) as a measure of variability, being equal to the difference between the upper and lower quartiles [IQR=Q3–Q1]. The inter-quartile range provides a clearer picture of the overall dataset by removing/ignoring the outlying values.

In assessing a benchmark cost structure that meets service user needs, it is important that cost allocations are fair to allow for the long-term sustainability of the services and allow for a reasonable return for the care provider. However this requirement must be balanced with an expectation that costs are not disproportionately high for delivery of the required service and represent a cost-effective purchase for the commissioner of the service.

Valuing Care believe the median amounts (from the survey results), achieve the required balance between fairness and efficiency, and use the same principle to construct the benchmark rates (presented later in this report).

## 18.5 Appendix 6 – Benchmark Staffing Costs

Care home staffing includes all the staff who work predominantly at the care home. This will usually include care and nursing staff, service management, reception/administration, kitchen, and domestic staff. It does not usually include the cost of central management and support services based either at head office or procured from third parties.

The total cost of care home staff will typically represent between 60%–70% of Valuing Care’s benchmark rates and is therefore a key component in determining a fair price.

A potentially significant variable between areas/regions are the rates paid to care home staff, which are likely to reflect the local employment market. To ensure Valuing Care’s benchmark rates reflect the local employment market, Valuing Care have undertaken an independent review of jobs recently advertised by care home providers operating in East London.

### **Rates of Pay**

The following table summarises Valuing Care’s independent estimate of the total cost of employing care home staff locally.

The rate of basic pay reflects the median average rate of pay from Valuing Care’s research of recently advertised jobs in Newham and East London.

Valuing Care have made further allowance for employer’s on-costs and staff cover requirements on the following basis:

- Employers National Insurance Contributions – calculated as 15.05% of earnings above the secondary threshold of £9,100 per annum, assuming all employees are fulltime (37.5 hours per week)
- Employers Pension Contributions – calculated as 3% of earnings (the minimum required under automatic enrolment) above the lower level of qualifying earnings (£6,240), assuming all employees are fulltime
- Cover for holidays – based on the statutory annual leave entitlement of 5.6 weeks or 28 days for a full-time member of staff
- Cover for sickness and training – based on the consolidated results of previous cost surveys

**Table 40 – Independent estimate of the cost of employing care home staff**

| Cost Type                  | Care Assistant | Senior Care Assistant | Nurse         | Chef / Cook   | Domestic Staff |
|----------------------------|----------------|-----------------------|---------------|---------------|----------------|
| <b>Basic Pay per Hour</b>  | <b>£9.90</b>   | <b>£11.57</b>         | <b>£18.25</b> | <b>£11.00</b> | <b>£9.50</b>   |
| NI                         | 8.0%           | 9.0%                  | 11.2%         | 8.7%          | 7.7%           |
| Pension                    | 2.0%           | 2.2%                  | 2.5%          | 2.1%          | 2.0%           |
| <b>Sub Total</b>           | <b>£10.89</b>  | <b>£12.86</b>         | <b>£20.75</b> | <b>£12.19</b> | <b>£10.42</b>  |
| Cover - Holiday            | 28.0           | 28.0                  | 28.0          | 28.0          | 28.0           |
| Cover - Sickness           | 3.0            | 3.0                   | 3.0           | 3.0           | 3.0            |
| Cover - Training           | 5.0            | 5.0                   | 5.0           | 5.0           | 5.0            |
| <b>Total Cover Days</b>    | <b>36.0</b>    | <b>36.0</b>           | <b>36.0</b>   | <b>36.0</b>   | <b>36.0</b>    |
| Cover - %                  | 16.0%          | 16.0%                 | 16.0%         | 16.0%         | 16.0%          |
| <b>Total Cost per Hour</b> | <b>£12.64</b>  | <b>£14.92</b>         | <b>£24.07</b> | <b>£14.14</b> | <b>£12.09</b>  |

The table shows the median advertised rate in East London for care assistants at £9.90/hour, for senior care assistants at £11.57/hour and for registered nurses at £18.25/hour. These rates are based on a total of 11 adverts for care assistants, 5 for senior care assistants and 6 for nurses.

Please note that service management has been excluded from the above table. The infrequent advertisement of service manager/deputy manager positions does not usually provide Valuing Care with sufficient data to identify a statistically reliable result for a particular Council/CCG area.

To make provision for service management Valuing Care's cost model allows a percentage mark up on total care home staff costs (excl. service management), based on the intelligence gained from previous cost surveys. This ensures Valuing Care's provision for service management adjusts to reflect the local employment market for other care home jobs.

#### **Staffing Input Hours per Resident Week**

Valuing Care's model for care home services for older people allows a defined number of staff hours per resident week (PRW). These are based on the average staff inputs reported in previous cost surveys.

Valuing Care acknowledge that there is likely to be variation in the average staffing hours between areas, likely reflecting levels of income deprivation amongst older people, and the percentage of self-funders procuring services.

The needs groups respected within Valuing Care's database of service costs differentiate between residential and nursing services for older people and those with dementia.

The following table sets out Valuing Care's standard provision for each needs group recognised within its database.

**Table 41 – Valuing Care provision for Staff Input Hours per Resident Week**

| Type of Staff / Service   | Residential<br>Older People | Residential<br>Dementia | Nursing<br>Older People | Nursing<br>Dementia |
|---------------------------|-----------------------------|-------------------------|-------------------------|---------------------|
| Care Worker               | 15.4                        | 17.4                    | 17.0                    | 20.5                |
| Senior Care Worker        | 6.4                         | 7.2                     | 4.3                     | 5.2                 |
| <b>Total Care Workers</b> | <b>21.8</b>                 | <b>24.6</b>             | <b>21.4</b>             | <b>25.7</b>         |
| Nursing Staff             | 0.0                         | 0.0                     | 7.8                     | 7.2                 |
| Kitchen Chef/Cooks        | 2.2                         | 2.2                     | 2.2                     | 2.2                 |
| Domestic Staff            | 3.3                         | 3.3                     | 3.3                     | 3.3                 |

The table shows higher allocations for care homes providing dementia services compared to standard services for older people.

The table also shows lower allocations for senior care assistants in nursing homes compared to residential. This may be due to the employment of nurses, who provide an extra layer of management in nursing homes.

Valuing Care’s model allows equal provision for kitchen and domestic staff in residential and nursing services, as previous surveys have previously indicated little difference in expenditure between registration categories.

Valuing Care’s allowance for staff inputs are based on the delivery of an average level of care to service users within each needs group. Valuing Care recognise that higher or lower levels of care may be required to meet the needs of some service users within each needs group.