Sandwell Council

Care Homes
Cost of Care Exercise
2022-23

Final

January 2023

ARCC-HR Ltd

Sandwell Metropolitan Borough Council

ARCC

Contents

1 Executive Summary

1.1 Context the Cost of Care Exercise

1.1.1 Fair Cost of Care & Market Sustainability

On the 16th December 2021, DHSC released its policy paper: 'Market Sustainability and Fair Cost of Care Fund: purpose and conditions 2022 to 2023' with further detailed guidance following on the 24th March 2022. The 2022-23 funding provided under this policy is designed to ensure local authorities can prepare their markets for reform (particularly the impact of section 18(3) and the right for self-funders to request that a local authority purchase care on their behalf at the 'usual council rate'.

As a condition of receiving future funding, local authorities will need to evidence the work they are doing to prepare their markets and submit the following to DHSC by 14th October 2022:

1. Analysis of cost of care exercises conducted for 65+ care homes and 18+ domiciliary care. This includes a cost of care report and fully completed cost of care data table as found in Annex A, Section 3.

2. A provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market, with particular consideration given to the further commencement of Section 18(3) of the Care Act 2014. A final plan detailed plan will be required in February 2023; in the interim a 5-page provisional plan should be submitted utilising the Annex 3 template.

3. A spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose. A full breakdown of how funding has been allocated to support 65+ care home and 18+ domiciliary care markets (including domiciliary care providers who operate in extra care settings). This must specify whether, and how much funding, has been used for implementation activities and how much funding has been allocated towards fee increases beyond pressures funded by the Local Government Finance Settlement 2022 to 2023.

1.1.2 Scope of this report

This report has been prepared in response to the first requirement and presents the analysis and findings from the cost of care exercise conducted within 65+ care homes (residential and nursing). This report covers the following:

- The overall cost of care analysis, including the approach to engagement and data capture, methodology utilised and the formulae to inform future uplifts
- An approach to sensitivity analysis; based on costs being covered on a given volume of hours delivered by Providers, in addition to whether costs change in relation to changes in volume
- Costs to consider when determining future fee rates, which includes the flexibility to accommodate a range of assumptions, for example: occupancy, inflationary pressures and other factors such as staffing levels.
- Key findings and recommendations during the engagement to support future commissioning models in Sandwell.

1.2 Provider Engagement

This review of cost of care has been informed by 4 months' engagement and data analysis work, comprising the following elements:

a) Provider Survey & Cost Template: submitted to 77 providers within the Sandwell market (subsequently reduced to 33 providers identified in scope), to gather data on both the costs and the operational experience of delivering residential care services in Sandwell

b) 1:1 deep-dive structured interviews: All providers were invited to express interest for a 1:1 session, with 3 interviews taking place with the senior Finance/ Operational leads for the respective organisations

c) Provider & Commissioner workshops: following the launch session workshop, two further sessions were held

d) Closed feedback/questions: conducted via e-mail to allow providers to consider additional questions and clarifications following the final workshop.

Engagement focused on the following key aspects of the market as well as a detailed study of provider costs:

1. The current residential care market in Sandwell (structure, demand and supply)
2. The experience of commissioning and contracting with Sandwell Metropolitan Borough Council [MBC]
3. Provider's business operating models, general market outlook, workforce, contract and quality monitoring, business costs, and future commissioning arrangements
4. Deep dive with providers to understand operating costs and sensitivities that would impact cost

After completion of the data collection, a total of 18 submissions had been received. 2 submissions were excluded from further analysis, as these were deemed to be out of scope by the council due to both locations specialising in care for residents under 65 years with learning disabilities. The remaining 16 submissions represent 48% of providers in scope of the exercise, 58% of available beds in the market, and 61% of residential placements commissioned by Sandwell MBC.

1.2.1 Provider 1:1, Workshops and Group Engagement

Engagement via submission of cost data was comparably high, in part supported by ARCC offering multiple avenues with which to submit cost information, both via the national IESE web platform, and ARCC's own care homes cost survey (in the format of an MS Excel spreadsheet distributed via email).

However, ARCC intended to engage on multiple levels and often seek 1:1 and group-wide feedback on the exercise as a whole, relative accuracy of data and supporting information to both aid the strategic and practical implementation of future commissioning approaches.

Whilst no effort was spared to engage with and encourage providers to take part and provide information, and the response was comparable, engagement outside of the submission of cost information was very low. Only 3 providers each attended the drop-in/clarification session and feedback workshop. In addition, less than half of providers responded to clarifications submitted by ARCC either via e-mail or the IESE/CareCubed system. This is explored further in Section 2 of this report.

A further engagement session was held on 18th January 2023, to share the preliminary findings from the cost of care exercise and address concerns regarding the data quality and gaps in information. The session was also utilised to test the underlying assumptions contained within the modelling of costs (see section 4).

Representatives from 4 providers, representing 14 care homes and 42% of the care settings in scope attended the session.

1.2.2 Cost information data quality

Further to section 1.2.1 above, cost information was checked against available information and clarifications were sought throughout the process between August and September 2022; described in further detail in **Section 4**. Further clarification was also sought at the provider workshop on 18th January 2023.

ARCC identified several quality issues which potentially impact the accuracy and robustness of data within the original datasets submitted, which has likely resulted (in some instances) in inflated unit costs compared to what would reasonably be expected, based on subsequent clarification with providers, historical income data, current published fee rates (non-LA) and nationally recognised datasets such as Laing and Buisson's care home market reports[1].

Data quality issues are discussed further in **Section 4.1**; however, at a high level these comprise of:

- Acquiring representative unit costs during COVID-19
- Impact of snapshot/actual or current occupancy vs. typical unit-cost based models
- Impact of additional grant funding
- Errors deduced via typical assessment of available income and expected profitability

IMPORTANT NOTE REGARDING QUANTIATIVE ANALYSIS IN THIS REPORT

Despite undertaking detailed analysis on the cost data returns, a significant number of clarifications are still outstanding with providers at the time of writing and subsequently updating this report; the details and impact of which are illustrated in **section 4.1**.

Less than half of providers responded to clarifications, however no figures were altered or amended by providers as a result of clarifying information. As such, whilst some qualitative errors can be verified, these have not been rectified by the providers, and where no response has been received, potential unknowns will remain.

It is important to acknowledge this in the context of a national deadline to respond to the DHSC requirement by **14th October**, for the purposes of accessing grant funding, to benefit cost uplifts in the sector as a whole over the next 3 years.

Therefore, ARCC and Sandwell Council acknowledge discrepancies that may occur in the data analysis and will need to be contextualised for the purposes of this report.

Despite any existing data quality issues, ARCC utilised much of the cost information data to model unit costs at target occupancy and staffing ratios, which is explored further in **Section 4.** These are presented alongside the median values provided by the market through this exercise, as required within DHSC's Annex A.

As part the recommendations within this report, ARCC advises further continued engagement with the market, post February 2023 publication of the results, to work towards a transparent and representative set of costs from across the market.

1.3 Local Cost of Care Results

1.3.1 2022-23 cost of care median

[1] For comparison, where referenced, ARCC uses LaingBuisson, CARE HOMES FOR OLDER PEOPLE UK MARKET REPORT, Thirtieth Edition [2019]

As per the Department of Health & Social Care's (DHSC) requirement, the exercise was required to identify a median cost of care for the delivery of services in financial year 2022-23 for the following types of care home placements:

- 65+ standard residential care.
- 65+ residential care for enhanced needs.
- 65+ nursing care; and
- 65+ nursing care for enhanced needs.

Table 1 below identifies the range and median rates from the data submitted by providers across the 4 types of care. Section 4 provides a more detailed breakdown of the findings from the analysis.

Care Type	Median Unit Cost	Estimated annual impact
65+ care home places without nursing	£890.15	£2,460,900
65+ care home places without nursing, enhanced needs	£887.88	£4,355,178
65+ care home places with nursing	£1,084.90	£3,772,436
65+ care home places with nursing, enhanced needs	£1,042.75	£2,109,234

Table 1: *Median unit costs for all care types*

The financial impact of this model is estimated to be **£12.7m per annum** based on the variance between the existing average rate paid and the median, multiplied by an estimated number of placements as of September 2022.

1.3.2 Scenario modelling

Following the above analysis and reflecting commissioner and provider feedback in relation to the accuracy of data, 12 additional scenarios were also considered (see section 4.3 and Table 3) utilising some of the base costs submitted for 2022-23 as well as expected norms in relation to:

a) Staffing vs. non-staffing costs as a proportion of total unit cost
b) Staffing ratios and hourly rates
c) Median rates for non-pay costs
d) Return on Operations and Return on Capital
e) Expected occupancy

Care Type	ARCC Modelled Unit Cost @ 85% occupancy	Estimated annual impact
65+ care home places without nursing	£679. 58	£577,584
65+ care home places without nursing, enhanced needs	£733.52	£1,995,372
65+ care home places with nursing	£951.98	£2,148,135
65+ care home places with nursing, enhanced needs	£1,007.28	£1,657,347

Table 2: *ARCC modelled scenarios at 85% occupancy*

The financial impact of this model at 85% occupancy is estimated to be **£6.38m per annum** based on the variance between the existing average rate paid and the median, multiplied by an estimated number of placements as of September 2022.

It is important to re-iterate that whilst several data sources and assertions were used as a proxy for modelling various unit costs (such as pay rates to carers, staffing ratios and occupancy), commissioners' fees are based on ***whole service costs*** and not simply the pay rate to the direct care workforce, or any other individual cost element. Therefore, the breakdown of unit costs within each scenario is unlikely to directly replicate any single providers' business and is intended simply to sustainably cover a range of business operating costs for the purposes of commissioners' understanding and decision-making regarding potential future prices for care home services.

1.3.3 Conclusions

The cost of care exercise was conducted during exceptionally challenging conditions for the sector nationally, not just in Sandwell. Recruitment and retention pressures arising during the Covid-19 outbreak and most recently inflationary costs have put further pressures on the care workforce and providers alike.

It is important to note when commissioning care services, that *Councils are not responsible for setting individual budget or cost lines for providers*. Whilst pay rates and other non-pay costs have been utilised for the purposes of constructing the median cost and scenario models, this does not in any way represent the absolute shape and size of each provider, rather they are guidelines for producing an overall "budget" unit cost per resident per week. For instance, setting a "base" pay rate does not mean providers are only able to pay workers at that rate. They are free to work within their budgets to pay whatever they are able to retain a sustainable workforce.

As such, any model (and subsequent breakdown of costs) should not be taken explicitly as the exact cost the business needs to, or should it be read that it is the absolute maximum limit of, what the provider's affordability will be for any and all costs incurred by their businesses. There are many other factors (such as the prevalence of self-funders and other customer types) that also affect independent care providers, and no exercise of this nature can take all of these into account.

Finally, it should be re-emphasised that any Council has a duty under Section 5 of the Care Act to ensure they have a "sufficient" market to buy services from, and it is not the duty of any local authority to pay any specific "rate" for care. Rather, local authorities will need to consider how readily they are able to service their population's needs via existing contracting and pay mechanisms they have with the market, taking into account:

- the scale of customers waiting for a package of care; and length of time taken to fulfil placements,
- the level of unmet needs in the market,
- the availability of services and coverage of the market at existing framework or negotiated rates,
- and many other factors outside of simply cost.

Ultimately, this assessment feeds into the cost of care to determine what ultimately gives the Council assurance around the overall sufficiency of care they are able to purchase from the market.

1.4 Summary of recommendations

We have noted the following recommendations (for further details, see **Section 5**).

1.4.1 Continued dialogue with the market regarding a sustainable rate for care

Whilst a long-term intention, in line with this DHSC cost of care exercise, may be to work towards the estimated unit costs within this report, DHSC guidance states that "fair means what is sustainable for the local market".

In the context of care home costs in Sandwell, it is clear there is a high degree of flexibility (when comparing current framework rates with actual and average agreed fees), and therefore it can be evidenced that the market has some opportunity to provide services at bilaterally agreed fees as opposed to simply on an existing framework rate.

The Council should however continue to monitor the pressure in the market (both staffing and business operating costs), as well as ability to population support needs via commissioning in the market through future fee exercises.

1.4.2 Model occupancy and market capacity for long-term market shaping

ARCC's analysis and subsequent costing toolkit provides Sandwell commissioners with the ability to model market capacity and cost based on a changing occupancy landscape – lower occupancy, as has been experienced during the pandemic, puts cost pressures on providers and impacts sustainability in the medium-long term.

Whilst the market is in a recovery phase, it would be prudent to monitor target occupancy on a sliding scale from 85% up to standard expectations under normal day-to-day business operations. This will allow Sandwell to take a staged approach over time to unit costing to mitigate the impact of occupancy.

Further to this, overall beds in the market are affected by changes in occupancy, as homes enter and exit the market, the overall availability of beds will push occupancy rates higher or lower, and therefore there exists a natural equilibrium (over time) that may be aspired to in this regard.

1.4.3 Quality and contract monitoring of care input

Sandwell Council should continue to assess staffing ratios applied as part of on-going contract and quality monitoring. It was clear from this analysis of cost surveys that staff costs were highly variable across providers who submitted a return, suggesting a highly irregular direct care input to residents, depending on setting, and which was not consistent across care types. Personalisation of care aside, it has not been evidenced that Sandwell Council routinely commission highly specified packages of 1:1 time, and therefore the high-level variability was not an expected result in this exercise.

Whilst existing safeguards (such as CQC; safeguarding and complaints processes) remain, it is recommended that implementing or enhancing existing measures of staffing ratios across settings will improve consistency.

1.5 Acknowledgements

We extend our sincere thanks to Sandwell care home providers for their participation and openness in sharing data for the project. We are also grateful to West Midlands Care Association for helping our engagement activities. Last but not least, we thank Sandwell Council commissioning team for the opportunity to perform this work and their support and commitment throughout the project.

2 Project Overview

2.1 Policy Landscape

On 7th September 2021, government set out its new plan for adult social care reform in England. This included a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside revisions to the means-test for local authority financial support. A new £86,000 cap on the amount anyone in England will need to spend on their personal care over their lifetime is to be introduced, however the expected date of implementation has been delayed from the date originally intended. When introduced, it is anticipated that the charging reforms will also propose to extend Section 18(3) of the 2014 Care Act which allows self-funders to request that their local authority commissions their care, in the same way as those who are supported by the means test.

Section 18(3) commenced in 2015 in relation to domiciliary care, and when charging reforms are introduced, it is anticipated that DHSC will extend this to residential and nursing care provision for older people. Whilst section 18(3) has been in place for domiciliary care for 7 years, the uptake and financial impact remains unclear; however, in March 2022 the County Council's Network published an impact assessment on the implementation of section 18(3), which identified: "In its own impact assessment, the Government have not sought thus far to estimate the combined financial impact of Section 18(3) and FCC on care providers. But our analysis demonstrates that based on a 50% take up rate of Section 18(3) and current FCC funding levels for councils, providers across the country would experience significant financial challenges as a result of lost revenues amounting to £560m"[2].

The government is implementing wide-ranging and ambitious reform of adult social care. In December 2021 the DHSC published a white paper, People at the Heart of Care, that outlined a 10-year vision that puts personalised care and support at the heart of adult social care and supports the realisation of the funding reform. Implementation of the Market Sustainability and Fair Cost of Care Fund is one of the first foundational steps in the journey to achieving this vision.

On the 16th December 2021 DHSC released its policy paper: **'Market Sustainability and Fair Cost of Care Fund: purpose and conditions 2022 to 2023'**. As a condition of receiving future funding[3], local authorities will need to evidence the work they are doing to prepare their markets and submit the analysis of cost of care exercises for 65+ care homes and 18+ domiciliary care. There is also a requirement to produce a provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market. A final detailed plan will be required in February 2023; in the interim a 5-page provisional plan should be submitted utilising the Annex 3 template.

For the purpose of the policy, and in terms of understanding the cost of care, DHSC have defined 'fair' as "*the median actual operating costs for providing care in the local area (following completion of a cost of care exercise) for a series of care categories….and is, on average, what local authorities are required to move towards paying providers. In the context of specific rates for care paid, fair means what is sustainable for the local market. For providers, this means they will be able to cover the cost of care delivery and be able to make a reasonable profit (including re-investment in their business), surplus or meet their charitable objectives. For local authorities, it recognises the responsibility they have in stewarding public money, including securing best value for the taxpayer*".[4]

[2] Impact Assessment of the Implementation of Section 18(3) of The Care Act 2014 and Fair Cost of Care; The County Councils Network

[3] In total the fund amounts to £1.36 billion (of the £3.6 billion to deliver the charging reform programme). In 2022 to 2023, £162 million will be allocated. A further £600 million will be made available in each of 2023 to 2024 and 2024 to 2025. This funding profile allows for staged implementation that is deliverable, while also reflecting the timelines for charging reform.

[4] See detailed guidance 24th March 2022.

A cost of care exercise is a process of engagement, data collection and analysis between local authorities, commissioners and providers with the purpose of arriving at a shared understanding of the local cost of providing care. As per the DHSC requirement, the cost of care exercise will help local authorities identify the lower quartile, median and upper quartile costs in the local area for a series of care categories. Cost of care best describes the actual costs a care provider incurs in delivering care at the point in time that the exercise is undertaken, it is not the fee that is charged. The outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation.

The Care Act 2014 states *'When commissioning services, local authorities should assure themselves and have evidence that contract terms, conditions and fee levels for care and support services are appropriate to provide the delivery of the agreed care packages with agreed quality of care… It should also allow retention of staff commensurate with delivering services to the agreed quality and encourage innovation and improvement. Local authorities should have regard to guidance on minimum fee levels necessary to provide this assurance, taking account of the local economic environment. This assurance should understand that reasonable fee levels allow for a reasonable rate of return by independent providers that is sufficient to allow the overall pool of efficient providers to remain sustainable in the long term.'*[5]

The cost of care exercise is an opportunity for Sandwell commissioners and local care providers to work together to arrive at a shared understanding of what it costs to run quality and sustainable care provision in the local area and that is reflective of local circumstances. It is also a vital way for commissioners and providers to work together to shape and improve the local social care sector and identify improvements in relation to workforce, quality of care delivered, and choice available for people who draw on care.

2.2 Project Scope

The scope of the project was determined by DHSC's Fair Cost of Care guidance and specifically focused on care homes for older people (age 65+); although there was recognition that some residents in these homes may be aged under 65. The four types of care to be considered were:

- standard residential care;
- residential care for enhanced needs;
- nursing care; and
- nursing care for enhanced needs.

The following services were out of scope: local authority in-house services.

2.3 Approach, Methods and Limitations

2.3.1 Project Governance

ARCC's approach was to encourage as much engagement as possible from the market. In order to monitor progress and mitigate project risks a project governance group was formed consisting of the Service Manager (Commissioning and Integration), Programme Manager, Operations Manager (Commissioning ASC), Better Care Fund Programme Manager, Principal Accountant, Older Adults Commissioner, PMO Manager, Operations Manager (Commissioning) and ARCC. This group met fortnightly to discuss progress, risks and mitigations

[5] DHSC, section 4.31, Care and Support Statutory Guidance.

arising throughout the course of the project. Internally, ARCC's project team formally reviewed progress and risks on a daily basis with formal reporting through the governance channels established.

2.3.2 Engagement Activities and Timeline

Engagement activity was initially targeted to a cohort of 77 care home providers, regardless of the contract type (whether a framework provider or having no contract with the council). This cohort was engaged with throughout the process. This cohort was later reduced to 33 providers through a screening process with commissioners due to provider queries regarding the scope of the exercise. Typical reasons include providers focusing on learning disabilities, mental health, or complex care. The engagement comprised the following key activities:

a) **Provider Survey & Cost Template:** Submitted to all 33 providers in scope, to gather data on both the costs and the operational experience of delivering residential and nursing care home services in Sandwell. Any data ultimately submitted by the providers was sent directly to (and anonymised by) ARCC. Confidentiality of provider's commercially sensitive information was paramount to the exercise; however, it is worth bearing in mind that providers opting to utilise the IESE CareCubed system have their information directly visible to Sandwell commissioners. The survey consisted of 3 parts:

Part 1: Commissioning Survey with thematic questions:

- Organisational details
- General business outlook and market growth
- Market insight and key challenges
- Premises and occupancy information

Part 2: 2022 Organisation and Workforce:

- Current occupancy by funding stream and rate paid
- Workforce breakdown and payroll rates
- Staffing ratios
- Organisation workforce survey

Part 3: Historic costs 2021-22

- Historic revenue
- 2021-22 costs and % 2022 cost uplift/pressure

The team also accepted alternative returns such as the national iESE Fair Cost of Care Tool or alternative reports/accounts. In total 18 providers sent returns, and of these, the 16 providers in scope represents 950 beds (58%) within the local market. 15 submissions were received in the ARCC cost survey format, and 9 submissions were made via the iESE platform. There is an overlap of 6 submissions which were received both in the ARCC cost survey format (submitting qualitative answers) and on the iESE platform (submitting cost data).

b) **1:1 deep-dive structured interviews:** Interviews took place over 2 hours with senior Finance/Operational leads for provider organisations. All providers were invited to express interest for a 1:1 session and 3 providers (representing 4 homes) in total took part in these.

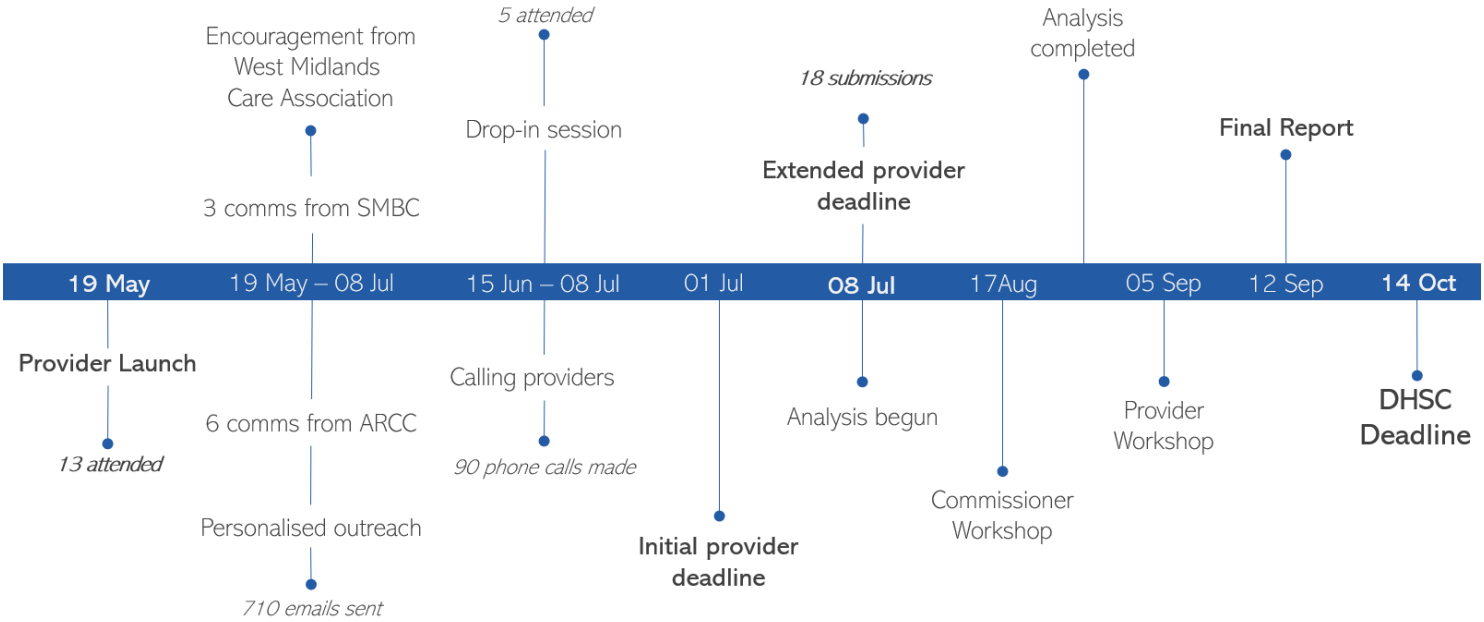
c) **Provider & Commissioner workshops/clinics:** following the launch session workshop, two further workshops were held, with all providers invited to three of these:

- A drop-in clinic/clarification session to support providers' completion of the toolkit or IESE CareCubed system, address any concerns and identify additional 1:1 support
- Providers were invited to attend a closed (provider-only) *interim session at the end of the survey & 1:1 phase;* to feed back the results of the engagement to date; validate the aggregated cost data and agree the assumptions and scenarios for the cost model variants

d) **Closed feedback/questions:** these were conducted via e-mail to allow providers to consider additional questions and clarifications following the final workshop.

Throughout the process, all providers in scope were kept appraised of the engagement feedback & timeline via e-mail, and copies of workshop slides were distributed following each workshop[6]. Further requests for information/clarifications were conducted via e-mail and telephone, to provide further opportunity for providers to submit data to input to the cost analysis.

The timeline of main activities is presented below:



e) **A further market feedback and engagement workshop** was held on **18th January 2023** to share the preliminary findings from the cost of care exercise and address concerns regarding the data quality and gaps in information. The session was also utilised to test the underlying assumptions contained within the modelling of costs.

2.3.3 Provider outreach

To give providers the best possible opportunity to engage with the exercise various forms of communication were utilised. Sandwell MBC invited all providers in the market to the initial launch session, which 13 attended. From this point onwards ARCC sent a total of 6 emails with additional information and support, including an invitation to a drop-in session/clinic to answer any queries providers may have had.

The team conducted phone calls to providers to ensure the correct stakeholders within each organisation were informed of the exercise. Finally, providers who had previously been in touch either via email or phone calls,

[6] Copies of communications and slides shared within and following workshops are provided in **Section 6 Appendices**

received personalised outreaches reminding them of the deadline and offering support. Providers were able to seek support via email, phone calls, and Microsoft Teams meetings, where the team would guide the providers through the submission template, and ask any questions they may have, e.g., regarding engagement process, confidentiality, or expected impact of the exercise. To further encourage engagement, the submission deadline was extended by one week from 1st to 8th July as well as individual later deadlines agreed with providers for supplementary information.

Of the 33 providers considered in scope, throughout the process, ARCC succeeded in establishing some contact with all of the providers. In totality, 16 (48%) submitted cost returns, 2 (6%) agreed to participate but ultimately did not submit, 7 (21%) informed us that they would not submit, and 8 (24%) spoke with the organisation but did not receive commitment.

2.3.4 Provider engagement

Whilst no effort was spared to engage with and encourage providers to take part and provide information, and the response was comparable, engagement outside of the submission of cost information was very low. Only 3 providers each attended the drop-in/clarification session and feedback workshop. In addition, less than half of providers responded to clarifications submitted by ARCC either via e-mail or the IESE/CareCubed system. As such, several potential inaccuracies exist in the current cost information, and so as part of the recommendations ARCC encourage Sandwell to conduct further work based on the scenario models in Section 4.

Engagement, in contrast with Sandwell's homecare market was therefore less than optimal. Whilst we cannot be certain why there was a different response from the two markets, there are several likely contributing factors which may help explain the level of response from care home providers:

- Potential lack of trust that sensitive data would genuinely be kept confidential, and a resultant unwillingness to expand on such data. Several providers stated unequivocally upfront when we contacted them that they were not willing to share this data.
- Local commissioning history may have impacted providers willingness to engage, such as previous exercises of a similar nature not resulting in positive changes. Providers at present are not accepting local framework rates with placements being negotiated on an individual basis. Thus, we can infer in some instances that there was no core motivation in the market to engage with the exercise.
- The exercise coincided with poor market conditions, most notably difficulties in recruitment and retention following the pandemic as well as increasing demand for homecare following lifting Covid-19 restrictions in the community. The resultant operational pressures facing providers made it difficult, especially for smaller organisations, to devote sufficient effort to an exercise of this nature.
- Many care home providers (particularly large national care home groups) had dedicated finance and administrative resource to completing the standard cost information at a national level, however, were not in a position to offer tangible, qualitative and experiential input from operational managers or Directors (those with responsibility for commercial management of the business and/or financial responsibilities) as part of the process. This limited ARCC's ability to validate returns via 1:1s or an understanding of the operator's business model.

2.3.5 Cost Modelling

ARCC also committed through this project to conduct cost modelling, informed by the outputs of the exercise, to create a "representative" set of unit costs, considering occupancy, staffing ratios and other care home-specific cost considerations. The cost model was built using a 'bottom up' approach, utilising cost and volume data provided by Sandwell alongside real data from providers (such as direct care staff wages; back-office costs,

premises, overheads and other costs) to build the cost model alongside the agreed model assumptions at the workshop. More details on the approach to cost modelling is provided in Section 4.

The approach adopted was to gain consensus for the apportionment of cost lines, within a range, to contribute to the model & define and agree various scenarios for commissioners to consider (client complexity, average size of home, occupancy and staff pay rates). Using aggregated costs from the 16 provider settings, cost and model information was also triangulated from other sources such as available fee & income data from Sandwell. Output of this modelling was initially tested with the market on 18th January 2023 and further testing and refinement is recommended.

2.3.6 Limitations

It is important to note the inherent and practical limitations of such an exercise and reflect particularly on what the outputs to any cost modelling exercise aims to achieve. Any single cost median or model will not reflect the diversity within a whole market due to the number of variables to take into consideration, in addition meaning that any attempt to include all variables would result in an unusably large range of outputs in any practical sense. Thus, the median and any subsequent modelling can only be a simplified version of reality, using some explicit assumptions, which are discussed and refined to stakeholders' satisfaction. Furthermore, as the DHSC requirement was to generate median, upper and lower quartiles for each respective cost line, the sum total will never add up to the profile of a local provider.

It should be clearly understood that a cost exercise is not a magic formula that will set the 'best' market price for all providers. The realistic expectation in this project is that the model simply outputs a set of figures that are indicative of costs incurred by providers (based on data that some have provided) at a point in time. The model can then help to highlight different costs and cost drivers and this in turn can promote a greater level of understanding, particularly for commissioners, when the commissioners come to consider future pricing.

We must also recognise that, when commissioning care services, Councils are not responsible for setting individual budget or cost lines for providers. Whilst pay rates and other non-pay costs have been utilised for the purposes of constructing scenario models, this does not in any way represent the absolute shape and size of each provider, rather they are guidelines for producing an overall "budget" unit cost per resident per week.

For instance, setting a "base" pay rate does not mean providers are only able to pay workers at that rate. They are free to work within their budgets to pay whatever they are able to retain a sustainable workforce. Equally, the way return on capital and return on operations is calculated may affect each individual business (such as whether capital expenditure has been amortised, applied per bed per week or as a % of total costs). The same applies for back-office costs, non-pay costs and profit. All of these are flexible and will change month-to-month based on the individual business situation.

This is already evidenced in the market when looking at existing local authority models that use an occupancy "target" as a guide for cost per resident per week, but then appreciate that care home organisations will flex their allocation of budgets and distribution of costs accordingly, based on their individual structure and capacity.

As such, any model (and subsequent breakdown of costs) should not be taken explicitly as the exact cost the business needs to, or should it be read that it is the absolute maximum limit of, what the provider's affordability will be for any and all costs incurred by their businesses. There are many other factors (such as the prevalence of self-funders and other customer types) that also affect independent care providers, and no exercise of this nature can take all of these into account.

Finally, it should be re-emphasised that any Council has a duty under Section 5 of the Care Act to ensure they have a "sufficient" market to buy services from, and it is not the duty of any local authority to pay any specific "rate" for care. Rather, Councils will need to take into account how readily they are able to service their population's needs via the existing contracting and pay mechanisms they have with the market, which takes into account how long it takes to implement packages of care, the level of unmet need in the market, and many other factors outside of simply cost. This assessment feeds into the cost of care to determine what ultimately gives the Council assurance around the overall sufficiency of care they are able to purchase from the market.

In addition, no single exercise at any point in time becomes the "end" point for this assessment of market sustainability. It is an iterative process, and it is the duty of local authority commissioning to continually review and adapt their understanding of costs and contracting practices regularly.

3 The Care Home Market in Sandwell

This section details the size and scale of the current care home market in Sandwell as well as observations in relation to commissioning, contracting, market structure and costs.

In most economic markets, relative demand versus supply is key in determining prices. Local authority commissioning of care homes can sometimes represent a monopsony market, in which they are the majority buyer. Here the buyer is arguably most concerned with establishing the overall likely volume of demand and then setting a budget to match (though in practice inflationary uplifts are probably the most common form of annual adjustment), from which a price is derived. As this volume is a key driver of price, it was critical for us to understand the purchasing patterns to inform the future cost model.

3.1 Supply, Demand and Quality

Sandwell has 33 care homes (1,631 beds) for older people in scope of this exercise, of which 18 offer nursing placements. Occupancy levels in residential care average 89% and nursing 87% in 2021-to date, which resulted in approximately 240 vacant beds last financial year.

Whilst the supply of beds is not a concern, in recent years Sandwell MBC have experienced a dwindling number of providers who are willing to accept local authority rates (as can be seen by Table 3). Increases in instances of top-ups have begun to impact on the ability (and legal requirement) for SMBC to provide choice and sufficiency of beds that do not attract an additional first- or third-party contribution.

Care Type	SMBC Framework 22/23	Average Price Paid	No. Clients
Residential	£487.48	£615.00	172
Residential Enhanced/EMI	£548.59	£603.00	294
Nursing (incl. FNC)	£687.36	£776.19	235
Nursing Enhanced/EMI (incl. FNC)	£694.79	£877.19	245

Table 3: *2022-23 framework rates and average fee paid (actual)*

Providers have highlighted challenges with the current framework fees, particularly that people are entering their services with higher level needs which cannot be met in the 'cost envelope' of the Council's usual fee rates. This is likely to be driving the challenges we are facing in placing individuals and/or providers increasing the cost of the placement. Providers have reported that the FNC rate is not sufficient or attractive (at £209.19 per week), as the requirement to staff with a nurse 24/7 requires a volume of nursing clients (c.20-22 clients), therefore it is hard to run a nursing home on a small scale or to convert a setting without volume and support/incentives.

There is a good level of diversity, with a range of smaller family ran care homes (typically converted properties), and larger care homes (typically more modern and ran by national companies), the area does have 6 homes which are owned by the same group.

Further work is required to improve the quality of local provision, with 60% (20) of homes rated 'Good', representing 56% of beds and 40% (13) rates as CQC 'Requires Improvement' (44% of beds). Focusing solely on nursing homes, the quality of these services is on average lower, with 10 out of the 18 nursing homes rated 'Requires Improvement'. There is no correlation between the size of the home and the CQC quality rating.

Services are commissioned on the basis of client choice, availability to meet the assessed need at the time of placement, and affordability (if the home of choice charges a top-up). As highlighted and detailed within the Cost of Care exercise, the Council's usual rates are currently below the reported cost of care.

Table 4 identifies the ONS estimates of self-funders (May 2022); Sandwell is significantly below both the regional and national averages which contributes to the current shape of the market but also suggests that the impact of Section 18(3) may not be as severe as other areas; however, this does place more urgency in resolving cost pressures sooner as the low self-funder numbers locally provide less opportunity for the market to have rate differentials, i.e. there are less funding streams in the local market to offset cost pressures.

Region	Self-funded service users (%)	LCL (self-funded)	UCL (self-funded)	State-funded service users (%)	LCL (state-funded)	UCL (state-funded)
Sandwell	**14.3**	**10.0**	**18.7**	**85.7**	**81.3**	**90.0**
West Midlands	33.7	30.1	37.3	66.3	62.7	69.9
England	34.9	32.7	37.1	65.1	62.9	67.3

Table 4: *Care homes and estimating the self-funding population, England: 2021 to 2022 (ONS, July 2022)*

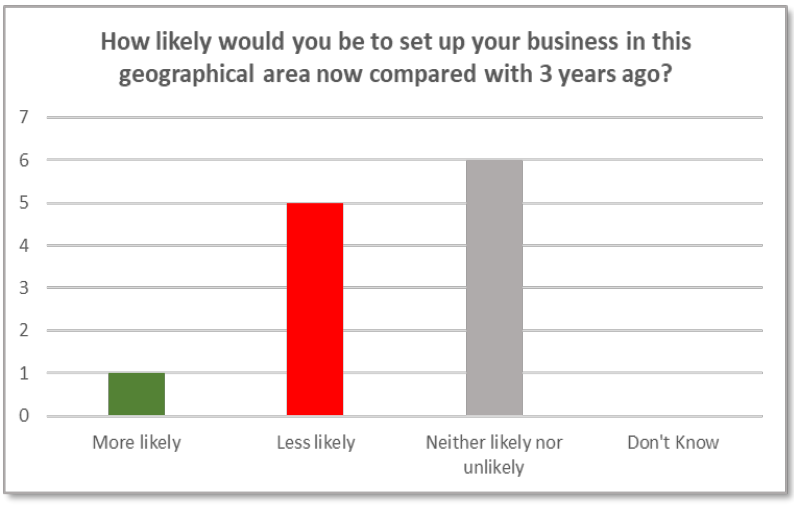
3.2 Provider Feedback

3.2.1 Qualitative Insight

As Section 2.3.2 has described the approach to engagement was varied to support maximum engagement; the following section identifies key observations from the cost data survey, 1:1 interviews and feedback workshops.

3.4.1.1 Business Outlook and Growth

Providers reported that whilst some self-funders top up local authority placements, the amount of actual self-funders and the ability to command fee rates was low. Despite this, there was anecdotal evidence that there may be up to a **30-40% differential** in rates. Providers recognised the need to bridge the gap between self-funders and local authorities' clients due to the introduction of the social care charging reforms and the care cap in 2023.

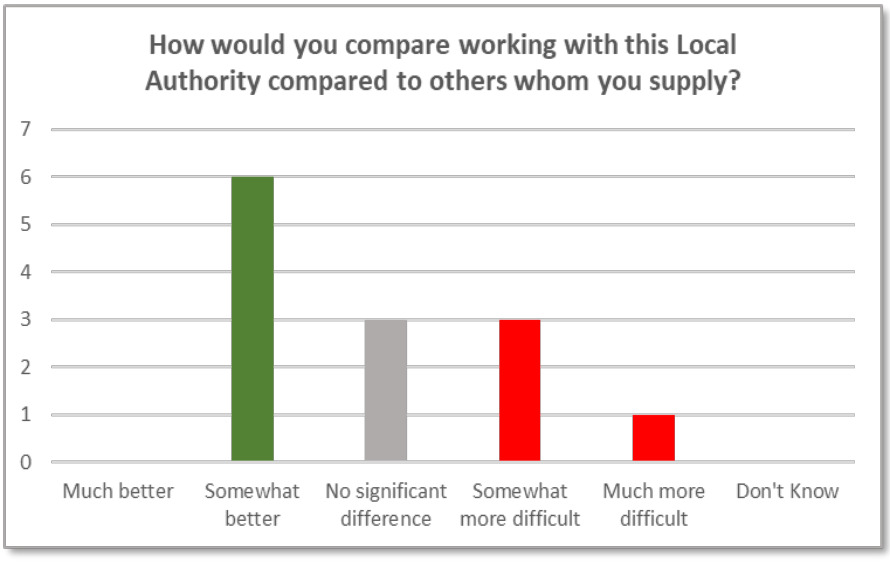


Feedback in the provider workshop was that more generally, top-ups were not commonplace, and that it was also difficult to achieve more than **£30-£50 per week** if a top-up was charged. From limited discussions, there was no evidence that self-funders materially receive a different service in mixed economy settings as opposed to those who cater exclusively for self-funders.

Expectations of a median **EBITDARM c.£140 per bed per week** were consistently not achieved. Covid grant monies have made a significant difference to support providers during the pandemic providers turnover and in turn sustainability, often making the difference between break-even and loss based on the financial data provided. The loss of this support may compound the financial sustainability within the market.

3.4.1.3 Working with Sandwell

The chart (right) shows that generally care home providers find working with Sandwell somewhat better than others in the region. This may be evidenced via good relationships with commissioners and overall being able to negotiate fee rates outside of the published framework rates.

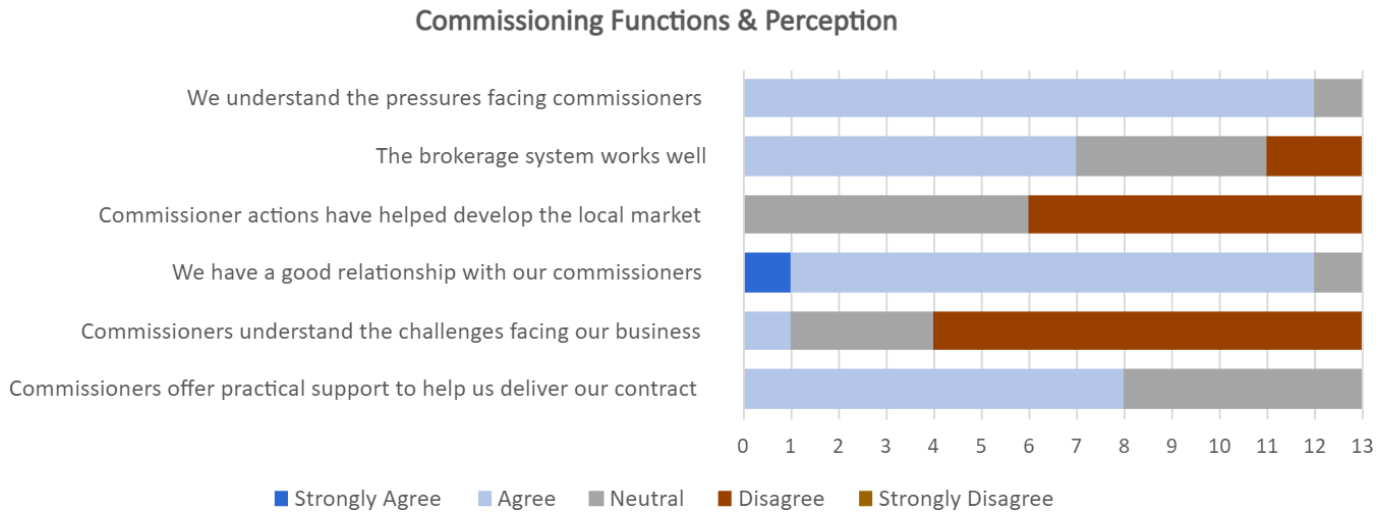


Outside of fee rates, there were no general issues raised in working Sandwell in particular.

Providers' main challenges was around being unsure about the flow of resources and funding via the council from government, which gives them limited ability to plan with certainty around future budgets, to take into account year-on-year increases in minimum wages and on-going costs.

Providers in Sandwell generally reported very positive relationships with the people they engage with, within the local authority. The chart below summarises 13 providers' responses to questions regarding their engagements with the council, for most of which there were more positive responses than negative. Providers feel particularly strongly that they understand the pressures the commissioners are currently facing, and that

they have good relationships. On the other hand, some providers find that commissioners could do more to help develop the local market, and that the commissioners do not fully understand the challenges which the providers are facing.



3.2.2 Business Challenges

The greatest business challenges identified by providers was:

- Pressure to pay more than minimum wage to maintain a stable workforce
- Challenges in focusing on not just filling posts but attracting the right type of people
- The impact Covid-19 has had (and continues to have) on bed availability
- Expectations of service quality not matching fees being paid
- Unsustainable increases in utilities costs

More generally, financial stability, increasing cost pressures, in particular increased use of agency staff, utilities, insurance and food given the well documented increases in inflation and growing cost of energy was also cited – 40% of all responses identified financial stability and certainty and rising costs as their major concern. Secondly, recruitment and retention made up 30% of all cited business challenges. Maintaining staffing levels and increases in staff turnover during the pandemic are contributing factors to this. Thirdly, the changes to self-funder income that is likely to impact as a result of the section 18(3) charging reforms combined with lower LA fee rates compared to non-LA customers made up 25% of all responses.

The impact of the pandemic; concerns were raised about the resources required to interpret and continually adapt to the changing policy landscape and the impact outbreaks/temporary suspensions are having on achieving a sustainable occupancy.

In relation to the business challenges, the governments phased removal of measures to support the market during the pandemic, such as workforce grants to support staff to receive full pay (as opposed to SSP) during isolation are likely to further exacerbate some of these challenges. Concerns were raised during the provider interviews in relation to the impact on future sustainability and that the typically low fees would no-longer be sustainable given the current work force and cost of living crisis which is likely to force some homes to close given the significant cost pressures experienced around agency staff, utilities, insurance, food.

3.2.2.1 Workforce

Providers' primary concern regarding future sustainability is access to a stable and suitably experienced workforce, with providers having to compete to employ staff through competitive pay rates. The impact of staff shortages is not only fiscal, but providers also reported high staff turnover which affects the continuity of care and in turn may be impacting upon increased individual needs. Current market conditions are extremely challenging in relation to the workforce and as a consequence providers are reliant on significant levels of agency staff. Nurse recruitment in particular has been reported by providers as extremely challenging with rates +50% above usual pay rates.

These issues are further compounded when we consider the current drive to recruit staff to bolster local authority services and the well published NHS recruitment drives; in both cases the terms and conditions are often significantly more attractive, which will further compound some of the market challenges. Several factors exacerbating the current workforce challenges were provided:

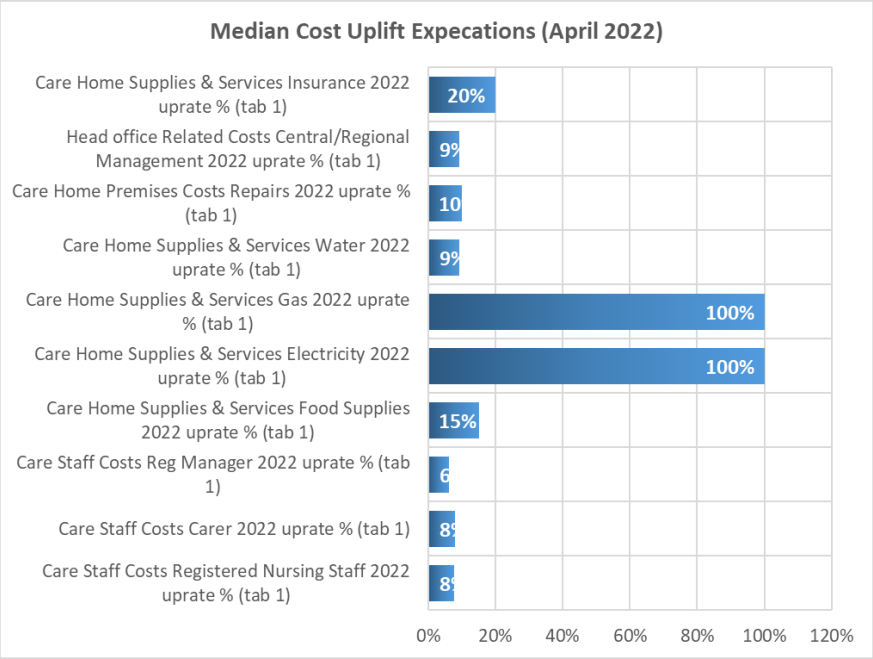
- Staff moving across the care sector such as into supported living due to better pay or terms and conditions
- Providers concurred that using agencies is not an option or can only be very limited – in addition due to avoiding the risk of cross-contamination when staff work across multiple providers / sites
- Staff 'burn out' post Covid and a sense that there are easier jobs for the same or more money

  Terms and conditions are not as attractive as other sectors or types of health and social care provision
- The continuing impact of Brexit on the potential availability of workers.
-

3.2.2.2 Business Costs

The impact of increasing utility costs has been partially mitigated in some instances by people entering fixed term deals, although some providers are reporting steep hikes in new deals with some extremes of up to 200% increase in energy costs.

Similarly, providers reported that insurance premiums are rising between 15-50%, with staff pay having to increase to retain and attract new staff, with the alternative being inflated agency costs.



3.2.2.3 Sufficiency and occupancy

Providers were eager to point out that lower occupancy does not significantly reduce the costs of running services as providers are still required to pay premises costs and maintain safe staffing levels, regardless of the numbers. Indeed, staff cost as a % of income increases as turnover (occupancy) reduces. Whilst, arguably it is not the responsibility of local authorities to maintain under-utilised capacity, there is a duty to ensure there is a sufficient capacity to meet current and future demand. Covid significantly destabilised the market and as such, the period to recover to an acceptable level of occupancy may be greater.

There was a perception that people are coming to service with higher level needs which cannot be met in the 'cost envelope' of framework rates; is likely to be driving challenges placing individuals or people 'stepping up the tariff'. Providers felt there is no incentive/support to take people with high dependency.

Finally, the impact of the Section 18(3) charging reforms regarding self-funders moving to LA fee rates were also a concern to providers, implying there is less room to offset costs incurred via higher fees to independent residents.

4 Cost Analysis and Scenario Modelling

4.1 Provider Cost Information & Data Quality

Following the 4-month period of engagement with providers and commissioners from July to August 2022, the ARCC project team assessed a range of cost data from providers, utilising the cost information templates, structured interviews and commissioning data on service levels. The following statistical approach has been utilised when undertaking analysis:

- Minimum staffing ratios were amended to reflect views of providers on the workshop and were broadly reflective as a range for different care types
- There is always a need for minimum staffing which needs to be taken into account i.e., 3-5 staff 24 hours a day at various grades and dependent on size of home

Despite undertaking detailed analysis on the cost data returns, a significant number of clarifications are still outstanding with providers at the time of writing this report; the details and impact of which are illustrated in this section.

It is important to acknowledge this in the context of a national deadline to respond to the DHSC requirement by 14th October, for the purposes of accessing grant funding to benefit cost uplifts in the sector as a whole over the next 3 years.

4.1.1 Provider Feedback Workshop

The provider workshop held on 5th September allowed the market to engage with the process further, once ARCC had completed initial analysis on the returns. This element of our approach is of critical importance to ARCC's approach to cost of care exercises in general, however it was of even more significance in this engagement:

a) DHSC's requirement that the exercise is conducted with the three pillars of Consistency, Transparency and Partnership in mind

b) Data quality issues and lack of engagement via 1:1 sessions that were required to be addressed

c) Significant contextual impact of the results to inform costs nationwide as part of adult social care charging reforms

ARCC raised awareness through the mechanisms described in section 2.3 to emphasise the importance of feeding back to the market to further refine the cost modelling and report an *agreed, representative median set of costs* in this Annex B report.

ARCC took provider feedback into account and presented further scenario models in section 4.3 back to the market in January 2023.

The market responded with a general consensus that the modelled costs appear to be logical, however further work is required to arrive at a transparent and representative set of costs for the market, taking into account the ever changing economic challenges in 2023 and beyond..

4.1.2 Identified Data Quality Issues

ARCC identified several quality issues which potentially impact the accuracy and robustness of data within the original datasets submitted, which has likely resulted (in some instances) in significantly inflated unit costs compared to what would reasonably be expected, based on subsequent clarification with providers, historical income data, current published fee rates (non-LA) and nationally recognised datasets such as Laing and Buisson's care home market reports[7]. In summary, these comprise of:

- Acquiring representative unit costs during COVID-19
- Impact of snapshot/actual or current occupancy vs. typical unit-cost based models
- Impact of additional grant funding
- Errors deduced via typical assessment of available income and expected profitability

Less than half of providers responded to clarifications, however no figures were altered or amended by providers as a result of clarifying information. As such, whilst some qualitative identification of errors has been identified, it has not been updated by the provider, and where no response has been received, potential unknowns will remain.

Despite any existing data quality issues, ARCC utilised much of the cost information data to model unit costs at target occupancy and staffing ratios, which is detailed in Section 4.3. These are presented alongside the median values as required to be submitted within DHSC's Annex A report.

4.1.2.1 Staffing vs. non-staffing costs

Providers felt that the split of costs was not broadly reflective:

- 63% of costs attributable to staffing was low; providers felt that this should be closer to 70% as a portion of whole costs
- When taking into account prospective future pay rates (i.e., attracting staff over and above minimum wage); then this ratio could increase even further

Some figures may be skewing this ratio; unlikely to see providers with staffing cost less than 60% of their total business costs; which has been addressed in the scenario modelling

4.1.2.2 Non-staffing average unit costs

There was no consistency in increased cost expectations across all providers; however, increasing some standard cost lines by current CPI was discussed, as well as some specific cost lines that have increased over and above this:

- Providers cited utilities had increased up by 200%
- Clinical waste cost increased
- Insurance quotes have multiplied in some instances
- Recruitment fees (estimated costs around £1,000 to hire staff)
- Fees for sponsorship of foreign workers

[7] For comparison, where referenced, ARCC uses LaingBuisson, CARE HOMES FOR OLDER PEOPLE UK MARKET REPORT, Thirtieth Edition [2019]

In some instances, the combined costs for premises and ROC represented up to 20% of the total value of the home, meaning that if these costs were to recur annually, the total value of the home would need to be reinvested in 5 years. This does not seem reflective of the expected net life value of the home, and therefore indicates the home is either not returning value to the investor, or costs have not been appropriately apportioned across multiple years to reflect the fact that cash expenditure in 1 year relates to value across multiple years, and therefore unit costs must be depreciated appropriately.

4.1.2.3 Occupancy and uplifted rates

Providers acknowledged that occupancy was lower than expected (the market average for this period was 87-89% compared to an average in the provider submission data of 80-86%), meaning overall unit costs can tend to be higher. Providers also noted that they can achieve higher rates for self-funders compared to LA rates.

4.1.2.4 Care Home valuation

Providers are being increasingly asked for EPC when obtaining a valuation; as well as being dependent on LA income; which can put downward pressure on market valuation.

4.1.3 Clarification Queries to Providers

Table 5 (below) identifies some of the thematic queries which were issued to providers.

Category	Clarification	Rationale
Furnishings / Fixtures and fittings	Please provide a breakdown, including whether this includes capital expenditure (capex) costs, including confirmation of the capex budget for the year	Expenditure should be recurrent costs only. Non-recurrent costs should be appropriately depreciated to accurately reflect the in-year cost to be attributed per unit (e.g. if the cost relates to full cost for replacement of furnishings such as sofa/beds etc. that will last several years, it is appropriate to apportion a fraction of the cost reflecting the number of years the asset will be used for.
Repairs and maintenance	Please provide a breakdown, including whether this includes planned and reactive maintenance, and a breakdown of planned maintenance costs	Planned maintenance is recurrent / or should be costed at 50% if it is conducted bi-annually (i.e., fire checks/ventilation etc.). Reactive maintenance should be appropriately depreciated give the length of time the repair is expected to last.
Central / regional management	Please provide a breakdown, including whether this includes interest, depreciation, what staff and apportionment	Some capital costs may have also been included in Expenditure in the IESE questionnaire. This is aimed at determining whether costs that would ordinarily be included in a return on capital (ROC) figure have already been included elsewhere in the IESE CareCubed platform.
Support services	Please provide a breakdown e.g., the individual charge from head office for H&S, Finance, property Team, HR etc. – are staffing and non-staff costs included?	This allows ARCC to determine parity between larger "group" homes with centralised costs and smaller groups or single homes where these costs would form part of normal supplies and services
Head office costs / ROO / ROC	Are director's remuneration / loan / pension costs included?	As with central & regional management costs, this is aimed at determining whether costs that would ordinarily be included in a return on capital (ROC) figure have already been included elsewhere in the platform

Table 5: *thematic queries issued to providers*

Some clarification was received by providers, however not in enough detail to provide confidence that the actual, properly depreciated unit costs could be verified:

- 6 settings responded that a standard ROO/ROC value was used for 2021-22 and April 2022, however, could not confirm whether this was reflective of the actual cost incurred for ROO/ROC
- 8 settings responded that costs in all areas could not be broken down any further
- 8 settings did not respond to a request for a clarifying 1:1 session or to queries within IESE

4.1.4 Addressing Cost Variances

In order to further assess where cost discrepancies may have occurred, ARCC conducted income analysis on a proportion of the homes in scope. It should be noted that, whilst assessing revenue/income was not in scope of this exercise, there must be some triangulation of these figures to the reported expenditure in order to give any confidence that the figures are accurate or representative. The rationale for assessing potential income sources is arrived at from the following logical assertions:

1. All expenditure must be funded in one of the following ways:
    - Income from actual placements, from the local authority (including FNC payments), self-funders, NHS continuing healthcare or other neighbouring LAs
    - Income from grant funding
    - Retained profit from prior years
    - Additional shareholder funds or loans
2. Where homes have reported a return on operations (ROO) figure, the following must be valid:
    - The home generated a retained profit or surplus in the same financial year and likely owed corporation tax on the amount
    - The home cannot have made a loss, and therefore covering the associated expenditure through additional cash via loans, prior years' profits or additional shareholder funds is not a valid source of funding

It is not the purpose of this exercise to conduct a detailed forensic audit of provider's accounts, therefore only a high-level and superficial analysis can be conducted here, using a relatively limited but accurate dataset in the form of local authority's own expenditure records and advertised fee rates for the homes.

4.1.4.1 Balancing Income with Expenditure

In order to test the above two assertions, it was necessary to triangulate whether the income and expenditure "balance" in the financial year. The following questions were asked for settings where these assertions were to be tested (an accompanying spreadsheet with the provider's relevant figures was supplied for the purposes of identifying the column headers in the questions below):

1. IESE shows your total expenditure (including outturn earnings expressed via ROC or ROO) as in column D for the financial year 2021-22. Is this correct?
2. Can you confirm whether you made profit/surplus or loss (defined as Earnings before Interest and Tax [EBIT]) in 2021-22? Please note if you are not sure, this can also be identified by corporation tax due in that year?
3. An assessment of income received from the local authority shows that you received as in column E (including FNC payments where identified) to cover the expenditure identified in 1 above. Does this match with your records?

4. Your IESE submission shows an average LA-funded occupancy of X over 2021-22, which equates to an average as in column I weekly LA fee per resident. You have identified non-LA occupancy (either out of area, self-funders or CHC) was as in column K. Is this correct?
5. The Council have also identified grant funding of column F received for the 2021-22 year – is this correct?
6. In accordance with your IESE submission and identified LA earnings, there was a remaining balance of column J income required for the year in order to match the level of identified expenditure – is this correct?
7. In order to reach a level of income that matches your identified expenditure for 2021-22, we have calculated that the remaining balance of column J must be met by non-LA funded placements. This equates to an average income of column L per resident per week. Does this match your average or expected weekly fee for non-LA placements?
8. If the identified expenditure was not met by the income received via any of the above questions, please can you confirm how much of a variance this resulted in, and if this results in a net loss, how this was funded and amount? This may be due to:
    a. Income from other LAs not already identified
    b. Top-up fees for LA placements
9. At your current/projected budget so far for 2022-23, are you projecting a profit/surplus or deficit/loss for the financial year?

4.1.4.2 Results of Income-Expenditure analysis

6 settings responded to these additional questions. In all instances, the settings responded that:

- they made a loss in the financial year 2021-22 [suggesting that ROO reported in IESE was in error]
- the resultant variance from non-LA income was incorrect [suggesting that fees did not match with what was charged competitively for the home]

Despite reporting an actual ROO figure in the year 2021-22 (indicating a profit/surplus for the year), given the settings did not actually return this figure, it is difficult to accurately verify what unit costs were actually incurred for the settings. None of the settings were able to further clarify the actual loss incurred by the setting and how the expenditure was alternatively funded, if not via fees from the LA or non-LA sources, predominantly due to the commercial sensitivity of the information.

Therefore, we must conclude that inaccuracies remain in the data. Table 6 (below) attempts to identify the extent of these inaccuracies by calculating the following:

a) the proportion of expenditure, after LA and grant funding has been considered, left to be covered via alternative funding sources;

b) the average relative fee per week for non-LA sources, if the remaining expenditure is funded entirely from placement income.

TABLE REMOVED FOR COMMERCIAL SENSITIVITY

***Table 6**: expenditure analysis*

The orange column in the table indicates the 'calculated' average non-LA income per resident per week ***required*** in order to balance this equation. As the table illustrates, [redacted]analysed have average income of[redacted] per week, with [redacted]. ARCC were able to obtain the advertised rates for [redacted]. However, the analysis

shows that [redacted] settings had a requirement to charge over this maximum advertised rate, in order to match the reported actual 2021-22 expenditure in their submitted cost breakdowns.

Overall, comparing these discrepancies in expenditure and total "expected" earnings for [redacted]still in query (above table), the difference equates to up to a 20% error between expenditure and income (assuming that any shortfall in LA expenditure is made up from placements made at the 'mid-point' advertised rate for that setting)[8]. When comparing those homes in error compared to the full dataset, this equates to a shift in costs to an average of 8% of overall expenditure captured as part of this exercise.

It should be noted that the results here are no more definitive than the original costs submitted, however they do clearly show that very few costs match up when assuming that income and expenditure should be broadly equal, assuming a sustainable, profit-making entity is being presented for analysis. Further, that the costs difference across this analysis is not immaterial and may *contribute to between 8-20% cost differential in the actual median results obtained* (presented in Section 4.2) in this report.

4.1.4.3 Conclusions and Limitations

What became apparent during this analysis was that the local authority funded more than would initially be suggested by the existing framework rates, due to individually negotiated rates occurring in the settings, as well as the existence of "block" funding (also with the possibility that some beds may be funded, yet not occupied).

As mentioned previously, it is not the purpose of this exercise to conduct a detailed forensic audit of provider's accounts. We can also note some limitations in this approach, namely it is reliant on:

- Accurate LA income data being provided
- Accurate occupancy data being provided (direct from providers on the IESE platform)
- ROO is represented as "actuals" for the financial year 2021-22, as requested in the IESE platform
- Providers either make a profit/surplus in year, or can quantify where excess expenditure was funded from

Without assurance that these elements did not unduly skew the results, we can only assert in this analysis that expenditure and income at a high level do not match, and that further unit costs presented from providers in this report should be treated with some caution when considered as part of future fee setting exercises.

4.2 Median Analysis of Provider Cost Data

The low, lower quartile (25th percentile), median, upper quartile (75th percentile) and high provider cost information submitted by 16 providers has been presented in the Table 7. The reference data tables (presented as £ per resident per week costs in each cost line against the total average unit rate for the provider, to preserve anonymity) is included in Appendix C.

Care Type	LOW	LQ 25th %	Median	UQ 75TH %	HIGH
65+ care home places without nursing	£763.56	£861.51	£890.15	£943.52	£1,033.58
65+ care home places w/out nursing, enhanced needs	£763.56	£814.76	£887.88	£959.09	£1,297.01
65+ care home places with nursing	£763.56	£963.33	£1,084.90	£1,147.34	£1,242.98
65+ care home places with nursing, enhanced needs	£763.56	£838.68	£1,042.75	£1,122.15	£1,160.31

Table 7: *cost range, upper and lower quartile and median by care type*

[8] Where advertised rates were not available, an average of the existing mid-point rates was used at £1,247 per resident per week

The median cost lines as presented in the DHSC Annex A is presented below.

	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
Total Care Home Staffing	**£445.53**	**£298.17**	**£630.63**	**£630.63**
Nursing Staff	-	-	£168.17	£166.70
Care Staff	£234.07	£318.93	£319.01	£333.61
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00
Activity Coordinators	£8.36	£8.49	£8.49	£8.49
Service Management (RM/Deputy)	£38.10	£35.00	£36.07	£32.22
Reception & Admin staff at the home	£6.95	£9.99	£9.93	£8.50
Chefs / Cooks	£33.09	£29.89	£37.02	£30.96
Domestic staff (cleaning, laundry & kitchen)	£38.11	£43.06	£41.45	£38.96
Maintenance & Gardening	£9.30	£9.74	£9.74	£9.07
Other care home staffing	£10.98	£11.23	£4.71	£4.71
Total Care Home Premises	**£56.24**	**£60.90**	**£51.22**	**£51.22**
Fixtures & fittings	£0.00	£0.00	£0.00	£0.00
Repairs and maintenance	£25.62	£26.64	£27.81	£26.60
Furniture, furnishings and equipment	£0.00	£0.05	£0.05	£0.05
Other care home premises costs	£0.00	£18.90	£20.65	£20.65
Total Care Home Supplies and Services	**£106.09**	**£108.05**	**£110.87**	**£108.05**
Food supplies	£37.61	£39.77	£32.46	£32.46
Domestic and cleaning supplies	£0.00	£2.15	£4.82	£4.82
Medical supplies (excluding PPE)	£3.59	£4.49	£4.18	£5.13
PPE	£2.73	£2.53	£2.43	£1.93
Office supplies (home specific)	£6.27	£5.46	£7.87	£5.96
Insurance (all risks)	£5.55	£5.89	£5.38	£6.11
Registration fees	£4.27	£3.97	£3.97	£3.97
Telephone & internet	£0.80	£0.81	£0.76	£0.76
Council tax / rates	£0.00	£0.34	£0.60	£0.60
Electricity, Gas & Water	£26.73	£27.06	£32.03	£27.75
Trade and clinical waste	£4.84	£3.80	£6.44	£6.44
Transport & Activities	£3.08	£2.35	£1.29	£1.17
Other care home supplies and services costs	£1.24	£1.30	£1.55	£2.30
Total Head Office	**£46.79**	**£41.42**	**£57.28**	**£58.26**
Central / Regional Management	£0.00	£0.00	£0.00	£0.00
Support Services (finance/HR/legal etc.)	£45.45	£40.79	£47.94	£49.77
Recruitment, Training & Vetting (incl. DBS)	£0.00	£0.41	£3.98	£3.98
Other head office costs (please specify)	£0.00	£0.00	£0.00	£0.00
Total Return on Operations	**£82.57**	**£92.84**	**£90.98**	**£89.96**
Total Return on Capital	**£140.00**	**£130.01**	**£140.00**	**£130.01**
TOTAL	**£890.15**	**£887.88**	**£1,084.90**	**£1,042.75**

Table 8: *Annex A data table.*

4.3 Scenario Modelling

In recognition that the current dataset for 2022-23 requires more work to represent "typical" costs as illustrated in Section 4.1, potential scenarios and variants were discussed with Sandwell Council. As a result of this discussion, the following initial draft scenarios are proposed in this report:

- Residential unit costs are based on a setting size of 41 beds and applied staffing ratio of 22 hours per resident per week, or 1 carer to 7 per resident per day, and 1 carer to 10 residents per night
- Enhanced residential unit costs are based on a setting size of 41 beds and applied staffing ratio of 26 hours per resident per week, or 1 carer to 5.4 per resident per day, and 1 carer to 10 residents per night
- Nursing unit costs are based on a setting size of 59 beds and applied staffing ratio of 29 hours per resident per week, or 1 direct care staff (carer/nurse) to 4.5 per resident per day, and 1 direct care staff (carer/nurse) to 10 residents per night
- Enhanced nursing unit costs are based on a setting size of 59 beds and applied staffing ratio of 33.6 hours per resident per week, or 1 direct care staff (carer/nurse) to 4 per resident per day, and 1 direct care staff (carer/nurse) to 8 residents per night

General expectations for both staffing ratios as above; as well as proportionate categories of cost against staffing, premises, head office, capital expenditure and profit expectations were discussed in the feedback workshop in September 2022 and followed up in January 2023; presenting the scenario models to the market for discussion. ARCC is continuing to work with Sandwell Council and the market beyond publication of this report to further refine these cost expectations.

4.3.1.1 Standard Residential

Model B illustrates a staffing ratio of 22 hours per resident per week, or 1 carer to 7 per resident per day, and 1 carer to 10 residents per night.

Occupancy Scenarios	Input	Model A	Model B	Model C
Total Bed Capacity	41	41	41	41
Annualised Occupancy (no. beds)	36	32.8	34.85	36.9
Occupancy %	89%	80%	85%	90%
Direct Hours per Resident per Week		23.6	22.2	20.9
Carer:Resident Ratio (Day)		1 to 6.56	1 to 6.97	1 to 7.38
Carer:Resident Ratio (Night)		1 to 9.37	1 to 9.96	1 to 10.54
Direct staffing pay cost per Bed (£)	£242	£297	£279	£264
Indirect staffing pay cost per Bed (£)	£149	£124	£117	£110
Weekly pay cost per Bed (£) **(a + b)**	£391	£421	£396	£374
Weekly non-pay cost per Bed (£)	£97	£97	£97	£97
Weekly EBITDARM per Bed (£)	£186	£186	£186	£186
Weekly EBITDARM per Bed (%)	27.6%	26.5%	27.4%	28.4%
Total Weekly cost per Bed (£)	£675	£704	£680	£658

4.3.1.2 Enhanced Residential

Model B illustrates a staffing ratio of 26 hours per resident per week, or 1 carer to 5.4 per resident per day, and 1 carer to 10 residents per night.

Occupancy Scenarios	Input	Model A	Model B	Model C
Total Bed Capacity	41	41	41	41
Annualised Occupancy (no. beds)	36	32.8	34.85	36.9
Occupancy %	89%	80%	85%	90%
Direct Hours per Resident per Week		28.0	26.4	24.9
Carer:Resident Ratio (Day)		1 to 5.05	1 to 5.36	1 to 5.68
Carer:Resident Ratio (Night)		1 to 9.37	1 to 9.96	1 to 10.54
Direct staffing pay cost per Bed (£)	£242	£354	£333	£315
Indirect staffing pay cost per Bed (£)	£149	£124	£117	£110
Weekly pay cost per Bed (£) **(a + b)**	£391	£478	£450	£425
Weekly non-pay cost per Bed (£)	£97	£97	£97	£97
Weekly EBITDARM per Bed (£)	£186	£186	£186	£186
Weekly EBITDARM per Bed (%)	27.6%	24.5%	25.4%	26.3%
Total Weekly cost per Bed (£)	£675	£762	£734	£709

4.3.1.3 Standard Nursing

Model B illustrates a staffing ratio of 29 hours per resident per week, or 1 direct care staff (carer/nurse) to 4.5 per resident per day, and 1 direct care staff (carer/nurse) to 10 residents per night.

Occupancy Scenarios	Input	Model A	Model B	Model C
Total Bed Capacity	59	59	59	59
Annualised Occupancy (no. beds)	51	47.2	50.15	53.1
Occupancy %	87%	80%	85%	90%
Direct Hours per Resident per Week		31.1	29.2	27.6
Carer:Resident Ratio (Day)		1 to 4.29	1 to 4.56	1 to 4.83
Carer:Resident Ratio (Night)		1 to 9.44	1 to 10.03	1 to 10.62
Direct staffing pay cost per Bed (£)	£411	£498	£468	£442
Indirect staffing pay cost per Bed (£)	£149	£188	£177	£167
Weekly pay cost per Bed (£) **(a + b)**	£560	£686	£645	£610
Weekly non-pay cost per Bed (£)	£97	£97	£97	£97
Weekly EBITDARM per Bed (£)	£209	£209	£209	£209
Weekly EBITDARM per Bed (%)	24.2%	21.1%	22.0%	22.9%
Total Weekly cost per Bed (£)	£866	£992	£952	£916

4.3.1.4 Enhanced Nursing

Model B illustrates a staffing ratio of 33.6 hours per resident per week, or 1 direct care staff (carer/nurse) to 4 per resident per day, and 1 direct care staff (carer/nurse) to 8 residents per night.

Occupancy Scenarios	Input	Model A	Model B	Model C
Total Bed Capacity	59	59	59	59
Annualised Occupancy (no. beds)	51	47.2	50.15	53.1
Occupancy %	87%	80%	85%	90%
Direct Hours per Resident per Week		35.7	33.6	31.7
Carer:Resident Ratio (Day)		1 to 3.78	1 to 4.01	1 to 4.25
Carer:Resident Ratio (Night)		1 to 7.87	1 to 8.36	1 to 8.85
Direct staffing pay cost per Bed (£)	£411	£557	£524	£495
Indirect staffing pay cost per Bed (£)	£149	£188	£177	£167
Weekly pay cost per Bed (£) **(a + b)**	£560	£745	£701	£662
Weekly non-pay cost per Bed (£)	£97	£97	£97	£97
Weekly EBITDARM per Bed (£)	£209	£209	£209	£209
Weekly EBITDARM per Bed (%)	24.2%	19.9%	20.8%	21.6%
Total Weekly cost per Bed (£)	£866	£1,051	£1,007	£968

4.3.2 Underlying Assumptions for the Cost Modelling

ARCC utilised our care homes cost modelling toolkit to derive scenarios based on the following underlying assumptions, informed by costs from Sandwell care homes data submissions:

- All scenario models represent staffing proportion of costs between 60-70% of all costs
- Staffing ratios determined for each of the four care types, by no. direct care staff by day and night

- Nursing beds were costed at an average provider size of 59 beds (in line with Sandwell)
- Non-pay costs (supplies & head office costs) make up a minimum 10% of all costs
- Return on capital (all premises and capital costs) including operating surpluses make up a minimum of 20% of all costs

4.4 Summary Budget Impact

Table 9 identifies the current estimated annual cost incurred; SMBC have both advertised framework rates and spot rates, depending on individual needs negotiated with providers. ARCC have extrapolated the current average price paid vs. the existing framework rate for the purposes of comparison.

Care Type	(a) SMBC Framework 22/23	(b) Average Price Paid	(c) No. Clients	(d) Estimated annual expenditure @ current rates [b * c * 52]
Residential	£487.48	£615.00	172	£5,500,560
Residential Enhanced/EMI	£548.59	£603.00	294	£9,218,664
Nursing (incl. FNC)	£687.36	£776.19	235	£9,485,042
Nursing Enhanced/EMI (incl. FNC)	£694.79	£877.19	245	£11,175,401
Total annualised cost	-	-	946	£35,379,666

***Table 9**: estimated cost incurred 2022-23*

Using the above annualised figure for comparison, we have extrapolated costs at the median unit rates in section 4.2 in Table 10. the median cost of care was to be paid by Sandwell; this would require an additional £12.7m pounds per annum.

Care Type	(g) Analysis of median costs	% uplift from (b) average price paid	(h) Estimated annual cost @ median [g * c * 52]	(i) Estimated impact (£) based on ARCC modelled cost [h - d]
Residential	£890.15	44.7%	£7,961,460	£2,460,900
Residential Enhanced/EMI	£887.88	47.2%	£13,573,842	£4,355,178
Nursing (incl. FNC)	£1,084.90	39.8%	£13,257,478	£3,772,436
Nursing Enhanced/EMI (incl. FNC)	£1,042.75	18.9%	£13,284,635	£2,109,234
Total annualised cost	35.9% (blended)		£48,077,414	£12,697,748

***Table 10:** estimated impact of the median on current rates*

We have extrapolated costs at the ARCC modelled scenario unit rates in section 4.3 in Table 11. If these model costs were to be paid by Sandwell, this would require an additional £6.4m pounds per annum.

Care Type	(e) ARCC modelled costs (@ 85% occupancy)	% uplift from (b) average price paid	(f) Estimated annual cost @ ARCC modelled cost [e * c * 52]	Estimated impact (£) based on ARCC modelled cost [f - d]
Residential	£679.58	10.5%	£6,078,144	£577,584
Residential Enhanced/EMI	£733.52	21.6%	£11,214,036	£1,995,372
Nursing (incl. FNC)	£951.98	22.6%	£11,633,177	£2,148,135
Nursing Enhanced/EMI (incl. FNC)	£1,007.28	14.8%	£12,832,748	£1,657,347
Total annualised cost	18% (blended)		£41,758,104	£6,378,437

***Table 11:** estimated impact of the ARCC modelled costs on current rates*

4.5 Future Fee Uplifts and Sensitivity Analysis

Whilst future year cost impact is not yet fully known, providers were asked during the course of the engagement what they considered was the most accurate and transparent method for future years fee uplifts. Broadly the consensus was:

- Pay costs reflecting changes to factors such as NLW and National Insurance increases; and
- Non-pay, i.e., business costs being adjusted to reflect CPI.

Whilst in principle, the above is common practice, there are some important considerations which can have both a positive and negative impact on provider sustainability:

- Establishing a more realistic picture of market occupancy levels, currently modelled at 85%, which includes the historic trend alongside the impact Covid-19 has had and continues to have on the market through temporary suspensions in line with government and local guidance, continues to impact occupancy levels.
- Staff ratios and the level of care per resident per week.

Of course, the intention of an analysis of this nature is never to arrive at a *specific cost to each provider business. The cost model merely aggregates different provider data to provide an indicative set of figures for consideration.* It is the role of commissioners to assure themselves that the rate paid is inclusive and commensurate with a 'cost envelope' that supports a sustainable, diverse and quality market as per the Care Act.

Commissioners and providers recognise that the role of any fee-setting is ***not*** to specify the absolute operating costs at every level of a provider's business. In reality, using pensions as an example, this means being absolutely clear with commissioners that setting a budget line for all staff pension costs does not mean all providers ***must*** incur 100% pension costs at 3%, to be eligible for the full 'offered' rate to the market (i.e., due to typical opt-out rates of c.15%). Equally, providers are not expected to 'rebate' to the public purse any cost savings made due to operating decisions that take their costs below the typical cost lines presented. Therefore, this variation between providers' day-to-day operating costs and efficiencies will always exist and may not (nor could they be) eliminated in all cases.

It is worth noting that this undertaking cannot forecast with any certainty the costs that providers will ultimately experience over the next 2-3 years, against the market's current estimates. Whilst the current economic situation remains uncertain; recent announcement will also have an impact on the entire analysis within this report:

- The reversal of the additional 1.25% on employer's NI payments will reduce provider costs; whilst the levy was initially intended to fund health and social care, the UK government has also said this will not impact on the availability of funding to the sector
- The Business Energy Bill Relief Scheme will no doubt curb future energy costs, and is indeed difficult to predict due to the nature of variable tariffs in the market as well as fixed term contracts many providers will have secured over a period of time
- Cancellation of the planned rise in corporation tax will also continue to support provider's bottom-line profit/surplus
- The current and expected future rise in interest rates affecting borrowing/cost of capital

As the detail of these changes were released by Government and introduced late in the process, it is not possible to measure the impact of these policy changes other than to hypothesise that the combined impact is aimed at, likely to, reducing the increased cost impact against these figures presented in this report.

5 Future Commissioning Considerations

ARCC would like to thank all stakeholders engaged in the process. We hope that through this exercise, both commissioners and providers can continue both the positive dialogue and continued education across the market regarding business operating models and challenges as well as commissioners' needs and expectations.

This report has focused predominantly on the method of engagement and subsequent analysis to establish an indication of the current costs of care in line with the DHSC's requirements. This was the prime purpose of the project, however, ARCC also recognise that informing the future price point for care home placements is only part of a good sustainable commissioning model. This section therefore presents our main conclusions which we believe commissioners should consider for the future, drawn from engagement with the local market and ARCC's experience of good commissioning practice locally and elsewhere.

5.1 Ensuring the Services are Fit for the Future

As previously alluded to, competition for staff is driving up pay costs and resulting increasing usage of agency staff. The impact of this staff shortage is not only fiscal, but this may also be affecting continuity of care, which in turn may be impacting upon increased individual needs. Stability and experience of staff will have a contributing factor on the ability to support people with more complex needs.

The ability to meet high dependency and acuity will be dictated by the ability to staff homes (numbers and experience) which is in turn somewhat governed by the 'cost envelope'. Discussions with commissioners in relation to findings from the cost data and market engagement indicated that staffing ratios were not what would locally be perceived as the expected level.

Whilst there is no clear mandate on the staff to resident ratio requirement from either CQC or Sandwell, other than to operate a staff dependency tool. However, ratios of 1:6 as a minimum to maintain a safe and effective service are recognised within the industry and Laing Buisson market analysis (30th edition, 2019) identified: *"Staffing intensity benchmarks ('on shift' staff hours per resident per week)….for nursing care for older people and dementia is 39.8 hours per resident per week, for residential care of frail older people it is 28 hours per week and for residential care of older people with dementia it is 32.2 hours per resident per week".*

Despite this potential change in the profile of needs, the cost envelope for staffing on core remains the same (+CPI and pay legislation adjustments) which will have a 'knock-on' effect on how beds are utilised as the staff that can be deployed by homes is regulated by the fees and any additional monies that can be levered such as top up or FNC. Given the earlier point about higher levels of presenting needs, homes will be cautious of accepting residents who have needs beyond shared care hours, i.e., requiring more focused 1:1 or 2:1 personal care as the resource may simply not stretch this far despite the needs not being acute enough for more 'higher acuity' beds. The result is that these clients become 'difficult to place' and may end up occupying a more acute bed than is necessary due to the rate differential.

Work needs to be undertaken on the future specifications to ensure that services reflect the current needs of people and the strategic direction for commissioning of local services. Expectations such as acuity of need and dependency can be addressed through setting service level expectations such as support ratios or hotel + care bandings to reflect needs.

5.2 Market Management

Quality of service provision and financial sustainability are the two biggest measures in effectively monitoring delivery of contracts. Over the course of contracts, it is often the case that information requirements grow, and can inadvertently represent an administrative burden for providers, without necessarily providing the required insight for commissioners. Whilst commissioners recognise the need to understand more about provider delivery, more data can lead to less time for meaningful exploration and insight into the impact that changing quality and financial measures are having on market dynamics. As such, a "less is more" approach is advocated – by focusing on fewer, more important indicators, commissioners can learn more and intervene more effectively, in a more collaborative, mutually beneficial arrangement, which does not lessen commissioners' right to take decisive action where warranted.

Ideally, commissioners may build a dashboard with such indicators, which they would then use to manage the market and maintain an efficient performance dialogue with providers.

Working closely with the planning department to ensure that new developments meet local market requirements and are not adding additional capacity to the market where this is not required which will compound the challenges experienced with occupancy. Further work is required to understand the condition of the homes within the area and whether they are physically fit-for-purpose. Depending upon the outcome of this review it may be that Sandwell MBC's strategy focuses on investment to develop existing settings as opposed the formation of new build homes.

5.3 Continued Market Dialogue & Working Towards the FCoC

Continued dialogue with the market is essential to understand factors that will impact the future price for care from 2023/24 and beyond. ARCC advises further engagement to be completed with the market, following the engagement session on 18th January 2023 to further test the assumptions underpinning the cost modelling alluded to in section 4. With a particular focus on staffing ratios, rates of pay and return on operations (ROO) and capital (ROC).

Similarly, the charging reforms proposal of a notional £200 per week daily living cost is unlikely to be sufficient to meet local needs; therefore, further detailed work in relation to top up charges will need to be undertaken once the charging reforms are fully implemented. This includes, but is not limited to:

- Movement towards an identified and agreed representative "median" rate; taking into account existing data quality issues and further engagement required from the market between October 2022 and post-publication of this report February 2023
- Approach market sustainability by **combining the price point with commissioning improvement activities** (see section 5.4 below)
- **Inflationary factors –** reviewing uplifts for pay rates (including Real Living Wage) as well as inflationary uplifts on non-pay costs (i.e., insurance costs etc.)
- **Market size future service requirements** – this includes meeting the objectives of commissioners to create a cost envelope that can reflect a broad range of business sizes and operating models, whilst also reflecting the demand, and availability of residential and nursing beds required across the local authority

5.4 Identifying ways to support the market beyond fees

Sandwell Council's ability to meter towards the median cost will be governed by DHSC's future allocation of the Market Sustainability and Fair Cost of Care fund. However, there are actions that commissioners may be able to undertake which could support the local market to offset costs; these included:

- Support for energy efficiency, utilising any green grants or incentives to support the generation of green energy such as solar panel installation.
- Utilising group purchasing power for consumables which may assist in reducing unit costs when purchasing significantly higher volumes.
- Seamless 'in-reach' support from across the local authority and health, including designated social workers, GP's and other practitioners, which reduces administrative burden on provider staff.
- Screening the development of new homes and cultivating existing business relationships, including supporting capital refurbishment programmes.
- Assistive technology to offset staff capacity issues.
- Explore what support commissioners can provide to support current workforce challenges, for example: recruitment campaigns and increasing uptake of free training offers.

6 Appendices

A. Provider Cost Survey & Workshop Slides

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Care Home Cost Survey
Distributed 27th May 2022

Sandwell%20CoC%20Care%20Homes%20P

Care Home Provider Workshop
5th September 2022

B. Engagement List of Internal Stakeholders & Provider Organisations

Sandwell Council

- Service Manager (Commissioning & Integration)
- Programme Manager
- Operations Manager (Commissioning)
- Better Care Fund Programme Manager
- Principal Accountant
- Older Adults Commissioner
- PMO Manager
- Operations Manager (Commissioning)

Sandwell Care Association

- Chief Executive of West Midlands Care Association

Invited Care Home Providers

With thanks to all who participated in the project, including senior operational and finance staff from the organisations who took the time to contribute with a cost survey and engage in 1:1s and workshops.

Reference Data Tables [care homes without nursing]

IESE Location ID Location Name	LOW	LQ (25%)	MEDIAN	UQ (75%)	HIGH	AVERAGE
Therapy Staff (£)	£0.00	£0.00	**£0.00**	£0.00	£0.00	**£0.00**
Activity Staff (£)	£0.00	£2.47	**£8.36**	£12.36	£16.25	**£7.64**
Service Management (£)	£27.91	£31.95	**£38.10**	£41.71	£53.42	**£38.52**
Reception (£)	£0.00	£0.00	**£6.95**	£10.47	£15.38	**£5.83**
Chefs/Cooks (£)	£0.00	£0.00	**£33.09**	£38.50	£44.76	**£23.95**
Domestic Staff (£)	£0.00	£24.54	**£38.11**	£43.06	£49.74	**£32.51**
Maintenance Staff (£)	£0.00	£4.12	**£9.30**	£10.29	£32.05	**£9.78**
Other Care Home Staff (£)	£0.00	£0.03	**£10.98**	£24.15	£148.60	**£28.96**
Staffing Costs	**£213.34**	**£276.37**	**£445.53**	**£468.63**	**£503.41**	**£374.55**
Premises - Fixtures and Fittings (£)	£0.00	£0.00	**£0.00**	£0.00	£0.00	**£0.00**
Premises - Repairs & Maintenance (£)	£0.00	£16.91	**£25.62**	£34.42	£56.24	**£24.85**
Premises - Furniture, Furnishings and Equipment (£)	£0.00	£0.00	**£0.00**	£0.11	£0.67	**£0.10**
Premises - Other Premises Costs (£)	£0.00	£0.00	**£0.00**	£41.54	£55.25	**£20.48**
Premises Costs	**£0.00**	**£17.80**	**£56.24**	**£66.56**	**£88.09**	**£45.43**
Premises - Food Costs (£)	£20.36	£29.41	**£37.61**	£42.44	£49.25	**£35.90**
Supplies and Services - Domestic cleaning (£)	£0.00	£0.00	**£0.00**	£4.60	£5.29	**£2.17**
Supplies and Services - Medical Supplies (£)	£0.40	£1.85	**£3.59**	£7.09	£12.06	**£4.89**
Supplies and Services - PPE (£)	£0.41	£2.20	**£2.73**	£3.83	£12.54	**£3.64**
Supplies and Services - Office Supplies (£)	£0.00	£5.27	**£6.27**	£11.39	£18.07	**£8.36**
Supplies and Services - Insurance (£)	£0.00	£4.38	**£5.55**	£6.96	£7.90	**£5.02**
Supplies and Services - Reg Fees (£)	£3.12	£3.53	**£4.27**	£4.80	£5.26	**£4.23**
Supplies and Services - Telephone & Internet (£)	£0.00	£0.63	**£0.80**	£0.95	£4.29	**£1.04**
Supplies and Services - Council Tax (£)	£0.00	£0.00	**£0.00**	£1.03	£1.23	**£0.49**
Supplies and Services - Electricity, Gas & Water (£)	£5.13	£23.95	**£26.73**	£46.15	£84.33	**£37.30**
Supplies and Services - Trade Waste (£)	£0.00	£1.82	**£4.84**	£6.44	£7.32	**£4.14**
Supplies and Services - Transport (£)	£0.13	£1.88	**£3.08**	£3.47	£11.32	**£3.42**
Staffing - Other Care Home Staff (£)	£0.00	£0.96	**£1.24**	£5.52	£16.91	**£3.98**
Supplies and Services Costs	**£84.80**	**£95.52**	**£106.09**	**£128.13**	**£168.95**	**£114.59**
Head Office - Central/Regional Management Staff (£)	£0.00	£0.00	**£0.00**	£0.00	£0.00	**£0.00**
Head Office - Support Services (£)	£7.91	£30.86	**£45.45**	£57.08	£61.54	**£41.34**
Head Office - Recruitment (£)	£0.00	£0.00	**£0.00**	£3.61	£9.89	**£2.27**
Head Office - Other Head Office Costs (£)	£0.00	£0.00	**£0.00**	£0.00	£0.00	**£0.00**
Head Office Costs	**£7.91**	**£30.86**	**£46.79**	**£60.63**	**£66.75**	**£43.61**
Carer Staff (£) - without nursing residents	**£115.78**	**£138.19**	**£234.07**	**£318.24**	**£343.98**	**£227.37**
Return on operations 2022 (£)	£66.79	£71.73	**£82.57**	£93.76	£105.10	**£83.77**
Return on capital 2022 (£)	£1.26	£76.52	**£140.00**	£140.00	£143.49	**£101.96**
Total (£) - care home occupied beds without nursing	**£763.56**	**£861.51**	**£890.15**	**£943.52**	**£1,033.58**	**£894.97**

B. Reference Data Tables [care homes without nursing, enhanced]

IESE Location ID / Location Name	LOW	LQ (25%)	MEDIAN	UQ (75%)	HIGH	AVERAGE
Therapy Staff (£)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Activity Staff (£)	£0.00	£1.24	£8.49	£10.76	£16.25	£7.23
Service Management (£)	£27.91	£31.18	£35.00	£39.42	£41.79	£35.22
Reception (£)	£0.00	£0.00	£9.99	£10.50	£12.85	£6.45
Chefs/Cooks (£)	£0.00	£4.40	£29.89	£38.80	£44.76	£24.25
Domestic Staff (£)	£7.69	£39.29	£43.06	£48.81	£67.19	£42.33
Maintenance Staff (£)	£0.00	£8.91	£9.74	£11.36	£54.78	£13.37
Other Care Home Staff (£)	£0.02	£0.46	£11.23	£21.62	£93.11	£18.01
Staffing Costs	**£95.24**	**£136.06**	**£298.17**	**£464.57**	**£503.41**	**£299.12**
Premises - Fixtures and Fittings (£)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Premises - Repairs & Maintenance (£)	£0.00	£15.29	£26.64	£35.54	£56.24	£26.03
Premises - Furniture, Furnishings and Equipment (£)	£0.00	£0.00	£0.05	£0.15	£23.87	£2.49
Premises - Other Premises Costs (£)	£0.00	£0.00	£18.90	£47.30	£131.58	£31.56
Premises Costs	**£0.00**	**£26.71**	**£60.90**	**£81.33**	**£163.47**	**£60.08**
Premises - Food Costs (£)	£20.36	£31.53	£39.77	£44.37	£53.00	£38.33
Supplies and Services - Domestic cleaning (£)	£0.00	£0.00	£2.15	£5.01	£5.38	£2.48
Supplies and Services - Medical Supplies (£)	£0.40	£1.54	£4.49	£7.31	£12.06	£5.09
Supplies and Services - PPE (£)	£0.41	£2.15	£2.53	£3.98	£6.98	£3.11
Supplies and Services - Office Supplies (£)	£0.00	£1.98	£5.46	£9.09	£18.07	£6.42
Supplies and Services - Insurance (£)	£0.00	£3.96	£5.89	£7.33	£8.46	£5.12
Supplies and Services - Reg Fees (£)	£1.96	£3.27	£3.97	£4.76	£5.26	£3.96
Supplies and Services - Telephone & Internet (£)	£0.00	£0.60	£0.81	£1.15	£6.24	£1.57
Supplies and Services - Council Tax (£)	£0.00	£0.00	£0.34	£1.04	£1.23	£0.51
Supplies and Services - Electricity, Gas & Water (£)	£19.73	£24.81	£27.06	£52.83	£84.33	£40.53
Supplies and Services - Trade Waste (£)	£0.00	£2.38	£3.80	£6.66	£7.32	£4.08
Supplies and Services - Transport (£)	£0.00	£1.30	£2.35	£3.24	£3.50	£2.10
Staffing - Other Care Home Staff (£)	£0.95	£1.08	£1.30	£8.13	£33.05	£7.00
Supplies and Services Costs	**£88.63**	**£102.95**	**£108.05**	**£136.77**	**£177.04**	**£120.28**
Head Office - Central/Regional Management Staff (£)	£0.00	£0.00	£0.00	£0.00	£6.88	£0.69
Head Office - Support Services (£)	£11.47	£17.12	£40.79	£52.06	£61.54	£36.79
Head Office - Recruitment (£)	£0.00	£0.00	£0.41	£1.35	£7.10	£1.65
Head Office - Other Head Office Costs (£)	£0.00	£0.00	£0.00	£0.00	£13.13	£1.31
Head Office Costs	**£15.14**	**£24.52**	**£41.42**	**£57.58**	**£66.75**	**£40.44**
Carer Staff (£) - without nursing enhanced (dementia)	**£234.04**	**£298.24**	**£318.93**	**£327.40**	**£343.98**	**£304.52**
Return on operations 2021 (£)	£66.79	£75.94	£92.84	£102.50	£132.44	£93.49
Return on capital 2021 (£)	£0.00	£55.75	£130.01	£140.00	£148.15	£98.50
Total (£) - care home occupied beds without nursing en	**£763.56**	**£814.76**	**£887.88**	**£959.09**	**£1,297.01**	**£915.51**

B. Reference Data Tables [care homes with nursing]

IESE Location ID / Location Name	LOW	LQ (25%)	MEDIAN	UQ (75%)	HIGH	AVERAGE
Therapy Staff (£)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Activity Staff (£)	£5.75	£6.86	£8.49	£11.94	£16.25	£9.68
Service Management (£)	£22.00	£30.24	£36.07	£45.16	£61.87	£39.54
Reception (£)	£0.00	£5.21	£9.93	£10.61	£16.87	£8.16
Chefs/Cooks (£)	£0.00	£28.28	£37.02	£43.67	£57.81	£34.42
Domestic Staff (£)	£34.44	£37.54	£41.45	£50.59	£55.60	£43.72
Maintenance Staff (£)	£8.22	£8.65	£9.74	£10.37	£19.24	£10.61
Other Care Home Staff (£)	£0.00	£0.02	£4.71	£14.24	£24.72	£8.64
Staffing Costs	**£115.78**	**£187.39**	**£630.63**	**£665.77**	**£690.13**	**£467.46**
Premises - Fixtures and Fittings (£)	£0.00	£0.00	£0.00	£0.00	£22.91	£2.86
Premises - Repairs & Maintenance (£)	£12.78	£20.05	£27.81	£37.09	£66.08	£30.96
Premises - Furniture, Furnishings and Equipment (£)	£0.00	£0.00	£0.05	£0.11	£0.67	£0.12
Premises - Other Premises Costs (£)	£0.00	£0.00	£20.65	£46.65	£55.25	£23.94
Premises Costs	**£12.78**	**£34.64**	**£51.22**	**£86.46**	**£112.01**	**£57.88**
Premises - Food Costs (£)	£20.36	£28.09	£32.46	£34.67	£41.92	£31.71
Supplies and Services - Domestic cleaning (£)	£0.00	£0.00	£4.82	£5.82	£7.54	£3.74
Supplies and Services - Medical Supplies (£)	£0.94	£1.86	£4.18	£7.23	£12.06	£5.07
Supplies and Services - PPE (£)	£0.00	£1.28	£2.43	£2.82	£15.59	£3.53
Supplies and Services - Office Supplies (£)	£3.43	£5.28	£7.87	£10.71	£15.95	£8.47
Supplies and Services - Insurance (£)	£3.63	£4.82	£5.38	£7.16	£7.90	£5.76
Supplies and Services - Reg Fees (£)	£2.55	£3.30	£3.97	£4.36	£5.18	£3.90
Supplies and Services - Telephone & Internet (£)	£0.37	£0.57	£0.76	£1.96	£4.29	£1.51
Supplies and Services - Council Tax (£)	£0.00	£0.00	£0.60	£1.02	£1.31	£0.57
Supplies and Services - Electricity, Gas & Water (£)	£19.73	£26.47	£32.03	£45.90	£80.09	£38.60
Supplies and Services - Trade Waste (£)	£0.00	£4.94	£6.44	£7.14	£7.64	£5.41
Supplies and Services - Transport (£)	£0.13	£0.61	£1.29	£3.35	£4.09	£1.83
Staffing - Other Care Home Staff (£)	£0.63	£1.00	£1.55	£4.64	£16.91	£4.25
Supplies and Services Costs	**£84.80**	**£105.76**	**£110.87**	**£124.37**	**£145.40**	**£114.33**
Head Office - Central/Regional Management Staff (£)	£0.00	£0.00	£0.00	£0.00	£13.29	£1.66
Head Office - Support Services (£)	£5.63	£20.20	£47.94	£55.76	£73.23	£40.87
Head Office - Recruitment (£)	£0.00	£0.00	£3.98	£7.52	£9.89	£4.22
Head Office - Other Head Office Costs (£)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Head Office Costs	**£5.63**	**£20.20**	**£57.28**	**£62.57**	**£88.52**	**£46.74**
Carer Staff (£) - nursing residents	**£305.39**	**£317.55**	**£319.01**	**£327.40**	**£343.98**	**£322.67**
Nursing Staff (£) - nursing residents	**£163.42**	**£165.13**	**£168.17**	**£168.26**	**£223.09**	**£177.61**
Return on operations 2021 (£)	£74.16	£88.93	£90.98	£94.69	£112.63	£92.28
Return on capital 2021 (£)	£21.75	£98.76	£140.00	£140.00	£140.00	£109.59
Total (£) - care home occupied beds with nursing	**£763.56**	**£963.33**	**£1,084.90**	**£1,147.34**	**£1,242.98**	**£1,035.21**

B. Reference Data Tables [care homes with nursing, enhanced]

IESE Location ID / Location Name	LOW	LQ (25%)	MEDIAN	UQ (75%)	HIGH	AVERAGE
Therapy Staff (£)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Activity Staff (£)	£5.75	£7.47	£8.49	£10.56	£16.25	£9.56
Service Management (£)	£22.00	£29.90	£32.22	£37.08	£40.21	£32.41
Reception (£)	£0.00	£1.74	£8.50	£10.32	£11.21	£6.44
Chefs/Cooks (£)	£0.00	£27.19	£30.96	£40.75	£44.76	£29.44
Domestic Staff (£)	£34.44	£36.41	£38.96	£42.27	£49.74	£40.17
Maintenance Staff (£)	£8.22	£8.38	£9.07	£9.93	£19.24	£10.66
Other Care Home Staff (£)	£0.00	£0.46	£4.71	£10.15	£24.02	£7.41
Staffing Costs	**£115.78**	**£252.69**	**£630.63**	**£664.48**	**£697.79**	**£479.55**
Premises - Fixtures and Fittings (£)	£0.00	£0.00	£0.00	£0.00	£22.91	£3.82
Premises - Repairs & Maintenance (£)	£12.78	£18.09	£26.60	£35.54	£38.37	£26.35
Premises - Furniture, Furnishings and Equipment (£)	£0.00	£0.00	£0.05	£0.11	£0.67	£0.15
Premises - Other Premises Costs (£)	£0.00	£0.00	£20.65	£47.18	£55.25	£24.28
Premises Costs	**£12.78**	**£38.78**	**£51.22**	**£80.05**	**£88.09**	**£54.60**
Premises - Food Costs (£)	£20.36	£27.71	£32.46	£36.63	£41.92	£31.89
Supplies and Services - Domestic cleaning (£)	£0.00	£1.13	£4.82	£5.25	£7.54	£3.74
Supplies and Services - Medical Supplies (£)	£1.81	£2.31	£5.13	£8.34	£12.06	£5.82
Supplies and Services - PPE (£)	£0.00	£0.70	£1.93	£2.62	£3.07	£1.68
Supplies and Services - Office Supplies (£)	£3.43	£4.56	£5.96	£9.09	£12.75	£7.05
Supplies and Services - Insurance (£)	£3.63	£5.03	£6.11	£7.33	£7.90	£6.02
Supplies and Services - Reg Fees (£)	£2.55	£3.28	£3.97	£4.66	£5.18	£3.94
Supplies and Services - Telephone & Internet (£)	£0.37	£0.60	£0.76	£1.37	£4.29	£1.38
Supplies and Services - Council Tax (£)	£0.00	£0.06	£0.60	£0.99	£1.06	£0.54
Supplies and Services - Electricity, Gas & Water (£)	£19.73	£24.63	£27.75	£43.70	£80.09	£37.99
Supplies and Services - Trade Waste (£)	£0.00	£5.78	£6.44	£7.03	£7.32	£5.50
Supplies and Services - Transport (£)	£0.13	£0.47	£1.17	£2.89	£3.50	£1.61
Staffing - Other Care Home Staff (£)	£0.63	£0.97	£2.30	£6.76	£16.91	£5.15
Supplies and Services Costs	**£84.80**	**£105.11**	**£108.05**	**£119.63**	**£145.40**	**£112.32**
Head Office - Central/Regional Management Staff (£)	£0.00	£0.00	£0.00	£0.00	£13.29	£2.22
Head Office - Support Services (£)	£15.58	£27.67	£49.77	£59.12	£73.23	£45.15
Head Office - Recruitment (£)	£0.00	£0.50	£3.98	£6.81	£9.89	£4.16
Head Office - Other Head Office Costs (£)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Head Office Costs	**£15.58**	**£30.14**	**£58.26**	**£65.36**	**£88.52**	**£51.52**
Carer Staff (£) - nursing residents	**£317.55**	**£324.94**	**£333.61**	**£340.85**	**£343.98**	**£332.19**
Nursing Staff (£) - nursing residents	**£163.42**	**£164.70**	**£166.70**	**£185.01**	**£235.24**	**£183.01**
Return on operations 2021 (£)	£74.16	£85.24	£89.96	£91.91	£94.69	£87.19
Return on capital 2021 (£)	£21.75	£56.24	£130.01	£140.00	£140.00	£99.46
Total (£) - care home occupied beds with nursing enhar	**£763.56**	**£838.68**	**£1,042.75**	**£1,122.15**	**£1,160.31**	**£988.11**

Sandwell
Metropolitan Borough Council