



## **Annex B Care Home care report**

### **Introduction**

The government is implementing wide-ranging and ambitious reform of Adult Social Care. In December 2021 it 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. Ensuring market sustainability and moving towards a fair cost of care are some of the first steps in the journey to achieve this. Merton is required to start preparing markets for wider reform and thereby increase market sustainability.

As part of these preparations and to evidence work being done to prepare their markets, local authorities have been required to carry out a cost of care exercise for 18+ domiciliary care to determine the actual median cost of delivering care within the local area. This cost of care report is produced in line with government guidance and sets out how:

- the exercise was carried out
- providers were engaged; and
- the resulting cost of care for the local area has been determined - this includes the approach taken for return on operations (ROO).

Merton is concerned about significant issues with data quality impacting on the median calculation and intend to continue working with care homes to agree 2022/23 rates that are sustainable for the Merton market.

### **Cost of Care Provider Engagement and Response**

To improve understanding of the actual cost of delivering care in the Council area Merton has surveyed the care homes within the borough, in line with government guidance, to determine the median actual operating cost for 65+ care homes for the following categories:

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

In addition to the median cost, lower and upper quartile costs reflecting the range of local costs have been captured through this exercise. Whilst the government recognise this may oversimplify the complex picture of care and support needs, for data collection purposes this standardises the approach to cost reporting. All the care homes registered within Merton were invited to participate in this cost of care exercise by email in May 2022, alerting them to the requirement for all local authorities to start preparing local markets for implementation of wider charging reforms and specifically the requirements for increased market sustainability through the Fair Cost of Care funding. The government required Merton to collect consistent data from local

providers on actual costs to enable subsequent analysis. Merton used the Cost of Care Tool, designed by the Improvement and Efficiency Social Enterprise (iESE) on behalf of the Care and Health Improvement Programme (CHIP), which was recommended by the government. This tool was also used by the other five South-West London boroughs to support a consistent approach to the costing exercise with neighbouring Councils.

All Merton providers were then contacted by phone to encourage participation and to understand any issues they might have that hindered submitting data. Some providers stated they found the toolkit too complicated but were generally positive about the opportunity of engaging the process.

To further encourage Merton's care home providers to submit cost of care data on the portal, we sent a further invitation encouraging participation in a Cost of Care Forum in mid July 2022. This was conducted jointly with Richard Ayres of Care England (part of the Care Provider Alliance), who also provided assistance in directly contacting care homes providers to encourage participation. These online forums provided guidance on completing the exercise from the industry perspective. After a further telephone call to all providers, another webinar forum was organised for the end of July, with an invitation for both Merton and all South-West London providers to participate, where Richard Ayres of Care England presented on submitting data on the portal. Merton cost of care presented on this exercise to attending the borough's Dignity in Care forum giving information about webinar's and support services. Merton also posted this information on the forum's webpage.

It is important to note the cost of care exercise is not a replacement for the fee setting / annual uplift process. As such the exercise will inform fees and demonstrate a move towards the median cost of care but will not replace the current process and the actual fee rates paid will still differ due to factors such as personalisation of care, quality of provision and wider market circumstances. The outputs of this exercise will be one element to inform future negotiations, taking into consideration other known market factors including inflation, demand, capacity, benchmarking, quality and, importantly, affordability for Merton and availability of funding.

The council is one of six boroughs that forms the South-West London (SWL) Health and Care Partnership. The Council worked closely with the respective boroughs from a market management perspective and to deliver a consistent approach to the exercise. The other five London boroughs are Croydon, Kingston, Richmond, Sutton and Wandsworth.

The response rate of care homes registered on Carecubed cost of care portal for this exercise was 73%. As an overall percentage of those in the whole Merton care homes market who were invited to participate the response rate was 51%.

Supporting information on important cost drivers used in the calculations:	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
Number of location level survey responses received	5	2	4	4
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	6	2	7	9
Number of residents covered by the responses	155	53	187	78

**Base Cost and Information**

Providers submitted cost information at 2021/22 prices and April 2022 prices. However, the inflationary rates applied to reach April 2022 prices varied significantly across cost lines including Nursing and Carer staff costs, Employer’s National Insurance (ENI) contributions, energy costs, training, and insurance. Merton is concerned about the inconsistencies regarding the accuracy of the data submitted despite the attempts to verify and validate the returns using the portal process. The inflation rates applied by providers to 2021/22 actual cost to determine April 2022 costs were not consistent.

We were unclear as to how the Annex A spreadsheet allows for Funded Nursing Care (FNC) calculations in the median value calculation and have therefore added a value equivalent to the FNC for 2022/23 into the nursing line for Nursing and Enhanced Nursing in order to ensure a like for like comparison with current prices. As the Council moves towards the cost of care, inflationary pressures in the market will need to be closely monitored along with the impact of other changes to the social care charging system. The rate will be updated to reflect actual inflation increases at the point of implementation. However, the extent and speed by which the Merton moves towards the cost of care rate will be determined by a range of factors including affordability and the level of funding available.

**Approach to the Return on Operations (ROO) and Return on Capital (ROC)**

The cost of care exercise is required to report monetary amounts per resident per week for return on operations (ROO) and return on capital (ROC). The ROO is the reward and incentive for operating the care and support services in a care home and the ROC is the return that investors require to invest in a business, it reflects the inherent level of risk of operating in the care home market. Calculation of both the ROO and the ROC involves judgement and the Council should retain flexibility

to vary the return paid to any individual provider depending on the individual business and the prevailing market conditions at the time it is being applied.

There was significant variation in the levels of ROO applied by providers. Given this variation, to arrive at median the Merton made the decision to adjust to a flat rate of 5% in line with the value cited by Laing Buisson and the Association of Directors of Adult Social Services. This approach ensures a consistent and fair basis to the calculation of ROO and provides a fair level of operating profit for providers in Merton. Data provided for ROC by care home providers was limited and inconsistent with only 9 providers giving a value ranging from £58 to £1500 per bed week, with the average £355 per bed week. Merton considered options in line with DHSC guidance for calculating the ROC. One option was to use Local Housing Allowance (LHA) adjusted for maintenance/ fixtures/fittings. Whilst this approach provided a consistent basis to calculate ROC the Council felt it was too broad and did not consider the disparity in property types and operating models in the local market, which is more readily reflected in property valuations and therefore this approach was not used.

The other approach considered and then implemented was to use property valuations. Where property valuations were missing these were estimated using the CareCubed older people's module which uses actual provider data. This was considered a fairer approach as the benchmarking tool uses Land Registry data to December 2021, property prices at full value and other data specific to the care home. These estimated values were used as a basis for determining the ROC for these providers. To ensure a consistent and fair approach the decision was made to use 6% in line with level cited by Laing Buisson.

**Merton Data Tables**

**Merton Care Homes Median Values**

<b>Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.</b>	<b>65+ care home places without nursing</b>	<b>65+ care home places without nursing, enhanced needs</b>	<b>65+ care home places with nursing</b>	<b>65+ care home places with nursing, enhanced needs</b>
<b>Total Care Home Staffing</b>	<b>£728.38</b>	<b>£572.06</b>	<b>£834.21</b>	<b>£912.73</b>
Nursing Staff	£0.00	£0.00	£387.01	£415.84
Care Staff	£545.24	£380.56	£282.27	£316.77
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00
Activity Coordinators	£12.72	£12.01	£9.92	£10.40
Service Management (Registered Manager/Deputy)	£36.21	£38.43	£36.21	£38.43
Reception & Admin staff at the home	£15.27	£15.27	£13.16	£14.22
Chefs / Cooks	£51.10	£62.71	£41.51	£47.25
Domestic staff (cleaning, laundry & kitchen)	£47.97	£48.01	£47.97	£48.12
Maintenance & Gardening	£13.16	£14.51	£7.60	£13.16
Other care home staffing (please specify)	£6.71	£0.58	£8.56	£8.56
<b>Total Care Home Premises</b>	<b>£86.98</b>	<b>£85.49</b>	<b>£99.88</b>	<b>£94.28</b>
Fixtures & fittings	£11.85	£6.67	£0.00	£1.49
Repairs and maintenance	£38.01	£30.77	£40.73	£39.37
Furniture, furnishings and equipment	£4.10	£3.73	£4.10	£3.73
Other care home premises costs (please specify)	£33.02	£44.32	£55.05	£49.69
<b>Total Care Home Supplies and Services</b>	<b>£116.26</b>	<b>£117.62</b>	<b>£110.01</b>	<b>£123.27</b>
Food supplies	£35.37	£43.12	£33.99	£36.46
Domestic and cleaning supplies	£11.97	£10.64	£5.52	£6.03
Medical supplies (excluding PPE)	£3.43	£4.06	£3.43	£4.66
PPE	£2.57	£2.46	£1.75	£1.75
Office supplies (home specific)	£5.28	£4.61	£5.28	£4.61
Insurance (all risks)	£6.74	£6.34	£6.30	£5.77
Registration fees	£3.41	£4.01	£3.22	£3.44
Telephone & internet	£2.23	£1.99	£1.75	£1.99
Council tax / rates	£2.87	£1.01	£0.84	£0.90
Electricity, Gas & Water	£31.61	£26.65	£31.61	£26.82
Trade and clinical waste	£6.25	£7.28	£5.44	£6.47
Transport & Activities	£1.69	£0.85	£4.03	£2.42
Other care home supplies and services costs (please specify)	£2.84	£4.61	£6.85	£21.96
<b>Total Head Office</b>	<b>£98.87</b>	<b>£100.36</b>	<b>£58.27</b>	<b>£60.71</b>
Central / Regional Management	£59.59	£38.97	£21.71	£10.71
Support Services (finance / HR / legal / marketing etc.)	£21.06	£32.84	£21.06	£32.84
Recruitment, Training & Vetting (incl. DBS checks)	£1.75	£12.08	£7.29	£8.95
Other head office costs (please specify)	£16.47	£16.47	£8.21	£8.21
<b>Total Return on Operations</b>	<b>£61.83</b>	<b>£52.53</b>	<b>£66.14</b>	<b>£71.46</b>
<b>Total Return on Capital</b>	<b>£51.52</b>	<b>£43.78</b>	<b>£55.12</b>	<b>£59.55</b>
<b>TOTAL</b>	<b>£1,143.83</b>	<b>£971.83</b>	<b>£1,223.62</b>	<b>£1,321.99</b>

### Care Homes count observations £ per resident per week, MEDIANS

Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
<b>Total Care Home Staffing</b>	<b>£488.25</b>	<b>£488.25</b>	<b>£205.98</b>	<b>£499.66</b>
Nursing Staff				£111.69
Care Staff	£282.27	£282.27	£0.00	£181.99
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00
Activity Coordinators	£12.72	£12.72	£12.72	£12.72
Service Management (Registered Manager/Deputy)	£42.46	£42.46	£42.46	£42.46
Reception & Admin staff at the home	£15.27	£15.27	£15.27	£15.27
Chefs / Cooks	£49.21	£49.21	£49.21	£49.21
Domestic staff (cleaning, laundry & kitchen)	£66.45	£66.45	£66.45	£66.45
Maintenance & Gardening	£13.16	£13.16	£13.16	£13.16
Other care home staffing (please specify)	£6.71	£6.71	£6.71	£6.71
<b>Total Care Home Premises</b>	<b>£42.19</b>	<b>£42.19</b>	<b>£42.19</b>	<b>£42.19</b>
Fixtures & fittings	£6.90	£6.90	£6.90	£6.90
Repairs and maintenance	£28.32	£28.32	£28.32	£28.32
Furniture, furnishings and equipment	£3.36	£3.36	£3.36	£3.36
Other care home premises costs (please specify)	£3.61	£3.61	£3.61	£3.61
<b>Total Care Home Supplies and Services</b>	<b>£114.88</b>	<b>£114.88</b>	<b>£114.88</b>	<b>£114.88</b>
Food supplies	£38.93	£38.93	£38.93	£38.93
Domestic and cleaning supplies	£11.97	£11.97	£11.97	£11.97
Medical supplies (excluding PPE)	£4.69	£4.69	£4.69	£4.69
PPE	£1.04	£1.04	£1.04	£1.04
Office supplies (home specific)	£5.28	£5.28	£5.28	£5.28
Insurance (all risks)	£6.96	£6.96	£6.96	£6.96
Registration fees	£3.65	£3.65	£3.65	£3.65
Telephone & internet	£2.27	£2.27	£2.27	£2.27
Council tax / rates	£1.05	£1.05	£1.05	£1.05
Electricity, Gas & Water	£27.71	£27.71	£27.71	£27.71
Trade and clinical waste	£6.34	£6.34	£6.34	£6.34
Transport & Activities	£1.69	£1.69	£1.69	£1.69
Other care home supplies and services costs (please specify)	£3.30	£3.30	£3.30	£3.30
<b>Total Head Office</b>	<b>£49.27</b>	<b>£49.27</b>	<b>£49.27</b>	<b>£49.27</b>
Central / Regional Management	£6.66	£6.66	£6.66	£6.66
Support Services (finance / HR / legal / marketing etc.)	£19.03	£19.03	£19.03	£19.03
Recruitment, Training & Vetting (incl. DBS checks)	£7.56	£7.56	£7.56	£7.56
Other head office costs (please specify)	£16.02	£16.02	£16.02	£16.02
<b>Total Return on Operations</b>	<b>£93.40</b>	<b>£93.40</b>	<b>£93.40</b>	<b>£93.40</b>
<b>Total Return on Capital</b>	<b>£140.00</b>	<b>£140.00</b>	<b>£140.00</b>	<b>£140.00</b>
<b>TOTAL</b>	<b>£927.99</b>	<b>£927.99</b>	<b>£645.72</b>	<b>£939.40</b>

Count observations lower quartile, median and upper quartile

<b>Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.</b>	<b>Count of Responses</b>	<b>Lower Quartile</b>	<b>Median</b>	<b>Upper Quartile</b>
<b>Total Care Home Staffing</b>		<b>417.6825</b>	<b>488.25</b>	<b>491.1025</b>
Nursing Staff	6	111.69	111.69	111.69
Care Staff	7	136.4925	232.13	282.27
Therapy Staff (Occupational & Physio)	0	0	0	0
Activity Coordinators	11	12.72	12.72	12.72
Service Management (Registered Manager/Deputy)	11	42.46	42.46	42.46
Reception & Admin staff at the home	9	15.27	15.27	15.27
Chefs / Cooks	10	49.21	49.21	49.21
Domestic staff (cleaning, laundry & kitchen)	11	66.45	66.45	66.45
Maintenance & Gardening	10	13.16	13.16	13.16
Other care home staffing (please specify)	7	6.71	6.71	6.71
<b>Total Care Home Premises</b>		<b>42.19</b>	<b>42.19</b>	<b>42.19</b>
Fixtures & fittings	7	6.9	6.9	6.9
Repairs and maintenance	11	28.32	28.32	28.32
Furniture, furnishings and equipment	9	3.36	3.36	3.36
Other care home premises costs (please specify)	8	3.61	3.61	3.61
<b>Total Care Home Supplies and Services</b>		<b>114.88</b>	<b>114.88</b>	<b>114.88</b>
Food supplies	11	38.93	38.93	38.93
Domestic and cleaning supplies	10	11.97	11.97	11.97
Medical supplies (excluding PPE)	9	4.69	4.69	4.69
PPE	6	1.04	1.04	1.04
Office supplies (home specific)	11	5.28	5.28	5.28
Insurance (all risks)	11	6.96	6.96	6.96
Registration fees	11	3.65	3.65	3.65
Telephone & internet	11	2.27	2.27	2.27
Council tax / rates	11	1.05	1.05	1.05
Electricity, Gas & Water	11	27.71	27.71	27.71
Trade and clinical waste	10	6.34	6.34	6.34
Transport & Activities	11	1.69	1.69	1.69
Other care home supplies and services costs (please specify)	10	3.3	3.3	3.3
<b>Total Head Office</b>		<b>49.27</b>	<b>49.27</b>	<b>49.27</b>
Central / Regional Management	8	6.66	6.66	6.66
Support Services (finance / HR / legal / marketing etc.)	9	19.03	19.03	19.03
Recruitment, Training & Vetting (incl. DBS checks)	8	7.56	7.56	7.56
Other head office costs (please specify)	7	16.02	16.02	16.02
<b>Total Return on Operations</b>		<b>93.4</b>	<b>93.4</b>	<b>93.4</b>
<b>Total Return on Capital</b>		<b>140</b>	<b>140</b>	<b>140</b>
<b>TOTAL</b>		<b>857.4225</b>	<b>927.99</b>	<b>930.8425</b>