



**BEDFORD**  
BOROUGH COUNCIL



Adult Social Care

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# **Age 65+ Care Home Services Cost of Care Exercise Report**

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*October 2022*

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## Executive Summary

- This report gives details of the approach, results and supporting information of Bedford Borough Council's cost of care exercise with age 65+ care home providers carried out from May 2022 to August 2022.
- The exercise was carried out based on the Department of Health and Social Care's grant conditions for the Market Sustainability and Fair Cost of Care Fund.
- The fund was created by the Department of Health and Social Care as part of its implementation of the government's white paper 'People at the Heart of Care' that sets out a ten year vision for reform of the Adult Social Care System.
- The Council carried out this exercise to secure funding in future years for the Market Sustainability and Fair Cost of Care Fund based on the grant conditions.
- The cost of care exercise result determined by the grant conditions is based on a median calculation of provider's submissions.
- The median results are calculated following data analysis and assurance checks to verify the data submitted by providers.
- The result of the exercise also includes an amount for return on operations and return on capital based on provider's responses and market research.
- The results of the exercise will be considered as an input for the Market Sustainability Plan, with consideration being given to the quality of data submitted by providers and the extent to which the range of provider submitted responses represent the local market.
- The Market Sustainability and Fair Cost of Care Grant guidance is clear that the outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation.



## 1. Provider Engagement

- 1.1 To encourage as many providers as possible to complete the cost of care exercise, the Council planned a multi-pronged approach to inform, encourage and support providers to complete the exercise.
- 1.2 First steps involved conversations with members of Bedfordshire Care Group to inform them of the cost of care exercise in early April, following the release of the grant guidance from the Department of Health & Social Care.
- 1.3 Once the cost of care exercise approach was established, a Provider Engagement event was planned for the 12th May 2022 to inform the whole market about the exercise. Bedfordshire Care Group members were contacted on the 30th April 2022 to provide suggestions on the approach to the meeting. They alerted the market to the upcoming engagement events and to a short provider survey requesting feedback on current market pressures.
- 1.4 Age 65+ care home providers were invited to the initial engagement event held on Microsoft Teams based on the list of organisations the Council keeps of age 65+ care home providers in the area. This was cross checked to the capacity tracker and the Council's financial system to make sure all providers were captured, including those who the Council does not commission care with.
- 1.5 The event held on the 12th May 2022 involved:
  - 1.5.1 Providing information on the purpose of the exercise and the grant conditions for Market Sustainability and Fair Cost of Care.
  - 1.5.2 Encouraging providers to take part in the exercise advising that it was their opportunity to influence the cost of care exercise in Bedford Borough.
  - 1.5.3 Providing information on the online based data collection tool for the exercise, including the support available to complete the tool.
  - 1.5.4 Signposting to a provider awareness session run by the developer of the online tool and advising of the upcoming guidance from the developer that would involve user guides and how-to videos.
  - 1.5.5 Advising of the support available from the Council that included a frequently asked questions document and the Council's contact details for the exercise to direct any queries to.
  - 1.5.6 An initial deadline for the completion of the exercise by the 17th June 2022, allowing providers 4 weeks to complete the exercise.
  - 1.5.7 Attendance of 16 providers.
- 1.6 Following the initial engagement event, providers were contacted by telephone to ascertain who in their organisation would be completing the online tool and to emphasise the importance of completing the exercise. The contact also involved advising of the on-going support available from the Council that involved one to one support sessions and signposting to the resources shared in the provider engagement event.

- 1.7 All initial telephone contact was recorded in detailed outreach spreadsheets. A RAG rating system was devised to assess the likelihood of participation for each provider and follow up actions were taken based on the contact. This included more regular check-ins with providers who were struggling to complete the tool, offers of one to one support and involving the Manager for Strategic Commissioning and Procurement where there were any issues to resolve.
- 1.8 Regular telephone calls were carried out with providers right up to the submission deadline to find out how they were getting on, as well as regular e-mail communication advising of the deadlines and signposting to resources to help complete the exercise.
- 1.9 Two providers took up the offer of one to one support sessions where the project lead for the cost of care exercise went through the online based tool with them, answered any questions they had and gave advice on how it should be completed.
- 1.10 The initial deadline for the exercise was extended to the 24th June 2022 based on how providers were getting on with the exercise. Out of the 30 invited to participate in the exercise, 6 providers completed returns by the deadline.
- 1.11 To enable as many providers to respond to the exercise as possible, deadline extensions were granted individually with providers. This was based on their feedback from the ongoing monitoring up to the 18th August 2022 at which point there was a risk that the project timescales would not be met if further responses were allowed.
- 1.12 As the numbers of submissions from providers was lower than anticipated and the feedback was that a lot were not willing to participate, the Council contacted Care England to ask their help to persuade providers to take part.
- 1.13 Care England sent a letter to the Bedford Borough providers who were not taking part in the exercise on the 14th July 2022. The letter informed them of reasons to take part in the exercise, provided additional links to information and support and invited them to an engagement event they were hosting for Bedford Borough providers on the 20th July. No providers attended the event.
- 1.14 To encourage more providers to take part, senior managers at the Council made individual calls to four providers to persuade them but they declined to be part of the exercise.
- 1.15 The final number of responses from providers was 11 out of 30, a response rate of 37%.
- 1.16 Four providers did not engage with any communication about the exercise and the reasons other providers gave for not taking part included:
  - 1.16.1 It was thought that participating in the exercise would not bring about any meaningful change based on previous experiences.
  - 1.16.2 The tool takes too long to complete and do not have the time to do it.
  - 1.16.3 The tool being too intrusive and not wanting to share financial information with the Council.
  - 1.16.4 The tool being overly complex to complete for owners.

- 1.17 In these circumstances, offers of one to one support were given and the benefits explained to providers that this was not just a local exercise, but their views were respected if they did not want to take part as it was not a mandatory exercise.
- 1.18 Other provider engagement activity included:
- 1.18.1 Survey sent out for providers to complete to inform the Market Sustainability Plan.
  - 1.18.2 Wider Market Engagement events on the 23rd August 2022 and 5th September 2022 to provide updates on the exercise and inform the Market Sustainability Plan.
  - 1.18.3 Charging reforms DHSC FAQ link shared with care market as a result of engagement sessions and requests by providers on the 28th August 2022.
  - 1.18.4 Market Engagement Session – Bedfordshire Care Group (BCG) reps only on the 20th September 2022 to discuss new framework, wider support to market (RITA, Workforce Recruitment Strategy, Digital support), change to banding resulting from mid-year uplift, future review of banding and discussion about new banding tool. BCG is on board and keen to collaborate on this. All collaboration to inform the Market Sustainability Plan with fortnightly meetings booked in.
- 1.19 Overall the Council had a strong provider engagement strategy that involved:
- 1.19.1 Working with the local care group.
  - 1.19.2 Monitoring all providers on an individual basis.
  - 1.19.3 Providing regular updates and referrals to available support resources.
  - 1.19.4 Providing individual support to all providers on request.
  - 1.19.5 Involving a care provider association to help increase participation.
  - 1.19.6 Allowing as much time as possible for providers to complete the exercise.
- 1.20 This process was sufficient as at all times providers were informed, encouraged and supported to complete the cost of care exercise. Additional support to engage providers was sought through a national care provider association based on the low uptake of completing the exercise. Progress was checked on an individual basis with all providers to make sure they understood and had access to support throughout the cost of care exercise.

## 2. Cost of Care Exercise Approach

- 2.1 In approaching how to conduct the cost of care exercise, the Council reviewed the Market Sustainability and Fair Cost of Care grant guidance, the links to the resources included in the guidance and had internal discussions with colleagues to assess whether to carry out the exercise in-house or to commission external contractors.
- 2.2 It was assessed that the Council had the relevant skills in-house to conduct the cost of care exercise using the data collection tool resource developed by iESE. There would also be the following benefits:
  - 2.2.1 It would allow the project to start quickly compared to commissioning external support.
  - 2.2.2 It would provide greater oversight of the results of the exercise to the Council.
  - 2.2.3 It would make use of staff knowledge of the local market to enhance the exercise.
  - 2.2.4 It would provide value for money for the Council.
- 2.3 The data collection tool asked for service delivery information such as occupancy levels and type of care delivered by bed type, as well as a breakdown of actual costs to calculate an overall weekly unit cost per resident and care type for their business.
- 2.4 The different care types specified in the exercise by the Department of Health and Social Care were:
  - 2.4.1 Age 65+ care home places without nursing.
  - 2.4.2 Age 65+ care home places without nursing with enhanced needs.
  - 2.4.3 Age 65+ care home places with nursing.
  - 2.4.4 Age 65+ care home places with nursing with enhanced needs.
- 2.5 The supplier of the data collection tool changed the two care categories for enhanced needs to places with dementia in the online tool based on consultation with providers and the Department of Health and Social Care.
- 2.6 Actual cost and occupancy information was requested via the online tool for the financial year 2021/22 (April 2021 – March 2022). Providers were able to uplift costs for 2021/22 to 2022/23 expenditure levels in the tool when they were completing it from May to August 2022.
- 2.7 Occupancy information was also requested at April 2022 to give the option of calculating the cost at April 2022 levels in case occupancy was lower in the previous financial year due to the impact of the covid-19 pandemic. Direct staffing costs were also able to be adjusted based on April 2022 staffing levels.
- 2.8 Information asked for by the data collection tool can be found in Appendix 1.

### 3. Cost of Care Exercise Process: Data Collection & Verification

- 3.1 As part of the provider engagement process, links to the data collection tool were sent to age 65+ care home providers in Bedford Borough to register for the online tool.
- 3.2 Once providers completed the data collection tool, the returns went through a series of assurance checks. The checks involved:
  - 3.2.1 Checking rates of pay were in line with market levels advertised.
  - 3.2.2 Checking costs per fte staff member were in line with benchmarks.
  - 3.2.3 Checking staff cover days/costs to benchmarks.
  - 3.2.4 Benchmarking costs to the Council's in house care homes costs.
  - 3.2.5 Checking occupancy levels to the Capacity Tracker.
  - 3.2.6 Checking no costs relating to interest, tax, depreciation, amortisation or rents were included.
  - 3.2.7 Where costs were included in an "Other" category that these were detailed to check they were eligible for the exercise.
  - 3.2.8 Checking providers had recorded expenditure consistently based on the field headings, to ensure comparability when calculating median costs.
  - 3.2.9 Checking details of what was included in Head Office costs to make sure all costs were eligible.
- 3.3 On review of providers' submissions, two were excluded from the exercise due to incorrectly completing the form and missing extended deadlines to correct their information.
- 3.4 If these checks identified costs that were not in range of the benchmarked data, providers were asked if their data was accurate with reasons given as to why the Council thought it might not be.
- 3.5 In total these checks identified 8 providers to adjust their returns. These were either due to mistakes made when completing the tool, missing or incorrect data being entered or due to more accurate re-calculated figures being provided.
- 3.6 Once all the assurance checks and responses were provided, a second phase of checks were completed benchmarking providers' data to each other's. The statistical method 'Tukey's rule' was used to identify outliers in the dataset.
- 3.7 Out of the 297 cost data items, 28 data outliers were identified. All providers with data outliers were asked to provide explanations and evidence of the cost if it related to a business cost.



- 3.8 This process led to more data corrections by providers in circumstances where they had not given correct figures by mistake, or had recorded a figure against the wrong cost field that caused it to be an outlier. When the cost was moved, it was no longer an outlier.
- 3.9 Other reasons for data outliers included:
- 3.9.1 Economies of scale where smaller homes fixed costs were apportioned across a lower number of beds than average.
- 3.9.2 Differences in the level of services provided on specific lines for care homes rated as outstanding or offering premium services.
- 3.9.3 Data lines impacted by the covid pandemic by higher agency cover and lower occupancy levels.
- 3.10 The total number of data items excluded from the exercise was 3, which represented 1% of the data submitted that passed the assurance checks.
- 3.10.1 The data items were excluded because they included a significant amount of grant funded expenditure relating to covid-19 infection controls and were therefore one off relating to that financial year.
- 3.11 After all the assurance checks were completed, occupancy information submitted was reviewed for the 2021/22 financial year and at April 2022. As occupancy was affected by the covid-19 pandemic in 2021/22, occupancy data at April 2022 was used to recalculate weekly costs per resident, apart from nursing and care staff costs, in line with the grant guidance as it was more representative of occupancy levels identified on the capacity tracker for 2022/23 financial year.
- 3.11.1 For one home in the sample that had low occupancy in April 2022 compared to 2021/22, their occupancy for 2021/22 was used as that wasn't affected by the covid-19 pandemic.
- 3.12 As the amount of direct care hours required in a care home is affected by occupancy, the data collection tool requested providers submit cost data for nursing and care staff for April 2022, to take account of revised occupancy information. When quality assurance was done on this data there were issues with some providers' cost data, as it was not consistent with the 2021/22 expenditure submitted.
- 3.13 On review of both sets of data for direct care staff, the 2021/22 expenditure was more consistent across all responses compared to the April 2022 costs that were influenced by estimated cover costs for sickness, annual leave, training and agency usage. As a result, the 2021/22 nursing and care staff expenditure lines were used at 2021/22 occupancy levels, so it remained proportionate to the occupancy level it was related.
- 3.14 As expenditure was collected for the 2021/22 financial year, it was uplifted for inflation to 2022/23 levels based on providers' responses on how much their expenditure had increased, due to inflation.

## 4. Approach to Return on Operations and Return on Capital

- 4.1 To assist in determining an approach to return on operations and return on capital, iESE's online tool asked providers to submit an actual or required return on operations and return on capital as part of completing their cost of care exercises.
- 4.2 The approach for Return on Operations was to include a mark-up percentage on operating costs.
- 4.3 For Return on Capital, the grant guidance advised two possible approaches for the exercise. The first approach was to include a return percentage based on the valuation of the care home property per occupied bed. The second approach was to include an amount based on the potential rental amount per bed, based on Local Housing Allowance Rates.
- 4.4 The Council decided to go with the first advised approach for return on capital, which was based on the freehold valuation of the care home property. This decision was made based on the information the data collection tool gathered from providers, and also in line with the research undertaken on required profit levels.
- 4.5 The Council undertook research on sustainable profit levels that included reviewing research by the Competition and Markets Authority, and reports by LaingBuisson on providers' profitability requirements.
- 4.6 The Competition and Markets Authority Care Market Study report published in 2017 analysed large samples of care homes' financial accounts to assess profit margins in the sector. It analysed profit margins on the basis of earnings before interest, tax, depreciation, amortisation and rental costs that is a standard profitability metric in the sector referred to as EBITDAR. It found average EBITDAR returns of 15% across the sector from 2010 to 2016, and came to a judgement on a required amount by the market for return on capital of 5%-8%.
- 4.7 For return on operations, the Council has determined a mark-up percentage of 7.5% for age 65+ care homes is a reasonable and sufficient level to add on to the median operating costs in the cost of care exercise.
- 4.8 The amount for return on operations takes account of the research on reported EBITDAR levels that includes return on capital that the sector operated on from 2010 to 2016, based on the Competition and Markets Authority research.
- 4.9 For return on capital, the Council has determined a return of 5% for age 65+ care homes is a reasonable and sufficient level to add on to median operating costs in the cost of care exercise.
- 4.10 The 5% return is applied to the median property valuation per occupied bed in the exercise of £61,180. This works out as a weekly amount included in the exercise for return on capital of £58.67 per week.
- 4.11 The amount included for return on capital is based on research by the Competition and Markets Authority, on the amount the market requires for return on capital.
- 4.12 These judgments have been made taking account of the need for a sustainable market and the need to achieve best value for the taxpayer.

## 5. Cost of Care Exercise Results

- 5.1 The cost of care exercise result determined by the grant conditions is based on either the total of each median cost line, or the total of the median subtotals per cost category of provider's submissions and the amount determined for return on operations and return on capital.
- 5.2 For the two age 65+ care home place categories for enhanced needs, the Council only received one submission per category that was different to the standard category submissions. Five of the submissions for enhanced needs were for the same cost as the standard submissions. As a result, the Council has decided not to include results for the enhanced categories due to the low responses being insufficient to provide reasonable data, and also due to the majority of submissions being the same cost as standard places.
- 5.3 The tables below show the results of the cost of care exercise including the lower quartile, median and upper quartile values for the different 65+ care home categories. The final results of the exercise are calculated as the total of each median cost line, for the different care type categories they are:
- 5.3.1 Age 65+ care home places without nursing: £874.97 per week.
- 5.3.2 Age 65+ care home places with nursing: £1,102.91 per week.

Table 5.1 65+ Care Homes without Nursing Cost of Care Exercise Results

Age 65+ Care Homes without Nursing Cost of Care Exercise Results			
Cost Description	Lower Quartile	Median	Upper Quartile
<b>Care Home Staffing</b>			
Nursing Staff	0.00	0.00	0.00
Care Staff	351.41	381.16	421.29
Therapy Staff (Occupational & Physio)	0.00	0.00	0.00
Activity Coordinators	10.49	13.53	16.38
Service Management (Registered Manager / Deputy)	49.17	51.01	57.33
Reception & Admin staff at the home	13.30	16.89	21.25
Chefs / Cooks	26.83	28.48	29.74
Domestic Staff (cleaning, laundry & kitchen)	44.80	61.43	78.86
Maintenance & Gardening	12.80	16.91	19.07
Other Care Home Staffing	0.00	0.00	0.00
<b>Care Home Staffing Total</b>	<b>508.80</b>	<b>569.41</b>	<b>643.92</b>
<b>Care Home Premises</b>			
Fixtures & Fittings	2.40	4.12	5.39
Repairs & Maintenance	13.08	26.09	39.10
Furniture, Furnishings & Equipment	3.90	7.40	12.76
Other Care Home Premises Costs	0.00	0.00	0.33
<b>Care Home Premises Total</b>	<b>19.38</b>	<b>37.61</b>	<b>57.58</b>

<b>Age 65+ Care Homes without Nursing Cost of Care Exercise Results <i>continued</i></b>			
<b>Cost Description</b>	<b>Lower Quartile</b>	<b>Median</b>	<b>Upper Quartile</b>
<b>Care Home Supplies &amp; Services</b>			
Food Supplies	32.01	33.28	40.48
Domestic & Cleaning Supplies	8.83	13.49	17.70
Medical Supplies excluding PPE	3.48	4.79	6.62
PPE	4.06	4.06	5.38
Office Supplies (Home specific)	1.11	3.41	5.39
Insurance (all risks)	5.19	6.61	8.46
Registration Fees	3.13	3.21	4.10
Telephone & Internet	1.41	3.23	5.47
Council Tax / Rates	0.96	1.38	1.97
Electricity, Gas & Water	22.67	25.44	34.53
Trade & Clinical Waste	4.12	4.76	6.68
Transport & Activities	1.41	3.15	3.41
Other Care Home Supplies	1.65	3.04	9.97
<b>Care Home Supplies &amp; Services Total</b>	<b>90.03</b>	<b>109.85</b>	<b>150.16</b>
<b>Head Office</b>			
Central / Regional Management	14.26	17.55	35.18
Support Services (Finance / HR / Legal /Marketing)	6.14	14.96	24.75
Recruitment, Training & Vetting (inc. DBS checks)	5.92	9.97	14.34
Other Head Office Costs	0.00	0.00	6.09
<b>Head Office Total</b>	<b>26.32</b>	<b>42.48</b>	<b>80.36</b>
<b>Return on Operations &amp; Return on Capital</b>			
Return on Operations at 7.5%	48.34	56.95	69.90
Return on Capital	58.67	58.67	58.67
<b>Return on Operations &amp; Return on Capital Total</b>	<b>107.01</b>	<b>115.62</b>	<b>128.57</b>
<b>Total Cost Per Resident Per Week</b>	<b>751.54</b>	<b>874.97</b>	<b>1,060.59</b>

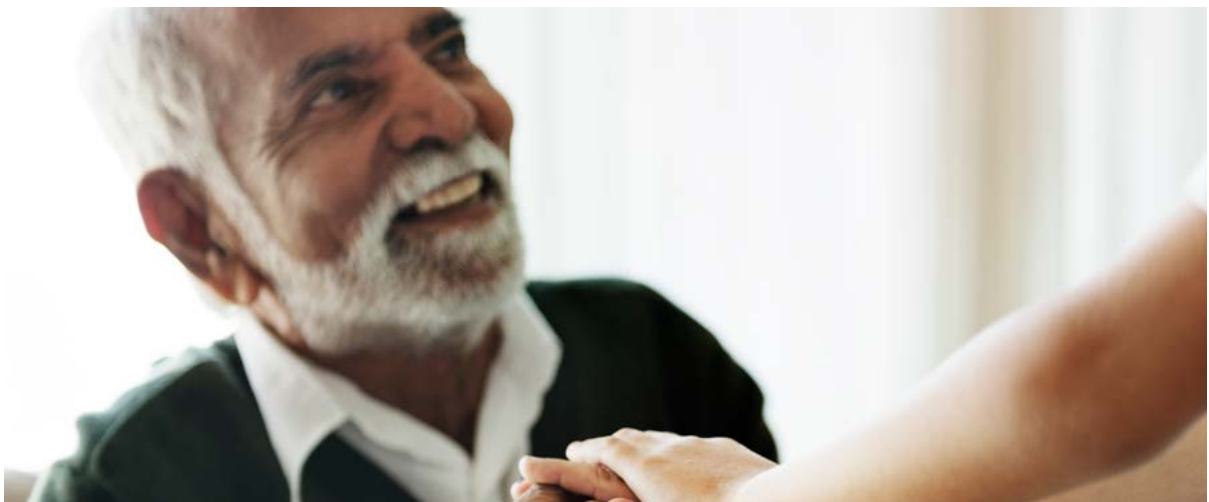


Table 5.1 65+ Care Homes without Nursing Cost of Care Exercise Results

<b>Age 65+ Care Homes with Nursing Cost of Care Exercise Results</b>			
<b>Cost Description</b>	<b>Lower Quartile</b>	<b>Median</b>	<b>Upper Quartile</b>
<b>Care Home Supplies &amp; Services</b>			
Nursing Staff	185.81	199.52	226.43
Care Staff	382.00	382.51	385.03
Therapy Staff (Occupational & Physio)	0.00	0.00	0.00
Activity Coordinators	10.13	14.42	18.03
Service Management (Registered Manager / Deputy)	49.90	57.45	70.47
Reception & Admin staff at the home	10.77	15.63	20.97
Chefs / Cooks	29.92	37.30	48.41
Domestic Staff (cleaning, laundry & kitchen)	50.62	53.63	64.36
Maintenance & Gardening	19.43	20.99	22.29
Other Care Home Staffing	0.00	0.00	0.00
<b>Care Home Staffing Total</b>	<b>738.58</b>	<b>781.45</b>	<b>855.99</b>
<b>Care Home Premises</b>			
Fixtures & Fittings	2.40	4.12	5.39
Repairs & Maintenance	13.08	26.09	39.10
Furniture, Furnishings & Equipment	3.90	7.40	12.76
Other Care Home Premises Costs	0.00	0.00	0.33
<b>Care Home Premises Total</b>	<b>19.38</b>	<b>37.61</b>	<b>57.58</b>
<b>Care Home Supplies &amp; Services</b>			
Food Supplies	32.01	33.28	40.48
Domestic & Cleaning Supplies	8.83	13.49	17.70
Medical Supplies excluding PPE	3.48	4.79	6.62
PPE	4.06	4.06	5.38
Office Supplies (Home specific)	1.11	3.41	5.39
Insurance (all risks)	5.19	6.61	8.46
Registration Fees	3.13	3.21	4.10
Telephone & Internet	1.41	3.23	5.47
Council Tax / Rates	0.96	1.38	1.97
Electricity, Gas & Water	22.67	25.44	34.53
Trade & Clinical Waste	4.12	4.76	6.68
Transport & Activities	1.41	3.15	3.41
Other Care Home Supplies	1.65	3.04	9.97
<b>Care Home Supplies &amp; Services Total</b>	<b>90.03</b>	<b>109.85</b>	<b>150.16</b>
<b>Head Office</b>			
Central / Regional Management	14.26	17.55	35.18
Support Services (Finance / HR / Legal /Marketing)	6.14	14.96	24.75
Recruitment, Training & Vetting (inc. DBS checks)	5.92	9.97	14.34
Other Head Office Costs	0.00	0.00	6.09
<b>Head Office Total</b>	<b>26.32</b>	<b>42.48</b>	<b>80.36</b>

<b>Age 65+ Care Homes with Nursing Cost of Care Exercise Results <i>continued</i></b>			
<b>Cost Description</b>	<b>Lower Quartile</b>	<b>Median</b>	<b>Upper Quartile</b>
<b>Return on Operations &amp; Return on Capital</b>			
Return on Operations at 7.5%	65.57	72.85	85.81
Return on Capital	58.67	58.67	58.67
<b>Return on Operations &amp; Return on Capital Total</b>	<b>124.24</b>	<b>131.52</b>	<b>144.48</b>
<b>Total Cost Per Resident Per Week</b>	<b>998.55</b>	<b>1,102.91</b>	<b>1,288.57</b>

- 5.4 The results for age 65+ care home places with nursing include nursing costs that the NHS pays contributions towards, so are not directly comparable with the rates that local authorities pay.
- 5.5 When calculating the cost lines, the lower quartile, median and upper quartile amounts for care home premises, care homes supplies and services, and head office categories for all care home submissions were included for both care type categories. This was to increase the sample size for both care type categories due to the similar cost basis of both care types excluding staffing.
- 5.6 As part of deciding on which median calculation method to use, the Council went through a process of comparing both methods. For the total of each median cost per line method, the Council decided whether to include or exclude zero values for each cost line in the calculation, as per the Department of Health and Social Care's advice. This judgement was based on whether most providers submitted a cost and by using benchmarking data to sense check the result.
- 5.7 Cost lines that had some zero values in the submissions are shown in appendix 2, with reasons as to why the calculations included or excluded zeros in the median per line calculation.
- 5.8 On review of the two median calculation methods for the exercise, the Council decided to use the total of the individual median lines for the following reasons:
- 5.8.1 The small sample size meant that individual factors for care homes such as occupancy levels, size and specific activities in 2021/22 influenced the data to a higher degree using the median subtotal calculation.
- 5.8.2 The median per cost line produced more standardised costs on review of the data in comparison to benchmarking data.
- 5.8.3 When the subtotal median method was used there were instances where on a particular cost line, the highest cost for the exercise was part of the total that wasn't representative of the overall submissions. It was the highest due to individual factors such as higher costs during the covid-19 pandemic.

5.9 The effects on the result of the exercise from the calculation method decided on, and the decisions on excluding three outlying data items is shown in the table below.

5.9.1 The chosen method and result for age 65+ care homes without nursing is the total of the median per cost line with individual decisions per line on excluding or including zeros in the calculation of £874.97.

5.9.2 The chosen method and result for age 65+ care homes with nursing is the total of the median per cost line with individual decisions per line on excluding or including zeros in the calculation of £1,102.91.

Table 5.3 Age 65+ Care Homes without Nursing: Effect of Calculation Method & Excluded Data on the Result of the Exercise

<b>Age 65+ Care Homes without Nursing: Effect of Calculation Method &amp; Excluded Data on the Result of the Exercise</b>			
Calculation Method	Zero Values Included or Excluded in Median Calculation	Treatment of Three Data Outliers Excluded from the Exercise	Result
Total of Median per Cost Line	All zero values included	Included	877.87
Total of Median per Cost Line	All zero values excluded	Included	904.13
Total of Median per Cost Line	Individual decisions per cost line with justifications in Appendix 2	Included	887.72
Total of Median per Cost Line	All zero values excluded	Excluded	868.36
Total of Median per Cost Line	All zero values included	Excluded	891.40
Total of Median per Cost Line	Individual decisions per cost line with justifications in Appendix 2	Excluded	874.97
Total of Cost Category Subtotal Medians	N/A	Included	952.37
Total of Cost Category Subtotal Medians	N/A	Replaced with Median Values for Cost Line	952.37

Table 5.4 Age 65+ Care Homes with Nursing: Effect of Calculation Method & Excluded Data on the Result of the Exercise

<b>Age 65+ Care Homes with Nursing: Effect of Calculation Method &amp; Excluded Data on the Result of the Exercise</b>			
Calculation Method	Zero Values Included or Excluded in Median Calculation	Treatment of Three Data Outliers Excluded from the Exercise	Result
Total of Median per Cost Line	All zero values included	Included	1,105.82
Total of Median per Cost Line	All zero values excluded	Included	1,128.47
Total of Median per Cost Line	Individual decisions per cost line with justifications in Appendix 2	Included	1,115.66
Total of Median per Cost Line	All zero values excluded	Excluded	1,096.30
Total of Median per Cost Line	All zero values included	Excluded	1,115.74
Total of Median per Cost Line	Individual decisions per cost line with justifications in Appendix 2	Excluded	1,102.91
Total of Cost Category Subtotal Medians	N/A	Included	1,162.99
Total of Cost Category Subtotal Medians	N/A	Replaced with Median Values for Cost Line	1,162.99

- 5.10 The table below shows supporting information on important cost drivers in the cost of care exercise carried out.

Table 5.5 Supporting Information on Important Cost Drivers in the Calculations

<b>Supporting Information on Important Cost Drivers in the Calculations</b>		
Supporting Information Description	Age 65+ Care Homes without Nursing	Age 65+ Care Homes with Nursing
Number of responses from providers	7	4
Number of providers eligible to respond	24	12
Number of residents covered by the responses	95	63
Average number of carer hours per resident per week per response	25	22
Average number of nursing hours per resident per week per response	-	10
Average carer basic pay per hour per response	£9.94	£10.21
Average nurse basic pay per hour per response	-	£19.13
Average freehold valuation per bed per response	£63.626	£48.894



## 6. Value of Information Collected & Fee Setting

- 6.1 This section will give further context and insight on the data, representation and process of the exercise to inform how much weight can be given to the value of the information collected and the results for fee setting.
- 6.2 Through the provider engagement and cost of care exercise processes, the Council ensured that providers had the support available to complete the exercise and developed a detailed process of assurance checks to enhance the quality of data from providers.
- 6.3 The approved responses covered 30% of providers in the market, which leaves 70% of providers costs not accounted for in the exercise. If the remaining 70% had participated, the result of the exercise would be different. The range of responses before profit was £404.30 per week for care home places without nursing, which shows both the range of services provided and the issues with the quality of the data submitted. The result does not therefore give a comprehensive median cost for the whole market.
- 6.4 As only 30% of providers participated, the full range of services offered by the market were not taken into account. The results are influenced by the level of service offered and the type of care delivered by the 9 care homes who participated. In particular, there was a gap in responses from the mid-range of the market that was important to be covered when looking at the median costs.
- 6.5 The quality of providers' returns varied considerably for the exercise but the Council worked with providers to check and verify their data. Of the approved returns, all providers made corrections to their data as part of the assurance checks.
- 6.6 The amount of corrections made to the data in the exercise suggests there may still be incorrect data that will have an influence over the result. There were concerns over the amounts included for head office costs, with the highest range for a cost line being £96 per week and the basis for how providers were apportioning costs against these lines. Some providers gave detailed breakdowns and explanations, but not all providers gave this level of detail to understand the reasons for the full range in costs.
- 6.7 On further investigation of some of the outlying data with providers, it was found that expenditure had been influenced by the covid-19 pandemic on infection and prevention control measures and higher agency costs for staff cover than usual for the period. These factors mean that the result is unlikely to be a standard cost for a year due to the impact of the covid-19 pandemic on care home expenditure levels.
- 6.8 The exercise also found significant discrepancies for a couple of providers between the result of their returns and the average Council price paid of over £450 per week that suggested that the returns may be incorrect, or that the business was unlikely to be a going concern. More time was spent checking details of the returns with these providers that did result in changes, but questions still remained about the overall validity of their returns.

- 6.9 The quality of providers' returns, including completeness and reliability as well as the explanations for specific cost variances to benchmarks and the quality of evidence submitted, is not graded in the methodology of this exercise but would be given weight in the context of setting appropriate sustainable fee levels.
- 6.10 As well as providers' actual costs of delivering services when setting fee levels, the Council also takes a number of factors into account to assess appropriate sustainable fee levels such as:
- 6.10.1 The number of local market exit and entries of providers at current prices paid.
  - 6.10.2 CQC quality ratings of providers.
  - 6.10.3 Benchmarking to other local authority fee levels.
  - 6.10.4 The current position of under or oversupply in the market.
  - 6.10.5 Inflationary pressures for providers.
- 6.11 Based on the factors identified, the overall weight the Council gives to the exercise is influenced by:
- 6.11.1 The range in the quality of responses with some needing more detailed and open access to providers' financial information to be confident that the data is sufficient to use as an input for fee setting. The median methodology assisted in increasing the quality of the data but the poorer quality data will have influenced the result.
  - 6.11.2 The median methodology did not weight providers' market shares or the quality of services delivered. These are important factors to consider for fee setting in relation to how the Council has shaped the market to provide sustainable services.
  - 6.11.3 Benchmarking the results with other data sources for providers' costs whilst taking into account local circumstances that influence costs.
- 6.12 For these reasons, the Council gives the result of the exercise a low weight when assessing the setting of fees at appropriate levels in conjunction with the factors set out in 6.11 and its legal duties under the Care Act and Market Sustainability and Fair Cost of Care.
- 6.13 The Market Sustainability and Fair Cost of Care Grant guidance is clear that the outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation.

## 7. Approach to Uplifting the Results in Future Years for Inflation

- 7.1 In future years, the median cost of care exercise rate will be uplifted based on appropriate indices or other metrics relevant to specific cost lines. Indices or metrics considered will include:
- 7.1.1 The Consumer Price Index including owner occupiers' housing costs (CPIH) for supplies and services. This index will be considered as it is the Office of National Statistics lead inflation index due to it being the most comprehensive.
  - 7.1.2 The National Living Wage set by Central Government and Average Weekly Earnings Tables produced by the Office of National Statistics for pay costs.



## Appendix 1 - iESE Fair Cost of Care Tool Requested Data

<b>FCOC Export</b>	
<b>CQC Registration data</b>	
<b>Please leave this section intact as it will be used to match uploaded data back to FCOC</b>	
CQC Location ID	
CQC Location Name	
CQC Provider ID	
CQC Provider Name	
FCOC ID	
<b>1. Details about this location</b>	
<b>Capacity and registration</b>	
CQC Registered Capacity	
Registration	
<b>About the home</b>	
Do you operate under a PFI contract?	
Is this home primarily for Older Persons Age 65+	
Was this home closed for admissions during any part of 2021/22	
If yes, what period was it closed for? (approximately)	
Notes about the closure	
Notes about the home	
<b>2. Expenditure</b>	
<b>Please provide the following costs for the financial year 2021-22, and optionally, as an uprated cost as at April 2022.</b>	
Would you like to specify an uplift?	
<b>Care Staff Costs</b>	
Registered nursing staff (£)	
% uplift to bring to April 2022 cost base	
Nursing assistants, associates or equivalents (non-RGN) (£)	
% uplift to bring to April 2022 cost base	
Senior Carer or equivalents (£)	
% uplift to bring to April 2022 cost base	
Carer (£)	
% uplift to bring to April 2022 cost base	
Therapy staff (Occupational and Physio) (£)	
% uplift to bring to April 2022 cost base	
Activity Coordinators (£)	
% uplift to bring to April 2022 cost base	
Registered manager (£)	
% uplift to bring to April 2022 cost base	
Deputy (£)	
% uplift to bring to April 2022 cost base	
Other (£)	
% uplift to bring to April 2022 cost base	
<b>Other Staff Costs</b>	
Reception & Admin staff at the home (£)	
% uplift to bring to April 2022 cost base	
Chefs/cooks (£)	
% uplift to bring to April 2022 cost base	
Domestic staff (cleaning, laundry & kitchen) (£)	
% uplift to bring to April 2022 cost base	
Maintenance & gardening (£)	
% uplift to bring to April 2022 cost base	
Other care home staffing (£)	
% uplift to bring to April 2022 cost base	
Notes on care home staffing	
<b>Care Home Supplies &amp; Services</b>	
Food supplies (£)	
% uplift to bring to April 2022 cost base	
Domestic and cleaning supplies (£)	
% uplift to bring to April 2022 cost base	

Medical supplies excluding PPE (£)	
% uplift to bring to April 2022 cost base	
PPE (£)	
% uplift to bring to April 2022 cost base	
Office supplies (Home specific) (£)	
% uplift to bring to April 2022 cost base	
Insurance (all risks) (£)	
% uplift to bring to April 2022 cost base	
Registration fees (£)	
% uplift to bring to April 2022 cost base	
Telephone & Internet (£)	
% uplift to bring to April 2022 cost base	
Council tax / rates (£)	
% uplift to bring to April 2022 cost base	
Electricity (£)	
% uplift to bring to April 2022 cost base	
Gas / oil / LPG or equivalent (£)	
% uplift to bring to April 2022 cost base	
Water (£)	
% uplift to bring to April 2022 cost base	
Trade and clinical waste (£)	
% uplift to bring to April 2022 cost base	
Transport & Activities (£)	
% uplift to bring to April 2022 cost base	
Other supplies and services costs (£)	
% uplift to bring to April 2022 cost base	
Notes on care home supplies and services	
<b>Care Home Premises costs</b>	
Fixtures & Fittings (£)	
% uplift to bring to April 2022 cost base	
Repairs and maintenance (£)	
% uplift to bring to April 2022 cost base	
Furniture, furnishings and equipment (£)	
% uplift to bring to April 2022 cost base	
Other premises costs (£)	
% uplift to bring to April 2022 cost base	
Notes on care home premises	
<b>Head Office related costs</b>	
Central / regional management (£)	
% uplift to bring to April 2022 cost base	
Support services (finance / HR / legal / marketing) (£)	
% uplift to bring to April 2022 cost base	
Recruitment, Training & Vetting (inc. DBS checks) (£)	
% uplift to bring to April 2022 cost base	
Other head office costs (£)	
% uplift to bring to April 2022 cost base	
Notes on head office costs	
<b>3. Return on Investment / Return on Capital</b>	
<b>Return on Operations</b>	
What is your approach to Return on Operations?	
Percentage markup applied to operating costs (%)	
Total Return on Operations (Â£) for the Care Home per annum (2021-2022)	
Total Return on Operations (Â£) for the Care Home per annum (Upated 2022)	
<b>Return on Capital</b>	
Is the property rented?	
Rental amount p/a (£)	
Property freehold valuation (£)	
Year of valuation	
Was the valuation carried out in line with the RICS Red Book?	

Do you wish to provide your Return on Capital figure as a % of property valuation OR as a per resident per week value for the care home?	
Return on Capital (%)	
Per resident per week ROC value? (2021-2022)	
Per resident per week ROC value? (Upated 2022)	
<b>Specific property details</b>	
Build type	
What year was the home built (approx.)?	
No. of en-suites	
No. of wet rooms	
No. of communal bathrooms	
What is the average room size in square metres?	
Notes on Return on Operations and Return on Capital	
<b>4. Occupancy</b>	
<b>Average occupancy 2021 to 2022</b>	
Active beds - whole home	
<b>Please provide occupancy numbers, split into the following needs groups, for the 2021 to 2022 period</b>	
Care Home occupied beds without nursing	
Care Home occupied beds without nursing, with dementia	
Care Home occupied beds with nursing	
Care Home occupied beds with nursing, dementia	
<b>Please provide the following breakdown of your residents in the period 2021 to 2022</b>	
No. Local Authority funded residents	
No. Joint funded residents	
No. self funders / privately funded	
No. CHC / Health	
Other	
<b>Occupancy as at April 2022</b>	
Active beds - whole home	
<b>Please provide occupancy numbers, split into the following needs groups as at April 2022</b>	
Care Home occupied beds without nursing	
Care Home occupied beds without nursing, with dementia	
Care Home occupied beds with nursing	
Care Home occupied beds with nursing, dementia	
<b>Please provide the following breakdown of your residents as at April 2022</b>	
No. Local Authority funded residents	
No. Joint funded residents	
No. self funders / privately funded	
No. CHC / Health	
Other	
<b>5. Staffing hours</b>	
<b>No. of staffing units</b>	
<b>Unit 1: Productive (direct) Staffing Requirement including Agency. Please enter the total staffing hours per week</b>	
Nursing staff	
Nursing assistants	
Senior Carer (or equivalents)	
Carer	
<b>Unit 1: Resident Occupancy as of April 2022</b>	
Care Home occupied beds without nursing	
Care Home occupied beds without nursing, with dementia	
Care Home occupied beds with nursing	
Care Home occupied beds with nursing, dementia	
<b>Unit 2: Productive (direct) Staffing Requirement including Agency. Please enter the total staffing hours per week</b>	
Nursing staff	
Nursing assistants	
Senior Carer (or equivalents)	
Carer	
<b>Unit 2: Resident Occupancy as of April 2022</b>	
Care Home occupied beds without nursing	
Care Home occupied beds without nursing, with dementia	

Care Home occupied beds with nursing	
Care Home occupied beds with nursing, dementia	
<b>Unit 3: Productive (direct) Staffing Requirement including Agency. Please enter the total staffing hours per week</b>	
Nursing staff	
Nursing assistants	
Senior Carer (or equivalents)	
Carer	
<b>Unit 3: Resident Occupancy as of April 2022</b>	
Care Home occupied beds without nursing	
Care Home occupied beds without nursing, with dementia	
Care Home occupied beds with nursing	
Care Home occupied beds with nursing, dementia	
<b>Unit 4: Productive (direct) Staffing Requirement including Agency. Please enter the total staffing hours per week</b>	
Nursing staff	
Nursing assistants	
Senior Carer (or equivalents)	
Carer	
<b>Unit 4: Resident Occupancy as of April 2022</b>	
Care Home occupied beds without nursing	
Care Home occupied beds without nursing, with dementia	
Care Home occupied beds with nursing	
Care Home occupied beds with nursing, dementia	
<b>Unit 5: Productive (direct) Staffing Requirement including Agency. Please enter the total staffing hours per week</b>	
Nursing staff	
Nursing assistants	
Senior Carer (or equivalents)	
Carer	
<b>Unit 5: Resident Occupancy as of April 2022</b>	
Care Home occupied beds without nursing	
Care Home occupied beds without nursing, with dementia	
Care Home occupied beds with nursing	
Care Home occupied beds with nursing, dementia	
<b>Unit 6: Productive (direct) Staffing Requirement including Agency. Please enter the total staffing hours per week</b>	
Nursing staff	
Nursing assistants	
Senior Carer (or equivalents)	
Carer	
<b>Unit 6: Resident Occupancy as of April 2022</b>	
Care Home occupied beds without nursing	
Care Home occupied beds without nursing, with dementia	
Care Home occupied beds with nursing	
Care Home occupied beds with nursing, dementia	
<b>6. Direct staff costs</b>	
<b>Please ensure these costs are correct as of April 2022</b>	
<b>On-costs</b>	
Employer's NI %	
Employer's pension contribution %	
Average apprenticeship levy %	
<b>Cover costs</b>	
Holiday (inc. bank holidays)	
Training / Supervision	
Sick	
Maternity / Paternity / Adoption	
Suspension	
Other	
<b>Staff costs - per hour</b>	
Registered nursing staff	
Nursing assistants, associates or equivalents (non-RGN)	
Senior Carer (or equivalents)	
Carer	

Agency staff costs - per hour	
Registered nursing staff	
Nursing assistants, associates or equivalents	
Senior Carer or equivalents	
Agency care staff	
Agency hours - per week	
Nurse	
Nursing assistants, associates or equivalents	
Senior Carer or equivalents	
Carer	





## Appendix 2 - Justifications for Including or Excluding Zeros in the Median per Cost Line Calculation

Appendix 2: Table 1 – Justifications for including or excluding zeros in the median per cost line calculation

Justifications for Including or Excluding Zeros in the Median per Cost Line Calculation			
Cost Description	Number of Zero Values Recorded in Exercise	Include or Exclude Zeros in Median Calculation Per Line	Reason for Inclusion or Exclusion of Zeros
Other Care Home Staffing	8	Include	Most providers did not submit a cost, not a standard cost.
Fixtures & Fittings	4	Exclude	Most providers submitted a cost and from benchmarking it is a standard business cost
Other Care Home Premises Costs	6	Include	Most providers did not submit a cost, not a standard cost.
Medical Supplies excluding PPE	1	Exclude	Most providers submitted a cost and from benchmarking it is a standard business cost
PPE	1	Exclude	Most providers submitted a cost and from benchmarking it is a standard business cost
Telephone & Internet	1	Exclude	Most providers submitted a cost and from benchmarking it is a standard business cost
Trade & Clinical Waste	1	Exclude	Most providers submitted a cost and from benchmarking it is a standard business cost.
Other Care Home Supplies	2	Exclude	Most providers submitted a cost.
Central / Regional Management	1	Exclude	Most providers submitted a cost and from benchmarking it is a standard business cost.
Other Head Office Costs	5	Include	Most providers did not submit a cost, not a standard cost.

## References

Market Sustainability and Fair Cost of Care Grant Guidance

<https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance>

Age 65+ Care Home Data Collection Tool for Cost of Care Exercise

<https://iese.org.uk/cost-of-care-tool-awareness-pack-care-providers>

Office of National Statistics Consumer Price Index including owner occupied housing Inflation Tables, UK: July 2022

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/latest#consumer-price-inflation-data>

Office of National Statistics Average Weekly Earnings in Great Britain Tables: August 2022

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/latest>

National Living Wage Rates

<https://www.gov.uk/national-minimum-wage-rates>

Care Homes Market Study: Competitions & Markets Authority: 2017

<https://www.gov.uk/cma-cases/care-homes-market-study>

## Notes

## Finding out more

If you would like further information about us and our services, please telephone, email or write to us at our address below.

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### Adult Social Care

Bedford Borough Council  
Borough Hall  
Cauldwell Street  
Bedford  
MK42 9AP



faircostofcare@bedford.gov.uk



www.bedford.gov.uk