

Wandsworth Borough Council Cost of Care Report 65+ Care Homes

1. 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.

To achieve the aims set out in the White Paper the government recognise the right architecture needs to be in place to underpin and support the implementation of the 10-year vision. Ensuring market sustainability and moving towards a fair cost of care are some of the first steps in the journey to achieve this. The government requires local authorities to start building strong foundations and prepare 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 65+ care homes to determine the actual 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 capital (ROC) and return on operations (ROO).

This exercise presented significant issues with data quality and some unreliable results due to the small number of returns impacting on the median calculation. Despite efforts made to improve the robustness of the calculations the Council concluded the results cannot be viewed as wholly reliable. The Council intends to continue to work with care homes to agree rates that are sustainable for the Wandsworth market.

2. How the Cost of Care Exercise Was Carried out

To improve understanding of the actual cost of delivering care in the Council area the Council 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.

The scope of the exercise was limited to care homes whose primary purpose is to provide care to older people aged 65+. Therefore, the exercise excludes homes that primarily provide specialist care (learning disability, mental health and physical disability).

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.

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 the Council 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, Merton, Sutton and Richmond.

The government required the Council to collect consistent data from local providers on actual costs to enable subsequent analysis. The Council 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 SWL boroughs to support a consistent approach to the costing exercise with neighbouring Councils.

3. Market Engagement

Within the London Borough of Wandsworth there are 15 registered care homes for people age 65+, providing 1,245 beds. Of the 15 care homes 11 are dual registered, 3 are nursing only and 1 is residential only.

As the market is small, and to maximise representation within this exercise, all 15 care homes were contacted including those homes where the Council does not routinely make placements. The Council does not have contracts with any care homes for people age 65+.

There is a mix of providers; a small number are single entities and other providers are national provider 'brands' with 4 that are part of a wider care home provider group.

The size of the homes vary, ranging from 25 beds to 215 beds. 67% of these homes have more than 60 beds.

The Council does make placements out of borough and to increase representation 4 out of borough care homes that provide a relatively high number of placements for Council residents were contacted to be part of the exercise.

Care homes were contacted directly by telephone and by email during May to late September. The initial phase was targeted to promote and support provider participation. The latter stages were to engage with those providers that had submitted data to validate and query the information.

To promote provider participation the Council offered support to the care home market in the following ways:

- Interactive session with a representative from Care England organised by SWL
- Shared information on iESE help and advice drop-in sessions and webinars
- Notified providers on a joint session delivered by the Care Provider Alliance and iESE
- Council offering face-to-face meetings with providers
- Information on the Council website
- Targeted telephone calls and emails to providers
- Survey to inform fair cost of care and market sustainability plan submissions
- One-off administrative support payment of £250 for each CQC location submission.

To encourage greater participation, deadlines were extended by two weeks (closing date 31 July 2022), to support and allow providers extra time to complete their returns. The Council also allowed for two late submissions as this increased the participation rates and improve the data analysis.

Out of the 15 care homes in the borough, 7 (47%) submitted a response, these homes provide 743 (60%) of the 1,245 beds in the borough. 5 care homes that submitted have 60 or more beds.

The 4 out of borough care homes that were contacted to return information did not participate in the data collection exercise.

One care home that was requested to participate but did not submit information has since notified the Council that they are closing.

4. Data Analysis

Following the data collection, the Council calculated the median costs of providing care for each of the cost lines set out in the guidance including staffing, premises, return on capital. Throughout this exercise the Council reviewed and analysed the data collected from providers identifying omissions, errors and outliers including unusual or implausible values.

The Council worked with providers to reduce and resolve data quality issues engaging with providers and ensuring maximum opportunity was given to resolve queries and manage any subsequent changes to data. Of the 53 initial queries 38 were resolved. For the remaining 15 queries where providers did not respond, the data was only omitted if identified as an outlier.

The Council considered the following methods to calculate the median rate per hour

1. Median based on individual line items.
2. Median based on the cost category totals.

Following consideration, the Council determined the median rate per hour using the sum of category costs rather than individual line items. This approach took account of all cost lines for each provider and reduced the effect of duplication and resulted in less costs being omitted at outliers. The resulting rates are set out in Table 2.

Table 1: Median Cost of Care Rates per care home category

Median cost of care per residents per week*	Median cost pw
65+ care home places without nursing	£1,052
65+ care home places with nursing, enhanced needs	£1,052
65+ care home places with nursing	£1,270
65+ care home places with nursing, enhanced needs	£1,270

(*Note nursing rates are before deduction of FNC of £209.19)

4.1. Base Cost and Inflation

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. These inconsistencies present concerns regarding the accuracy of the data. The inflation rates applied by providers to 2021/22 actual cost to determine April 2022 costs were not consistent, ranging overall from 6% to 27%, with an average of 15%.

In the absence of clear guidance from the Department of Health and Social Care (DHSC) on appropriate benchmarks for these cost lines, and within the short timeframe allocated to complete the exercise, the Council applied a consistent approach to inflation across all returns, applying an uplift of 6.6% for staffing cost inflation in line with the London Living wage increase and 7.8% for non-staff costs in line with CPIH at April 2022.

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 Council moves towards the cost of care rate will be determined by affordability and the level of funding available.

4.2. Approach to the Return on Operations (ROO) & 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 which ranged from 5% to 56%, with an average of 18%. Given this variation, to arrive at median the Council 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.

The Council 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 or the rental amounts submitted.

To ensure a consistent and fair approach the decision was made to use 6% in line with level cited by Laing Buisson as reasonable return and to cap ROC at this level resulting in ROC of £207 per bed week for residential and £192 for nursing.

4.3. Data Tables

Data tables are provided in line with the DHSC guidance showing the median cost per week for each category of care homes.

Table 2: Median Cost All 65 plus Homes

Residential & Nursing Providers

MEDIANS (April 2022 Base Rates)	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	£526.84	£526.84	£764.51	£764.51
Nursing Staff	£0.00	£0.00	£218.23	£218.23
Care Staff	£308.01	£308.01	£355.22	£355.22
Therapy Staff (Occupational & Physio)	£35.18	£35.18	£35.18	£35.18
Activity Coordinators	£16.59	£16.59	£16.59	£16.59
Service Management (Registered Manager/Deputy)	£21.82	£21.82	£31.36	£31.36
Reception & Admin staff at the home	£16.36	£16.36	£21.71	£21.71
Chefs / Cooks	£43.12	£43.12	£32.45	£32.45
Domestic staff (cleaning, laundry & kitchen)	£63.11	£63.11	£60.80	£60.80
Maintenance & Gardening	£14.66	£14.66	£15.43	£15.43
Other care home staffing (please specify)	£128.53	£128.53	£73.22	£73.22
Total Care Home Premises	£42.80	£42.80	£42.80	£42.80
Fixtures & fittings	£14.56	£14.56	£15.60	£15.60
Repairs and maintenance	£14.42	£14.42	£25.56	£25.56
Furniture, furnishings and equipment	£8.40	£8.40	£9.42	£9.42
Other care home premises costs (please specify)	£12.87	£12.87	£3.85	£3.85
Total Care Home Supplies and Services	£129.08	£129.08	£129.08	£129.08
Food supplies	£35.19	£35.19	£34.51	£34.51
Domestic and cleaning supplies	£12.42	£12.42	£14.45	£14.45
Medical supplies (excluding PPE)	£6.78	£6.78	£6.59	£6.59
PPE	£1.03	£1.03	£1.30	£1.30
Office supplies (home specific)	£2.06	£2.06	£3.65	£3.65
Insurance (all risks)	£7.21	£7.21	£8.26	£8.26
Registration fees	£2.43	£2.43	£2.41	£2.41
Telephone & internet	£2.22	£2.22	£2.93	£2.93
Council tax / rates	£0.58	£0.58	£1.11	£1.11
Electricity, Gas & Water	£31.29	£31.29	£25.70	£25.70
Trade and clinical waste	£2.99	£2.99	£3.92	£3.92
Transport & Activities	£4.76	£4.76	£4.37	£4.37
Other care home supplies and services costs (please specify)	£13.69	£13.69	£18.39	£18.39
Total Head Office	£106.20	£106.20	£89.87	£89.87
Central / Regional Management	£52.25	£52.25	£33.81	£33.81
Support Services (finance / HR / legal / marketing etc.)	£29.02	£29.02	£28.55	£28.55
Recruitment, Training & Vetting (incl. DBS checks)	£16.94	£16.94	£7.76	£7.76
Other head office costs (please specify)	£20.13	£20.13	£18.54	£18.54
Total Return on Operations	£40.25	£40.25	£51.31	£51.31
Total Return on Capital	£206.98	£206.98	£192.01	£192.01
TOTAL	£1,052.14	£1,052.14	£1,269.59	£1,269.59

Note total median costs are the sum of the cost categories not the sum of the individual lines.

Table 3: Upper Quartile, Lower Quartile & Median Cost 65+ Homes without nursing

Residential and Residential Enhanced - April 2022 Base Rate per resident per week

65+ care home places without nursing / 65+ care home places without nursing, enhanced needs	Count of Responses	Lower Quartile	Median	Upper Quartile
Total Care Home Staffing	5	£458.52	£526.84	£808.99
Nursing Staff				
Care Staff	5	£261.55	£308.01	£464.22
Therapy Staff (Occupational & Physio)	1		£35.18	
Activity Coordinators	5	£8.05	£16.59	£24.66
Service Management (Registered Manager/Deputy)	5	£18.21	£21.82	£44.11
Reception & Admin staff at the home	5	£14.19	£16.36	£32.27
Chefs / Cooks	4	£16.68	£43.12	£85.64
Domestic staff (cleaning, laundry & kitchen)	5	£55.40	£63.11	£91.92
Maintenance & Gardening	5	£8.60	£14.66	£44.40
Other care home staffing (please specify)	2		£128.53	
Total Care Home Premises	5	£20.07	£42.80	£186.97
Fixtures & fittings	2		£14.56	
Repairs and maintenance	5	£9.07	£14.42	£176.33
Furniture, furnishings and equipment	2		£8.40	
Other care home premises costs (please specify)	2		£12.87	
Total Care Home Supplies and Services	5	£95.25	£129.08	£359.29
Food supplies	5	£32.43	£35.19	£118.42
Domestic and cleaning supplies	5	£8.32	£12.42	£20.64
Medical supplies (excluding PPE)	4	£3.20	£6.78	£14.83
PPE	4	£0.84	£1.03	£4.09
Office supplies (home specific)	5	£1.07	£2.06	£29.66
Insurance (all risks)	5	£5.00	£7.21	£31.94
Registration fees	5	£1.78	£2.43	£4.65
Telephone & internet	5	£1.79	£2.22	£15.63
Council tax / rates	5	£0.18	£0.58	£1.71
Electricity, Gas & Water	5	£21.61	£31.29	£67.64
Trade and clinical waste	5	£1.42	£2.99	£14.87
Transport & Activities	5	£2.04	£4.76	£5.12
Other care home supplies and services costs (please specify)	5	£8.16	£13.69	£47.08
Total Head Office	5	£70.18	£106.20	£202.17
Central / Regional Management	5	£33.49	£52.25	£53.66
Support Services (finance / HR / legal / marketing etc.)	5	£13.63	£29.02	£80.70
Recruitment, Training & Vetting (incl. DBS checks)	5	£4.56	£16.94	£41.03
Other head office costs (please specify)	4	£13.89	£20.13	£39.90
Total Return on Operations	5	£32.60	£40.25	£78.33
Total Return on Capital	5	£180.09	£206.98	£809.11
TOTAL	5	£920.92	£1,052.14	£2,390.96

Note total median costs are the sum of the cost categories not the sum of the individual lines.

Table 4: Upper Quartile, Lower Quartile and Median Cost – 65+ Homes with nursing

Nursing and Nursing Enhanced - April 2022 Base Rate per resident per week

65+ care home places with nursing/ nursing places enhanced needs	Count of Responses	Lower Quartile	Median	Upper Quartile
Total Care Home Staffing	6	£698.49	£764.51	£1,038.49
Nursing Staff	6	£153.66	£218.23	£408.28
Care Staff	6	£297.71	£355.22	£429.32
Therapy Staff (Occupational & Physio)	1		£35.18	
Activity Coordinators	5	£5.32	£16.59	£24.66
Service Management (Registered Manager/Deputy)	6	£19.39	£31.36	£54.72
Reception & Admin staff at the home	6	£14.28	£21.71	£44.06
Chefs / Cooks	5	£16.35	£32.45	£77.71
Domestic staff (cleaning, laundry & kitchen)	6	£54.06	£60.80	£87.45
Maintenance & Gardening	5	£13.46	£15.43	£44.68
Other care home staffing (please specify)	2		£73.22	
Total Care Home Premises	5	£30.44	£42.80	£59.38
Fixtures & fittings	3	£13.52	£15.60	£32.72
Repairs and maintenance	6	£10.39	£25.56	£105.88
Furniture, furnishings and equipment	3	£7.37	£9.42	£18.95
Other care home premises costs (please specify)	3	£0.49	£3.85	£25.25
Total Care Home Supplies and Services	5	£101.64	£129.08	£154.67
Food supplies	6	£29.60	£34.51	£77.07
Domestic and cleaning supplies	6	£9.78	£14.45	£18.80
Medical supplies (excluding PPE)	6	£3.32	£6.59	£11.73
PPE	6	£0.94	£1.30	£6.20
Office supplies (home specific)	6	£2.01	£3.65	£19.55
Insurance (all risks)	6	£6.80	£8.26	£28.74
Registration fees	6	£1.99	£2.41	£4.23
Telephone & internet	6	£1.90	£2.93	£10.60
Council tax / rates	6	£0.16	£1.11	£2.06
Electricity, Gas & Water	6	£18.43	£25.70	£51.31
Trade and clinical waste	6	£2.32	£3.92	£10.97
Transport & Activities	6	£2.69	£4.37	£7.58
Other care home supplies and services costs (please specify)	5	£13.54	£18.39	£47.08
Total Head Office	6	£62.11	£89.87	£197.17
Central / Regional Management	6	£16.82	£33.81	£53.65
Support Services (finance / HR / legal / marketing etc.)	5	£13.63	£29.02	£80.70
Recruitment, Training & Vetting (incl. DBS checks)	5	£4.56	£16.94	£41.03
Other head office costs (please specify)	4	£13.89	£20.13	£39.90
Total Return on Operations	6	£44.06	£51.31	£66.63
Total Return on Capital	5	£142.82	£192.01	£237.70
TOTAL	6	£1,065.03	£1,269.59	£1,525.43

Note total median costs are the sum of the cost categories not the sum of the individual lines.