



Consultation on Future Fee Levels for Older Persons Care Homes

Responses to this consultation should be sent to:

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1. Background Information and Context

Since 2008/09, the Council has been implementing a phased fee structure based on a 'Local Fair Price for Care' model. The framework, through its bandings, has sought to pay higher fees for high quality care provision as evidenced through an annual audit of each older person's care home as well as on environmental factors. The aim of the fee structure and framework has been to improve the quality of care across the sector and to increase the amount of good quality dementia provision.

Over the past few months, Nottinghamshire County Council has embarked upon a two stage process to review the local 'Fair Price for Care' framework and fee levels. Stage one of this review has included consideration of the Council's strategic objectives in relation to older people's services and more specifically the Council's commissioning intentions in relation to care homes. This has been considered within the context of the Council's financial position and requirements for savings and efficiencies. Part of the review has included completion of a Provider Survey to establish the 'actual costs' of care home provision including nursing and dementia care. The following key factors have been taken into consideration:

- (a) meeting the legal requirement to take in to account the actual costs of care and to consult with care homes in the setting of fees;
- (b) promoting a sustainable market of provision which meets the needs of service users across the whole County;
- (c) ability of the Council to ensure that future fee levels are financially sustainable;
- (d) rewarding good quality, striking an appropriate balance which prioritises care quality issues over the environment but which recognises the importance of both;
- (e) challenging inefficiencies at the same time as providing incentives for improvement in quality;
- (f) enabling a more personalised approach to the delivery of care and ensuring that outcomes are achieved for residents through appropriately trained care staff;
- (g) promoting good standards in the delivery of care and giving particular focus to dementia care and end of life care;
- (h) creating a framework which can be applied over a period of years to ensure continuity in the market and clearer financial planning for the Council;
- (i) ensuring the new/revised framework is simple to apply and to adjust over a given period of time and prior to any further review of the model in future years

Within the context of the above there are a number of factors that point to the current funding arrangements promoting a sustainable market, including:

- A market with stable capacity: in recent years the Council has been aware of 8 homes closing in Nottinghamshire, 6 new homes opening, and 2 new homes currently under construction;
- A number of new entrants to the market in the last 2 years including one provider buying six homes from the County Council;
- Positive feedback from providers regarding their relationship with the Council as evidenced in outputs from the Provider Survey.

Savings and Efficiency Requirements

Given the current economic and financial climate all local authorities are being required to deliver significant savings and efficiencies across both directly provided and externally commissioned services.

The Council is currently undertaking a wide-ranging internal programme to identify and implement cost saving opportunities and efficiency improvements and also has an expectation that its providers and suppliers will seek ways to increase their operating efficiency, particularly where local data indicates that costs are higher than the national average.

Investing in Quality

Over the last 5 years, the Council has made significant financial investments to help increase the quality of care provided within older persons care homes. Staffing resources have also been increased in order to provide guidance and support to those homes that continue to be in the lower quality bands. The Council recognises that the continuation of support to lower quality homes is essential to help these homes improve their quality of care and subsequently receive higher fee levels to ensure continuous improvement.

It remains a priority of the Council to assess quality, and reward quality within the fee levels.

The second stage of the review is a consultation with the provider market based on the findings from stage one. This document outlines the findings of the review of the local 'Fair Price for Care' framework and fee levels, and sets out proposals for future fee levels. Before any decision is made about fee levels we want to gather the views of care providers on these proposals.

Detailed background to the Provider Survey– methodology, participation, calculation methodology and treatment of data – can be found in Appendix 1 & Appendix 2.

A Glossary of Terms is attached as Appendix 6.

2. Provider Survey Outputs

A key principle underpinning this data collection and analysis has been to summarise home costs as reported in the Fair Price for Care Provider Survey responses. Therefore outputs provided in this section are summaries of the actual costs reported by homes in their responses. All assumptions that are applied to enable a price per resident per week are clearly stated below.

Whilst some comparator benchmarks are referenced within this document, the output is representative of the costs reported in the Provider Survey, and does not include the application of external data.

A number of consistent assumptions have been applied to all elements of cost data as follows:

Occupancy Levels: 92%

To enable the calculation of a weekly cost per resident, it is critical that an assumption of occupancy is used. Data is available on care home sizes but to assume that care homes have 100% occupancy at all times is unrealistic and not representative of how costs are spread amongst residents in reality.

An occupancy level of **92%** has been assumed, applied to the average size care home in terms of numbers of beds. This level meets expectations of an efficient market, whilst retaining an appropriate level of bed capacity to mitigate against risks of unplanned demand increases. The average occupancy levels reported as a snapshot within the provider survey were 83%. Comparator Laing and Buisson data from March 2011 Care of Elderly Market Survey shows in the East Midlands averages of 88.8% Nursing occupancy and 86.1% Care home occupancy.

Return on Capital: 7%

The Return on Capital is a measure of the expected annual return (profit) generated by a Provider when making a significant capital investment into the purchase, construction or refurbishment of a care home.

The Provider Survey response, on average, was an expectation of 7%. This matches other data sources, for example Laing and Buisson research, which also applies a 7% return on capital.

To calculate this, 7% has been applied to the average value of a care home in Nottinghamshire, as reported in the responses.

Return on Operations: 18%

The Return on Operations is a measure of the expected return (profit) generated on day-to-day expenditure, i.e. the turnover of the care home.

The Provider Survey response, on average, was an expectation of 18%. Whilst the Council is aware that this is slightly lower than the assumption generally used by

Laing and Buisson, this figure does represent an up-to-date local view in challenging economic conditions.

To calculate this return, 18% has been applied to the average operational costs reported by the care homes (i.e. staff costs, overheads, non-staff costs, and finance).

Summary Cost Calculations

The sample group included Care Homes, Care Homes with Nursing, and Dual-Registered Homes. Therefore a number of summary cost calculations can be constructed according to these categories. As would be expected, Care Homes have the lowest overall cost per week per resident. The costs per week per resident in Dual-Registered Homes fall between those for Care Homes and Care Homes with Nursing, but are much closer to the Care Home cost. One reason for this is the inclusion of Continuing Health Care (CHC) funded resident costs in the Care Homes with Nursing data (see notes below).

Table 1: Summary of costs per resident per week¹

	All Homes	Care-Only	Care with nursing	Dual
<i>Average number of residents at 92% occupancy</i>	36.5	34.5	31.0	42.4
Staff Wage Costs	216.03	182.93	292.00	214.26
Staff and Management Overheads and On-costs	74.93	64.66	99.47	74.95
Non Staff Costs	107.67	109.08	112.68	101.33
Finance Costs	22.24	22.24	22.24	22.24
Subtotal	420.87	378.90	526.40	412.68
Return on Capital (7%)	52.30	55.45	61.64	45.07
Return on Operations (18%)	75.76	68.20	94.75	74.28
Total Cost Per Resident Per Week (£)	548.92	502.55	682.79	532.03

Detailed cost structures for Care Homes, Care Homes with Nursing and Dual-Registered Homes are shown in Appendix 3.

Impact of Continuing Health Care

It was noted that the data contained costs associated with residents receiving NHS funded Continuing Health Care (CHC), including one to one care. This funding is already being provided by the NHS for the residents that meet CHC criteria. As should be expected, these costs are almost entirely within Care Homes with Nursing and significantly skew the average staffing costs of these particular homes in the sample.

- When the staffing costs of Care Homes with Nursing are recalculated to exclude homes with more than 40% CHC provision, this gives a revised average total cost per resident per week of £597.75 compared to £682.79 in the above table.

¹ This table and other total cost data throughout this document include calculated returns in addition to operating costs.

- This demonstrates that homes with a high proportion of NHS funded CHC (more than 40%) are inflating the total average cost of Care Homes with Nursing by £85.04 per resident per week (approximately 12.5%). This calculation does not take into account the impact of CHC care costs in homes which have less than 40% of their residents CHC funded.

Findings on Staffing Levels

The main element of cost for all care home provision is the staffing costs. As a proportion of total operating costs, the Provider Survey data indicates staffing accounts for 69% of costs across all homes. Therefore additional information is provided in this section to highlight the data received in relation to this key cost element.

The Provider Survey requested two measures of hours per week of staff time. Firstly, an average number of hours provided per person per week, over a given month (April 2012), the output from which follows in Table 2:

Table 2: Stated average number of hours of staff time provided per person per week

	Care-Only	Care with nursing	Care-Only with dementia	Nursing with dementia	Respite and short break
Care related Hours	23.7	27.3	26.9	36.1	25.8
Non-care related hours	10.3	10.9	9.1	13.6	9.1
Total	34.0	38.1	36.1	49.7	34.9

The second measure of hours per week of care provided was calculated from the staff rosters as stated by providers. Table 3 below shows the average rostered hours for each type of staff group in all the care homes. To calculate an average per person, the stated number of residents in the home at the time was used.

Table 3: Rostered average hours of staff time provided per person per week (Care Homes)

Staff Group (Care-Only Homes)	Mon-Fri		Saturdays		Sundays		Full Week
	Daytime	Night-time	Daytime	Night-time	Daytime	Night-time	Total
Care Assistants (No NVQ qualifications)	1.3	0.9	0.3	0.1	0.2	0.2	3.1
Care Assistants (NVQ 2)	4.0	1.8	0.7	0.4	0.8	0.3	8.0
Care Assistants (NVQ 3 or above)	2.2	1.2	0.6	0.3	0.5	0.3	5.0
Senior Carers	2.6	1.3	0.5	0.2	0.5	0.2	5.3
Nurses (RGN and RMN)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Care Hours per person per week	10.2	5.3	2.0	1.0	2.0	1.0	21.4
Administration/Reception Staff	1.2	0.0	0.1	0.0	0.0	0.0	1.3
Catering Staff	1.9	0.0	0.4	0.0	0.4	0.0	2.8
Cleaning Staff	0.0	0.3	0.0	0.3	0.0	0.8	1.5
Maintenance / handyman staff	0.8	0.0	0.0	0.0	0.0	0.0	0.8
Other staff	0.8	0.0	0.1	0.0	0.1	0.0	0.9
Non-Care hours per person per week	4.7	0.3	0.5	0.3	0.5	0.8	7.2
Total Hours per person per week	14.9	5.6	2.5	1.4	2.5	1.8	28.7

As a point of comparison, recent Laing & Buisson (L&B) figures² for “industry norms” are 18.5 hours of care and 6 hours of non-care per week for care only home (24.5 hours in total). In comparison, Nottinghamshire care homes report a higher than average number of hours of care, by approximately 15%³.

This higher level of staffing is also reflected in the output of an East Midlands survey in 2011, but no explanation is provided for this localised variance from national averages.

The same summary is shown for Care Homes with Nursing, in Table 4 below. It should be noted that this data is an aggregated summary of care homes with nursing data, and not only those residents in receipt of nursing care. Therefore this data includes care provided to 8 care-only residents in care homes with nursing.

Table 4: Rostered average hours of staff time provided per person per week (Care Homes with Nursing)

Staff Group (Care with Nursing Homes)	Mon-Fri		Saturdays		Sundays		Full Week
	Daytime	Night-time	Daytime	Night-time	Daytime	Night-time	Total
Care Assistants (No NVQ qualifications)	3.3	1.6	0.5	0.4	0.7	0.3	6.9
Care Assistants (NVQ 2)	4.7	1.8	0.9	0.4	0.7	0.4	8.9
Care Assistants (NVQ 3 or above)	2.2	0.4	0.4	0.1	0.3	0.1	3.5
Senior Carers	2.9	0.1	0.6	0.0	0.6	0.0	4.3
Nurses (RGN and RMN)	3.0	1.9	0.5	0.4	0.5	0.4	6.6
Care Hours per person per week	16.1	5.8	2.9	1.3	2.9	1.3	30.2
Administration/Reception Staff	0.7	0.0	0.0	0.0	0.0	0.0	0.7
Catering Staff	2.4	0.1	0.4	0.0	0.5	0.0	3.4
Cleaning Staff	2.2	0.1	0.3	0.0	0.3	0.0	3.0
Maintenance / handyman staff	1.1	0.0	0.0	0.0	0.0	0.0	1.1
Other staff	1.0	0.0	0.1	0.0	0.1	0.0	1.1
Non-Care hours per person per week	7.4	0.2	0.8	0.0	0.8	0.0	9.3
Total Hours per person per week	23.4	6.0	3.7	1.4	3.7	1.3	39.6

For Care Homes with Nursing, the recent L&B figures for industry norms are 7.5 hours of nursing, 20.5 hours of care, and 6 hours of non-care per week for care only (34 hours in total).

Care Homes with Nursing in Nottinghamshire report a significantly higher than average number of hours of care, by 14%⁴. Again, specific reasons for this local variance cannot be established from the Provider Survey responses, but as per the commentary above, the data does include CHC provision.

The Costs Associated with Homes in different Quality Bands

Table 5 and the graph below show the reported average cost of operating a care home in each of the quality bands. The information in this table is taken from the same dataset as table 1.

² L&B Report on FPC Parameters for East Midlands October 2010 - industry norms quoted for a “well-run corporate care home of 50 or more beds”

³ (28.7-24.5) / 28.7

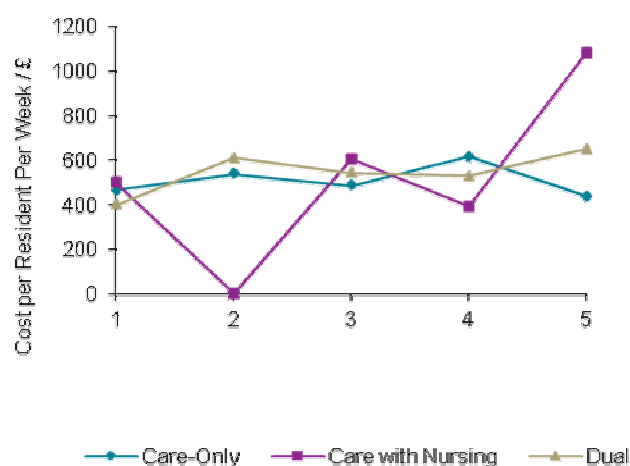
⁴ (39.6 – 34.0) / 39.6

Table 5: Average Care Home Costs by Quality Band

Care Home Type	Quality Band / Average Cost					
	1	2	3	4	5	All
Care-Only	464	538	486	615	437	503
Care with Nursing	498	No data ⁵	603	390	1079	683
Dual	399	611	543	529	650	532

The data does not show a clear link between the quality of a home and the cost of operating that home. This may be due to the relatively small sample sizes at this level. For example the band 5 Care Homes with Nursing costs are influenced by a very small number of homes reporting costs that are significantly higher than any other homes in the sample and are skewed by the inclusion of homes with a high proportion of NHS funded CHC.

Home Costs Mapped to Quality Bands



⁵ No Band 2 Care with Nursing homes responded to the survey

3. Proposals for Consultation

The Council has undertaken a review of the current fee model and the 5 quality bands. This has entailed consideration of the following:

- Whether fees should continue to be allocated on the basis of rewarding good quality;
- Whether the annual audit process needs to be changed to focus more time and resource on the lower band homes (Bands 1 and 2) in order to help improve quality of care;
- Whether environmental factors should continue to be taken in to account in the allocation of fees;
- Whether the Council, over an identified period of time, moves towards only commissioning care from Band 2 and above homes and if so, what the implications would be both in terms of future capacity and on finances;
- Whilst the current model includes an enhanced payment level for dementia provision, overall, the quality of dementia provision has not improved significantly in the past 4 years and in some cases remains poor despite the higher payment. Consideration is being given to whether the Council should only allocate the enhanced dementia payment to those homes where the quality exceeds an agreed threshold;

These considerations have informed a number of proposals, which are put forward in this section. These cover the following areas:

1. Fee Model
2. Fee Levels
3. Inflation

1. Fee Model

A number of changes to the proposed fee model, which take in to account the above considerations, are outlined in Appendix 4. The proposals align with the strategic objectives of continuing to develop and promote good quality care services and to focus particularly on improving the quality of dementia care overall.

In particular, whilst the majority of the existing Pinders model will be retained as is, it is proposed that the quality/environment weighting be changed from 70/30 to 80/20.

Proposals are made for the introduction of a two-stage process for the awarding of the enhanced dementia payment to those homes which have achieved the Council's dementia accreditation and the individual resident has reached the dementia criteria threshold.

It is also proposed that a small number of care homes be awarded 'beacon status', which would give them specific remit to support promote best practice within their locality.

It is acknowledged that the required changes would need to be implemented over a period of time in order to prevent the destabilisation of current market. It is

anticipated that the transition period would take place over the next three years. During this time, a number of specific projects would also be implemented, including, supporting lower banded homes to improve the quality of care and promoting the Council's vision for quality dementia care.

2. Fee Levels

The fee level proposal is informed by the outputs of the Provider Survey, using a number of key data elements as reported by the homes:

1. The total cost (on average) of operating care homes;
2. The total number of staff hours (on average) provided per person;
3. The difference in cost where homes have a high % of CHC funded residents.

This proposal recognises that the cost structures as outlined above in the Provider Survey Outputs section have been impacted by the high number of staff hours provided per person in Nottinghamshire, and also by the inclusion of CHC costs within the overall costs reported.

Therefore, two key adjustments have been made to the cost data, to reduce the impact of these two factors.

1. Staffing costs in the Care Homes have been adjusted downwards by 7.5%. The difference between the average staffing hours in Nottinghamshire against the Laing & Buisson (L&B) figures for industry norms, as stated previously, is 15%. The Council recognises that a number of local factors may contribute to this, for example, the number of smaller non-purpose built homes, plus the drive to increase the quality of service provision. However a greater level of efficiency is expected as compared with the industry norms, and therefore a mid-point 7.5% over the L&B figures has been applied to the costs instead of the 15% identified in the Provider Survey.

2. Staffing costs in Care Homes with Nursing have been adjusted downwards by 10% from the average identified from the Provider Survey. This takes into account a number of additional factors to those outlined for Care Homes above:

- The data includes an element of CHC funded residents which significantly impacts on the reported staffing costs. Whilst the Council does not dispute the additional costs associated with CHC provision, these costs are agreed and funded through a separate process to this fee setting exercise, and therefore should not inflate the costs as they apply to local authority funded placements.
- Twenty four Dual-Registered Homes responded to the Provider Survey. In total, 51% of the residents of these homes receive nursing care. The average staff wage costs of providing nursing care within these homes have been calculated as £244 per person per week. This provides a local comparator figure to the Care Homes with Nursing staff wage cost of £292.

With these two adjustments made to the data, the following cost summaries (Table 6) are used to inform the fee level setting:

Table 6: Summary of costs per resident per week with staffing adjustments

	Care-Only	Care with nursing
Average number of residents at 92% occupancy	34.5	31.0
Adjusted Staff Wage Costs	169 (-7.5%)	263 (-10%)
Staff and Management Overheads and On-costs ⁶	62	91
Non Staff Costs	109	113
Finance Costs	22	22
Subtotal	362	489
Return on Capital (7%)	55	62
Return on Operations ⁷ (18%)	65	88
Total Cost Per Resident Per Week (£)	482	639

As per all cost summary data throughout this document, the following assumptions have been applied in the calculation of costs:

- 92% Occupancy
- 7% Return on Capital
- 18% Return on Operations

The costs in the table above include dementia provision. The current fee structures include an uplift for dementia provision of £46 for Care Home Only fees, and £41 for Care Homes with Nursing fees. At this point these differentials from the current model are maintained, and therefore need to be taken into account when determining fees. This adjustment is based on current dementia placements being approximately 50% of total placements.

The nursing costs above represent the total cost to the home of providing the care. Part of this cost is funded by Health, via a Funded Nursing Care (FNC) contribution of £108.70. This needs to be taken into account when determining the Local Authority contribution to the fees.

Table 7 below applies both of these factors to the costs to determine the average cost of Care Homes and Care Homes with Nursing.

Table 7: Summary of costs per resident per week incorporating FNC and Dementia Premiums

Care Category	Care-Only Cost	Care with Nursing Cost
Cost per resident per week	482	639
Without FNC	(N/A)	530
Dementia Premium (+£23 for care, +£20 for Nursing)	505	550
Non-Dementia (-£23 for care, -£21 for Nursing)	459	509

⁶ The staffing on-costs are calculated as a % of staffing costs, and therefore is also impacted by a reduction in staffing costs

⁷ Return on operation is applied as a % to operational costs, and therefore is also impacted by the reduction in staffing costs

Using this Cost data to inform Fee Levels

The average quality band from the 70 responses to the Provider Survey is 3.2. Therefore the cost data provided, on average, has been used to represent the costs of a notional band 3.2 care home. The model below applies these costs to a band 3 care home, and then re-calculates all fees from this point across all bands, using the current differences between fees.

For example, the cost of Care Home non-dementia care is £459. As this represents a band 3.2 care home, the fee below for Band 3 is calculated pro-rata at a slightly lower rate of **£453**, and other bands are applied from this point maintaining existing differences between the bands (i.e. band 4 is £26 more, band 2 is £26 less, as per current fee levels).

The same approach is taken to the Care Home with Nursing non dementia cost at band 3.2 of £509, which is therefore calculated pro-rata at **£503** for band 3.

The fee levels, as informed by the re-calculated cost data are proposed as:

Table 8: Proposed Fee Level Baseline

Proposed Fee Level Baseline (% increase from 2012/13 fee levels in brackets)					
	Band 1	Band 2	Band 3	Band 4	Band 5
Older People	384 (10.3%)	427 (9.2%)	453 (8.6%)	479 (8.1%)	505 (7.7%)
OP Dementia	395 (10.0%)	474 (8.2%)	500 (7.8%)	525 (7.4%)	551 (7.0%)
Nursing (exc. FNC)	414 (10.1%)	477 (8.7%)	503 (8.2%)	529 (7.7%)	554 (7.4%)
Nursing Dementia (exc. FNC)	424 (9.8%)	518 (7.9%)	544 (7.5%)	570 (7.1%)	596 (6.8%)
Total increase in fees per band	10.2%	8.5%	8.1%	7.7%	7.3%

It should be noted that each Band is receiving a similar uplift in actual terms (£s). When this is calculated as a %, the lower bands will appear higher as the % is calculated on a lower base amount.

The Council considers that this is a fair way to allocate additional funding across all quality bands, and, in ensuring continued funding to the lower quality homes, this supports the Council's strategic intentions to drive improvements in the quality of care homes. In return, the Council will expect this additional funding to enable and support the movement of these homes into higher bands.

For the purpose of comparison Appendix 5 lists 2012/13 fee levels, as reported by Local Authorities nationally. It can be seen from this information that Nottinghamshire currently has maximum fee levels above regional comparators and minimum fee levels on a par in the region.

3. Inflation

In their discussions with the Council over the past 4 - 5 years regarding care home fees, the NCA executive have requested that an inflation formula which takes in to account key elements of their costs, be agreed and included in care home contracts.

The scope for determining an annual inflation increase is wide. Possible models range from applying a nominal flat rate percentage each year to complex models which recalculate individual elements of the costs of homes each year to reflect specific impacts of inflation. In determining a model relevant considerations include the following factors:-

- (a) ease of understanding
- (b) ease of calculation
- (c) ease of application
- (d) independence
- (e) relevance to cost increases

The Council proposes the use of an index based on Average Weekly Earnings in the Health and Social Care Sector for staffing costs (EARN03 (Q) Not Seasonally Adjusted) and a range of indices for elements of non-staffing running costs. Finance costs would not be inflated. These indices are considered relevant and are known to have been used in previous models for calculating annual inflation in this market.

The application of inflationary indices to specific elements of care home costs is shown below in Table 9. The breakdown of costs has been based on the Provider Survey response. The index proposed for inflation is also shown. All indices are produced by Office for National Statistics (ONS) and are available on their website <http://www.ons.gov.uk/ons/index.html>.

The respective indices are titled:

- 01.1 Food
- 04.3 Maintenance and repair of the dwelling
- 04.5 Electricity, gas and other fuels

and form part of a whole set of detailed indices available within ONS.

Table 9: Cost Elements and Proposed Inflationary Indices

Cost Element	Proportion of Total	Index Proposed
Staffing	69%	AWE EARN03 (Q)
Finance	5%	Not inflated
<i>Non-Staff Costs</i>	<i>26%</i>	<i>As per below:</i>
Repairs and maintenance	24% of Non-Staff Costs	ONS detail 04.3
Food	19% of Non-Staff Costs	ONS detail 01.1
Utilities	17% of Non-Staff Costs	ONS detail 04.5
Other running costs	40% of Non-Staff Costs	CPI

The indices used to calculate the inflation rate will be those for the month of October or Q2 in the year preceding the April in which fees are to be increased. For example, fees increases in April 2014 will be based on the indices for October 2013.

The proposed calculation follows:

$$\begin{aligned}\text{Annual Inflation (\%)} = & \\ & 0.69 \times (\text{EARN03 (Q - Oct Preceding Year)}) \\ & + 0.24 \times 0.26 \times (\text{ONS 04.3 - Q2 Preceding Year}) \\ & + 0.19 \times 0.26 \times (\text{ONS 01.1 - Q2 Preceding Year}) \\ & + 0.17 \times 0.26 \times (\text{ONS 04.5 - Q2 Preceding Year}) \\ & + 0.40 \times 0.26 \times (\text{CPI - Oct Preceding Year})\end{aligned}$$

The inflation rate produced by this formula would be applied to each existing fee level (20 in total) to determine new fees. It is not proposed that there would be separate calculations for each of the 20 fees to determine revised fee levels.

4. Consultation Questions

Questions 1 & 2

The proposed fee levels take in to account the actual costs, as reported in the Provider Survey, of operating care homes within Nottinghamshire, with a proposed annual inflationary uplift.

Please explain how the proposals would affect your returns on capital / operations?

Please explain what effect, if any, the proposals would have on your staffing levels, and on any other aspect of your business which has a direct impact on the quality of your care provision.

Question 3

The Provider Survey responses show that on average Providers expectation on rates of return are 18% on Operations, and 7% on Capital.

What level of return is needed to make a care home business viable?

Question 4

In the creation of the fee level proposal, the data from the questionnaire has been used. The main assumption in all cost-per-resident calculations is an occupancy rate of 92%.

Do you consider the Provider Survey response and treatment of this data to be a reasonable basis for calculating the costs of operating care homes in Nottinghamshire?

Question 5

Whilst all fees are proposed to be increased, the current £ differences between each quality band have been maintained in the proposal.

If the proposals either increase or decrease the incentive for you to improve the quality of your care provision, please explain this.

Question 6

The average number of hours of staff time per resident in Nottinghamshire is significantly higher than the figures for industry norms as reported by Laing and Buisson. The proposed fees have been set to reflect the cost of operating with staffing levels between these two comparators.

Why are staffing levels in Nottinghamshire homes higher than the national average?

Question 7

The Provider Survey data does not indicate a clear correlation between the quality band and the cost of operating a home. However to encourage higher quality provision the Council will continue to pay higher fees for higher quality homes.

How will the continuation of the Council's strategy to directly reward quality by the payment of additional fees help you increase the quality of your home?

Question 8 & 9

To ensure longer term sustainability of the care home market, the Council is proposing an annual inflationary mechanism which uses indices relevant to the specific costs incurred by care homes.

Does the proposal to apply annual inflation to the fee levels provide additional financial security to your business, and therefore give you the incentive to continue investing in increasing quality of care provision?

Do you agree that the proposed inflation indices are appropriate ones to use? If not, which others would you suggest, and why?

Question 10

Consideration of the physical environment currently accounts for up to 30% of the total 'score' available in determining service quality. This model is somewhat biased towards purpose built properties and is subjective in some elements. It is proposed that the subjective environmental elements be removed, the overall environmental audit be simplified and that the new 'scoring' methodology be based on an 80/20 quality/environmental split, rather than the current 70/30 one. Your views on this approach would be welcome.

Question 11

To ensure the needs of residents with dementia are met the Council is considering both developing specific placement criteria and a care home accreditation process.

Do you think that this will a) help people to choose care homes more suitable for their needs and b) help care homes to promote specialist dementia care services?

Question 12

In its commitment to the further promotion of high quality dementia services, Nottinghamshire County Council is considering the option of creating 'Beacon Status' for a small number of care homes, i.e. with the expectation that those homes would share examples of excellence, innovation etc and promote good practice both within, and outside of, Nottinghamshire.

Do you support this proposal and what criteria do you think the Council should be setting for the creation of 'Beacon' status homes and what, if any, rewards should be considered?

Appendix 1: Provider Survey Methodology and Participation

The 2012 Fair Price for Care Provider Survey:

The Council embarked upon this data gathering process with the objective of understanding the current actual local costs of operating a care home in Nottinghamshire, to inform the setting of future fee levels.

The Council engaged KPMG to provide independent support to this process. KPMG created a bespoke questionnaire in partnership with representatives from the Council's Adult Social Care, Health and Public Protection Department, using evidence from a number of sources to identify key cost areas incurred in operating an older person's care home. These included:

- Knowledge from previous KPMG Local Authority projects which have included collecting care home cost data;
- Knowledge from KPMG's team that works on care home portfolio sales and acquisitions;
- Comparative review against other models such as Laing and Buisson, the 'Care Funding Calculator', and the previous Pinders model used in Nottinghamshire.

The draft questionnaire was piloted with 5 providers prior to finalisation. This involved working through each question with each of the providers to check their understanding and perceived ability to respond. It also included identification of any areas of cost that may have been omitted. The draft questionnaire was also provided to the NCA executive for comment, and their feedback was incorporated where possible into the questionnaire.

Questionnaire Distribution

During May and June 2012, the Council forwarded the Provider Survey questionnaire to all of the 170 older person's care homes within the county requesting that the Provider Survey be completed in order to enable a cost analysis to be undertaken. Homes were asked for a mixture of quantitative cost information and for qualitative contextual comments.

Care Homes were invited to email, fax, or post their responses back to the Council. The Council made initial calls to the care homes to confirm that the Provider Survey had been received and subsequently re-sent a number of questionnaires to different email addresses.

Provision of Support during Response Period

Providers were requested to complete the questionnaire within a four-week period. During the pilot phase, four of the providers stated that a four week period was adequate to complete and return the Provider Survey and the one of the providers stated that the timeframes were 'challenging but not impossible'. A small number of responses were received and added to the database during week 5.

During the 4 week response period, a number of activities were undertaken to support providers including:

- Providing direct contact details for expert support from a dedicated officer from the Council and/or a KPMG representative;
- The Council held a provider forum during week 2, attended by approximately 60 care home providers or their representatives. The purpose was to discuss the Provider Survey process and respond to specific questions raised;
- A FAQ sheet was created from initial feedback, answering questions and offering guidance on completing the questionnaire;
- The NCA held a number of workshops to support their members in completing the questionnaire;
- The Council project team contacted every care home that the Provider Survey was sent to and were able to speak to over 90% of managers or owners to offer or provide support directly;
- Reminder and support emails were regularly sent by the Council and the NCA to emphasise the importance of responding to the questionnaire and re-iterating the support that was available.

Data Validation

Completed questionnaires were posted or sent to a unique secure email address, created for this purpose. Detailed checks were undertaken on each, and each data point validated, following a set process:

- 1) Initial review to identify gaps in the data, inconsistencies, or commonly recognised misinterpretation of questions. This included a detailed check of the response to every question, identifying incomplete responses and clear outliers.
- 2) Emails and calls with providers to discuss and validate their response or to amend the responses where relevant based on clarifications. If the questionnaire was updated directly by the Council team member during the call or following email advice, a copy of the amended document was sent back to the care home.
- 3) Technical review of each home's final response, looking for any data issues which may impact the import into the aggregation tool.

Making the Data Anonymous

The questionnaire asked for the home name and contact details. This was important for the purposes of clarifying the response directly with the person that had completed the form. Once all responses had been entered into the database, several activities were undertaken to ensure the data was made anonymous:

- all email and electronic files containing the responses were deleted, both from the email inbox, and from backup systems;
- all electronic responses were deleted from the folder where they had been stored during the validation process;
- all hard-copy files were destroyed securely;
- the database was built to be able to delete several data points i.e. the name of the home, the contact details, and the second part of the postcode.

Once these actions had been undertaken, an email was sent to all homes confirming this. As a result it is not possible for the Council to link data to any specific home.

During July, the data collected was analysed, and a number of cost summaries produced, for different types of home (care/nursing/dual). Details of these can be found elsewhere in this document.

Provider Survey Participation

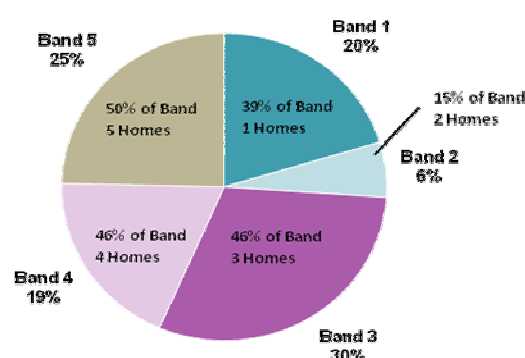
41% of homes contacted sent a response to the questionnaire. This is considered to be a large enough sample size to enable the Council to use data collected to inform decisions.

Table 10: Provider Survey Participation Details

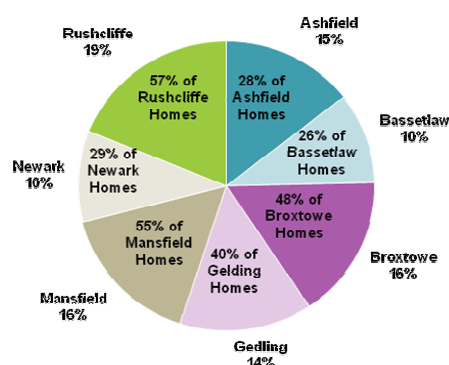
	Total number of Homes	Total Bed Capacity
Nottinghamshire Total Contacted	170	6564
Response Sample	70	2809
Representative %	41%	43%

The responses include representation from all quality bands. The chart to the right shows the proportion of the responses in each band, and also the number of responses as a % of the total homes within that band in Nottinghamshire. As can be seen from the chart, the response sample group is slightly weighted towards the higher quality bands, with 26% of responses in bands 1 and 2, and 44% of responses in bands 4 and 5. Band 2 homes provided the lowest response rate to the Provider Survey. The average band of home that responded to the Provider Survey was 3.2.

Responses by Quality Band



Responses by Locality



The responses are also geographically dispersed across Nottinghamshire, with representation from each of the localities, as per the chart to the left. There are very high levels of representation from homes in Rushcliffe and homes in Mansfield.

Responses were received from all home registration categories, and across a wide variation of home sizes. The average home size, by bed number across the responses is

shown below. The number of responses from care with nursing homes is low, which leads to any individual variation in cost within this group having a disproportionate impact on the average.

Table 11: Registration category of responding homes

Registration Type	Number of Respondent Homes	Average size of respondent home (beds)	Average size of total Nottingham County Population (beds)
All Homes	70	39.7	38.8
Care-only	33	37.5	33.4
Care with nursing	13	33.7	47.3
Dual Registered	24	46.1	

The 70 homes are of variable size and provide a broad mix of large and small, with a slight weighting towards larger homes than the total Nottinghamshire average, as per Table 12 below.

Table 12: Size of responding homes (number of beds)

Number of Beds	Respondent Size	Sample	Sample %	Total Nottinghamshire Population Contacted	Total %
0-20	9		13%	26	15%
21-40	25		36%	83	49%
41-60	25		36%	44	26%
Over 60	11		16%	17	10%
	70			170	

As noted above, the average quality band of the responding homes was 3.2. The spread across the quality bands and home types is shown in table 13 below.

Table 13: Quality Banding by Care Home type in responding homes

Number of responses by band						
Care Home Type	Band 1	Band 2	Band 3	Band 4	Band 5	Total
Care	4	3	5	9	12	33
Nursing	6	0	3	1	3	13
Dual	4	1	13	3	3	24
Total	14	4	21	13	18	70

The number of beds funded by the Council within each of the homes at the time the questionnaire was completed has also been analysed. Again, this evidences a spread of responses, ranging from homes where all beds are funded by the Council, through to homes with self funders making up the majority of residents.

Analysis Methodology

The Provider Survey requested data on a range of cost areas, which were designed to comprehensively cover the costs of operating a typical care-only or care with nursing home. Opportunities were provided within the questionnaire to detail 'other' costs that were not explicitly stated.

The questionnaire also contained a series of qualitative, open-ended questions, to enable homes to provide a context and background to the cost data. (e.g. what is impacting costs currently).

The Provider Survey responses were grouped into a number of key cost areas as follows:

- Staff Costs (from rostered hours)
- Staff On-Costs (e.g. national insurance)
- Management Costs (e.g. manager's salary)
- Non-Staff Costs (e.g. food)
- Finance Costs (as stated in responses)
- Returns (split by operational and capital)

Homes were asked to complete as much of the Provider Survey as possible, however no questions were mandatory. Therefore, incomplete returns have been included in the data. This makes it possible to include all of the data provided by homes to inform the analysis.

To be able to create robust averages, costs are therefore taken at a cost-line level, and averaged across all homes, for example, where homes have provided a cost of Waste Collection and Disposal, the average of these costs from these homes have been taken to create a group average. For the majority of costs, a '0' or a blank response is not included in this calculation of the average.

More detailed information on the way averages have been calculated is included in Appendix 2.

During the validation process a number of inconsistencies and 'outliers' were identified and checked with the homes that submitted the response. However, several outliers were identified after the data had been made anonymous and additional analysis undertaken. These had to be removed from the data. They are listed below:

- 3 homes (2 care homes and 1 care home with nursing) where weekly staffing costs per person were over double the average. On closer inspection it was found that with stated staffing numbers it was extremely unlikely that the rostered hours stated could be correct for example in one response, staff would need to be consistently working 80 hours per week each. For these homes, only the staffing costs were excluded.
- 2 homes (1 care home and 1 dual registered home) where staffing levels were very low, that is approximately £60 per person per week. Again, it was considered extremely unlikely that these numbers were correct. For these homes only the staffing costs were excluded.

All other costs in all homes and all cost categories were included in the analysis.

Appendix 2: Summary of Calculation Methodology

General calculation principles

Homes were asked to complete as much of the Provider Survey as possible, however no questions were mandatory. Therefore, incomplete returns have been included in the data.

To create robust averages, costs are taken at a cost-line level (e.g. Cleaning Supplies), and averaged across all homes. These averages are calculated in slightly different ways, according to whether a home has omitted the cost due to being unable to provide the information, or whether the home has actively submitted a '0' response. Where there was any doubt, this was checked with the home prior to anonymisation of the data.

Decisions have been made for each of the cost types as to whether all homes must incur that cost, whether they have responded or not. For example food, and national insurance - where homes have submitted a '0' for such costs, this has been excluded from the calculation, because we know that care homes must incur these costs.

A summary of the approach taken to the calculations of averages is shown in table 14 below:

Table 14: Detail of calculations of averages

STAFF COSTS	Treatment of '0's in Averages
Care Assistants (No NVQ)	0's included where stated, null returns excluded from average
Care Assistants (NVQ 2)	0's included where stated, null returns excluded from average
Care Assistants (NVQ 3 or above)	0's included where stated, null returns excluded from average
Senior Carers	0's included where stated, null returns excluded from average
Nurses (RGN and RMN)	0's included where stated, null returns excluded from average
Administration/Reception Staff	0's included where stated, null returns excluded from average
Catering Staff	0's included where stated, null returns excluded from average
Cleaning Staff	0's included where stated, null returns excluded from average
Maintenance / handyman staff	0's included where stated, null returns excluded from average
Other staff	0's included where stated, null returns excluded from average
STAFF ON-COSTS	
Avg Training Days	0s excluded from average
Avg Holidays	0s excluded from average
Employer's National Insurance	0s excluded from average
Sick Pay	0s included in average where stated
Additional (maternity, pension etc)	0s included in average where stated
Total %age on-cost	For reference only
MANAGEMENT COSTS	
Average Manager Salary (weekly)	0's included in average where stated
Management Duties on shift	0's included in average where stated
NON STAFF COSTS	
Repairs & Maintenance	0s excluded from average

Renewals of furnishings and equipment	0s excluded from average
Leasing costs of equipment	0s excluded from average
Food	0s excluded from average, (variable cost)
Utilities (energy, water, telephone)	0s excluded from average
Maintenance / Handyman, Gardener	0s excluded from average
Professional Services	0s excluded from average
Medical supplies	0s excluded from average, (variable cost)
Cleaning supplies	0s excluded from average
Waste collection and disposal	0s excluded from average
Registration fees	0s excluded from average
Recruitment and Training	0s excluded from average
Transport and activities	0s excluded from average, (variable cost)
Any other non-staff expenses	0s excluded from average, (variable cost)
Centralised costs	0s included in average where stated

FINANCE COSTS	
Average Annual Financing Costs	0's included in average where stated
RETURN ON CAPITAL	Calculated
Average value of home	0s excluded from average
RETURN ON OPERATIONS	Calculated

Treatment of Staffing Costs

Weekly staff costs are calculated using the hourly rate (£) as stated, multiplied by the number of hours rostered per week for the sample month. This is calculated for each staff group in each home, and then aggregate averages for each group of staff are calculated from the sample.

Initial views of the data showed that the proportions of care staff with different qualification levels (e.g. No NVQ / NVQ2 etc) vary across the sample population. For example some homes have a majority of NVQ3+ staff, and other homes have a high percentage of unqualified staff.

It was also notable that some homes employ non-care staff (e.g. handyman), but not all homes employed all categories – for example some homes use an external handyman service.

The cost calculation therefore does not assume that a typical home will directly employ a full complement of each of these staffing types.

Therefore, where a home has provided answers against some staff categories e.g. NVQ2, and either stated a '0' for others or left blank, the averages will include this response across all categories as reported by the provider.

Where no staffing costs at all are provided in the home's response, this has been identified and staffing costs for that home are excluded from calculations as a 'null' response.

Treatment of Staffing On-Costs

The staff costs, as calculated above, will only include the basic hourly rate paid to staff. There are a number of additional costs associated with staffing a home, and these have all been included within Staffing 'On-Costs'. This data provides an uplift % to the basic hourly rate, as reported by the respondents, which includes:

- National Insurance, an average % uplift was requested for nursing staff and non-nursing staff.
- Sickness cost (where paid), again, an average % uplift that is experienced or budgeted for was requested.
- The number of paid training days was requested for each staff group. The responses were averaged, and calculated as a % uplift to staff costs.
- 'Other' costs, for example maternity pay, where stated, were also averaged, including '0's where stated.

Treatment of Management Costs

Two key weekly costs have been calculated. Firstly, the average cost of a managers salary, as reported across the sample group. In this case, '0's are included in the average, where stated, as not all homes pay a manager a separate salary from the owner's earnings.

Secondly, the costs associated with staff members taking on temporary additional management duties whilst on shift. Again, '0's are included in the average, where stated, as not all homes incur this cost.

Treatment of Non-Staff Costs

Almost all of the categories within this cost area are considered to be costs incurred by all homes. Therefore, where '0's have been returned by the homes, these are excluded from the calculation of averages. For example, if a home has returned a '0' or not responded to Food costs, this home is excluded from the calculation, as it is not possible for the home to avoid this cost.

The one exemption to this rule is the 'Centralised costs allocated to the home if part of a group' question. Not all homes incur these costs, and therefore where a '0' has been given, this is included as part of the calculation of the average.

Most non-staff costs are considered as 'fixed' and therefore slight changes in occupancy levels will not have an immediate impact on these costs (for example, waste collection). As occupancy levels change, there is minimal gradual corresponding increase or reduction in these costs, although there are likely to be 'step' changes upwards or downwards at certain occupancy levels.

Four costs are identified as 'variable' (see table above) as these costs are directly incurred by each resident in the home. These are Food, Medical Supplies, Transport & Activities, and 'Other'. The average cost per resident will stay constant for these costs, and therefore at a resident level they are not impacted by occupancy levels in the calculation.

Treatment of Finance Costs

Annual finance costs were requested in the Provider Survey. Due to the very variable nature of this cost between homes, dependent on their particular financial circumstances and decisions, an average annual value has been calculated from all responses, including '0's. This cost (£22.24 per resident per week) is then treated as a constant across all home types and sizes, as can be seen in the cost summary tables in the main document.

Treatment of Returns (Capital and Operations)

In the cost summaries given in this document, Return on Capital has been calculated using a constant 7%, against the average home value (land and buildings) in Nottinghamshire as returned in the Provider Survey. The base average home value as identified from the Provider Survey (£1.42m) is treated as a constant across all home types and sizes, as it becomes very variable at lower levels of granularity. The calculation excludes '0' and incomplete responses for home value. The actual return per resident value varies according to average home size in the sample groupings.

In the cost summaries given in this document, the Return on Operations has been calculated using the average across all homes that responded to this question. This excludes '0' and incomplete responses. This average as reported is 18% across the entire sample group. Again, it becomes very variable at lower levels of granularity so the overall average is used across all home types. This level of return is applied to the operational costs as detailed by the homes (staff, staff on-costs, non-staff, management, and finance).

Appendix 3: Average Cost Structures of Nottinghamshire Care Homes

1. Care Homes (average)

This cost calculation represents care-only homes. It is based on a sample size of 33, with an average home size of 37.5 beds.

The costs below include care for residents with and without dementia, and encompass all quality bands. Calculations are based on assumptions of:

Return on Capital:	7%
Return on Operations:	18%
Occupancy:	92% (34.5 beds ⁸)

AVERAGE TOTAL WEEKLY COST PER RESIDENT	£502.55
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STAFF COSTS	£182.93
Care Assistants (No NVQ qualifications)	£18.03
Care Assistants (NVQ 2)	£49.89
Care Assistants (NVQ 3 or above)	£26.00
Senior Carers	£33.95
Nurses (RGN and RMN)	£0.00
Administration/Reception Staff	£10.53
Catering Staff	£17.39
Cleaning Staff	£16.59
Maintenance / handyman staff (where directly employed by the home)	£5.60
Other staff (where directly employed by the home). E.g. Activity Co-ordinator	£4.95

STAFF ON-COSTS	£43.83
Avg Training Days	2%
Avg Holidays	11%
Employer's National Insurance on-cost, additional % uplift per hour	8%
Sick Pay on-cost, additional % uplift per hour	2%
Additional (maternity, pension etc)	1%
Total %age on-cost	24%

MANAGEMENT COSTS	£20.83
Average Manager Salary (weekly)	£14.96
Management Duties on shift	£5.87

NON STAFF COSTS	£109.08
Repairs & Maintenance of equipment and property	£17.00
Renewals of furnishings and equipment (e.g. furniture replacement)	£9.18
Leasing costs of equipment (e.g. laundry equipment)	£3.03
Food	£21.22

⁸ 37.5 x 0.92.

Utilities (energy, water, telephone)	£17.42
Maintenance / Handyman, Gardener (where externally sourced)	£3.45
Professional Services: Insurance, Legal Advice, Marketing/Advertising the home	£7.92
Medical supplies (including medical equipment rental)	£1.99
Cleaning supplies	£6.27
Waste collection and disposal	£1.82
Registration fees (including CQC registration, CRB checks)	£2.77
Recruitment and Training, where external fees need to be paid (e.g. for facilities hire, travel, and external trainer fees).	£2.95
Transport and activities (where a cost is incurred that is not self-funded by residents)	£2.84
Any other non-staff expenses (please provide detail)	£7.53
Centralised costs allocated to the home if part of a group	£3.68

FINANCE COSTS	£22.24
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Average Annual Financing Costs per resident per week	£22.24
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RETURN ON CAPITAL	£55.45
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Average value of home (000's)	£1,419
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RETURN ON OPERATIONS	£68.20
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2. Care Homes with Nursing (average)

This cost calculation represents only care homes with nursing. It is based on a sample size of 13, with an average home size of 33.7 beds.

The costs below include care for residents with continuing healthcare needs and dementia, and encompass all quality bands. Calculations are based on assumptions of:

Return on Capital:	7%
Return on Operations:	18%
Occupancy:	92% (31 beds ⁹)

AVERAGE TOTAL WEEKLY COST OF SAMPLE PER RESIDENT	£682.79
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STAFF COSTS	£292.00
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Care Assistants (No NVQ qualifications)	£43.47
Care Assistants (NVQ 2)	£54.06
Care Assistants (NVQ 3 or above)	£27.28
Senior Carers	£25.87
Nurses (RGN and RMN)	£73.50
Administration/Reception Staff	£6.28
Catering Staff	£26.15

⁹ 33.7 x 0.92.

Cleaning Staff	£19.94
Maintenance / handyman staff (where directly employed by the home)	£7.66
Other staff (where directly employed by the home). E.g. Activity Co-ordinator	£7.79
STAFF ON-COSTS	£78.64
Avg Training Days	2%
Avg Holidays	11%
Employer's National Insurance on-cost, additional % uplift per hour	8%
Sick Pay on-cost, additional % uplift per hour	2%
Additional (maternity, pension etc)	4%
Total %age on-cost	27%
MANAGEMENT COSTS	£20.83
Average Manager Salary (weekly)	£14.96
Management Duties on shift	£5.87
NON STAFF COSTS	£112.68
Repairs & Maintenance of equipment and property	£12.81
Renewals of furnishings and equipment (e.g. furniture replacement)	£11.05
Leasing costs of equipment (e.g. laundry equipment)	£2.13
Food	£22.97
Utilities (energy, water, telephone)	£19.79
Maintenance / Handyman, Gardener (where externally sourced)	£1.41
Professional Services: Insurance, Legal Advice, Marketing/Advertising the home	£6.67
Medical supplies (including medical equipment rental)	£7.55
Cleaning supplies	£7.37
Waste collection and disposal	£2.44
Registration fees (including CQC registration, CRB checks)	£2.84
Recruitment and Training, where external fees need to be paid (e.g. for facilities hire, travel, and external trainer fees).	£6.46
Transport and activities (where a cost is incurred that is not self-funded by residents)	£2.19
Any other non-staff expenses (please provide detail)	£7.00
Centralised costs allocated to the home if part of a group	£0.00
FINANCE COSTS	£22.24
Average Annual Financing Costs per resident per week	£22.24
RETURN ON CAPITAL	£61.64
Average value of home (000's)	£1,419
RETURN ON OPERATIONS	£94.75

3. Dual-Registered Homes (average)

This cost calculation represents dual-registered homes. It is based on a sample size of 24, with an average home size of 46.1 beds.

The costs below include care for residents with and without dementia, and encompass all quality bands, plus care and nursing provision. Calculations are based on assumptions of:

Return on Capital:	7%
Return on Operations:	18%
Occupancy:	92% (42.4 beds ¹⁰)

AVERAGE TOTAL WEEKLY COST OF SAMPLE PER RESIDENT	£532.03
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STAFF COSTS	£214.16
Care Assistants (No NVQ qualifications)	£42.30
Care Assistants (NVQ 2)	£36.38
Care Assistants (NVQ 3 or above)	£14.20
Senior Carers	£19.53
Nurses (RGN and RMN)	£48.08
Administration/Reception Staff	£5.29
Catering Staff	£18.29
Cleaning Staff	£16.99
Maintenance / handyman staff (where directly employed by the home)	£6.53
Other staff (where directly employed by the home). E.g. Activity Co-ordinator	£6.56

STAFF ON-COSTS	£54.13
Avg Training Days	2%
Avg Holidays	11%
Employer's National Insurance on-cost, additional % uplift per hour	11%
Sick Pay on-cost, additional % uplift per hour	1%
Additional (maternity, pension etc)	1%
Total %age on-cost	25%

MANAGEMENT COSTS	£20.83
Average Manager Salary (weekly)	£14.96
Management Duties on shift	£5.87

NON STAFF COSTS	£101.33
Repairs & Maintenance of equipment and property	£15.21
Renewals of furnishings and equipment (e.g. furniture replacement)	£11.07
Leasing costs of equipment (e.g. laundry equipment)	£1.12
Food	£17.78
Utilities (energy, water, telephone)	£19.27

¹⁰ 46.1 x 0.92.

Maintenance / Handyman, Gardener (where externally sourced)	£1.33
Professional Services: Insurance, Legal Advice, Marketing/Advertising the home	£3.55
Medical supplies (including medical equipment rental)	£2.97
Cleaning supplies	£6.45
Waste collection and disposal	£3.18
Registration fees (including CQC registration, CRB checks)	£3.13
Recruitment and Training, where external fees need to be paid (e.g. for facilities hire, travel, and external trainer fees).	£1.90
Transport and activities (where a cost is incurred that is not self-funded by residents)	£1.16
Any other non-staff expenses (please provide detail)	£4.63
Centralised costs allocated to the home if part of a group	£8.59

FINANCE COSTS	£22.24
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Average Annual Financing Costs per resident per week	£22.24
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RETURN ON CAPITAL	£45.07
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Average value of home (000's)	£1,419
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RETURN ON OPERATIONS	£74.28
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Appendix 4: Consideration of new Fee Models

1. Overall System

Further to the work undertaken to determine the appropriate fee levels for the current 5 band system, the commissioning strategies need to be considered to ensure the fee model is appropriate to the future needs of the Older Persons' care homes. In particular, there is an increasing need for the development and promotion of good quality dementia and end of life care.

1.1 Care Categories

Feedback from care providers indicates that the current 5 band system is well received and generally understood. However, it is noted that care homes in Band 1 have not had sufficient incentives to encourage movement towards and the attainment of the higher bands. To enable further work to be undertaken with homes that are at Band 1, it is proposed that the 5 band system is retained.

It is proposed that a project be initiated to provide specific focus on Band 1 care homes to improve their quality as the Council moves towards only commissioning care from Band 2 and above homes. This project would need to include targeted financial assistance and focused interventions by the Joint Commissioning Unit and the Nottinghamshire Partnership for Social Care Workforce Development.

Work is currently ongoing to ensure the objectives can be realised without destabilising the existing countywide provision.

1.2 Care Categories

The current care categories of Older Persons Residential Very Dependent Needs (VDN), Older Persons Residential Dementia (DE), Older Persons Nursing and Older Persons Nursing DE are understood and integrated into the Local Authority's systems. The legacy category of 'OP' currently remains, but since the inception of the Pinders model no additional residents have been placed in this category.

It is proposed that all remaining 'OP' care category residents (total of 3) be transferred to the VDN care category and 'OP' care category is removed.

It is proposed that the remaining 4 care categories are retained. However, further guidance on the application of the dementia care categories is required; addressed under section 2.

1.3 Environmental Factors

The Pinders model included consideration of the care home's physical environment. This assessment considered the space and facilities available to residents, and represents 30% of the overall quality score. Feedback indicates that some care homes that deliver high quality care cannot achieve Band 5 due to their environmental factors. Equally, some lower quality homes are inappropriately achieving higher fee bands for the same reason. Whilst the environment of the care

home has some impact on the quality of care, the current model is biased towards new and purpose built properties.

It is proposed that the environmental element be simplified and reduced to account for 20% of the overall quality score.

2. Dementia and Service Quality

Data collected since the implementation of the Pinders model indicates that, while some improvement has been noted, a large amount of dementia care is still provided by lower banded care homes. As Nottinghamshire is striving to ensure the provision of high quality dementia services, a number of proposals need to be given further consideration, as follow below.

2.1 Care Home Accreditation

To support and recognise the development and implementation of good quality dementia care it is proposed that a Care Home Accreditation Process is developed that will take account of:

- o Environmental factors to support people with dementia
- o Staffing, e.g. specialist training
- o Application and thorough understanding of staff training
- o Detailed outcomes for service users etc.
- o Clear evidence of a person-centred approach which ensures safety, wellbeing and dignity of the residents
- o End of Life Care for people with dementia

It is proposed that this accreditation process be introduced over a two to three year period. This time-span will allow for providers and home managers to be fully informed of the process and to make the required adjustments to working practices.

It is proposed that the fees paid to those care homes that either choose not to take part in or fail the accreditation process be maintained for existing residents but be restricted to the non-dementia rates for new placements.

It is proposed that the accreditation process be opened annually for existing homes and new entrants into the market. All relevant homes would need to be re-accredited on a rolling three yearly basis, with the specific outcome of retaining or losing their accreditation.

It is proposed that the Council work closely with the NCA to identify and deliver any additional support required to support the transition to accredited dementia services and, that this is supported by a robust action/project plan.

2.2 Dementia Placement Criteria

In addition to the Care Home Dementia Accreditation scheme, which will acknowledge and reward good quality dementia care as a general standard, it is also recognised that some residents with dementia, although not all, require additional

levels of support. This support is over and above that which can be provided under the VDN fee rate. These residents may require, for example, additional resources, staff contact time and/or staff with enhanced skills. It is for this group of people that the dementia enhanced payments would be paid, and not for all residents with dementia, as is the current situation.

It is proposed that a Dementia Placement Criteria is developed which will be used to determine individual's need for the enhanced payment. This Dementia Placement Criteria would take account of the Decision Support Tool used for determining eligibility for NHS Continuing Healthcare.

It is proposed that assessment staff, i.e. Social Workers, Community Care Officers, Reviewing Officers, are fully trained in the application of the Dementia Placement Criteria.

2.4 Beacon Homes

Consideration needs to be given to the proposal to create a 'Beacon Status' to a selection of homes where they are able to evidence the provision of the highest possible standards of care.

A limited number of 'Beacon' homes would be invited to demonstrate successes against a number of specific criteria. A Beacon Dementia home, for example, would need to be at Band 5, be accredited to provide dementia care and hold recognised national standards in the provision of dementia care. Upon accreditation, these homes would be expected to work in partnership with the Council to promote and support the delivery of best practice within the other care homes in their geographical location. The homes with 'Beacon Status' will be expected to share their achieved excellence in key areas, for example, dementia care and/or End of Life care.

An annual payment could be awarded to these homes to reward them for their work. It is proposed that specific criteria and reward programme be developed for the accrediting of a limited number of 'Beacon Status' homes.

Appendix 5: National and regional fee comparator data

Table 15: Care-Only (without dementia) Fee Levels, 2012, as reported by Laing and Buisson

Res Elderly £/wk		Res Elderly £/wk	
Authority	MIN	Authority	MAX
Islington	£748.70	Essex	£1,082.00
Southwark	£488.64	Richmond upon Thames	£936.00
Camden	£480.00	Lewisham	£868.82
City of London	£480.00	Windsor & Maidenhead	£800.00
Hounslow	£460.00	Bath & North East Somerset	£800.00
Wandsworth	£450.00	Wokingham	£685.00
Hackney	£449.82	Islington	£623.54
Luton	£449.00	Wandsworth	£588.00
Havering	£448.80	Croydon	£569.06
Wokingham	£447.43	City of London	£520.00
Central Bedfordshire	£438.64	Hackney	£515.10
Bexley	£434.86	Bromley	£515.00
Bedford	£429.87	Buckinghamshire	£509.78
Bath & North East Somerset	£425.00	Nottinghamshire Proposed	£505.00
Merton	£423.10	Southwark	£500.44
Northumberland Care Trust	£419.08	Suffolk	£497.00
Middlesbrough	£417.00	Somerset	£495.65
Hertfordshire	£416.71	Central Bedfordshire	£480.00
Lambeth	£414.00	Camden	£480.00
Wakefield	£402.00	North Somerset	£477.88
Greenwich	£400.00	Dorset	£476.00
North Somerset	£398.08	Bournemouth	£474.00
Sunderland	£394.80	Bedford	£470.40
Doncaster	£394.66	Nottinghamshire Current	£469.00
Southend on Sea	£387.24	Redcar & Cleveland	£468.00
Redcar & Cleveland	£385.00	Bracknell Forest	£466.15
Hartlepool	£384.00	Northumberland Care Trust	£466.14
Nottinghamshire Proposed	£384.00	Hammersmith & Fulham	£466.00
Devon	£381.00	Westminster	£466.00
Derbyshire	£380.73	Ealing	£466.00
Lewisham	£380.51	Harrow	£466.00
North Tyneside	£379.62	Hounslow	£466.00
Cheshire East	£376.73	Hillingdon	£464.95
Knowsley	£375.34	Barking & Dagenham	£463.00
Salford	£373.52	Brighton & Hove	£460.00
Trafford	£373.30	Middlesbrough	£457.00
Swindon	£372.74	Sunderland	£456.10
Herefordshire	£372.70	Newham	£454.50
Coventry	£371.00	Havering	£453.20
Dudley	£371.00	Merton	£453.10
North Yorkshire	£365.61	Brent	£451.00
Calderdale	£361.92	Greenwich	£450.00
Norfolk	£361.58	West Berkshire	£450.00
Bury	£360.89	Luton	£449.00
Wolverhampton	£360.87	Hertfordshire	£447.86
Stockton on Tees	£360.00	North Tyneside	£446.77
Solihull Care Trust	£360.00	Stockport	£446.00

Suffolk	£359.00	Darlington	£443.00
Barnsley	£358.55	Gloucestershire	£442.60
Rutland	£357.00	Hartlepool	£442.00
Darlington	£356.00	Leicestershire	£437.00
Cumbria	£354.00	Nottingham City	£433.00
Sheffield	£353.00	Southend on Sea	£430.43
Gloucestershire	£351.80	West Sussex	£430.02
Liverpool	£350.40	South	£429.00
Windsor & Maidenhead	£349.47	Milton Keynes	£424.20
Nottinghamshire Current	£348.00	Stockton on Tees	£424.00
Dorset	£347.00	Poole	£422.00
Cambridgeshire	£345.00	Lancashire	£420.50
Blackburn with Darwen	£344.00	Sutton	£415.00
Stockport	£340.00	Devon	£415.00
Warrington	£340.00	Southampton	£414.12
Nottingham City	£339.00	Blackburn with Darwen	£410.50
Somerset	£334.46	Derby	£407.58
Kent	£333.59	Trafford	£406.44
Birmingham	£333.22	Cumbria	£406.00
Lancashire	£312.00	Bury	£403.01
Leicestershire	£311.00	Wakefield	£402.00
Essex	£311.00	Derbyshire	£401.73
Brighton & Hove	£302.40	Doncaster	£401.21
Kingston upon Hull	£298.50	Herefordshire	£400.00
Southampton	£285.11	Coventry	£396.00
Wigan	£283.23	Swindon	£393.14
Shropshire	£275.15	Sheffield	£391.00
Bournemouth	£275.00	Bristol	£390.00
West Sussex	£274.89	Cornwall	£390.00
Richmond upon Thames	£274.00	Dudley	£389.00
		Barnsley	£388.13
		Peterborough PCT	£387.03
		Knowsley	£385.14
		Bradford	£384.09
		Warrington	£384.00
		Salford	£382.86
		Lambeth	£382.50
		Rutland	£382.00
		Worcestershire	£382.00
		Rotherham	£381.00
		Calderdale	£380.22
		Rochdale	£380.00
		Shropshire	£373.81
		Norfolk	£373.70
		Wigan	£373.17
		Wolverhampton	£372.09
		Solihull Care Trust	£372.00
		Northamptonshire	£367.70
		Oldham	£367.50
		Birmingham	£367.18
		Medway	£367.13
		Cambridgeshire	£366.00
		North Yorkshire	£365.61
		Walsall	£362.47

Portsmouth	£356.72
Liverpool	£350.40
Kent	£348.01
Kingston upon Hull	£330.50

Table 16: Care with Nursing (without dementia) Fee Levels, 2012, as reported by Laing and Buisson

Authority	Nursing With FNC - Min	Authority	Nursing With FNC - Max
City of London	£858.15	Windsor & Maidenhead	£1,750.00
Wandsworth	£723.70	Bath & North East Somerset	£1,308.70
Bexley	£694.06	Essex	£1,299.40
Luton	£680.40	Richmond upon Thames	£1,024.70
Merton	£664.16	Lewisham	£946.65
Cheshire East	£650.47	Croydon	£900.81
Bath & North East Somerset	£644.70	Wokingham	£900.00
Lewisham	£636.63	City of London	£898.15
Northumberland Care Trust	£636.48	Newham	£824.40
Trafford	£631.86	Wandsworth	£823.70
Southampton	£631.52	Bromley	£808.70
Knowsley	£629.71	Hillingdon	£735.02
Hackney	£624.03	Ealing	£724.70
Southwark	£612.33	Harrow	£724.70
North Yorkshire	£611.22	Bexley	£717.51
Wokingham	£606.00	Brent	£716.70
Southend on Sea	£604.64	Suffolk	£714.40
Hartlepool	£601.40	Hackney	£699.28
Suffolk	£600.40	Merton	£694.16
Coventry	£597.70	Barking & Dagenham	£693.70
Salford	£590.92	Dorset	£693.40
Blackburn with Darwen	£590.70	Bournemouth	£691.40
North Somerset	£588.18	Poole	£685.40
Bury	£578.29	Sutton	£684.40
Darlington	£573.40	Northumberland Care Trust	£683.54
Central Bedfordshire	£565.46	Luton	£680.40
Hounslow	£565.00	Southampton	£680.24
Bedford	£556.32	Middlesbrough	£679.40
Camden	£550.00	Herefordshire	£668.70
Greenwich	£550.00	Nottinghamshire Proposed	£662.70
Devon	£543.70	Blackburn with Darwen	£661.70
Doncaster	£543.37	Darlington	£660.40
Essex	£539.40	Hartlepool	£659.40
Kent	£533.71	Doncaster	£658.01
Solihull Care Trust	£532.70	Portsmouth	£656.94
Gloucestershire	£531.80	Southend on Sea	£647.83
Hertfordshire	£530.03	Knowsley	£641.12
Brighton & Hove	£529.62	Trafford	£636.86
Windsor & Maidenhead	£528.37	North Somerset	£634.77
Middlesbrough	£525.70	Coventry	£626.70
Nottinghamshire Proposed	£522.70	Cornwall	£625.40
Herefordshire	£522.00	Nottinghamshire Current	£624.70

Lambeth	£513.00	Southwark	£624.13
Wakefield	£510.70	Bury	£620.41
Stockport	£508.70	Hammersmith & Fulham	£616.00
Sunderland	£503.50	Westminster	£616.00
Derbyshire	£501.33	Hounslow	£616.00
North Tyneside	£500.59	Brighton & Hove	£614.56
Sheffield	£499.70	Northamptonshire	£614.07
Warrington	£495.70	Buckinghamshire	£612.50
Richmond upon Thames	£485.70	North Yorkshire	£611.22
Calderdale	£484.84	Central Bedfordshire	£608.70
Swindon	£484.79	Bracknell Forest	£601.64
Nottinghamshire Current	£484.70	Salford	£600.26
Norfolk	£484.22	Camden	£600.00
Cambridgeshire	£484.00	Greenwich	£600.00
Dudley	£480.00	West Berkshire	£600.00
Havering	£478.38	Bedford	£598.70
Birmingham	£472.70	Rochdale	£597.40
Lancashire	£472.50	Havering	£591.77
Stockton on Tees	£468.70	Oldham	£584.90
Barnsley	£467.25	Stockport	£584.70
Islington	£465.89	Kent	£584.17
Wolverhampton	£459.45	Redcar & Cleveland	£576.70
Liverpool	£459.10	Nottingham City	£573.70
Nottingham City	£447.70	Hertfordshire	£572.52
Wigan	£431.37	North Tyneside	£571.45
Shropshire	£425.62	Milton Keynes	£569.46
Kingston upon Hull	£407.20	Sunderland	£564.80
Redcar & Cleveland	£385.00	West Sussex	£564.62
		Medway	£562.16
		Bradford	£559.09
		Devon	£558.70
		South	£551.70
		Somerset	£550.54
		Lancashire	£550.00
		Solihull Care Trust	£545.70
		Swindon	£542.13
		Gloucestershire	£539.75
		Cumbria	£539.70
		Cambridgeshire	£538.00
		Warrington	£536.70
		Lambeth	£535.50
		Stockton on Tees	£532.70
		Bristol	£527.70
		Derby	£527.28
		Rutland	£523.70
		Derbyshire	£522.33
		Sheffield	£517.70
		Peterborough PCT	£516.39
		Shropshire	£515.84
		Wakefield	£510.70
		Barnsley	£508.15
		Dudley	£508.00
		Worcestershire	£506.70
		Rotherham	£505.70

Birmingham	£504.53
Calderdale	£504.18
Norfolk	£495.63
Leicestershire	£490.70
Wigan	£482.22
Walsall	£479.51
Wolverhampton	£471.65
Liverpool	£459.10
Kingston upon Hull	£439.20
Islington	£356.81

Appendix 6: Glossary of Terms

Care Homes: (Also referred to as Care-Only) Care Homes providing personal care only to older people including those, where admitted, with dementia.

Care Homes with Nursing: Care Homes providing nursing care to older people including those, where admitted, with dementia.

CHC: Continuing Health Care. This is funded by the NHS to support residents assessed as having eligible health needs.

Dual-Registered Homes: Care homes providing both personal and nursing care to older people including those, where admitted, with dementia.

Environmental Factors: A quantitative assessment of the fabric of the care home, which includes consideration of the bedroom sizes and facilities, and the size of communal space available to each resident.

Finance Costs: The annual finance costs incurred by the care home - i.e. the cost of borrowing the money used to fund investment into the care home.

FNC: NHS Funded Nursing Care. The NHS contribution to cover the costs of providing nursing care, which is currently £108.70.

NCA: Nottinghamshire Care Association. NCA is a not-for-profit organisation that represents its membership of independent care homes throughout Nottinghamshire.

Occupancy: The percentage of the total number of beds that are in use at any one time.

Quality Bands: Nottinghamshire County Council currently assesses the quality of care homes and homes are placed into one of five quality 'bands', where '1' is the lowest quality, and '5' is the highest quality.

Return on capital: The Return on Capital is a measure of the expected annual return (profit) generated by an Operator when making a significant capital investment into the purchase, construction or refurbishment of a care home.

Return on Operations: The Return on Operations is a measure of the expected return (profit) generated on day-to-day expenditure, i.e. the turnover of the care home.

Staff On-Costs: Staffing Costs which are not included in the hourly wage rate. For example National Insurance, Sickness, Training, and 'other' costs such as maternity leave.