Appendix C

Local 'Fair Price for Care' Stage 2 Consultation Questions

Analysis and Comment on Provider Responses

Questions 1 and 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.

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

2. 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 1

The responses received from providers are detailed in full, as follows:

- If we had to rely on NCC funded clients only at the proposed prices we would not be viable

- Increased fees as outlined in the proposal will do no more than enable us to keep up with rising costs. We do not anticipate returns on capital or operations to be greatly affected. We are however more concerned about the NCC policy of reducing placements into residential care and the subsequent reduction in occupancy levels. This would have a major negative affect on returns

- If the inflationary index happens this must be a great thing for all parties

- The proposals represent an increase of 7% and the additional income will enable further investment into the home

- Slightly improve, taking into account current levels of R&M, but excluding extraordinary costs

- The proposed fee levels are short of reasonable reflect of a return on capital employed. The proposed levels do not suitably reflect a return on an investment for the risk profile of running a nursing Home.
  The considerations of the local authority of forgotten many important factors when considering their pricing.
  The fee levels may result in non viable business model.

- Positively: a contractual inflationary uplift, on actual costs not RPI, will provide more certainty. The proposal also indicates an overall increase in fees which is positive. Negatively: the calculated price is still too low. We would still

require higher self funding fees and top ups to try to make up the difference, and since that is not always possible investment in the home does suffer.

- [Name of provider] welcomes the opportunity to comment on the proposal provided by Nottinghamshire County Council, which reflects a sensible and pragmatic approach to fee negotiations.
  However, based on the information provided, and from discussions at your recent provider forums, we have concerns about the basis of your calculations. In your proposal, you allow a return on capital, of 7%, which is derived from an understanding that the capital cost of investment is £35k per bed (£1.4m for 40 beds). This cost is not realistic, with industry standards, as reflected through Laing and Buisson, suggesting capital costs of at least £55k per bed, considerably (%) higher than your expected cost.
  A return on capital of closer to 10%, based on this cost of capital is required for operators to meet the cost of financing such an asset, as well as ensuring that sufficient profit is made to enable investment in the care home, to enable quality.

- The model assumes occupancy of 92% yet in March 2011 as stated occupancy was on average 88.8% in nursing homes and 86.1% in care homes. The proposal is based that on the East Midlands data from Laing and Buisson and not Nottinghamshire which begs the question why? And it's on March 2011 rather than 2012 data. This is Based on the information collated from the homes which took part in the 'fair price' exercise occupancy was on average 83%.

  Aside from the crux of their argument is that Nottinghamshire is above the industry norm in terms of the no. of payroll hours per resident per week. The proposal indicates an average for care home 15% above the norm so they will reduce the average costs provided by 7.5% and for a care home with nursing the reduction is 10% but the proposal does not show what % it is above the norm. We understand that the proposal is saying that CHC residents obviously are more dependent and thus skew the payroll. The overall effect would mean we will not meet the capital return on the homes

- The proposed fees would still be too low to provide an adequate return on capital/operations. Further details are given in the remaining questions

- Personally I don't feel the proposed fee level will provide the RoC to the extent that is claimed as an average of 92% occupancy seems unrealistic for non purpose built homes like mine. However it is definitely good progress on what is currently achievable

- Increased fee levels will help maintain returns as they will offset ongoing increases in staffing and other costs

- The proposed fee levels do not take into account actual costs. The occupancy levels of 92% is not from actual costs. The staffing hours have not been taken from the actual figures, in fact they have been substantially reduced. The capital costs of purchasing and setting up a care home has been inaccurately underestimated.

Your proposals drastically affect the return on capital and operation costs and hence puts my business at risk. Your proposal hugely underestimates the capital cost, in the current market Care Homes meeting national minimum standards are costing at £65,000 per bed. Banks base their funding levels on these figures and hence this could potentially destabilise a Care Home and ultimately destabilise the care home market. This destabilisation will affect the vulnerable elderly residents directly by affecting the quality of service they receive.
The base line fee has been calculated incorrectly with a lot of assumptions so ultimately the capital and operational costs will be a lot lower.

- [Name of provider] have significant financial commitments in TUPE costs, staff training and capital investment in improving and extending the homes. The proposals will ensure that we continue to meet these commitments.

- As discussed at the meeting on 11th September at Notts Forest Football Ground it was explained by Peter Barker KMPG that the staffing costs given in the Provider responses were collated and averaged to ascertain a fair cost, which was stated to represent 69% of operating costs for Care Homes. We were informed that Providers responses with higher staffing costs were not taken in to account in the calculations. The actual average costs for staffing collated from the Provider survey were reduced by a further 10 % to take in to account CHC funded residents and Dual Registered Homes data. It is unfair to reduce these figures by 10%, for the following reasons:

  The report stated that they have excluded data from Nursing Homes that had more than 40% CHC provision, as they took the view that this would have distorted the figures. Therefore, it appears that they included the remaining data provided by Nursing homes with less than 40% CHC residents. Therefore, as they have excluded the 40% CHC provision homes, it can not be justified that a further 10% reduction has been applied.

  At the meeting it was acknowledged by Caroline Baria that residents with Residential needs would continue to be supported in their own homes provided it was practical and safe to do so. Therefore, residents entering Care homes are by definition requiring a significant level of care. Furthermore, residents admitted to Dual Registered/Nursing homes, who may at the outset have been assessed as having Residential needs and are being funded on this basis, can quickly deteriorate and develop health care needs requiring a reassessment to Nursing. The Dual Registered/Nursing homes have to meet the needs of these residents whilst awaiting the reassessment process to be completed, this involves significant input from the home's own Registered Nurses in terms of monitoring/assessing/ and liaising with the District Nursing teams to ensure that the District Nurses are fully informed with regard to the nursing procedures required by them, monitoring the resident until the assessment process is completed. This process takes several weeks dependant on the workloads of Nursing Assessor's and then further time is expended before we receive the uprated Nursing fees. There is usually an exchange of views with regard to the backdating of payments to either the date of referral or the date of the assessment visit, which can vary from resident to resident. In addition, the assessment criteria for a review from Residential to Nursing status can frequently change and residents can still be

reviewed to remain as Residential but in fact require a significant amount of input from Registered Nurses in terms of monitoring/assessing etc which can not be undertaken by Care staff alone as it would be unsafe to do so. Therefore, it is unfair to disregard the staffing costs of Registered Nurses in the care of Residential residents in Dual Registered Homes.

It is unfair to totally disregard Care homes whose staffing costs are higher than the average figure taken from the Survey responses. Our own staffing costs are 12% above this average with 2% CHC residents. We regard that it is of paramount importance that the needs of residents are fully met in all aspects of their care and life in a Care home. Therefore, the staffing costs related to meeting these requirements by residents have to be addressed and maintained rather than not doing so in order to adhere to "industry norms".

- Broadly unchanged

- The first point to make is that 'actual' costs as reported in the survey do not tally up with mine – they are underestimated by a factor of about 20/25% because the 'actual' costs are underestimated and therefore the actual care shown is 'reduced' by real level of return is much lower than claimed in your document.

  The inflationary uplift is welcomed but again, if you start at the wrong point you will never get to the correct position again. From my discussions with other providers it also seems clear that the increase will be approx 1 year in arrears?

- The proposed fee structure does not fully cover our costs. Therefore we will continue to need to request a top up to meet costs. At the proposed social services fee level there will be no profit.
  The proposals do not reasonably take into account actual costs. Due to the cherry picking of numbers the proposal significantly, and dangerously, underestimates the full costs reported, and incurred by local Nottinghamshire homes both now and in the future, this will lead to a serious risk that the fee level proposed will not to cover resident's needs - putting residents, providers and staff at risk

- I find it hard to see how NCC has taken into account the actual costs when NCC has 'cherry picked' the figures it wants to use. In Oct 2012, the National Minimum Wage increases by 1.8% and from May 2014, my organisation will have to pay a minimum of 3% each employee's pay towards a pension fund- some larger organisations will be affected sooner i.e. Oct 2012. Your proposal does not appear have taken these factors into consideration.

  My organisation currently has staffing levels over the norm and certainly exceeding the old staffing levels. As wage costs are our highest expense we will have no alternative but to reduce staffing and suffer the consequence to quality of care provision.

  The Paper talks about challenging inefficiencies, but it fails to identify what these are. The paper talks about a new provider buying 6 local authority homes suggesting this indicates a stable market. These homes were not

bought at the normal market rate but at a much reduced rate to compensate the high wages paid by local authority to their staff.

The paper talks about significant financial and staffing investment being made by NCC to increase quality and to support lower banding homes. This may have been the case but where is this support and additional resource for 2012/13. Also the impact of this significant investment has been ineffective as still 76% of those people supported financially by NCC are in Bands 1 and 2 homes.

The use of occupancy level of 92% is unfair if the average amongst homes surveyed was 83% - is this NCC addressing inefficiencies?
Your paper suggests that Care homes with nursing taking in continuing care clients had higher figures because of the CHC. My home has CHC clients but I excluded their costs from my figures – still my figures remain high due to the number of people with nursing dementia needs and the high levels of staff required. The cost of our organisation providing nursing care (not CHC) in my home is £664 per week as opposed the NCC figure of £597.75. How did banding of home affect the costs? How did type of service provided affect cost? I am not confident NCC have explored or understood this i.e. bullet point at top of page 7.

If I reduce our staffing levels there will be an increase in safeguarding incidents, staff turnover will increase, the quality of our service will decrease.
My family have owned our care home for the past 23 years and all surplus/profit has always been ploughed back into the business. NCC's fee contribution has not increased in line with inflation for a number of years and the only way we have been able to maintain our high quality service has been by not taking any money (including Director's drawings) out of the business. In the last year we extended and refurbished the home – at a review by the Bank we were criticised for failing to achieve the Bank's expected return (profit). This was due to the high expenditure associated with providing quality care to our specific client group.

In addition to the above, the NCA provided a response to this question as follows -

- Some of the statements and questions you are consulting on are misleading. Question 1 states " The proposed fee level take into account the actual costs..." which most people would take as the actual cost not the actual costs reduced by:
  - artificially increasing occupancy levels so reducing costs
  - reducing the stated average number of hours by about 15 to 20% (table 2)
  - reducing the non care hours
  - artificially low capital costs

- Due to the cherry picking of numbers the proposal significantly, and dangerously, underestimates the full costs reported, and incurred by local Nottinghamshire homes both now and in the future, this will lead to a serious risk that the fee level proposed will not to cover residents needs - putting residents, providers and staff at risk.

Question 2

The responses received from providers are detailed in full, as follows:

- We would not change staffing levels but would reduce the number of NCC clients we could fund. We do not feel that a care home can meet the regulations on staffing by providing 20.5 hours of care staff and 6 hour of non-care staff per week. This a total of 26.5 hours and our comparative figure is 34 hours per week. The number of nursing hours per resident is about right.

- Staffing levels would remain static as we already maintain good levels. Quality of care would remain as-is, as we already provide good quality care. Any costs should not impact on Residents' quality of care.

- As outlined above. We do not envisage extra resources being generated by the proposals. [Name of provider] will continue to increase quality of care provision but not as a result of these proposals

- The proposals would have no effect on staffing levels or any aspect of the business which has a direct impact on the quality of care provision since we already invest in these areas. If due to increasing needs of the residents additional staff is needed, the additional income of 7% would assist fund this.

- None as we would not let anything effect the levels of care we aim always to provide.

- The staffing will certainly have to be scrutinised carefully as the fee levels are not sufficient to provide a return for the risk in involved in running a business.
  In addition where cost pressures will also become apparent will be the investment capital available to invest in training and development of staff.
  If restrictions of staff development are necessary this can only impact in poorer care standards.

- I cannot understand why you have cut the 'actual staffing costs' as reported by the homes. The Laing & Buisson is a model of a 50 bed 'efficient operator', not an industry norm. We all know what happened to this 'efficient operator' last year, when they couldn't keep up their rental payments.

  The reality is that there are very little efficiencies in respect of care and nurse staff in larger homes. You have essentially told the sector to reduce staffing by 7.5%. Since you can't reduce your wages (and many are still on minimum wage) that could only mean a reduction in actual staffing hours. However, that is not possible either as we have a duty to provide enough staff to maintain safe and dignified care.

  The fee does not allow for expansion or reinvestment. That would still have to be funded out of self funding clients and additional top ups.

- It is clear from discussion that your proposals expect providers to decrease current staffing levels, at a time when client groups, Care Quality Commission and our own internal observations require us to increase staffing levels.

From discussion, and review of the proposal, we understand that the proposal expects providers to reduce staffing levels by c 7.5%, from a level as stated in your proposal, which we believe is already inappropriate.

Table 2 within your proposal states that the average number of hours provided per person per week, in a "care home", is 34.0 – rising to 49.7 hours per week in a home with Nursing and Dementia residents. L&B have stated that for Care Homes with a nursing client group, 28 hours of Care / Nursing staff are required per resident, per week. From discussion, your proposal involves a 7.5% reduction to 21 hours per week of care per resident – which is in direct contrast to resident needs.

As a consequent, at this stage we do not expect the proposal to have a direct effect on staffing levels, as [name of provider] homes in the Nottinghamshire CC region are staffed to ratios expected by CQC, are in line with levels expected by those commissioning services from us and are arranged to support and protect our users.

- [Name of provider] work with safe staffing levels, care provision on the basis of needs of the residents in our care. The impact of the proposal may lead to a review of our current process of assessing non care roles within our homes. Our care practitioners provision will be always be needs led, any requirements of individual residents will be presented to local authorities at pre-admission assessment stage.

- As a charity providing elderly residential care, we always put the well being of our residents first and provide staffing levels in line with assessed care requirement of the individuals.

- Currently, under difficult economic conditions staff retention is somewhat easier as other employment options available to staff are reduced, however once this starts to change it becomes more difficult to retain good staff. The proposal will help retain a proportion of staff by increasing their salary to some extent and provide a few additional hours in care and entertainment.

- Retention of staff will be improved and continuity of care will maintain the necessary standards.

- The proposal underestimates significantly the staffing levels both care and non care. The proposed staffing levels are very much on the lower level and this could endanger my service users and put them at huge risk. The service users coming into care have higher needs then ever before and hence staffing levels have to reflect their needs.

  No provider puts on additional staff unnecessarily as this is the biggest cost that hits care home providers. I believe this proposal will put the service users at huge risk and without doubt will increase safeguarding cases in Nottinghamshire.

- We provide care for service users with varying dependency levels, these dependency levels are ever increasing with the increase in the populations age and increase in service users living with dementia. Staff levels are

reviewed periodically to ensure we continue to meet the needs of the service users in terms of both staffing levels and also staff skill sets. The proposed fee increases will enable the group to continue to invest in staff training and development to ensure they are properly skilled.

- The proposals would not cover staff costs, when staffing levels are determined by service users dependency levels

- Our staffing costs are 12% above the average figure identified from the Provider Survey. This includes 2% CHC funded residents. Therefore at the very minimum, the data for staffing costs provided from the responses should be included without the 10% reduction. These proposals will necessitate the requirement for a review of our staffing levels overall. However, I trust that the feedback provided from this exercise from Providers, will be well received and taken in to account.

- We believe that in order to attain high standards of care, maintaining the correct levels and skill mix of the staff is an absolute priority. If financial pressures are experienced they would always be absorbed in other areas, wage inflation in the sector is anticipated to increase above national averages as the private sector attempts to catch up with the public sector.

- There is an extremely serious risk that unless we can manage to get 'top-ups' from families the proposals would reduce the level of care provided - staff costs are such an important factor in these discussions – it is something the report should drive to get right and I do not think it is at the moment.

- At the hours proposed we would have to drastically reduce our staffing levels leading to residents not having their needs met. The proposed management costs are half of what is needed. Your proposal dangerously underestimates the level of care and on-care staffing hours required. If we follow your proposal this will lead to serious risk that residents will not have their needs met leading to poor care, safeguarding issues etc.

- As stated above when I completed the questionnaire I calculated costs by removing those with CHC funding and calculating their additional costs. To have fees as proposed by NCC would leave me no option to reduce staffing levels even though there would be a significant negative impact on the quality of care/service we could then offer. If I reduce our staffing levels there will be an increase in safeguarding incidents, staff turnover will increase, the quality of our service will decrease.

  Forthcoming additional costs e.g. National Minimum Wage and Pension contributions would exacerbate the need for me to reduce our staffing to reduce expenditure as staffing is our highest cost.

In addition to the above, the NCA provided a response to this question as follows -

- Your proposal dangerously underestimates the level of care staffing hours required. If providers follow your proposal this will lead to serious risk that residents will not have their needs met.

NCA propose that you use the information used to populate Table 2 to calculate a fair price, that the hours used are no less than in Table 2

Comparing to "L & B industry norms" is misleading and inaccurate. The figures you refer to are for large corporate homes, Southern Cross was a source of data!!. Cherry picking this number but ignoring the other higher costs that Corporate homes incur would mean that smaller non corporate homes will be under funded – leading to the risk that residents will not have their needs met.

Summary of Responses to Question 1 and 2:

Three providers indicated that the proposals would improve their returns on capital / operations. A further three providers said that returns would be broadly unchanged. One provider responded that the inflationary index would be a great thing. No response was provided by one provider.

Nine providers indicated that the proposals would have no impact on staffing levels, and or on any other aspect of your business which has a direct impact on the quality of care.

The Council's analysis and comments in relation to providers' responses to Questions 1 and 2:

Many of the responses received show that providers have a different view on the assumptions contained within the proposed fee model. It is important to note that the fee proposals are derived from the analysis of a wide range of data reflecting both what the market has stated in the provider survey and in relation to other local data on historic and current capacity and levels of provision within the market.

The use of averages means that the resulting proposals are based upon data reflecting a wide variety of providers and individual care homes across Nottinghamshire. The model upon which this is based and related assumptions (i.e. on occupancy, staffing levels and returns) should therefore not be taken as the recommended operating model for all care homes. In the management of their business, it is ultimately decision of each provider to balance risk and levels of return, taking in to account not just the Council's fee levels but also all other relevant factors specific to the home such as occupancy levels and competition from other providers locally, levels of borrowing, their management ethos, objectives, etc.

Specific comments to the responses are:

a The following evidence demonstrates that the current fee levels for 2012/13 are not a barrier or disincentive for new and existing providers to invest in older persons care homes in Nottinghamshire:
   - Over the past four years, a total of 52 homes have upgraded their premises and a further 14 homes have built extensions to their properties leading to improved environmental standards. Providers have commented that the improvements have been made to the fabric of their buildings as a direct result of the local Fair Price for Care initiative
   - There is also evidence that new providers are entering in to the local market, with 5 new homes opening in Nottinghamshire during 2011/12,

offering a total of 272 beds. A further 3 new homes are currently under construction and are due to open during 2013

- Additionally, in March 2012, the County Council completed the sale of six of its own older persons' care homes to a provider who entered the Nottinghamshire market for the first time. The provider has already undertaken building works to increase the bed capacity of three of the homes by a further 64 beds and work is underway to extend the number of bedrooms on a fourth home by a further 17
- Over the same four year period, 13 homes (a total of 263 beds) have closed. In the main. the reasons for closures have been poor quality of provision and low occupancy levels making the homes financially unviable
- Whilst the number of homes in Nottinghamshire in recent years has generally been level, the number of available beds in older persons' care homes has gradually increased.

b The Council has been clear with providers regarding its strategic intention to support a greater number of service users to live independently in their own homes for as long as possible thereby seeking to reduce the numbers of long term placements into residential care.

c With regard to return on capital, responses to the provider survey showed an expected average of 7%, which matches other data sources (e.g. the 7% return on accommodation applied by Laing & Buisson). The survey questionnaire also sough information on the home value, for which the average was £1.4m for Nottinghamshire homes in current condition. These figures are both averages of all Nottinghamshire homes responding to the survey and were used to derive the amount allocated for return on capital within the average cost structures used to inform the fee proposals. It should be noted that the average cost structures also contain a separate line for finance costs, in addition to a return on capital, and taken together these would equate to around a 10% return.

d Any changes to National Minimum Wage should be reflected in the proposed inflation index.

e Costs arising from future pension contributions increases are not reflected in the current model. It would be reasonable to expect providers to absorb these costs in line with many other businesses.

f The assumptions on staffing levels have been reviewed and higher levels of staffing taken in to account as a result of the feedback from providers and in consideration of the latest national data from Laing & Buisson in their 2012 survey. The proposed fee levels reflect a higher staffing levels than those identified in the consultation document.

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?

The responses received from providers are detailed in full, as follows:

- We would need 22% on your cost levels. We do not expect any more than 7% but 15% is required

- Improved Rate of Return would obviously be more beneficial. 20% - 8%

- If you define viable as possible 18% and 7% returns are appropriate. If you define viable as a worthwhile business investment you need 25% and 12% (in our opinion). We have concerns that the question asked for "expectation" rather than "needed to increase or maintain quality".

- A return of 18% on Operations (after rent/mortgage costs) is adequate to make a care home business viable, however the return before finance costs depends on how the home is financed. Homes operated on a leasehold model where rent is paid to the owner of the freehold generally have higher finance costs so require a higher return on operations. A care home business operated on a leasehold basis is generally only cash neutral at occupancy in excess of 90%.

- Don't know, as everyone's costs and expectations are different

- The question raised is a generic one. Each business will have its own unique cost of capital and also its own risk profile. Returns on capital can only be set based on the specific risk profile of the business. The higher the risk the greater requirement for a higher rate of return. We would expect a minimum rate of return of 10% for our risk profile.

- I believe L&B worked out that the market return is 21% and 7%, so you are slightly out of the market expectation. But that is not the only part of the equation. The Market Value is equally important and if you assume £34k per bed, then you do not allow for costs of new homes. Our homes are not new and I would expect the value to be over £40k per bed. We rent of these buildings and based £34 k per bed, the 7% is not enough to pay the rent. That means that the 18% operating profit is reduced as the rent will take some of this. Since our full head office costs at ca 5% of the fee is not covered either, the operating profit is further reduced.

- Like other providers we have had discussions with, we would have concern operating with a 7% return on Capital. We would expect to achieve a return on Operations, before the allocation of central costs, rent, or financing of c27%. After allocation of such costs, we would expect a net return of 15%. We understand that Laing and Buisson research indicates a return on Capital of 11%, for corporate groups, and 14% for independents, in addition to a

return on Operations, or Gross Profit Margin of c 25%. To ensure and retain capital expenditure programmes, which for 2012 in [name of provider] Care's case alone amounts to 7% of turnover, a return on capital in the region of 11% makes the business viable.

- 12% Capital; 25% Operations

- In theory the percentage figures are adequate to provide a return. However the base costs that you have applied the figures to are inadequate so the calculated fee is too low to support a viable business.

  The capital element is significantly understated. You have based it on a cost of £1.42m. Based on the average number of beds across all homes in the survey of 39.7 this is approximately £36k per bed. Build costs of care homes to meet current minimum standards would be in the region of £70-£80k per bed.

  Food costs are also too low. Laing & Buisson propose £26 per resident in their 2011 update of the Fair Price for Care report while you are quoting £21.22 for care only and £22.97 for nursing. This impacts the return on operations calculation.

- Laing & Buisson cost of capital per resident per week is £194 for care only (proposed in this model £120) and £198 for nursing (proposed £150). This would be a significant shortfall

- My calculation has always been 20% on operations and 10% on capital

- 7% on capital is insufficient given the risk levels involved. A level of 12% is more realistic. 18% return on operations should be in the region of 20-25%.

- It is important to get the capital cost per bed correct, your report suggests £35,000 per bed but the actual market is showing £65,000 plus per bed. It is important that you get these figures correct by obtaining advice from an independent valuation company. To make a care home viable the real cost of care has to be paid for individuals.

  Your proposal is misleading because the industry percentages from L & B have been used but because you are basing these on incorrect figures then these are not actual returns as stated above. This could potentially destabilise the care home market because care homes will be at risk of closure or financial unstability.

- [Name of provider] aim is to ensure that we provide care to the highest standards with high levels of occupancy. We ensure our business plan allows the group to continue to expand and develop whilst meeting the expectations of stakeholders. We would agree that the rates of return shown in the provider survey are consistent with a viable care home business.

- I am not professionally qualified to give information in this regard.

- As a general rule banking and financial institutions look for a minimum of 20% return (capital + operation) on existing business and a considerably higher figure for people coming fresh to the sector, the identified average therefore seems appropriate.

- Your proposal under estimates our capital costs and our operational cost. We would expect at least a 21% and 7% respectively: Based on our real costs. The proposal has set operational costs well below safe and actual levels thus reducing the return. We estimate that your capital cost estimate is about 60% of what it should be. Your estimate of operational costs is significantly below actual.

  We are aware that the NCA propose that you obtain independent valuations of the costs of replacing current providers buildings and plant. Because the return on operations is based on an artificially reduced level of care and overhead then the real return on operations is much lower than claimed in your document.

- I cannot answer the question as the real value of a business is acquired when the business is sold. I can state that with the current fees and our costs that we are not achieving the expected profits required by our Bank. In the last year we extended and refurbished the home – at a review by the Bank we were criticised for failing to achieve the Bank's expected return (profit). This was due to the high expenditure associated with providing quality care to our specific client group.

The NCA did not specifically respond to this question.

Summary of Responses

Two providers responded that the proposals were appropriate for a viable business. Another two providers indicated that the percentages were adequate / reflected industry norms but indicated that they felt that the base costs to which these were being applied were inadequate. Seven providers either did not respond or did not feel able to answer the question, some pointing out that every business will have its own unique costs and risk profile. A further provider suggested that expected return on finance would depend on how the home was financed but indicated that 18% was adequate for return on operations.

Nine providers responded with specific figures for expectations ranging from 20 to 27% (average 22.6%) for return on operations and from 7% to 15% (average 10.4%) for return on capital.

The Council's analysis and comments in relation to providers' responses to Question 3

As identified above, a range of responses were received with regard to the level of return needed to make a care home business viable. As the responses show, each business will have its own unique costs and risk profile. In order to remain viable each business will ultimately have to balance its own risk and the level of return it requires in order to operate a service which meets national minimum standards as

regulated by the Care Quality Commission and also which meet the County Council's requirements in terms of good quality care.

In their responses, providers' expectations was, on average, for a return on operations of 18% and on average a return on capital of 7%. Nine consultation responses indicated expectations in excess of these amounts.

With regards to the return on capital it should be noted that the average cost structures used to inform the fee proposals also contain a separate line for finance costs, in addition to a return on capital, and taken together these would equate to approximately 10% return.

With regard to the market value of care homes, this was sought as part of the provider survey which came back on average at £1.4m for Nottinghamshire homes in current condition.

Given the current economic climate, the County Council considers it to be reasonable for the care home operators to receive a return on operations of 18% and a return on capital of 7% and that providers would be able to operate a viable business on these percentage returns. It is evident that there is already a sufficient level of return on capital to enable new providers to enter the local market, and for a number of existing providers to invest in extending their provision, and it is believed that these returns will ensure there is more than sufficient care home provision within the local market.

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?

The responses received from providers are detailed in full, as follows:

- Although 92% is a reasonable assumption, 90% may be a more realistic figure.

- It is OK for us and I understand your argument

- I agree that setting the fee level proposal at the occupancy rate of 83% is unrealistic and inefficient so a higher occupancy rate is reasonable. However given the market average occupancy for East Midlands from Laing & Buisson in March 2011 was 88.8% Nursing occupancy and 86.1% Care home occupancy, and average occupancy has generally not increased since March 2011, using an average occupancy rate closer to the L&B data would be more reasonable, for example 89%.

- An average occupancy level of 92% is indicative of the upper quartile of care homes and therefore not a suitable yardstick for measurement of the sector as a whole. Latest figures for Four Seasons Health care shows their average occupancy is just short of 90%. Southern Cross obtained an average occupancy of 80% just before it was reconstituted. When using occupancy average figure for a pricing model this should certainly not be in excess of 90%

- No. The figures are worthless if you disregard the most influential data. We understand that the response was 83% occupancy. Given that poor quality Homes are underrepresented in the survey we would suggest that the true rate is even less than that. At [name of provider] - 27 beds - the difference between an occupancy of 92% and 83% is 2.43 beds, at 2012/13 NCC/PCT fee levels this would equate to a loss in income of £84 222.00 per year.

  Given NCC policy to reduce placements into residential care combined with new beds coming into the market occupancy levels in Nottinghamshire will fall below 83% (if they're not already). This is an opportunity for NCC to end placements in sub-standard Care Homes, drive up quality and help well performing Homes maintain high occupancy rates.

  Last year despite having a waiting list [name of provider] operated at 96% occupancy. We expect to "lose" 14-20 residents per year which results in inevitable empty beds while we prepare for the next admission. We doubt if 92% occupancy is achievable for the majority of Care Homes providing high dependency nursing care. Do not assume that 92% occupancy equates to 8% spare capacity in the market. We regard 96% as full.

- This is not reasonable. That means we could only have 2 vacancies on average, which is impossible considering the needs of the residents (some do not live for long unfortunately) . This is not industry norm when calculating a fair price for care. 90% is the norm (but for our small but popular home that would be difficult to maintain too). It is the council that drives down the occupancy as they are trying to keep people at home for longer, so to expect care homes to have a higher occupancy is rather perverse.

- We welcome Nottinghamshire's awareness of current occupancy levels, which per the consultation response are 88.1% in the East Midlands region, – however wish to note that in our 11 Care homes, average 82% at the current time, against a National Average (across 120 care homes in the West of England) of 86.5%.

  As you will be aware, care homes with an occupancy level of 80% struggle to retain quality and provide a return to investors – with profitability really only returned, across a wide portfolio of homes, where occupancy can get above 85% on a consistent basis. Whilst we understand the Councils strategy is not to pay for inefficiency of operation – hence the assumption of 92% - we believe that this is set too high, and should be closer to the realistic occupancy levels achieved by well managed homes in the county.

- The model assumes 92% occupancy based on 2011 data. The average occupancy in Nottinghamshire homes based on a survey by Candesic was 84.2% as at July 2012. Also our accounts to date show the actual occupancy to be 83%

- Laing & Buisson base their Fair Price for Care on an occupancy figure of 90% as their assumption for an efficiently run care home. Using 92% reduces the expected costs per resident and therefore the proposed fee.

- I don't feel an average of 92% occupancy is realistic, especially for a non-purpose built home. My feeling is such homes range between 70% to 80%.

- Your proposal hugely over estimates occupancy levels that is being and can be achieved for the average home in Nottinghamshire. It is clear from the report that average home in Nottinghamshire is showing occupancy of 83% and hence your occupancy assumptions further reduce the costs.

  In current times Care Homes are not able to achieve 92% occupancy levels. The occupancy levels of 92% is highly misleading because it has been calculated on per bed basis. There are quite a number of homes which have double rooms but the councils policy is to place in single rooms so hence the expected 92% will in fact be a lot higher for some homes. Example we are 38 bed home but we only have 36 rooms. I feel this is inconsistent and unfair approach. The low levels fees will affect the quality care of all the service users and hence put service users at risk.

- Yes we do consider 92% to be a reasonable basis for calculating the cost of operating care homes. However, with the cost of TUPE staff and capital

investment in the Nottingham homes we will be aiming to exceed occupancy of 92%.

- The meeting spoke of average 83% occupancy, though this has been recalculated to 92%. The 9% difference makes a huge difference on actual costs, and does not show a true reflection.

- At the meeting it was discussed at length that the occupancy rate used in the calculations was not fair and resulted in a reduction in fees overall by approx. 10%. The executive from Notts Care Association has made representation in this regard and have asked for this to be re-calculated.

- No, over the last ten years we have experienced an average of 83% occupancy over our 3 homes in the area. Given that the council is openly informing providers of their need to rationalise future placements and considering the increased dependencies of the admittances that are made (inevitably shortening client stays) 92% is an absurd and wholly unrealistic basis to base any calculation on.

- Although I do have 2 rooms available at the moment (out of 18) I would expect to be full most of the time – approx 98% would be reasonable – so your figs have underestimates. This is a very important issue to get right – 92% would be far too low for me.

- Your proposal under estimates the occupancy level that is being and can be achieved for the average Nottinghamshire home. As this calculation reduces the fee across all categories; staffing, non staffing and capital costs this will lead to serious risk that residents will not have their needs met. 92% is unachievable, If the average occupancy is 83% that is the real Nottinghamshire cost.

  It also ignores the effect of double rooms/ beds in your calculation of the average fee. We have provided 3 double rooms to provide for choice for couples (not 2 unrelated individuals) who wish to continue sharing a room. These rooms are rarely used as doubles. However they do provide an important need when used. The impact of this means that when we have all rooms used for single occupancy we appear to be 95% full where in fat we are 100% full. Because we have been provided you with open book figures, and from an understanding of how KPMG calculated the figures this will understate the real costs. To ensure the choice of couples is not restricted the calculations on occupancy should be rebased on room occupancy not bed occupancy.

- No. If the survey was telling you that occupancy rate was 83% on average, how can you pluck 92% without any justifiable reason other than efficiency saving. We all strive to be efficient but costs and occupancy are fact not fiction! By using 92% as opposed to 83% you are effectively reducing the fee to care homes. This will ultimately reduce the level of service each care home can and will be able to provide.

In addition to the above, the NCA response was as follows:

- Your proposal under estimates the occupancy level that is being and can be achieved for the average Nottinghamshire home. As this calculation reduces the fee across all categories; staffing, non staffing and capital costs this will lead to serious risk that residents will not have their needs met.

Summary of Response

Three providers agreed that an average occupancy rate of 92% was a reasonable basis for calculating the costs of operating care homes in Nottinghamshire. A further provider stated that "although 92% is a reasonable assumption, 90% may be a more realistic figure". One provider suggested that 92% was too low and suggested that approximately 98% would be reasonable. A total of 15 providers and the NCA disagreed with this proposal.

The Council's analysis and comments in relation to providers' responses to Question 4

The Council has taken in to account the over capacity of residential and nursing care within the local market. The Council has been clear with the care home market that its strategic commissioning intentions are focused on supporting people to live in their own homes for as long as possible and to reduce the numbers of older people placed in care homes. As such, the Council would want to see a reduction in the overall capacity and particularly in relation to those providers who are providing poor quality services and which have lower occupancy levels as a result.

It is not reasonable for the Council to fund the overhead costs of providers for the level of vacant beds identified by providers. The Council expects providers to operate their services efficiently by reducing their voids and maximising occupancy levels. It is believed that in requiring providers to operate at average occupancy levels of 92%, there will still be sufficient provision in the market to meet local needs, not only for people who require Council funding but also for people who are self-funders or who are funded by health partners or other local authorities.

The Council has undertaken detailed analysis of the numbers of double rooms in older persons' care homes. Out of the 169 number of independent sector older persons care homes, 109 homes have one or more double rooms. Out of a total of 6,793 of rooms, there are 261 double rooms across the 169 care homes. If only one placement is made in each of these double rooms, the maximum level of occupancy achievable by the providers overall would be 96.3%. In reality a number of such rooms are occupied by married couples or close friends. The proposed occupancy of 92% therefore allows for some capacity to be retained whilst seeking to increase the efficiency of the market.

In terms of the high turnover of residents and the subsequent time gap between successive occupancies, the Council has for many years implemented a policy of continuing to pay providers for two days following the death of the service user. This is in order to give family members sufficient time to collect the service user's belongings and ensures that respect and dignity is maintained both for the deceased service user and for their family. In making this payment, the Council is contributing to the costs of turnover of residents.

Consideration has also been given to providers' comments that there is a high turnover rates due to placements being made at much later stages and subsequently for a shorter duration, and because of higher levels of short term or respite care. The Council's data does not support this observation as it is evident from recent benchmarking data that the Council is continuing to place a higher number of people in care homes than that of comparator Councils and that the average length of stay in a care home is longer than that of comparator Councils.

The only other factor referred to by providers was a lack of demand, and particularly a lack of demand for local authority funded placements. However, the Council is not under any obligation to maintain its placements at any particular level. Its obligation is to pay a fee for those placements which takes the provider's actual costs into account, and which supports a viable and sustainable market to meet the demand which exists at that time.

The Council has received no compelling evidence of there being a structural reason why care homes in Nottinghamshire cannot operate at 92% occupancy.

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.

The responses received from providers are detailed in full, as follows:

- Operators will just pocket additional fees. Incentive fees must be linked to achieving higher standards and as a reward for achieving

- Neither. Cost factors should not affect quality of care.

- Decrease. You are proposing to increase Band 1 homes 2.9% more than Band 5 homes

- We believe the incentives should clearly be weighted towards the quality providers

- I disagree with this proposal. A monetary increase across all quality bands at the same level does not incentivise the operators on lower quality bandings to improve quality.

- Generally homes with better care provision will already benefit from higher occupancy and stable staffing. Therefore a significant differential should not be instigated. However a reasonable differential to reflect reward of high standards is not unreasonable.

- One can argue both sides of the coin. Probably best keeping status quo.

- A fundamental corporate and regional goal is to continually improve the quality of care provision in our homes. Against a background of continually rising costs and economic uncertainly, the proposal to increase fees paid by Nottinghamshire, which incorporates maintenance of fee rate differentials continues to support our corporate goals, which not only include continued quality improvements, but continued investment in our infrastructure and our resources.

  The incentive to improve quality could be further enhanced if Nottinghamshire was able to review the quality and banding of its lower banded homes on a more regular basis, thus enabling homes to achieve enhanced rates, and allow homes that proactively improve their quality to benefit from premium fees, rather than have to wait considerable time for assessment.

- Banding 3 and above should increase; Band 1 should have no increase; Band 2 nominal fee increase. The rationale would be that is not acceptable to still have homes in band 1 when homes have worked in partnership with Nottinghamshire Local Authority to achieve compliance with the Nottinghamshire Local Authority.

- We provide the appropriate care and resources that are required to meet the assessed care requirement for the residents in the homes and would not compromise this standard of care. We would not accept costs that would have a detrimental effect on our ability to deliver quality and the care needs of our residents

- I am happy with this

- It is important to maintain the incentive but the proposals haven't increased or decreased them materially.

- The proposal fees do not meet actual costs and hence decisions will have to made where 25% reduction in costs need to be made. It is absolutely clear that this will have a direct impact on the quality of service that we will provide, particularly the low levels of staffing levels that are suggested. It is suffice to say that it is highly impossible to make improvements based on the proposed fees.

- The [name of provider] Nottingham homes are already operating in band 5, so the proposals do not increase incentive for improvement, however we are continually stiffing to improve our quality to ensure we remain at band 5, therefore a difference in fees between the bands should remain.

- I understand from what was discussed at the meeting that there are 20% of Care Homes that are in Quality Band One and have been so for many years.

  I understand that Homes that fall into Quality Band One have not been successful in demonstrating to Notts County Council that their accommodation/service meets the minimum standards required.

  It was discussed that placing service users in to Care Homes in Quality Band One was questionable given the vulnerability and dependency levels of residents generally and there could be potential risks to residents which can attract adverse media publicity for the Care Sector in general.

  No doubt these homes have received support/advice from Notts County Council to assist them in improving their service to higher quality bands, but this has not been achieved.

  It could be concluded therefore, that these homes are content to remain in Band One and be financially supported by Notts County Council. Any Care Home Provider with a genuine commitment to providing at the very least a good service, would make significant efforts/investments both financially and in terms of time input to improve from Band One to higher bands. Therefore it appears that there is no current incentive for these homes to move to higher bands.

  It was discussed at the meeting that Notts County Council are looking towards addressing this issue. Several points were made that these providers may say that are unable to improve as they are being funded at Band One rates. However, Providers should fund improvements to their services themselves

and by doing so, achieve higher quality banding which results in enhanced fee levels paid.

It is of paramount importance that the Quality Banding system remains and we were informed that Notts County Council will continue to support this model. It is important to maintain the differential between the different bandings as this gives incentive to maintain standards and improve where necessary.

However, it was discussed that the proposed increase of 10.2% to homes in Quality Band One was questionable and was significantly greater than the proposed % increases to the other quality bandings.

It is my view that this would give them further disincentive to move out of Band One. It was discussed that Notts County Council are proposing to communicate with them on the most strictest of terms, to make it clear that improvements to services must be made and strict timescales be given to achieve this. It was discussed that Care Homes who do not comply will be informed that Notts County Council will have no choice but to not make any future new placements.

I fully support this proposal, as without some kind of firm action plan, the situation may carry on for years to come with little prospect of it being resolved.

Providers in higher quality bands work very hard to achieve and maintain these standards and it is of genuine concern to us that Homes in Band One remain in Band One and there is great potential for adverse media interest who may regard this standard of service to be the norm in the Care Sector.

Furthermore, it was discussed that these Homes should receive a much lower % increase and the subsequent cost saving to the Council could be redistributed to the other homes in higher bandings who have worked very hard to achieve and maintain their quality banding level year in year out.

- Increases should be considered an incentive to develop and promote good quality care. The current strategy of applying a single across the bands increase proportionately rewards the lower quality homes better than the higher band ones such a mechanism would seem counter intuitive and potentially counterproductive if continued into the future.

- We are constantly being ‘pressured’ into providing the best possible level of care – and quite right too – but excellence should be rewarded. It is seemingly more difficult to get LA funded residents the higher your banding – so a) the differentials should be bigger and b) you should not be penalised for being a 4/5 home.

- The proposed fees overall do not fully reflect the costs. In order to encourage and reward better quality you need to provide a viable carrot to improve. The 5 quality bands provide a good structure but the fees need to be higher to reward the higher costs of good and high quality.

- I believe the fee to Band 1 and 2 is totally inadequate to sustain any sort of quality provision. I do not believe NCC is practising robust commissioning by purchasing a service from poor quality care homes. I have no preference as to how NCC increases each band as long as it is equitable. I do believe NCC should seek to change the way it supports homes to improve in quality as clearly NCC's attempts over recent years have had no significant impact.

The NCA did not specifically respond to this question.

The Council's analysis and comments in relation to providers' responses to Question 5

The local 'Fair Price for Care' framework with its five bandings and associated fee levels was designed to incentivise providers to continuously improve the quality of their care in order to attract higher fee levels. Each home is audited annually following a revision to the Audit Tool, and this determines the banding and the fee level allocated to the home for the following financial year.

As indicated in the providers' responses, overall there is support for the Fair Price for Care framework and the 5 bandings to be retained. On the whole, providers did not indicate that the differentials between the bandings should be altered. The Council is therefore not proposing to change the framework or the current £ differences between each quality band.

The Council continues to work directly with providers where they are consistently rated as Band 1 with a view to supporting them to improve the quality of care. The Council recognises that the same cost pressures affect all care homes, whichever band they are in. Therefore fee increases need to reflect these cost pressures and homes in the lower bands also need incentives to enable them to improve the quality of care that they provide.

In relation to the fee proposals, whilst the percentage increases proposed for the lower bands are greater because the base is lower, the actual cash increases in fees will broadly be the same. This is considered to be reasonable given the analysis of the survey responses which indicates that the costs of operating homes in different bands are broadly similar and as such, the cost pressures will have increased at similar levels for the lower band homes as that of the homes in the higher bands.

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?

The responses received from providers are detailed in full, as follows:

- They may be above Laing and Buisson calculated average levels but we believe they seriously understate the safe levels required

- I have no comparison for other areas. However, I pay national rates but would 'presume' that the only factor skewing the figures may be 'more time off due to sickness' with the resultant sick-pay.

- We don't know. However we feel it is dangerous to disregard the data you have received without robust contradicting evidence

- I don't have the answer but our staffing hours are significantly higher

- The staffing levels in the home we operate in Nottinghamshire are comparable with the staffing levels in our homes in other areas of the UK.

- We cannot comment on other Homes staffing. Ours falls within Laing and Buisson norms and is supported with reference to the residential forum staffing tool and resident need.

- L&B did not report a national average. They reported on a 50 bed 'efficient operator' – e.g. Southern Cross. This is not the norm at all. That exercise was also done a number of years ago and they have kept the figure the same since. We all know that residents needs have increased substantially as people come into care homes in later stages, where they have already had several falls or their dementia have developed to the point where they can no longer live at home safely with a care package. IN our homes we have increased staffing levels significantly and they have also had to have a lot more training to cope with the higher needs.

  Care homes are already operating as efficiently as they can following the pressure on costs and fees over the last few years. To expect care homes to cut staffing hours is irresponsible and could lead to a safeguarding case.

- We have concern that the comparator statistics are based on inaccurate or out of date data. For instance, Southern Cross data, when it was the largest operator, contributed significantly to the models operated by Laing and Buisson.

  We are aware that Southern Cross staffed its homes at levels that we believe are inadequate. To add to this, dependency levels across Nottinghamshire

are higher than we mostly experience elsewhere, leading to a higher staffing requirement in the County, than in other areas of the country. To compensate for these, a higher than "normal" level of staffing is required.

- Our actual current occupancy is 83.1% this is reflective of the national average. Our homes work assess needs prior to admission, the staffing. The current placements within our homes are people who need 2 people for majority of their interventions.

  The Laing & Buisson information is not based on a sufficient sample of providers, approximately 10%, to confidently calculate industry norms and does not include feedback from larger providers. Consequently it should not be considered a fair sample. Based on our internal data the cost of running our homes in Nottinghamshire is no more than homes in other areas of the country and thus we would contest that Nottinghamshire staffing levels are significantly higher than the national average.

- The staffing levels in Nottinghamshire homes are not significantly higher than the figures for industry norms as reported by Laing and Buisson (L&B). There is an error in the survey assumptions.

  For care only homes L&B quote 18.5 hours of care and 6 hours of non-care per week (24.5 hours in total). The 6 hours non care is only to cover chefs, cooks, domestic assistants, kitchen assistants and laundry assistants. The cost of administration, reception, maintenance and management are added into the L&B calculation separately as a cost per week. When Table 3 (Rostered average hours of staff time provided per person per week (Care Homes)) has Administration/Reception, Maintenance/handyman and other staff hours excluded the hours are 25.7 compared to L&B's 24.5 (4.9% higher rather than 15%) and for nursing the comparable hours are 36.7 compared to L&B's 34 (7.9% higher rather than 14%).

  This seriously undermines the proposal to reduce the staffing cost element of the proposed fee by 7.5% which you took as the mid point between L&B and average Nottinghamshire staffing hours. [Name of provider] suggests that the staffing cost element is not reduced in the fee calculation

- It is difficult to recruit care staff for my particular home and going forward this is going to be more difficult as the next generation carers will be put off by the stigma associated with caring for the elderly. It has always been seen as a job which does not reward good carers what they are worth and the promise of future wage increases is no longer effective to attract those coming into the care industry. The minimum wage has created a culture in which the salary between a good member of staff and poor one is often negligible which can cause disputes, lengthy sickness absence and a lack of long term commitment.

- The higher proportion of private sector beds requires the homes to maintain high occupancy levels and maintain standards.
- The national averages are based on big corporate homes such as Southern Cross homes and we all know what happened to those homes. The proposed

staffing levels will not be acceptable to Care Quality Commission and there is a potential risk of them closing down services.

The service users admitted to care homes are of high needs and that is the reason why staffing levels are higher. I do feel that Nottinghamshire care homes generally provide quality care and this is evident from the quality banding as majority of homes are in band 3 and higher.

As a company we would have to look at whether we could provide the level of care to Notts Social Services funded clients particularly with the low levels of staffing.

- [Name of provider] are new operators in Nottingham and as such do not have sufficient local data and knowledge to answer this question.

- Staffing levels are determined by the dependency levels of service users. Those service users moving into the home subsidised by the local authority are significantly more frail than those paying for their own care.

- As discussed at the meeting Caroline Baria confirmed that residents would continue to be supported in their own homes provided their needs could be met. By definition the residents that are being placed in to Care Homes have much higher dependency levels and in addition, for Care Homes with Nursing, more complex health care needs. There are increasing levels of residents with all levels of dementia needs as these residents would be unsafe to be cared for at home without 24 hour support, which would be too expensive. Therefore, it is of paramount importance that staff give time to the individual residents they are caring for and in fact there is great emphasis, from our Regulatory Authorities that listening to what residents say and supporting them as much as is required is essential to their well-being. Therefore adherence to industry norms for staff time is not really appropriate.

  Care home providers with a genuine commitment to providing a safe environment with staffing levels that are matched to the needs of the residents, will make a financial investment in funding the costs of the staffing in their homes and this may well mean costs being higher than industry norms.

  Providers are responsible and accountable for ensuring that the residents that are cared for them in their homes have their needs fully met and not put residents at risk by not providing sufficient staffing levels and staff time for residents. This factor is far more important that adhering to industry norms. In the event of an incident in a Care Home which was attributable to insufficient staffing levels etc, then the Provider would be unable to state that they were adhering to “industry norms”.

  Providers are constantly being told that Notts County Council support the concept of Quality care in Care Homes and a huge part of this is ensuring staffing levels meet residents needs in all aspects of their care. Therefore, I find it confusing that we are being compared to “industry norms”.

- Staffing is a key factor in attaining a high quality of care and it is one that has to be appropriate to the individual residents needs as they are placed. Local variations in industry and lifestyle are inevitably reflected in those dependencies and conditions of the residents that populate our homes. Equally council strategy is often aimed at rationalising the numbers of residents placed into care, effectively holding residents at home till dependency reaches a critical level. This has a twofold effect in that the lack of round the clock care at an early stage often accelerates the deterioration of the individuals abilities (particularly in relation to their mental state) but also that when the placement is eventually agreed the individual enters the Home at a higher dependency.

- I cannot answer this except to say – this is good – it shows that general staffing levels are good in Notts

- Over the years the dependency levels of those social services funded resident have increased, meaning that more care and non care hours are essential to meet those demands. Equally those social services funded residents with lower needs are not now being funded, resulting in the average hours per social services resident increasing significantly.

  Comparing to "L & B industry norms" is misleading and inaccurate. The figures you refer to are for large corporate homes, Southern Cross was a source of data and date back some years!! Following your proposal will lead to the risk that residents will not have their needs met. For example the most recent L & B report in 2010 reported on average 30.5hours of care per residential resident per week in Nottinghamshire.

- Laing and Buisson figures are not a national average! Laing and Buisson figures are based upon costs of an efficient large (50 beds +) corporate care home. The majority of care homes in Nottinghamshire are small converted houses and so costs are going to be higher than the efficiencies found in large corporate organisations.

In addition, the response from the NCA response was as follows:

- Question 6 does not make it clear by how much you are reducing staffing hours. In previous correspondence and discussions you agreed to send us the brief KPMG were working to and the anonymised data set, we still await them.

<u>Summary of Responses</u>

Four providers responded that they did not know why staffing levels in Nottinghamshire homes were higher than the national average and a further provider did not respond to this question. One provider indicated that the staffing levels for their home fell within the Laing & Buisson "norms" and two providers responded that their staffing levels were comparable with those operated in homes operated elsewhere in the UK.

Several providers challenged the use of Laing & Buisson calculated averages on the basis that they relate to 50 bed 'efficient' operators. They also stated that the data is

out of date and do not reflect increasing levels of dependency in Nottinghamshire homes.

A number of providers responded with specific suggestions regarding why staffing levels in Nottinghamshire homes were higher. The main reason mentioned by four providers relates to increasing levels of dependency for NCC placements.

The Council's analysis and comments in relation to providers' responses to Question 6

The Council has taken into consideration the findings of the survey questionnaire in relation to staffing levels in homes in Nottinghamshire and of the feedback received from providers as part of the consultation process.

In addition, consideration has been given to the Laing and Bussion's 2012 survey data. The Laing and Buisson 2012 report is based on the findings from the most recent and extensive survey of actual costs for older persons care home provision across the country and it provides a reliable indicator of staffing levels. On the basis of this information, the Council has revised and increased its fee proposals to reflect the need for higher levels of staffing arising from higher levels of need of residents.

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?

The responses received from providers are detailed in full, as follows:

- The Pinders element reflects the incentive. Delivery must come before reward

- We already maintain high quality. However, additional fees would give us more to spend on quality

- Additional fees will provide some of the incentive to increase quality.

- I believe we have all got to keep working to keep the quality levels up and as such you need the funds to achieve this goal.

- I agree with the approach by the Council to directly reward quality by the payment of additional fees. Homes operating at the lower fee bandings have an incentive to improve quality and homes operating at higher bands can continue to reinvest in maintaining the higher quality of care through the fee premium received.

  However the quality audit process adopted by the Council needs to be reviewed. There is inconsistency between the approach of individual members of the Council's team completing the quality audits and homes can be penalised based on unreasonable views/conclusions made by some individuals.

- A higher fee only acts as reward.

- I don't think homes have always been treated in a fair and balanced way. I understand that this is difficult to achieve but we have ourselves experienced a huge difference in approach from individual inspectors. Costs and quality is very likely to have a correlation but it does not necessarily mean that the quality banding and costs have a correlation.

- We have concerns that the current pressures on the LA are resulting in some placements being diverted to lower banded homes as a means of controlling expenditure.

  As demonstrated by lower banded homes within our organisation, homes in bands 1 & 2 require an increased level of funding to support them achieve higher standards. There is clearly an issue that the reduce funding not only becomes punitive it also prevents development.

As part of Central Government strategy, the base line criteria for admission to residential and nursing care has been increased creating much higher dependency levels this is evidenced through the joint assessments with the social work discharge teams. This also reduces the options available to services users which ultimately will result in high numbers of emergency admissions and admissions into hospital through rapid response. This can be clearly evidenced by the homes on the county boundary with Lincolnshire.

- No two homes are the same the number of factors which impact on the service are internal and external factors, which include layout of building. Registration mix of a care home also impacts on one service verses another uses a higher ratio of staffing. Fee strategy helps management teams maintain the focus on compliance of the Nottinghamshire framework with an outcome of improved quality of life for people in our care.

- [Name of provider] continually looks to improve the quality of care in its homes and maintain high quality and good value services for residents as we are a not for profit organisation providing valued person centred care.

- I am happy with this proposal and feel it incentivises every home to continue improving which will only help the industry over the long term.

- A higher rate will promote the maintenance of higher standards trough care home improvements and the affordability of higher quality staff and staff numbers.
- I think the quality banding system is a very good system to encourage providers to continuously improve and strive to improve their services. The higher level of fees will give us the opportunity to re invest funds into the home and the staff to improve the quality of service that is provided. However the true costs of care must be paid in the first instance.

- Incentive for improvement is also driven by the desire to ensure our occupancy levels are maximised, increased investment in quality leads to increased service user experience and ultimately the homes local reputation.

- It is of paramount importance that the Quality Banding system remains with fair remuneration for each of the Quality Bandings. Providers can therefore continue to commit time and financial investment to not only maintain their quality banding but also to progress on to the next banding level if possible to do so.

- Quality care is often the result of good management and planning, it has benefits in both how the care is delivered and in the relative efficiency of the home's operation. The funding levels are the reward that provides the incentive to aim for, and maintain, the highest standards of care, it is also the foundation for ensuring that as care needs change and become individualised the home can develop and adapt quickly.

- It will as long as the 4/5 band homes get the fair amount of placements from LA. If we don't then it does not matter what the funding level is. Assuming we get the referrals/placements it does of course encourage the provision of

better care – but as mentioned earlier I do think the model has underestimated our costs quite considerably.

- The table of average cost by quality band required further understanding as appears illogical that nursing care and care-only costs are so similar. We would suggest that this requires further work to understand.

- Firstly fees must increase to address the lack of inflation and to remember the last payment towards the Fair Price for Care relates to Pinder's fees for 2007/8. 4 years later fees need to increase. This year Nottinghamshire Care Homes has seen the loss of Workforce Development Grant, the loss of the Balance (Nutritional Team), reduced number of quality development officers, no dignity conferences for 18 months, an invisible workforce planning team (other than Claire Poole and Halima Wilson). As a result training events are provided by the Nottinghamshire Partnership for Workforce Development. Within a year we will see that few homes have achieved to maintain the mandatory training required to ensure safe practices and as a result of this quality of care and services will fall. A fee increase will enable homes to continue to invest in developing their staff and to invest in the overall service too.

The NCA did not comment on this question.

Summary of responses

The majority of providers who responded to the survey supported the view that the payment of additional fees does provide an incentive to increase the quality of care. A number of providers stated that higher rates would promote higher standards through care home improvements and the affordability of higher quality staff and staff numbers with a further response indicating that increased fees would enable homes to continue to invest in developing their staff.

The general view was that providers were able to invest in their services to improve the quality to the benefit of service users which in turn then leads to an improvement in the care homes' local reputation, which in turn helps maximise occupancy levels and ultimately levels of return.

Some providers noted that lower banded homes needed an increased level of funding to support them achieve higher standards but there was also one view that reducing funding becomes punitive and prevents development.

The Council's comments in relation to providers' responses to Question 7

The consultation has identified that the current fee banding system, with the payment of higher fees for higher quality homes is, on the whole, supported by providers. The Council is committed to seeking continuous improvements in the quality of care provided in older persons' care homes and proposes to continue to implement its Quality Audit framework and to maintain the banding system currently in place. The Quality Audit process is continually reviewed to ensure that it is consistently applied. The Council is keen to support increased numbers of higher banded care homes and therefore proposes that all homes, including those that are in the lower bands, would receive fee increases which take in to account costs pressures.

Questions 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.

8. 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?

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

The responses received from providers in relation to Question 8 are detailed in full, as follows:

- Inflation increases are welcomed but if NCC is to climb out of being a low fee council it should grant above inflation increases to prevent homes closing

  Additional comment: ….we think your estimates are broadly in line as a derived percentage with the level that would cover cost increases. We do however assume that it will fully cover the on-going costs of minimum wage, the new statutory pension contributions, working time directives and other proposed or muted changes. If we have a concern, it is the LA funded residents will be destined to receive care of a lower quality and in lower quality establishments as price increases reflect inflation but not the market driven level of average fees.

- Yes, as long as the figure is inclusive of staff costs.

- Yes – It is an excellent idea and would be a great help to manage the business

- The proposal to apply annual inflation levels does provide additional financial security. For several years the gap between the true cost of care and the fees Council's pay has widened and whilst there is still a gap, the proposal should minimise the risk of it widening further. It has been difficult to decide whether or not to invest further into the care provision in the past few years knowing that costs will increase combined with the unknown of Council fees. Having a contracted calculation for annual inflation gives operators some stability.

- The proposal to have an annual inflationary award is only suitable if the indices it is calculated in reference to are appropriate. Assuming they are, there is no major objection to this, however we do not know what indices you are proposing using.

- If the inflationary uplift is based on real costs (i.e. food CPI index, utility CPI index, minimum wage increase, actual CQC registration costs, etc) than this will undoubtedly give us more certainty. For the inflationary uplift to be effective it must of course be based on a true fair price for care, otherwise the gap to real costs will increase every year. All in all a very good move

- We would welcome a proposal that uses and inflationary index to secure future fee increases. Such a proposal would enable commitment to further improvements and investments in our homes in the region. Whilst the proposal offers such an indexation, it should be recognised that the cost increases will also include rents and financing

- costs – which are not necessarily reflected in the current proposal.

- Yes. Does the inflationary increase take account of statutory increases in payroll costs (i.e. pension auto-enrolment & increase to the national minimum wage).

- The inflation mechanism is welcomed but there are concerns around it. If the starting point of costs (see other answers) is incorrect the inflation mechanism will not cover the real increase in costs leading to an ongoing shortfall which will grow over time. If any of the individual indices are negative in a particular year will they be treated as zero inflation? Any possibility that this mechanism could result in a drop in fees year on year would seriously undermine your efforts to provide additional financial security.

  [Name of provider] provides high quality and good value services for residents as we are a not for profit organisation providing valued person centred care. Therefore the fees need to recognise the services provided and we would not allow the quality of care and services to be compromised.

- I am happy with this proposal and feel it incentivises every home to continue improving which will only help the industry over the long term.

- Providing there is a direct correlation with RPI inflation and wage Inflation (in particular minimum wage levels).

- The annual inflationary mechanism is an excellent system because it will allow us to plan for future years and hence able to produce more accurate annual development plans such as workforce development and budgets. I think it will prove to be cost effective for councils in the long run in terms of time in put and forward planning.

- Yes, provided the inflationary mechanism is clear and defined.

- It is of paramount importance that an annual inflationary mechanism is incorporated in to the fee structures. However, in calculating this figure, it is essential that the correct baseline figures are fair and correct and the inflationary element be applied.

  Care homes are faced with increased operating costs the majority of which are out of our control. The main cost is the annual increase in the National Minimum Wage and working Time Directive, which are continually driving up staffing costs. The NMW has increased annually at a significant rate since its introduction and these increases have not been supported by corresponding increases in funding generally. Further increased staffing costs are in the pipeline with regard to pension contributions, working time directives etc We have also seen significant increases in utilities and consumables, the

increased costs levied on to suppliers are then passed on to their customers, with no room for negotiation with regard to pricing.

- An annual inflationary mechanism is essential to ensure standards aren't compromised and ensure stability for residents in the area.

- Yes it does but only to a certain level. Again is the base level set right. Are all inflationary factors taken into account. Some of our larger costs (fuel) have gone up way over the general level of inflation. What about the new pensions we all have to provide etc etc

- Yes – as long as the figures used are fair and truly mirror our costs.

In addition to the above, the response from the NCA was as follows:-

- The inflation indexing mechanism is welcomed but there are concerns:

  Because the base costs (reduced staffing, occupancy, training, admin etc) omits certain costs then the increase each year will not cover the real increases in cost so will lead over time to an increasing serious risk that residents will not have their needs met.

  The indexing calculation performed in April each year will be based on the previous Octobers in inflation (6 months in arrears at the start of the year and 18 months at the end of the year), so over the year the inflation will be on average one year behind the actual costs. Historically care home inflation has run at levels up to 4 or 5% a year. Therefore using the proposed method of calculation will lead to a fee level that has serious risks that residents will not have their needs met.

  We are not clear whether the AWE accurately reflects the wage pressures on providers where the majority of staff are on the National Minimum wage which has historically increased at a faster rate than wages generally. This will need further discussions to fully understand the proposed mechanism.

  In future there will be incremental costs increases, eg statutory pension contributions, working time legislation changes, statutory tax changes and others yet unknown that the proposed mechanism will not cover. Unless the mechanism includes these factors will lead over time to an increasing serious risk that residents will not have their needs met.

Question 9 Do you agree that the proposed inflation indices are appropriate ones to use? If not, which others would you suggest, and why?

The responses received from providers in relation to Question 9 are detailed in full, as follows:

- Yes, as long as the figure is inclusive of staff costs.

- I agree with the indices.

- I do not know which indices you propose using.

- The wages index needs to be split up between managers/admin/nurses/maintenance and care/domestic/kitchen.

  The average wage index should apply to the former. The latter should either have the average wage index OR the minimum wage applied depending on which is higher. For instance, if the average wage index is 2% but minimum wage is 5%, then homes are forced to increase wages for most staff at 5% but will only get 2%.

  Finance should also have an index, which should be the average inflation (e.g. CPI). If not , the profit in the model will remain the same even though inflation is going up (or down). If inflation is going up the profit will decrease in value (e.g. £100 is worth less if inflation goes up 5%) All other indices are fine.

- We would welcome a proposal that uses and inflationary index to secure future fee increases. Such a proposal would enable commitment to further improvements and investments in our homes in the region. Whilst the proposal offers such an indexation, it should be recognised that the cost increases will also include rents and financing costs – which are not necessarily reflected in the current proposal.

- Clarification requested of the type of models to be used for comparison to confirm the best one to use.

- It is not clear whether the AWE will adequately reflect any increases in the National Minimum wage which in the past has increased more than general wage inflation. There should be an ability to factor in specific incremental and one off increases eg statutory pension contributions, tax changes etc to ensure the model costs do not get out of step with reality.
- I am happy with this proposal and feel it incentivises every home to continue improving which will only help the industry over the long term.

- They would seem fair.

- Generally the indices seem correct but my concern is that the base fee proposed is not correct then the annual increase will not cover the real increases in costs.

  I think the current proposal needs re looking at in terms of the inflationary mechanism which will always be 12 months behind the real figure. The other aspect is the fact that does the wage indices actually reflect national wage increase or general wage increases as the care home sector generally is on the national minimum wage levels. The national minimum wage increases have always been higher then national wage increases. Again if the annual increases do not reflect the actual increases faced by the sector then again this will have a serious impact on the quality of care provided. In future there will be incremental cost increases such as pension contributions, working time legislation and others. Will the proposed mechanism be robust enough to incorporate those increases.

- Yes the proposed indices seem appropriate. We note that no account is taken in finance costs, we would like to see this linked to movements in either bank base rate or LIBOR.

- I am not qualified to give feedback on inflation indices but give the Notts Care Association my full support in their feedback to these proposals as they communicate with independent professionals in this regard.

- The suggested indices are a positive step forward but the rapidly changing economic climate and the equally rapidly escalation in requirements in terms of equipment provision and staff training do require regular review in addition.

- General levels for us are about 5/6%

- As I stated in question 1. NMW increase this year by 1.8% and pension contributions are coming into force. Any inflationary mechanism must take into account such costs which will significantly impact of financial viability of Care Homes.

The NCA did not specifically respond to this question separate to their comments on question 8.

Summary of responses

Providers are generally supportive of both the principle of developing and applying an annual inflationary increase to fees based on a locally-determined, composite index, and the proposed formula and indices to be used to calculate such an index. A number of concerns relating to the detail of calculating an annual inflation index were raised. These are detailed below.

The NCA raised a concern that the index applied to fees from each April would be based on inflation indices from the previous September/October.

A number of providers highlighted that the chosen indices in the formula should be relevant and appropriate. Specifically, some concerns were raised regarding the appropriateness of using AWE to reflect increases in staffing costs and whether a set of indices reflecting the different types of staffing in care homes would be more appropriate, and whether AWE will adequately reflect increases in other staffing costs such as increases in employers' national insurance and pensions contributions or the impact of legislative changes in terms and conditions.

One provider sought further clarification on how negative values for chosen inflation indices will be applied and whether these will be treated as zero rather than negative values.

A couple of providers also noted that finance element of costs is not directly included in the proposed inflation index formula and also note that finance costs are also subject to change.

Additionally, some general comments were made about specific inflation experienced by care homes over a period of time being different to the calculated inflation index

due to elements of costs increasing at a greater rate or due to additional costs arising for the sector.

The Council's analysis and comments in relation to providers' responses to Questions 8 and 9

Providers are supportive of the principle and detailed proposals to develop a mechanism for uprating fees annually for inflation and view this as a positive development. Comments in relation to concerns regarding some of the details are set out below.

Given that future inflation levels cannot be known, it is inevitable that an element of estimation of future inflation will be necessary when setting fees prior to April for the forthcoming year. However, in order to minimise this, it is proposed that inflation for the financial year ahead would be calculated using the relevant indices from Sept/Oct of the previous year – this would mean that there isn't a significant time lag between the relevant inflationary pressures being identified and the time that they are implemented.

The proposal to use specific indices directly related to major areas of care home costs rather than general indices such as RPI and CPI is generally supported. The AWE chosen (EARN 03) relates specifically to 'Health and Social Work' and is therefore considered to be an appropriate index.

It is accepted that alternative, more detailed calculations reflecting different staff groups employed within care homes could be used but this would require the use of both a number of different indices and require a more detailed breakdown of the proportionate costs of differing staff groups. This would result in a significantly more detailed and complex set of calculations and a more complicated process to apply different indices to different fees levels. It is not felt that this more detailed and complex calculation would result in significantly enhance inflation related fee increases. Therefore it is reasonable to propose that a simple formula which is both easy-to-understand and to apply is a used to determine the level of inflation to be applied for the following financial year.

Whilst AWE calculates increase in earnings the fee includes allowances for employers contributions so increase in fees based on AWE will include increase for total staffing costs to providers. It is acknowledged that the proposed formula may not automatically pick-up changes to employers' staffing costs arising from legislative changes to employers' contributions or resulting in changes in terms and conditions. Such changes will need to be incorporated through periodic revalidation/reviews of the model used to calculate the base fee.

Negative values for indices will be treated as negative values and not as zero. Negative figures for indices would indicate that costs have fallen. Inflation index needs to reflect both increases and decreases. Application of indices needs to be consistent and cannot only include increases. The likelihood of negative values for individual indices is however considered to be small, and the likelihood of overall calculated index being negative resulting in reducing fees, is considered negligible.

Finance costs comprise around 5% of overall costs. The inflation index formula does not include an element to pick-up inflation on finance costs as these are not directly

related to inflation but are linked to home capital and interest rates. However as finance costs are included in the base fee calculation and the intention is to apply the inflation figure calculated by the formula to the whole of the fee, the finance element of costs will be inflated annually in line with the calculated inflation figure. This proposal is considered sufficient to reflect changing finance costs in the short term. Over the longer term changes in care home capital values and interest rates would be incorporated through a process of periodic revaluation/review of the model used to calculate the base fee.

In order to ensure that over the longer term fee levels remain appropriate the model would be reviewed in the lead up to and/or during the final year of the proposed five year period of implementation of the proposed model.

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

The responses received from providers are detailed in full, as follows:

- The council will be seen as not recognising that purpose built comes at a price, without them there is nothing to replace ageing and not fit for purpose care homes

  Additional comment: We think your estimates (related to capital cost of a care home) are in line with current built costs. We question however your thinking on how poorer quality operators should be incentivised to improve their quality. Those operators you refer to are normally operating in homes which have been built at least 8 years if not 10 years before when the cost of the build and the cost of the funding was lower or has been depreciated. The thought that you will use your pricing mechanism to encourage them to improve their quality gives them a double benefit, the savings they already make on being able to provide care at a lower cost and my experience indicates they simply pocket the extra cash and not invest it in the business.

- What is successful is if you use the Pinders evaluation to set targets for instance, that operators will get an extra £20 per week if they provide an en-suite and another £30 if they provide en-suite showers. That provides operators with the incentive to introduce them and the revenue to pay for the cost.

- It would certainly be fairer towards the non -purpose built home

- We are in support of this proposal.

- I am happy with the current 70/30 but I have no problem with the proposed 80/20

- I agree with this approach, to improve the quality of care provision the score should be based on a higher quality element. However the ‘subjective’ elements of the quality score also need to be removed to stop care homes being penalised based on inconsistent views of those completing the quality audits

- I would support this proposal as what one person may find as suitable may not be suitable to another. The main criteria for any fee should be the care and happiness of residents, not what wallpaper is used.

- I think an 80/ 20 model would be better and fairer. The residents are looking for good quality care, not necessarily a shower ensuite. More expensive facilities should be recognised but is not as important as the care.

- As experienced in 2 of our 11 homes in the County, [name of home] and [name of home], are currently on band 4, but have been told that they are unable to achieve band 5 due to the current Pinder Score system, and the link to provision of en-suite accommodation – however both homes are considered in there local communities as the home of choice. So it would depend on what tool was used to assess the environment. As such we support the proposed 80/20 methodology

- We agree it is fair and reasonable to all providers

- We continually look at improving the environment that are residents are cared for, as this is an integral part of the well being for all residents - appropriate care provision and environment.

- I think the current ratio is quite comprehensive and reflects the actual demand of service users requirements. Potential service users and their families still prefer to have ensuite rooms and have very high expectations in terms of the fabrication of the building and the facilities offered.

  I think the ensuites reduces the potential of cross contamination and service users can receive personal care in the privacy of their bedrooms which enhances the quality of care provided.

  The size of the bedrooms is very important in making the service users comfortable and homely because they can host family and friends in their bedrooms and this has direct impact on their privacy, dignity and self esteem.
  I think the current ratio split is just right and is also in line with the current Care Quality Commission standards.

- [Name of provider] believe that the physical environment has a large impact on the service quality provided, and as such spend a lot of time, energy and money to ensure our homes environments are as good as possible. After staff costs this is the biggest area of spend for the group. Sufficient recognition should be made of this in determining the quality score, therefore we do not support a reduction from 30%.

- I do not agree that the physical environment split be changed to 80/20 from 70/30, for the following reasons:

  i We have been Providers for the last 20 years and therefore have seen many changes in the requirements of our Regulatory Authorities. We have made a genuine commitment to be compliant with these in terms of the standard of accommodation provided and this has meant significant personal financial investment to enable improvements to be made on a rolling basis over many years. It is reasonable that Providers with a genuine commitment to provide and maintain good quality services/accommodation be remunerated to take these factors in to account by maintaining the 70/30 split.

ii In recent years we have found that families seeking placements for their relatives expect to see at least a good standard of accommodation, with single bedrooms of a good size (some insist on an en-suite facility) and spacious, light communal areas. Therefore we have had to make financial investments in meeting these requirements. This has meant converting our existing double bedrooms in to single occupancy very large rooms, with capacity for en-suite facilities and as a result loosing overall bed space numbers in the building. Fortunately, we were able to extend the building to make up the majority of the loss in the bed spaces.

iii Care homes that continue to have double bedrooms and need to improve their general environment, must endeavour to do so in order to keep abreast of consumer demand and changes in requirements.

iv It is unfair to change the split to 80/20 as this would penalise the vast majority of Care Homes that have made significant financial investments to update/improve their environment. In order to move forward as a Care Sector which is fit for the future, it is essential that Provider services keep up to date with requirements for both Regulatory Authorities and consumer demand/expectation.

- A good quality environment benefits everyone involved in the care process, the efficiency, safety and hygiene of care provision can be greatly enhanced or at least eased as a result of the environment it exists within. It would be dangerously counterproductive to undervalue this element further than the existing bias (already heavily skewed to diminish the environments influence). The 30% factor should not be reduced in our opinion.

- 80/20 is far better. I have always said the care is paramount. What is the use of a great environment if the care is rubbish/dangerous. Many new homes have wonderful facilities, far better than residents would have at home – but it is sterile/hospital type environment with very high staff turnover rates. I think this is a fantastic move.

- To encourage investment in care which takes many years to recoup - it is important that the fee structure remains transparent, stable over years and fair. Significant changes mean that existing providers will not be able to get the backing of banks etc who will see the income stream as unreliable.

- The aspects of the physical environment that do impact on resident care should remain and be sufficiently reflected in the fee. So decoration, size of room, lifts etc should be included. Showers in each room could be excluded.

- I welcome it. Prior to our extension our building was totally inadequate and the highest banding we could achieve was Band 4 unless we scored 100% in the quality care audit.

The NCA have not responded to this question.

<u>Summary of responses</u>

There were mixed responses from providers about the proposal to change the audit process to reflect the 80% for quality and 20% for environmental factors, with some providers indicating that this would be seen as being fairer for the older, non-purpose built homes, whilst others commenting that this would not recognise the capital investment made by some providers who have upgraded their facilities and would not sufficiently provide incentives to other providers to improve their care home's environment in the future.

The Council's analysis and comments in relation to providers' responses to Question 10

As indicated by some providers in their feedback, service users and carers have higher expectations about the quality of the environment in terms of the fabrication of the building, the facilities offered and prefer single, larger rooms with en-suite facilities. It is recognised that these factors help maintain standards of efficiency, safety and hygiene. The Council would also want to continue providing sufficient incentive for care home providers to invest in the environmental aspects of their provision as well as the quality of care. It is proposed that the current model will continue with the quality/environmental split of 70/30 being retained.

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?

The responses received from providers are detailed in full, as follows:

- We support in principal but do not see why there is discrimination in favour of one care group. The same criteria should apply to all placements

- 'Should do.

- As long as the accreditation process is fair & not biased to new, purpose built homes

- More information required

- We are specialist dementia care providers, and as such do believe it is critical that staff have the correct training – this is a massive area and it could go on and on

- I agree with this approach. In developing the accreditation process consideration should be given to any endorsements/partnerships care homes have with external bodies such as the Alzheimer's Society. The process should also consider specific dementia training provided to staff to ensure that staff are skilled to deliver care more suitable to individual needs.

- Our Home already went through a detailed registration process with CQC to obtain a dementia registration. I am not sure what additional benefit a further accreditation will achieve other than an additional cost burden.

- I think more details are need on this before we could respond further.

- I do not agree fully with this. There is not a 'one fits all' solution for people with dementia and to impose criteria could leave very good homes out. Some homes do not have purpose built homes with circular paths etc, but can offer a much personalised service which is more important and which is difficult to measure with criteria. I would expect staff to have dementia care training and a plan in place as to how people are looked after, but to be more specific can be dangerous. If the council wishes to promote good dementia care services then I think they need to look at providing a more supportive role instead, e.g. training, sharing experiences amongst providers etc.

- [Name of home] have been addressing the quality of dementia provision within the industry for a number of years, including by the creation of an internal accreditation process. This has been hugely successful in developing the services we offer. in a number of regions throughout the country and which will

be rolled out to the homes providing care for people living with dementia within Nottinghamshire on a phased programme. We believe that such an accreditation, when managed properly does indeed give people greater understanding of the suitability of a home to support their own, individual needs, and does promote specialist dementia care.

- [Name of provider] are currently working towards creating an accreditation for Dementia services and this includes consideration on the following aspects:
    - Activities of daily living
    - Environment
    - Carer/qualified learning & development
    - Leaders trained as skilled Dementia Care Mappers
    - Specific care planning documentation to support residents needs more effectively

  To achieve all of this a significant investment is required from [name of provider] to provide the additional skills and the improved level of interaction. Residents with Dementia do require a higher level of staffing ratio to provide additional services and this needs to be reflected within the bandings.

- Care homes providing dementia services offer the appropriate environment and increased staffing levels. This also includes specifically trained staff in dementia awareness and interventions. The ratio of staff to residents is significantly higher in dementia care homes compared to general residential. 1:5 & 1:8 respectively

- I feel the accreditation process will only continue to create unnecessary expense to the tax payer. The CQC report, Quality Audit and visit of the home should be sufficient for any potential service user.

- Yes, provided the specialist services are given an appropriately Increased fee to reflect the specialist care.

- I think this approach is excellent and this will lead to enhancing dementia care in Nottinghamshire. Obviously I would be keen to see the details of the proposals to make a final judgement.

- A care home accreditation process is essential if people living with dementia are to receive the appropriate standard of care, but must utilise the Alzheimer's Society Standards and cover other areas such as training, the use of anti-psychotic medication and clear evidence of leadership in dementia care at the highest level.

- At present residents supported by Notts County Council with Dementia needs receive an additional £10.00 per week in the funding. This equates to £0.05 per hour, which can only be deemed a token contribution towards the care provided. Therefore, there needs to be put in place a more realistic remuneration for caring for residents with dementia needs.

  It was discussed at the meeting that increased funding in this regard was being considered in conjunction with a new process. Care Homes are already overburdened with Regulations, Audits, Inspections, reviews, etc and

therefore any new proposed layer of assessment criteria/accreditation process needs to be very carefully put together, so as not to add even further significant workloads for management staff.

The proposed system may well be useful in the respect that it may more clearly define/assess residents who have specific behavioural issues that can not be met safely in a Care Home or Care Home with Nursing, as these residents would need placements in Care homes that specialise in this area. This would help people choose care homes more suited to residents with this high level of need.

It is essential that any new system be transparent and made as simple as possible to minimise unnecessary extra work required from our already very busy staff. It is our experience that criteria's within systems are often changed, making it difficult to achieve a satisfactory outcome: for example getting residents assessed from Residential status to Nursing status.

The Notts Care Association must be involved in formulation any proposed new system

- The quality banding system already implies achievement/attainment of certain standards, further accreditation systems would seem to be unnecessary and potentially confusing.

- Yes – I do – on both counts. I am fully behind accreditation route

- I would need to see the specifics in more detail to usefully comment. But CQC already accredit care homes, does there need to be a duplicate process.

- Can the Council do this legally if CQC have registered a home to deliver dementia care? I doubt it will make any difference. People choose Band 1 and 2 homes irrespective of the quality of care provided

The NCA have not commented on this question.

<u>Summary of Response</u>

Feedback from the consultation shows that approximately half of the providers support the introduction of an accreditation process which, when properly managed, gives people a greater understanding of the suitability of a care home to support individual needs and helps promote good quality specialist dementia care. Providers also noted that consideration should be given to the Alzheimer's Society standards, covering areas such as training, usage of anti-psychotic medication and leadership in dementia care at the highest level. There was also a view noted that any accreditation process should not, in itself, be biased towards new or purpose built care homes and that specialist services needed to be appropriately remunerated to reflect the specialist care. Individual providers did offer the Council the opportunity to view their own dementia accreditation programmes.

Approximately a quarter of responses did not support the proposals with providers stating that the current banding system already implies attainment of standards or that the CQC registration process should suffice.

The Council's analysis and comments in relation to providers' responses to Question 11

The Council has clearly indicated to providers that one of its priorities in relation to this service is to support providers to improve the quality of dementia care. The current fee structure means that all providers who deliver dementia care services are awarded a dementia payment. However, currently, there are a number of care homes that, whilst providing services for people with dementia, are not able to demonstrate high quality dementia care.

The Council proposes to award a higher level of payment to those providers that are able to demonstrate and evidence high quality dementia care, including high level staff training. Those providers who are not able to demonstrate high quality dementia care will not be allocated the higher level of payment for new residents.

The Council has not yet developed the details of this initiative and proposes to work together with providers to consider different options and agree the best means of determining how and to which care homes the higher level payment would be allocated. The Council will seek the expertise of some providers who already deliver excellent dementia care services in the development and the implementation of the initiative. It is proposed that this will be implemented over a number of months with all new dementia care placements attracting the higher level payment where the providers have shown evidence of high quality dementia care.

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?

The responses received from providers are detailed in full, as follows:

- This is supported in principle but with an appropriate fee level. We have our own dementia programme and any operator who would deserve the accreditation should also have a system the incentive needs to be worthwhile and be geared to delivery of defined outcomes.

- Yes, in principle. The rewards, if any, should, possibly, be a % of income paid by the council.

- [Name of provider] supports this proposal. The criteria should be excellence in care. The prestige of being a Beacon Home would be reward enough.

- Yes, I really support your proposal and would be delighted to have the opportunity to be a 'Beacon' status home and assure you we would work flat out to help you achieve your goals

- I partly agree with this proposal since sharing good practice with homes with lower quality rating will improve the quality of service provision across Nottinghamshire. However there is a competitive disadvantage of 'excellent' homes assisting 'poorer quality' homes to improve. Given the area has excess capacity this approach may lead to an erosion of occupancy in the better homes.

- Further details of this scheme are needed before a detailed comment can be made

- I agree with the idea of sharing examples of excellence, but I don't really see what a 'beacon' status will do and if it will be fair. Can anybody achieve the beacon status or is it limited to a certain number? And who would give them the status and on what basis?

- We support this proposal, which we expect would enable improvements in quality across the county; a proposal which we, as a responsible and well-resourced corporate provider would be happy to take a lead role in. We would welcome the opportunity to meet with the local authority to discuss our accreditation process which is highly regarded within the industry.

- We support the proposal of the expectation that those homes would share examples of excellence, innovation etc and promote good practice both within,

and outside of, Nottinghamshire. The Beacon Status would need to be a home that has sustained level 4/5 banding and has evidence of internal quality monitoring processes which demonstrate positive outcomes for residents in their care.

- In principle we would embrace the concept, as an organisation we strive for continuous improvement in all areas of our homes.
- It would be important that should a home become a Beacon status home that they are not burdened with additional reviews or audits that impact the delivery of the services to the residents.

- Would like more information on this before I comment.

- To safeguard the 'beacon' status they will probably be only awarded to 5 star homes which is discriminatory to other homes and surely disadvantageous

- I welcome this approach and I think the long term benefits will become evident. Beacon homes must be selected on the basis those that achieving band 5 consistently. In current climate financial reward will be the most useful to these homes.

- Beacon Status Homes will recognise true innovation and commitment to caring for those living with dementia. Beacon status must include evidence that homes are providing training that makes a difference and that can be evidenced. This must be structured and shown career progression opportunities, with leadership training.

  Focus on engagement and interaction not entertainment.

  There is clear understanding about the needs of older people living with dementia and their families and that this is measurable. Life history work must be seen to happen with homes creating care based on individuals and their life experience and remaining strengths.

  The physical environment should reflect the need for space to walk and be orientated with themed areas and social meeting places such as cafes.

  Staff must feel confident and empowered to act as advocates for those living with dementia and the beacon homes should have Dementia Champions.

  Antipsychotic medication should be used as a last resort and this should determine part of a beacon homes status.

  Rewards should be in the form of an enhanced payment and priority placements for beacon homes. This could save the authority considerable amounts of money if people were not inappropriately placed in nursing care at great cost.

- It was discussed at the meeting the proposal for some Care Homes in Quality Band Five to be accredited with Beacon Status, to assist other Providers.
  I am unsure whether this could be achieved effectively as Providers historically are so busy running their own homes, that it may conflict with the time/effort expended in assisting others. The financial remuneration proposed to support this scheme would need to be fully compensatory for the time/input that would need to be expended to achieve satisfactory results.

- As per Q11 It is possible additional accreditation/status beyond the five quality bands could undermine the clarity and transparency of the existing system, funding could be better aimed to encourage Band 5 homes to expand their role to function as models for other homes could learn from, however there are likely issues re competition and investment that need to be resolved in order to achieve this.

- There should definitely be some reward – Not sure what the criteria should be

- The Beacon status should be open to all classifications of homes. Status should be for homes scoring highly on the care portion of the audit. The reward must be sufficiently large to more than cover all the Beacons homes additional costs and provide a significant financial incentive.

- Knowing we would achieve Beacon Status I welcome this. However Beacon Homes should contribute to supporting the development and improvement of other homes. In order for Homes to do this they would have to be rewarded financially otherwise why do it. Beacon Homes should participate in research to improve practice and performance. Beacon Homes should have a recognised kite mark.

The NCA did not specifically respond to this question.

<u>Summary of Response</u>

The majority of responses (three-quarters) supported the proposals although a number raised issues relating to whether the scheme would need to be financially incentivised.

4 providers fully supported the proposals and felt that the prestige of being a home with Beacon Status would be sufficient reward with a further provider supporting the proposals in principle but commenting that it was important that homes should not be overburdened with additional reviews/audits

A further 5 providers supported the proposals in principle but felt that they should be financially incentivised with a further provider simply stating that there definitely should be some reward but not specifically saying whether they supported the proposals or not

The Council's analysis and comments in relation to providers' responses to Question 12

The support indicated by providers in their consultation feedback in relation to this proposal is welcomed. The Council is of the view that, as well as providing help and support to providers to improve the quality of care, it is reasonable to also expect providers to support one another and their industry to achieve continuous improvement in the quality of care that they provide.

It is important to acknowledge that some providers in Nottinghamshire who provide excellent care services have already recognised and acknowledged the need for providers to help improve the standards of care across the care sector. Also, some of these providers have already expressed a keen interest in being actively involved in helping poorer quality care homes to improve their quality of care, through the use of mentoring schemes, sharing of knowledge, providing information on best practice etc.

The Council is keen to support and promote this approach and in doing so would also wish to reward excellent quality care providers through the award of Beacon Status.

The details of the initiative are yet to be determined and the Council will seek to work with providers at the developmental stages, ensuring that the excellent practice in existing dementia care homes is drawn up and used to help and inform the process. Consideration will also be given as to whether any remuneration will be given to those providers who are awarded beacon status in recognition of any additional costs they may incur in fulfilling the responsibilities aligned to the status.