

# **Thurrock Council**

## **Market sustainability and fair cost of care**

### **Annex B – Residential Care**

We have welcomed the additional opportunity to engage with our providers of residential care to discuss the long-term sustainability of the market. Although we have concerns about the accuracy of data produced by the Cost of Care (CoC) exercise (section 3) – we see this exercise as an opportunity to help inform our existing fee setting process and as a good basis for further discussion with our partners.

This exercise created insufficient time for us as a local authority to have the level of engagement with our providers that we would have liked. As such, we will be carrying out further analysis and having more detailed discussions with providers during quarter 3 and 4 of 2022/23.

#### **1. Data Collection Process**

As we are supportive of any opportunity to engage with our local providers to stabilise markets post pandemic, we have tried to assist our residential care partners throughout this process.

##### **1.1 Initial Engagement**

Initially providers were given, through circulation, details regarding the cost of care exercise as part of the social care reform and what this would mean for them. This led on to an invitation to submit their costs to participate in this exercise.

##### **1.2 Support & Advice**

To ensure the best possible data quality and submission numbers, we ran demonstration sessions for both domiciliary providers and care home providers, providing support and guidance around the use of the toolkit. This also included open communication with the LA for any queries or questions at any stage throughout.

##### **1.3 Extensions**

Our providers informed us that many were eager to participate however timescales were an issue. Extensions were given to ensure that those that wanted to submit had the opportunity to do so.

##### **1.4 Follow Ups**

During the data gathering stage of the CoC we have followed up with providers to offer further assistance and support, providing virtual and in-person 121 assistance

where required (particularly for smaller homes/organisations who do not have the same level of back-office function, making this exercise particularly burdensome).

### **1.5 Reviews & Amendments**

Whilst the majority of data submitted seemed consistent, some submissions included obvious outliers. These providers were contacted, and the data was discussed in order to gain an understanding of whether this was a true outlier or an error in the data submitted. In all instances we were able to work in partnership to correct the data submission and their submission was included within the final CoC Annex A.

### **1.6 Provider Engagement Meetings**

The constraints caused by the process (including the local decision to extend submission deadlines to encourage a representative response) has meant we have only been able to hold two provider engagement meetings between CoC provider submission and the submission of Annex A, B and C to government by the local authority.

It is essential for Thurrock Council to gather the views of providers and to explore any issues. Although these meetings have ensured that the providers have had some voice within this process, we are committed to further engagement post October to enable us to shape the final MSP submission.

## **2. Current Fee Setting Process**

As stated in the introduction, issues with the validity of data produced by the CoC exercise means as a Local Authority it would be difficult for us to move towards the 'median average' without further detailed work taking place.

However, it has been a great opportunity to gather detailed information and to start having more frequent conversations with providers about the long-term sustainability and shape of the market. In turn, this will allow us to review and ultimately adapt our existing fee setting process based on this feedback.

### **2.1 Fee Setting 2021/22**

A four-week consultation was held with Providers. Providers were sent documentation to complete regarding their business and finances and were asked to submit audited accounts to support their position. Providers were asked to consider several relevant factors including but not limited to the following:

- Work based pension scheme
- Changes to NLW legislations
- Covid 19
- EU Exit
- Void levels
- Local issues with staff recruitment e.g. competition for employment locally
- Interest rate for borrowing

- Economies of scale for larger providers /Additional challenges for smaller providers
- Local factors such as land value, wages locally etc

Provider meetings were then arranged (by market segment e.g. older people residential care, domiciliary care etc) for the last week of the engagement to enable providers to have a discussion about the fees paid and the main challenges they were facing.

This fee exercise resulted in us awarding a 5.67% increase to older people residential care (all levels of complexity) for 2021/22 in response to their submissions.

## **2.2 Fee Setting Moving Forward**

We have increased our knowledge regarding the challenges the market is currently facing through the additional opportunities for provider engagement that this exercise has afforded us (especially in regard to the current cost of living crisis which disappointingly the CoC exercise does not address as it uses data from 2021/22). As such, there are some additional pieces of work we need to carry out e.g. understanding the use of Top Ups, understanding the current challenges faced by providers due to the immediate economic situation etc (see section 3) to enable us to have a clearer picture of the residential market locally and its long term sustainability.

Once we have gathered this information, we will be able to review and revise as appropriate our existing fee setting process to ensure it takes account of this increased knowledge of the market.

The fee setting process will be developed alongside providers and will be the basis of how we set a fair price for care (reflecting level of need – again see section 3) in Thurrock.

## **3. Coc Exercise – Positives and limitation of the current data set**

The Local Authority has a legal duty to declare a balanced budget. We have welcomed the opportunity to focus on the long-term sustainability of both our older people residential care and our domiciliary care markets and value the time and effort put in by our providers. However, we are conscious that this exercise should only be seen in the context of our wider duties under the Care Act 2014, whether that be to different client groups (e.g., working age adults, carers) or alternative provision (e.g., information and advice, working age adults residential care, supported living, day opportunities, replacement care for unpaid carers). As such, as a local authority we must consider the sustainability of the whole market and the needs of all client groups as part of our budget and fee setting processes rather than just the provision/client groups addressed by the CoC exercise.

### **3.1 Response rate and provider engagement**

Due to the willingness of local providers of residential care to participate and the support from the local authority we were able to secure an 82% return rate for this market sector. This is higher than expected.

After support, no submissions were rejected and within the data we received, we could see a relatively consistent data set across the returns.

As such, we feel we have had a sufficient level of submissions to include the findings within our fee setting process.

### **3.2 Limitations**

The methodology proposed by the CoC exercise has resulted in a median value that is significantly different to the results from our existing fee setting process and equally important does not reflect how we currently commission care.

#### **3.2.1 Median Average and Commissioning Practice**

Although we understand that this process is a starting point to ensure a sustainable level of funding and was never intended to replace local fee setting processes (DHSC guidance), the creation of a median average does not reflect our local commissioning practice.

Thurrock Council currently commissions residential and nursing care based on need and has a staggered pricing structure based on complexity. By simply moving to two 'median averages' for residential care and nursing care, the methodology has not allowed for this complexity to be reflected. For example, we pay a higher rate for complex dementia care, but the data was included within the residential care median 'average' thereby disproportionately widening the gap between the median figure and current fee levels.

However, the granular detail provided through this exercise should enable us to review our fee setting process to make sure we are able to work with providers to move to a 'fair cost' but one that considers complexity of need and other factors such as the diversity of the market (also a Care Act requirement) rather than simply the median average reached through this exercise. However, it does give us an informed starting point for these discussions.

#### **3.2.2 Further Understanding Required**

It has been clear through this process that some discreet projects will need to be carried out to further understand the market and some of the fee levels that have been submitted. For example, at first glance we appear to have a greater reliance on 'Top Up's' compared to national averages – however initial investigations suggest that this may be largely for additional services/options that might be outside of scope for publicly funded service users. This may have affected the submission data but

only a more in-depth assessment of this and other factors detailed in the MSP will resolve this.

### 3.2.3 Challenges faced by providers since April 2022

As the data captured was based on 2021/22 but the majority of provider discussions have been in relation to the challenges faced by providers since the cost-of-living crisis, we believe a localised and up to date fee setting process will reflect the current situation more accurately (especially as changes are happening rapidly e.g. government support for businesses on fuel costs, taxation relief, rising inflation etc).

### 3.2.4 Unknown Financial Settlement

As stated in section 3, we have a legal duty to declare a balanced budget. As also stated, we have a responsibility to all client groups and segments of the provider market not just the ones included in the CoC exercise.

We are committed to working with our providers to move towards a rate that both parties deem to be sustainable in our local market. For example, we have identified in the Market Sustainability Plan a specific need to support the recruitment and retention of the social care workforce in Thurrock and accept that we need to target support in this area.

However, until we have received the financial settlement figure for Thurrock, we are unable to detail how quickly we can move towards a figure that is agreed as sustainable and any one off or ongoing targeted funding.

## 4. Financial Analysis

| Cost of care exercise results – all cells should be £ per resident per week | Count of responses | Lower quartile | Median | Upper quartile |
|---|--------------------|----------------|--------|----------------|
| <b>• Care home staffing:</b>  |                    |                |        |                |
| ○ Nursing Staff   | 0                  | 0              | 0      | 0              |
| ○ Care Staff  | 9                  | 274.09         | 275.35 | 324.41         |
| ○ Therapy Staff (Occupational & Physio)                                     | 0                  | 0              | 0      | 0              |
| ○ Activity Coordinators   | 9                  | 6.09           | 6.89   | 9.49           |
| ○ Service Management (Registered Manager/Deputy)                            | 9                  | 24.72          | 30.95  | 34.64          |
| ○ Reception & Admin staff at the home                                       | 8                  | 6.71           | 6.955  | 7.265          |
| ○ Chefs / Cooks   | 9                  | 12.13          | 13.48  | 23.85          |
| ○ Domestic staff (cleaning, laundry & kitchen)                              | 9                  | 24.35          | 40.64  | 42.14          |
| ○ Maintenance & Gardening   | 9                  | 6.27           | 7.4    | 8.44           |
| ○ <i>other care home staffing (please specify)</i>                          | 4                  | 14.24          | 29.27  | 53.61          |
| <b>• Care home premises:</b>  |                    |                |        |                |
| ○ Fixtures & fittings   | 3                  | 3.55           | 4.47   | 5.955          |
| ○ Repairs and maintenance   | 9                  | 8.03           | 16.07  | 19.87          |
| ○ Furniture, furnishings and equipment                                      | 5                  | 6.49           | 8.79   | 9.07           |

|   |          |               |               |               |
|---|----------|---------------|---------------|---------------|
| ○ <i>other care home premises costs (please specify)</i>              | 4        | 8.88          | 33.7          | 72.04         |
| <b>• Care home supplies and services:</b>                             |          |               |               |               |
| ○ Food supplies   | 9        | 28.93         | 29.97         | 31.38         |
| ○ Domestic and cleaning supplies                                      | 9        | 5.83          | 5.96          | 6.89          |
| ○ Medical supplies (excluding PPE)                                    | 9        | 0.49          | 1.17          | 3.32          |
| ○ PPE   | 4        | 1.98          | 2.48          | 3.28          |
| ○ Office supplies (home specific)                                     | 9        | 1.69          | 1.75          | 2.41          |
| ○ Insurance (all risks)   | 9        | 3.76          | 4.53          | 5.66          |
| ○ Registration fees   | 9        | 3.19          | 3.3           | 3.85          |
| ○ Telephone & internet  | 9        | 0.37          | 1.02          | 3.09          |
| ○ Council tax / rates   | 9        | 0.55          | 0.61          | 0.88          |
| ○ Electricity, Gas & Water  | 9        | 21.32         | 23.97         | 29.23         |
| ○ Trade and clinical waste  | 9        | 2.54          | 3.91          | 4.02          |
| ○ Transport & Activities  | 8        | 0.025         | 0.285         | 5.25          |
| ○ <i>Other care home supplies and services costs (please specify)</i> | 8        | 3.76          | 10.83         | 17.65         |
| <b>• Head office:</b>   |          |               |               |               |
| ○ Central / Regional Management                                       | 7        | 29.55         | 56.49         | 56.63         |
| ○ Support Services (finance / HR / legal / marketing etc.)            | 8        | 0.99          | 1.14          | 6.91          |
| ○ Recruitment, Training & Vetting (incl. DBS checks)                  | 9        | 1.93          | 6.11          | 8.96          |
| ○ <i>Other head office costs (please specify)</i>                     | 2        | 2.25          | 4.12          | 3.65          |
| <b>• Return on Operations</b>   | 4        | 120.42        | 133.38        | 126.73        |
| <b>• Return on Capital</b>  | 6        | 168.52        | 200           | 200           |
| <b>TOTAL</b>  | <b>9</b> | <b>791.85</b> | <b>845.91</b> | <b>865.62</b> |

**65+ care home places with nursing/ enhanced needs;**

| Cost of care exercise results – all cells should be £ per resident per week | Count of responses | Lower quartile | Median | Upper quartile |
|---|--------------------|----------------|--------|----------------|
| <b>• Care home staffing:</b>  |                    |                |        |                |
| ○ Nursing Staff   | 0                  | 173.31         | 179.13 | 197.70         |
| ○ Care Staff  | 9                  | 256.23         | 259.66 | 267.05         |
| ○ Therapy Staff (Occupational & Physio)                                     | 0                  |                |        |                |
| ○ Activity Coordinators   | 9                  | 10.14          | 12.17  | 12.76          |
| ○ Service Management (Registered Manager/Deputy)                            | 9                  | 27.84          | 30.95  | 31.58          |
| ○ Reception & Admin staff at the home                                       | 8                  | 6.72           | 7.24   | 7.29           |
| ○ Chefs / Cooks   | 9                  | 10.11          | 10.41  | 17.13          |
| ○ Domestic staff (cleaning, laundry & kitchen)                              | 9                  | 34.52          | 40.64  | 48.09          |
| ○ Maintenance & Gardening   | 9                  | 3.47           | 6.32   | 6.86           |
| ○ <i>Other care home staffing (please specify)</i>                          | 4                  | 87.01          | 87.01  | 87.01          |

|   |          |               |                |                |
|---|----------|---------------|----------------|----------------|
| <b>• Care home premises:</b>  |          |               |                |                |
| ○ Fixtures & fittings   | 3        | 7.44          | 7.44           | 7.44           |
| ○ Repairs and maintenance   | 9        | 11.07         | 14.57          | 15.32          |
| ○ Furniture, furnishings and equipment                                | 5        | 19.96         | 31.14          | 42.31          |
| ○ <i>Other care home premises costs (please specify)</i>              | 4        | 115.67        | 115.67         | 115.67         |
| <b>• Care home supplies and services:</b>                             |          |               |                |                |
| ○ Food supplies   | 3        | 28.84         | 28.93          | 28.88          |
| ○ Domestic and cleaning supplies                                      | 3        | 5.73          | 5.83           | 5.67           |
| ○ Medical supplies (excluding PPE)                                    | 3        | 5.25          | 5.49           | 5.12           |
| ○ PPE   | 1        | 2.66          | 2.66           | 2.25           |
| ○ Office supplies (home specific)                                     | 3        | 1.26          | 1.57           | 2.46           |
| ○ Insurance (all risks)   | 3        | 4.93          | 5.33           | 5.29           |
| ○ Registration fees   | 3        | 3.35          | 3.53           | 3.54           |
| ○ Telephone & internet  | 3        | 0.69          | 1.02           | 2.01           |
| ○ Council tax / rates   | 3        | 0.42          | 0.42           | 1.71           |
| ○ Electricity, Gas & Water  | 3        | 21.73         | 36.57          | 29.15          |
| ○ Trade and clinical waste  | 3        | 3.03          | 4.04           | 3.01           |
| I ○ Transport & Activities  | 2        | 0.10          | 0.18           | 1.18           |
| ○ <i>Other care home supplies and services costs (please specify)</i> | 3        | 3.67          | 4.04           | 3.49           |
| <b>• Head office:</b>   |          |               |                |                |
| ○ Central / Regional Management                                       | 3        | 6.99          | 8.75           | 6.11           |
| ○ Support Services (finance / HR / legal / marketing etc.)            | 3        | 3.45          | 6.13           | 4.99           |
| ○ Recruitment, Training & Vetting (incl. DBS checks)                  | 3        | 1.43          | 1.93           | 2.21           |
| ○ <i>Other head office costs (please specify)</i>                     | 1        | 7.85          | 7.85           | 7.85           |
| <b>• Return on Operations</b>   | 2        | 152.44        | 164.86         | 146.23         |
| <b>• Return on Capital</b>  | 2        | 168.52        | 179.01         | 126.89         |
| <b>TOTAL</b>  | <b>3</b> | <b>998.01</b> | <b>1008.11</b> | <b>1003.06</b> |

For both the residential and the nursing and enhanced levels of care, the median values are both significantly higher than the current rate which the Council pays

We do not believe that using the median value across this data set represents an accurate method of calculating a rate of care.

The cost of care exercise has calculated a rate of £845.91 and £1,008.11 for residential and nursing care respectively. This is in excess of what the Local Authority has currently calculated as a reasonable rate to pay based on local factors and the issues identified in section 3.

The median valuation, and the upper and lower quartile results do not accurately represent what we believe to be the true local market conditions within Thurrock, where the provision of residential care has been relatively stable in recent years.

We do however appreciate that there is a need to engage closely with providers to ensure that they remain a going concern.

The major contributing factor to the data, in our opinion, not providing an accurate result is in the level of ROC which is being calculated in the outcome, at 23.6% and 17.7% for residential and nursing care. At this stage we have not manually adjusted for this, as we were keen to demonstrate the results as they were received directly from providers. We will explore this more within our own fee setting process.

Several homes are rented and therefore have different conditions for ROO – it has been hard to draw conclusion over a market position for this section due to this and '0' values submitted within a number of submissions. Meaning the median ROO & ROC is based on only 50% of submissions

**Annex A, Section 3 – Median Values;**

| Cost of care exercise results - all cells should be £ per resident per week | 65+ Without Nursing - Median | 65+ With Nursing - Median |
|---|------------------------------|---------------------------|
| <b><u>Care Home Staffing:</u></b>   |                              |                           |
| o Nursing Staff   | 0                            | 179.13                    |
| o Care Staff  | 275.35                       | 259.66                    |
| o Therapy Staff (Occupational & Physio)                                     | 0                            | N/A                       |
| o Activity Coordinators   | 6.89                         | 12.17                     |
| o Service Management (Registered Manager/Deputy)                            | 30.95                        | 30.95                     |
| o Reception & Admin staff at the home                                       | 6.955                        | 7.24                      |
| o Chefs / Cooks   | 13.48                        | 10.41                     |
| o Domestic staff (cleaning, laundry & kitchen)                              | 40.64                        | 40.64                     |
| o Maintenance & Gardening   | 7.4                          | 6.32                      |
| o <i>Other care home staffing (please specify)</i>                          | 29.28                        | 87.01                     |
| <b><u>Care Home Premises:</u></b>   |                              |                           |
| o Fixtures & fittings   | 4.47                         | 7.44                      |
| o Repairs and maintenance   | 16.07                        | 14.57                     |
| o Furniture, furnishings and equipment                                      | 8.79                         | 31.14                     |
| o <i>Other care home premises costs (please specify)</i>                    | 33.7                         | 115.67                    |
| <b><u>Care Home Supplies and Services:</u></b>                              |                              |                           |
| o Food supplies   | 29.97                        | 28.93                     |
| o Domestic and cleaning supplies  | 5.96                         | 5.83                      |
| o Medical supplies (excluding PPE)  | 1.17                         | 5.49                      |
| o PPE   | 2.48                         | 2.66                      |
| o Office supplies (home specific)   | 1.75                         | 1.57                      |
| o Insurance (all risks)   | 4.53                         | 5.33                      |
| o Registration fees   | 3.3                          | 3.53                      |
| o Telephone & internet  | 1.02                         | 1.02                      |
| o Council tax / rates   | 0.61                         | 0.42                      |
| o Electricity, Gas & Water  | 23.97                        | 36.57                     |
| o Trade and clinical waste  | 3.91                         | 4.04                      |
| o Transport & Activities  | 0.29                         | 0.18                      |



|  |               |                |
|--|---------------|----------------|
| ○ <i>Other care home supplies and services costs (please specify)</i>                                | 10.83         | 4.04           |
| <b>Head Office:</b>  |               |                |
| ○ Central / Regional Management  | 56.49         | 8.75           |
| ○ Support Services (finance / HR / legal / marketing etc.)   | 1.135         | 6.13           |
| ○ Recruitment, Training & Vetting (incl. DBS checks)   | 6.11          | 1.93           |
| ○ <i>Other head office costs (please specify)</i>  | 4.115         | 7.85           |
| • <b>Return on Operations</b>  | 133.38        | 164.86         |
| • <b>Return on Capital</b>   | 200           | 179.01         |
| <b>Median TOTAL</b>  | <b>845.91</b> | <b>1008.11</b> |
| • <b>Supporting information on important cost drivers used in the calculations:</b>                  |               |                |
| ○ <i>Number of location level survey responses received</i>  | 9             |                |
| ○ <i>Number of locations eligible to fill in the survey (excluding those found to be ineligible)</i> | 11            |                |
| ○ <i>Number of residents covered by the responses</i>  | 215           |                |
| ○ <i>Number of carer hours per resident per week</i>   | 226.57        |                |
| ○ <i>Number of nursing hours per resident per week</i>   | 0             |                |
| ○ <i>Average carer basic pay per hour</i>  | 9.96          |                |
| ○ <i>Average nurse basic pay per hour</i>  | 0             |                |
| ○ <i>Average occupancy as a percentage of active beds</i>  | 97%           |                |
| ○ <i>Freehold valuation per bed</i>  |               |                |

We requested that providers completed the returns using their 2021/22 financial outturn data.

As stated in 2.1, at the beginning of the financial year, the Council applied an inflationary uplift of 5.67% to the weekly rate for residential and nursing care. This took into account changes in the national living wage, and other inflationary factors. In addition, this also included an upwards fee adjust to represent the increase in employer national insurance contributions. At the time of writing, this appears to be being put back to the 13.8% level

Following the cost of care exercise, the Council will consider the implications and the results of the data as part of a review of the current process and look closely at submissions which were received.

We do not feel that the cost of care exercise should be used as a replacement to the Councils current fee setting process, but it does provide a level of granular detail which helps to provide a much more informed decision. We recognise and acknowledge that there is useful information within the returns received as a result of the exercise.

Future inflationary uplifts are heavily influenced by the Central Government view of national economic factors, including, but not limited to national living wage rises, fuel prices and the rate of inflation.

This corresponds to the key cost drivers, with those being workforce recruitment and retention, utilities and food costs. We are of the view that increases in costs in these areas need to be reflected in the uplifts given to providers in so far as they are not financially disadvantaged, and therefore fact the threat of not being able to operate a sustainable business model.

The 2023/24 local government finance settlement will be a key part of the fee setting process. This will inform the Local Authority of the level of grant funding to be awarded to finance the fair cost of care process, and the level of inflationary uplift being awarded to local government to implement the governments objectives.

It is our view that there needs to be a direct correlation between the economic assumptions with the finance settlement, and the approach that the Council takes within its fee setting process. There cannot be a wide disparity between central government assumptions and those of the Council and the cost of care exercise, as this will lead to a significant cost pressure, and unrest in the sector which will not be sustainable.

We have conducted some internal analysis to try and predict the cost of care funding allocation, using the relative needs formula. This is indicating that there is a significant gap between the rate of care demonstrated in the tables above, and that which the Council could receive in the funding settlement.

This represents a huge potential risk to the Council and is currently reflected in the Council's medium term financial strategy, and risk register.

We recognise the governments ambitions to pay provides a fair cost of care, but the underlying financial issues within the system needs to be addressed as part of this process. The cost of care paid to providers will need to be within the constraints of the grant funding within the financial settlement.

The Councils ultimate fee setting decision will also need to take into account any other measures which Central Government is planning to implement in order to support business in general, or specifically within the Care sector to help them to operate effectively.