



Leicestershire County Council Fair Cost of Care

Final Report

Author: Ian Kirby

Date: 20 March 2019



Document Control

Document Title:	Leicestershire County Council – Cost of Care		
Date:	20.3.2019	Version:	Final
Issue:			
Sponsor:	Fiona McMahon		
SRO:	Kay Springthorpe/Dave Pruden		
Portfolio Holder			
Authors	Ian Kirby		

Date	Approval	Version	Signature

Contents

Document Control.....	2
Executive Summary.....	4
Legislative Context.....	7
Approach & Methodology	9
The Modelled Data.....	12
Benchmarking	15
Annual Uplift Proposal.....	17
Supplementary Needs Assessment Proposal.....	18
Options for Phase 2 Consultation	19
Assumptions.....	20
Appendix 1: Fee Review Template.....	22
Appendix 2: Consultation Feedback	23

Executive Summary

Purpose

The purpose of this report is to provide the background, methodology and findings from the Leicestershire County Council Cost of Care exercise, undertaken by C.Co in respect of Residential Care provision in the county, and to provide the Council with options to consider in the next phase of consultation.

This report outlines:

- The approach adopted to calculate a local cost of care
- The context and importance of setting Residential Care fees based on a local cost to deliver care
- The methodology, key cost elements, considerations and assumptions applied in establishing a local cost of care
- The outputs of data and fee modelling activity derived from a data gathering exercise with Residential Care providers
- The outputs of benchmarking analysis with comparator authorities.

This report is the final report which summarises C.Co's findings and presents an evidence base to inform how the Council may set future fee levels and commission Residential Care services.

Information provided to inform the actual cost of care was provided by Residential Care providers. on the undertaking that data obtained from the data gathering exercise would not be used for any purposes other than to inform its fee review. However, at the conclusion of the data gathering period, C.Co had received data for 37 properties. Of the 37 submissions only 13 used the agreed template. The submissions received were of varying quality and consistency. Those submitted in formats other than the agreed template lacked the 'granularity' of detail to support detailed modelling. As a consequence, fee modelling for older age residential and working age adults was based on small numbers of provider data. In a small cohort, the price of one provider can have a significant influence on the overall fee in any one category. C.Co is therefore providing a range of fee options, where it is appropriate to do so.

All raw data and information provided is treated as confidential material. The information provided has not been disclosed to any internal or external stakeholders with the exception of those involved in the cost of care exercise. The analysis contained within this report does not reference individual providers. Every effort has been made to ensure data is anonymised due to the nature and content of the report, including potentially commercially sensitive information.

Scope

Included within scope of the project is residential older age adult and working age adult care provision in the Leicestershire County area and principally:

- The development and publication of an appropriate template with which to capture from providers the local cost of care provision
- The establishment of a local cost of care having regard to local data, national benchmarks and experience of the market
- To advise on approaches for the calculation of ‘supplementary needs allowances’ and the annual uplift

At a project group ‘round table’ meeting in November, at the request of the Finance Business Partner – Adults & Communities, it was agreed that the data gathering and fee determination exercise undertaken by C.Co would inform a financial modelling exercise that would be undertaken by the Council’s internal Finance Service. This exercise would determine the affordability of the output of the C.Co exercise.

Headline Fee Summary

Following the submission of data provided by Leicestershire Providers and given the low volume of returns and its variance in format, quality and depth C.Co is proposing fee range options for local fee level consideration:

Older Age Adult Residential (19 hours)	£561 - £585 per week
---	----------------------

C.Co is also proposing three options for the Older Age Adult ‘Residential+’ plus fee. Residential is based upon 19 hours of care and residential+ is based upon 24 hours of care. The options proposed for residential+ apply different levels of staffing uplift. The upper and lower ranges are shown below.

Older Age Adult Residential+ (24 hours – 5 additional hours at SNA rate)	£619 - £643
Older Age Adult Residential+ (24 hours – 26% staffing uplift)	£645 - £671
Older Age Adult Residential+ (24 hours – 35% staffing uplift)	£674 - £701

C.Co is proposing a single fee level for working age adults.

Working Age Adults	£705 per week
---------------------------	---------------

In addition, C.Co has modelled and recommended approaches for:

- Options for an annual uplift that are derived from a blend of the ONS published Average Weekly Earnings and the Consumer Price Index, split on direct and indirect costs. The proportion of split between staffing/direct costs and non-direct costs provides the two options presented.
- An approach to supplementary needs allowances that is based on a blended hourly rate of **£11.36** for staff providing the additional care needs and split 70:30, carer to senior carer and including a 5% premium to cover any non-core hours activity, such as night time working or bank holidays.

Legislative Context

The Care Act 2014 places duties on local authorities to facilitate and shape the whole publicly-funded and self-funded care and support market. The legislation also requires authorities to provide choice that delivers intended outcomes and improves wellbeing. Unlike previous case law, the Care Act strengthens the general duties of councils when setting fees. Relevant features of the Act include:

An obligation on councils to:

...promote the efficient and effective operation of a market in services for meeting care and support needs with a view to ensuring that any person in its area wishes to access services in the market.

...has a variety of providers to choose from who (taken together) provide a variety of services.

...has a variety of high-quality services to choose from

...has sufficient information to make informed decision about how to meet the needs in question.

In delivering this obligation, councils must, ensure sustainability of the market alongside ensuring that sufficient services are available for meeting the needs for care and support of adults in its area

In addition, the Care Act's accompanying guidance also states that local authorities should have evidence that the fee levels they pay for care and support services enable the delivery of agreed care packages and support a sustainable market.

When commissioning services, local authorities should assure themselves and have evidence that contract terms, conditions and fee levels for care and support services are appropriate to provide the delivery of the agreed care packages with agreed quality of care. This should support and promote the wellbeing of people who receive care and support and allow for the service provider to meet statutory obligations to pay at least the national minimum wage and provide effective training and development of staff. It should also allow retention of staff commensurate with delivering services to the agreed quality and encourage innovation and improvement.

Local authorities should understand the business environment of providers offering services in their area and seek to work with providers facing challenges and understand their risks.

Councils need to ensure a sufficient overall pool of efficient providers, and to achieve this commissioners will need to allow for a reasonable rate of return by independent providers when setting fee rates along with ensuring a sustainable market of good quality care.

Local authorities must not undertake any actions which may threaten the sustainability of the market as a whole, that is, the pool of providers able to deliver services of an appropriate quality – for example, by setting fees below an amount which is not sustainable for the provider in the long term.

The personal budget is defined as the cost to the local authority of meeting the person's needs which the local authority chooses or is required to meet. However, the local authority should take into consideration cases or circumstances where this 'cost of the local authority' may need to be adjusted to ensure that needs are met...In all cases the local authority must have regard to the actual cost of good quality care in deciding the personal budget to ensure that the amount is one that reflects local market conditions.

Councils must ensure that people are able to choose between a range of providers when care is required in a residential setting:

Where a Local Authority is responsible for meeting a persons care and support needs and their needs have been assessed as requiring a particular type of accommodation in order to ensure they are met, the person must have the right to choose between different providers of that type of accommodation provided that:

...the accommodation is suitable in relation to the persons assessed needs;

...to do so could not cost the local authority more than the amount specified in the adults personal budget or accommodation of that type;

...the accommodation is available and

...the provider of that accommodation is willing to enter into a contract with the local authority to provide the care at the rate identified in the person's personal budget on the local authorities terms and conditions.

The Care Act places an expectation on the council that the fees set for all types of care should take account of both the actual cost of good quality care and the need to ensure a diverse provider market. In addition, it is clear that fees need to be set at such a level to allow providers to recover reasonable costs and remain competitive.

Local Context

The Care Quality Commission (CQC) database identifies that there are 183 active locations within the Leicestershire area registered under the provision of the Health & Social Care Act. Of these 30 are registered nursing care providers and 152 residential care providers.

The majority of these care homes are located within the Leicestershire county boundary and are operated by private sector organisations. There is a mixture of local and national providers with homes operated as standalone care homes and care home groups who operate two or more properties in in the Leicestershire area.

Approach & Methodology

There are various possible means to arrive at an understanding of cost and quality, but locally informed cost and quality modelling based on the actual costs incurred is the most reliable and relevant to Leicestershire County Council (LCC). The approach adopted in this exercise, recognises that good commissioning practice requires an understanding of both the market and the providers costs incurred in running the business. Critical to sustainable provision, providers need sufficient cash flow to service costs and a sufficient return to ensure continuation of the business in the long term – meaning the outcome of this exercise has to be affordable, reasonable and most importantly fair.

Agreeing the Cost of Care Template

To support the review process, a cost of care template with a suggested breakdown between staffing, hotel and overhead costs was developed and shared with the Council. The template was reviewed and revised following feedback and presented as scheduled to the 3 October 2018 meeting of the Provider Reference Group (PRG). Further revisions following input from the PRG together with the addition of notes for individual line items enabled a ‘final’ template to be agreed for consultation with providers (Appendix 1).

The construct of the template was formally consulted upon, with providers, as part of the Council’s first phase of consultation on the ‘Provider Fee Review’. The first consultation stage sought provider’s views on proposed changes to Banding Descriptions for Older Adult placements; the use of the Care Funding Calculator for Working Age Adults; revisions to the Standard Cost Model; the proposed removal of Quality Assurance Framework (QAF) premium payments and resultant contractual changes. The formal consultation commenced on 14 November 2018 and ran to 9 January 2019.

Although formal submission of provider fee data was not requested as part of this initial consultation, on 16 November providers were invited to submit their data early to inform the process of establishing a local cost of care fee.

Although no changes to the template were proposed through consultation, a number of clarifications and/or questions regarding the template, the modelling and the capture of hotel costs were received. The clarifications/questions received that relate to the template and the fee modelling, together with both the Council and C.Co responses are attached as Appendix 2.

Template Design Features

The template's individual line items were structured under the following headings: Staff; Other Staff Costs; Building Costs; Direct Running Costs; and Corporate Costs as follows:

- Staff**
 - Carer
 - Senior Carer
 - Cook
 - Domestic Staff
 - Qualified Nursing Staff
 - Allied Healthcare Professional
 - Registered Manager
 - Deputy Manager
 - Office/Administrative Staff
 - Activities Staff/Leaders
 - Maintenance Officers

- Staff Costs**
 - Paid Annual Leave
 - Employer Pension Contributions
 - Employers' NI Contributions
 - Training Costs
 - Training Backfill
 - Overtime (inc. unsociable hours)
 - Agency Staff
 - Professional Fees
 - Apprenticeship Levy

- Building Costs**
 - Day to Day and Cyclical Maintenance
 - Grounds Maintenance
 - Service Contracts
 - Provision for Capital Expenditure
 - Rent or Mortgage Payment
 - Business Rates

- Direct Running Costs**
 - Utilities
 - Food
 - Activities
 - Waste Disposal
 - Nursing & Personal Care
 - Registration/DBS
 - Cleaning/Kitchen Supplies
 - Direct Training Costs
 - Office Costs
 - Insurance

- Equipment
- Vehicle Costs
- Linen
- Sundries

Corporate Costs

- Corporate Management/Overheads
- Return on Capital
- Operator's Return (Profit)

The template included explanatory notes to aid its completion and clarify the definition of individual line items.

Quality of Accommodation

At the specific request of the Council, the proposed cost of care makes no differentiation between properties based on their physical state. The cost model assumes that all property meets the National Minimum Standards for Care Homes for Older People, 2nd Edition February 2002 and no 'floor rate' deduction has been made from the property element.

Voluntary Completion of the Template/Provision of Data

The final data capture template was completed following discussion with the Provider Reference Group (PRG) and was issued to all providers shortly after the issue of consultation 1. Providers were informally requested to either complete the template for their home(s) or submit relevant cost data in any other appropriate format such as a profit and loss statement. C.Co maintained a log of all provider contact and any specific responses exchanged directly with providers. Contact and the flow of data was reported, in terms of progress, on the project highlight reports and discussed during the weekly catch-up meetings.

At the conclusion of the data gathering period, C.Co had received data for 37 properties. Of the 37 submissions only 13 used the agreed template. The submissions received were of varying quality and consistency. Those submitted in formats other than the agreed template lacked the 'granularity' of detail to support detailed modelling. To provide a meaningful cost of care, C.Co has consolidated available data into three distinct areas:

- The cost of staffing
- The cost of paying for and running the home
- The returns to the company or individual owner in terms of overhead, any return on capital and the profit they take.

The Modelled Data

In order to model a local cost of care, C.Co removed those providers who submitted ‘Group’ or ‘national’ standard care costs for their homes and those homes ‘out of area’ which had been submitted as part of this exercise. A risk-based review of submitted data also led to the removal of some homes from certain calculations as they were deemed significant ‘outliers’ when compared to other properties in the cohort. As a result, the number of homes included in each provider-type cohort was as follows:

- Older Age residential is based upon 8 properties
- Working Age standard hotel costs are based upon 5 properties

The size of the cohorts meant that the submission of one set of provider data could have a disproportionate impact on the overall fee level, the removal of one or more provider from a cohort clearly has an impact on the overall size of that cohort and the ‘local’ information from which to derive a fee. As a result, C.Co is unable to provide a definitive care fee for Older Age Adults and has therefore modelled an upper and lower limit. This range provides options for the Council to consider during the next phase of consultation.

Data is based upon 2018/19 figures and will require the application of the agreed uplift for 2019/20.

Older Age Adults

Given the low volume of returns and the variance in format, quality and depth of data, C.Co is proposing a standard local ‘residential’ cost of care for older age adults of between **£561 and £585 per resident per week**. This range is based on 2018/19 data and includes a 2.4% enhancement to reflect an occupancy rate of 93%, rather than a fee based upon 100% occupancy. The lower range figure of **£561** is significantly higher than both Band 3 and Band 5 rates for 2018/19 (£466 and £555 respectively) but is below the Lang Buisson ‘ceiling’ rate of £684.

In order to determine a ‘residential+’ rate for older age care, this report presents three options which use the ‘residential’ rate as a base figure but increase the staffing element to reflect the difference of 24 rather than 19 hours of care per week required. The options are presented as follows:

1. Increase the staffing element for 24 hours of care by the proposed SNA blended hourly rate of £11.36, for each additional hours of care. This would provide a range of between **£619 and £643**.
2. Increase the staffing element by 26% to reflect the percentage increase in care hours between ‘residential’ and residential+'. This approach would see a residential+ rate of between **£645 and £671**.
3. Increase the staffing element by 35% to reflect both the increase in care hours and a recognition that more complex care may require more training and backfill, require more one to one care and reflect a ‘well-being’ need for the individual carer. This approach would see a residential+ rate of between **£674 and £701**.

The detailed calculations for older age adults lower and upper range is as follows:

Total staffing	316	Total staffing	325
Total property costs (exc rent/mortgage)	32	Total property costs (exc rent/mortgage)	34
Other property costs	77	Other property costs	77
Corporate overheads	28	Corporate overheads	30
Return on capital	76	Return on capital	77
Operators return	19	Operators return	28
TOTAL	547	TOTAL	571
Total direct costs	425	Total direct costs	436
Total overheads/return	123	Total overheads/return	135
Total	547	Total	571
2.4% Occupancy Uplift		2.4% Occupancy Uplift	
Residential	561	Residential	585
SNA Rate £11.36/hour	619	SNA Rate £11.36/hour	643
Residential+ (26%)	645	Residential+ (26%)	671
Residential+ (35%)	674	Residential+ (35%)	701

The lack of detailed information reduced the amount of verification that could be completed

Working Age Adults

C.Co is recommending a standard cost of care for working age adults of **£705**. The original intention was to produce standard local ‘hotel’ costs for working age adults along the lines of those identified in the National Care Funding Calculator (NCFC), an online tool, produced by iESE a public sector transformation company, that uses market data to enable the negotiation for the provision of ‘specialist’ and/or complex care placements. However, as described above, the lack of templated, granular local data to support the modelling exercise has meant that C.Co has only been able to produce a figure constituting the three broad areas of staffing, running costs and operators’ return. A high level comparison of the NCFC and the C.Co calculation shows hotel costs of broadly £157 and £142 respectively. The Council, therefore has an option to consult on the C.Co local data figure or to adjust it to reflect the CFC hotel cost. It is recommended that the NCFC is used to determine fees for care in excess of the standard £705 rate.

There is no equivalent Lang Buisson comparison for working age adult care.

The detailed calculation for working age adults is as follows:

Total staffing	428
Total property costs (exc rent/mortgage)	28
Other property costs	69
Corporate overheads	46
Return on capital	66
Operators return	52
TOTAL	688
2.4% Occupancy Uplift	<u>Standard</u>
	705

Benchmarking

To further understand the cost of care and to support the Council's fee setting process, benchmarking has been undertaken with comparator and neighbouring authorities. Comparator authorities have been identified through CIPFA comparator profiles with research undertaken on publicly available information through the Lang Buisson cost of care fee benchmarks (9th Edition) and through the 'Residential Care Calculator' on the UK Care website.

To contextualise the proposed weekly care fees, C.Co has compared both the residential and residential+ (26% staffing uplift) with both Lang Buisson 'floor' and 'ceiling' rates, as follows:

Statistical Neighbour	Lang Buisson	Lang Buisson	UK Care 2018	C.Co Modelled Rates	
	Floor	Ceiling		Residential	Residential+
Buckinghamshire	£669.00	£728.00	£941.83		
Oxfordshire	£665.00	£725.00	£901.35		
Hampshire	£659.00	£718.00	£772.42		
Gloucestershire	£657.00	£716.00	£948.23		
Devon	£657.00	£716.00	£719.15		
Suffolk	£654.00	£713.00	£772.42		
Somerset	£654.00	£713.00	£772.42		
North Yorkshire	£638.00	£697.00	£719.15		
Warwickshire	£635.00	£694.00	£719.15		
Worcestershire	£634.00	£693.00	£719.15		
Staffordshire	£629.00	£689.00	£665.89		
Leicestershire	£625.00	£684.00	£665.89	£585.00	£671.00
Northamptonshire	£624.00	£683.00	£612.62		
Nottinghamshire	£624.00	£679.00	£612.62		
Cumbria	£621.00	£680.00	£665.89		
Derbyshire	£620.00	£680.00	£612.62		
Overall average	£641.56	£700.50	£738.80		

The comparison shows that the modelled rate for residential care is significantly below both the anticipated Lang Buisson floor rate and the UK Care estimate of residential care in the Leicestershire Area. However, the residential plus rate is broadly in line with both Lang Buisson and UK Care models.

The Council's current residential care (Band 3) rate is £466, some 20% below the proposed rate of £585. Further comparison using the regional fee monitoring data produced by the Association of Directors of Adult Social Services (ADASS) shows that the C.Co proposed standard 2018/19 fee rate of £585 would make the Council the highest payer of Older Adult fees.

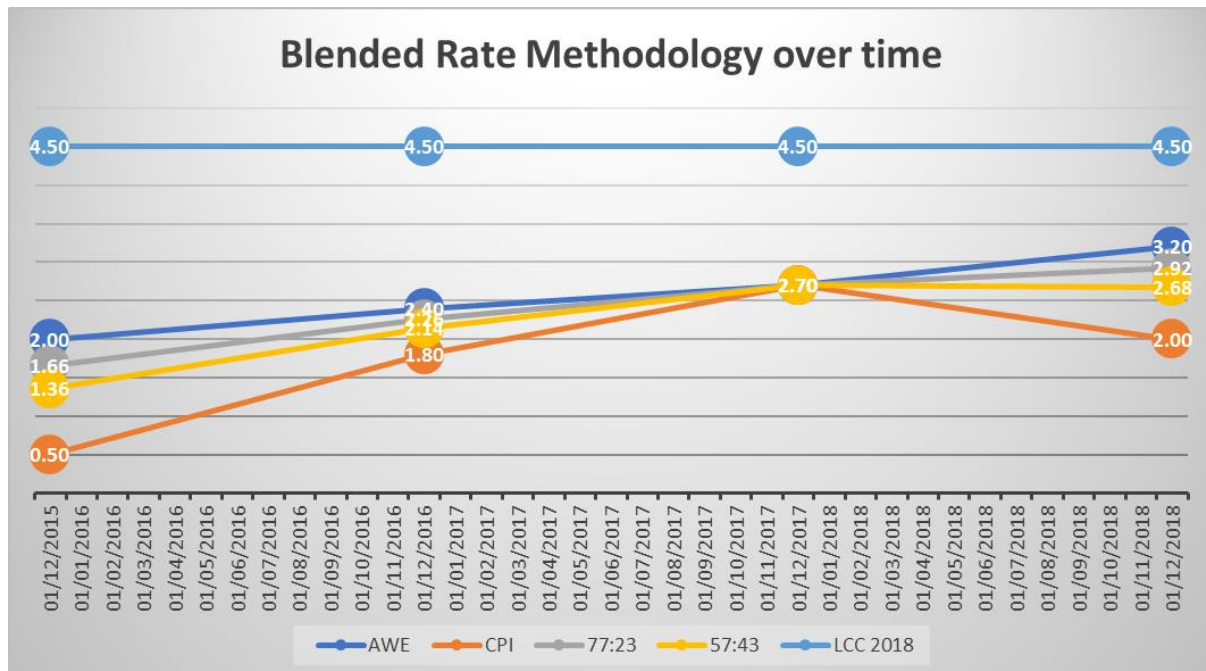
Regional Fee Benchmarks - 2018/19	
Local Authority	OAs
C.Co Upper 'Residential' Rate	£ 585.00
C.Co Upper 'Residential+' Rate (26%)	£ 671.00
Leicestershire (Current) Band 3	£ 466.00
Leicestershire (Current) Band 5	£ 555.00
Derbyshire - Standard rate	£ 513.45
Leicester city - Dependent older people	£ 461.00
Leicester city - Highly dependent people / Physical disability	£ 518.00
Lincs - standard	£ 483.00
Lincs - higher dependency	£ 531.00
Rutland - standard	£ 441.00
Rutland - dementia	£ 472.00
Derby City - Elderly	£ 494.32
Derby City - Physical / sensory	£ 557.66
Derby City - MH / Drug	£ 494.98
Nottingham City	£ 555.51
Nottinghamshire Band 3	£ 535.00
Nottinghamshire Band 5	£ 564.00
Northants - standard	£ 420.30
Northants - dementia	£ 508.98

Annual Uplift Proposal

As part of its remit C.Co was asked, using its knowledge of the market and experience, to determine an appropriate methodology that will enable a consistent and fair annual increase of care fees. C.Co is recommending a ‘blended’ rate of increase that takes account of the percentage change of the ‘Service Sector’ element of the Average Weekly Earnings (AWE) and the Consumer Price Index (CPI) datasets both published by the Office of National Statistics (ONS). C.Co is proposing two options for the ‘blend’, the first applying AWE to staffing costs only, with CPI being applied to the remaining elements, a 57:43 split. The second applies the AWE rate to all direct costs and CPI to non-direct costs, a 77:23 split. Using the latest rates published in December 2018, option 1 would provide a rate of 2.68% and option 2 a rate of 2.98%.

C.Co is proposing the higher ‘services’ rate over the ‘economy rate’, within the AWE dataset, because it is more relevant to the provision of care. The use of the AWE is intended to positively impact a broader range of employees than the National Minimum Wage that targets largely those at the lower end of pay and grading structures.

The Council’s uplift of care fees for 2018/19 was 4.5% across the existing 5 care bands. Both AWE and CPI can vary month to month and although an increasing trend over the period is shown, agreeing the point at which published values are drawn will be important. For illustration the table below shows the trend of AWE and CPI from the datasets published in each December since 2015. The two options for blended rates are calculated on the single month change in December of each year. The 2018 uplift value of 4.5% is included, again, for illustrative purposes.



To provide a little context and comparison, Leicester City Council’s 2018 proposals for uplift use a straight staffing and other cost split of 66% and 34% but use the National Living Wage (NLW) for the staffing element (4.2% for 2017/18) and CPI (2.3% January 2017) to produce an annual uplift calculation of 3.56%.

Supplementary Needs Assessment Proposal (SNA)

Although acknowledging that the new banding model, with provision for an enhanced level of care for older age adults, could reduce the level of SNAs, C.Co has proposed a methodology for SNAs based on a 70:30 single blended rate of **£11.36** for additional hours of care provided by a carer and senior carer inclusive of an additional 5% for non-core hours such as night time working and bank holidays. Given the issues with the quality, volume and granularity of data, the on-costed rates have been derived from a number of sources including some local data, the 'Indeed' recruitment website and nationally published National Insurance Contribution rates. The hourly rates, including assumptions and on-costs, for the three roles are calculated as:

	Nurse	Senior Carer	Carer
Basic pay rate per hour	14.71	9.23	8.52
Employers NIC contribution	9.68%	7.33%	6.71%
Employers pension contribution rate	3.00%	3.00%	3.00%
Level of membership	85.00%	85.00%	85.00%
Weighted contribution rate	2.55%	2.55%	2.55%
Annual days paid leave (excl banks hol)	21	21	21
Annual bank holidays	8	8	8
Paid leave on cost	11.15%	11.15%	11.15%
Average number of sick days per year	10	10	10
% of sick days paid	50.00%	50.00%	50.00%
Paid sick leave on cost	1.92%	1.92%	1.92%
Paid training days per year	4	2.5	2
Training backfill on cost	1.54%	0.96%	0.77%
Apprentice levy	0.50%	0.50%	0.50%
Total % on cost to hourly rate	27.35%	24.42%	23.61%
Standard cost per hour	£18.73	£11.48	£10.53
	70:30 Combined Rate	£10.82	
Premium for non-core hours	Premium for non-core hours	5.00%	
	Single Blended Rate for SNA	£11.36	

As the SNAs, under this proposal, relate to staffing only, proposals to uplift on an annual basis are recommended as the percentage change in AWE for the 'services' sector', which was 3.2% as at December 2018.

Options for Phase 2 Consultation

As a result of its work to deliver a local fair cost of care for Leicestershire County Council, C.Co makes the following formal recommendations:

Fee Review Options	
Older Age Adults	
1a. Residential	That Leicestershire County Council acknowledge that, based on the work undertaken and the data made available during this review, a locally derived cost of residential care is within a range of £561 to £585 per resident per week . It is for the Council to determine the fee level upon which it chooses to consult.
1b. Residential Plus	That the Council decides on its preferred option for calculating the residential plus rate of care fee from the following options: <ol style="list-style-type: none"> 1. An uplift of £56.80 based upon five additional hours of care at the proposed SNA rate of £11.36 per hour. This would provide a range of £619 to £643 2. A 26% uplift of the standard rate to take account of additional staffing requirements resulting in a fee range of £645 to £671 3. A 35% uplift on the residential rate to take account of additional staffing and associated training, backfill and well-being resulting in a fee range of £674 to £701
Working Age Adults	
2a. Standard Fee	That the Council, based on the work undertaken and the data made available during this review, <ul style="list-style-type: none"> • Accepts that the development of a Leicestershire-specific Care Funding Calculator is no longer appropriate • Accepts a locally derived standard fee for working age adult care provision of £705 • Adopts the National Care Funding Calculator as a mechanism for determining the fee for placements in excess of the standard £705, and • Consults with all providers on this basis.
Annual Uplift	
3. Annual Uplift Methodology	That the Council accepts and consults upon one of the proposed methodologies for the annual uplift and, in so doing, determines its preferred split of direct and indirect costs with which to apply a blended rate of Average Weekly Earnings and Consumer Price Index.
3b. SNA Uplift	That the Council accepts and consults upon an annual uplift methodology for SNAs that uses Average Weekly Earnings only.

Fee Review Options

Supplementary Needs Assessment

4a. SNA Methodology

That based on the work undertaken and the data made available during this review, the Council accepts and consults upon a proposed methodology for SNAs that provides a 70:30 blended carer/senior carer hourly rate of **£11.36** that includes a 5% allowance for non-core hours.

4b. Hourly Rates

That the Council accepts and consults upon the modelled on-costed hourly rates derived from locally sourced and national data as shown on page 18 of this report.

Assumptions

In order to arrive at a fair local cost of care, the following assumptions have been applied:

1. Accommodation Quality	No assessment of individual property quality has been factored into the modelling of fee cost data. All property is therefore assumed to meet the National Minimum Standards for Care Homes for Older People, 2nd Edition February 2002 and no 'floor rate' deduction has been made from the property element.
2a. Occupancy Rate	An occupancy rate of 93% has been assumed in the calculation of care fees. This is based on a local assessment of occupancy communicated to C.Co by the Council.
2b. Occupancy Uplift	An uplift of 2.4% has been derived using data supplied on the formal templates and applied to calculations to account for the difference between 100% and 93% occupancy.
3. Care Hours	A split of 19 hours for residential and 24 hours for residential+ was agreed with Leicestershire County Council at the outset of this review and communicated, on this basis, to the Provider Reference Group in October 2018.
4. Submitted Data	<p>Given the variance in format, quality and depth of data, C.Co has consolidated and presented data as:</p> <ul style="list-style-type: none"> • The cost of staffing • The cost of paying for and running the home • The returns to the company or individual owner in terms of overhead, any return on capital and the profit they take. <p>The analysis and calculations undertaken by C.Co are based on the information being provided being true and accurate.</p>
5. Data Exclusions	In order to model a 'local' cost of care, data provided for national or 'Group' providers along with data for out of area homes, has been excluded from the calculations.
6. Underlying Data	The data used to calculate the recommended fee levels is based on 2018/19 information. Recommended fees will require the application of agreed uplifts for 2019/20.
7. SNA-Specific	<p>A blended rate, 70:30, carer to senior carer has been used to determine the 'blended' hourly rate for the provision of care over and above the standard rates.</p> <p>A 5% premium is included within the final blended rate to cover non-core hours such as night time working and bank holidays.</p>

Appendix 1 – Fee Review Template

Provider:		Breakdown of Costs for Packages of Care							
XXXX		Care Home Name:							
Average occupancy %								0.0%	
Number of Beds - Contracted								0	
	Annual Cost	Hourly Cost Staff		Weekly Cost Hotel	Cost per Bed per Week Nursing	Cost per Bed per Week Personal	Cost per Resident per Week Nursing Adjusted for	Cost per Resident per Week Personal Occupancy	% Cost Profile
	£	£		£	£	£	£	£	
Carer									
Senior Carer									
Cook									
Domestic Staff									
Qualified Nursing Staff									
Allied Health Professional (AHP)									
Registered Manager									
Deputy Manager									
Office/Administrative Staff									
Activities Staff/Leaders									
Maintenance Officer									
OTHER STAFF COSTS									
Paid Annual Leave									
Employer Pension Contributions									
Employers National Insurance Contributions									
Training Costs									
Training Backfill									
Non-base hours - Overtime (inc. unsocial hours)									
Agency staff									
Staff travel									
Professional Fees									
Apprenticeship Levy (net cost)									
BUILDING COSTS									
Day to day and cyclical maintenance									
Grounds maintenance									
Service Contracts									
Provision for capital expenditure									
Rent or Mortgage Payment									
Business Rates									
DIRECT RUNNING COSTS									
Utilities - gas, water, oil etc									
Food									
Activities									
Waste disposal (including clinical waste)									
Nursing & Personal care supplies									
Registration/DBS fees									
Cleaning/Kitchen Supplies									
Direct training costs									
Office costs									
Insurance									
Equipment									
Vehicle Costs									
Linen									
Sundries									
CORPORATE COSTS									
Corporate Management/Overheads									
Return on Capital									
Operator's Return (Profit)									
TOTAL COSTS									

Appendix 2 – Consultation Feedback

Consultation One Feedback Log: 14th Nov 2018 - 9th January 2019				
No.	Key Factors / issues raised by Providers	Proposal	Theme	Response
16	Needs to be funding available for higher costs placements which there will be via a Supplementary Needs Allowance (SNA).	1 - Two Bands	SNA	Standard cost for SNA to be developed A suggested model based on additional hourly rates for carers, senior carers and nurses is being proposed as part of the review. Given that SNA is largely the cost of provision of staff; the full 'service sector' average weekly earnings rate would underpin the annual uplift for SNAs.
17	Support the idea of specified hours of care delivery for each band.	1 - Two Bands	Banding Definition	To be considered within the standard cost modelling The 19 and 24 hours split has been taken account of within the draft model.
18	Where additional hours are required, e.g. related to EMI, support the idea of specifying the hourly rate, but that rate needs to take account of the difference between agency rate and staff rate.	1 - Two Bands	SNA	To be considered within the standard cost modelling See '16' above
28	Good idea in simplifying the bands, but the test of the system is when we have the actual rates.	1 - Two Bands	Band rates	To be considered within the standard cost modelling Noted
94	A question was asked about the size of the differential between the Residential and Residential Plus rates. It was explained that the underlying costing work is ongoing and the detail will be in Consultation Two.	1 - Two Bands	Band rates	To be considered within the standard cost modelling Options for standard and enhanced rates are included within the methodology
1	Concerns raised for using one rate when homes can vary according to bed size.	2 - Hotel Costs	Home size	To be considered within the standard cost modelling Occupancy has been factored into the model

Consultation One Feedback Log: 14th Nov 2018 - 9th January 2019				
No.	Key Factors / issues raised by Providers	Proposal	Theme	Response
2	Concerns raised about standardising hotel costs for homes that support people with very complex needs. E.g. Transforming care compared with those that don't. It may be that there should be two levels of WAA hotel costs as with the OAs.	2 - Hotel Costs	Equipment	To be considered within the standard cost modelling The model provides a standard rate for working age adults, but provides a proposal for the treatment of additional or complex additional needs
3	Concern about where an average rate is used there will be winners and losers.	2 - Hotel Costs	Fairness	To be considered within the standard cost modelling The review methodology has taken account of outliers where average is used
19	Hotel cost calculation needs to account for geographical variation costs across the County.	2 - Hotel Costs	Geographical	To be considered within the standard cost modelling The data received to date does not indicate that geography is a differentiating factor
43	Providers stated that the NCFC understated the actual cost of care significantly.	2 - Hotel Costs	CFC	To be considered within the standard cost modelling The model is based on the 'local' data provided by local suppliers, contextualised against national benchmarks such as LB
45	Certain cost lines such as depreciation and ancillary staff costs are omitted from the CFC.	2 - Hotel Costs	CFC	To be considered within the standard cost modelling The template used for the data gathering in this process was finalised following a meeting with the PRG. The construct of the template formed part of the consultation exercise for the new banding model.
46	Use of the NCFC has to cater for both return on capital and operating profit, in some instances it does not.	2 - Hotel Costs	CFC	To be considered within the standard cost modelling Return on capital and operating profit both feature in the cost model.

Consultation One Feedback Log: 14th Nov 2018 - 9th January 2019				
No.	Key Factors / issues raised by Providers	Proposal	Theme	Response
47	Hotel costs needs to take account of occupancy, rather than assume 100%.	2 - Hotel Costs	Occupancy	To be considered within the standard cost modelling An occupancy rate of 93% has been used in the cost model.
69	Discussion needed to ensure that hotel costs reflected actual costs and recognised small homes do not have the economies of scale of large homes.	2 - Hotel Costs	Home size	To be considered within the standard cost modelling The hotel cost elements have been informed by local data from LCC providers
100	Discussion took place about the nature of the hotel costs e.g. ancillary staffing and premises costs, and it was confirmed that the detail of the calculation will be available in Consultation Two.	2 - Hotel Costs	Transparency	To be considered within the standard cost modelling The template, that was agreed by PRG, reflects all staff that contribute to a home's provision. The model is informed by locally provided data taking account of all roles, where data is provided. The methodology content of the LCC consultation 2 is a matter for LCC
5	Point was made where there were unusual costs associated with care that did not fit into Residential or Residential Plus band that a Supplementary Needs Allowance (SNA) could be used to enhance the payment.	3 - Template	SNA	To be considered within the standard cost modelling A proposed methodology for the treatment of SNA is included in the final methodology, see '16' above
6	There should be a standardisation of the Supplementary Needs Allowance (SNA) with a transparent rate published.	3 - Template	SNA	to be considered within the standard cost modelling A proposed methodology for the treatment of SNA is included in the final methodology, see '16' above

Consultation One Feedback Log: 14th Nov 2018 - 9th January 2019				
No.	Key Factors / issues raised by Providers	Proposal	Theme	Response
48	Point was made that the costs provided in the current year should be inflated to calculate banding etc. for next year.	3 - Template	Band rates	To be considered within the standard cost modelling It has been made clear that the rates proposed in the model are based on 2018/19 rates and that for 2019/20 the proposed uplift methodology would need to be applied.
74	Question of assurance was raised that the rate will reflect the real costs, so the uplift mechanism would need to be transparent. The role of the financial consultant and their methodology was reiterated.	7 - Annual Uplift	Band rates	To be considered within the standard cost modelling It is C.Co's understanding that proposals for the annual uplift will be included in the content of consultation 2.
89	Sometimes the cost implications will need to be met from somewhere.	6 - Contract	QAF	Contractual requirements must be reflected in the cost modelling This is a contractual matter for LCC.