

Cost of care exercise 2022

18+ homecare and 65+ care and nursing homes

Foreword

In response to the government announcement of the Market Sustainability and Fair Cost of Care Fund and to inform our understanding of the local care market, Hertfordshire County Council carried out separate Cost of Care exercises for 65+ care and nursing homes and 18+ domiciliary care between June and August 2022. Subsequently, the government postponed the activation of section 18 (3) of the Care Act that would have allowed those funding their care in care homes themselves to access rates secured by local authorities for residents accessing council-funded placements.

The purpose of the exercise was an attempt to gain a fuller understanding of the cost of providing care within Hertfordshire. We were hoping that this would be both useful to inform future fee uplift negotiations and to allow the Council to develop a range of actions to support the local market

We want to thank all care providers who took part in the exercise. The reports were submitted to the department for health and social care (DHSC) on 14th October. Although there are concerns around the accuracy of results, due to inability to verify returns, a reasonably small sample size and significant variations in cost (both between providers and individual cost lines), we are keen to continue to work with providers to understand the data gathered and further inform our fee uplift discussions in future years.

On notification of the initial grant in December 2021 the council ensured that 100% of this funding was passed onto care providers as part of fees from April 2022, and we have continued to pass on all funding received to providers. Our current budget proposals to increase provider fees by £38m from April 2023 are funded by use of 100% of the relevant grants for this purpose ([Draft Integrated Plan \(budget\) 2023-24 | Hertfordshire County Council](#))

In addition, we have developed a draft market sustainability plan. This was submitted to DHSC on 14th October, and a final version will be published during March 2023 after further engagement with local care providers.



Chris Badger

Executive Director for Adult Care Services

Cost of care report for 18+ domiciliary care in Hertfordshire

Table of Contents

Introduction	3
Table 1: Median Cost of Care for Domiciliary Care (at April 2022 prices)	3
Future inflation	4
Response to the survey.....	5
Table 2: Provider response rate.....	5
Table 3: Count of responses by district and rurality	6
Table 4: Count of responses by annual number of care hours reported.....	7
Provider Engagement.....	7
Survey Results	8
Care worker costs	8
Table 5: Care worker costs.....	8
Other business costs	9
Table 6: Other business costs	9
Table 7: Other supporting information.....	10
Table 8: Visit lengths	11
Profit margin	11
Table 9: Profit margin in returns.....	11
Benchmarking	12
Table 10: Comparison of median cost result with benchmark.....	12
Comparison to current rates including visits of varying length.....	13
Table 11: Comparison to current rates.....	14
Table 12: Current weighted average rate paid	14

Introduction

On 16th December 2021, the [Market Sustainability and Fair Cost of Care Fund](#) (the fund) was published. The primary purpose of the fund is to support local authorities to prepare their markets for reform, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to support local authorities to move towards paying providers a fair cost of care.

As a condition of receiving future funding, local authorities are required to prepare:

- cost of care exercises for 65+ care homes and 18+ domiciliary care
- a provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market, with particular consideration given to the further commencement of Section 18(3) of the Care Act 2014 (which is currently in force only for domiciliary care) – a final plan will be submitted in February 2023
- a spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose

In order to meet these conditions, Hertfordshire County Council (the Council) carried out a Cost of Care exercise for 18+ domiciliary care between April and August 2022. The purpose of the exercise was to gain a fuller understanding of the cost of delivering domiciliary care within Hertfordshire, both to inform future rates and to allow the Council to develop a range of actions to support the local market for domiciliary care.

The following table summarises the median cost of care rates at April 2022 prices resulting from the exercise. Further detail is provided in the relevant section of the report.

Table 1: Median Cost of Care for Domiciliary Care (at April 2022 prices)

Cost of care exercise results	18+ domiciliary care Median values
Total Care worker Costs	£20.06
Direct care	£13.11
Travel time	£1.34
Mileage	£0.83
PPE	£0.48
Training (staff time)	£0.38
Holiday	£1.75
Additional non-contact pay costs	£0.00
Sickness/maternity and paternity pay	£0.38
Notice/suspension pay	£0.00
NI (direct care hours)	£1.31
Pension (direct care hours)	£0.48
Total Business Costs	£5.87
Back-office staff	£4.27

Cost of care exercise results	18+ domiciliary care Median values
Travel costs (parking/vehicle lease et cetera)	£0.01
Rent/rates/utilities	£0.51
Recruitment/DBS	£0.18
Training (third party)	£0.05
IT (hardware, software CRM, ECM)	£0.25
Telephony	£0.10
Stationery/postage	£0.06
Insurance	£0.09
Legal/finance/professional fees	£0.10
Marketing	£0.06
Audit and compliance	£0.02
Uniforms and other consumables	£0.05
Assistive technology	£0.00
Central/head office recharges	£0.00
Other overheads	£0.02
CQC fees	£0.10
Total Return on Operations	£1.30
TOTAL	£27.23

In producing this analysis:

- The template developed nationally by ARCC was used for all returns
- The cost reported is the total of the median for each individual cost line
- Zero values have been included. On discussion with providers these either represented a true zero cost or that costs had been included within another line. It was therefore felt not appropriate to exclude zeros from the analysis.
- A fixed profit margin of 5% was applied to the total cost. This is discussed in more detail in the relevant section

The table shows:

- Care worker costs represent the majority of the cost of care (77% of costs before profit)
- The direct costs are high as a result of significant investment in care worker pay in Hertfordshire
- Other business costs represent 23% of the total cost excluding profit. However, these vary according to individual business models and are discussed in more detail below.
- Profit is included at 5%. This is discussed in more detail below.

Future inflation

Inflation on provider rates is applied annually as part of the council's budget setting process. As part of this, HCC undertakes an annual fee uplift negotiation with providers alongside Herts Care Providers Association (HCPA). This provides the opportunity for an in-depth discussion with providers to understand cost and operational pressures.

The inflationary increase is therefore a result of a number of factors including, but not limited to:

- Pay indices including national living wage, real living wage and London living wage given Hertfordshire's position on the northern edge of London
- In future some weighting from the cost of care exercise
- CPI
- Other relevant specific inflationary pressures, such as utilities and petrol

These factors are then considered within the overall context of the local authority's Care Act responsibilities and with regard to the council's budget position, including other pressures and the councils key priorities as set out in the [corporate plan](#).

- healthy and fulfilling lives for our residents
- a cleaner and greener environment
- sustainable, responsible growth in our county
- excellent council services for all

Response to the survey

There are 199 CQC registered homecare providers in Hertfordshire. Of these 42 were out of scope for the exercise either because of the nature of the service they provided, because they had ceased trading or because they had no clients within area.

Returns were received from 34 providers. These were reviewed and where necessary reviewed with the provider to ensure the data was as reliable as possible. Where agreed, providers amended the returns and resubmitted. The council did not amend any returns.

However, eight returns have been excluded from the exercise due to being significant outliers, where it was not possible to agree a revised figure with the provider.

The response rate is set out in table 2:

Table 2: Provider response rate

Categories	Number of providers	Percentage of providers in scope
Registered providers in Hertfordshire	199	
Out of scope	42	
Providers in scope	157	
Returns received	34	22%
Excluded returns	8	5%
Returns used	26	17%

The eight excluded returns included both unreasonably low values, such as £2.72 per hour, and excessively high ones, including one at £14k per hour. Were these returns to be included the median value would be £36.73.

Compared with previous exercises, this represents an improvement in engagement from providers, reflecting both the national profile of the exercise but also the strong relationship with providers in Hertfordshire. Further information on the engagement with providers is provided in the section below.

A higher response rate would increase confidence in the analysis although a review of the data has been carried out on a number of criteria which has identified that the sample is broadly representative of the Hertfordshire domiciliary care sector.

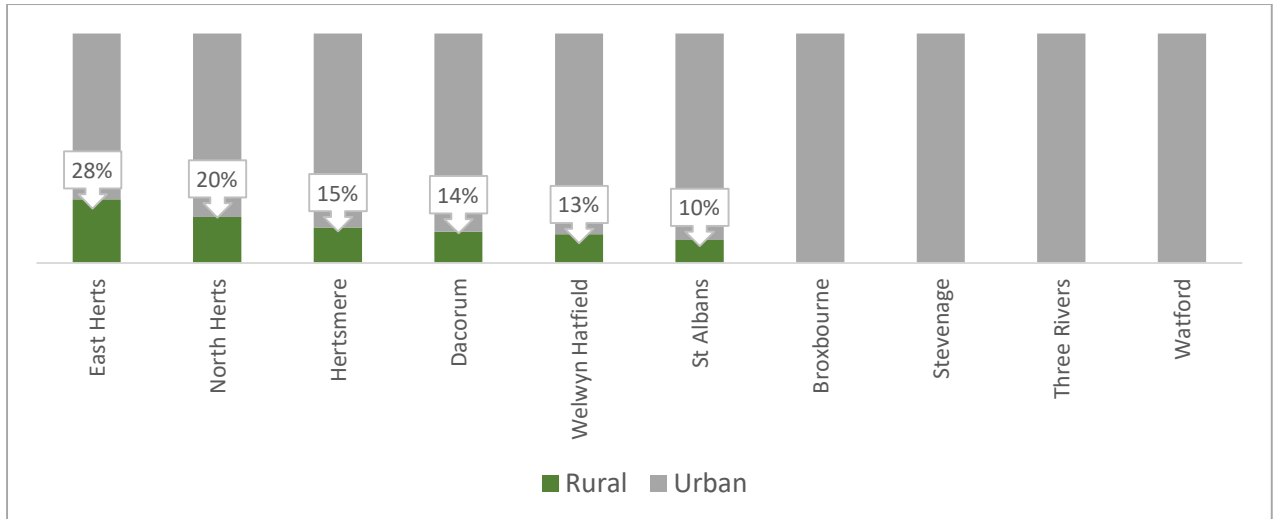
Hertfordshire includes 10 district/boroughs, all of which are represented in the sample. Because Hertfordshire is a geographically large county, these contain a mix of urban and rural areas. This data is shown in table 3.

Table 3: Count of responses by district and rurality

District is informed by the post code of all persons with HCC commissioned care during July 2022. There is no record of HCC commissioned care for 1 provided (District unknown).

Please note the total of 26 relates to unique providers. Providers delivering care in multiple districts are shown in each relevant row.

	Rural	Urban	Count of responses
Broxbourne		100%	4
Dacorum	14%	86%	10
East Herts	28%	72%	4
Hertsmere	15%	85%	8
North Herts	20%	80%	7
St Albans	10%	90%	9
Stevenage		100%	8
Three rivers		100%	6
Watford		100%	7
Welwyn Hatfield	13%	88%	8
District Unknown			1
Unique providers			26



Please note;

- Rural/ Urban: Classifications have been taken from the 2011 Census Middle Super Output Area Rural Urban lookup table 3. Dacorum is classified 22 times (3 rural/19 urban) within the census data. Calculated as 14% rural ($3/22 \times 100 = 14\%$). For the purpose of this exercise, it is assumed that all areas listed are of relative size.
- Based on the noted methodology: 1. 11% of Hertfordshire is Rural 2. 'East Herts' has the highest % Rural landscape (28%) when compared to all 10 districts.

The sample also included providers of varying sizes. As part of the return, providers included the number of annual hours of care delivered. This is set out in table 4 and shows that the sample includes a mix of larger providers along with medium and small sized ones.

Table 4: Count of responses by annual number of care hours reported

Category	Count of responses
Small (less than 31,000 hours)	9
Medium (between 31,000 and 99,999 hours)	14
Large (more than 100,000 hours)	3
Total	26

Provider Engagement

In order to support and engage with providers, the council involved Hertfordshire Care Providers Association (HCPA) early in the process and throughout. Engagement with providers involved the following;

- Early engagement with Hertfordshire Care Providers Association (HCPA)

- Letters sent directly to providers (both commissioned and non-commissioned) by HCC and via HCPA (posted on their website) at the beginning of the process and as reminders throughout to encourage participation and to highlight national training / engagement sessions and HCPA/HCC webinars
- Initial and follow up provider webinar, hosted with HCPA
- Third party (Valuing Care) commissioned to provide support and guidance to providers in completing the tool
- HCPA hub available for providers to contact for support, with signposting to Valuing Care staff if needed
- 1 to 1 Calls/virtual meetings with providers to review submissions and answer any queries
- Weekly reminder calls to providers who were yet to submit.
- Extension of deadlines to support providers who wished to complete but had resourcing issues

Follow up sessions with HCPA and providers in early October to discuss the process and market sustainability issues.

Survey Results

The template requested that providers submit detailed data on costs and activity data. These were grouped into three areas, care worker costs, business costs and profit. These are discussed in detail below.

Care worker costs

Care worker costs comprised 74% of the total cost of homecare. These costs are shown in table 5 by lower quartile, upper quartile and inter quartile rate (IQR – the difference between lower and upper quartiles).

Table 5: Care worker costs

Expenditure type	Count	Lower quartile	Median	Upper quartile	IQR
		Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
Direct Care	26	£12.17	£13.11	£13.51	£1.34
Travel Time	26	£0.00	£1.34	£2.35	£2.35
Mileage	26	£0.63	£0.83	£1.08	£0.45
PPE	26	£0.37	£0.48	£0.66	£0.29
Training (staff time)	26	£0.20	£0.36	£0.60	£0.40
Holiday	26	£1.63	£1.75	£1.87	£0.24
Additional Non-Contact Pay Costs	26	£0.00	£0.00	£0.30	£0.30
Sickness/Maternity & Paternity Pay	26	£0.19	£0.38	£0.46	£0.27
Notice/Suspension Pay	26	£0.00	£0.00	£0.00	£0.00
NI (direct care hours)	26	£0.87	£1.37	£1.67	£0.80

Expenditure type	Count	Lower quartile	Median	Upper quartile	IQR
		Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
Pension (direct care hours)	26	£0.41	£0.48	£0.52	£0.10
Total		£16.47	£20.10	£23.02	£6.54

As can be seen, there is significant variance on several lines. The most significant of these is on travel time where the IQR is £2.35. This may represent different operational models, differences in interpretation of the return or errors in completion.

Other business costs

Table 6: Other business costs

Expenditure type	Count	Lower quartile	Median	Upper quartile	IQR
		Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
Back Office Staff	26	£3.44	£4.27	£5.93	£2.50
Travel Costs (parking/vehicle lease etc.)	26	£0.00	£0.01	£0.12	£0.12
Rent / Rates / Utilities	26	£0.40	£0.51	£0.57	£0.17
Recruitment / DBS	26	£0.08	£0.18	£0.29	£0.22
Training (3rd party)	26	£0.02	£0.05	£0.09	£0.06
IT (Hardware, Software CRM, ECM)	26	£0.18	£0.25	£0.43	£0.25
Telephony	26	£0.06	£0.10	£0.21	£0.15
Stationery / Postage	26	£0.03	£0.06	£0.10	£0.07
Insurance	26	£0.06	£0.09	£0.13	£0.06
Legal / Finance / Professional Fees	26	£0.03	£0.10	£0.41	£0.37
Marketing	26	£0.00	£0.06	£0.13	£0.13
Audit & Compliance	26	£0.00	£0.02	£0.04	£0.04
Uniforms & Other Consumables	26	£0.04	£0.05	£0.07	£0.03
Assistive Technology	26	£0.00	£0.00	£0.00	£0.00
Central / Head Office Recharges	26	£0.00	£0.00	£1.32	£1.32

Expenditure type	Count	Lower quartile	Median	Upper quartile	IQR
		Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
SLA	26	£0.00	£0.02	£0.06	£0.06
Agency Staff	26	£0.00	£0.00	£0.04	£0.04
Miscellaneous Expenses	26	£0.00	£0.00	£0.02	£0.02
Oncost	26	£0.00	£0.00	£0.00	£0.00
Allowance for overtime	26	£0.00	£0.00	£0.00	£0.00
Allowance for Mileage	26	£0.00	£0.00	£0.00	£0.00
VAT expenses	26	£0.00	£0.00	£0.00	£0.00
On Call Cost	26	£0.00	£0.00	£0.00	£0.00
CQC Registration Fees	26	£0.07	£0.10	£0.11	£0.04

There are significant ranges to costs for both back-office staff and central/head office recharges. This is likely to be a result of differing operating models, where small providers do not incur central office costs, but fixed back-office costs represent a higher proportion of variable costs.

It is likely there are also differences in categorisation between returns of such costs.

Table 7: Other supporting information

Provider Name Hourly Breakdown	Count	Lower quartile	Median	Upper quartile	IQR
Total Care Hours	26	28,418	42,159	57,054	28,636
Total Cost (inc. Profit)	26	£908,187	£1,428,919	£2,212,651	£1,304,465
Number of Care Employees	26	26	42	55	29
Number of Back Office Staff	26	3	7	8	5

Table 8 shows lower quartile, median and upper quartile for visits by length. This shows that 30-minute visits are significantly more prevalent than other length visits.

Table 8: Visit lengths

Visit length	Lower quartile	Median	Upper quartile
15 minutes	0.00	29.00	41.50
30 minutes	195.00	868.50	1,103.50
45 minutes	64.00	179.50	295.50
60 minutes	62.00	147.00	170.00

This supplementary data demonstrates the range of providers, as set out above, with the majority being medium sized as per table 4 above. The large providers sit above the upper quartile of returns so are not represented in table 7

Profit margin

Providers reported a profit margin within the returned templates. At the minimum and maximum, there were some significant outliers.

However, as shown in table 9, the median was 4% with an IQR of 2%.

Table 9: Profit margin in returns

Count	Lower quartile	Median	Upper quartile	IQR
26	3%	4%	6%	2%

In setting a median cost of care, a rate of 5% has been applied. This has been set at this level because:

- It is slightly higher than the median reported, and is therefore at a sufficient level to enable providers to operate in Hertfordshire
- The Homecare Association cost model uses 3%. However, in order to support the sustainability of the market this was felt to be a minimum level and the ambition should be to support a higher return on operations
- 5% is the rate used within the benchmarking used below
- However, setting a level above 5% would not represent best use of public funds

Benchmarking

The benchmarking model values are derived from Cost of Care surveys completed across the country by Valuing Care since 2016: the median values have been sourced from over 5,000 providers reported costs. The median figures are updated each year to current prices and the models are localised to reflect local salary costs and the Valuing Care's recommended allowance for return on capital for each local authority location. In addition, the underlying model is regularly reviewed to ensure it matches any changes to the underlying cost drivers (e.g., National Insurance changes)

The comparison of the benchmark to the median cost is shown in table 10. Some lines have been consolidated to enable this comparison.

Table 10: Comparison of median cost result with benchmark

Category	Benchmark	HCC Median Cost	Variance (median cost less benchmark)
Direct care	£11.78	£13.11	£1.33
Travel time	£1.98	£1.34	(£0.64)
Sub Total - Direct Care + Travel Time (gross)	£13.76	£14.45	£0.69
Cover for holidays (gross)	£1.73	£1.75	£0.02
Cover for sickness, maternity/ paternity (gross)	£0.30	£0.38	£0.08
Cover for staff training & supervision (gross)	£0.30	£0.38	£0.08
Employers National Insurance	£1.23	£1.31	£0.08
Employers Pension Contribution	£0.32	£0.48	£0.16
Travel Expenses	£0.54	£0.84	£0.30
PPE	£0.00	£0.48	£0.48
Sub Total - Care Worker Costs	£18.18	£20.06	£1.88
Back Office Staff	£3.03	£4.27	£1.24
Recruitment & training	£0.34	£0.24	(£0.10)
CQC Registration Fees	£0.10	£0.10	£0.00
Rent, rates & utilities	£0.32	£0.51	£0.19
IT equipment & telephones	£0.27	£0.35	£0.08
Consumables	£0.32	£0.11	(£0.21)
Insurance	£0.11	£0.09	-£0.02

Category	Benchmark	HCC Median Cost	Variance (median cost less benchmark)
Head office & support services	£0.67	£0.20	(£0.47)
Sub Total - Business Costs	£5.16	£5.86	£0.70
Total Operating Costs	£23.34	£25.94	£2.60
Surplus / Profit Contribution	£1.17	£1.30	£0.13
Total Rate Per Hour	£24.51	£27.23	£2.72

This shows that the median cost is £2.72 higher than the benchmark.

This is largely a result of the £1.33 variance on direct care costs. This was expected as the council has made a significant investment in care provider pay over recent years. Other significant variances are:

- Travel time. The cost exercise has resulted in a median value £0.64 less than the benchmark. This may be a result of the individual routes within Hertfordshire, but further work would be needed with providers to fully understand this
- PPE. The benchmark does not include PPE costs. Recently these have been covered through other funding, however, they have been included in the median cost exercise
- Back-office staff. The median cost is reported at £1.24 (41%) above the benchmark. Without further investigation this is challenging to explain. It seems likely however there is a categorisation issue with head office and support services (see below)
- Head office and support services. The median cost is £0.47 below the benchmark. However, as above, taken together with back-office staff the median cost is £0.77 higher than the benchmark.

Comparison to current rates including visits of varying length

The council pays a banded rate to providers to account for increased proportion of travel costs for shorter visits.

Rates as at 2022/23 are shown in table 11 compared to rates from the median cost exercise. As can be seen, the application of this banding means Hertfordshire are closer to the median cost for shorter visits, and indeed paying higher for 15-minute visits.

As part of our work to support recruitment and retention, Hertfordshire have invested in care staff wages over previous years. This is reflected in both the current cost and median value.

Table 11: Comparison to current rates

Visit length	Current rate paid	Care Providers median value	Distance from median cost
15 minutes	£8.93	£6.81	(31%)
30 minutes	£13.40	£13.62	2%
45 minutes	£17.86	£20.42	13%
60 minutes	£22.33	£27.23	18%

The current average hourly rate paid in 22/23 based on commissioned hours and the blend of visit lengths is shown below. This will vary depending on the exact proportion of visit lengths at any one time. This table is based on visits commissioned in 2022/23.

Table 12: Current weighted average rate paid

Service	Hours commissioned	Cost after application of banded rates based on visit length	Average actual rate paid per hour
Older people	1,715,146	£44,133,000	£25.73
Adult disability services	483,694	£11,745,000	£24.28
Total	2,198,840	£55,878,000	£25.41

Cost of care report for 65+ care and nursing homes in Hertfordshire

Contents

Introduction	17
Table 1: Cost of care for 65+ care and nursing homes (at April 2022 prices) including nursing costs but not FNC funding.....	18
Future inflation	20
Response to the survey.....	20
Table 2: Responses to survey received	20
Table 3: Median results including homes rated inadequate or requires improvement.....	21
Table 4: response to the survey by district.....	22
Table 5: Bed count by district	22
Provider engagement	23
Survey results.....	24
Unit costs	24
Table 6 – Care homes without dementia.....	24
Table 7 – Care homes with dementia	27
Table 8– Nursing without dementia	29
Table 9: Nursing with dementia.....	32
Occupancy.....	34
Table 10: Occupancy levels	34
Staffing costs.....	34
Nursing staff costs.....	34
Table 11 – nursing care basic hourly rate	34
Table 12 – number of nursing hours per resident per week	35
Table 13 – cost of nursing care per resident per week.....	35
Care staff costs.....	35
Table 14 – care staff basic hourly rate.....	36
Table 15 – number of care hours per resident per week	36
Table 16 – cost of care staff per resident per week	36
Return on capital (ROC)	37
Table 17: Freehold valuation per bed as per returns	38
Table 18: Return on capital at 5.5% yield and 90% occupancy	38
Table 19: Care homes sold or for sale in Hertfordshire.....	38
Return on operations	39

Table 20: Median return on operations as per survey	39
Benchmarking	39
Table 21 – comparison of total operating costs from survey to benchmark.....	39
Table 22 – variance of operating costs by expenditure type and care type.....	40
Comparison to current rates.....	41
Table 24: Comparison to current rates	41

Introduction

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As a condition of receiving future funding, local authorities are required to prepare:

- cost of care exercises for 65+ care homes and 18+ domiciliary care
- a provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market, with particular consideration given to the further commencement of Section 18(3) of the Care Act 2014 (which is currently in force only for domiciliary care) – a final plan will be submitted in February 2023
- a spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose

In order to meet these conditions, Hertfordshire County Council (the Council) carried out a Cost of Care exercise for 65+ care and nursing homes between June and August 2022. The purpose of the exercise was to gain a fuller understanding of the cost of providing care homes within Hertfordshire, both to inform future rates and to allow the Council to develop a range of actions to support the local market for care and nursing homes.

The following table summarises the median values at April 2022 prices resulting from the exercise. Further detail is provided in the relevant sections of the report.

In compiling the survey results a number of actions have been taken including:

- Significant outliers have been reviewed and removed if necessary;
- Return on capital and return on operations have been applied at a calculated level. Further detail is included in the relevant sections below.

Additional verification of returns has taken place as far as possible through queries to providers and exclusion of unresolved outliers.

However, it has not been possible to fully verify the returns from providers and there are a number of concerns around the reliability of the data and results. Some issues include:

- Difficulty verifying costs, including pay rates. Although adverts can be checked, these often quote a range rather than single value
- Significant variations in costs. For example, the inter quartile range for head office costs is almost £100 for care homes without dementia (see table 6). Similar variances apply in the other care types.
- Although there was a positive response, less than 50% of eligible homes responded to the survey.
- The survey broke care into four categories which is an oversimplification of the services provided. This is demonstrated by the significant variances in carer support per person per week within the same categories. It is not possible to confirm from the data if this is a result of differing needs, operational models or inconsistencies in data submitted.

Table 1: Cost of care for 65+ care and nursing homes (at April 2022 prices) including nursing costs but not FNC funding

Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
Total Care Home Staffing	£559.96	£588.43	£752.32	£776.57
Nursing Staff	£0.00	£0.00	£234.53	£232.21
Care Staff	£403.82	£424.20	£347.28	£366.50
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00
Activity Coordinators	£16.22	£16.56	£12.86	£14.66
Service Management (Registered Manager/Deputy)	£44.54	£46.52	£47.15	£49.28
Reception & Admin staff at the home	£13.76	£14.06	£17.59	£19.95
Chefs / Cooks	£21.72	£23.12	£34.60	£35.54
Domestic staff (cleaning, laundry & kitchen)	£49.26	£52.52	£46.56	£46.07
Maintenance & Gardening	£10.64	£11.45	£11.75	£12.36
Other care home staffing (please specify)	£0.00	£0.00	£0.00	£0.00
Total Care Home Premises	£39.88	£46.17	£30.38	£31.43
Fixtures & fittings	£1.11	£5.82	£0.00	£0.00
Repairs and maintenance	£31.58	£32.17	£24.69	£24.85
Furniture, furnishings and equipment	£7.19	£8.18	£5.69	£6.58
Other care home premises costs (please specify)	£0.00	£0.00	£0.00	£0.00
Total Care Home Supplies and Services	£114.35	£116.55	£123.51	£123.03
Food supplies	£37.73	£38.52	£36.03	£35.76
Domestic and cleaning supplies	£8.74	£9.37	£8.94	£8.74
Medical supplies (excluding PPE)	£0.76	£0.97	£15.00	£15.19

Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
PPE	£0.78	£1.80	£0.64	£0.88
Office supplies (home specific)	£3.36	£3.92	£2.07	£2.04
Insurance (all risks)	£7.44	£7.44	£8.47	£8.50
Registration fees	£3.55	£3.49	£3.50	£3.46
Telephone & internet	£2.10	£2.19	£2.46	£2.12
Council tax / rates	£0.74	£0.76	£0.99	£0.93
Electricity, Gas & Water	£42.38	£41.60	£35.10	£35.76
Trade and clinical waste	£4.02	£4.13	£6.21	£6.09
Transport & Activities	£1.81	£1.83	£2.29	£1.83
Other care home supplies and services costs (please specify)	£0.94	£0.53	£1.81	£1.73
Total Head Office	£74.65	£75.08	£73.84	£85.38
Central / Regional Management	£28.50	£20.51	£54.42	£55.30
Support Services (finance / HR / legal / marketing etc.)	£27.75	£35.63	£14.37	£16.10
Recruitment, Training & Vetting (incl. DBS checks)	£5.19	£5.22	£5.05	£3.71
Other head office costs (please specify)	£13.21	£13.72	£0.00	£10.27
Total Return on Operations	£39.44	£41.31	£49.00	£50.82
Total Return on Capital	£101.32	£101.32	£101.32	£101.32
TOTAL	£929.60	£968.86	£1,130.37	£1,168.55

In producing this analysis:

- The template developed nationally by IESE was used for all returns
- The cost reported is the total of the median for each individual cost line
- Zero values have been included. On discussion with providers these either represented a true zero cost or that costs had been included within another line. It was therefore felt not appropriate to exclude zeros from the analysis.
- A fixed profit margin of 5% was applied to the total cost. This is discussed in more detail in the relevant section
- A fixed rate of return on capital was applied to all returns, as discussed below.

Future inflation

Inflation on provider rates is applied annually as part of the council's budget setting process. As part of this, HCC undertakes an annual fee uplift negotiation with providers alongside Herts Care Providers Association (HCPA). This provides the opportunity for an in depth discussion with providers to understand cost and operational pressures. .

The inflationary increase is therefore a result of a number of factors including, but not limited to:

- Pay indices including national living wage, real living wage and London living wage given Hertfordshire's position on the northern edge of London
- In future some weighting from the cost of care exercise
- CPI
- Other relevant specific inflationary pressures, such as utilities and petrol

These factors are then considered within the overall context of the local authority's Care Act responsibilities and with regard to the council's budget position, including other pressures and the councils key priorities as set out in the corporate plan (available at this [link](#)).

- healthy and fulfilling lives for our residents
- a cleaner and greener environment
- sustainable, responsible growth in our county
- excellent council services for all

Response to the survey

The following tables detail coverage by district for 57 submissions signed off as completed.

Table 2: Responses to survey received

Categories	Number of providers	Percentage of providers in scope
Registered providers in Hertfordshire	245	
Out of scope	103	
Providers in scope	142	

Categories	Number of providers	Percentage of providers in scope
Returns received	57	40%
Excluded returns	13	
Returns used	44	31%

Returns have been excluded for the following reasons:

- Where no uplift rate for April 2022 was provided – one return
 - This home has been removed from all subsequent analysis
- Where the homes provided a service at a higher, luxury level than the local authority would expect to fund – 4 returns
- Where providers were rated as inadequate (one) or requires improvement (seven) and the local authority would want to engage with providers of higher quality – eight returns in total

Were the eight returns from providers rated as inadequate or requires improvement included, there would not be a significant change in the results, and in fact some results would be lower.

However, we feel this better represents our ambitions for those people receiving care and support. The equivalent rates are shown in table 3 below.

Table 3: Median results including homes rated inadequate or requires improvement

	Care not dementia	Care with dementia	Nursing not dementia	Nursing with dementia
Median results as per Annex A	£930	£969	£1,130	£1,168
Median results if inadequate and requires improvement homes had not been excluded	£937	£974	£1,131	£1,158

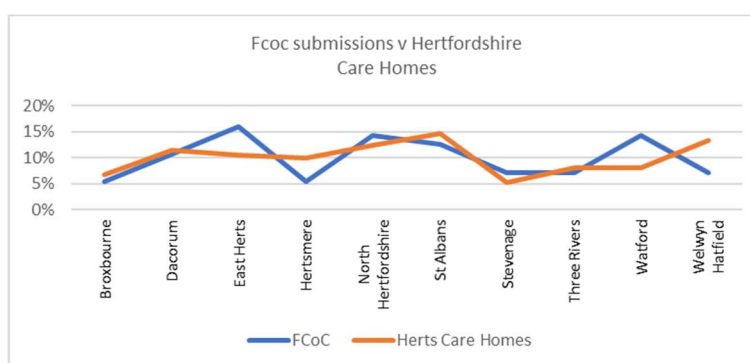
Returns received demonstrate coverage for all 10 Hertfordshire districts as follows;

Care Homes by district: When comparing Care Homes responding to the Hertfordshire landscape;

- Dacorum – is represented (11% Herts/11% cost of care)
- Welwyn Hatfield – is underrepresented (-6%). (13% Herts/7% cost of care)
- East Herts – is overrepresented (6%). (10% Herts/16% cost of care)

Table 4: response to the survey by district

	Herts Care Homes	%	FCoC	%	FCoC v Herts Landscape
Broxbourne	14	7%	3	5%	-1%
Dacorum	24	11%	6	11%	-1%
East Herts	22	10%	9	16%	6%
Hertsmere	21	10%	3	5%	-5%
North Hertfordshire	26	12%	8	14%	2%
St Albans	31	15%	7	13%	-2%
Stevenage	11	5%	4	7%	2%
Three Rivers	17	8%	4	7%	-1%
Watford	17	8%	8	14%	6%
Welwyn Hatfield	28	13%	4	7%	-6%
	211	100%	56	100%	

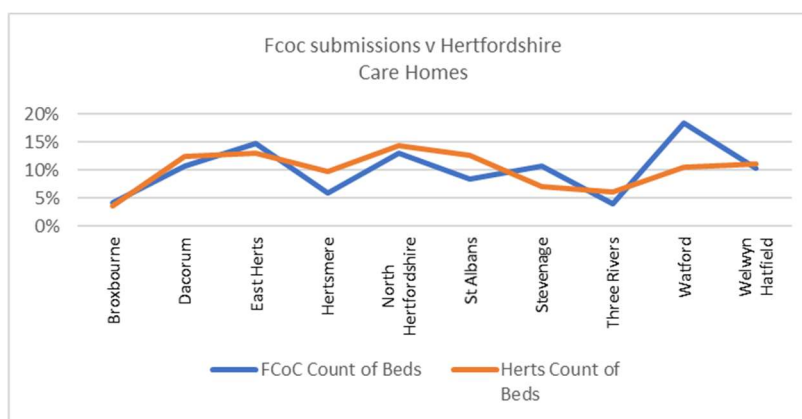


Bed count, maximum capacity by district: When comparing Care Homes responding to the Hertfordshire landscape:

- St. Albans – is underrepresented (-4%). (13% Herts/8% cost of care)
- Watford– is overrepresented (8%). (10% Herts/18% cost of care)

Table 5: Bed count by district

	Herts Count of Beds	%	FCoC Count of Beds	%	FCoC v Herts Landscape
Broxbourne	232	4%	118	4%	1%
Dacorum	808	12%	310	11%	-2%
East Herts	852	13%	425	15%	2%
Hertsmere	633	10%	172	6%	-4%
North Hertfordshire	939	14%	374	13%	-1%
St Albans	822	13%	245	8%	-4%
Stevenage	460	7%	308	11%	4%
Three Rivers	397	6%	116	4%	-2%
Watford	687	10%	534	18%	8%
Welwyn Hatfield	720	11%	298	10%	-1%
	6550	100%	2900	100%	



Note:

- Bed count (Maximum capacity) is taken from the Capacity Tracker as a snapshot as at 31st March 2022. Whilst it is recognised that the Capacity Tracker represents the latest known position on the date of the snapshot, it is the most consistent approach when demonstrating FCoC coverage compared to the Hertfordshire landscape.
- There are 245 Homes across Hertfordshire. Of those, 211 homes are included in tables (exclusions; Mental Health, and those with no CQC rating).

Provider engagement

In order to support and engage with providers, the council involved Hertfordshire Care Providers Association (HCPA) early in the process and throughout. Engagement with providers involved the following;

- Early engagement with Hertfordshire Care Providers Association (HCPA)
- Letters sent directly to providers (both commissioned and non-commissioned) by HCC and via HCPA (posted on their website) at the beginning of the process and as reminders throughout to encourage participation and to highlight national training / engagement sessions and HCPA/HCC webinars
- Initial and follow up provider webinar, hosted with HCPA
- Third party (Valuing Care) commissioned to provide support and guidance to providers in completing the tool
- HCPA hub available for providers to contact for support, with signposting to Valuing Care staff if needed
- 1 to 1 Calls/virtual meetings with providers to review submissions and answer any queries
- Weekly reminder calls to providers who were yet to submit.
- Extension of deadlines to support providers who wished to complete but had resourcing issues

Follow up sessions with HCPA and providers were organised in early October to discuss the exercise and market sustainability issues.

Survey results

Unit costs

Costs submitted into the tool were grouped into four categories of need:

- Care homes without dementia
- Care homes with dementia
- Nursing homes without dementia
- Nursing homes with dementia

Survey results by category of care and expenditure type are shown in the four tables below. These show the lower quartile, median and upper quartile.

Table 6 – Care homes without dementia

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Care home staffing				
Nursing staff: Care Home occupied beds without nursing	34	£0.00	£0.00	£0.00
Care staff: Care Home occupied beds without nursing	34	£332.08	£403.82	£441.98
Therapy Staff (Occupational & Physio)	34	£0.00	£0.00	£0.00
Activity Coordinators	34	£12.81	£16.22	£17.96
Service Management (Registered Manager / Deputy)	34	£32.41	£44.54	£51.45
Reception & Admin staff at the home	34	£11.16	£13.76	£21.47
Chefs / Cooks	34	£10.98	£21.72	£44.15
Domestic staff (cleaning, laundry & kitchen)	34	£40.27	£49.26	£69.28
Maintenance & Gardening	34	£6.63	£10.64	£16.36
Other care home staffing	34	£0.00	£0.00	£6.84
Care home staffing (Care Home occupied beds without nursing): Section Total	34	£446.34	£559.96	£669.49
Care home premises				
Fixtures & Fittings	34	£0.00	£1.11	£6.46
Repairs & Maintenance	34	£22.51	£31.58	£38.23

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Furniture, furnishings and equipment	34	£3.36	£7.19	£14.13
Other care home premises costs	34	£0.00	£0.00	£0.00
Care home premises: Section Total	34	£25.87	£39.88	£58.82
Care home supplies and services				
Food supplies	34	£35.46	£37.73	£40.51
Domestic and cleaning supplies	34	£7.71	£8.74	£11.17
Medical supplies excluding PPE	34	£0.00	£0.76	£6.23
PPE	34	£0.00	£0.78	£3.27
Office supplies (Home specific)	34	£1.68	£3.36	£6.52
Insurance (all risks)	34	£6.98	£7.44	£9.33
Registration fees	34	£3.37	£3.55	£3.77
Telephone & Internet	34	£1.50	£2.10	£3.01
Council tax / rates	34	£0.55	£0.74	£1.05
Electricity, gas & water	34	£29.23	£42.38	£51.97
Trade and clinical waste	34	£0.61	£4.02	£7.55
Transport & Activities	34	£1.12	£1.81	£2.51
Other care home supplies	34	£0.00	£0.94	£4.10
Care home supplies and services: Section Total	34	£88.21	£114.35	£150.99
Head office				
Central / regional management	34	£16.16	£28.50	£58.36
Support services (finance / HR / legal / marketing)	34	£7.21	£27.75	£45.44
Recruitment, Training & Vetting (inc. DBS checks)	34	£3.32	£5.19	£6.36
Other head office costs	34	£0.00	£13.21	£15.37
Head office: Section Total	34	£26.69	£74.65	£125.53
Care Home occupied beds without nursing: Total exc. ROC & ROO	34	£587.11	£788.84	£1,004.83
Return on Operations and Return on Capital				
Return on operations	34	£29.36	£39.44	£50.24
Return on capital	34	£101.32	£101.32	£101.32
Return on Capital and Return on Operations: Section Total	34	£130.68	£140.76	£151.56

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Care Home occupied beds without nursing: Final total	34	£717.79	£929.60	£1,156.39

Table 7 – Care homes with dementia

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Care home staffing				
Nursing staff: Care Home occupied beds without nursing with dementia	30	£0.00	£0.00	£0.00
Care staff: Care Home occupied beds without nursing with dementia	30	£391.86	£424.20	£554.92
Therapy Staff (Occupational & Physio)	30	£0.00	£0.00	£0.00
Activity Coordinators	30	£14.71	£16.56	£18.91
Service Management (Registered Manager / Deputy)	30	£35.50	£46.52	£57.08
Reception & Admin staff at the home	30	£11.70	£14.06	£21.47
Chefs / Cooks	30	£13.36	£23.12	£43.67
Domestic staff (cleaning, laundry & kitchen)	30	£40.21	£52.52	£71.46
Maintenance & Gardening	30	£6.84	£11.45	£16.36
Other care home staffing	30	£0.00	£0.00	£6.84
Care home staffing (Care Home occupied beds without nursing with dementia): Section Total	30	£514.18	£588.43	£790.71
Care home premises				
Fixtures & Fittings	30	£0.00	£5.82	£7.25
Repairs & Maintenance	30	£25.40	£32.17	£39.99
Furniture, furnishings and equipment	30	£5.22	£8.18	£14.67
Other care home premises costs	30	£0.00	£0.00	£0.00
Care home premises: Section Total	30	£30.62	£46.17	£61.91
Care home supplies and services				
Food supplies	30	£35.79	£38.52	£40.67

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Domestic and cleaning supplies	30	£8.10	£9.37	£11.96
Medical supplies excluding PPE	30	£0.00	£0.97	£5.96
PPE	30	£0.00	£1.80	£3.92
Office supplies (Home specific)	30	£2.00	£3.92	£6.52
Insurance (all risks)	30	£7.00	£7.44	£9.69
Registration fees	30	£3.26	£3.49	£3.82
Telephone & Internet	30	£1.74	£2.19	£3.82
Council tax / rates	30	£0.55	£0.76	£1.17
Electricity, gas & water	30	£32.44	£41.60	£51.02
Trade and clinical waste	30	£0.54	£4.13	£7.69
Transport & Activities	30	£1.60	£1.83	£2.51
Other care home supplies	30	£0.00	£0.53	£2.76
Care home supplies and services: Section Total	30	£93.02	£116.55	£151.51
Head office				
Central / regional management	30	£16.01	£20.51	£54.86
Support services (finance / HR / legal / marketing)	30	£11.89	£35.63	£47.43
Recruitment, Training & Vetting (inc. DBS checks)	30	£3.40	£5.22	£6.81
Other head office costs	30	£0.00	£13.72	£15.37
Head office: Section Total	30	£31.30	£75.08	£124.47
Care Home occupied beds without nursing with dementia: Total exc. ROC & ROO	30	£669.12	£826.23	£1,128.60
Return on Operations and Return on Capital				
Return on operations	30	£33.46	£41.31	£56.43
Return on capital	30	£101.32	£101.32	£101.32
Return on Capital and Return on Operations: Section Total	30	£134.78	£142.63	£157.75
Care Home occupied beds without nursing with dementia: Final total	30	£803.90	£968.86	£1,286.35

Table 8– Nursing without dementia

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Care home staffing				
Nursing staff: Care Home occupied beds with nursing	18	£194.01	£234.53	£289.36
Care staff: Care Home occupied beds with nursing	18	£292.95	£347.28	£394.63
Therapy Staff (Occupational & Physio)	18	£0.00	£0.00	£0.00
Activity Coordinators	18	£11.43	£12.86	£17.75
Service Management (Registered Manager / Deputy)	18	£27.81	£47.15	£60.44
Reception & Admin staff at the home	18	£11.93	£17.59	£22.87
Chefs / Cooks	18	£23.96	£34.60	£48.97
Domestic staff (cleaning, laundry & kitchen)	18	£30.57	£46.56	£51.45
Maintenance & Gardening	18	£10.74	£11.75	£15.58
Other care home staffing	18	£0.00	£0.00	£6.43
Care home staffing (Care Home occupied beds with nursing): Section Total	18	£603.40	£752.31	£907.48
Care home premises				
Fixtures & Fittings	18	£0.00	£0.00	£7.98
Repairs & Maintenance	18	£20.79	£24.69	£31.38
Furniture, furnishings and equipment	18	£0.85	£5.69	£10.98
Other care home premises costs	18	£0.00	£0.00	£0.83
Care home premises: Section Total	18	£21.64	£30.37	£51.17
Care home supplies and services				
Food supplies	18	£32.59	£36.03	£41.86
Domestic and cleaning supplies	18	£7.77	£8.94	£12.56

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Medical supplies excluding PPE	18	£5.87	£15.00	£18.84
PPE	18	£0.00	£0.64	£3.66
Office supplies (Home specific)	18	£1.51	£2.07	£3.85
Insurance (all risks)	18	£7.56	£8.47	£9.00
Registration fees	18	£3.27	£3.50	£3.72
Telephone & Internet	18	£1.66	£2.46	£5.16
Council tax / rates	18	£0.55	£0.99	£1.27
Electricity, gas & water	18	£26.94	£35.10	£49.78
Trade and clinical waste	18	£4.89	£6.21	£7.75
Transport & Activities	18	£1.17	£2.29	£3.86
Other care home supplies	18	£0.52	£1.81	£5.60
Care home supplies and services: Section Total	18	£94.30	£123.50	£166.90
Head office				
Central / regional management	18	£35.93	£54.42	£98.23
Support services (finance / HR / legal / marketing)	18	£9.31	£14.37	£28.68
Recruitment, Training & Vetting (inc. DBS checks)	18	£2.88	£5.05	£13.53
Other head office costs	18	£0.00	£0.00	£15.22
Head office: Section Total	18	£48.12	£73.83	£155.66
Care Home occupied beds with nursing: Total exc. ROC & ROO	18	£767.46	£980.00	£1,281.21
Return on Operations and Return on Capital				
Return on operations	18	£38.37	£49.00	£64.06
Return on capital	18	£101.32	£101.32	£101.32

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Return on Capital and Return on Operations: Section Total	18	£139.69	£150.32	£165.38
Care Home occupied beds with nursing: Final total	18	£907.15	£1,130.31	£1,446.58

Table 9: Nursing with dementia

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Care home staffing				
Nursing staff: Care Home occupied beds with nursing, dementia	15	£188.14	£232.21	£287.96
Care staff: Care Home occupied beds with nursing, dementia	15	£306.79	£366.50	£395.37
Therapy Staff (Occupational & Physio)	15	£0.00	£0.00	£0.00
Activity Coordinators	15	£12.30	£14.66	£17.81
Service Management (Registered Manager / Deputy)	15	£33.37	£49.28	£56.60
Reception & Admin staff at the home	15	£13.26	£19.95	£23.41
Chefs / Cooks	15	£25.78	£35.54	£47.70
Domestic staff (cleaning, laundry & kitchen)	15	£32.78	£46.07	£52.23
Maintenance & Gardening	15	£10.83	£12.36	£16.25
Other care home staffing	15	£0.00	£0.00	£5.31
Care home staffing (Care Home occupied beds with nursing, dementia): Section Total	15	£623.25	£776.57	£902.64
Care home premises				
Fixtures & Fittings	15	£0.00	£0.00	£8.32
Repairs & Maintenance	15	£18.41	£24.85	£35.19
Furniture, furnishings and equipment	15	£3.16	£6.58	£10.00
Other care home premises costs	15	£0.00	£0.00	£0.00
Care home premises: Section Total	15	£21.57	£31.43	£53.51

Resident per week	Count of responses	Lower quartile	Median	Upper quartile
Care home supplies and services				
Food supplies	15	£32.98	£35.76	£39.79
Domestic and cleaning supplies	15	£7.79	£8.74	£11.23
Medical supplies excluding PPE	15	£11.72	£15.19	£18.24
PPE	15	£0.45	£0.88	£3.99
Office supplies (Home specific)	15	£1.70	£2.04	£3.48
Insurance (all risks)	15	£7.61	£8.50	£8.99
Registration fees	15	£3.31	£3.46	£3.64
Telephone & Internet	15	£1.70	£2.12	£5.57
Council tax / rates	15	£0.51	£0.93	£1.26
Electricity, gas & water	15	£27.01	£35.76	£49.93
Trade and clinical waste	15	£5.33	£6.09	£7.85
Transport & Activities	15	£1.14	£1.83	£3.75
Other care home supplies	15	£0.53	£1.73	£4.67
Care home supplies and services: Section Total	15	£101.78	£123.03	£162.39
Head office				
Central / regional management	15	£44.87	£55.30	£117.74
Support services (finance / HR / legal / marketing)	15	£9.67	£16.10	£27.75
Recruitment, Training & Vetting (inc. DBS checks)	15	£2.74	£3.71	£11.39
Other head office costs	15	£0.00	£10.27	£17.62
Head office: Section Total	15	£57.28	£85.38	£174.50
Care Home occupied beds with nursing, dementia: Total exc. ROC & ROO	15	£803.88	£1,016.41	£1,293.04
Return on Operations and Return on Capital				
Return on operations	15	£40.19	£50.82	£64.65
Return on capital	15	£101.32	£101.32	£101.32
Return on Capital and Return on Operations: Section Total	15	£141.51	£152.14	£165.97
Care Home occupied beds with nursing, dementia: Final total	15	£945.39	£1,168.55	£1,459.01

Occupancy

56 Care Home respondents, excluding the one excluded fully as referenced previously, reported 2,814 Occupied Beds and 3,319 total available beds equating to an overall 85% occupancy during 2021/22 for those care homes.

It has not been possible to compare occupancy reported in Cost of Care submissions to Hertfordshire as a whole, as there is no other directly comparable data source. Cost of care submissions include bed counts for all of 2021/22, but the Capacity Tracker is a snapshot in time.

Therefore, to ensure a consistent approach, Occupancy Levels detailed in the following two tables denote the latest position reported via the Capacity Tracker as at 31st March 2022.

**Table 10: Occupancy levels
Hertfordshire Care Homes**

By Care Type	Min	Max	Mean	Median	CoC Submissions Median
Care home dementia	0%	100%	84%	91%	93%
Care home not dementia	0%	100%	83%	90%	90%
Nursing dementia	0%	100%	82%	93%	100%
Nursing not dementia	0%	100%	82%	89%	94%

Staffing costs

Nursing staff costs

Nursing staff costs are only relevant to two care types, so only these are shown in the tables below.

Table 11 shows the basic hourly pay rate for nursing staff as reported in the survey, with median values of £20.93 and £21.00 for without and with dementia.

Table 11 – nursing care basic hourly rate

Care type	Lower quartile	Median	Upper quartile	IQR
Nursing without dementia	£19.30	£20.93	£21.52	£2.22
Nursing with dementia	£19.93	£21.00	£21.77	£1.84

Table 12 shows the number of nursing hours per resident per week. Although median values for both care types are consistent at around 8.5 hours per week, there is considerable variation as shown by the IQR of over 3 hours.

It is not known at this point if this is a result of varying needs, data quality issues or high levels of vacancies in some homes leading to staff working with fewer people.

Table 12 – number of nursing hours per resident per week

Care type	Lower quartile	Median	Upper quartile	IQR
Nursing without dementia	7.29	8.64	10.65	3.36
Nursing with dementia	7.18	8.56	10.29	3.11

The cost per resident per week is shown in table 13 below. This identifies the median cost of nursing care as being between £232 and £235 pounds.

It is important to note some activities undertaken by nursing staff (including general management and administration), are not required to be undertaken by a nurse, and are excluded by the Department of Health and Social Care (DHSC) when determining the amount of NHS funded nursing care (FNC).

The most recent review of FNC undertaken by Laing Buisson for the DHSC in 2019 concluded that 88% of total nursing time and costs were eligible for FNC (which is consistent with the proportion previously identified by Mazars in 2016). The implication of this finding is that Councils maybe reasonably expected to fund up to 12% of direct nursing costs, where a service user is eligible for FNC.

2022/23 FNC is set at £209.19 per resident per week. Bases on the median costs below, this represents 89% or 90% of the reported cost of nursing staff.

Table 13 – cost of nursing care per resident per week

Care type	Lower quartile	Median	Upper quartile	IQR
Nursing without dementia	£194.01	£234.53	£289.36	£95.35
Nursing with dementia	£188.14	£232.21	£287.96	£99.82

Care staff costs

As referenced previously, support hours vary significantly across the sample. It is not possible from the data collected to determine if this is a result of differing needs, operating models or inconsistencies in data submitted.

The basic hourly rate for care staff is shown in table 14, demonstrating this is reasonably consistent along with the investment Hertfordshire has made in care worker pay over recent years.

Table 14 – care staff basic hourly rate

Care type	Lower quartile	Median	Upper quartile	IQR
Care home without dementia	£10.46	£11.07	£11.43	£0.97
Care home with dementia	£10.72	£11.14	£11.52	£0.80
Nursing without dementia	£10.72	£10.98	£11.11	£0.39
Nursing with dementia	£10.73	£11.03	£11.14	£0.41

As with nursing care, there is a significant variation between the reported number of care hours per resident per week. As would be expected, this is lower for nursing care given the additional support provided by nursing staff.

Table 15 – number of care hours per resident per week

Care type	Lower quartile	Median	Upper quartile	IQR
Care home without dementia	24.44	26.68	29.03	4.59
Care home with dementia	26.76	28.87	33.79	7.03
Nursing without dementia	19.81	24.10	26.54	6.74
Nursing with dementia	20.96	24.22	26.76	5.80

The cost of care staff is the highest single cost for all care types. There is a significant variance between responses to the survey as a result both of variations in the number of hours per resident per week and pay costs.

Table 16 – cost of care staff per resident per week

Care type	Lower quartile	Median	Upper quartile	IQR
Care home without dementia	£332.08	£403.82	£441.98	£109.90
Care home with dementia	£391.86	£424.20	£554.92	£163.06
Nursing without dementia	£292.95	£347.28	£394.63	£101.68

Nursing with dementia	£306.79	£366.50	£395.37	£88.58
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Return on capital (ROC)

DHSC guidance on ROC is set out in appendix E of the guidance on the market sustainability and fair cost fund:

[Annex E: further detail on return on capital and return on operations - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/annex-e-further-detail-on-return-on-capital-and-return-on-operations)

It sets out two approaches to determining ROC.

1. Providers should be asked to state the current freehold value of their care home, and the median freehold value per bed can then be calculated for the local authority conducting the exercise. There is a second-hand market for care homes which can provide a sense check. A percentage rental yield can then be applied to the freehold value per bed.
2. Local Housing Allowance (LHA) is paid to Housing Benefit recipients to support the cost of rent. The rates are set as the 30th percentile of local rents. The one-bedroom rate of LHA (minus fixtures/fittings/repairs/maintenance can arguably be used as a proxy for the property rental element within a local authority.....For example, consider a local authority with an average one-bedroom LHA rate of £130 per week, and fixtures/fittings/maintenance of £30 per week, the cost of care exercise could report a return on capital of £100 per resident per week.

There is significant uncertainty over this value, and the true cost will vary by provider and location. As such, the return on capital quoted in this report is calculated based on option 1

- The median freehold value per bed reported by providers in the exercise, namely £86,444 per bed
- A yield of 5.5% as per Knight Frank's estimate of the yield for core care home stock
- Adjusting for 90% occupancy

As noted in the guidance, return on capital is not a hard entitlement nor is it fully objective. The amount included here is therefore an estimate which would not be relevant to individual providers.

In determining the return on capital, the median freehold value provided in the survey has been used. It has not been possible to verify this, and there is a significant range between the upper and lower quartiles as shown in table 9.

We have attempted to verify this through examining care and nursing home sales in table 11 but there is limited available data. The two examples available indicate the return on capital per bed per week used is towards the higher end.

Percentage yield on freehold value

As part of the return through the IESE tool, providers were asked to provide ROC either as a percentage of the property valuation or as a per resident per week figure.

Of 56 completed returns, 23 provided a freehold valuation per bed. The median, lower and upper quartile values are shown in table 17.

Table 17: Freehold valuation per bed as per returns

	Lower quartile	Median	Upper quartile
Freehold valuation per bed per year (per returns)	£68,133	£86,444	£131,938

If the lower quartile, median and upper quartile freehold valuations are used along with the 5.5% yield quoted by DHSC from Knight Frank's report in 2021, the return on capital per week per bed at 90% occupancy is £101.32. This is the figure used within reported figures.

Table 18: Return on capital at 5.5% yield and 90% occupancy

	Lower quartile	Median	Upper quartile
Freehold valuation per bed per year (per returns)	£68,133	£86,444	£131,938
Recommended ROC yield	5.5%	5.5%	5.5%
ROC required at 90% occupancy	£79.86	£101.32	£154.64

External check of freehold value per bed

In order to attempt to verify the freehold value per bed, a check of both care homes up for sale and recently sold homes has taken place using links below:

[Care Homes For Sale Hertfordshire & Nursing Homes For Sale Hertfordshire](#)

[Care Homes Sold Hertfordshire & Nursing Homes Sold Hertfordshire](#)

This does not provide sufficient evidence to either validate or contradict the values returned in the survey.

Table 19: Care homes sold or for sale in Hertfordshire

Category	Beds	Freehold valuation	Per bed per year	ROC at 5.5% and 90% occupancy
Sold in 2022	24	£895,000	£37,292	£43.71
Currently for sale	29	£2,000,000	£68,966	£80.83

Return on operations

In determining the median result, a rate of 5% has been applied. This has been set at this level because:

- 5% is the rate used within the benchmarking used below
- Setting a level above 5% would not represent best use of public funds
- There was considerable variation in the reported returns on operations with some providers reporting 0% and other ones over 100%. By applying a fixed percentage these variations are removed from the reported figures.
- The median values for each care type are set out below. Due to the considerable range and reasons set out previously, these have not been used within the reported figures.

Table 20: Median return on operations as per survey

Care type	Lower quartile	Median	Upper quartile
Care without dementia	2%	7%	13%
Care with dementia	2%	9%	13%
Nursing without dementia	4%	9%	11%
Nursing with dementia	4%	9%	10%

Benchmarking

The benchmarking model values are derived from Cost of Care surveys completed across the country by Valuing Care since 2016: the median values have been sourced from over 5,000 providers reported costs. The median figures are updated each year to current prices and the models are localised to reflect local salary costs and the Valuing Care's recommended allowance for return on capital for each local authority location. In addition, the underlying model is regularly reviewed to ensure it matches any changes to the underlying cost drivers (e.g., National Insurance changes)

This comparison shows that the results from this survey are consistently around £150 per week higher than benchmark rates across all care types.

Table 21 – comparison of total operating costs from survey to benchmark

Care type	Benchmark	Hertfordshire survey	Variance
Care home	£772.56	£929.53	£156.97
Care home with dementia	£813.88	£968.77	£154.89
Nursing care	£968.78	£1,130.31	£161.53

Care type	Benchmark	Hertfordshire survey	Variance
Nursing care with dementia	£1,016.16	£1,168.55	£152.39

In table 22 below the variance has been broken down by expenditure type. With the exception of premises in nursing homes, all expenditure types are higher in the survey results than the benchmark.

Table 23 shows these values as a percentage of the survey results. Overheads represent the highest percentage variance are between 25% and 35% higher than the benchmark, followed by supplies and services (20%-23%).

Table 22 – variance of operating costs by expenditure type and care type

Expenditure Type	Variance - HCC less benchmark (£)			
	Care home	Care home with dementia	Nursing care	Nursing care with dementia
Subtotal - staffing	91.88	81.31	103.15	82.65
Subtotal - premises	1.36	7.65	(8.15)	(7.09)
Subtotal - supplies & services	23.26	25.44	28.08	27.61
Subtotal - Corporate Overheads	21.07	21.18	18.83	30.02
Subtotal - return on operations and capital	19.42	19.32	19.64	19.20
Total	156.97	154.89	161.53	152.39

Table 23 – variance of operating costs by expenditure and care type as a percentage of survey results

Expenditure Type	Variance - HCC less benchmark (% of HCC)			
	Care home	Care home with dementia	Nursing care	Nursing care with dementia
Subtotal - staffing	16%	14%	14%	11%
Subtotal - premises	3%	17%	(27%)	(23%)
Subtotal - supplies & services	20%	22%	23%	22%
Subtotal - Corporate Overheads	28%	28%	25%	35%
Subtotal - return on operations and capital	14%	14%	13%	13%
Total	17%	16%	14%	13%

Comparison to current rates

The council pays a numbers of rates to providers depending on a number of factors.

Average rates as at 2022/23 are shown in table 24 compared to median rates from the cost of care exercise.

Table 24: Comparison to current rates

Care types	Current rate paid	Cost median value	Adjust for FNC	Rate for comparison	Distance from median
Care home without dementia	£698.99	£929.60	£0.00	£929.60	33%
Care home with dementia	£698.99	£968.86	£0.00	£968.86	39%
Nursing home without dementia	£744.42	£1,130.31	(£209.19)	£921.12	24%
Nursing home with dementia	£744.42	£1,168.55	(£209.19)	£959.36	29%