

# ***COST OF CARE***

For Older People in Residential Care Homes  
(With and Without Nursing) in the  
Metropolitan Borough Council of North Tyneside

**March 2019**

**Costing Care Limited**

**Cost of Care for Older People in residential Care Homes With or Without Nursing in the  
Metropolitan Borough of North Tyneside**

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## INTRODUCTION

The purpose of this report is to calculate the cost of care in residential care homes for older people, with or without nursing, in the Council Borough of North Tyneside (Council). It was requested by North Tyneside Care Home Owners Association (NTCHOA) who have agreed to supply the costs of care to the Council. We have also been instructed to supply an income analysis of the area. The methodology used for processing this report has been agreed with North Tyneside Care Home Owners Association (NTCHOA). We have circulated this report to NTCHOA and would seek both provider and Council comments before finalising.

We have based the report on actual costs. Any assumptions used will be identified under the separate cost headings. We have used the following cost headings:

Heading	Source
Occupancy	Survey of Providers for Week Ending 24 <sup>th</sup> March 2019
Number of Beds	Survey of Providers for Week Ending 24 <sup>th</sup> March 2019
Staff Costs	Survey of Providers for Week Ending 24 <sup>th</sup> March 2019
Other Operating Costs	Survey of Providers for Last Completed Financial Year
Capital Expenditure Costs	Survey of Providers for Last Completed Financial Year
Property Rental Costs	Survey of Providers for Last Completed Financial Year
Financing Costs & RoR	Survey of Providers, BCIS Build Costs & Closed Care Home Sale Values
Weekly Income	Survey of Providers for Week Ending 24 <sup>th</sup> March 2019

The following number of care homes supplied full data:

Number of Providers	12
Number of Care Homes	18
Number of Care Homes Without Nursing	10
Number of Care Homes With Nursing	8

Although the data has been sense checked, we have not undertaken an audit. We have excluded a limited amount of data (in particular HC One homes), which deviated significantly from the rest of the data supplied and was not supported by further information. The impact of excluding this data was a reduction in costs.

## COST HEADINGS

### Occupancy

The results are based on the following number of registered and occupied beds as at week ending 24<sup>th</sup> March 2019:

Type of Care	Registered Beds	Occupied Beds	% Occupied
Residential	301	274	91.03%
Residential with Dementia	287	248	86.41%
Nursing	98	89	90.82%
Nursing with Dementia	62	58	93.55%
Continuing Healthcare	64	64	100.00%
<b>Totals</b>	<b>812</b>	<b>733</b>	<b>90.27%</b>

### Staff Costs

We choose one week to collect the staffing costs as it is not possible for providers to accurately split hours for different types of care over a longer period such as a year. Changes in dependency and occupancy particularly make collecting staffing data over a year not possible.

#### Staff Hours

The weighted average staffing hours per occupied bed per week are summarised as follows:

Role	Residential	Residential Dementia	Nursing	Nursing Dementia	CHC
Nurse	n/a	n/a	6.53	8.51	8.63
Senior Care Assistants	4.87	7.28	4.36	3.81	6.00
Care Assistants	14.56	19.28	20.39	21.22	22.46
Chefs/Cooks	1.39	1.39	1.39	1.39	1.39
Kitchen/Catering Assistants	1.30	1.30	1.30	1.30	1.30
Domestics*	1.84	1.84	1.84	1.84	1.84
Laundry Assistants*	1.44	1.44	1.44	1.44	1.44
Management	1.08	1.08	1.08	1.08	1.08
Deputy Manager	0.76	0.76	0.00	0.00	0.00
Administration and Reception	0.93	0.93	0.93	0.93	0.93
Other Staff (including handyman)	0.72	0.72	0.72	0.72	0.72
Activities	1.14	1.14	1.14	1.14	1.14
Nurse – Agency	n/a	n/a	1.32	1.32	1.32
Care Assistant - Agency	2.68	2.68	0.00	0.00	0.00

\*Dual roles – Laundry assistants undertake domestic work also

Using the above, the total care and nurse hours per resident per week is as follows:

Role	Residential	Residential Dementia	Nursing	Nursing Dementia	CHC
Nurse	n/a	n/a	6.53	8.51	8.63
Nurse - Agency	n/a	n/a	1.32	1.32	1.32
<b>Total Nurse Hours</b>	<b>n/a</b>	<b>n/a</b>	<b>7.85</b>	<b>9.83</b>	<b>9.95</b>

Role	Residential	Residential Dementia	Nursing	Nursing Dementia	CHC
Deputy Manager	0.76	0.76	0.00	0.00	0.00
Senior Care	4.87	7.28	4.36	3.81	6.00
Care Assistants	14.56	19.28	20.39	21.22	22.46
Activities	1.14	1.14	1.14	1.14	1.14
Care Assistants - Agency	2.68	2.68	0.00	0.00	0.00
<b>Total Care Hours</b>	<b>23.50</b>	<b>31.14</b>	<b>25.89</b>	<b>26.17</b>	<b>29.60</b>

*Staff Pay Rates*

The weighted average staff pay rates as per the data supplied, were as follows:

Role	Residential	Residential Dementia	Nursing	Nursing Dementia	CHC
Nurse	n/a	n/a	16.59	16.61	16.63
Senior Care Assistants	8.68	8.94	8.40	8.37	8.41
Care Assistants	8.05	8.16	7.79	7.77	7.80
Chefs/Cooks	8.62	8.62	8.62	8.62	8.62
Kitchen/Catering Assistants	7.97	7.97	7.97	7.97	7.97
Domestics	8.05	8.05	8.05	8.05	8.05
Laundry Assistants	7.91	7.91	7.91	7.91	7.91
Management	18.95	18.95	18.95	18.95	18.95
Deputy Manager	13.55	13.55	13.55	13.55	13.55
Administration and Reception	9.05	9.05	9.05	9.05	9.05
Other Staff (including handyman)	8.36	8.36	8.36	8.36	8.36
Activities	8.72	8.72	8.72	8.72	8.72
Nurse – Agency	26.03	26.03	26.03	26.03	26.03
Care Assistant - Agency	13.84	13.84	13.84	13.84	13.84

*Employee On-costs*

The following assumptions have been made regarding employee on-costs:

<b>On-cost</b>	<b>Manager</b>	<b>Nurse</b>	<b>All other Staff</b>
Holiday (WTD)	12.0%	12.0%	12.0%
Employers NI	9.5%	9.0%	7.8%
Training & Sick Pay	1.0%	1.0%	1.0%

*Pension Costs*

Actual pension costs were supplied for the week and allocated across all care types.

**Other Operating Costs**

The data supplied for other operating costs covered the last financial year of the provider. It was necessary to collect the data over a year as it was not possible to collect it over one week.

*Year End Dates*

The year-end dates ranged from March 18 up to March 19. We have not applied any CPI uplift to bring all costs up to March 19. If we had applied a CPI uplift, then costs would not increase costs by more than £1. Coupled with the fact that many providers are on fixed price contracts, we did not feel it was necessary for the uplift.

*Medical Supplies*

All homes, not just homes with nursing, show a cost against medical supplies for the year. We have allocated medical supplies across all types of care, but do recognise that providers with nursing are showing a greater cost than those without nursing. We recommend that further analysis of this cost be undertaken.

*Other Non-Staff Costs*

Most of the cost headings under other operating costs are self-explanatory except for other non-staff costs. Included within this cost heading are the following costs:

- Accountancy
- Legal
- Resident Entertainment
- Motor & Travel
- Bank Charges
- Subscriptions
- Uniforms

## Maintenance of Capital Expenditure

The following costs have been included under this cost heading:

- Repairs to land and buildings
- Purchase of vehicles (specific to home)
- Large Equipment/Fixtures Purchases
- New Door and Alarm Systems
- CCTV

## Property Rental Costs – RoR and Financing Costs

We have provided two scenarios for the cost of capital under appendix 1 and appendix 2.

### *Appendix 1 – Property Rental Costs*

Some homes rent their property and we have used the actual weighted average cost for these homes.

### *Appendix 2 – RoR and Financing Costs*

The second scenario uses actual new build/conversion costs and actual interest rates. The methodology is as follows:

Capital Value Per Bed:

Build/conversion Cost Using RICS BCIS	X
Initial Equipment Cost	X
Less Residual Value of Land/Property	<u>(X)</u>
Capital value used for Financing	<u>X</u>

We have assumed that the residual value is equal to the initial equity invested. This provides the following debt to equity ratios/values:

Residential:	82/18	£58,727/£13,033
Nursing:	83/17	£61,727/£13,033

The residual values used are those care homes which are currently for sale and closed.

The debt rate used is 4.56% which was taken from the provider surveys. The debt repayment (capital cost) is repaid over a term of 20 years and is a post taxation cost. We have used a taxation rate of 19% for this exercise. The final values have been adjusted for the current occupancy.

We have not included any return for the equity invested and this should form part of the providers return/profit.

## **PROVIDER PROFIT**

No profit has been included within the costings. However, typical profit margins from various sources indicate a range of 6-10% on costs. For your information, we have provided a table at appendix 3 showing the typical profit margin percentages and the impact they would have on these costings.

## **INCOME ANALYSIS**

We have collected the weekly fee income for week ending 24<sup>th</sup> March through the provider surveys. This income is displayed in Appendix 4. The following income is included under each heading:

*Council/CCG Weighted Average Fee Income:* Council fees, CCG fees and outside area council fees.

*Private Fees:* Income from private residents.

*Third Party Contributions:* Income from a third party which pays a top-up to Council fees. The weighted average fee is based on the number of beds that pay top-up only and the average would be reduced if we allocated this across all beds.

*Total Weighted Average:* We have used the total income (inc. TPC) for each type of care and divided this by the total number of beds

We have compared weekly fees against the weekly costs and it should be noted that profit has been excluded from this part of the exercise.

## **CONCLUSIONS AND FURTHER WORK**

The nature and make up of care homes often makes it difficult to obtain average cost of care. Varying levels of occupancy and types of care will always impact on care home costs over a period of time. However, we have minimised the number of assumptions used and based the costs on actual figures. We believe that the figures given in this report reflect the actual costs of care of the homes surveyed.

We do however recommend some further work as follows:

- 1) Review medical costs further. The report has allocated these costs evenly across all homes but it did appear that nursing homes had more heavily weighted medical costs.



- 2) Consider capital approach. We have given two scenarios which reflect the capital costs. These should be discussed further and a method agreed upon.
- 3) 2019/20 uplift. The costs of care reflect a cost for the year 2018/19 and an exercise should be undertaken to uplift these costs if this report is to be used for 2019/20 year. We have set the costs of care out in this report which allow these costs to be uplifted correctly.

Please note that we have prepared this report for the sole use of NTCHOA.

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Costing Care Limited