

# WIRRAL COUNCIL

## CABINET

7 FEBRUARY 2013

<b>SUBJECT:</b>	<b><i>FEES FOR RESIDENTIAL AND NURSING HOMES CARE – RESPONSE TO CONSULTATION</i></b>
<b>WARD/S AFFECTED:</b>	<b><i>ALL</i></b>
<b>REPORT OF:</b>	<b><i>GRAHAM HODKINSON</i></b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b><i>COUNCILLOR CHRISTINE JONES</i></b>
<b>KEY DECISION?</b>	YES

### **1.0 PURPOSE OF REPORT**

- 1.1 To report the outcome of a renewed consultation with care home providers as agreed by Cabinet 20 December 2012.
- 1.2 To recommend a final proposal for 2012-13.

### **2.0 BACKGROUND**

- 2.1 Wirral care homes are a mix of purpose built homes and adapted large private houses. The Council's strategy for 2012-13 is to set fees that maintain capacity. It is not necessary to increase provision. In the medium term it is planned to use less care home places. Instead people will be helped to remain in the community. Care home fees are set with due regard to providers' actual costs. The Council's duty to achieve best value is a factor.
- 2.2 The final proposal is calculated by the Efficient Wirral Care Home model. The model aims to make due allowance for actual costs and market returns. The model is intended to calculate a fair and reasonable weekly rate for the four different categories of care home placement.
- 2.3 The chronology of arriving at the final proposal is set out below.
- 2.4 Other consultation with providers includes:
  - A questionnaire to providers about Quality Premiums and developing a fee model
  - Home Owner forums
  - Actual cost data collection from providers
  - An Older Peoples Group

<b>Chronology</b>		
April 2011	2011-12 fee rates come into operation	
May 2011	The Wirral Care Homes Association had commissioned their own calculation of 2011-12 rates. The calculation was carried out by market analysts Laing and Buisson. The calculation was provided to the Council.	
January 2012	Preliminary proposal for 2012-13 communicated to providers.	
October 2012	Cabinet authorises formal proposal to providers. The chosen option reflects the previous 9 months of bilateral work on the model.	
December 2012	Cabinet authorises revised proposal to providers reflecting consultation, which was extended to January 2013. This is set out in the following rows. The additional cost is estimated at £985,169 in a full year.	
	Assumed number of beds for an efficient home	37
	Occupancy rate	95%
	Residential weekly rate	£393
	Residential EMI weekly rate	£423
	Nursing weekly rate	£533
	Nursing EMI weekly rate	£552
	Return on capital	7%
	Return on business activity	3%
Duration	2 years to 31 March 2014	
10 January 2013	Wirral Care Homes Association provide the Council with Laing and Buisson reviews of the formal proposal made in October 2012 and the latest revised proposal	
17 January 2013	Consultation period on revised proposal ends	
7 February 2013	Cabinet authority sought for final proposal. Details of the proposal are set out below. The additional cost is estimated at £1,058,000 in a full year.	
	Assumed number of beds for an efficient home	37
	Occupancy rate	95%
	Residential weekly rate	£395
	Residential EMI weekly rate	£425
	Nursing weekly rate	£537
	Nursing EMI weekly rate	£552
	Return on capital	7%
	Return on business activity	3%
Duration	1 year to 31 March 2013	

- 2.5 Delay in setting the fee rates will have reduced providers' cash flow. The Council now aims to finalise the rates as quickly as possible. Payments will then be made to providers backdating the increased fees to 1 April 2012.

2.6 Fees are set to enable efficient homes to comply with statutory requirements. However 70% of homes have already achieved three stars under Wirral's local scheme that parallels CQC requirements. Homes that have not achieved 3 stars have been prioritised for review by the Quality Assurance Team. The team will ensure that essential standards of quality and safety defined by the Care Quality Commission are met. To date 25 out of the 29 homes that had not achieved 3 stars have been inspected by the Quality Assurance Team.

2.7 Discussions with NHS Wirral are planned to look at continuing health care arrangements and end of life issues and intermediate care.

### 3.0 **CONSULTATION ON THE REVISED PROPOSAL**

3.1 Responses from consultees on the initial fee proposal were taken into account by Officers and each letter was responded to. These comments informed the revised option.

3.2 8 individual providers and Wirral Care Homes Association responded to consultation on the revised proposal. Their comments have been summarised in Appendix 4.

3.3 The Wirral Care Homes Association stated that the Council has not completed the consultation process proposed. The Association also stated that the Efficient Wirral Care Home model contained mistakes and erroneous assumptions. The Association have also advised Cabinet Members of their intention to make a legal challenge unless their issues were responded to. A further meeting was held with the Association on 10 January 2013.

3.4 The Association has identified that the Efficient Wirral Care Home model does not allow for national insurance payable on employees' holiday pay. Consequently, the model has been revised to calculate the final proposal.

3.5 The Association has also stated that it could not recommend to providers fixing fees for two years at the level of the revised proposal. It is suggested 2013-14 should be dealt with separately. This is accepted in the final proposal.

3.6 Some Laing and Buisson comments on the revised proposal were provided to the Council in January 2013 during the extended consultation period. The Laing and Buisson survey that underlies the comments has not been provided to the Council. It is not possible for the Council to address all the issues now communicated because some of the issues have only been raised at a later stage.

### 4.0 **RELEVANT RISKS**

4.1 There is a risk of judicial review. The Association has previously indicated its intention to challenge Council proposals. However the Council has shared the model with providers. It has responded to all the issues raised during the extended consultation period saying whether it accepts the proposed change and the reasons for its decision. Accordingly the final proposal is considered to be reasonable and well considered.

4.2 The Council has endeavoured to maintain a balance between cost and quality. It seeks to ensure quality standards are maintained whilst at the same time best value is obtained.

4.3 There are currently 50 homes (representing 60% of the market capacity) that have fewer than the average of 37 beds. By setting the fees based on this option there is potentially a lower risk of home closures than using the 50 beds assumed in previous proposals.

## 5.0 OTHER OPTIONS CONSIDERED

5.1 N/A.

## 6.0 CONSULTATION

6.1 This report details the outcome, following consultation on the revised proposal.

## 7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no direct implications for voluntary, community and faith organisations.

## 8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 The cost of implementing the proposal made on 20 December 2012 in a full year is £1,058,000. Given the Council's overall financial position and the forecast overspend of £10.2m in DASS for 2012-13 this proposal already exceeds the available budget for Care Home fees.

8.2 It will be necessary to fund the increase in 2012-13 from the Revenue Reserves of the Council. Meeting the cost of this proposal in 2013-14 and the impact of any additional 2013-14 fees review will be considered as part of the council's overall budget.

8.3 The fees paid by DASS are used to determine client contributions in accordance with CRAG guidance. It will be necessary to revise the financial assessments of all clients in care home placements. Some clients' financial assessments will not increase in line with the fee increase.

## 9.0 LEGAL IMPLICATIONS

9.1 During 2011, and more recently, there have been a number of high profile court cases against local authorities which ruled that fees had been set without **due regard** to the actual costs of care and that authorities had failed to consult with home owners. One local authority failed to identify any measures to mitigate the impact of people having to move despite the well-known adverse impact on health that this can have and the Equality Impact Assessment was not properly considered. Wirral is also aware of a judgment against a Local Authority when fees had been set retrospectively in order to fit the budget available, thereby predetermining the outcome of the consultation.

- 9.2 Under section 21 of the National Assistance Act 1948 (“the Act”) and the Directions made under it and LAC 93 (10), the Council has a duty to arrange accommodation for adults who by reason of age, illness or disability or any other circumstance are in need of care and attention.
- 9.3 The National Assistance Act (Choice of Accommodation) Directions 1992 allows the Council to fix a maximum amount or “usual cost” that it is prepared to pay for particular types of residential care. Paragraph 3(b) states that the individual should be accommodated at a place of their choice (known as preferred accommodation) provided making arrangements at the individual’s preferred accommodation would not require the Council to pay more than they would usually expect to pay having regard to the individual’s assessed needs.
- 9.4 Statutory guidance given by the Department of Health in Circular LAC (2004) 20 provides that ‘in setting and reviewing their usual costs, councils should have due regard to the actual costs of providing care and other local factors. Councils should also have due regard to Best Value requirements under the Local Government Act 1999. Such requirements include the discharge of the Council’s functions having regard to efficiency and economy.
- 9.5 The Council is required to pay the amount it usually costs to meet the individual’s objectives set out in the needs assessment and care/support plan [less any means tested contribution]. The Council is not required to pay more than it would usually expect to pay, having due regard to assessed needs. More than one usual cost should be set where the cost of meeting specific needs is different.
- 9.6 In setting its fees the Council must comply with its duty under Section 149 of the Equality Act 2010 to have due regard to the need to eliminate discrimination, and advance equality of opportunity amongst elderly and disabled persons. The Council’s Equality Impact Assessment should therefore focus on the likely impact of its proposed fees on the quality of care for the elderly and disabled differentiating where appropriate between different groups and defining any steps that mitigate any possible adverse consequences e.g. closures of homes.

## 10.0 **EQUALITIES IMPLICATIONS**

- 10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality? Yes - completed. The response of the market to the proposals cannot be forecast with any certainty. The EIA remains the same as that submitted on 20 December 2012.

## 11.0 **CARBON REDUCTION IMPLICATIONS**

- 11.1 None.

## 12.0 **PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

- 12.1 There are no planning implications arising directly from this report.

## 13.0 RECOMMENDATIONS

13.1 It is recommended that Cabinet agrees the implementation of the final proposal as set out in 2.4.

## 14.0 REASONS FOR RECOMMENDATIONS

14.1 The Council must set fees that enable homes to meet the CQC Essential Standards of Quality and Safety Regulations 2010.

14.2 The Council has listened to the market and recalculated on a 37 bedded home in line with the local average. It has also responded to reflect an occupancy level of 95%. The sector has been indicating this occupancy rate is relevant and in line with the efficient operation of care homes in Wirral.

14.3 The Council has taken into consideration the views of WCA and other home owners including the comments made by Laing and Buisson on the Wirral Model and previous proposals. Consideration of the extended consultation and further review of the model has concluded, and the Council believes that the proposal made is reasonable.

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## APPENDICES

Appendix 1 Wirral Model assumptions for final proposal.

Appendix 2 Commentary from Laing and Buisson 30 March 2012 on the preliminary proposal and Wirral responses based on the final proposal.

Appendix 3 Laing and Buisson commentary 12 November 2012 on the formal proposal and Wirral responses based on the final proposal.

Appendix 4 Consultation responses on the revised proposal made 20 December 2012 and Wirral responses based on the final proposal, including Wirral Care Homes Association comments at a meeting on 10 January 2013.

## REFERENCE MATERIAL

Comments from home owners during the bilateral discussions on the preliminary proposal held in Contracts Section DASS.

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Fees for Residential and Nursing Home Care	20 December 2012
Cabinet - Fees for Residential and Nursing Home Care	18 October 2012
Cabinet - Fees for Residential and Nursing Home Care	2 February 2012
Cabinet - Transformation of Adult Social Services, contracts for residential and nursing home care and personal support	11 March 2011

**Wirral Model assumptions for final proposal**

Management salaries and wages	£29,200.00
Other administration salaries and wages	£20,900.00
Management and other oncost rate	12%
Catering hours per client per week	1.5
Domestic hours per client per week	4.5
Care hours per client per week residential	18.5
Care hours per client per week residential EMI	22
Care hours per client per week nursing	20.5
Care hours per client per week nursing EMI	22
Nursing hours per week nursing	7.5
Nursing hours per week nursing EMI	7.5
Catering salary and wages	£6.28
Domestic salary and wages	£6.19
Care salary and wages	£6.55
Nursing staff wages	£12.34
Catering and domestic oncost	24.1%
Care oncost	24.1%
Nursing oncost	25.2%
Care agency staff %	2.0%
Nursing staff agency %	2.0%
Agency staff enhancement	100%
Training backfill %	1%
Annual training cost per employee	£182
Annual allowance for recruitment cost	£1,500.00
BICS - Residential - Fabric	£329.31
BICS - Residential - Services	£415.65
BICS - Residential - Decoration	£143.73
BICS - Nursing - Fabric	£420.85
BICS - Nursing - Services	£432.28
BICS - Nursing - Decoration	£143.73
Weekly gardening cost	£150.00
Insurance cost per client	5.41
Registration/CRB cost per client	3.25
Other non-staff expenses per client	6.50
Food per client	24.90
Utilities per client	23.82
Medical supplies per client	3.25
Domestic and cleaning supplies per client	3.25
Trade and clinical waste per client	3.25
Market Value per bed	37,300.00
Built square meters per client	40
Building cost per metre	1,017.00
NW cost deflator	92%
Return on buildings	7%
Return on activity	3%
VAT increase	2.50%
Number of weeks in a year	52.00
Bed numbers	37
Occupancy	95%
Number of employees	28

Cost components of home total cost per client – Residential							
a	b	c	d = b/c	e	f = d/e	g	h = f/g
	Input	Weekly Divisor if applicable	Input	Bed Divisor if applicable	Input	Occupancy Divisor if applicable	Result
Management	£32,704.00	52.00	£628.92	37	£17.00	95%	£17.89
Other administration	£23,408.00	52.00	£450.15	37	£12.17	95%	£12.81
Catering employees	£11.81	1	£11.81	1	£11.81	1	£11.81
Domestic employees	£34.91	1	£34.91	1	£34.91	1	£34.91
Care employees	£154.89	1	£154.89	1	£154.89	1	£154.89
Nursing employees	£0.00	1	£0.00	1	£0.00	1	£0.00
General training	£2.65	1	£2.65	1	£2.65	1	£2.65
General recruitment	£1,500.00	52.00	£28.85	37	£0.78	1	£0.78
Fabric	£329.31	52.00	£6.33	1	£6.33	95%	£6.67
Services	£415.65	52.00	£7.99	1	£7.99	95%	£8.41
Decoration	£143.73	52.00	£2.76	1	£2.76	95%	£2.91
Handyman/Gardener (Contract)	£150.00	1	£150.00	37	£4.05	95%	£4.27
Insurance	£5.41	1	£5.41	1	£5.41	95%	£5.70
Registration/CRB	£3.25	1	£3.25	1	£3.25	95%	£3.42
Other non-staff expenses	£6.50	1	£6.50	1	£6.50	1	£6.50
Food	£24.90	1	£24.90	1	£24.90	1	£24.90
Utilities	£23.82	1	£23.82	1	£23.82	1	£23.82
Medical Supplies	£3.25	1	£3.25	1	£3.25	1	£3.25
Domestic & Cleaning Supplies	£3.25	1	£3.25	1	£3.25	1	£3.25
Trade and Clinical Waste	£3.25	1	£3.25	1	£3.25	1	£3.25
VAT increase	£0.41	1	£0.41	1	£0.41	1	£0.41
Return on buildings and equipment	£2,611.00	52.00	£50.21	1	£50.21	95%	£52.85
Return on business activity						1	£9.97
			£1,603.50		£379.58		£395.30

The result is rounded to the nearest whole pound to give the proposed fee of **£395**

Cost components of home total cost per client – Residential EMI							
a	b	c	d = b/c	e	f = d/e	g	h = f/g
	Input	Weekly Divisor if applicable	Input	Bed Divisor if applicable	Input	Occupancy Divisor if applicable	Result
Management	£32,704.00	52.00	£628.92	37	£17.00	95%	£17.89
Other administration	£23,408.00	52.00	£450.15	37	£12.17	95%	£12.81
Catering employees	£11.81	1	£11.81	1	£11.81	1	£11.81
Domestic employees	£34.91	1	£34.91	1	£34.91	1	£34.91
Care employees	£184.19	1	£184.19	1	£184.19	1	£184.19
Nursing employees	£0.00	1	£0.00	1	£0.00	1	£0.00
General training	£2.65	1	£2.65	1	£2.65	1	£2.65
General recruitment	£1,500.00	52.00	£28.85	37	£0.78	1	£0.78
Fabric	£329.31	52.00	£6.33	1	£6.33	95%	£6.67
Services	£415.65	52.00	£7.99	1	£7.99	95%	£8.41
Decoration	£143.73	52.00	£2.76	1	£2.76	95%	£2.91
Handyman/Gardener (Contract)	£150.00	1	£150.00	37	£4.05	95%	£4.27
Insurance	£5.41	1	£5.41	1	£5.41	95%	£5.70
Registration/CRB	£3.25	1	£3.25	1	£3.25	95%	£3.42
Other non-staff expenses	£6.50	1	£6.50	1	£6.50	1	£6.50
Food	£24.90	1	£24.90	1	£24.90	1	£24.90
Utilities	£23.82	1	£23.82	1	£23.82	1	£23.82
Medical Supplies	£3.25	1	£3.25	1	£3.25	1	£3.25
Domestic & Cleaning Supplies	£3.25	1	£3.25	1	£3.25	1	£3.25
Trade and Clinical Waste	£3.25	1	£3.25	1	£3.25	1	£3.25
VAT increase	£0.41	1	£0.41	1	£0.41	1	£0.41
Return on buildings and equipment	£2,611.00	52.00	£50.21	1	£50.21	95%	£52.85
Return on business activity						1	£10.85
			£1,632.81		£408.88		£425.48

The result is rounded to the nearest whole pound to give the proposed fee of **£425**

Cost components of home total cost per client - Nursing							
a	b	c	d = b/c	e	f = d/e	g	h = f/g
	Input	Weekly Divisor if applicable	Input	Bed Divisor if applicable	Input	Occupancy Divisor if applicable	Result
Management	£32,704.00	52.00	£628.92	37	£17.00	95%	£17.89
Other administration	£23,408.00	52.00	£450.15	37	£12.17	95%	£12.81
Catering employees	£11.81	1	£11.81	1	£11.81	1	£11.81
Domestic employees	£34.91	1	£34.91	1	£34.91	1	£34.91
Care employees	£171.63	1	£171.63	1	£171.63	1	£171.63
Nursing employees	£118.19	1	£118.19	1	£118.19	1	£118.19
General training	£2.65	1	£2.65	1	£2.65	1	£2.65
General recruitment	£1,500.00	52.00	£28.85	37	£0.78	1	£0.78
Fabric	£420.85	52.00	£8.09	1	£8.09	95%	£8.52
Services	£432.28	52.00	£8.31	1	£8.31	95%	£8.75
Decoration	£143.73	52.00	£2.76	1	£2.76	95%	£2.91
Handyman/Gardener (Contract)	£150.00	1	£150.00	37	£4.05	95%	£4.27
Insurance	£5.41	1	£5.41	1	£5.41	95%	£5.70
Registration/CRB	£3.25	1	£3.25	1	£3.25	95%	£3.42
Other non-staff expenses	£6.50	1	£6.50	1	£6.50	1	£6.50
Food	£24.90	1	£24.90	1	£24.90	1	£24.90
Utilities	£23.82	1	£23.82	1	£23.82	1	£23.82
Medical Supplies	£3.25	1	£3.25	1	£3.25	1	£3.25
Domestic & Cleaning Supplies	£3.25	1	£3.25	1	£3.25	1	£3.25
Trade and Clinical Waste	£3.25	1	£3.25	1	£3.25	1	£3.25
VAT increase	£0.41	1	£0.41	1	£0.41	1	£0.41
Return on buildings and equipment	£2,611.00	52.00	£50.21	1	£50.21	95%	£52.85
Return on business activity						1	£14.09
			£1,740.52		£516.59		£536.54

The result is rounded to the nearest whole pound to give the proposed fee of **£537**

Cost components of home total cost per client – Nursing EMI							
a	b	c	d = b/c	e	f = d/e	g	h = f/g
	Input	Weekly Divisor if applicable	Input	Bed Divisor if applicable	Input	Occupancy Divisor if applicable	Result
Management	£32,704.00	52.00	£628.92	37	£17.00	95%	£17.89
Other administration	£23,408.00	52.00	£450.15	37	£12.17	95%	£12.81
Catering employees	£11.81	1	£11.81	1	£11.81	1	£11.81
Domestic employees	£34.91	1	£34.91	1	£34.91	1	£34.91
Care employees	£184.19	1	£184.19	1	£184.19	1	£184.19
Nursing employees	£118.19	1	£118.19	1	£118.19	1	£118.19
General training	£2.65	1	£2.65	1	£2.65	1	£2.65
General recruitment	£1,500.00	52.00	£28.85	37	£0.78	1	£0.78
Fabric	£420.85	52.00	£8.09	1	£8.09	95%	£8.52
Services	£432.28	52.00	£8.31	1	£8.31	95%	£8.75
Decoration	£143.73	52.00	£2.76	1	£2.76	95%	£2.91
Handyman/Gardener (Contract)	£150.00	1	£150.00	37	£4.05	95%	£4.27
Insurance	£5.41	1	£5.41	1	£5.41	95%	£5.70
Registration/CRB	£3.25	1	£3.25	1	£3.25	95%	£3.42
Other non-staff expenses	£6.50	1	£6.50	1	£6.50	1	£6.50
Food	£24.90	1	£24.90	1	£24.90	1	£24.90
Utilities	£23.82	1	£23.82	1	£23.82	1	£23.82
Medical Supplies	£3.25	1	£3.25	1	£3.25	1	£3.25
Domestic & Cleaning Supplies	£3.25	1	£3.25	1	£3.25	1	£3.25
Trade and Clinical Waste	£3.25	1	£3.25	1	£3.25	1	£3.25
VAT increase	£0.41	1	£0.41	1	£0.41	1	£0.41
Return on buildings and equipment	£2,611.00	52.00	£50.21	1	£50.21	95%	£52.85
Return on business activity						1	£14.46
			£1,753.08		£529.15		£549.47

The result is less than the current fee rate of £552, so the rate is continued at **£552**

**Commentary from Laing and Buisson 30 March 2012 on the preliminary proposal and Wirral responses based on the final proposal**

Element	Laing and Buisson Comment	Response
Overview	Laing and Buisson understand the fee proposal to be part of a negotiation of 2012/13 fees. An extract of the comments made are presented in this column.	The 2012-13 fee proposal is a final proposal and not part of a negotiation. The Laing and Buisson Fair Price for Care model is based on a theoretical 50-bedded unit at 90% occupancy. The fees in the model are intended to attract an efficient corporate provider to develop facilities and meet any unmet demand. The Wirral Model which has due regard for the actual cost of care. It aims to maintain the current market and not to attract new development at this time.
Occupancy and Care Home Size	Like our Fair Price model, the Council has based its model on a 50-bedded care home operating at 90 per cent occupancy. This is appropriate for the Fair Price model, which indicates the fees that would have to be proposed to attract an efficiently-run corporate operator to develop large new facilities to meet any excess demand. The Council, however, has based its proposed fees on what it perceives to be the actual costs locally, and so it seems reasonable that these parameters should also reflect local and actual occupancy and care home sizes.	This commentary relates to the Council's preliminary proposal that is now revised. The average size home in Wirral is 37 beds and the average occupancy level is 95% based on home owner's vacancy returns. Laing and Buisson base have used 32 beds and 86% occupancy based on the number of homes that completed their survey which is not therefore representative of the Wirral Market.
Management Salaries	Our survey found an average non-owner-managed private sector manager's salary of £30,800 in early 2011, and a subsequent analysis not available to the Council has found an average non-owner-managed full-time independent sector manager's salary of £30,950. This is a little higher than the £29,000 found in the Council's survey slightly earlier, and we would enquire how representative and how large the Council's survey was. Adjusting for an average care home size of 32 beds gives a sum of £18.60 per bed per week and at 86 per cent occupancy this becomes £21.62 per resident per week in early 2011. In our view the Council's figure substantially	The Management salary calculated in the Wirral model is £29,200 which is £1,750 per year lower than the Laing and Buisson fair price for care.  Wirral Adult Social Services has taken a sample of recent local market which indicates an average salary of £29,200 excluding on costs. This has been benchmarked against the National Minimum Data Set Report for February 2012.

Element	Laing and Buisson Comment	Response
Administrative costs	<p>understates the actual management cost of providing care.</p> <p>The Council has produced a cost of £20,900 excluding on-costs for administrative costs. We cannot comment on the accuracy of this, but if it is accurate allowing for the average care home size of 32 places gives a figure of £12.56 per place per week and £14.60 per resident per week at 86 per cent occupancy; more than the £10 per resident per week including on-costs allowed in the Council's model. The sum of these management and administrative costs, £38.58 before oncosts is substantially higher than the sum of £23.98 including oncosts allowed by the Council in its model.</p>	<p>The Wirral Model has given due regard to actual cost by reviewing local advertisements for administration jobs in the local market and obtained quotes from contractors of additional admin support functions such as IT, Accountancy and Payroll services.</p>
Management and Admin oncosts	<p>The Council's model allows ten per cent for NI and two per cent for sick pay. As far as we can tell the Council has not allowed for paid annual leave as required by the Working Time regulations, which adds 12 per cent to staff costs, and nor for the pension contributions that are often paid for admin and management staff. In our model on-costs of 30 per cent are allowed for these staff.</p>	<p>The Wirral model allows for annualised salaries for Management and Administration which includes holiday pay. Therefore no additional allowance for holiday pay is made. Pension costs no evidence was provided by home owners that pensions are paid to employees. Local job adverts also did not provide evidence that pensions are offered to employees.</p>
Nursing Costs	<p>We and the council agree that 7.5 is the appropriate figure for nursing hours in nursing homes. Our weighted average hourly pay rate for nurses, £12.39, is only slightly above the £12.34 derived from the Council's current market evidence. With similar wage rates, hours and on-costs our figure for nursing care is only marginally higher than the Council's.</p>	<p>Not disputed as Laing and Buisson's costs are similar to the Wirral model.</p>
Care Assistant Costs	<p>We and the council agree that 18.5, 22 and 20.5 are the appropriate figures for care assistant hours in care only for frail older people, care only for people with dementia and for nursing care respectively. The Council has used an hourly pay rate of £6.55 for care assistants, derived from the Council's current market evidence. Our time and skill-mix weighted hourly pay rate for care assistants is £6.71 in care only homes and £6.62 in nursing homes (the difference being due to lower numbers of</p>	<p>The Council has also included a higher number of care hours than the Laing and Buisson model in recognition of the hours required in Nursing EMI care following consultation feedback.</p> <p>The Wirral Laing and Buisson Model for 2011 and their national model did not produce a separate element for Nursing EMI until October</p>

Element	Laing and Buisson Comment	Response
	senior care workers in nursing homes).	2012.
Catering Staff Costs	The Council states that it has accepted our figures for chefs and assistants, although in our model we have one figure for chefs/cooks and another for domestic, laundry and kitchen staff (excluding chefs). It has used 1.5 hours for 'cooks and assistants', whereas our Fair Price model allows 1.5 hours for chefs alone. The Council has generated an average hourly rate of £6.28 for cooks and assistants. Without knowing the skill mix allowed for we cannot agree or dispute this, but it appears to be low. Our 2011 Fair Price figures gave a composite rate of £7.34 for chefs and £6.12 for domestic, catering and laundry staff; using our wage rates gives the unlikely result that the Council is using a skill mix of 7.7 kitchen assistant hours to each chef hour.	The Wirral model allows 1.5 hours per resident per week dedicated catering services and has not distinguished between Chefs and Catering Assistants. An average wage rate of £6.28 per hour is included in the model which has been benchmarked against local job adverts.
Domestic Staff Costs	The Council has applied our figure of 4.5 hours per resident per week for domestic, laundry and kitchen staff to domestic staff, which if kitchen assistants have been separately counted above (section 2.8) is perhaps over-generous. The Council has used a wage rate of £6.08 for domestic and laundry staff; this is lower than the rates our survey found, and we would need to know the size and nature of the Council's research to be convinced that its figures are more accurate than our survey. In fact, this figure is equal to the national minimum wage since October 2011 and appears unlikely to be accurate unless no enhancements are paid for weekends or bank holidays, or unless many domestic staff are below the age for the national minimum wage.	Domestic staff hours of 4.5 hours cover cleaning, catering and laundry.  This commentary relates to the Council's initial proposal on 2 March 2012 which has been updated. The original fee proposal calculated an hourly rate of £6.08; however this has been increased to £6.19 to reflect the increase in National Minimum Wage from October 2012.
Care, Domestic and Catering Staff On-costs	The Council has added 12 per cent (working time), nine per cent (NI) and two per cent (SSP) to give on-costs of 23 per cent; we allow NI on the annual leave allowance and so use a marginally higher 24.1 per cent. For similar reasons our on-costs of 25.2 per cent for nurses is marginally higher than the Council's 24 per cent.	The Wirral final proposal now includes Employer's NI on the holiday allowances.
Agency Backfill	Laing and Buisson state that it does not understand the reference to agency premiums in the Council's narrative.	Some shifts are covered by agency staff; a premium equivalent to 100% of basic pay is

Element	Laing and Buisson Comment	Response
Training Backfill for care, domestic and catering staff	We and the Council agree that three days' training is appropriate, and other work we have undertaken recently confirms this. The Council has allowed one per cent of salary costs for three days' training backfill for catering and domestic staff and care assistants; we use a figure of 1.3 per cent to reflect three of 233 working days and so our 2011 Fair Price figure is 23 new pence more per resident per week than the Council's 2012/13 one.	added to cover the additional cost.  This allowance is an approximate calculation and the Council has therefore used a rounded percentage.
Training Costs	We expect to find variation between care homes, due to: <ul style="list-style-type: none"> <li>• the choice of delivering training in-house, with or without internet based support, or buying it in</li> <li>• differences in staff turnover</li> <li>• the complexity of cases; a home with many NHS continuing health care patients would be expected to have higher training costs than one with only frail older people.</li> </ul> Our model uses a net figure of £2.16 per resident per week for training; the Council's uses a cost 20 new pence per resident per week lower than this. This is perhaps due to the free training it states that it provides for operators, and the fact that it is assuming a 50-bedded care home and not an average sized 32-bedded one in Wirral.	This commentary relates to the Council's initial proposal on 2 March 2012 which has been updated to a 37 bedded Model to reflect the average home size in Wirral based following feedback received during the consultation.
Recruitment Costs	Variation in recruitment costs is to be expected, considering the many ways in which staff can be recruited; word of mouth, newspapers, local radio, jobcentres, directly from agencies or from agencies after a period as an agency worker. There are also, and perhaps more important, differences in staff turnover rates and some locations, particularly rural ones, make recruitment more difficult.  In its model the Council is making an assumption of 28 WTE staff, not WTE that drives recruitment and is assuming that it takes only one advert to fill a vacancy.	The fee proposal of 20 December 2012 does use FTE to calculate recruitment costs and takes into account that many adverts are placed locally. It is also recognised that homes also use the jobcentre to recruit at no cost.  The Wirral model allows £1,500 per year for recruitment costs.

Element	Laing and Buisson Comment	Response
Repairs and Maintenance	<p>To model repairs and maintenance costs the Council has used the BCIS Lifecycle Costs for Nursing Homes and the BCIS Lifecycle Costs for Old People's Homes for Q4 2010 and deflated to 2012. Although we are familiar with some BCIS products and use them in our work we are not yet familiar with these two.</p> <p>Until we have studied these indices we can only ask questions about the figures used:</p> <ul style="list-style-type: none"> <li>• do they apply to converted homes, as we expect most of Wirral's to be, and not only to newly-built homes? Conversions can be much more expensive to maintain than purpose-built ones</li> <li>• are the care home sizes they refer to comparable with the 32-bedded homes in Wirral, and do Wirral homes have 40 m2 per room?</li> <li>• the Council appears to have followed its principle of modelling on a 50-bedded home, yet the average Wirral care home has 32 places; if the £45,032 maintenance cost is divided by 52 and by 32 the sum per bed per week becomes £27.06</li> <li>• we do not know whether the indices replace the need for a depreciation allowance in the model.</li> </ul>	<p>The BCIS lifecycle costs take account of the age of a building and have been calculated over a 30 year period based on care and nursing homes with a floor space of 40sq.m per bed. These costs include Fabric costs; External walls, roofs, other structural items, fixtures and fittings and internal finishes, Services costs; Plumbing and Internal drainage, Heating and ventilating, Lifts and escalators, electric power and lighting and other mechanical and electrical services and Decoration cost; Internal and External decoration.</p> <ul style="list-style-type: none"> <li>• The lifecycle costs relate to new build properties.</li> <li>• Costs are calculated per 100sqm. The 40sqm was identified in the Wirral Laing and Buisson survey in 2011.</li> <li>• The Council has subsequent to this comment revised it's model to reflect the average Wirral home of 37 beds.</li> <li>• As in the Laing and Buisson Model the lifecycle costs allow for capital maintenance and revenue expenditure removing the need for a separate adjustment for depreciation.</li> </ul>
Handyman/gardener	<p>There is an overlap between repairs and maintenance and contract handyman services. The Council's figures for repairs and maintenance and for handyman/gardening are substantially lower than the actual costs reported by efficient corporate providers with many purpose-built homes for our Fair Price model. We would expect these costs per resident per week to be higher in the small converted care homes in Wirral than in large corporate homes, and so in our view the Council's figures</p>	<p>Wirral model based on handyman/gardener it contracted at one of it's supported living units.</p> <p>Capital and revenue maintenance costs are included in the lifecycle costing under repairs and maintenance.</p> <p>We have no evidence from the local market to</p>

Element	Laing and Buisson Comment	Response
	understate these costs.	support Laing and Buisson comment.
Insurance	We agree on the figure for insurances.	Not disputed.
Registration/CRB	We agree on the figure for registration and CRB checks.	Not disputed
Other Revenue Costs	We agree on the figures for the following cost heads: <ul style="list-style-type: none"> <li>• food</li> <li>• utilities</li> <li>• medical supplies</li> <li>• domestic and cleaning supplies</li> <li>• trade and clinical waste</li> </ul> adjustment for VAT increase to 20 per cent.	Not disputed

<p>Return on Buildings, land and equipment</p>	<p>Ideally the Council might value each care home as an asset (rather than as a business) and derive an actual value of the capital invested. This would not be possible in practice, and so the Council has used a new-build cost as a surrogate, as we do in our Fair Price model. The Council has used a floor space of 40 m<sup>2</sup> per room. Our advice is that corporate providers are more likely to allow more square metres per room even for a home primarily for local authority supported residents, which could add perhaps 20 per cent to the return on the buildings and would bring the development cost closer to the one we use in our Fair Price model. We are unsure whether the Council's figure is a turnkey one including all equipment or whether it relates only to the structure. We find no reference to the cost of land in the Council's model; yet this is as essential a cost of operating a care home as are the buildings. In our model the seven per cent return on land equates to £12 per resident per week. The Council has allowed a six per cent return on capital invested, without stating its source of the figure. We use a figure of seven per cent to reflect the level of return that would be expected were the care home to be leased by an operator from a freeholder.</p> <p>While some care homes may be fully owned by the operator others may be bought on a mortgage in which case this 'return on capital' reflects the interest that the operator may have to pay his bank and will be a real cost for the operator, and not an opportunity cost.</p>	<p>The calculation for capital values has been updated since the original proposal to reflect the average market value of care homes in the region <u>inclusive</u> of land and buildings.</p> <p>The Wirral model now includes a return on capital values of 7% which has been benchmarked against market reports from CBRE and Knight Frank.</p>
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Return on Business Activity	<p>The return on business activity can be considered to be the 'profit' that the operator needs to compensate him for the risks and time involved in operating the home. The prices paid for groups of care homes by major operators indicate that the return on business activity that those operators require is around 12-14 per cent. There may be arguments for the Council to offer a return on business activity that is less than this 12-14 per cent:</p> <ul style="list-style-type: none"> <li>• the Council's primary aim is not to entice new corporate providers into the market, as far as we know, but to ensure that its current provider market survives and if necessary expands capacity by extensions to satisfy future increases in demand</li> <li>• private operators benefit in the long term from the capital appreciation of their property asset, a factor that is not factored in by corporate providers and their shareholders.</li> </ul> <p>There is no stated rationale for the Council's use of six per cent, so it appears to be an arbitrary figure. The Council's figures of £19.40 and £27.56 per resident per week for care only and nursing homes respectively are therefore well below our Fair Price figure of £48 per resident per week.</p>	The Council's aim is not to entice new providers into the market due to the current level of vacant beds in Wirral. The Wirral model aims to maintain the current market and therefore the Interim Director of Finance has recommended a return of 3% as reasonable in the current financial climate.
Floor Price	<p>The Council has set a floor price that is lower than the ceiling by half the return on buildings, land and equipment, but as the return is less than our Fair Price the reduction is less than in our model.</p> <p>Our model also reduces the floor price by ten per cent of the return on business activity, to reflect the fact that meeting national minimum standards is not only about the structure and fittings. The Council has not done this, a fact that could appear favourable to care homes.</p>	<p>This commentary refers to the initial proposal on 2 March 2012</p> <p>The latest proposal on 20 December 2012 is based on a flat rate. This comment is therefore no longer relevant.</p>

## Laing and Buisson commentary 12 November 2012 on the formal proposal and Wirral responses based on the final proposal

Element	Laing and Buisson Comment	Response
Occupancy and Home Size	<p>Comment from paragraph 2.2 from our report dated 30/03/2012 applies here. Like our Fair Price for Care model, the Council has based its model on a 50-bedded care home operating at 90 per cent occupancy. This is appropriate for the Fair Price model, which indicates the fees that would have to be offered to attract an efficiently-run corporate operator to develop large new facilities to meet any excess demand. The Council, however, has based its proposed fees on what it perceives to be the actual costs locally, and so it seems reasonable that these parameters should also reflect local and actual occupancy and care home sizes.</p>	<p>This commentary relates to the Council's initial proposal on 2 March 2012. The proposal is now revised in response to consultation feedback from home owners to take account of the local market. The average size home in Wirral is 37 beds and the average occupancy level is 95% based on home owners' vacancy returns.</p>
Manager Costs	<p>Comment from paragraph 2.3 from our report dated 30 March 2012 applies here.</p> <p>Our survey found an average non-owner-managed private sector manager's salary of £30,800 in early 2011, and a subsequent analysis not available to the Council has found an average non-owner-managed full-time independent sector manager's salary of £30,950. This is a little higher than the £29,000 found in the Council's survey slightly earlier, and we would enquire how representative and how large the Council's survey was.</p> <p>Adjusting for an average care home size of 32 beds gives a sum of £18.60 per bed per week and at 86 per cent occupancy this becomes £21.62 per resident per week in early 2011.</p>	<p>The Management salary calculated in the Wirral model is £29,200 which is £1,750 per year lower than the Laing and Buisson fair price for care.</p> <p>A sample of recent local market which indicates an average salary of £29,200 excluding on costs. This has been benchmarked against the National Minimum Data Set Report for February 2012.</p>

Administration/Reception and other Management Costs	Comment from paragraph 2.4 from our report dated 30/03/2012 applies here. The Council has produced a cost of £20,900 excluding on-costs for administrative costs. We cannot comment on the accuracy of this, but if it is accurate allowing for the average care home size of 32 places gives a figure of £12.56 per place per week and £14.60 per resident per week at 86 per cent occupancy; more than the £10 per resident per week including on-costs allowed in the Council's model.	The Wirral Model has given due regard to actual cost by reviewing local advertisements for administration jobs in the local market and obtained quotes from contractors of additional admin support functions such as IT, Accountancy and Payroll services.
Management and Administration On-Costs	Comment from paragraph 2.1 from our report dated 30/03/2012 applies here. The Council's model allows ten per cent for NI and two per cent for sick pay. As far as we can tell the Council has not allowed for paid annual leave as required by the Working Time regulations, which adds 12 per cent to staff costs, and nor for the pension contributions that are often paid for admin and management staff. In our model on-costs of 30 per cent are allowed for these staff.	The Wirral model allows for annualised salaries for Management and Administration which includes holiday pay. Therefore no additional allowance for holiday pay is required in the Wirral model. In respect of pension costs no evidence was provided by homes owners that pensions are paid to employees. Local job adverts also did not provide evidence that pensions are offered to employees.
Catering	Comment from paragraph 2.8 from our report dated 30/03/2012 applies here. As this is a composite rate it is likely that the catering assistant component is below the new NMW and therefore we would expect this to have been uplifted as for domestic staff. Furthermore the 2012 revision to the Fair Price model, based on new research, allows 2 hours for chefs/ cooks	The Wirral model allows 1.5 hours per resident per week dedicated catering and has calculated an average wage rate of £6.28 per hour and is above the NMW rate of £6.19 effective from October 2012. The Council has not been provided with evidence to suggest this does not cover the cost of catering in a care/nursing home in Wirral. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market.

Domestics	Comment from paragraph 2.9 from our report dated 30/03/2012 applies here. The Council has applied our figure of 4.5 hours per resident per week for domestic, laundry and kitchen staff to domestic staff, which if kitchen assistants have been separately counted above (section 2.8) is perhaps over-generous. Furthermore the 2012 revision to the Fair Price model, based on new research, allows 5.5 hours for domestic staff	Domestic staff hours of 4.5 hours cover cleaning, catering and laundry. The original fee proposal calculated an hourly rate of £6.08; however this has been increased to £6.19 for the full year to reflect the increase in National Minimum Wage from October 2012. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market.
Catering and Domestics On-Costs	Comment from paragraph 2.10 from our report dated 30/03/2012 applies here. The Council has added 12 per cent (working time), nine per cent (NI) and two per cent (SSP) to give on-costs of 23 per cent; we allow NI on the annual leave allowance and so use a marginally higher 24.1 per cent. For similar reasons our on-costs of 25.2 per cent for nurses is marginally higher than the Council's 24 per cent.	The Wirral model is now amended to include employer's NI on the holiday allowances.
Training Backfill	Comment from paragraph 2.11 and 2.12 from our report dated 30/03/2012 applies here. We and the Council agree that three days' training is appropriate, and other work we have undertaken recently confirms this. The Council has allowed one per cent of salary costs for three days' training backfill for catering and domestic staff and care assistants; we use a figure of 1.3 per cent to reflect three of 233 working days and so our 2011 Fair Price figure is 23 new pence more per resident per week than the Council's 2012/13 one. Furthermore the 2012 revision to the Fair Price model, based on new research, allows 1.7% for training backfill	This is an approximate calculation and the Council rounded the percentage. On 30 March 2012 Laing and Buisson agreed 3 days training allowance. It is not clear on what evidence base Laing and Buisson has increased this to 4 days. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally.

Care Assistants	<p>Comment from paragraph 2.7 from our report dated 30/03/2012 applies here. We and the council agree that 18.5, 22 and 20.5 are the appropriate figures for care assistant hours in care only for frail older people, care only for people with dementia and for nursing care respectively. The Council has used an hourly pay rate of £6.55 for care assistants, derived from the Council's current market evidence. Our time and skill-mix weighted hourly pay rate for care assistants is £6.71 in care only homes and £6.62 in nursing homes (the difference being due to lower numbers of senior care workers in nursing homes). These differences lead to approximately £3 higher cost for care assistants in nursing homes and care only homes in our model compared with the Councils. The 2012 revision to the Fair Price model, based on new research, allows</p> <p>22.1 hours for Nursing EMI  20.6hrs for Residential  23.3 for Residential EMI  21.6 for Nursing.</p>	<p>In response to consultation feedback the care hours for Nursing EMI have been increased in the Wirral model to the same level as for Residential EMI. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market.</p>
Care Assistant On-Costs	<p>Comment from paragraph 2.10 from our report dated 30/03/2012 applies here. The Council has added 12 per cent (working time), nine per cent (NI) and two per cent (SSP) to give on-costs of 23 per cent; we allow NI on the annual leave allowance and so use a marginally higher 24.1 per cent. For similar reasons our on-costs of 25.2 per cent for nurses is marginally higher than the Council's 24 per cent.</p>	<p>The Wirral model now includes employer's NI on the holiday allowances.</p>
Agency Staff Allowance Care Assistants	<p>The 2012 revision to the Fair Price model, based on new research, allows for 1.5% of care assistant shifts to be filled with agency staff, at twice the hourly cost, equivalent to 3% of gross pay</p>	<p>The Wirral model makes allowance that 2% of shifts will be covered by agency staff and therefore has allowed a premium equivalent to 100% of basic pay to cover the additional cost of those shifts, hence paying double the rate of pay.</p>

<p>Qualified Nursing Staff</p>	<p>The 2012 revision to the Fair Price model, based on new research, allows 8.6 hours for nurses in nursing care of people with dementia</p>	<p>The Wirral model allows 7.5 nursing hours and 22 care assistant hours in the Nursing EMI model. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market. It is not clear if Laing and Buisson are including nursing hours to cover additional services such as intermediate care schemes and End of Life Support which would increase nursing hours overall but would be subject to a different funding mechanism.</p>
<p>Agency Staff Allowance Nursing Staff</p>	<p>The 2012 revision to the Fair Price model, based on new research, allows for 2.5% of nursing shifts to be filled with agency staff, at twice the hourly cost, equivalent to 5% of gross pay</p>	<p>The Wirral model makes allowance for 2% of shifts to be covered by agency and allows a 100% premium to cover the additional cost of those shifts. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market.</p>

Training Backfill	<p>Comment from paragraph 2.11 from our report dated 30/03/2012 applies here. We and the Council agree that three days' training is appropriate, and other work we have undertaken recently confirms this. The Council has allowed one per cent of salary costs for three days' training backfill for catering and domestic staff and care assistants; we use a figure of 1.3 per cent to reflect three of 233 working days and so our 2011 Fair Price figure is 23 new pence more per resident per week than the Council's 2012/13 one. Furthermore the 2012 revision to the Fair Price model, based on new research, allows 1.7% for training backfill.</p>	<p>This allowance is an approximate calculation and the Council has therefore used a rounded percentage. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market.</p>
Training	<p>Comment from paragraph 2.12 from our report dated 30/03/2012 applies here</p> <p>We expect to find variation between care homes, due to:</p> <ul style="list-style-type: none"> <li>• the choice of delivering training in-house, with or without internet based support, or buying it in</li> <li>• differences in staff turnover</li> <li>• the complexity of cases; a home with many NHS continuing health care patients would be expected to have higher training costs than one with only frail older people.</li> </ul> <p>Our model uses a net figure of £2.16 per resident per week for training; the Council's uses a cost 20 new pence per resident per week lower than this. This is perhaps due to the free training it states that it provides for operators and the fact that it is assuming a 50-bedded care home and not an average sized 32-bedded one in Wirral.</p>	<p>This commentary relates to the Council's initial proposal on 2 March 2012 which has been updated to a 37 bedded Model to reflect the average home size in Wirral based following feedback received during the consultation. The Wirral proposal of 20 December allows £2.65 per bed per week.</p>

Recruitment	<p>The 2012 revision to the Fair Price model, based on new research, allows over £2.60 per resident per week for recruitment</p>	<p>The fee proposal of 20 December 2012 does use FTE to calculate recruitment costs and takes into account that many adverts are placed locally. It is also recognised that homes also use the jobcentre to recruit at no cost. The Wirral model allows £1,500 per year for recruitment costs. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market.</p>
Repairs and Maintenance	<p>Comment from paragraph 2.14 and 2.15 from our report dated 30 March 2012 applies here. To model repairs and maintenance costs the Council has used the BCIS Lifecycle Costs for Nursing Homes and the BCIS Lifecycle Costs for Old People's Homes for Q4 2010 and deflated to 2012. Although we are familiar with some BCIS products and use them in our work we are not yet familiar with these two. Until we have studied these indices we can only ask questions about the figures used:</p> <ul style="list-style-type: none"> <li>• do they apply to converted homes, as we expect most of Wirral's to be, and not only to newly-built homes? Conversions can be much more expensive to maintain than purpose-built ones</li> <li>• are the care home sizes they refer to comparable with the 32-bedded homes in Wirral, and do Wirral homes have 40 m2 per room?</li> </ul>	<p>The BCIS lifecycle costs take account of the age of a building and have been calculated over a 30 year period based on care and nursing homes with a floor space of 40sq.m per bed. These costs include Fabric costs; External walls, roofs, other structural items, fixtures and fittings and internal finishes, Services costs; Plumbing and Internal drainage, Heating and ventilating, Lifts and escalators, electric power and lighting and other mechanical and electrical services and Decoration cost; Internal and External decoration.</p> <ul style="list-style-type: none"> <li>• The lifecycle costs relate to new build properties.</li> <li>• Costs are calculated per 100sqm. The 40sqm was identified in the Wirral Laing and Buisson survey in 2011.</li> </ul>

	<ul style="list-style-type: none"> <li>the Council appears to have followed its principle of modelling on a 50-bedded home, yet the average Wirral care home has 32 places; if the £45,032 maintenance cost is divided by 52 and by 32 the sum per bed per week becomes £27.06</li> </ul> <p>We do not know whether the indices replace the need for a depreciation allowance in the model.</p>	<ul style="list-style-type: none"> <li>The Council has subsequent to this comment revised its model to reflect the average Wirral home of 37 beds.</li> <li>As in the Laing and Buisson Model the lifecycle costs allow for capital maintenance and revenue expenditure removing the need for a separate adjustment for depreciation.</li> </ul>
Handyman/gardener	<p>Comment from paragraph 2.15 from our report dated 30/03/2012 applies here. There is an overlap between repairs and maintenance and contract handyman services. The Council's figures for repairs and maintenance and for handyman/gardening are substantially lower than the actual costs reported by efficient corporate providers with many purpose-built homes for our Fair Price model. We would expect these costs per resident per week to be higher in the small converted care homes in Wirral than in large corporate homes, and so in our view the Council's figures understate these costs. The 2012 revision to the Fair Price model allows over £7.80 per resident per week</p>	<p>Wirral model based on handyman/gardener it contracted at one of its supported living units. Capital and revenue maintenance costs are included in the lifecycle costing under repairs and maintenance. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market.</p>
Registration/CRB	<p>The 2012 revision to the Fair Price model allows over £3.30 per resident per week, less than the council</p>	<p>The proposal allows £3.42 to cover registration and CRB.</p>
Non staff costs	<p>The 2012 revision to the Fair Price model allows over £8.30 per resident per week</p>	<p>Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market.</p>
Food	<p>The 2012 revision to the Fair Price model allows over £25.90 per resident per week</p>	
Utilities	<p>The 2012 revision to the Fair Price model allows over £24.00 per resident per week</p>	
Domestic and Cleaning Supplies	<p>The 2012 revision to the Fair Price model allows £4.50 per resident per week</p>	
Trade and Clinical Waste	<p>The 2012 revision to the Fair Price model allows over £3.40 per resident per week</p>	

VAT Adjustment	The 2012 revision to the Fair Price model includes VAT in the non-staff costs above and so no adjustment is required	It remains appropriate to make this adjustment in the final proposal of 20 December 2012.
Return on Buildings, land and equipment	Our model allows for £57,516 per bed and £63,906 per resident at 90% for a local authority spec. Our other comments in paragraph 2.19 of our last report also apply, other than land seems to be included in the Council's valuation. This is not an unreasonable way of calculating a return for existing homes, assuming the valuations are accurate. Our 2012 model also allows 7%.	The calculation for capital values uses the average market value of care homes in the region <u>inclusive</u> of land and buildings. It is noted that Laing and Buisson's comment that this is not an unreasonable way of calculating a return for existing homes. The Wirral model now includes a return on capital values of 7% which has been benchmarked against market reports from CBRE and Knight Frank. It is noted that the Laing and Buisson model also allows a 7% return.
Return on Business Activity	<p>Comment from paragraph 2.20 from L&amp;B report dated 30/03/2012 were as follows</p> <p>The return on business activity can be considered to be the 'profit' that the operator needs to compensate him for the risks and time involved in operating the home. The prices paid for groups of care homes by major operators indicate that the return on business activity that those operators require is around 12-14 per cent. There may be arguments for the Council to offer a return on business activity that is less than this 12-14 per cent:</p> <ul style="list-style-type: none"> <li>• the Council's primary aim is not to entice new corporate providers into the market, as far as we know, but to ensure that its current provider market survives and if necessary expands capacity by extensions to satisfy future increases in demand</li> <li>• private operators benefit in the long term from the capital appreciation of their property asset, a factor that is not factored in by corporate providers and their shareholders.</li> </ul> <p>The 2012 revision to the Fair Price model allows around 10% here</p>	<p>The Council's aim is not to entice new providers into the market due to the current level of vacant beds in Wirral.</p> <p>The Wirral model aims to maintain the current market and therefore the Interim Director of Finance has recommended a return of 3% as reasonable in the current financial climate.</p> <p>The rationale for 10% has not been evidenced by Laing and Buisson and appears to be an arbitrary figure. Wirral cannot comment on new research from Laing and Buisson which is not publicly available and for which we understand the research to be based on a survey of major care home groups nationally. There is no evidence available to the Council to confirm that the findings of this research are reflected in the Wirral market.</p>

## Consultation responses on the revised proposal made 20 December 2012 and Wirral responses based on the final proposal

Feedback was been received from 8 homes and through a meeting with the Directors of the WCA who represent a significant number of homes together with information they have provided.

One home has indicated that they are willing to accept the revised proposal made 20 December 2012. In addition five homes had previously accepted the 8 October 2012 formal proposal.

Individual homes' comments and the responses to them are set out in the table below:

Comment	Response
Three Home owners have state that they consider to be unfair to reward homes that have not invested and achieved 3 stars under the previous payment model by moving to a single rate.	The move from the star premium model will mean that some homes benefit initially more than others. The quality of care in homes with less than three stars has been targeted through inspection.
The Council should pay an advance immediately since the fees are acknowledged as being underpaid.	The Council acknowledges that fee payments have been delayed and aims to reach a final settlement for 2012-13 by 7 February 2013.
Please justify why cost information provided by home owners was not accepted by the Council.	The information received was in a summarised format and contained wide variations. The number of returns was also too small to be representative of the four categories of home.
Home owners have requested that the information submitted by other home owners is made available to them in an anonymised form.	Information was submitted on a confidential basis and cannot be shared without the originator's permission. Even if this information is anonymised it may still be possible to identify the homes concerned. Permission to share this information has been requested. Officers met with the Chair of WCA on 27 June 2012 to view and explain results obtained form the data collection exercise.
The settlement of fees has taken too long and should be implemented as soon as possible.	The Council will implement the new fees as soon as possible after 7 February 2013.
One specialist provider asked for confirmation that the bespoke fees agreed in relation to the specific complex need of their residents would remain unchanged by the change in	The Council confirmed that specialist complex packages would be unaffected by the standard rates.

Comment	Response
standard fee levels.	
<p>One home owner suggested that the Council was attempting to suppress economic activity to suit its own budget preferences by the capital returns provided within the Wirral model and that it had given no explanation as to why the Council believes its figures reflect the market better than those of Laing and Buisson.</p>	<p>The rationale for the Council's figures has been provided to all home owners. Wirral Council notes the difference in returns on business activity between the Laing and Buisson Fair price model and the Wirral Model. The Laing and Buisson model is based on a theoretical 50 bedded corporate provider running at 90% occupancy. The return in the Laing and Buisson model is suggested to be that which would attract an efficient corporate provider to develop facilities and meet any unmet demand. This is in contrast to the Wirral Model which has due regard for actual cost of care and aims to maintain the current market and not attract new development at this time.</p>

**Wirral Care Home Association** comments at a meeting on 10 January 2013 and the responses to them are set out in the table below:

Issue Raised	Rational/Assumption	Evidence Base
How did the Council Calculate 111 homes?	The Council maintains a list of all care and nursing homes registered in Wirral.	Please note that the total at the beginning of the consultation was 111 and this has risen to 112 due to a recent new registration.
<b>Staffing</b>		
Manager	A sample of local market rates from October to November 2011 and updated in February 2012. The average salary was £29,200 excluding on costs. This has been benchmarked against the National Minimum Data Set Report for February 2012 showing a median registered manager's salary of £28,080 for the previous 12 months.	Adverts taken from <a href="http://www.carehome.co.uk">www.carehome.co.uk</a> plus various other admin vacancy adverts in the local area.

Other Administration	<p>A sample of recent local market rates for receptionists/Administration jobs which indicates £14,400 as being representative of a full salary for administration/reception staff.</p> <p>The Wirral model also includes £6,500 to cover other management costs such as payroll, IT, accountancy, legal and human resources, which have been calculated using current market rates. This equates to a total cost for Administration/Reception and other management costs of £20,900 excluding on costs.</p>	<p>Adverts taken from <a href="http://www.directgov.uk">www.directgov.uk</a> plus various other admin vacancy adverts in the local area as attached.</p> <p>Other management/Administrations costs from online/ local providers of support functions as attached.</p>
Repairs & Maintenance	<p>Wirral Adult Social Services has considered the evidence available to calculate repair and maintenance costs and has used the 'Build Cost Information Service (BCIS) Lifecycle Costs for Old People's Homes' for the 2nd Quarter 2012 North West. These rates are based on care homes with a floor space of 40 sq.m per bed.</p>	
Fabric	<p>Based on the above Lifecycle costs Wirral Adult Social Services has built in £12,184 as an annual cost, which equates to £329.31 per place. Fabric includes External walls, roofs, other structural items, fixtures and fittings and internal finishes.</p>	<p>BCIS lifecycle costs for care homes and nursing homes Quarter 2 North West</p>
Services	<p>Based on the above Lifecycle costs Wirral Adult Social Services has built in £15,379 as an annual cost, which equates to £415.65 per place. Services include Plumbing and Internal drainage, Heating and ventilating, Lifts and escalators, electric power and lighting and other mechanical and electrical services.</p>	<p>BCIS lifecycle costs for care homes and nursing homes Quarter 2 North West</p>

Decoration	Wirral Adult Social Services has built in £5,318 as an annual cost which equates to £143.73 per place. Decoration includes Internal and External decoration.	BCIS lifecycle costs for care homes and nursing homes Quarter 2 North West
Running Costs		An extract of the Councils running costs was provided to the Association.
Handyman/Gardener	Wirral model based on handyman/gardener it contracted at one of it's supported living units. This is in addition to Capital and revenue maintenance costs included in the lifecycle costing under repairs and maintenance.	Contract 10 hours at £15 per hour
Insurance	No detailed information has been provided to evidence costs other than those used in the Wirral model.	In the absence of detailed actual cost the market research by Laing and Buisson has been used alongside advice from the Council's insurance advisers.
Registration/CRB	No detailed information has been provided to evidence costs other than those used in the Wirral model.	In the absence of detailed actual cost the market research by Laing and Buisson has been used and benchmarked against CQC registration levels.

<b>Return on Capital</b>		
Capital Value	<p>The capital value has been calculated based on the average market value of care homes in the region; this has been taken as the advertised selling price of care homes in the region. This equates to a capital value per bed of £37,300 inclusive of land, buildings and equipment. It is acknowledged that the selling price can be influenced by a range of factors such as how successful the home is. The purchase price may also be lower than the selling price at which homes are offered although no attempt has been made to reduce the values to take account of this. The selling price of homes as a going concern inclusive of land and building provides a reasonable proxy upon which to value capital in the absence of the financial accounts of Wirral Homes. It was not possible to use the information provided by home owners due to the wide variations this contained. In order to benchmark the figure used in the model the wide variations in the sample were removed. This produced a lower figure to the amount use in the model.</p>	<p>Adverts taken from <a href="http://www.carehome.co.uk">www.carehome.co.uk</a></p> <p>Benchmarked against financial returns from care homes in Wirral.</p>
7% Return on Capital Value	<p>The Wirral model allows for a 7% return on the capital value (£37,300) per bed. The Wirral model initially provided a return of 6% on the capital value; however market research has indicated that 7% is a more appropriate level of return on land and building values.</p>	<p>CBRE Healthcare Property Dashboard Quarter 1 2012</p> <p>Knight Frank 2012 Healthcare Investment Research</p>

**Return on Business Activity**

3% Return on Business Activity

The Council considers this to be the 'profit' that an owner needs to operate in the current market. The Council's aim is not to entice new providers into the market due to the current level of vacant beds in Wirral.

The Wirral model aims to maintain the current market.

The interim Director of Finance has recommended a return of 3% to be reasonable in the current financial climate.