Care Act

Cost of Care Analysis

Analysis and Assumptions for the Cost of Older People Residential and Nursing Care within Essex

<table>
<thead>
<tr>
<th>Title:</th>
<th>The Market Project, Cost of Care Work stream</th>
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<tbody>
<tr>
<td>Project:</td>
<td>Care Act, the Market</td>
</tr>
<tr>
<td>Version Number:</td>
<td>1.0</td>
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<td>Version Date:</td>
<td>26th August 2016</td>
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<td>Status:</td>
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1. Purpose of the Document

1.1. Document Purpose
In line with our Care Act responsibilities to understand the true cost of providing care within Essex this document provides the outputs from the Council’s cost of care analysis for Older People Residential and Nursing Care. It includes the methodology deployed and the assumptions underpinning the model.

This analysis, by definition, can only be based on assumptions and average costs for a fictitious organisation so is intended to give a figure for Older People Residential and an equivalent for Nursing which may, or may not, be relevant for a particular provider. The Cost of Care analysis is not directly linked to the price that the Council pays although it should help to inform future pricing decisions.

The intention is that this analysis will be refreshed on an annual basis timed to inform future pricing strategies for the subsequent year.

1.2. Project Purpose
The project supports delivery of three interrelated outcomes:

- Understand the cost to Older People Residential and Nursing Care providers of delivering care and support in Essex
- Enable the Council to understand the cost make-up of providing Older People Residential and Nursing Care which supports a more informed approach to managing cost pressures in the market
- Support the development of the Council’s approach to pricing through its commissioning and procurement processes

1.3. Document Audience
This document has been developed for ‘stakeholders’ that have been defined, who may wish to request evidence as part of the outputs of the cost of care.

<table>
<thead>
<tr>
<th>Stakeholder type</th>
<th>Stakeholders</th>
</tr>
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<tbody>
<tr>
<td>Project Stakeholders</td>
<td>The Care Act Programme Board</td>
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<tr>
<td></td>
<td>The Market Project</td>
</tr>
<tr>
<td>Internal Stakeholders</td>
<td>Commissioning</td>
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<td>Corporate Finance</td>
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<td>Adult Operations</td>
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<td>Children Services</td>
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<td>IS</td>
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<tr>
<td></td>
<td>Legal</td>
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<td></td>
<td>Audit</td>
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</tbody>
</table>
2 Stakeholder type | Stakeholders
---|---
External Government Departments | Department of Health, Other Local Authorities, NHS CCGs

External Parties or organisations | Providers of Residential and Nursing Care, Voluntary Organisations, Charities, Other Professionals, Power of Attorneys, Essex Guardians

Residents | Essex Residents, Essex Individuals Receiving Services, Carers, Family Members

2 Older People Residential and Nursing Cost of Care Calculation

2.1.1 Cost of Care Model
A number of sources of information were considered to help inform the development of the cost of care financial model.

- Data from other local authority cost exercises although a lack of detailed assumptions meant that comparisons were difficult to make
- Returns from the cost breakdown template sent to Residential and Nursing providers. Only 20 returns were received and the level of information included was variable leading to difficulties in ensuring a like for like comparison
- Data submitted from providers to support uplift requests which was used predominately to triangulate the findings rather than to develop the cost model in the first instance
- Laing and Buisson’s 6th Edition Fair Market Price for Residential and Nursing Care (October 2014 – March 2015). This was used as the baseline position and was supported by a range of detailed assumptions which have been challenged and amended, where relevant, to account for Essex-specific intelligence and/or Council assumptions around ‘efficient’ models of delivery.

2.1.2 The Cost of Care Model and Template
Laing and Buisson’s 6th Edition Fair Market Price for Residential and Nursing Care (October 2014 – March 2015) was used as the baseline position for the cost of care model and was adjusted for the impact of the increase to National Minimum Wage (NMW) in October 2015 (20p per hour increase to £6.70 per hour) and the introduction of National Living Wage in April 2016 (£7.20 per hour for workers aged over 25).
Below is a summary of the results, detailing the different cost elements that make up the overall weekly cost of care for Older People residential services of £647.15 and for Older People nursing services of £665.35 exclusive of Funded Nursing Care (FNC) which is the NHS element of the nursing fee. These figures were based on a range of assumptions that are detailed below and can only ever be considered a guide cost for running an efficient home.

### The Older People Residential Cost of Care Model

#### 2016/17 Cost of Care

**Residential Care for Older People and Older People with Dementia per Resident per Week**

<table>
<thead>
<tr>
<th></th>
<th>Care Costs</th>
<th>Accommodation Costs</th>
<th>Living Costs</th>
<th>Sub-total</th>
<th>Operator's Profit</th>
<th>Total Costs and Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) STAFF, INCLUDING EMPLOYERS’ ON-COSTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Care assistant staff cost (including activities)</td>
<td>210.90</td>
<td></td>
<td></td>
<td>210.90</td>
<td>21.09</td>
<td>231.99</td>
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<td>Catering, cleaning and laundry staff cost</td>
<td>52.66</td>
<td></td>
<td></td>
<td>52.66</td>
<td>5.27</td>
<td>57.93</td>
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<tr>
<td>Management / administration / reception staff cost</td>
<td>49.97</td>
<td></td>
<td></td>
<td>49.97</td>
<td>5.00</td>
<td>54.96</td>
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<td>Agency staff allowance - nurses</td>
<td>0.00</td>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Agency staff allowance - care assistants</td>
<td>3.27</td>
<td></td>
<td></td>
<td>3.27</td>
<td>0.33</td>
<td>3.59</td>
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<tr>
<td>Training backfill</td>
<td>4.48</td>
<td></td>
<td></td>
<td>4.48</td>
<td>0.45</td>
<td>4.93</td>
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<tr>
<td><strong>Total staff</strong></td>
<td>218.65</td>
<td>0.00</td>
<td>102.63</td>
<td>321.27</td>
<td>32.13</td>
<td>353.40</td>
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<td><strong>B) REPAIRS AND MAINTENANCE</strong></td>
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<td>Maintenance capital expenditure</td>
<td>25.23</td>
<td></td>
<td></td>
<td>25.23</td>
<td>2.52</td>
<td>27.75</td>
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<td>Repairs and maintenance (revenue costs)</td>
<td>10.20</td>
<td></td>
<td></td>
<td>10.20</td>
<td>1.02</td>
<td>11.23</td>
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<td>Contract maintenance of equipment</td>
<td>4.24</td>
<td></td>
<td></td>
<td>4.24</td>
<td>0.42</td>
<td>4.67</td>
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<tr>
<td><strong>Total repairs and maintenance</strong></td>
<td>0.00</td>
<td>39.67</td>
<td>0.00</td>
<td>39.67</td>
<td>3.97</td>
<td>43.64</td>
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<td><strong>C) OTHER NON-STAFF CURRENT COSTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Food</td>
<td>28.80</td>
<td></td>
<td></td>
<td>28.80</td>
<td>2.88</td>
<td>31.68</td>
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<tr>
<td>Utilities (gas, oil, electricity, water, telephone)</td>
<td>24.18</td>
<td></td>
<td></td>
<td>24.18</td>
<td>2.42</td>
<td>26.60</td>
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<td>Handyman and gardening (on contract)</td>
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<td>8.73</td>
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<td>Insurance</td>
<td>5.33</td>
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<td>5.33</td>
<td>0.53</td>
<td>5.86</td>
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<td>Medical supplies (including medical equipment rental)</td>
<td>4.99</td>
<td></td>
<td></td>
<td>4.99</td>
<td>0.50</td>
<td>5.49</td>
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<tr>
<td>Domestic and cleaning supplies</td>
<td>4.20</td>
<td></td>
<td></td>
<td>4.20</td>
<td>0.42</td>
<td>4.61</td>
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<tr>
<td>Trade and clinical waste</td>
<td>3.85</td>
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<td>3.85</td>
<td>0.39</td>
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<tr>
<td>Registration fees (including CRB checks)</td>
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<td></td>
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<td>Recruitment</td>
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<td></td>
<td>2.95</td>
<td>0.29</td>
<td>3.24</td>
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<tr>
<td>Direct training (fees, facilities, travel &amp; materials) net of grants &amp; subsidies</td>
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<td></td>
<td></td>
<td>2.04</td>
<td>0.20</td>
<td>2.24</td>
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<tr>
<td>Continenence products</td>
<td>0.00</td>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Other non-staff current expenses</td>
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<td></td>
<td></td>
<td>9.30</td>
<td>0.93</td>
<td>10.23</td>
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<tr>
<td><strong>Total non-staff current expenses</strong></td>
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<td>0.00</td>
<td>91.08</td>
<td>98.11</td>
<td>9.81</td>
<td>107.92</td>
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<td><strong>D) CORPORATE OVERHEADS @ 5%</strong></td>
<td>11.28</td>
<td>1.98</td>
<td>9.69</td>
<td>22.95</td>
<td>2.30</td>
<td>25.25</td>
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<td><strong>E) RETURN ON ACCOMMODATION @ 6% PA OF CAPITAL COSTS</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Return on land</td>
<td>23.74</td>
<td></td>
<td></td>
<td>23.74</td>
<td></td>
<td>23.74</td>
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<tr>
<td>Return on buildings and equipment meeting national minimum physical standards for new homes, extensions and 1st registrations since April 2002, including start-up losses</td>
<td>93.20</td>
<td></td>
<td></td>
<td>93.20</td>
<td></td>
<td>93.20</td>
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<tr>
<td><strong>Total returns</strong></td>
<td>0.00</td>
<td>116.94</td>
<td>0.00</td>
<td>116.94</td>
<td>0.00</td>
<td>116.94</td>
</tr>
</tbody>
</table>

*Ceiling* fair market price for homes meeting all standards for ‘new’ homes in National Minimum Standards for Care Homes for Older People, 2nd Edition February 2002
The Older People Nursing Cost of Care Model

3 Older People Residential and Nursing Methodology and Assumptions

3.1 Methodology Approach

3.1.1 Engagement Events

Multiple detailed engagement events were held with providers to start exploring the costs and pressures associated with providing care in a residential and nursing setting. The majority of the engagement was through conversations in small groups and 1-2-1 meetings (7 providers). Details of the provider events held are shown below.
Templates

Cost breakdown templates were issued to providers and a number were returned. These were used alongside other sources of market intelligence to inform the cost model produced.

3.1.2 Cost Drivers

The following current and significant cost pressures were identified during engagement with the market:

- **National Minimum Wage** (NMW): since 2011, has increased by c. 62p/hour + NI and other on-costs
- **National Living Wage** (NLW) has added 50p/hour + NI and other on-costs from April 2016 although Corporation Tax is due to reduce by 1% to 19% from April 2017 and to 17% from April 2020. This reduction is not incorporated into the current analysis.
- **Pensions auto-enrolment** have come in for almost all providers now
- **Need to pay staff more** to attract people into and keep people in care work
- **Training** costs – particularly the Care Certificate which is requiring more non-contact time and increased assessment costs and a move away from e-learning
- **Persistently high turnover** results in a knock-on effect on a range of different costs e.g. training and recruitment
- **Compliance and regulation** – the Care Quality Commission (CQC) has evolved its approach resulting in increased quality assurance costs for providers; the increased threat of litigation; registration fees due to go up considerably
- **Recruitment** costs – higher turnover particularly amongst the largest providers; job board rates much higher recently due to volume of adverts; higher advertising costs; pre-employment checks; screening costs
- **Complexity** of packages and discharge pressures mean much higher supervision and coordination costs

3.2 Assumptions on Variables in the Model

The cost of care figure will always be based on a series of assumptions.
A number of variables were considered which could impact on the cost of care figures presented. Below we list those variables and detail our assumptions as to how they have been dealt with.

### 3.2.1 An Efficient Home

The figure of £647.15 for Residential and £665.35 for Nursing is based on a Fair Price Per Resident, Per Week based on an “efficient home” which manages to address many variables on price. “Efficient” means that variables such as an odd number of residents to staff ratio, or building design requiring additional staff, or a particularly old building, or a complex mix of resident needs or different service offers are not factored in.

### 3.2.2 Size of Care Home – Large Homes Basis

“The rationale for using major groups' staffing data was that the major groups are all efficient operators whose portfolios are dominated by large scale 'staff efficient' care homes, and that incorporating staffing data from independently owned, smaller scale, and possibly less staff efficient homes might inappropriately skew the benchmarks upwards and lead to public sector commissioners paying for inefficient modes of service.”

L&B explanatory Note

| Number of homes by client group |  |
|---------------------------------|--
| Size, by bed spaces             |  |
| 12 or Less                      | 15 | 6%  |
| 13-24                           | 42 | 19% |
| 25-39                           | 55 | 24% |
| 40-64                           | 69 | 31% |
| Greater than 64                 | 45 | 20% |
| Grand Total                     | 226|     |

The chart shows that there are still a significant number of smaller homes for older people, however, the majority of homes and therefore the biggest proportion of beds are within bigger homes (>40 beds).

The engagement exercise did highlight that a larger home does not always deliver economies of scale – they tend to have higher turnover of staff, rapid (post embargo for example) or erratic occupancy changes result in inefficient mix of resident needs or they have been subject to recent merger or acquisition and therefore have transitional infrastructures.
For all of these reasons we are proposing therefore that cost assumptions should be based on larger homes given that is the emerging profile and that we produce only one costing for size.

### 3.2.3 Quality

This has been a much debated aspect of the work. Whilst there is no simple cost/quality relationship, there are, we know from the engagement exercises, a range of quality factors which can be impacted by fee levels:

- Cutting back office to reduce costs leading to increasingly stretched management teams.
- Cutting back on maintenance and refurbishment which has an impact on the environment for residents.
- Investment in training can be affected if fee levels are squeezed.
- High turnover of staff linked to low pay levels which impacts on continuity of care for residents and increasingly high recruitment costs.
- Impact on non-direct care staffing levels e.g. activity co-ordinators, ancillary staff which can impact on residents’ experience.
- Complexity of need is rising quickly impacting on training requirements and level of staffing required.

We have therefore in considerations of calculations below checked that the assumptions made should not have a negative impact on quality.

Where a particular assumption therefore might have an impact on quality, this is mentioned specifically.

The separate Care Act programme of work on quality will ultimately better inform this consideration so will need to be kept under review.

### 3.2.4 Geography/rural vs urban

Currently the Council’s pricing strategy is different for different areas. This was based on now very old valuations.

The engagement exercise told us:

- There are different costs in different areas, but these do not neatly fall into geographic areas nor do they mean one area is necessarily more expensive than another.
- The main geographical cost difference is property and land value. How this is acknowledged in fee levels will depend to a certain extent on how much influence ECC wants in determining the development of supply over the medium term.
Higher land and property costs at the moment present the areas of greatest risk in terms of opportunity cost for smaller providers in particular who could see higher ROIs via different uses of property and land. This is underpinned by national data suggesting that more residential care beds were closed than opened in the last year.

Pricing differentials have been the result of supply and demand dynamics in particular areas, not necessarily differences in cost although property and land cost may also be a factor.

There are also differences in salary cost because of area, but again these are not always obvious – for example salaries are not necessarily higher the closer you get to London.

We are proposing therefore to have a single cost of care, irrespective of geography. Future strategy – for example to ensure choice, sustainability and development of new services in particular areas - will determine whether then there are pricing differentials on a geographical basis.

3.2.5 For profit/not for profit

Essex is unusual in how low already the proportion of not for profit providers there are in the older peoples’ residential care sector. This might be in part the dynamic of self-funding opportunities in the county. So, even when there are not-for-profit businesses in this part of the market they are based on business models which are unapologetically for-profit, but with profit being reinvested into the charity/organisation.

In the past there might have been a case for treating the for profit and not for profit differently - the different type of development grant income via the Homes and Community Agency for example - but with current housing policy, these are now all being removed.

Charities tend to have better terms and conditions for staff (they pay sick leave, have higher pension rates, they would be less likely to expect a staff member to undertake training in their own time for example), and generally have more complicated cross charge arrangements for overheads. And in recent years, charities (in part because of changes to charity law and contracting) have had to become more commercial – seeking full cost recovery which includes a Return on Investment – so rarely will they be cheaper. The differentiator often comes in terms of quality and customer service.

We know from the analysis from Knight Frank that the trend in the older people’s residential care market is towards more corporate providers.

For these reasons we are proposing not to differentiate costs on a for-profit/not for profit basis.
3.3 Costing Assumptions

(PART A) DIRECT STAFFING

3.3.1 Staffing Assumptions

- ‘For Profit’ only homes.
- Based on three year moving averages from L&B surveys (2011-14)
- Home Manager Basic Salaries – based on homes 50 beds +.
- FNC contribution (includes 1% uplift assumption) applied to Nursing Cost of Care.
- Rostered Staff hours per occupied bed - based on homes with 25 beds + excluding homes with occupancy levels of below 70%*.
  - L&B suggests:
    - 10% homes at below 75%.
    - 49% (assumed as ‘just under half’) 95% or +.
    - 41% operating between 75.1% and 94.9%. Therefore an average of that being 88% to arrive at;
    - 90% is average sustainable Occupancy.

*The assumption of this paper is that at least 90% of homes within the survey are operating at efficient occupancy. Given the majority of homes are high occupancy; it would suggest that of the 10%, the majority of these would be above 70% but below 75%. ECC has therefore assumed 8% should be adjusted out of the L&B assumptions on hours per week of rostered staff.

Staffing Insight

Floor staff hours per resident plateau for homes of 20 beds or more for residential (30 beds for Nursing).

To come up with a financial value for direct care staff costs, you need assumptions on the Skills Mix, the £ rate per resident per hour and finally the average hours per week per resident. There are also sub sets of assumptions to account for job role and differentials between frail care and dementia care. The on cost is then applied to this.

3.3.2 Skills Mix – Based on Laing Buisson Surveys

The Care Staff mix has broadly not changed in four surveys. L&B

Residential:
- 50% Staff with QCF NVQ Diploma Level 2 or above (ex. Nursing staff)
- 29% Senior Care Workers
- 21% Care Assistants without NVQ

Nursing:
Nursing Care
- 100% Qualified Nursing staff

Non-Nursing Care
- 50% Staff with QCF NVQ Diploma Level 2 or above (ex. Nursing staff)
- 15% Senior Care Workers
- 35% Care Assistants without NVQ
3.3.3 Average Hours per week per resident

The hours below have been adjusted by the **8% reduction** explained above, other than that; they are the Laing Buisson values.

The split between Dementia (85%) and Frail (15%) comes from information on current active clients. This assumption is used to determine the weighted average of hours to help derive care staff cost per week pre resident.

Residential (weighted average hours):
- Care: 22.13
- Chef/Cook: 1.79
- Domestic Staff: 3.71

Nursing:
- Care: 20.70
- Chef/Cook: 1.56
- Domestic Staff: 4.51

3.3.4 Hourly Staff Pay Rates - Blended and based on Essex

The below rates from L&B have been uplifted for October 2015 NMW and April 2016 NLW. The latter required a split of the workforce by age based on the National Minimum Data (NMD) Set (11.2% below age 25). This is done to derive a weighted average rate.

- Registered Nurse: **£13.85** (NMD £13.62)
- Senior Care Staff: **£  8.57** (NMD £8.97 (Res), £9.12 (Nur))
- Care Assistants (NVQ+): **£  7.95** (NMD £7.62 (Res), £7.32 (Nur))
- Care Assistants (no NVQ): **£  7.58** (included above line)
- Cooks/Chef: **£  8.51**
- Other Domestic Staff **£  7.51**

Note – NMD figure taken 17th February 2016, NLW applied by same weighted method, making an assumption on the proportion of NLW uplift each grade of staff would receive. The rates applied in the cost of care model are shown in **bold**. Registered Nurse is a clear professional role; therefore it is easier to complete a comparison.

A straight comparison with NMD and L&B rates is not advisable in most cases, but even so, the rates above are broadly similar for Essex. It suggests that ECC should consider further the application of the Skill Mix as the NMD may suggest more hours are populated by lower skilled worker force than L&B surveys suggest. The obvious risk of applying NMD rates is that the rates are based on any private sector submitter – so quality is not clear.

3.3.5 Management Costs - Not Corporate

The cost of the Manager Salary and other management support is **£39** per resident per week. This has been index linked using CPI and does not therefore include any adjustment for NMW or NLW. This figure has also been triangulated against analysis of the NMDS for average salary levels in Essex.
The on cost is then applied as described below.

### 3.3.6 On Costs – multiplied to the pre on cost rate

- Working Time Directive (WTD): 28 Days per annum. This is statutory. **12%**
- Employer NI: Residential **9%**, Nursing **10%**. L&B Survey. Although threshold is 13.8%, the balance of part time workers reduces the average impact per week per resident.
- Sick Pay: **0.5%** based on domiciliary cost of care assumption. L&B believe this to be more like 2% based on surveys. This is the cost of administering the statutory duty
- Employer Pension Contribution: **0.75%** L&B – based on projected statutory minimum employers pension contributions as a percentage of gross earnings of hourly paid staff in 2016/17.

Thus these four components provide the on cost percentage of **22.3%** and **23.3%** respectively for Residential and Nursing.

For **Management Costs**, the on cost for L&B is quoted at 30%. This is higher due to enhanced benefits around pension contributions above those available, plus bonus payments. As Sickness will be included, we have assumed it is 2% of this total and therefore reduced accordingly the on cost to **28.5%**.

Other staffing Direct Costs:
- Agency Fees – **1.5%** Care Staff, **2.5%** Nursing Care (L&B)
- Training Backfill – **1.7%** L&B

### (PART B) REPAIRS AND MAINTENANCE

#### 3.3.7 Capital Maintenance

Capital Maintenance - **£25**
Based on UK average spend of about £1,100 per annum per bed (2012 Survey) on Capital Maintenance. Clearly the rate falls for those companies who have recently invested in new capital buildings and equipment.

- Revenue Maintenance Buildings - **£10**
- Contract Maintenance of Equipment - **£4**

The values above have been index linked based on the Interim Construction Output Price.

### (PART C) OTHER NON-STAFF CURRENT COSTS AT HOME LEVEL

All areas of this have been based on L&B baseline. All lines have been index linked. The rates were uplifted by CPI All items D7BT with exception of utilities. Utilities rate decreased (recognising the change in the market) and was based on a mix of CPI and Gas and Electricity Indices.

### (PART D) CORPORATE OVERHEAD COSTS AT 5% of ‘HOME’ COSTS
This is effectively a 5% on-cost on parts A, B and C above. It is shown on its own line yet is effectively part of the ‘Return on Business Cost of Capital’. The percentage is from L&B.

L&B in their Explanatory Note explain that this is derived from reviewing three positions from two major home operators. The actual percentage for each business operator can vary greatly. L&B surveyed providers with some agreeing that 5% seemed reasonable whilst others said the figure should be higher as the companies below benefit from economies of scale.

- Southern Cross 4.5% (Sept, 2010) – year prior to liquidation.
- Four Seasons Homecare 4.2% (Qtr 1, 2013)
  4.9% (Qtr 3, 2014)

- (PART E) RETURN ON ACCOMODATION

3.3.8 Return on Capital

- The return on capital (ROC) benchmark is the rate required to incentivise providers to invest in new care home capacity, and to maintain and/or upgrade existing capacity to the latest physical standards. Originally set at 16% in the 2002 Laing report, it was reduced to 14% in the 2004 report and has been further reduced (12% in 2008) and now 11% in the 7th Edition in February 2016.

- The successive reductions reflected the decline in expected yields as care home investment entered the mainstream of commercial property investment. The 11% remains unchanged as an underlying benchmark in this 2016 revision, though since 2012/13 it has been split into a return on capital on accommodation only at 6% (this paper assumes that the 1% reduction between L&B editions is applied here), with the remainder of the ‘whole business return’ allocated to ‘operator’s profit’. Because of the 2012 revisions in presentation, it is important to note that the 11% ROC benchmark relates to ‘Return’ measured at the home level, i.e. before corporate overheads. If ‘Return’ is measured at the ‘corporate’ level, i.e. after corporate overheads, then the ROC benchmark becomes 9.0%.

- These are simply different ways of expressing the same thing. The original baseline % comes from L&B telephone survey of major business transfer agents (for Return on Accommodation).

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Corporate Overheads (inc. Parts A-D)</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Operating Profit (Part D)</td>
<td>3.5</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.5% adj.</td>
</tr>
<tr>
<td>Return on Accommodation (Part E)</td>
<td>7.0</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1% shown</td>
</tr>
<tr>
<td>Return on Capital</td>
<td>12%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

**ECC does not have access to 7th Edition, but is aware that L&B have published that RoC has reduced since 6th Edition (to 11%).