Introduction

Kent County Council annually reviews the level of fees payable to our providers.

We convene a meeting biannually between the cabinet member for Adult Social Care, relevant officers of the Council and trade associations (Kent Community Care Association and Kent Care Home Association) at which fees are discussed.

As part of the fee setting process for 2013/14, we prepared a formal consultation plan. Launching in December 2012, care providers in Kent were invited to participate in a survey (see Appendix A for full survey). The survey sought to establish how providers considered that their costs have changed since 1st April 2012 and to see whether sufficient providers would allow us to see their open book figures. We enquired into open book costs to assess whether useful information could obtained in this way, and to allow providers to provide us with any other information which they wanted us to consider.

Feedback from the consultation was collated and considered by DMT on 13th February 2013. DMT decided to provisionally propose an uplift in fees of 1% for 2013/14. That figure was notified to suppliers from the 18th February 2013.

The data received from the survey was available for the 7th February 2013 biannual meeting between the cabinet member, officers and trade associations.

The purpose of this document is to provide an explanation to all providers of the approach taken and how these figures were reached.

Please note that the fee process for 13/14 is not part of and does not replace the ASC Transformation Programme that has been launched by Families and Social Care. The process of Transformation is not just about transforming Kent County Council's social care business, but also about the social care market as a whole - looking at what it does and how it provides services. The ASC Transformation Programme will be continuing through 13/14 and providers will be invited to discuss long term planning requirements for the sector through this process. An Accommodation Strategy has been commissioned for completion in 2013 which providers will be invited to participate in.

2013/2014 Survey

Summary of Respondents
71 residential care providers in Kent participated in this survey. Kent County Council used over 600 residential providers in 2012. We are mindful that the results account for less than 15% of the supplier base and 19% of KCC’s overall spend in this area.

33 of the 71 respondents provide care homes for older people, 28 of which were Small/Medium Sized Enterprises (SMEs) and 5 were larger organisations with at least 100 employees.

26 of the 71 respondents provide care homes for adults with learning disabilities, 14 of which were SMEs and 12 were large.

12 of the 71 respondents provide care homes for adults with physical disabilities and all of these were larger organisations with at least 100 employees.

In total, 42 of the 71 respondents were SMEs (59%) and 29 were large providers (41%).

**Breakdown of responses: Have the Costs of Providing Care Changed since April 1\textsuperscript{st} 2012 ?**

Four of the 71 providers (6%) stated that their costs had not changed or increased since April 1\textsuperscript{st} 2012. However, the remaining 67 residential care providers (94%) said that their costs had changed since April 1\textsuperscript{st} 2012.

As part of the consultation suppliers were asked to list how and where they said costs had changed.

**Older People**

**SMEs (Less than 100 employees) for Older People**

Only 1 of the 28 SME providers (4%) for Older People stated that their costs had not changed, with the other 27 (96%) experiencing cost increases. The main costs were as follows:

- Wages
- Utilities
- Food
- The increased needs of their residents
- Fuel/motor expenses
- Recruitment costs
- Maintenance
- Clinical & Waste Removal
Larger Providers (100+ employees) for Older People

100% of the participating providers (5 in total) stated that their costs had changed since April 1\textsuperscript{st} 2012, highlighting the following cost increases:

- Food
- Wages
- Utilities
- Medical supplies

Learning Disabilities

SMEs (Less than 100 employees) for Adults with Learning Disabilities

Only 1 of the 14 SME providers (7%) for adults with learning disabilities stated that their costs had not changed, with the other 13 (93%) stating the opposite. The main perceived cost changes were as follows:

- Food
- Utilities
- Wages
- Fuel
- Water
Larger Providers (100+ employees) for Adults with Learning Disabilities
Again, only 1 of the 12 larger providers (8%) stated that their costs had not changed since April 1st 2012. The other 11 (92%) highlighted the following cost increases:
  - General Inflation/RPI\(^1\)
  - Increasing needs of their residents

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Physical Disabilities
Larger Providers (100+ employees) for Adults with Physical Disabilities
Again, only 1 of the 12 larger providers (8%) stated that their costs had not changed since April 1st 2012. The other 11 (92%) highlighted the following cost increases:
  - Wages
  - Utilities
  - Fuel
  - CQC Registration Fees
  - General inflation/RPI

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SUMMARY – all types of Residential Care

In total, of the 67 providers who stated that their costs had changed, there was no clear area where everyone agreed costs had risen and impacted on business. However, the following were the most cited examples of cost increases and the percentage against the overall responses:

- Wages (52%)
- Utilities (52%)
- Food (40%)
- General Inflation/RPI (31%)
- Motor expenses (22%)
- CQC Registration Fees (10%)

The table over the next three pages provides more detail on the cost pressures stated by different providers broken down by discipline area and size, and the consideration made by KCC to each. For ease of reference we have added an additional column, ‘Additional Information’, which contains some brief comments on our views on these elements but our analysis and approach is discussed more fully in a later section of this report with our conclusions.
General Inflation/RPI | 2 | 1 | 1 | 8 | 9 | 21 | We have not looked at general inflation separately as we have looked at individual commodities which impact on the overall change to inflation rates.
---|---|---|---|---|---|---|
Motor expenses | 3 | 6 | 1 | 5 | 15 | We have carried out an analysis and the cost of fuel has decreased in 2012/2013. We have also asked the providers to demonstrate where motor expenses have increased in relation to residential care as this is not standard requirement across all care groups and may be care specific.
---|---|---|---|---|---|---|
CQC Reg fees | 1 | 1 | 5 | 7 |  | CQC fees have not increased for the last 3 years and in one area of Domiciliary care have reduced by nearly a third for small entrants to the market.
---|---|---|---|---|---|---|
Water | 2 | 4 |  | 6 |  | Addressed within the utility increase.
---|---|---|---|---|---|---|
Needs of residents increased | 3 | 3 |  | 6 |  | This should be raised with the Case Manager through reassessment processes.
---|---|---|---|---|---|---|
Maintenance | 3 | 2 |  | 5 |  | This is subjective as it is dependent on the type, age of building.
---|---|---|---|---|---|---|
Training costs | 2 | 1 | 1 | 4 |  | KCC are looking at training support for the sector through grant funding in 2013/2014 to mitigate any perceived increase in cost.
---|---|---|---|---|---|---|
Communication costs | 2 | 2 |  | 4 |  | Telecom costs have stayed static. In regard to marketing these costs are to attract private clients rather than social care clients as we market the providers through the Kent.gov.uk website free of charge.
---|---|---|---|---|---|---|
Medical supplies | 1 | 3 |  | 4 |  | There is a small upward effect in 2012 due to prices falling in 2011. Therefore this should be cost neutral to suppliers.
---|---|---|---|---|---|---|
Clinical & waste removal | 3 | 1 |  | 4 |  | There are many suppliers in the market providing clinical/waste removal. It is the providers responsibility to renegotiate.
<table>
<thead>
<tr>
<th>Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHS Loan Service reduced</td>
<td></td>
<td></td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Reduction in community services</td>
<td></td>
<td></td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>All costs</td>
<td>1</td>
<td></td>
<td>2</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Recruitment</td>
<td>3</td>
<td></td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>2</td>
<td></td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Business rates</td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Entertainment/activity fees</td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Sundries</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Mortgage costs</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

- **NHS Loan Service reduced**: This query was raised by 1 group KCC have contacted this group to seek clarification on this impact as we believe this pertains to health clients rather than social care.
- **Reduction in community services**: It is not clear which services are being referenced here or the financial impact. We will contact the group who raised this and give them the opportunity to discuss as part of ASC Transformation.
- **All costs**: We have looked at individual commodities which impact on the overall cost changes.
- **Recruitment**: Only 3 respondents said that recruitment costs have increased. The level of recruitment is difficult to predict and the need may not arise at all. Providers will be required to absorb this increase.
- **Insurance**: The price of premium is calculated using several factors the risk, the size of the business and the level of cover required. With concern expressed by only 3 providers it is felt that costs may be influenced by highly individual elements of their cover purchased.
- **Business rates**: The trend for the last five years has seen an increase of 1.5 to 2 pence in business rates. These rates are dependent on the size of the business being run. 2011/12 43.3p in the £ (small business rate multiplier 42.6p in the £) 2012/13 45.8p in the £ (small business rate multiplier 45.0p in the £)
- **Entertainment/activity fees**: The impact of this across the supplier base is thought to be negligible as the impact was raised by less than 3% of respondents.
- **Sundries**: We have looked at individual commodities which impact on the overall cost changes.
- **Mortgage costs**: Mortgage interest rates have not increased for at least 3 years and there are a number of flexible packages available in the market to assist with reducing costs.
<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT increase</td>
<td>1</td>
<td>There have been no VAT increases in 2012/2013. VAT rose from 17.5 per cent to 20 per cent on 4 January 2011. Only 1% of respondents identified this as an issue.</td>
</tr>
<tr>
<td>Welfare costs</td>
<td>1</td>
<td>It is unclear as to which area this is in relation to. Further clarification will be sought with the provider. However, only 1% of respondents identified this as an issue.</td>
</tr>
<tr>
<td>Stationery</td>
<td>1</td>
<td>We were not satisfied that stationery costs have either increased or decreased. Only 1% of respondents identified this as an issue.</td>
</tr>
<tr>
<td>Withdrawal of training subsidy</td>
<td>1</td>
<td>KCC are looking at training support for the sector through grant funding in 2013/2014 to mitigate any perceived increase in cost</td>
</tr>
<tr>
<td>Furniture costs</td>
<td>1</td>
<td>The largest downward pressures in CPI from November 2011 to November 2012 came from motor fuels and furniture, household equipment &amp; maintenance. The impact of this on the supplier base is a reduction in price. Only 1% of respondents identified this as an issue.</td>
</tr>
</tbody>
</table>
Summary of KCC Research

Below is evidence obtained in relation to cost rises to support the 2013/2014 pricing review. The report is broken down into the key areas of where providers have stated that costs have risen.

Care Quality Commission (CQC)
The below information, which was obtained from the CQC website and reports, show that registration fees have not increased for residential providers and have reduced in one instance for domiciliary care providers.

<table>
<thead>
<tr>
<th>Type of Care Provided</th>
<th>Bandings: Number of Beds</th>
<th>CQC Registration Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2013/14</td>
</tr>
<tr>
<td>Residential</td>
<td>&lt; 4</td>
<td>£250.00</td>
</tr>
<tr>
<td></td>
<td>4 - 10</td>
<td>£650.00</td>
</tr>
<tr>
<td></td>
<td>11 - 20</td>
<td>£1,600.00</td>
</tr>
<tr>
<td></td>
<td>21 - 30</td>
<td>£3,000.00</td>
</tr>
<tr>
<td></td>
<td>31 - 60</td>
<td>£4,300.00</td>
</tr>
<tr>
<td></td>
<td>41 - 60</td>
<td>£5,600.00</td>
</tr>
<tr>
<td></td>
<td>&gt; 60</td>
<td>£11,100.00</td>
</tr>
<tr>
<td>Domiciliary</td>
<td>1</td>
<td>£720.00</td>
</tr>
<tr>
<td></td>
<td>2 - 3</td>
<td>£2,000.00</td>
</tr>
<tr>
<td></td>
<td>4 - 6</td>
<td>£4,000.00</td>
</tr>
<tr>
<td></td>
<td>7 - 12</td>
<td>£8,000.00</td>
</tr>
<tr>
<td></td>
<td>13 - 25</td>
<td>£16,000.00</td>
</tr>
<tr>
<td></td>
<td>&gt; 25</td>
<td>£32,000.00</td>
</tr>
</tbody>
</table>

Food
The annual average increase for food and non-alcoholic drinks has risen by 3.2% between November 2011 and November 2012. This is based on the Office for National Statistics CPI Indices 2012.

Fuel
Last year, the average price of petrol fell by 1.1 pence per litre. The average price of diesel fell by 1.4 pence per litre.

Utilities
The annual average increase for Utilities, Electricity, Water and Gas has risen by 5.0% between November 2011 and November 2012.²

Health Costs
The annual average increase for Health Costs such as Medical products, Appliances and Equipment, Pharmaceutical products and other Medical and Therapeutic Equipment has risen by 2.9% between

² This is based on the Office for National Statistics CPI Indices 2012.
November 2011 and November 2012. However, the price had fallen in 2011 so the cumulative impact is likely to be neutral.

Minimum Wage Increases

The minimum wage increases each year in October. In 2012 the increase was 1.8%.4

<table>
<thead>
<tr>
<th>Age</th>
<th>National Minimum Wage</th>
<th>2012/13</th>
<th>2011/12</th>
<th>2010/11</th>
<th>2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>21+</td>
<td>£6.19</td>
<td>+1.8%</td>
<td>+2.5%</td>
<td>+2.2%</td>
<td></td>
</tr>
<tr>
<td>18 - 20</td>
<td>£4.98</td>
<td>+0%</td>
<td>+1.2%</td>
<td>+1.9%</td>
<td></td>
</tr>
</tbody>
</table>

Our Prices, the Market, Stability and Satisfaction

KCC looked at the following indicators to determine the health of the current market in 2012.

Impact on the market:

1. The number of new entrants to the residential sector in Kent

2. If any homes folded in Kent due to financial pressures

The results are as follows:

An average of 4 new homes per annum have opened between 2008 and 2012. This shows that providers are willing to invest in the residential care sector in Kent.

KCC have only had 1 reported care home closure in Kent closing in 12/13 for financial reasons, FSC are currently reviewing the specific reason behind this. However the low number does not indicate an overall trend that rates awarded mean our homes are not financially viable.

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3 This is based on the Office for National Statistics CPI Indices 2012.
4 This is based on the Office for National Statistics CPI Indices 2012.
Stability and Satisfaction:

In 2012 the Adult Social Care User Experience Survey, produced the following composite result for Residential Services:

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>43</td>
<td>1</td>
<td>Extremely Satisfied</td>
<td>34.68%</td>
</tr>
<tr>
<td>55</td>
<td>2</td>
<td>Very satisfied</td>
<td>44.35%</td>
</tr>
<tr>
<td>23</td>
<td>3</td>
<td>Quite Satisfied</td>
<td>18.55%</td>
</tr>
<tr>
<td>1</td>
<td>4</td>
<td>Neither satisfied nor dissatisfied</td>
<td>0.80%</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>Quite Dissatisfied</td>
<td>0.80%</td>
</tr>
<tr>
<td>1</td>
<td>6</td>
<td>Very Dissatisfied</td>
<td>99.98%</td>
</tr>
</tbody>
</table>

KCC terminated a contract in one home in 2012 and one home deregistered. The low number again does not indicate an overall trend that rates awarded mean our homes are providing service users with a level of support that is not adequate.

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5 Swift Contract Warnings and Suspensions Report
**Context**

KCC has not historically used cost models to establish its usual cost for care. Models involve approximations and are often difficult to operate. There are also difficulties in seeking to reach precise figures to represent some notional overall cost at one particular point in time, when costs fluctuate (for example, over time or between different providers). Further, such models generate fees that often appear to exceed the amounts that are typically paid by authorities.

Taking everything into account, we do not think that undertaking a cost model analysis to either fine tune existing models, develop a new one or try to find out why the existing models seem to be at odds with the market is reasonable or necessary. This is especially so given that we can pay due regard to the cost of care and accommodation in other ways.

We are satisfied that our direct experience with the rates that we pay, the state of the market in Kent, feedback from providers within Kent, and keeping an eye on costs increases is a proper (and indeed probably a better) way of seeking to arrive at a figure for fees that properly takes into account the market operating in Kent, providers’ costs, and residents’ accommodation needs.

Under the current way in which services are commissioned and delivered, and in the economic climate that existed last year, as it does this year, it was and still must be accepted that that we must focus on increments that are sufficient to maintain acceptable levels and standards of care and that there may be less scope due to affordability for potential improvements.

We consider that the current economic climate requires all parties to adapt. It is not going to be possible to achieve the same levels of profitability in current times as enjoyed hitherto. We do however want to make sure that the sector remains viable. The less scope there is for fee increases the greater the pressure on providers that do not operate as efficiently as others. Efficiency and improvements in efficiency will be the key to profitability and sustainability of homes. Kent County Council accepts that it must keep under review the extent to which the increments in fees results in the real risk of closure of any home and the effect that would have on capacity to accommodate service users.

It is accepted that the approach is not fastidious but the outcomes are measurable.

For the year 2012/2013 fees payable were increased by the uniform amount of 1%. We are conscious that this is less than Kent Care Home Alliance were seeking for that year. A figure of 6.5% was sought.

Our actual findings are that the market since the increment awarded last year has remained stable. We believe that those fees were sufficient to enable providers to continue to operate at a sustainable level. It has not become apparent that there is any significant increased risk to residents in terms of either supply of accommodation or their welfare. Sustainability will continue to be addressed in partnership with the sector under published plans for The ASC Transformation Programme, including an Accommodation Strategy set for delivery in 2013.
As published to the supplier base through our Adult Social Care Transformation Programme, Kent County Council (KCC) is facing significant financial pressure across the next three years. Therefore this was a factor taken into consideration when determining what the proposals should be.

Kent County Council is committed to supporting our supplier base as well as is reasonably possible in the current climate and to improving the way in which services are delivered and planning for the future. We have engaged with suppliers through the Transformation Stakeholder Board during the course of the last year. Plans for Adult Social Care can be found here:

http://www.kent.gov.uk/adult_social_services/transforming_adult_social_care.aspx

Policy Background

KCC is mindful of:

- the provisions of Local Authority Circular LAC (2004) 20 which must be followed unless there is good reason not to.

- Building Capacity and Partnership in Care issued by the Department of Health in 2001. Building Capacity is a broad document which does not just deal with the issue of cost setting but the wider aims of the service. This also ought to be followed unless there is clear reason to depart from it.

Since these documents were issued circumstances, funding and national policy have changed. The ASC Transformation Programme underpins Kent County Council’s plan for the future delivery of the service. We therefore believe that this guidance now needs to be considered in the light of these changes which may mean that not all of their provisions will now be relevant, applicable or achievable.

The exact nature of the approach to fee setting required by the guidance remains unclear as a result of conflicting High Court judgments. We believe that the approach we have taken is in accordance with the guidance. However, if a different, more arithmetical approach is required by the guidance, we consider that there are good reasons to depart from that, as summarised in this report. In short, whether or not the provisions of either LAC (2004) 20 or Building Capacity on the matter of cost setting ought to apply, we believe that our approach to costs setting does have proper regard to the actual costs of care and seeks to ensure that residential care will continue to be provided to residents at a proper standard.
Discussion

The purpose of this section is to show how we have used the information provided to determine our fee proposals.

Kent County Council explored each of the themes stated in the consultation to determine the impact this would have on the weekly rates paid to suppliers.

The survey and our own review of costs shows that some costs affecting our provider base have gone up. Our finding is that some prices affecting the supplier base have gone down and some prices have stayed the same. For those suppliers who have responded to the consultation there is no clear consensus as to how cost affects their business model. However the majority of respondents have stated that they need an increase.

The table below shows the areas that were flagged as significant by the respondents of our survey. Those flagged in red were areas where circa 50% of the respondents agreed there was an impact. We have marked these as red in our table to show they are our key concern. Please note that where prices have decreased KCC have not explored price reductions.

Key:
RED: Areas raised by >50% of suppliers
AMBER: Areas raised by <38% of suppliers
GREEN: Areas raised by suppliers where costs have gone down or stayed the same.

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>% of the total fee affected as per lower quartile ref JRF⁶</th>
<th>Actual cost impact of increase on total fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing Increases</td>
<td>1.80%</td>
<td>45%</td>
<td>0.81</td>
</tr>
<tr>
<td>Utilities Increase</td>
<td>5%</td>
<td>12%</td>
<td>0.6</td>
</tr>
<tr>
<td>Food</td>
<td>3.20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPI</td>
<td>2.70%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CQC</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel</td>
<td>&lt; 0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In these primary areas of concern the analysis shows an impact of up to 1.41% on costs. If that impact is realised an increase in fees of 1% would cover over 70% of this cost. If the remaining 0.41 is realised – and we are mindful that concerns regarding these areas have only been highlighted by less

⁶ http://www.jrf.org.uk/publications/calculating-operating-costs-care-homes
than 10\%\textsuperscript{7} of the market, we feel that they could be mitigated to an extent by reducing in other areas such as mortgage interest rates

This may not ameliorate all the remaining areas of concern. KCC recognises that other cost increases were highlighted. However, there was no consensus as to the impact of these costs. Both staffing and utility bill rises were flagged as an area of concern by over 50\% of the respondents of the questionnaire. The other areas were raised by less than 38\% of the respondents and therefore not raised as a concern by 62\% of the respondents. Nevertheless, we have still had regard to these points in our considerations, albeit we have given them less weight than the areas raised by the greater number of respondents. Further, it is necessary to take a broad view in many cases – for instance, it is not inconceivable that some providers have experienced changes in telecoms costs (while others may not have experienced any significant changes) but it is not possible to produce a precise figure which would apply to every supplier. Accordingly, particularly as the significance of the item in question diminishes, we do not think that a very fine analysis is possible or appropriate, or that the potential for arguments by some providers over small details undermines our overall conclusions.

To the extent that there are increases that are not covered in the 1.4\% or fall within the margin of 0.4\% above a 1\% increase KCC must look to providers to meet these changes through business efficiencies or absorption within the existing profit margins. We consider this may be a demanding exercise but it is reasonable expectation in the present economic climate. KCC has itself had to assess its own business and make efficiency savings.

KCC remains committed to continuing to work with suppliers under the Accommodation Strategy work stream to build on sustainable costs throughout 2013. The main concern highlighted through discussion with providers regarding sustainability is fill rates in homes affecting costs. KCC are committed to publishing our demand forecasts – where practical to help providers to plan for voids and inform their business choices.

Regarding health costs, FNC fee proposals are yet to be advised by the Department of Health – however proposals will be revisited where necessary when this information is released. Travel costs are decreasing; however, careful monitoring will be maintained over this cost area in the year and reviewed through the 13/14 Accommodation Strategy which the sector are invited to contribute to.

Based on this information Kent County Council was minded to propose a 1\% uplift on guide prices for 13/14 and a fee uplift for the majority of suppliers providing residential services.

**Simulation**

Whilst we are confident that our experience of the market is the best indicator of the appropriate point to set fees, this year we asked whether providers would be prepared to let us see their open book costs. The exercise showed that the types of costs that contribute to the costs of running a home in Kent follow the IESE categories. Insufficient information was received to enable a detailed analysis on actual figures. We have however performed a simulation. As previously stated, there are

\textsuperscript{7} Less than 40\% of the 19\% of respondents to the KCC survey.
many issues with models and we have not sought to set our fee by reference to it. The approach to our fee setting and the view that the proposed award for 2013/14 would be 1% is set out above. However, a simulation has been performed to see what sort of result it produces. The simulation appears below. We do not believe that the result of the simulation requires us to change our approach to the setting of the actual fees. The simulation did highlight that homes must be run efficiently and it is important to secure the correct and efficient staffing ratios and to minimise voids. This requires careful and active planning and management of homes but we consider that this is a reasonable expectation. The exercise may be demanding but in the present economic climate all businesses have to perform to this standard.

Using the IESE care funding calculator 12/13, staffing costs from the Reed Salary Survey and Staffing Levels from RQIA for reference data, we anticipate that businesses are currently impacted by the following costs:

Please note that these are per resident and based on a provider bearing the full debt of a mortgage.

Cost split per resident based on a Low Cost Property Area in Kent:

<table>
<thead>
<tr>
<th></th>
<th>% Staffing</th>
<th>% Overheads</th>
<th>% Contingency</th>
<th>% Capital Costs</th>
<th>Actual Supplier costs per week through CFC application</th>
<th>Actual KCC fees (with nursing contribution for health)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing</td>
<td>59</td>
<td>28</td>
<td>2</td>
<td>12</td>
<td>510</td>
<td>533.71</td>
</tr>
<tr>
<td>Average / Small Residential</td>
<td>25</td>
<td>44</td>
<td>3</td>
<td>29</td>
<td>327</td>
<td>333.59</td>
</tr>
<tr>
<td>Large Residential</td>
<td>28</td>
<td>49</td>
<td>3</td>
<td>20</td>
<td>292</td>
<td>333.59</td>
</tr>
</tbody>
</table>

Cost Split per resident based on a High Cost Area in Kent:

<table>
<thead>
<tr>
<th></th>
<th>% Staffing</th>
<th>% Overheads</th>
<th>% Contingency</th>
<th>% Capital Costs</th>
<th>Actual Supplier costs per week through CFC application</th>
<th>KCC fees (with nursing contribution for health)</th>
</tr>
</thead>
</table>
Nursing | 58 | 27 | 2 | 13 | 519 | 584.17
---|---|---|---|---|---|---
Average / Small Residential | 23 | 42 | 3 | 32 | 341 | 348.08
Large Residential | 27 | 47 | 3 | 23 | 301 | 348.08

Please note that the following areas are included:

**Costs cover the following:**
- food
- training
- insurance
- capital costs
- entertainment
- building maintenance
- utilities
- cleaning materials
- administration (£7.98 per hour x 7.5)
- recruitment costs
- Staffing including NI, Sickness, Holidays and ENIC, Management Costs

**Proposal**

Based on this information we are proposing a 1% uplift on guide prices for 13/14 and a fee uplift for the majority of suppliers providing residential services.

The analysis of average supplier rates during the process highlighted that some supplier payments may be significantly higher than our guide prices. Where this is the case FSC and Procurement will review these suppliers. If the costs are attributed to extra care needs then the supplier will still receive the proposed increase. If there is no explanation the suppliers will be contacted to discuss this on a case by case basis.

21 February 2013