Return on Operations (ROO)

*This is a gross profit or surplus number – this is the **gross amount before tax**. Care Providers can provide this as a % markup on operating costs identified in the expenditure tab OR as a per resident per week value within the FCOC tool. Return on operations can be calculated as a percentage markup on operations and head office costs. These are operating costs excluding Interest, Tax, Depreciation, Amortisation and Rent (ITDAR) which is captured separately as part of Return on Capital. Return on operations will consider operational risks such as drops in occupancy, inflationary pressures, a provision for future investments (where not capitalised) and dividend payments. For Not-for-Profit organisations this should consider a surplus in line with their reserves policy.*

Return on Capital (ROC)

*Investment by nature involves risk. The cost of capital is the return that investors require to invest in a business. Return on capital is a judgement rather than a hard science. However, return on Capital is an important consideration, as it is one of the main fixed costs in a care home **and should include borrowing, interest, depreciation, cashflow funding, and capex etc**. It should also **include mortgage and rental payments where required**. You can, like return on operations, provide this either as a % of a property valuation – as per the DHSC guidance (https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance/annex-e-further-detail-on-return-on-capital-and-return-on-operations) OR as a per resident per week value if the property is rented*