

London Borough of Croydon

Annex B (Over 65 Residential and Nursing Care)

Cost of Care Report

Introduction

In December 2021, the Government published a white paper entitled ‘People at the Heart of Care¹’. This white paper set out a series of local authority responsibilities to prepare for the then intended adult social care reforms, which included changes to the way people are charged for social care.

As part of this preparation, the Government set up a Market Sustainability and Fair Cost of Care Fund and distributed grant funding to local authorities in England totalling £162m in the financial year 2022/23. Further funding of £600m for each of 2023/24 and 2024/25 was also announced. The intention of the grant funding was to support local authorities to carry out a ‘Cost of Care’ exercise with their provider market in 2022/23 and then set out how they would use the future years funding to ‘move towards’ paying a ‘fair cost of care’ – informed by the outcome of the cost of care exercise in each local authority, alongside other relevant market conditions.

On the 17th November 2022 the Government delivered their Autumn Statement and as part of that, they announced that the charging reforms set out in December 2021 were going to be ‘delayed’ until 2025. Furthermore, they announced changes to the planned funding allocations for Adult Social Care for 2023/24 and 2024/25. One of the changes that was announced was that the £600m for each of 2023/24 and 2024/25 that was intended to support the market was being withdrawn and replaced by a new grant amount of which £162m was allocated for ‘Fair Cost of Care’ – this is the same amount that was provided in 2022/23. This means the available funding for local authorities to support this part of the planned social care reforms has been significantly reduced.

As part of the original grant conditions for the funding released in 2022/23 – each local authority is required to produce an ‘Annex B’ report setting out the approach and outcomes of this Cost of Care exercise. This is the Annex B report for Over 65’s Residential and Nursing Care.

Approach to market engagement

Croydon Council took the decision to organise in person provider forums to introduce the Cost of Care exercise to its Residential & Nursing provider market. This was arranged as soon as reasonably possible after the publication of the guidance. This was also a good opportunity to build on the ‘virtual’ relationships developed during the period of Covid-19.

¹ <https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper>

The initial event was held in early May 2022 which included conversations with providers about Cost of Care, a refresh of the Market Position Statement and other topics such as local workforce pressures. All in scope providers registered in Croydon – or registered outside of Croydon but delivering care in the Borough – were invited. A further Provider Forum was held in late September, with providers updated on the Cost of Care exercise.

Specifically, for the Cost of Care – providers were talked through the draft guidance so they could understand the purpose of the exercise as well as alerted to the Grant funding for Local Authorities made available at that time to support this exercise. The importance of providers contributing to this exercise was stressed so that they could indicate the price they felt represented their ‘cost of care’ to Croydon and onwards to the Department of Health & Social Care (DHSC). Providers were also signposted to the various provider alliances supporting these reforms.

We let providers know that Croydon would be:

- Adopting the free of charge online Cost of Care tool for Residential and Nursing Care developed by the Care & Health Improvement Programme (CHIP) & iESE to use as part of the Cost of Care exercise – this tool was used as the basis for our data collection.
- Updating our contact details for local providers to ensure that we had the best contacts to communicate with.
- Setting up a dedicated Cost of Care email address to cascade information to providers.

In addition, Croydon did the following things:

- Spent 25% of the Grant funding to establish a team to support the Cost of Care exercise. This decision was taken (as opposed to ‘buying in’ the support fully) to build on relationships with the provider market and to keep the knowledge and learning ‘in house’.
- Signposted providers to the CHIP tool, its guidance documents and all relevant support sessions that were run by CHIP and its developers iESE - this included the ‘walk through’ videos showing providers how to complete the tool. Providers were strongly encouraged to attend these sessions.
- Signposted providers to communications from the Provider Alliances/Organisations supporting this work with CHIP.
- Set up and held two virtual drop in sessions for providers to come along and discuss the use of the Cost of Care tool – and had one on one phone/team calls with some providers to give additional support.
- Encouraged providers to contact Croydon via the dedicated email address to raise queries and/or arrange further support conversations.
- Regularly contacted providers by email and phone to ‘check in’ on progress.
- Acted as flexibly as possible with the deadlines that were set to ensure as many providers as possible were able to engage with the exercise – e.g. the initial deadline was for 4 weeks, this was extended twice for a further 4 weeks each time to try and ensure participation levels were as high as possible.

- Respected the decisions of those providers told us through the engagement process that they would not participate.
- Contacted providers via email and phone to raise queries with individual returns (or elements of those returns).
- Worked with colleagues from Borough's across South West London to ensure a consistent approach.

Timeframes & Governance

It should be noted that the timeframe for delivering this level of engagement work with providers was ambitious, tight and at times challenging for Officers. It created difficulties around internal governance processes, asking Directorate & Corporate Management Teams to 'sign off' an exercise that could have significant impacts on the financial stability of the Council without full knowledge of the Market Sustainability Grant conditions and resources available to fund it in 23/24 & 24/25.

In addition to internal pressures, it is the view of Croydon Council that this created an additional 'burden' on providers that meant they were not always able to respond in the way they may have liked, given the pressures in the care market delivering their day to day activities – particularly as the Health and Care system collectively recovers from the pressures created by Covid-19. Some providers had concerns about what this data was going to be used for, who it was going to be shared with and if it was going to be made public in a way that would impact their commercial confidentiality. It is our view that this may have impacted on the number and quality of some of the returns received beyond the technical challenges of gathering the information (addressed later in this report).

Response Rate

Reflecting the fact that Croydon has the largest care market in London, there are 124 Care Homes registered within Croydon. As part of this process – the CHIP/iESE tool identified 73 locations were 'within scope' based on CQC data. On further review within Croydon, we excluded 11 locations from the exercise as these providers had an Older People registration, but in reality were not delivering any Older Person's care. This left 62 locations 'in scope' for the Cost of Care review – 42 of which registered on the iESE/CHIP tool. Of those 62 locations – 27 are registered for Nursing Care, 33 for Residential Care and 2 with dual registrations.

Of these 62 locations 'in scope' we only received a response for 15 different locations – *this is a response rate of 24% which covers only 19% of our spend on 'in scope' provision.*

Some locations covered both Residential and Nursing. We therefore had 8 Residential and 9 Nursing sets of data to review.

Croydon has a large provider market for a London Borough, but this was a low response rate and one that we do not believe reflects the significant effort that was put in to the Residential & Nursing part of the Cost of Care exercise – e.g. 42 locations initially indicated they would participate by registering online to use the tool, but only 15 ended up submitting.

The market in Croydon is split between SME and large provider groups, but the majority of the Council purchased provision within the Borough is delivered by SME providers – many of these did not respond to this exercise, despite extensive attempts to encourage them to do so.

Of the top 10 locations by spend (who account for circa 50% of Croydon funded expenditure) – only 1 of these responded and that is part of a larger group. 7 of the other locations who did not respond are SME providers and 1 is part of a larger group. This means that the providers who Croydon commissions beds from the most, were not represented in this Cost of Care exercise. These providers are also more reliant on publicly funded beds, rather than self-funders. We were in regular dialogue with these providers and despite many of them registering on the tool, they were unable to find the time to complete the exercise (or ultimately made the decision to not submit).

Of the remaining providers who did respond, these responses were weighted towards providers where Croydon makes fewer placements – i.e. these providers have a higher proportion of self funder or Continuing Health Care (CHC) funded beds – which attract a premium price. As providers were encouraged to include all of their costs, it is likely that some of the providers who did provide returns have included costs for things that the ‘public purse’ would not usually expect to fund. This has the impact of increasing the median prices this exercise generates and reduces the weight we can put on this Cost of Care exercise when reviewing our approach to setting fees in February 2023. Regard will be given to the data this exercise has generated, however due to the low confidence rating in light of the return types and numbers, this will influence the extent of the weight we put on this process.

Because of the low response rates, we were also unable to split the Residential and Nursing returns in to a ‘standard’ and ‘enhanced’ fee banding – so have just generated two sets of median costs (one for Residential and one for Nursing). This means the exercise has effectively generated a blended rate for standard and enhanced provision based on the returns received. The majority of placements made are at a ‘standard’ rate and there is therefore a risk that this rate is inflated by this approach.

Despite the significant amount of officer and provider time and resources invested in this process, for Residential and Nursing Care **Croydon Council therefore does not have confidence that it has a representative sample of providers from whom it commissions care from. We also do not believe that this exercise has generated a cost of care that the Council would give sufficient weight to in its fee setting process**

Approach to validating and analysing the returns

It is reasonable to say that some of the Care Home providers struggled to complete the tool. As previously noted, many of the providers in Croydon are small ‘owner/operator’ providers who are simply not used to being asked for their information in the way that an exercise like this requires. Some providers asked their accountants to complete on their behalf and some providers found it difficult to

respond to queries raised – and in some cases, just did not respond at all. As previously noted, we believe a number of our SME providers in particular found this a challenging exercise to complete, so did not participate.

There were also some difficulties with providers accessing the iESE tool, having issues with registration and ‘logging in’. Some providers are more advanced with their technology than others and were more comfortable with using an online tool such as this than others. When speaking to our provider market after this exercise has concluded, we will explore further the issues of participation and the barriers to that.

As with Domiciliary Care though, we felt it was important to use the tool we felt most other local authorities would be using – and the one we knew was being adopted across South West London where many of our providers also deliver care. We hoped this would reduce the burden on our local provider market.

Croydon followed the approach below to validating and analysing the returns from providers -

- Reviewed each iESE/CHIP tool received from providers for accuracy and completeness. Where the tool was not completed correctly, providers were contacted directly and supported to amend the tool – although not all providers responded to queries.
- Accepted one provider’s return via spreadsheet rather than via the tool as they had issues accessing the online tool.
- Of the 15 locations, not all providers completed each cost line available to them – these zero values were excluded from the median calculation. The count of items included by cost line is shown in Table 1 below.
- We undertook a process of identifying outliers on each individual cost line – this was carried out by comparing the returns from each provider and removing excessively low or high costs from each line.
- For Nursing Care the number of outlier removals were on the following lines - Occupied Beds with Nursing (1), Other Care Home Staffing (1), Repairs and Maintenance (1), Other Care Home Premises Costs (2), Food Supplies (1), Domestic & Cleaning (1), Other Care Home Supplies (1), Support Services (1) – all other cost items that were provided, were accepted as provided to inform the median costs.
- For Residential Care the number of outlier removals were on the following lines – Service Management (2), Reception & Admin (1), Other Care Home Staffing (2), Other Care Home Premises Costs (1), Food Supplies (1), Domestic & Cleaning (1), Other Supplies (2), Central Regional Management (1) & Other Head Office Costs (1).
- Croydon used the median of each cost line to establish the overall median rate (by calculating the sum of each individual median return). We believed this was the most equitable way of dealing with a range of operational costs – as opposed to using the median of the total fee rate or subsection for each provider.

- Adopted the benchmark figure of 6% for Return on Capital Employed (ROCE) recommended in the Laing & Buisson Report ‘Impact Assessment of the Implementation of Section 18(3) of the Care Act and Fair Cost of Care’ published in March 2022.
- This 6% figure was applied to the median of 5 Freehold valuations and 1 manually entered figure in the returns. We excluded 3 Freehold valuations from the ROCE calculation as they artificially depressed the £ROCE figure to a lower figure we felt the market would find unreasonable.
- Adopted the benchmark figure of 5% for Return on Operations (ROO) which is recommended in the same Laing & Buisson Report and simply applied this to the total of the median line items. Given that Laing & Buisson are a well-recognised organisation delivering annual reports on the costs of running care homes we felt this was the most credible approach to take.
- We used the 22/23 uplifted data in the iESE tool as the basis of our calculations.

Collection Year

In the iESE collection tool, providers are requested to increase their 21/22 costs by an inflationary percentage for 22/23. Councils are then required to state which year’s information they are using to calculate their median rate. Croydon Council has used the uplifted information for 22/23 that has been submitted by providers. However, it should be noted that this decision was made in lieu of any standardised inflation benchmarks/guidance from DHSC on how to uplift the 21/22 baseline figures and as noted previously in this report, timeframes were tight to complete this exercise. Providers have submitted a range of differing inflationary %age rates across the same line items, which makes this approach also inconsistent. Additionally, this data submission was made prior to announcements from the Government on support for businesses for domestic energy, inflation rates are moving frequently and using this year’s inflation to benchmark future years inflation rates is likely to not be reliable.

Current Market Conditions

During the 2021/22 and 2022/23 financial years, the council has utilised it’s resources to increase historical fees which were low, as well as providing year on year inflationary increases. For Over 65 Residential and Nursing Care, weekly rates have been increased to at least reflect the table below:

Residential	Residential with Dementia	Nursing	Nursing with Dementia
£850	£900	£900	£950

At present, Croydon is not experiencing planned or unplanned exits from the Care Home market although it is reasonable to recognise there is currently some upward pressure on the rates quoted in the table above – our current iBCF average rates are £860 for Residential and £920 for Nursing Care. The current Any Qualified Provider (AQP) rate for CHC nursing home placements is £975 per week. These rates are significantly below the outcome of this Cost of Care exercise. The local market is

also delivering care of a good quality. Based on published data², as at January 2023, of those who have been inspected by the Care Quality Commission (CQC) – 86% are rated Good or Outstanding. These market factors will also inform the weight that Croydon applies to the information collected through the Cost of Care exercise during the approach to setting fees for 2023/24. Additionally, the Council may decide, through that process and further engagement to seek further assurances around some cost items.

Next Steps & Future Approach to Inflation

As noted in the Introduction section, the focus of the additional grant funding available for Adult Social Care in 2023/24 has shifted away from the planned charging and market reforms. However, the distribution methodology for the grant funding allocated for 2022/23 has been agreed and communicated to the relevant providers, in accordance with the grant conditions stipulated at that time.

Croydon Council undertook further engagement with its provider market in late January to discuss the progress to date on the Cost of Care exercise, and the changes as outlined above to the now delayed adult social care reforms and future grant allocations. The approach to fee setting for 23/24 will also be discussed in upcoming provider forums.

Future year fee setting will be informed by -

- Changes in the London Living Wage/National Minimum Wage,
- Changes in CPI Inflation,
- The available resources within the council – i.e. the allocation of the Local Government Settlement and the Market Sustainability Grants that Croydon receives in 23/24 & 24/25 (when determined),
- Due regard will be given to this Cost of Care exercise,
- Local market conditions,
- The Statutory Duty of the Council to ensure it delivers a balanced budget.

² https://www.cqc.org.uk/sites/default/files/2023-01/03_January_2023_HSCA_Active_locations.ods

Tables

The following tables are provided as per the guidance notes.

Tables 1 & 2 – Observations and Quartile Range

Count of Observations and Quartile Range - Nursing Care

	Number of responses	Lower	Median	Upper	Range
Care home staffing		709.92	793.35	931.31	221.39
Nursing staff: Care Home occupied beds with nursing	8	180.42	197.96	260.03	79.61
Care staff: Care Home occupied beds with nursing	8	342.31	363.06	385.55	43.25
Therapy Staff (Occupational & Physio)	2	1.16	1.70	2.23	1.07
Activity Coordinators	8	9.48	13.26	15.64	6.16
Service Management (Registered Manager / Deputy)	8	42.16	50.16	69.60	27.44
Reception & Admin staff at the home	7	22.02	23.17	25.12	3.10
Chefs / Cooks	7	54.51	73.45	76.16	21.65
Domestic staff (cleaning, laundry & kitchen)	9	46.15	53.27	61.27	15.12
Maintenance & Gardening	8	10.82	14.57	29.12	18.30
Other care home staffing	4	0.90	2.76	6.59	5.69
Care home premises		29.51	53.15	73.79	44.29
Fixtures & Fittings	6	2.54	3.44	3.72	1.18
Repairs & Maintenance	8	15.47	34.03	46.79	31.32
Furniture, furnishings and equipment	9	4.72	6.39	11.48	6.76
Other care home premises costs	2	6.78	9.30	11.81	5.04
Care home supplies and services		85.23	104.09	159.99	74.76
Food supplies	8	32.37	34.95	47.83	15.46
Domestic and cleaning supplies	8	9.14	11.24	13.31	4.17
Medical supplies excluding PPE	7	3.52	4.74	7.58	4.06
PPE	5	1.34	2.03	2.13	0.79
Office supplies (Home specific)	6	3.10	3.85	6.40	3.30
Insurance (all risks)	9	4.26	7.67	12.61	8.35
Registration fees	9	3.60	4.04	4.83	1.23
Telephone & Internet	9	3.13	4.59	7.27	4.14
Council tax / rates	8	0.66	1.43	2.26	1.60
Electricity, gas & water	9	17.44	18.82	31.54	14.10
Trade and clinical waste	9	3.91	5.70	6.54	2.63
Transport & Activities	9	1.45	2.48	4.94	3.49
Other care home supplies	7	1.32	2.56	12.76	11.45
Head office		59.16	79.21	160.23	101.08
Central / regional management	7	38.68	50.97	99.73	61.05
Support services (finance / HR / legal / marketing)	7	16.44	19.38	32.11	15.68
Recruitment, Training & Vetting (inc. DBS checks)	9	2.13	6.76	12.53	10.40
Other head office costs	6	1.91	2.10	15.86	13.95
Total Before ROO/ROC		883.81	1,029.79	1,325.32	441.51
ROO @ 5%		44.19	51.49	66.27	22.08
ROCE @ 6% of Freehold		128.93	128.93	128.93	-
Total		1,056.93	1,210.21	1,520.51	463.58

Count of Observations and Quartile Range - Residential Care

	Number of responses	Lower	Median	Upper	Range
Care home staffing		473.61	562.01	728.21	254.60
Care staff: Care Home occupied beds without nursing	8	328.39	376.38	482.05	153.66
Activity Coordinators	5	5.35	7.71	10.07	4.72
Service Management (Registered Manager / Deputy)	5	30.02	41.92	53.19	23.17
Reception & Admin staff at the home	6	22.29	23.86	25.57	3.28
Chefs / Cooks	6	48.56	53.11	69.09	20.53
Domestic staff (cleaning, laundry & kitchen)	8	27.02	38.88	46.87	19.85
Maintenance & Gardening	7	9.02	15.90	32.85	23.83
Other care home staffing	3	2.96	4.26	8.54	5.58
Care home premises		46.00	63.08	93.59	47.60
Fixtures & Fittings	5	2.66	2.73	9.28	6.62
Repairs & Maintenance	8	24.62	34.16	48.14	23.51
Furniture, furnishings and equipment	8	2.85	8.64	13.62	10.78
Other care home premises costs	4	15.87	17.56	22.56	6.69
Care home supplies and services		81.63	140.38	186.40	104.77
Food supplies	7	30.57	47.53	48.19	17.62
Domestic and cleaning supplies	7	5.68	9.35	12.18	6.50
Medical supplies excluding PPE	7	1.78	4.47	6.49	4.72
PPE	5	0.91	1.93	3.36	2.45
Office supplies (Home specific)	8	3.24	3.85	4.97	1.72
Insurance (all risks)	7	6.02	7.40	15.00	8.98
Registration fees	8	3.90	4.03	4.81	0.91
Telephone & Internet	8	2.18	2.87	3.91	1.74
Council tax / rates	7	0.97	1.68	5.16	4.19
Electricity, gas & water	8	21.43	41.07	50.46	29.03
Trade and clinical waste	8	2.64	3.66	5.36	2.72
Transport & Activities	8	1.04	5.45	7.96	6.93
Other care home supplies	5	1.29	7.10	18.57	17.28
Head office		64.04	85.75	124.07	60.03
Central / regional management	5	26.64	28.21	49.15	22.51
Support services (finance / HR / legal / marketing)	6	16.97	27.15	34.86	17.89
Recruitment, Training & Vetting (inc. DBS checks)	6	3.28	9.95	12.59	9.31
Other head office costs	3	17.15	20.44	27.47	10.32
Total Before ROO/ROC		665.27	851.21	1,132.26	466.99
ROO @ 5%		33.26	42.56	56.61	23.35
ROCE @ 6% of Freehold		128.93	128.93	128.93	-
Total		827.47	1,022.70	1,317.80	490.34

Table 2 – Median Cost of Care Rates from Annex A submission. Please note as explained earlier, only one rate has been generated for Residential and one for Nursing

Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	65+ care home places without nursing, enhanced needs	65+ care home places without nursing, enhanced needs	65+ care home places with nursing, enhanced needs	65+ care home places with nursing, enhanced needs
Total Care Home Staffing	£562.01	£562.01	£793.35	£793.35
Nursing Staff	£0.00	£0.00	£197.96	£197.96
Care Staff	£376.38	£376.38	£363.06	£363.06
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£1.70	£1.70
Activity Coordinators	£7.71	£7.71	£13.26	£13.26
Service Management (Registered Manager/Deputy)	£41.92	£41.92	£50.16	£50.16
Reception & Admin staff at the home	£23.86	£23.86	£23.17	£23.17
Chefs / Cooks	£53.11	£53.11	£73.45	£73.45
Domestic staff (cleaning, laundry & kitchen)	£38.88	£38.88	£53.27	£53.27
Maintenance & Gardening	£15.90	£15.90	£14.57	£14.57
Other care home staffing (please specify)	£4.26	£4.26	£2.76	£2.76
Total Care Home Premises	£63.08	£63.08	£53.15	£53.15
Fixtures & fittings	£2.73	£2.73	£3.44	£3.44
Repairs and maintenance	£34.16	£34.16	£34.03	£34.03
Furniture, furnishings and equipment	£8.64	£8.64	£6.39	£6.39
Other care home premises costs (please specify)	£17.56	£17.56	£9.30	£9.30
Total Care Home Supplies and Services	£140.38	£140.38	£104.09	£104.09
Food supplies	£47.53	£47.53	£34.95	£34.95
Domestic and cleaning supplies	£9.35	£9.35	£11.24	£11.24
Medical supplies (excluding PPE)	£4.47	£4.47	£4.74	£4.74
PPE	£1.93	£1.93	£2.03	£2.03
Office supplies (home specific)	£3.85	£3.85	£3.85	£3.85
Insurance (all risks)	£7.40	£7.40	£7.67	£7.67
Registration fees	£4.03	£4.03	£4.04	£4.04
Telephone & internet	£2.87	£2.87	£4.59	£4.59
Council tax / rates	£1.68	£1.68	£1.43	£1.43
Electricity, Gas & Water	£41.07	£41.07	£18.82	£18.82
Trade and clinical waste	£3.66	£3.66	£5.70	£5.70
Transport & Activities	£5.45	£5.45	£2.48	£2.48
Other care home supplies and services costs (please specify)	£7.10	£7.10	£2.56	£2.56
Total Head Office	£85.75	£85.75	£79.21	£79.21
Central / Regional Management	£28.21	£28.21	£50.97	£50.97
Support Services (finance / HR / legal / marketing etc.)	£27.15	£27.15	£19.38	£19.38
Recruitment, Training & Vetting (incl. DBS checks)	£9.95	£9.95	£6.76	£6.76
Other head office costs (please specify)	£20.44	£20.44	£2.10	£2.10
Total Return on Operations	£42.56	£42.56	£51.49	£51.49
Total Return on Capital	£128.93	£128.93	£128.93	£128.93
TOTAL	£1,022.70	£1,022.70	£1,210.21	£1,210.21