

# London Borough of Croydon

## Annex B (18+ Domiciliary Care) Cost of Care Report

### Introduction

In December 2021, the Government published a white paper entitled ‘People at the Heart of Care<sup>1</sup>’. 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 17<sup>th</sup> 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that was announced was that the £600m for each of 2023/24 and 2024/25 that was intended to support the market was being withdrawn and replaced by a new grant amount of which £162m was allocated for ‘Fair Cost of Care’ – this is the same amount that was provided in 2022/23.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 18+ Domiciliary 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 Domiciliary Care 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.

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

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

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 Cost of Care tool for Domiciliary Care developed by the Care & Health Improvement Programme (CHIP) to use as part of the Cost of Care exercise – this tool was used as the basis for our data collection from providers, alongside other local authorities in SW London.
- 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:

- Put communications on the Council corporate website relating to Cost of Care - <https://tinyurl.com/3ms5jh67>.
- 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, it’s guidance documents and all relevant support sessions that were run by CHIP and it’s developers ARCC - 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 four 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 condition 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 136 Domiciliary Care agencies registered within Croydon. Additionally, the borough purchases care from a number of agencies who are registered outside of Croydon. A number of these 136 Domiciliary Care agencies deliver 'Supported Living' via a Domiciliary Care registration (ascertaining the exact number is difficult) and therefore fall outside of the scope of this exercise. Additionally, 44 agencies have not yet been inspected by CQC – which suggests they are new or dormant registrations.

Of the 54 different Domiciliary Care agencies that Croydon commissions care from – 25 provided a full or partial response to the Cost of Care exercise – *this is an overall response rate of 46%*.

After a process of reviewing provider returns and raising queries and offering support, Croydon had full or partial information from 18 providers that we were able to include in the data analysis. *This is a response rate of 33% but it covers 69% of the Domiciliary Care expenditure within Croydon.*

Croydon Council therefore has a **high confidence** that it has a representative sample of the types of providers from whom it commissions care from, but this does not mean the exercise has generated a rate that the Council is required to pay due to other market factors. These providers deliver care to a mixture of local authority

funded people as well as self funders. Croydon Council has a **lower confidence** that it has a representative sample of providers who solely deliver care to self-funders. Some of these providers directly declined to participate in the exercise because they did not think it applied to them whilst others did not respond to communications sent to them.

A significant amount of officer time and resources was spent to achieve the response rate outlined above – but it should be noted it was still challenging to get to this position (both for the council and for providers)

### **Approach to validating and analysing the returns**

It is reasonable to say that many of the Domiciliary Care providers struggled to complete the tool. The spreadsheet is quite complicated and can be difficult to use even if familiar with using Excel. It can freeze up a laptop that is not sufficiently powerful. 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 – e.g. those providers who are on the Council's Dynamic Purchasing System previously submitted an hourly rate in less detail than this exercise required. 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, did not respond at all. That being said, we felt it was important to use the tool most other local authorities in England would be using, particularly one that was developed by the Association of Directors of Adult Social Services (ADASS)/CHIP in conjunction with Provider Organisations. We also collectively agreed within South West London that we would adopt this tool. Because many of our providers deliver care across our collective boundaries, we hoped that overall this would reduce the burden on our local provider market and provide a level of consistency of approach across South West London.

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

- Reviewed each 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. Not all providers were able to provide information in a format that we were able to include in the data collection exercise – e.g. a provider could not get their financial information in to a format that any way aligned with the structure required to derive a median figure – so this provider return was excluded from the exercise. Another large provider had significant support to complete their data collection but ultimately did not finish the exercise with Croydon so we had to exclude their data.
- Some providers provided only partial data that could be used, where possible, this data was included – as outlined above – we had 18 providers who had data we were able to use, covering 33% of providers Croydon commissions from (and 69% of spend).
- We had some challenges with NI numbers – e.g. we asked providers to give us information as at April 2022 – but the examples for NI given in the CHIP model were for 21/22 and not 22/23 – so we had to spend time fixing this.

- Of those 18 providers, not all providers completed each cost line available to them – these zero values were excluded from the median calculation. For example, we only had 4 responses for ‘additional non contact pay’ and 6 responses for ‘notice/suspension pay’. Table 2 provides more information on this.
- 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 unusually low or high costs from each line. In some cases, queries were raised with providers – where a response was received these items were corrected in the calculation. For example, quite a few providers entered PPE incorrectly which led to some significantly differing figures – we corrected some of these with providers but others we could not correct or did not find reasonable, so we excluded them.
- The outlier removals were on the following lines Travel Time (6), Mileage (2), PPE (4), Back Office Staff (4) – all other cost items that were provided, were accepted as provided to inform the median costs.
- There is quite a wide variation in the returns for Travel Time and Back Office Staff still – outlined in table 2.
- 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 hourly rate for each provider.
- As required by the Guidance, Croydon adopted an approach to calculating a value for Return on Operations (ROO). The approach adopted was the benchmarked ROO of 3% of Care Workers/Business costs. This figure is recommended by the United Kingdom Home Care Association and is regularly referenced in it’s UKHCA Minimum Price For Homecare Report and should therefore be acceptable to the provider market as a whole.

## **Collection Year**

We requested data as at April 2022 from providers – although as noted previously, we had to adjust some ‘on costs’ to reflect current rates. It was hard to ascertain on what basis all providers inflated their costs for inflation they were expecting – but as this exercise is heavily weighted towards staffing costs, this was less of an issue than for bed based care.

## **Current Market Conditions**

Croydon commissions it’s Domiciliary Care through a Dynamic Purchasing System let in 2020. This was tendered on a competitive basis and providers submitted an hourly rate as part of that tender process and confirmed they were paying the London Living Wage. Rates have been adjusted for inflation in each year of the contract – the average rate paid for Domiciliary Care is currently £18.17 per hour.

At present, Croydon is not experiencing planned or unplanned exits from the Domiciliary Care market and there is potentially some oversupply of capacity in the large and competitive local market. Additionally, the Domiciliary Care market is

delivering care of a good quality. Based on published data<sup>2</sup>, as at January 2023, of those who have been inspected by the Care Quality Commission (CQC), 88% are rated Good or Outstanding. These local market factors will also inform the approach that Croydon takes to setting fees for 2023/24, alongside the information submitted through the Cost of Care exercise. Additionally, the Council may decide, to seek further assurances around some cost items – e.g. actual rates of carer pay, travel time paid, actual mileage rates paid.

### **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 has undertaken 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 be discussed at future 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.

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<sup>2</sup> [https://www.cqc.org.uk/sites/default/files/2023-01/03\\_January\\_2023\\_HSCA\\_Active\\_locations.ods](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.

**Table 1 Number of Appointments per week by quartile**

Provider	1 Q	2 Q	3 Q
F 15 mins	2	7	10.5
F 30 mins	394	540	1350
F 45 mins	208	339	672
F 60 mins	85	211	277

**Table 2 – Count of observations and lower/median and upper quartile**

	Number of responses	Lower	Median	Upper	Range
<b>Total Careworker Costs</b>	<b>18</b>				
Direct care	18	10.76	10.99	11.08	0.32
Travel time	10	1.42	2.00	2.65	1.23
Mileage	14	0.24	0.49	0.73	0.49
PPE	13	0.26	0.38	0.56	0.30
Training (staff time)	11	0.11	0.25	0.33	0.21
Holiday	18	1.46	1.62	1.78	0.32
Additional noncontact pay costs	4	0.05	0.17	0.31	0.26
Sickness/maternity and paternity pay	16	0.27	0.40	0.58	0.31
Notice/suspension pay	6	0.05	0.09	0.13	0.08
NI (direct care hours)	16	0.99	1.19	1.46	0.47
Pension (direct care hours)	17	0.39	0.43	0.50	0.11
<b>Total Business Costs</b>	<b>18</b>				
Back office staff	12	1.45	2.03	2.76	1.31
Travel costs (parking/vehicle lease et cetera)	13	0.03	0.04	0.17	0.14
Rent/rates/utilities	17	0.26	0.35	0.50	0.24
Recruitment/DBS	17	0.03	0.04	0.13	0.10
Training (third party)	15	0.04	0.09	0.15	0.11
IT (hardware, software CRM, ECM)	17	0.07	0.08	0.26	0.19
Telephony	17	0.03	0.07	0.16	0.13
Stationery/postage	16	0.01	0.04	0.09	0.08
Insurance	17	0.06	0.12	0.16	0.10
Legal/finance/professional fees	17	0.09	0.14	0.22	0.13
Marketing	15	0.03	0.05	0.06	0.03
Audit and compliance	15	0.04	0.06	0.13	0.09
Uniforms and other consumables	16	0.03	0.04	0.06	0.03
Assistive technology	8	0.01	0.02	0.14	0.13
Central/head office recharges	7	0.03	0.08	0.26	0.23
Other overheads	5	0.08	0.1	0.29	0.21
CQC fees	17	0.07	0.09	0.1	0.03

**Table 3 Cost Per Visit by time band**

Visit Length	Cost Per Visit
15	£28.09
30	£24.09
45	£21.33
60	£22.09

**Table 4 – Median CofC Values from Annex A**

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	18+ domiciliary care
<b>Total Careworker Costs</b>	<b>£18.01</b>
Direct care	£10.99
Travel time	£2.00
Mileage	£0.49
PPE	£0.38
Training (staff time)	£0.25
Holiday	£1.62
Additional noncontact pay costs	£0.17
Sickness/maternity and paternity pay	£0.40
Notice/suspension pay	£0.09
NI (direct care hours)	£1.19
Pension (direct care hours)	£0.43
<b>Total Business Costs</b>	<b>£3.44</b>
Back office staff	£2.03
Travel costs (parking/vehicle lease et cetera)	£0.04
Rent/rates/utilities	£0.35
Recruitment/DBS	£0.04
Training (third party)	£0.09
IT (hardware, software CRM, ECM)	£0.08
Telephony	£0.07
Stationery/postage	£0.04
Insurance	£0.12
Legal/finance/professional fees	£0.14
Marketing	£0.05
Audit and compliance	£0.06
Uniforms and other consumables	£0.04
Assistive technology	£0.02
Central/head office recharges	£0.08
Other overheads	£0.10
CQC fees	£0.09
<b>Total Return on Operations</b>	<b>£0.64</b>
<b>TOTAL</b>	<b>£22.09</b>