

Scotland Excel

To: Executive Sub Committee

On: 6 December 2019

**Report By:
Director Scotland Excel**

National Care Home Contract Cost Model

1. Summary

This paper updates the Committee on work undertaken by Scotland Excel, supported by COSLA, with Scottish Care (representing the care home sector) to complete the National Care Home Contract (NCHC) Cost Model.

2. Recommendation

Members of the Scotland Excel Sub Committee are invited to note the current position of the ongoing work in relation to the National Care Home Contract.

3. Background

The Cost Model was developed to provide a transparent and evidence-based approach to underpin the national rate and provide longer term sustainability for care homes for older people in Scotland. This has been jointly developed between Scotland Excel, COSLA and Scottish Care. As previously outlined, Scotland Excel is now undertaking operational management of the NCHC, and has been leading work with Scottish Care to complete the model.

Agreement has been reached on the majority of the elements contained in the Cost Model that relate to direct care. However, for the past three years, there has been no agreement on the 'business cost' elements of the model. These relate to capital costs, commercial return and the requirement for any efficiency within the model. These elements are difficult to benchmark and are the most variable within the market as there are different business models of care homes for older people. These are also the elements that relate to 'return' or incentive for the provider.

Last year's offer to the care home sector ('the sector') was based on the Cost Model. However, it was agreed that further joint work was required on the business costs and commercial return section in an attempt to finalise the model. This did not impact on the rate offered and it was made clear to the sector that it may be necessary to look at an alternative approach to reach agreement from April 2020 onwards, given the number of benchmarks rejected by them on the basis that they fall short of their members' expectations.

3 Current Position

Scotland Excel has led on further work with the sector since April 2019, however, despite several meetings, further work and alternative suggestions, there is still considerable distance between the methodology in the current cost model based on jointly commissioned work from CIPFA (C.Co) in 2018 and the value of return acceptable to the sector in the 'business cost' elements of the model. Both parties recognise that we are unlikely to agree the methodology for benchmarking in this area and complete the whole model as originally expected.

Scotland Excel and COSLA have undertaken engagement across Local Government, including the Health and Social Care Boards, Chief Executives, Directors of Finance, Chief Officers and Chief Finance Officers, to update all on the work undertaken to complete the model. There was uniform support for the national arrangement and recognition of the benefits it has provided since its introduction. However, there was also recognition that, given the outstanding elements relate only to 'business costs and commercial return', there needs to be a limit on how much return can be sustained from public funds.

There has been agreement on direct care costs (salaries, property and other supplies/services) which has formed the basis of agreement on the national rate for the last three years. The Cost Model provides a level of assurance for the longer-term sustainability of the sector by benchmarking against wage inflation and other inflation related costs. However, the sector also wants a significant shift in the value of the business costs and commercial return.

It is likely that agreement on the whole model is unlikely to be reached for the 2020/21 national rate. It is therefore proposed that the Cost Model should be used to enter into a negotiation with the sector on the annual uplift based on the direct care costs. Scotland Excel supported by COSLA will lead the negotiation for Local Government.

Scottish Care called an Extraordinary General Meeting (EGM) for their members on 30th October 2019 followed by a member vote on either (1) to withdraw from the National Care Home Contract and Cost Model and enter into local negotiations with partnerships supported by Scottish Care, or (2) accept the work undertaken on the Care Cost Model as the basis for further negotiation on capital and provider return, efficiency and occupancy

The voting concluded on 8th November 2019 and Scottish Care advised that their members voted to accept the agreed Care Cost Model elements related to Direct Care Costs (Staffing, Property and Other Supplies and Services) and for further negotiation on the outstanding elements of capital and provider return, occupancy and efficiency. This means that members effectively voted for continuance of a national approach on agreeing the National Care Home Contract and Cost Model.

4 Next Steps

Scotland Excel has advised stakeholders of the current position and will lead negotiations with the sector supported by COSLA following further consultation with stakeholders.