

Scotland Excel

To: Executive Sub Committee

On: 13 May 2016

**Report
by
Director Scotland Excel**

Care Home Services for Older People

1 Purpose

To update the Scotland Excel Executive Sub Committee on the project considering the future procurement of care home services for older people.

2 Recommendations

Members of the Scotland Excel Executive Sub Committee are invited to:

- i. note the progress made in developing and implementing Scotland Excel's new contract management service role;
- ii. note the procurement strategy development work undertaken;
- iii. note the outcome from the National Care Home Contract (NCHC) fee negotiations for 2016/ 2017;
- iv. note the establishment of the Reform of the NCHC Project group; and
- v. comment on the proposed next steps.

3 Introduction and Background

On 28 August 2015, the Scotland Excel Executive Sub Committee approved a procurement and contract management role for Scotland Excel in respect of the provision of care home services for older people. The Executive Sub Committee specifically approved Scotland Excel:

- moving ahead to work with those councils supportive of the contract management service; and
- developing an overarching procurement strategy.

Since the August 2015 meeting:

- 24 councils have provided funding to take forward the contract management service and develop the procurement strategy;
- three forums have been held with nominated lead contacts from the 24 councils to refine the contract management service to better align with local requirements and to start shaping the procurement strategy; and
- Scotland Excel has maintained regular dialogue with COSLA, Scottish Local Government Partnership, providers and other key stakeholders.

In parallel to this work, COSLA has completed fee negotiations with providers for 2016/ 2017. COSLA and providers have also formed in partnership with Scottish Government and other key partners a reform of the NCHC/ residential care commissioning project, supported by project group of expert officers.

4 Market Intelligence

Good progress has been made in the first element of the procurement and contract management service – provision of supplementary market intelligence.

Scotland Excel has worked with the nominated council leads to agree a council reporting format, which includes a standard performance dashboard. Scotland Excel commenced production of the reports in February 2016, with all councils scheduled to receive their first tailored report by end June 2016. The reports set out national intelligence and draw comparatives against local commissioning statistics. The intelligence cuts across a range of key areas including occupancy, market concentration, quality and spend. It is expected that the council reports will support the ongoing development of local strategic commissioning plans and complement local contract monitoring information.

Scotland Excel has also been in dialogue with the Residential Care Task Force Implementation Group, National Contingency Planning Group, Care Inspectorate, Scottish Care and the Coalition of Care and Support Providers in Scotland (CCPS) to progress the development of reporting that could act as an early warning indicator of any major providers under potential financial distress. After extensive consultation, Scotland Excel and Scottish Care have scheduled a provider forum for 12 May 2016 to discuss potential reporting content and validation processes. It is expected that around 20 providers could be subject to a future voluntary reporting system. These providers represent approximately 60% of the 24 participating councils' overall spend.

5 Procurement Strategy

During March 2016, council leads were surveyed on a range of commercial and quality considerations that could be considered in any future contracting model. In terms of commercial considerations, the strongest support was for rates to:

- be set on a national basis;
- include performance incentives;
- be varied via national negotiations; and
- be fixed for a set period (greater than 1 year).

In terms of quality matters, the strongest support was for consideration to be given to:

- a minimum quality threshold;
- community benefits;
- workforce matters;
- Scotland Excel collating quantitative management information from providers; and
- councils collating qualitative management information e.g. personal outcomes.

In addition to the survey, a workshop was held with council leads to consider a number of potential procurement options for the future delivery of care home services for older people. The options that were explored in some detail were:

- negotiated shared contract (status quo);
- preferred provider list;
- national framework; and
- local/ regional arrangements.

Council leads considered how strongly each option would deliver against a series of statements identified as important in previous discussions. In addition, council leads were asked to rate how important each statement was to them. At the conclusion, the collated scores confirmed that there was no clear preference for any procurement approach. The workshop outcome suggests that any of the options considered could potentially be structured to meet objectives.

Moving forward, the length of time and level of resource required for each procurement option also needs to be carefully considered. Building on the work undertaken with council leads, there now needs to be consultation with providers, Social Work Scotland and Integrated Joint Boards (representing council, NHS, provider and service user views) to progress the development of the procurement strategy. This work will be progressed with the Reform of the NCHC Project group remit (refer Section 7).

6 NCHC Fee Negotiations

COSLA conducts the annual NCHC fee negotiations for its member councils with Scottish Care and CCPS representatives. Scotland Excel formed part of the 2016/2017 negotiating team.

The latest annual negotiation has resulted in a fee uplift of 2.5% from April 2016, with a further fee uplift of 3.9% to apply from October 2016. The settlement requires all providers delivering publically funded care to pay all care staff, regardless of age, experience or time in employment, a minimum of £8.25 per hour from 1 October 2016.

Despite the agreement, some providers have raised disquiet with the agreement. In particular, some providers have expressed concern over:

- the level of provider contribution to meet the £8.25 per hour requirement;
- maintaining pay differentials between staff; and
- nursing pay and conditions.

7 Reform of the NCHC Project

In response to residual concerns, an integral outcome from the fee negotiations was an agreement to establish a group to consider NCHC reform. The remit of this group is to consider whether the current NCHC is fit for purpose in light of policy, demographic and financial drivers as outlined in the Future of Residential Care for Older People in Scotland report, published in March 2014. This group reports to the Delivering Change in Adult Social Care Partnership Group, which ultimately reports to the Ministerial Steering Group on Health and Community Care.

There has been some evidence of confusion across councils between the remit of the reform work and the work being taken forward by Scotland Excel. It is hoped that Scotland Excel's membership of the Project group will ensure the best use of finite resources. Scotland Excel will work in close partnership with all Project group members to help shape the strategic direction for residential care. Scotland Excel will continue to promote to the group, its role as the local government shared resource with the skills to work with all partner organisations to take forward procurement recommendations, including exploring the cost of care.

There is an expectation that the group will report by October 2016 to ensure that any recommendations with financial implications will be considered as part of the spending review process. Scotland Excel will endeavour to align its activities with both the Project group's timelines and those of the Scottish Local Government Partnership.

7 Next Steps

In order to ensure that the procurement strategy is successfully delivered, and to ensure that this Scotland Excel led activity is both recognised and makes a significant contribution to the work of the NCHC Project group, continued significant stakeholder involvement is required. Without building on existing support there is a significant risk that the market will not engage with any recommended procurement option and/or the recommended option will not be politically acceptable. Accordingly, the following programme of activity to develop the procurement strategy will be discussed and agreed with stakeholders:

Activity	Detail	Purpose	Timeframe
Council requirements	Consideration of procurement options	Establish a clear view of requirements	March/ April
Provider engagement	Discuss likely procurement options	Build support	May/ June
Service user engagement	Discuss requirements of end users of services	Signpost work in progress and build in service user views	May
Research	Market intelligence around costs, market segmentation, demand projections	Build rationale for final recommendations	June
Drafting	Deliver first draft procurement strategy based on stakeholder consultation and incorporating market intelligence		July
Review	Sense check recommendations with all stakeholders	Build support for outcome	July
Strategy publication and implementation	Agree implementation timeframes and stakeholder involvement	Build ownership of strategy and support implementation	September

Scotland Excel will continue to provide regular updates to Scotland Excel Executive Sub Committee members as this work progresses.

8 Recommendation

The Scotland Excel Executive Sub Committee is requested to note progress to date and comment on the planned next steps.