

To: Joint Committee

On: 29 June 2018

**Report
by
Director Scotland Excel**

Care Home Services for Older People

1 Introduction

This report provides an update on care home services for older people, including the planned transition of operational management responsibility for the National Care Home Contract (NCHC) from the Convention of Scottish Local Authorities (COSLA) to Scotland Excel.

2 Background

In Scotland, contracted out care home provision is delivered by circa 300 providers across more than 800 care homes for older people. Councils across Scotland spent £492m on these services, with 59% of this expenditure (£291m) distributed across 20 providers.

The number of residents in a care home for older people has remained relatively constant over the past 10 years, with 33,301 people¹ living in care homes at 31 March 2016.

The NCHC is a model set of terms that details the service specification and payment mechanisms for councils when purchasing care home care. Councils contract individually with care homes using the NCHC model set of terms and monitor services delivered to the individual as part of their statutory responsibilities.

COSLA, supported by Scotland Excel, negotiates annually a national rate for nursing and residential care with provider representatives. This ensures that the same rate is charged for people across Scotland for whom the councils are making arrangements, prior to assessment of their wealth and contribution to their care. This unique arrangement in the United Kingdom was positively

¹ <http://www.isdscotland.org/Health-Topics/Health-and-Social-Community-Care/Publications/2016-10-25/2016-10-25-CHCensus-Report.pdf>

commented on by the Competition and Markets Authority in their Care Homes Market Study² published in November 2017.

Given the significant expenditure incurred in this critical sector and the market share held by a small number of providers operating across Scotland, 28 councils³ are currently funding Scotland Excel until March 2020 to progress three work streams:

- Cost of Care Calculator;
- market intelligence, particularly around financial health; and
- sourcing strategy.

3 Work stream update

There has been good progress across all workstreams. Most notably:

- A **Cost of Care Calculator** has now been agreed with the sector, except for the percentage of capital and operator's return that should apply. Chartered Institute of Public Finance & Accountancy (CIPFA) has been commissioned to advise on the most suitable methodology for future benchmarking of these elements. If this work results in a mutually agreed outcome, then all Cost of Care Calculator benchmarks and indices will remain in place until a mutually agreed review date;
- On **market intelligence** - a regularly refreshed, interactive, web-based set of reports, has been uploaded to the Scotland Excel website. This information assists councils with assessing choice of homes, identifying where quality incentive payments are in place and managing risk, including financial health reports.
- A **future sourcing strategy** has been developed. This builds on current best practice and furthers compliance with the EU principles of transparency, equal treatment, non-discrimination, proportionality and mutual recognition. Titled the Scottish Care Home Framework, the strategy maintains a national approach and complements local strategic commissioning plans.

4 Transition of responsibilities to Scotland Excel

Scotland Excel and COSLA have a long track record of working together, ensuring that the National Care Home Contract continues to reflect the needs of commissioners. Scotland Excel provides ongoing market and financial analysis to COSLA, as well contract guidance to councils.

With the development of the Scotland Excel cost of care calculator, the need for an annual political negotiation is removed, with the calculator providing the

² <https://assets.publishing.service.gov.uk/media/5a1fdf30e5274a750b82533a/care-homes-market-study-final-report.pdf>

³ Councils not participating are Highland, North Lanarkshire, Orkney Islands and Shetland Islands

mechanism for future rate setting. On this basis, Scotland Excel and COSLA have agreed that the future operational management of the NCHC should be transitioned to Scotland Excel.

COSLA will finalise existing commitments to working groups relating to local variations for occupancy and models of care. COSLA will also conclude, to the satisfaction of councils and the sector, a review of capital and operator's return by CIPFA, which forms the last area of agreement on cost benchmarks which underpin the setting of care home fees.

5 Recommendation

It is important that there is a smooth transition of responsibilities to ensure continuance of vital care home services for older people in Scotland and the proposal outlined above maintains current joint working reflecting the core business of Scotland Excel and COSLA.

The transition of responsibilities will take effect in advance of the award of contract for the 2019/20 financial year.

Members are asked to note this update on activities associated with care home services for older people, in particular the transition of operational management of the NCHC to Scotland Excel.