



## **Scotland Excel**

**To: Executive Sub Committee**

**On: 27 April 2018**

### **Report by Director Scotland Excel**

#### **Procurement of Care Home Services for Older People**

##### **1 Introduction**

This report provides an update on Scotland Excel's work on care home services for older people, including the National Care Home Contract.

##### **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 (Spikes Cavell 16/17 data) on these services, with 59% of this expenditure (£291m) distributed across 20 providers.

The National Care Home Contract 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 National Care Home Contract model set of terms.

COSLA, supported by Scotland Excel, currently negotiates annually with provider representatives a national rate for both Nursing and Residential Care. This ensures that people across Scotland, for whom councils make arrangements, pay the same rate prior to assessment of their wealth and contribution to their care.

Councils contract monitor care homes in line with their statutory obligations to meet outcomes for people using these services, however there is no consistent monitoring of elements such as community benefits or payment of the Scottish Living Wage.

Scotland Excel successfully made the case to councils and HSCPs for more national oversight. Currently 28 councils<sup>1</sup> are funding Scotland Excel until March 2020 to:

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<sup>1</sup> Councils not participating are Highland, North Lanarkshire, Orkney Islands and Shetland Islands

- develop a Cost of Care Calculator;
- provide market intelligence particularly around financial health; and
- develop a sourcing strategy for the future.

### 3 Project 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. To complete the calculator, it is expected that CIPFA will shortly be commissioned to advise on the most suitable methodology for future benchmarking of these elements. If this work results in a mutually agreed outcome, then it is proposed that all Cost of Care Calculator benchmarks and indices will remain in place until a mutually agreed review date. At agreed intervals, a full review of benchmarks and indices will be undertaken;
- 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. The information covers:
  - Care homes with temporary cessation of placements;
  - Care homes with quality incentive payments in place;
  - Level of current expenditure and market concentration;
  - Financial health reports as prepared by Company Watch<sup>2</sup>
- A **future sourcing strategy**, which builds on current best practice and furthers compliance with the EU principles of transparency, equal treatment, non-discrimination, proportionality and mutual recognition is being developed. The strategy will complement HSCP local strategic commissioning plans.

### 4 Sourcing Strategy Implementation

From market research and engagement with stakeholders, Scotland Excel produced a draft procurement strategy in 2017. The strategy provided a comprehensive look at the present contract, commissioning and procurement arrangements in Scotland. Scotland Excel invited responses to the strategy via a

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<sup>2</sup> Company Watch reports cover, in terms of expenditure, the top 20 care home providers in Scotland and the top three providers in each partnership. Reports on other providers are available on request.

Prior Information Notice (PIN) and direct correspondence with HSCPs, provider and older people representative groups.

Following an analysis of responses, Scotland Excel produced an engagement report, recommending that we build on the best practice already used in Scotland to deliver a process that maintains the national contract and rates.

The next stage is to implement a bespoke sourcing solution for care home services for older people. Entitled the 'Scottish Care Home Framework', the sourcing proposal is to maintain a national approach, as desired by most partnerships and the sector. The sourcing solution will be developed utilising the Light Touch Regime, affording the necessary flexibility in the methodology adopted to ensure the continued provision of these vital services.

Partnership working with providers is essential in introducing any sourcing changes. In addition to working closely with Scottish Care and the Coalition of Care and Support Providers in Scotland, regional meetings will be arranged with stakeholders to co-produce the process.

The sourcing strategy should yield benefits to councils in terms of reducing the burden of advertising contract award and monitoring of nationally negotiated elements, leaving staff free to monitor outcomes at service level.

Providers will benefit from the opportunity to share information and highlight achievements to a national organisation rather than to 32 councils. For example, providers for the first time could highlight any community benefits delivered.

People using services will benefit from maintenance of a system which ensures the same rate is paid, regardless of geography. Further people will know that fee elements, which have a direct impact on the service delivery they experience, are being monitored.

## **5 Next Steps**

Subject to agreeing a benchmark for the cost of capital, the cost of care calculator developed by Scotland Excel is now the accepted mechanism to establish future national rates for nursing and residential care.

Given this, alongside implementation of a new sourcing strategy in 2018/ 2019, COSLA and Scotland Excel are currently updating the operational management arrangements of the contract. The revised arrangements will be confirmed shortly.

## **6 Recommendation**

Members are asked to note this update on activities associated with care home services for older people.