

## **Scotland Excel Executive Sub Committee**

**To: Executive Sub Committee**

**On: 28 August 2015**

**Report by Director, Scotland Excel**

### **National Care Home Contract**

#### **1. Introduction and background**

The National Care Home Contract arrangements have been in place since 2006. The arrangements are coordinated through COSLA, with COSLA taking the lead role in the annual negotiations with provider representative bodies on both fees and any contract variations. With the exception of Shetland Islands, all Scottish councils currently access the contract to purchase care home placements. The current rates are in place until March 2016.

This report provides an update on the proposal that Scotland Excel provides councils with procurement and contract management services for the National Care Home Contract, these services would supplement existing council contract monitoring.

Funding of circa £250k per annum is needed to provide the procurement, data analysis, financial accounting and legal skills required to deliver the planned activities to all 32 councils. These resources reflect the significant scale of the older peoples' care home sector in Scotland, which comprises close to 900 care homes and 350 providers.

#### **2 Procurement and contract management services**

On 23 July 2015, Scotland Excel and COSLA issued a joint letter to 28 council Chief Executives (and Chief Officers) seeking support for the proposal that Scotland Excel provide a range of predetermined procurement and contract management services to complement local contract monitoring activities. The letter set out the range of planned contract management activities, the benefits that are expected to be delivered and the associated cost for each council.

A separate meeting was held with the Scottish Local Government Partnership (SLGP) members to establish their views on the proposal.

As at 14 August 2015, Scotland Excel has received responses from 30 councils. In summary, the current position in terms of council support for the proposal is as follows:

|                       |             |
|-----------------------|-------------|
| <b>Support</b>        | <b>22 *</b> |
| <b>Do not support</b> | <b>8</b>    |
| <b>No response</b>    | <b>2</b>    |

\*Subject to some caveats that need to be further discussed

During a period of sustained financial constraint, Scotland Excel will not be requesting any further contribution from supporting councils to meet the shortfall from those councils not supportive of the proposal.

The funding shortfall has however necessitated a review of the full range of activities originally proposed and the creation of an amended proposal that still includes all the activities that received almost universal council support:

| <b>Initial activities<br/>(participation by all 32 councils)</b>                                                     | <b>Adjustment to activities<br/>(assuming participation of 22 councils)</b>                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision of market analysis, benchmarking, spend analysis, opportunity assessments and national provider monitoring | No change to council level reporting<br><br>Provider monitoring to now be distributed annually (not six monthly), covering the 15 largest providers (operating across the participating councils only) |
| Develop an early warning system of potential provider failures                                                       | No adjustment required                                                                                                                                                                                 |
| Create and share national business and market intelligence                                                           | No adjustment required                                                                                                                                                                                 |
| Apply price indexation methodology to assess perceived cost pressures within the care home sector                    | No adjustment required                                                                                                                                                                                 |
| Monitor workforce conditions                                                                                         | To be limited to the 15 largest providers (operating across the participating councils only)                                                                                                           |
| Undertake a provider development programme                                                                           | To be limited to 15 largest providers (operating across the participating councils only)                                                                                                               |
| Report on industry performance                                                                                       | National report to now be produced annually (not six monthly)                                                                                                                                          |
| Develop a procurement strategy                                                                                       | No adjustment required                                                                                                                                                                                 |

Scotland Excel will reconfirm the contract management proposal to councils once the final position of all councils is known. The risk of some councils withdrawing their initial support is rated low as there have been no adjustments made to those activities that received the greater level of support from council respondents.

### **3 Future contracting for care home services for older people**

While COSLA has confirmed it will continue to lead the annual fee negotiation process with provider representative bodies and have the outcomes approved by COSLA Leaders, COSLA has also acknowledged that future consideration will need to be given to prospective engagement with Integrated Joint Boards, as well as the future shape of the National Care Home Contract.

In addition, Scotland Excel recognises that SLGP councils represent a significant proportion of the overall care home placements currently made under the National Care Home Contract. As these councils are no longer members of COSLA, Scotland Excel has been in parallel discussions with the four SLGP member councils regarding their position on the future contracting of care home services for older people.

It is clear from recent, as well as past, dialogue that there are a range of divergent views amongst councils on how they may want to contract for care home services in the future. Moving forward, part of Scotland Excel's planned procurement and contract management service offering will include an analysis of the available procurement options for the future contracting of care homes for older people. Due to the size of the care home market and the scale of the required stakeholder engagement, this analysis will take some time to complete.

Scotland Excel will update the Executive Sub Committee on the procurement options once the analysis has been concluded.

### **4 Recommendations**

The Executive Sub Committee is asked to:

- note the level of support from councils in respect to the proposal for Scotland Excel to provide supplementary contract management services;
- approve Scotland Excel moving ahead to work with those councils supportive of the contract management proposal (as revised in section 2);
- approve Scotland Excel developing a procurement strategy; and
- note that Scotland Excel is in continued dialogue with both COSLA and SLGP regarding the future contracting for care home services for older people.