

13 November 2017

Agenda Item: 8

**REPORT OF THE SERVICE DIRECTOR, NORTH NOTTINGHAMSHIRE &
DIRECT SERVICES, ADULT SOCIAL CARE AND HEALTH**

UPDATE ON TENDER FOR HOME BASED CARE AND SUPPORT SERVICES

Purpose of the Report

1. This report provides an update for Members on the progress of the procurement of the home based care and support services, as agreed by this Committee on 12 June 2017.
2. This report advises Members of the outcome of the tender for the Rapid Response and Hospital Discharge Service and award of contract.
3. The report seeks approval of the proposed financial and payment models and advises Members of any possible issues and financial implications as a result of the re-modelling of the services. This includes any increase in the hourly cost of homecare which may have implications for the Council's Medium Term Financial Strategy.
4. This report seeks approval for the establishment of a temporary 1 fte Project Manager post (Hay Band C/D) to support the implementation of the new services and the ongoing contract management.

Information and Advice

Background

5. A number of reports have already been presented to this Committee over the past year in preparation for the launch of the new tender for home based care and support services. Over this time, considerable work has been undertaken to understand the complexities and challenges of the home care market and to prepare a model which supports the principles of the Adult Social Care Strategy. This model offers fair financial remuneration and greater security to providers and in return offers better quality, more reliable home care services to service users and their carers.

The New Model for Home Based Care Services

6. The model that has been designed brings together services that will help to deliver principles laid out in the Care Act 2014, particularly in relation to the following:
 - To prevent, delay or reduce the development of people's social care needs, so far as possible

- To work in an integrated, person-centred way, with all other support agencies including those in the third sector.
7. The model has two main elements: short term reablement services and longer term services for which people require an eligibility assessment. The short term reablement services will focus on avoidance or delay of the need for longer term home care services through targeted interventions to maximise independence, supporting people through short term crisis and providing more accurate assessments of need to inform any care planning for longer term services, if required. This element of the model will be delivered by the Council's Short Term Assessment and Reablement Team (START) and a new service which has recently been procured, the Rapid Response and Hospital Discharge Service (RR&HDS). Consideration has also been given to the proposed three tier model currently being developed by the Adult Social Care & Health (ASCH) Transformation Team to ensure that proposals complement and support each other. See **Appendix 1** 'Person Centred Model of Home Based Care'.
 8. START is primarily focused on people who, with the help of a reablement service, may be reabled and need no ongoing service whilst the RR&HDS is a shorter service (up to 14 days) focused on people at home in temporary crisis or in hospital awaiting discharge. The purpose of the service is to prevent unnecessary admission to hospital or short term care, or to facilitate timely discharges from hospital. This service is guaranteed to deliver a first visit within 24 hours and operates 7 days a week.
 9. The contract for the new Rapid Response & Hospital Discharge Service has recently been awarded and the successful provider is Carers Trust East Midlands. The contract has been awarded for an initial period of two years with an option to extend. The commencement date for this new County-wide contract is 20th November but a similar service has been operating in the south of the County for a number of years with very positive outcomes. Service user and carer satisfaction has always been good and a significant number of people who have used this service following a stay in hospital have required no longer term, or a reduced, home care service at the end of the service. This pre-existing service will be replaced by the new contract.
 10. These two services will assist many more people to regain or retain independent living skills and as a result reduce the need for ongoing home care services. It is anticipated that approximately 50% of people going through these services will either require no ongoing service or a reduced package at the end of their reablement period.
 11. The second element of the model will address the needs of people who require ongoing services. It is this part of the service delivery model that this report is particularly concerned with. Over the past 12-18 months, through consultation with stakeholders, service users and carers, staff members and providers the following model has been developed. This is based on having six lead providers covering Bassetlaw, Mansfield and Ashfield, Newark and Sherwood, Broxtowe, Gedling and Rushcliffe supported by smaller providers for individual or bespoke packages.
 12. The lead providers will be procured through a tender exercise and the smaller agencies have already been identified through the establishment of the home based care dynamic purchasing system (DPS). A DPS is an electronic procurement system which gives the Council greater flexibility by having a list of providers who have been through the first

part of a tendering exercise and are therefore ready to respond quickly to specific requests for services or individual packages. It is similar to a framework agreement but allows new providers to join at any time, is a completely electronic process and is used exclusively by public sector organisations. The lead providers will be required to deliver home based care services to the majority of service users in their designated area who require domiciliary care services; this includes care and support services to the Extra Care schemes.

13. The 24 Hour Response Service is the final component of the overall service design offering a quick response to people who are already in receipt of home based care services but who may occasionally require additional help quickly. This service is linked to Telecare systems, operates on a County-wide basis and is available 24 hours a day and 7 days a week. It is also due to be re-tendered imminently.
14. Whilst these services will be for people with longer term care needs nevertheless they could be supported to maximise their independent living skills and over a longer period of time could reduce their dependency on care services. This would require providers to work in a different way to take a more person-centred, enablement focused and flexible approach, which in turn requires services to be commissioned in a different way, both from the individual service user's perspective and from a strategic and procurement angle. Services need to be procured on outcome focused care with targets and incentives in order to drive changes and efficiencies.
15. However, these more flexible and responsive services are likely to incur greater costs, at least initially, as there will need to be a change from "time and task" type services where providers are paid by the minute to a payment model which offers providers greater financial incentive and security, which they can then pass on to their employees.
16. The model is underpinned by a robust reviewing system and clearly defined outcomes that are closely monitored. These will be set out in the specification and contract and will focus on:
 - Volume of new referrals accepted
 - Retention of packages
 - Service user and carer satisfaction
 - Maximisation of independence and reduction of size of care packages.

Market Issues

17. Members will be aware of the local and national issues around the provision of home care services, including the recruitment of home care staff and the fragility of the home care market. Both nationally and locally there is a lack of sufficient workforce capacity across the health and social care sector, and this is particularly the case in relation to care workers employed in the private and voluntary sectors as a result of unfavourable conditions of employment, including pay rates, and relatively low status of the work. This is compounded by high employment rates and high demand for labour in competing sectors such as supermarkets. It is clearly evident that home care providers locally are not able to recruit or retain sufficient care workers to deliver the required volumes of services to meet needs.

18. Over the last couple of years, a number of the larger national home care providers have exited the market, and in some areas providers have handed back council contracts on the grounds that the hourly rates do not enable them to deliver good quality services and in many cases are not financially viable. The independent regulator of health and social care, the Care Quality Commission (CQC), in its annual report 'The State of Health Care and Social Care in England' shows that there is increasing instability in the care market as providers face increasing costs and are required to deliver efficiencies whilst trying to maintain good quality services.
19. Through market engagement in preparation for the procurement, providers have identified two key factors in ensuring that services commissioned by local authorities and the NHS through their contractual arrangements enable the home care market to become viable and sustainable. These two key factors are:
 - An hourly rate which enables providers to pay their staff at least at or above the National Living Wage including for travel time, and which enables them to compete with other employers such as supermarkets where staff pay rates are significantly higher
 - Payment for hours commissioned as opposed to a payment model based on the minutes of direct care delivered.
20. This report explains how these two factors will be addressed and the implications for the Council, most significantly the cost pressures. These cannot be avoided if the Council is committed to ensuring that the care market is able to deliver the quality and capacity of services required for the Council to meet its statutory responsibilities for people who require care and support services.

Establishing a rate for home care services

21. Currently, the average hourly rate for home care services is £15.50. This average applies to home care services commissioned from the four core providers and from the providers who deliver home care services on a spot purchasing basis. This rate is the result of two increases agreed by ASCH Committee in November 2015 and April 2017. The first phase approved a 10% in-year fee increase to the core providers which was subsequently applied from 1 December 2015. Then in April 2016 Members approved a further 6% increase for home care services to take account of the impact of the National Living Wage (NLW). A further increase of 2.62% was applied in April 2017 to take into account the further increase in the NLW.
22. These increases were necessary to take account of escalating providers' costs arising from various legislative changes relating to their workforce coupled with the findings from an open book exercise undertaken by the Council during summer 2015. This involved working with providers to help understand their cost pressures by analysing a breakdown of their costs. It was initiated following concerns about the viability of existing contracts with home care providers and supported living providers. The exercise showed that the cost to providers for the delivery of home care services had increased considerably since the award of the contracts in 2014 and highlighted that the core provider rates were unviable.

23. Providers were experiencing significant and sustained difficulties in recruiting and retaining care staff and had high staff turnover. This limited their ability to deliver the required volumes of services to meet increasing needs and especially their ability to arrange and commence delivery of care services at short notice, potentially impacting on people awaiting a return home from hospital.
24. In preparation for the launch of the new tender, it is imperative that a realistic payment rate is set in order to address some of the issues in the home care market and social care workforce. To do this, work has taken place with finance, legal and procurement colleagues to agree a viable pricing strategy, structure and payment model. A series of cross-departmental meetings have been held to establish a strategic approach to the evaluation and award of the future contract. This takes into account the issues facing the provider market and looks to address existing difficulties in the recruitment and retention of provider staff.
25. The United Kingdom Home Care Association (UKHCA), the trade body of the home care organisation, routinely collates information from all local authorities with responsibilities for commissioning social care about the average hourly rate paid to home care providers, including a breakdown of the rates related to staff pay such as travel time, and other terms of the contracts. It then publishes the comparative data broken down into regions. It has also produced its own costing model which shows staffing costs at 70%, with 27% attributed to running the business, leaving an operating surplus or profit of 3%. The organisation sets what it deems to be a 'minimum price for homecare' which for 2017/18 equates to £17.50 per hour, which it states is the minimum required to enable providers to meet their legal obligation and the ability to run a sustainable business.
26. As already explained the current average rate in Nottinghamshire is £15.50. Based on the prices submitted by the providers as part of the tender in 2013/14, the average hourly rate of the four core providers for the home care service ranged from £12.70 to £13.20 per hour in 2014/15. Following the fee increases applied in December 2015, April 2016 and April 2017, the average cost of home care services across all of the providers has now increased, however this remains significantly lower than the minimum price of £17.50 identified by the UKHCA for 2017/18.
27. From the information gathered from the open book exercise, the main cost faced by the providers relates directly to increasing staffing costs in terms of staff pay and terms and conditions of employment. The exercise also showed that the average turnover rate was 50%, with one of the largest providers stating they had a 70% turnover rate during 2014. The open book exercise showed that the average cost to the four core providers was significantly above their average tendered price.
28. In order to break the cycle of unviable rates, low staff pay, high turnover and ensure that the needs of service users and their carers can be met, a realistic rate needs to be agreed, one which is fair to providers, passed on to front line staff but is affordable to the Council. Therefore in addition to market engagement further financial analysis has been undertaken to establish a viable hourly rate. This figure takes into account the findings from the open book account exercise, the UKHCA suggested rate and the Foundation Living Wage. A figure of £17.00 per hour has been established for Nottinghamshire and it is suggested that this is used as an 'indicative rate' for the tender exercise. It is not being

set as an absolute rate but will give the market a guide when setting their bid price which they must substantiate in terms of cost pressures and profit margin.

29. Setting an indicative rate of £17.00 gives potential bidders a signal that the Council has taken into account market factors. This does not set an absolute rate but it recognises that one rate will not accommodate the differing pressures and issues across the County. The £17.00 rate will offer a guide, which the providers can bid below or above but will need to demonstrate the rationale behind their bid price. The Council will not be confining bidders to a set price but will be allowing providers to bid at a price they consider viable given their cost pressures and profit margin.

Payment Model

30. The Council is committed to improving the quality of home care across the County and moving to a model based on commissioning for outcomes for service users which will allow for a greater degree of individuality and flexibility in care plans rather than a prescriptive 'time and task' service. This will require significant change in the way in which services are commissioned, planned, delivered and paid for.
31. Currently the Council pays home care providers on the actual minutes delivered to each individual service user. This payment model is quite restrictive and can cause cash flow issues for providers, particularly small providers. It does not encourage them to offer staff salaried contracts due to fluctuating monthly payments. In the new home care model it is intended for the Council to move to payment of 100% of commissioned hours, dependent on the successful delivery of agreed outcomes.
32. In order to incentivise the providers to achieve the agreed outcomes, they will be paid 95% of the commissioned hours from the start of the new contract with an additional 5% available on the achievement of two to three high level outcomes which the providers will be monitored on and will need to meet before they can be paid the full 100%. This will give providers a greater degree of financial surety and therefore they will be in a better position to offer staff improved terms and conditions but will also build-in incentives to achieve 100%.
33. Analysis has also been undertaken of the impact of changing contract terms to pay providers on the basis of 95% and 100% of commissioned hours as opposed to payment for minute by minute delivery.

Financial Considerations

34. Improving conditions in the home care market does not come without financial consequences. The total budget for home based care, including Extra Care, is currently approximately £18m. 2,526 service users accessed home based care services 2016-17, using an estimated total of 1,047,200 hours of care over the year.
35. The changes to the home care model in relation to the indicative rate and paying for commissioned hours rather than on actual minutes delivered will result in a pressure on budgets. This will have an impact on the rate for home care, direct payments and Extra Care. The impact on Supported Living contracts has been considered but agreed there

will be no current impact. The minimum financial impact, at the indicative rate of £17.00 is £3.7m.

36. Current rates are for 2017/18. Rates for future years will need to take account of cost pressures arising from inflation and increases in the National Living Wage. The impact will change depending on the final rates as submitted by the successful bidders.

Home Based Care

37. On the basis of the average tendered rate being £17.00 per hour, and a payment of 95% of commissioned hours, there could be additional costs of £2.0m, at current volume levels. If the payment is made on 100% of commissioned hours then this will further increase the costs.

Direct Payments

38. The home care rate is linked to the Direct Payment (DP) rate and the RAS (Resource Allocation System), therefore the rate increase will have a wider impact on the Council's budget.
39. As a minimum, 20% of DPs are at an agency rate equivalent to the current home care average rate of £15.50. Increasing these to an average of £17.00 per hour would lead to a pressure of £1.5m.
40. However the current level of DPs arranged with home care agencies (excluding payments to Personal Assistants) is estimated at 60% of all DPs. This would lead to an additional costs of £3m, on top of the £1.5m above.
41. A programme of work is underway to increase the availability of Personal Assistants so that there is a reduction in the numbers of DPs provided by home care agencies. This should help to keep the cost pressures relating to DPs to a minimum.

Extra Care

42. The new lead providers will be expected to deliver home based care and support services to service users within the Extra Care schemes in their area. These services will be procured under the same tender and specification but payment to the provider will be made on a 'block' basis. This reflects the requirement for staff to be in-situ for 24 hours per day in designated schemes.
43. An indicative rate for the home based care and support services within Extra Care has been calculated at £16.00. This takes into account that the service is static and therefore travel costs are not incurred by the providers. An increase to the indicative rate of £16.00 paid on a 'block' arrangement could lead to additional spend of £0.2m. Additional pressures are described below in Table 1.

Table 1

	Budget £m	Full year effect £m	Total £m
Homecare	15.7	2.0	17.7

Direct Payments	44.6	1.5	46.1
Extra Care	2.7	0.2	2.9
Total	63	3.7	66.7

Capacity in the home based care market

44. In the main, this is a cost pressure relating to the potential increase in the hourly rate for home care, but there are also demand pressures arising from an ageing population with increasingly complex health and social care needs who are supported to live at home for as long as possible, including at end of life. Sufficient home care and DP capacity will enable more people to remain living independently at home, but at the same time, this will help to delay people requiring long term residential or nursing care.
45. Due to the inability of the current core providers to deliver the required volumes of home care, the numbers of services commissioned on a spot purchasing basis has increased significantly with a 10.28% shift from 33.6% in April 2016 to 43.9 % in April 2017. Services purchased on a spot basis are not covered under existing contractual frameworks. It is therefore critical that the necessary procurement processes are completed to ensure all the required home care services are commissioned under the rigours of contractual arrangements.
46. The tender of home care services and the new contractual framework should reduce the risks associated with commissioning significant volumes of services on a spot basis and outside a contractual framework.

Implementation Plans

47. A Project Officer post was previously approved by the ASCH Committee on 18 April 2016 to assist with the implementation of this project. To date this post has not been utilised and the work has been undertaken by existing staff. However, it is now recognised that this post is required to oversee the full implementation of the services covered under this project.
48. It is proposed that the funding for the above post is used to part fund the establishment of a temporary Project Manager for implementation post (Hay Band C/D) to 31 October 2019, on a full-time basis. The post holder will support the implementation of the full range of services being procured under this project, establish systems for ongoing contract management of the various services and to deliver the required outcomes within the timescales. The Job Evaluation team have allocated an 'indicative' grading of band 'C', however this is subject to formal evaluation and therefore could change.
49. The cost to the Council for the Project Implementation Manager post (February 2018 – October 2019) would be £93,110.

Communications, Engagement and Co-production

50. The Council has been working with service users and carers to elicit their views and experiences to inform the development of the home based care service model. An 'Experts by Experience' engagement group has been formed and members of this group attended the Adult Social Care and Public Health Committee meeting on 12 June 2017 to

contribute to the presentation on the 'Tender for Older People's Home Based Care and Support Services'. Providers, health partners and staff have also been involved in engagement and consultation events. The Council will continue to inform and involve service users, carers, staff, stakeholders and the public on the ongoing work and implementation of the new services.

Other Options Considered

51. In coming to the decision on using an indicative rate other options have been considered and discounted; these are:-
- Continuing with current model which is paying on actual minutes delivered. This approach has been shown to be ineffective in that it does not offer providers the degree of financial surety required for them to be able to offer their staff better terms and conditions.
 - Adopting a fixed rate which would not allow for variations in the homecare market and workforce across the County, as detailed in **paragraphs 21-29**.
 - Introducing an upper or lower bid price, generally known as floor and ceiling rates, could limit the market for the same reasons as above.

Reason/s for Recommendation/s

52. The Council is required to re-procure services in line with its statutory obligations. The current home based care model and service delivery is not meeting the needs of people in Nottinghamshire and a realistic rate needs to be set to reflect market and workforce issues.

Statutory and Policy Implications

53. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

54. As outlined above in **paragraphs 34-43** the overall possible impact of the increase in the home based care rate could be £3.7m. The cost of the extension of the Project Manager post will be funded from departmental reserves.

Public Sector Equality Duty implications

55. The nature of the services to be commissioned mean they will affect older adults and people with disabilities, including people who have multiple and complex health and social care needs. The Council has completed an Equalities Impact Assessment to consider the implications of the tender process on people with protected characteristics

and to identify and put in place mitigating action to ensure that these groups of people are not disadvantaged as a result of the tender process.

Implications for Service Users

56. The Council has a statutory duty to ensure there is sufficient provision of a diverse range of services to meet people's social care and support needs. The aim of the tender process is to enable the Council to commission sufficient volumes of home care services and to ensure these services are sustainable and are able to meet current and future needs.
57. The new model will encourage a more reliable and consistent workforce as providers will be able to offer staff improved terms and conditions, which in turn will improve the quality of services being delivered.
58. Through the use of the Dynamic Purchasing System, the Council will be able to procure individual packages of care for service users who may have specific needs that cannot be met by the lead provider. It will also enable smaller organisations, including micro-providers, to be included in the arrangements to help to support a diverse range of providers who will be able to deliver smaller volumes of services, including in more rural parts of the County.
59. The re-tendering of home care and support services may impact on some people who currently receive home care from the core providers if those core providers choose not to tender for the services or if they do not meet the quality thresholds. If and where this is the case, the Council will work with the providers to ensure that the transition is managed carefully so that any disruption in services is minimised through appropriate mitigating action.

Human Resources Implications

60. It is proposed that the temporary Project Manager post is established at Hay Band C/D until 31 October 2019 on a full-time basis, an 'indicative' grading of band 'C' has been allocated pending formal evaluation and therefore could change.

Implications for Sustainability and the Environment

61. The suggested payment rate and model will offer a more realistic rate to independent sector providers who will be able to invest in their workforce.

RECOMMENDATION/S

That the Committee:

- 1) comments on the progress of the procurement of the home based care services
- 2) agrees to receive a progress report on the Rapid Response and Hospital Discharge Service within six months of full implementation of the service

- 3) supports the proposed financial and payment model and the potential implication to the Council's medium term financial strategy
- 4) supports any engagement and communication activities that are required as part of tender and implementation of the home based care services
- 5) approves the establishment of a temporary 1 fte Project Manager post at Hay Band C/D to 31 October 2019 to support the implementation of the new services and the ongoing contract management.

Ainsley MacDonnell
Service Director, North Nottinghamshire & Direct Services

For any enquiries about this report please contact:

Jane Cashmore
Commissioning Manager
T: 0115 9773922
E: Jane.cashmore@nottsc.gov.uk

Constitutional Comments (SMG 26/10/17)

62. The proposals outlined in this report fall within the remit of this Committee.
63. The Employment Procedure Rules provide that the report to Committee include the required advice and HR comments and that the recognised trade unions be consulted on all proposed changes to staffing structures (and any views given should be fully considered prior to a decision being made).

Financial Comments (DG 20/10/17)

64. The financial implications are contained within paragraph 54 of this report.

HR Comments (SJJ 31/10/17)

65. The temporary post will require a full evaluation and recruited to on a fixed term basis

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Tender for Home Based Care and Support Services – report to Full Council on 26 September 2013

The Social Care Market: Provider Cost Pressures and Sustainability – report to Adult Social Care and Health Committee on 30 November 2015

Annual Budget 2016-17 – report to Full Council on 25 February 2016

Tender for older people’s home based care and support services – report to Adult Social Care and Health Committee on 18 April 2016

Tender for older people’s home based care and support services – report to Adult Social Care and Health Committee on 11 July 2016

Tender for older people’s home based care and support services - report to Adult Social Care and Health Committee on 12 June 2017

Equality Impact Assessment

Electoral Division(s) and Member(s) Affected

All.

ASCPH497

