

Finance and Resources Committee

10am, Thursday, 29 October 2015

Re-tender of Care at Home Contracts

Item number	7.11
Report number	
Executive/routine	
Wards	

Executive summary

This report requests Committee to note that a short extension to current Care at Home contracts has been granted and seeks Committee approval for a further extension of contracts for a period of up to one year pending the completion of a procurement process designed to lead to the award of new Care at Home contracts during the course of 2016.

The report sets out the contract renewal governance arrangements and draws the attention of members to the likely financial impact on contract costs of the announcement by the UK Government in July 2015 of the introduction of a new National Living Wage from April 1 2016.

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Re-tender of Care at Home Contracts

Recommendations

- 1.1 To note that an extension to current Care at Home contracts with providers from 3 – 29 October 2015 was granted under urgency provisions by the Chief Social Work Officer, in consultation with the Convenor and Vice Convenor of the Finance and Resources Committee.
- 1.2 To agree a further extension of Care at Home contracts with the providers listed at Appendix 1 from 30 October 2015 for a period of up to one year, pending the completion of a procurement process designed to lead to the award of new Care at Home contracts during 2016; and to note:
 - the contract renewal governance arrangements
 - the likely financial impact of the announcement by the UK Government of a new National Living Wage (NLW) from 1 April 2016 on future Care at Home contract costs.

Background

- 2.1 The current Care at Home contract was let in 2011 to 18 third party providers who were expected to deliver 32,000 hours per week. This represents 75% of total Council care at home capacity. Contracted providers have, however, struggled to deliver their target capacity and eight providers have withdrawn from the contract since 2011. As at the end of September 2015, remaining providers were delivering 20,500 hours each week. This has been supplemented by placing 7,250 hours of work each week with 'off framework' agreement providers.
- 2.2 The current cost of delivering these 27,750 hours each week is £21.6m per annum.
- 2.3 Despite intensive work with contracted providers to improve productivity, and placing work off contract, demand for care at home continues to outstrip supply. We currently have 5,000 hours of unmet need each week.
- 2.4 A key issue has been the inability of contracted providers to recruit and retain paid carers in sufficient numbers in the context of Edinburgh's highly competitive labour market. Finance and Resources Committee agreed to increase the rate

paid to contracted providers from the average 2011 tendered price of £14.09 per hour to £15.00 in August 2014. While this measure has helped stabilise delivery at around 28,000 hours each week, it has not resulted in any growth in capacity.

Reasons for Delayed Contract Extension Requests

- 2.5 The announcement by the UK Government in July 2015 of a new National Living Wage (NLW) has meant the assumptions about the lifetime costs of the new Care at Home contract, which it had been intended to report to Committee during Summer 2015, were no longer accurate. In light of the unexpected NLW announcement, COSLA Leaders also had to re-visit their previously agreed approach to improving wages in the care at home sector and did so in September 2015. As a result of the need for clarity on these matters, the submission of this report has been necessarily delayed.

Main report

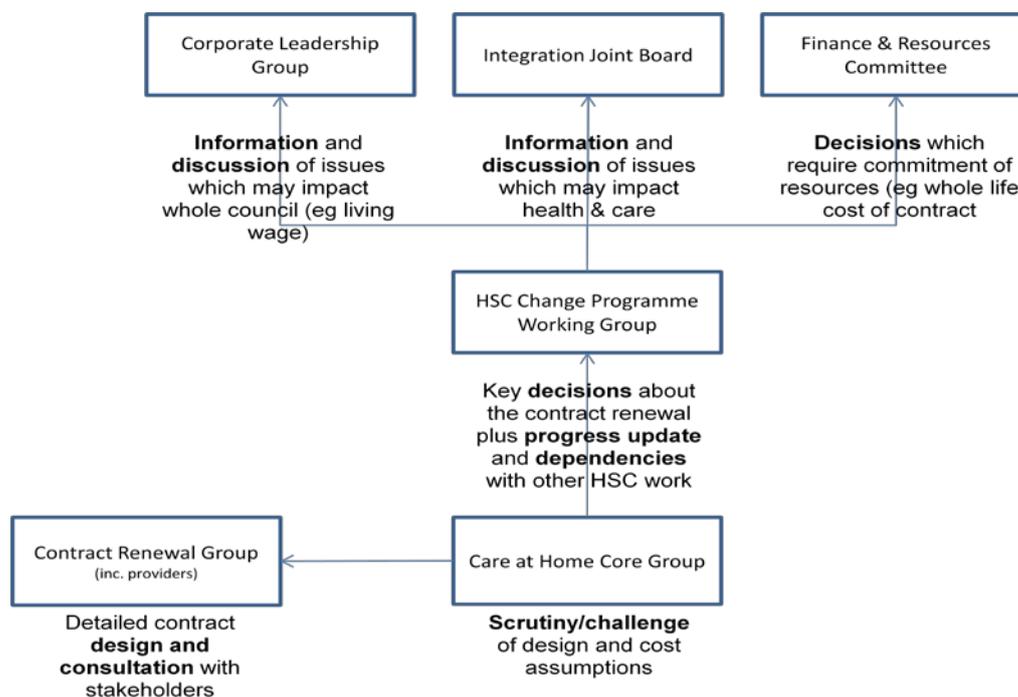
The New Contract

- 3.1 Following detailed consultation with current and potential providers, private and third sector representative bodies, NHS Lothian and other stakeholders, the current Care at Home contract has been re-designed.
- 3.2 The new Care at Home contract will focus on people over 65 years of age. It will be subdivided into neighbourhood patches, which fall within the boundaries of the four locality areas of Edinburgh. The new contract aims to encourage strong local partnerships; explicitly link the Council's reablement service to each neighbourhood care at home provider as a means of improving the care pathway for older people; reduce travel time; and encourage providers to recruit a local workforce. The Council is also working with the third sector and Registered Social Landlords involved in the delivery of sheltered housing to consider ways in which they can be engaged in delivering care at home alongside other preventative support within localities.
- 3.3 Locality working is key to creating a sustainable contracted care at home service, allowing providers to forge better links with Council, health and third sector services, and ensuring that preventative services are an integral part of the total provision.
- 3.4 It is anticipated that the Contract Notice and Invitation to Tender will be published in early December 2015 and Committee will be invited to consider the award of new contracts in May 2016.
- 3.5 Pending the outcome of the tender process being known, it is not possible to predict accurately the time required for contract mobilisation. In the event there is little change in the provider profile, we would expect this to be short. If, however, a large number of new providers are successful, it may take some months to complete the process of agreeing new care at home arrangements

with service users. For this reason Committee is asked to approve the extension of current contracts for a period of up to one year. Following the award of contracts, Committee will be kept informed of the actual date on which these will commence.

Due Diligence and Governance

- 3.6 A Care at Home Contract Renewal Group (CRG), comprising Council, NHS Lothian, private and third sector representatives was formed in Autumn 2014. Its remit was to consult on and re-design the current contract with a view to making the new contract fit for purpose and to model and test lifetime contract cost assumptions.
- 3.7 Given the strategic importance of the Care at Home contract to the Council and its partners, the work of the CRG was the subject to separate independent reviews by KPMG and Ernst & Young (EY) in August 2015. The former focused on the proposed service specification and operational arrangements underpinning this. KPMG recommended only minor changes to these. EY reviewed contract governance arrangements, and in light of the announcement of the NLW, are working with the Council to re-model cost assumptions.
- 3.8 Committee is invited to note the contract renewal governance arrangements shown below:



Contract Costs

- 3.9 The rate set for the NLW as at 1 April 2016 will be £7.20 per hour and rise to a rate equivalent of 60% of median earnings by April 2021 (currently estimated to be £9.00 per hour). Increases in the NLW rates paid to staff will also require

higher National Insurance, pension and holiday cost contributions by employers. At this early stage it is anticipated the additional costs of sustaining provider engagement with the contract, related to the NLW, will on the basis of current levels of service delivery and unmet need, add significantly to the lifetime costs of the Care at Home contract.

- 3.10 Both the UK and Scottish Governments have agreed to consider the cost pressures arising from the announcement of the NLW for the public sector in their respective Spending Reviews. The outcome of these reviews and resulting implications for councils will not, however, be known until January/February 2016.
- 3.11 In exercising its governance function in respect of the contract renewal process and as more detailed information becomes available, the Council's Corporate Leadership Group will consider the impact of the NLW on both the Care at Home contract and other contracted service costs, and any mitigating measures available to it. These matters will be the subject of further reports to Committee in due course.

Measures of success

- 4.1 The new Care at Home contract is able to respond to levels of demand for the service, as mitigated by the impact of demand management initiatives, and be delivered within a well defined annual budget envelope.

Financial impact

- 5.1 Contract costs for the period of extension are expected to remain broadly stable, relative to the current annual Care at Home contract expenditure of £21.6m, as a result of both the effect of demand management initiatives and the limitations of the current contract as outlined in Section 2 of this report. For the period October 2015 to March 2016, contract costs in respect of existing services will be £10.8m. Any additional costs during this period arising from potential winter pressures will be met from Scottish Government funding provided for this purpose. For the period April to October 2016 contract costs will be £10.8m.
- 5.2 The financial impact of the new contract will be the subject of further detailed report to Committee as outlined at paragraph 3.10 above.

Risk, policy, compliance and governance impact

- 6.1 Procurement risk – Framework terms are limited by EU Regulation to a maximum of 4 years to ensure the market is not restricted." *The contracting authority must not conclude a framework agreement for a period which exceeds 4 years except in exceptional circumstances, in particular, circumstances relating to the subject of the framework agreement.*"

- 6.2 The risk of legal challenge to the extension is reduced as the current Framework Agreement does not meet the capacity for the service, demonstrated by the ‘off-framework’ awards. The Council has engaged with the market and providers are alert to the future tender opportunity. This provides some mitigation to the risk of procurement challenge.
- 6.3 Services procured at above EU threshold must be subject to competition. The Council can waive this requirement if it is in its best interests to do so. Until the due diligence activity is complete, it would be a risk to the Council to tender these services and therefore an extension of existing service delivery is required for this further short period.

Equalities impact

- 7.1 The provision of a fit for purpose Care at Home contract will have a positive impact on equalities. A full impact assessment will accompany the planned report to Committee in respect of the award of new contracts.

Sustainability impact

- 8.1 The re-designed Care at Home contract has been specifically designed in a way that will lead to reductions in staff travel time and the carbon footprint associated with delivery of the service.

Consultation and engagement

- 9.1 Private and third sector providers, NHS Lothian and the Integration Joint Board have all been engaged in the contract re-design process. Subject to Committee’s approval of this report and the launch of the re-tender exercise, plans for consulting with service users and carers will be implemented.

Background reading / external references

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Links

Coalition pledges

Council outcomes

**Single Outcome
Agreement
Appendices**

Appendix 1

Care at Home Framework Agreement Providers

Call In Homecare

The Human Support Group

Shaw Health Care

Margarot Forrest Care Management

Independent Living Services

Prestige Nursing (Edinburgh)

Care UK Homecare

Social Care Recruitment & Training

Carr Gomm Scotland

1st Homecare

'Off Framework' Agreement Providers

Prime Care Health

Social Care Alba

Family Circle Care

Everycare (Edinburgh)

Blue Bird Care

Carewatch

Aquaflo Care at Home Service

Blackwood Care

Carrick Home Services

Sutton Care