

## WEST NORTHAMPTONSHIRE COUNCIL

### CABINET

8 JUNE 2021

### COUNCILLOR WITH RESPONSIBILITY FOR ADULT CARE, WELLBEING AND HEALTH INTERGRATION: COUNCILLOR MATT GOLBY

<b>Report Title</b>	Residential and nursing care services for older people – interim commissioning intentions
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#### List of Appendices

**Appendix A** - West Northamptonshire map of all Care Quality Commission (CQC) registered residential and nursing care home services.

#### **1. Purpose of Report**

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- 1.1. To outline Adult Social Care intentions to commission and procure interim contractual arrangements for a sustainable and affordable supply of residential and nursing care home services for older people aged 65 across West Northamptonshire, in line with legal duties.
- 1.2. To seek Cabinet approval for the Executive Director of Adults, Communities and Wellbeing to have delegated authority to procure a Phase 1 interim contractual arrangement for in order to maintain current service supply to meet need whilst further commissioning takes place, which includes assessing the impact from the COVID-19 pandemic.

- 1.3. To seek Cabinet approval to apply an inflationary uplift to existing fee rates for 2021-22 aimed at supporting market and delivery sustainability during ongoing commissioning and procurement.

## **2. Executive Summary**

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- 1.4. West Northamptonshire Council currently accesses supply of residential and nursing care home services to meet care and support needs for older people through two existing contracts that will now expire on 31 August 2021.
- 1.5. Substantial work has been undertaken during 2020-21, underpinned by engagement with the local provider market, to shape future contract requirements within an outcome-based delivery model as the basis for procuring new arrangements ready for 1 September 2021. This had already identified a cost differential within the market between West and North Northamptonshire Councils.
- 1.6. While work had also taken place to assess fee rates within an understanding of local costs, average spend and comparator benchmarks, the COVID-19 pandemic has significantly impacted the ability to assess provider delivery costs within the care home market and set a future fee rate structure. Further research and analysis is now required to understand typical delivery costs for residential and nursing care to develop a sustainable fee rate structure that can be used to procure services for the longer-term future.
- 1.7. To comply with procurement regulations for the purchasing care home services a new Phase 1 interim DPS framework is proposed from 1 September 2021 for 12-months as an interim measure to maintain access to a suitable supply of care home services that will fulfil the Councils statutory duties to provide and care and support to people with assessed and eligible needs. A Phase 2 framework approach will be developed to procure long-term service supply ready for 1 September 2022.
- 1.8. To enable the Phase 1 interim arrangement, it is proposed that an inflationary uplift of 2.65% is applied to existing fee rates from for 2021-22 to support market delivery in response to cost pressures resulting from National Living Wage (NLW) increases and additional operating costs. The Council will seek to offer further support to providers on case-by-cases basis in relation to sustainability issues that might result from emerging impact of the COVID-19 pandemic on service delivery costs.

## **3. Recommendations**

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- 3.1 It is recommended that Cabinet:
  - a) Note the commissioning activity to date along with ongoing intentions to commission and procure residential and nursing care services for the future.
  - b) Approve for delegated authority be given to the Executive Director for Adults Communities and Wellbeing to undertake a procurement exercise to secure and implement an interim Dynamic Purchasing System (DPS) framework to commence the 1 September 2021 for a period of 12-months.
  - c) Approve the proposed fee rate inflationary uplift of 2.65% for 2021-22 to support market delivery cost pressures.

## **4. Reasons for Recommendations**

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- 4.1 The recommendations underpin strategic commissioning intentions to design and procure a new outcome-based delivery model for older peoples residential and nursing care for the long-term purchasing of effective, sustainable and affordable provision supply that enables West Northamptonshire Council to fulfil its statutory duties to meet care needs and shape the local care market.

## **5. Report Background**

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- 5.1 The Care Act 2014 places a statutory duty on West Northamptonshire Council to provide care and support to people that have assessed and eligible social care needs alongside responsibilities to ensure a sufficient supply of residential and nursing care services through effective market development activities. It is important to note that the Care Act also requires the authority to offer choice so that people have reasonable options in the type and location of care they need when this is arranged and paid for by the Council.
- 5.2 The Council's strategic objective, through the existing Adult Social Care Transformation Programme, is to support people to live independently within the community for as long as possible. While there are a broad range of services to fulfil this objective, including home care and extra care housing, there are a number of people whose care and support needs are such that long-term residential and nursing care services are required.
- 5.3 Permanent residential and nursing care is only considered for those with the most complex needs that cannot be supported within alternative care settings such as domiciliary care at home or independent living with on-site care through extra care housing schemes.
- 5.4 Typically needs may include frailty and mobility, advanced dementia, highly complex physical care needs or the requirement for on-site nursing support, and in a number of cases all of this combined. In line with national trends, there is an increasing need for more complex care within residential and nursing settings. This is partly related to national demographic changes associated with an ageing population living longer with ongoing care needs but also the positive impact of social care strategy to increase the number of older people remaining independent at home for longer with more complex conditions, which can mean that when they need residential or nursing care a greater intensity of care and support is required.
- 5.5 Across Northamptonshire there is a total supply of over 6,300 bed places for all forms of residential and nursing care services across 246 Care Quality Commission (CQC) registered care homes. Of this total supply, 152 care homes provide care home services solely for older people aged 65 and over offering over 5,600 (87%) of all available beds. There are a total of 76 registered residential and nursing care services located across West Northamptonshire with a further three services geographically located on or near the authority boundary. This accounts for approximately 3,000 bed places.
- 5.6 While impact of the COVID-19 pandemic on local care home service supply and delivery requires detailed understanding to shape market sustainability responses, available data suggests that there is an ongoing level of market fragility and disruption resulting from the pandemic that is likely to result in a degree of supply rebalancing. For example, the bed vacancy rate across West Northamptonshire is currently estimated at 21% of total bed supply/capacity whereas pre-pandemic vacancy rates were typically 8-10%. In addition, West Northamptonshire

bed occupancy levels show that there are currently six established care homes operating at below 60% occupancy, which can give rise to sustainability challenges.

- 5.7 Quality assurance and delivery monitoring continues to take place using national and local data to proactively identify and respond to emerging sustainability challenges that could give rise to service delivery issues and in some circumstances provider failure.
- 5.8 West Northamptonshire Council currently contracts with approximately 70 care home services to access a supply of externally commissioned beds for currently 711 older people aged 65 and over.
- 5.9 Supply of residential and nursing care is currently purchased through two existing contracts that are active and operate in parallel with largely consistent service delivery requirements. These are:
- Care Home Services Framework; and
  - Care Home Services Dynamic Purchasing System (DPS).
- 5.10 The main challenge presented by these separate contracts is that they operate different fee rate terms. There is evidence that this continues to result in a position where costs can vary when placements are secured, which does not support the Council with overall market management objectives along with the ability to consistently secure an affordable supply to meet need.
- 5.11 On 10 November 2020 Northamptonshire County Council (NCC) Cabinet approved a proposal to extend the Care Home Services Framework until 31 August 2021 to ensure alignment with the DPS and enable a commissioning and procurement exercise that had been originally delayed during 2020 due to the impact of the COVID-19 pandemic. This sought to ensure that contractual arrangements would be ready for by 1 September 2021 by when all the existing contract arrangements would end.
- 5.12 This reflected initial analysis of fees being paid for care home services across Northamptonshire in order to baseline a position for further work to shape an affordable cost of care, which identified that the average cost of residential and nursing care is higher in West Northamptonshire than compared to North Northamptonshire although actual placements are lower. This cost differential is a key factor driving agreements between West and North Northamptonshire Councils to continue working together on developing a cost-base analysis to inform a fee rate structures that would be acceptable to both and enable long-term separate commissioning and procurement.

## **6. Issues and Choices**

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### **Commissioning intentions and activity**

- 6.1 The strategic commissioning intentions are to:
- Secure a diverse and sustainable supply of care home services through a single contractual arrangement that meets ongoing and changing needs including growing complexity of care.
  - Develop a standardised fee rate structure in collaboration/consultation with the market that enables both stability of delivery for providers along with an affordable cost budget.

- Develop improved service description and delivery requirements within an outcomes specification through stakeholder/market engagement that enables a good quality of life for older people living in care home services by remaining safe, healthy and active.
  - Stimulate innovation and improvement within care home services through greater focus on technology enabled care, hospital admission prevention and infection prevention control.
- 6.2 During 2020-21 substantial progress has been made to design a progressive care delivery model ready to procure services. This is principally focused on the enabling older people to live well for longer in a care home setting with good health and wellbeing. It is also realised through an equal focus on stimulating investment in care practice improvement and workforce development initiatives so that care home services are able to deliver the aspirations of the new model. A central aim is to ensure services have access to effective primary and enhanced healthcare support within the community to better manage frailty and long-term complex needs such as dementia within an overall stimulating care environment.
- 6.3 Work to date has resulted in completion of a new draft strengths and outcome-based specification, which is aimed at supporting improved quality of care across West Northamptonshire and the ability of health and social care to better manage demand including avoidable acute hospital admission and treatment. The proposed delivery model has been informed by research into good care practice, standards and outcomes for people, which has formed the basis for regular market engagement and provider dialogue to enabled consideration and input to future delivery requirements.
- 6.4 The development of a standardised fee rate structure needed to procure affordable and sustainable services has been significantly impacted by the COVID-19 pandemic. A rapidly changing financial environment for care homes during the pandemic has altered provider delivery costs and therefore prevented an accurate understanding in order to set fee rates for the long-term. This has been affected by a combination of multiple rounds of 'one off' Government funding through the Infection Control Fund (ICF) along with increased operating costs largely associated with additional staffing, equipment and insurance/operating requirements. In addition, it is currently unknown whether reduced occupancy levels within care home services has the potential to further affect an increase in fixed operating costs that could further change the cost of care locally.
- 6.5 Barriers to understanding the local cost of care is therefore preventing the original intention to procure contractual arrangements ready for 1 September 2021 based on a new model of care and a sustainable fee rate structure. This is vital to the commissioning and procurement exercise, and will require time to develop and present to the provider market through consultation.

### **Proposed approach**

- 6.6 The current Care Home Services Framework and DPS contracts end on the 31 August 2021 and there are no options to extend arrangements. Therefore, the Council must seek to implement a contractual/purchasing mechanism ready for the 1 September 2021.
- 6.7 This position has been developed in collaboration with North Northamptonshire Council as a mirrored approach to manage existing Northamptonshire-wide contracts during further work to shape delivery requirements and fee rate arrangements that would enable separate commissioning and market shaping in the long-term for both unitary authorities.

6.8 The following options/recommendations have been developed to ensure continuity of delivery.

6.8.1 **Option one (recommended) – Engage in a procure exercise to secure a new Phase 1 interim DPS framework:**

The DPS framework will be procured under the Light Touch Regime, CPR 2015 for a period of 12-months from the 1 September 2021 and based on existing delivery requirements. Current contracted service providers will be migrated over to the new arrangements through a simplified route, allowing a smooth continuation of supply. New providers currently not contracted to the Council, will have the opportunity to apply and join the new contractual arrangement. This proposal seeks to:

- Allow time to develop and agree a funding structure related to the local cost of care;
- Ensure compliance with the Public Contract Regulations (2015);
- Enable the Council to fulfil its statutory duties thus preventing service disruption;
- Support supplier engagement and consultation to inform a sustainable solution; and
- Secure future application of outcome and strength-based care model

This option would form part of a strategic focus on market stability during the first year of the new West Northamptonshire Council. A further report will be presented to Cabinet in May 2022 that sets out Phase 2 of the care home DPS. This will set out a longer term approach to the commissioning of care homes which includes the impact of COVID-19, new models of care and a long-term fee rate structure.

6.8.2 It is proposed that option one for a Phase 1 interim DPS contractual arrangement would be enabled by implementing a local inflationary uplift of 2.65% to current per bed, per week fee rates. This is based on a 2.2% pay cost pressure resulting from National Living Wage (NLW) increases and operating cost increases linked to a forecast Retail Price Index (RPI) along with a further 0.45% contribution to support providers with additional costs resulting from COVID-19 pandemic pressures principally in relation to additional equipment, operational responses and insurance requirements. Table 1 below shows how the main contribution related to NLW is calculated.

<b>Inflation Rates 2021/22 - Fiscal Year</b>			
	Cost Mix	Inflation Rate	Uplift
Pay Related Elements (linked to NLW)	73.80%	2.20%	1.60%
Operating costs (linked to forecast RPI)	26.20%	2.40%	0.60%
Additional COVID-19 pressures			0.45%
<b>Total</b>	<b>100.00%</b>		<b>2.65%</b>

Table 1: National Living Wage (NLW) fee rate uplift calculations, 2021-22 financial year

6.8.3 Within existing commissioning activity to understand fee rate levels for residential and nursing care across the East Midlands region, a benchmark position on inflationary uplift has also been developed for local authority neighbours. Table two below shows how this is within a slightly higher than average range of inflationary uplifts planned across the East Midlands region.

<b>East Midlands Region Local Authority</b>	<b>Planned/proposed fee uplift for 2021-22</b>
West Northamptonshire Council	2.65%
Derby City Council	2.40%
Derbyshire County Council	2.53%
Leicester City Council	3.60%
Leicestershire County Council	2.20%
Milton Keynes Council	2.50%
Nottinghamshire City Council	2.50%
Nottingham County Council	2.49%
Rutland Council	3.00%

Table 2: East Midlands region residential and nursing care fee rate inflationary benchmark

#### 6.8.4 **Option two (Not recommended) – Proceed with procurement tender only when the cost of care and fee structure work has been completed:**

The current Care Home Services Framework and DPS contracts would expire as per the existing terms and from 1 September 2021 the Council would seek to secure supply of residential and nursing care services on a spot-purchased basis until long-term commissioning arrangements are secured. A further report would be presented to Cabinet in due course to seek approval for future arrangements. While spot purchasing can be used to secure services, this approach can increase susceptibility to variable pricing and is not the most effective way of managing cost and supply.

## **7. Implications (including financial implications)**

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### **7.1 Resources and Financial**

7.1.1 The proposed 2.65% fee rate uplift for 2021-22 to be incorporated into the development of a Phase 1 interim contract is estimated to result in additional revenue expenditure of £0.288m. This is covered by the growth item in the Adults 2021-22 base budget for contract inflation.

7.1.2 This additional expenditure takes into account people already in receipt of funded care secured through existing contracts along with estimated demand growth for the financial year. This is within agreed budget parameters for 2021-22 that has factored in both inflation and acuity growth for all existing funded residential and nursing care services.

### **7.2 Legal**

7.2.1 The Council has a statutory duty to provide care and support for people who meet the eligibility criteria as set out in the Care Act 2014, and supporting legislative framework. The legislation anticipates that needs for care and support can be met in a variety of ways, including the provision of residential and nursing care.

7.2.2 It is anticipated that the proposed procurement exercise will enable the Council to continue to provide a diversity of service that will continue to meet these requirements.

7.2.3 There are no legal implications arising from the recommendations.

### 7.3 Risk

7.3.1 Should approval of the recommendations not be given the risk to the Council would potentially be a combination of reduced supply for residential and nursing care services through contractual routes and increased costs associated with securing a larger proportion of placements through spot purchasing arrangements.

7.3.2 Risk(s) associated with the proposal:

Risk	Mitigation	Residual Risk
Non-contracted providers within the market raise concern/challenge about the decision to proceed with a new interim DPS Framework under existing delivery requirements.	New providers currently not contracted to the Council will have the opportunity to apply and join the new contractual arrangement through a simple process based on mandatory criteria to evidence ability to provide effective care services. The interim framework will remain open to applications and managed effectively.	Green

7.3.3 Risk(s) associated with not undertaking the proposal

Risk	Mitigation	Residual Risk
Expiry of the Framework and DPS on 31 August 2021 results in no access to contracted service supply and therefore solely spot purchasing services at higher fee rates because of market price demands.	Plan for spot-purchasing arrangements using preferred provider agreements on an individual basis to secure supply under an assumption that vacancies across the market, driven by the impact of COVID-19 and reduced demand, create price stability.	Red

### 7.4 Consultation

7.4.1 Engagement activity continues to be undertaken to inform and develop a strengths and outcome-based model of care for the future. This has already included internal social care services and practitioners, local health partners and the provider market. Collaborative commissioning will continue to be carried out through workshops, one-to-ones and provider engagement forums to inform innovation in delivery to realise the aims for a new outcome-based model for residential and nursing care.

7.4.2 A market engagement forum was held on 20 May 2021 to outline the commissioning and procurement approach for an interim contractual arrangement, commitments to work with providers on an individual basis to mitigate sustainability issues or provider failure, and discuss

the principles for coproducing and implementing new models of care. Providers recognised the need for further assessment of local care costs to enable a longer-term solution that would support delivery stability. Providers also acknowledged the need for a fee rate uplift within overall concerns about ongoing variation in delivery costs resulting from the COVID-19 pandemic.

7.4.3 It is intended that formal consultation will take place with market providers toward the end of 2021 on the outcome of work to understand the local cost of care and how this underpins a future fee rate structure.

7.4.4 The commissioning exercise will also seek to engage with people and their families receiving care home services to understand and reflect a range of experiences, wishes and expectations of care during the process to shape service design and delivery requirements.

## 7.5 **Consideration by Overview and Scrutiny**

7.5.1 There are no comments made by the Overview and Scrutiny Committee in relation to this report and its recommendations.

7.5.2 It is proposed that commissioning and market shaping work to develop new outcome-based delivery models and approaches to residential and nursing care along with responses to support market sustainability for a diverse and sufficient supply of services are future topics for Overview and Scrutiny Committee to consider.

## 7.6 **Climate Impact**

7.6.1 There are no climate/environmental implications.

## 7.7 **Community Impact**

7.7.1 There are no community or community safety implications.

## 8. **Background Papers**

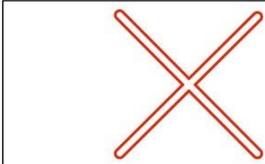
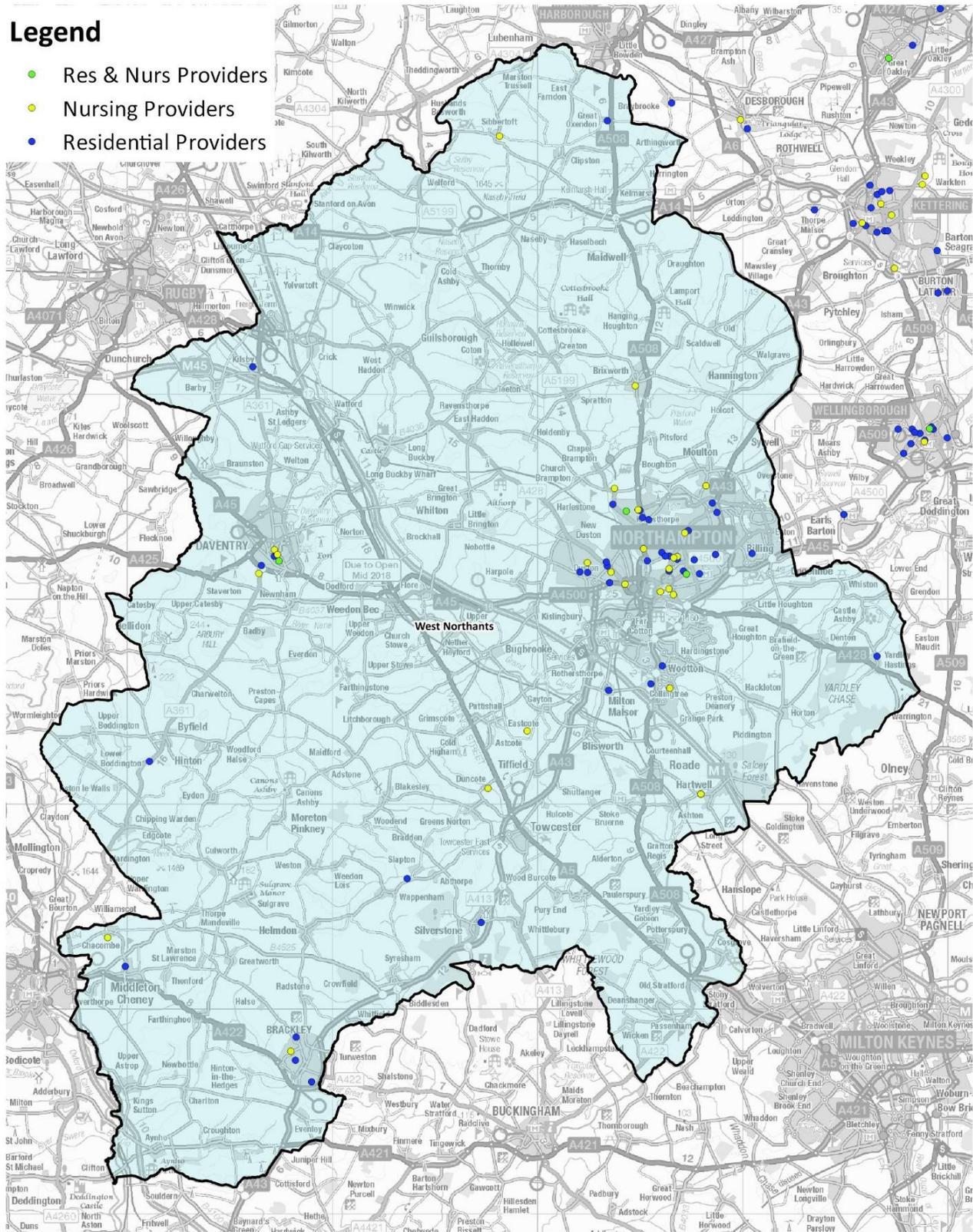
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8.1 Northamptonshire County Council (NCC) Cabinet Report, Older Peoples Care Home Commissioning Intentions, 10 November 2020.

**APPENDIX A – West Northamptonshire map of all Care Quality Commission (CQC) registered residential and nursing care home services.**

**Legend**

- Res & Nurs Providers
- Nursing Providers
- Residential Providers



**Title:** Residential & Nursing Providers West Northamptonshire

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