

Cabinet Meeting on Wednesday 16 September 2020

Recommissioning of Home Care in Staffordshire



Cllr Johnny McMahon, Cabinet Member for Health, Care and Wellbeing said,

“The Council arranges nearly 50,000 hours of home care for around 3,500 people each week. With the contracts we have in place due to expire in August 2021, we need to start a procurement process for new contracts in October 2020, building on the successes and lessons from the previous procurement.”

The aim is to support the development of home care, increasing supply and encouraging innovation, whilst avoiding large-scale disruption of the market.”

Report Summary:

The Council arranges nearly 50,000 hours of home care for around 3,500 people each week to meet their assessed eligible social care needs and enable them to remain in their own homes.

The current contracts are due to expire in August 2021 and a procurement process is required to start in October 2020. The recommended procurement process will build on the successes and incorporate the lessons learnt from the previous procurement in 2017/18. The aim is to support the development of home care, increasing supply and encouraging innovation, whilst avoiding large-scale disruption of the market.

Recommendations

I recommend that Cabinet:

- a. Approve the procurement of home care services as outlined in this report;
- b. Delegates authority to the Director of Health and Care, to award contracts and to enter into contracts, with the successful providers, as appropriate to the outcome of the procurement process;
- c. Delegates authority to the Director of Health and Care in consultation with the Director of Corporate Services to authorise the Council entering into contracts with Nexxus Trading Services Limited trading as Nexxus Cares (“Nexxus”) for home care services as detailed in this report.

Local Members Interest
N/A

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Recommissioning of Home Care in Staffordshire

Recommendations of the Cabinet Member for Health, Care and Wellbeing

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- a. Approve the procurement home care services as outlined in this report;
- b. Delegates to the Director of Health and Care, authority to award contracts and to enter into contracts, with the successful providers as appropriate to the outcome of the procurement process; and
- c. Delegates authority to the Director of Health and Care in consultation with the Director of Corporate Services to authorise the Council entering into contracts with Nexxus Trading Services Limited trading as Nexxus Cares (“Nexxus”) for home care services and as detailed in this report.

Report of the Director of Health and Care

Reasons for Recommendations:

Background

1. Home care is a regulated activity and all providers must be registered and inspected by the Care Quality Commission. The Council arranges nearly 50,000 hours of home care for around 3,500 people each week to meet their assessed eligible social care needs under the Care Act 2014 and enable them to remain in their own homes. The current contracts are due to expire in August 2021 and a procurement process is required to start in October 2020.
2. Where a Care Act assessment identifies that a person’s assessed eligible social care needs are best met with home care, then a care and support plan is produced describing the outcomes to be achieved as well as the number, times and duration of home care calls required. Typically, around 1700 hours of home care are sourced each week for new clients.
3. The peak of the Covid-19 pandemic saw a reduction in Council arranged home care of approximately 2000 hours per week in April 2020. This was due to existing clients declining care and being looked after by relatives who were on furlough, as well as a reduction in sourcing for new clients. Demand recovered to pre Covid-19 levels by June 2020 and has been increasing subsequently.

4. The home care workforce was more resilient than anticipated during the pandemic and the Council has been able to source packages for new clients more quickly than normal, resulting in a reduction in unmet demand from around 1500 hours pre Covid-19 to around 500 hours currently.

Previous procurement of home care

5. The Council last procured home care in 2017/18. This awarded a framework agreement for home care in nine geographical zones across the county; set a standard rate with an enhanced rate in more remote and rural areas; and offered 39 block contracts with a guaranteed payment of 600 hours each once this volume of home care was reached. It also offered pre-purchased rotas in smaller geographical areas with a guaranteed payment of a fixed number of hours. Achievement against the original objectives is shown in Table 1.

Table 1: 2017/18 home care procurement – achievement against objectives

Objective	Evaluation
A. Improve quality	<p>Partially Achieved</p> <ul style="list-style-type: none"> • 84% of companies providing home care on behalf of the Council are now rated ‘Good’ or ‘Outstanding’ by the Care Quality Commission, compared to 60% at the point the contracts were awarded in 2017/18. • No contracted company is rated ‘Inadequate’. • Since April 2018, Key Performance Indicators have shown an improvement in the punctuality of visits and fewer visits missed.
B. Control costs	<p>Achieved</p> <ul style="list-style-type: none"> • The introduction of a standard rate has ensured that costs are within budget as set out in the Medium Term Financial Strategy. • The use of non-contracted companies at higher rates has substantially reduced to fewer than 75 packages at the end of August 2020.
C. Increase supply	<p>Partially achieved</p> <ul style="list-style-type: none"> • The 2017/18 procurement attracted some new companies into Staffordshire, including large national providers. • A secondary framework has run alongside the 2017/18 contract with a further 14 new companies appointed so far on the same terms and conditions who collectively are providing around 5,000 hours of home care per week. • Historical supply deficits in some areas, which previously resulted in high cost non-contracted provision have been resolved. • Supply remains an issue in the more remote and rural parts of Staffordshire where the main constraint for companies is staff recruitment and retention.

D. Reduce dependency on non-contracted companies	<p>Partially achieved</p> <ul style="list-style-type: none"> • The proportion of home care provided on behalf of the Council by non-contracted companies has fallen from around 20% at the point the contracts were awarded in 2017/18 to 10% currently. • Plans are in place to reduce non contracted provision as close to zero as possible.
E. Create strategic relationships with a core group of companies	<p>Partially achieved</p> <ul style="list-style-type: none"> • The overall number of contracted home care companies providing care on behalf of the Council has reduced from 84 to 65, which has resulted in less fragmentation of business and workforce. However only one of the block contracts actually mobilised. • The Council has a strategic relationship with Nexxus Cares.

Considerations

6. The home care market is challenged nationally, largely due to difficulties with staff recruitment and retention. Home care can be physically and emotionally demanding and is lower paid than similar roles in the NHS. This makes it challenging for employers to find staff willing and able to do the role, especially at a time of relatively high employment. Most local authorities do not have sufficient funding to pay enough to guarantee significantly more favourable terms and conditions of employment.
7. The supply issues in Staffordshire vary across the county: in some areas supply through contracted companies is good and packages are picked up in a timely way. In other areas there is insufficient supply through contracted companies, which leads to use of non-contracted companies, or unmet demand with delays in picking up packages and/or use of reablement services to provide home care. Where people are in hospital or discharge services this can lead to Delayed Transfers of Care. The deficits in supply are most marked in parts of Staffordshire Moorlands, Newcastle under Lyme, East Staffordshire and Stafford, and have remained so for the duration of the framework agreement. Recent improvements as a result of Covid-19 are not anticipated to be long term.
8. The procurement will seek to increase supply, whilst recognising that the overall capacity of the market is likely to remain constrained by a finite workforce. Other initiatives are underway to manage demand for home care and ensure that supply is adequate including:
 - a. Implementing strength-based Care Act assessments to focus on what people can do for themselves;
 - b. Harnessing the voluntary sector and communities to meet their needs through the Supportive Communities programme;
 - c. Increasing reablement activity and improving outcomes;
 - d. Increasing use of assistive technology and equipment to reduce dependence on staff; and
 - e. Support for companies with recruitment.

9. There has been relatively little innovation in the sector. Most local authorities and companies continue to use a 'time and task' model of care, and there has been little uptake of assistive technologies to replace the need for low paid staff to drive sometimes long distances. Some companies have embraced digital technologies to enable staff to allow electronic completion of case records and call monitoring, however this is not yet an industry standard. Some local authorities and companies have experimented with outcomes-based models of care however this has not necessarily been successful.
10. Any procurement that results in large scale disruption to the market carries a risk and our own experience from 2017/18 was that mobilising large numbers of new contracts concurrently generated an enormous amount of work and aspects of performance dipped for a period before they recovered.

New procurement

11. The aim is to support the development of home care, increasing supply and encouraging innovation, whilst avoiding large-scale disruption of the market.
12. The strategic objectives are to procure a sustainable supply of home care across the county which:
 - a. Is of a suitable quality, meets the needs of the clients and improves their outcomes and experience;
 - b. Is timely and responsive;
 - c. Is cost effective and within the budget set by the Medium Term Financial Strategy (MTFS);
 - d. Reduces use of reablement services to provide home care and Delayed Transfers of Care; and
 - e. Improves recruitment and retention of staff and supports a sustainable market.
13. This will be achieved through a procurement which:
 - a. Build on lessons learnt from previous procurements;
 - b. Is intelligence led and supported by reliable data;
 - c. Avoid changes which destabilise the market;
 - d. Provides an opportunity to develop innovation, especially greater use of technology to increase productivity and reduce dependence on staff; and
 - e. Is simplified and ensures a robust submission and evaluation process whilst avoiding overly burdensome bureaucracy that discourages potential providers.

Key aspects of new procurement

14. **Zones.** For the purpose of the current contract Staffordshire has been divided into 12 zones of which 4 are classed as enhanced zones owing to the rural nature of the areas which leads to increased travel time. Using zones helps home care companies to arrange and coordinate their staff resources to make best use of the

staffing hours they have available. The new procurement will continue with the current zones.

15. **Standard and enhanced hourly rate.** The new procurement will maintain a standard rate in the majority of zones. It will also maintain an enhanced rate in those areas that are more remote and rural and have the greatest challenges in terms of supply in order to reflect the significantly higher travel times. There may be some adjustment as to the precise areas which receive the enhanced rate over the duration of the contract, determined based on evidence of demand and unmet need.
16. **Annual uplift.** Under the current framework agreement and call-off contracts the Council carries out a discretionary review of hourly rates annually. This is an extremely time consuming process and will therefore be replaced in the new procurement by either an annual uplift in the hourly rate or a fixed calculation for determining the annual uplift in the hourly rate that is set at the outset of the contract and reflects cost pressures for companies - for example from inflation and increases in the national living wage, and is affordable within the MTFs.
17. **Block contracts.** The intention of the 2017/18 procurement was that companies providing block contracts would be able to consolidate their staff in defined geographies and create efficiencies through more effective rostering. However, this was not realised as companies were unable to mobilise to the intended capacity due to workforce constraints. Overall block contracts have not delivered any specific benefits compared to the other lots of the framework agreement. Blocks will not therefore be included in the new procurement.
18. **Pre-purchased rotas.** The intention of these within the 2017/18 procurement was that they would allow staff to be paid for shifts rather than for contact time only; providing guaranteed income to companies, and a guarantee of supply of home care hours to help meet demand. They are typically targeted to cover a small geographical area when unmet need is particularly high. They have proved partially successful with rotas being established as part of the "system winter resilience plan". The new procurement will include the option to pre-purchase rotas to meet surges in demand if required.
19. **Payment for commissioned hours.** Home care companies have historically been paid on the basis of hours of care provided, with an initial payment of 15 minutes and thereafter in 3 minute intervals. Hours of care provided sometimes vary from hours of care commissioned - for example if calls are longer or shorter than expected, or if people cancel calls. Hours of care provided are overall 5% less than hours of care commissioned. During Covid-19 the basis of payment was changed and home care companies are now paid on the basis of hours of care commissioned. This gives companies greater certainty about income, and enables them to offer staff regular contracts with guaranteed pay rather than zero hours contracts and payment according to the hours they work. It also gives companies a degree of flexibility to work with people and their families to refine care calls as needs change. This arrangement appears to be having a favourable impact on staff recruitment and retention and will be extended for the duration of the current contract and then used as the basis of payment for the new contracts. It has

increased the cost of home care. This pressure will be met for the duration of the current contracts from Covid-19 funding, and will need to be taken into account when setting the standard and enhanced rates for the new contracts to ensure that home care remains affordable within the budget set by the MTFS.

20. **Electronic Call Monitoring.** Electronic Call Monitoring has historically been used to monitor the number hours of care provided in order to calculate payments as above. There have however been a number of problems. Firstly it has led to staff only being paid for the number of minutes they are present in a person's property, which has had a detrimental impact on recruitment and retention. Secondly the Council's Electronic Call Monitoring system has proved incompatible with most companies' own IT systems so that instead of call times being monitored in real time by the Council's system they have to be entered retrospectively by companies uploading data from their own systems. In conjunction with payment on the basis of hours of care commissioned, the Council will discontinue its Electronic Call Monitoring system in favour of an IT system that uses data from companies' own systems to monitor and audit care provided.
21. **Client charges.** Most people pay a contribution to the cost of their home care, with some people paying the full cost. The Council will continue to ensure that people are charged appropriately over the course of the year. A regular charge will be set up based on hours of care commissioned, along with a process to reconcile hours of care provided with hours of care commissioned and adjust charges accordingly.
22. **New market entrants.** The ability to appoint new companies on a secondary framework agreement has proved successful in increasing supply. Rather than use a contract which is closed to new entrants the new procurement will make use of flexibilities under the Light Touch Regime of the Public Contract Regulations 2015, to offer the ability for new companies to be appointed on the same terms and conditions.
23. **Workforce strategy.** The Council will support the development and implementation of a sector wide workforce strategy to improve recruitment and retention. A starting point will be to build-upon the appreciation and high-regard shown to care workers during the Covid-19 pandemic, and respond to employment market changes arising from economic upheaval following the pandemic. Moving to paying companies based on hours of care commissioned presents an opportunity for some companies to revisit employment terms and conditions to improve recruitment and retention. The contract will refer to the requirement for contracted companies to engage with the Council on the development and implementation of a workforce strategy.
24. **Innovation.** The new procurement will encourage innovation including:
 - a. Use of assistive technologies to meet people's assessed eligible needs; and
 - b. Use of communities for assistance with unregulated care tasks such as shopping, cleaning and community access.

25. Non-standard care at home services. The previous home care procurement commissioned a single standardised service in high volumes covering all client groups. This continues to be necessary in order to capture economies of scale and to apply standard rates. However, this approach does not reflect the needs of some people with particularly complex needs who require non-standard care at home, and in turn leads to ad-hoc arrangements with non-contracted companies which carry an excess cost to the Council. The new procurement will ensure non-standard care in the home is suitably differentiated and specified, appropriately priced and properly contracted. Personal care in prisons, communicator guide and extra care services will continue to be commissioned separately. The new procurement will therefore be structured as follows:
- a. Standard homecare and pre purchased rotas;
 - b. Non-standard care in the home: complex-care, live-in care and unregulated support when part of assessed eligible needs; and
 - c. Sitting and home based respite services.

Nexus Care Local Authority Trading Company

26. Nexus Trading Services Limited trading as Nexus Cares (“Nexus”) is a Council owned business that was initially set up to provide reablement services in East Staffordshire. Following Allied Healthcare’s exit from the home care market nationally in November 2018, packages in Stafford and Cannock were successfully transferred to Nexus. Nexus is now providing around 3,500 hours of home care per week and there is potential for this to expand.
27. Any expansion of Nexus needs to be carefully planned to ensure that there is no detrimental impact on the market as a whole. The areas identified for potential expansion are those where the market has been unable to develop sufficient capacity to meet need. It is intended that by doing this that unmet demand, delays in picking up packages and/or use of reablement services to provide home care will be reduced.
28. The recommendation is that the Council enters into new contracts with Nexus for the provision of home care services which it is already providing from September 2021 and further contracts for the provision of home care services if required. Where the requirements of Regulation 12 of the Public Contract Regulations 2015 (Teckal exemption) are met the Council is able to enter into contracts with Nexus without needing to undertake a tender process.

Summary of commissioning intentions

29. The new procurement will include the following:
- a. Maintaining the current zones.
 - b. Maintaining standard and enhanced rates
 - c. Annual uplift in the hourly rate or a fixed calculation for determining the annual uplift in the hourly rate that is set at the outset of the contract
 - d. Discontinuing block contracts.
 - e. Maintaining the option for pre purchased rotas

- f. Paying companies on the basis of hours of care commissioned.
- g. Discontinuing the Council's Electronic Call Monitoring system and develop an IT system that uses data from companies' own Electronic Call Monitoring systems to monitor and audit care provided.
- h. Allowing new companies to be given the opportunity to be appointed on the same terms and conditions.
- i. A sector wide workforce strategy which improves recruitment and retention.
- j. Encouragement for innovation.
- k. Structured in Lots as detailed in paragraph 25.

Financial implications

30. The Council's spend on home care is driven primarily by three factors:

- a. **Demand** – i.e. the number of hours of care commissioned.
- b. **The standard hourly rate paid to contracted companies.** Local authorities are required to review rates to ensure that they adequately reflect the cost of care as well as being sufficient to sustain a workforce in adequate numbers and quality. As part of the annual fee review the Council calculates the cost of care using the costed model for Nexxus with the rate offered to the market including an additional profit element.
- c. **Use of non-contracted companies paid at a higher hourly rate.** Measured against a July 2019 benchmark of £1.49M, the excess cost of using more costly non-contracted companies has fallen to £0.17M in July 2020.

31. Gross expenditure on home care over the current contract is set out in Table 1:

Table 1: gross expenditure on home care

Year	Total expenditure £m	Hourly rates paid to contracted companies	
		Standard rate	Enhanced rate
2017/18	38.482	£16.40	£17.00
2018/19	35.834	£16.40	£17.00
2019/20	36.751	£16.74	£17.34
2020/21	41.3 (forecast)	£17.26	£17.86

32. The new procurement will be cost neutral. The higher cost of paying on the basis of hours of care commissioned will be offset by a saving in expenditure on the Council's Electronic Call Monitoring System as well as MTFS savings already achieved and planned to reduce demand and use of non-contracted companies paid at a higher hourly rate. Details of cost pressures and savings from the new procurement are shown in Table 2.

Table 2: cost pressures and savings from the new procurement

£m	2020/21	2021/22	2022/23	2023/24
Budget	40.4	42.2	44.3	46.3

Forecast expenditure	41.3	41.3	41.3	41.3
Estimated cost pressure from additional demand		0.8	1.9	2.9
Estimated cost pressure from inflation & national living wage		1.0	2.0	3.0
Paying on the basis of hours of care commissioned		1.4	1.4	1.4
Total cost pressures	0.9	2.3	2.3	2.3
Additional client income from growth in demand	(1.3)	(1.5)	(1.8)	(2.1)
Savings from call monitoring system	(0.1)	(0.2)	(0.2)	(0.2)
Less MTFs savings	(0.75)	(0.75)	(0.75)	(0.75)
Total savings	(2.15)	(2.45)	(2.75)	(3.05)
Net position	(1.25)	(0.15)	(0.45)	(0.75)

**Funded from non-recurrent grant allocation in 2020/21*

Legal implications

33. The new procurement will be undertaken in accordance with the Council's internal Procurement and Financial Regulations and the Public Contract Regulations 2015. Contracts will be awarded after the completion of the tender process for externally commissioning care companies. Any contracts entered into between the Council and for Nexxus will be entered into on the basis of the Teckal exemptions applicable for wholly owned local authority trading companies which meet the requirements.

Community Impact Assessment

34. A Community Impact Assessment has been completed and is attached to this report. The impact of implementing the recommendations within this report has been assessed as neutral.

List of Background Documents/Appendices:

Community Impact Assessment - Summary Document

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