

EAST AYRSHIRE COUNCIL

SOCIAL WORK COMMITTEE: 2 NOVEMBER 2006

REVIEW OF INDEPENDENT SECTOR CARE AT HOME CONTRACTS

Report by the Executive Director of Educational and Social Services

1. PURPOSE OF REPORT

- 1.1 To advise Committee of the outcomes of the review of external purchasing arrangements for Care at Home provision.

2. BACKGROUND

- 2.1 Responsibility for providing domiciliary services rests with the Local Authority under the Social Work (Scotland) Act 1968, as amended by the NHS and Community Care Act 1990.
- 2.2 The Care Development Group Report: Fair Care for Older People (September 2001) made a number of recommendations in respect of development of care at home services to meet emerging needs. These included the need to provide preventative care at home; diversion from hospital admissions and discharge planning; creative deployment of the home care workforce and clear outcome agreements in home care services.
- 2.3 In East Ayrshire, development of Community Care Services to meet the needs of vulnerable people in our communities has been progressed through a partnership approach. Statutory services of Social Work, Housing and Health are complemented by commissioned services from the independent and voluntary sector to ensure high quality, responsive, flexible and effective provision within a stable market.
- 2.4 In 2002 East Ayrshire Council completed a comprehensive Home Care Review. As an outcome of the Review the provision of care at home services by independent sector providers was consolidated through a tendering exercise. At that time a balance of 70% of provision undertaken in house and 30% outsourced had been identified and the commissioning exercise put a contractual framework around this. The contracts commenced in April 2003 with a duration of one year, with the option of two one-year extensions, dependent upon performance.
- 2.5 In January 2006 Social Work Committee approved a one year extension to existing Care at Home contracts to both facilitate a review of our purchasing arrangements and take account of changing demographics, operational and strategic directions.

3. REVIEW PROCESS

- 3.1 The review considered an analysis of the operating environment, benchmarking with other local authorities and future direction.

Analysis of Operating Environment

- 3.2 The contractual arrangements put in place in 2003 developed commissioning arrangements with the Independent Sector from open ended 'call off/spot purchase' style contracts inherited from the former Strathclyde Regional Council to new block arrangements with 4 partner providers centring around 6 geographic areas.
- 3.3 It was intended that the new arrangements would result in work being subsumed into the new block contracts and that the call off/spot contracts would eventually be terminated. Significant work has been undertaken consolidating rates so that where these contractors have block contracts, their call off/spot purchase rate is the same.
- 3.4 In each of the six geographical areas the partner providers deliver the contracted levels of service. There are portions of work however being delivered by providers outwith their geographical block areas, and in some areas the 70:30 split has not been consistently achieved. Overall, however, a 60:40 was achieved.
- 3.5 One additional provider was not awarded a block contract but continues to deliver service solely on the basis of its call off/spot contract for a range of operational reasons relating to the care of the individuals concerned.
- 3.6 In April 2006 the Council approved a new Strategic Direction for Older Peoples' Services. The Strategic Direction incorporated extensive consultation with service users, carers, partner organisations and other stakeholders. This strategy has significant implications for the future delivery of care at home services.
- 3.7 The thrust of Community Care policy for the last decade has been to shift the balance from institutional care towards providing more care for older people in their own homes when it is safe and practical to do so. The agreed strategic direction affords the Council the opportunity to significantly redesign and reinvest its resources in order to further develop effective models of care in the community including care at home services. Capacity requires therefore to be built into future arrangements relating to care at home services to allow for any consequential growth in demand. This suggests that our overall future care at home arrangements are unlikely to contract and are likely to increase.
- 3.8 Operational managers have been fully involved in the process of reviewing current arrangements in respect of outsourced care at home services. The six geographical areas previously identified reflected the operational management arrangements in place at the time the contract was tendered in 2003. In 2004 as part of strengthening frontline services, care at home services were consolidated under the management of Locality Team Managers in order to promote a seamless service. The review subsequently identified the need to give consideration to realigning geographical boundaries of future contracts to reflect our new operational structure.
- 3.9 Contract administration from 2004 became the responsibility of the Social Work Performance and Development Section and the review confirmed that future contractual arrangements would require to reflect seamless and robust monitoring arrangements at both operational and contract administration level.

Benchmarking

- 3.10 Social Work participate in and co-host the Pan Ayrshire contracts group and represent the Council at the Association of Directors of Social Work (ADSW) Contracts and Homecare sub groups. These fora provide the vehicle to benchmark and participate in developments at both national and local level.
- 3.11 In this respect the approaches of neighbouring authorities are of particular interest given that some providers operate across boundaries. Similarly, discussions took place with Glasgow City Council representatives.
- 3.12 The outcome of the exercise was that although all operated mixed economies of care with independent providers supplementing in-house provision, there was no uniformity in models of contracts.
- 3.13 Preliminary discussions have taken place between representatives of East, North and South Ayrshire Councils to discuss shared approaches to commissioning and contracting and it has been agreed that these discussions will continue. There was not however sufficient convergence of timescales, needs or processes to support a joint approach to commissioning of care at home services at this time.

The Next Steps

- 3.14 In order to fulfil its statutory obligations the Council requires to deliver or make arrangements for the provision of care at home services. The Council has discretion in the level and model of contracts with the independent sector.
- 3.15 The unit costs of in-house provision are broadly comparable to those of independent sector providers.
- 3.16 Moving towards a full in-house model of provision is likely however to reduce the flexibility inherent in the mixed economy model and in terms of best value would also preclude the Council from taking advantage of any potential financial benefits that could accrue as a result of the competitive tendering process.
- 3.17 Moving towards a model of fully outsourced provision would equally leave the Council vulnerable to the vagaries of the market and in a worst case scenario unable to meet the needs of vulnerable individuals.
- 3.18 The mixed model of care affords the Council the best balance in terms of ability to meet the needs of vulnerable individuals through a flexible and responsive system with the potential to achieve economic benefit to the Council via the competitive tendering process. In terms of split in provision the previously identified aspiration of 70:30 would appear to offer a level of business to the market with sufficient critical mass to prove attractive. However, given the nature of the business the potential for variation in this on a day to day basis is significant and the overall aspirations require to be subject to continuous review in considering operational requirements and best value.
- 3.19 In determining a pricing strategy the Council has 2 options:
 - Option 1 Offering no guaranteed level of business allows the Council to purchase service as it requires. Provider organisations require to factor financial

risk into their tenders to reflect the costs of putting the necessary infrastructure in place with no guarantee of income.

Option 2 Guaranteeing a level of business ensures stability in the market and is likely to encourage more competitive tenders from providers. However there is a risk of guaranteeing more business than is actually required.

Conclusion

3.20 In conjunction with colleagues from Procurement and Internal Audit Sections, a tendering process designed to ensure stability in the market yet encourage competitive tenders has been agreed and is set out below:

- Revised/updated service specification to reflect operational and policy requirements.
- Terms and conditions of contract developed in partnership with Legal and Procurement Sections
- 70:30 target in house/out sourced split to be maintained subject to best value and operational considerations
- Tender to be on the basis of 6 revised geographically based lots (with a guaranteed block of hours to promote stability in the market and encourage competitive tenders based on careful analysis of the purchasing requirements in each area); and one non-geographical lot with no guaranteed hours to ensure provision in the event that demand may exceed the capacity of a given geographical provider to supply.
- Existing open ended call off/spot contracts to be terminated by issue of one months notice to coincide with commencement of new arrangements.
- Payment terms to be 4 weekly in arrears.
- 'Restricted' process to be followed in accordance with Council Standing Orders relating to Contracts (public advert, invitation to express interest and submit pre qualification questionnaire; full tender submissions invited further to shortleeting, tenders evaluation and contracts awarded).
- Duration: 4 years (two years+ 1year+1year) subject to annual continuous review at both contractual and operational levels.
- All contracts will be monitored operationally.

4. POLICY/LEGAL IMPLICATIONS

4.1 The tender process is compliant with Council Standing orders and European tendering regulations and supports the Council in the development of business continuity planning.

5. PERSONNEL IMPLICATIONS

- 5.1 The proposals in section 3.20 will see the continued maintenance and development of East Ayrshire in house home care service as the predominant provider in the local market.
- 5.2 Where appropriate, matters arising from TUPE will be given close consideration in service development. Close liaison will be maintained with the Trade Unions during this process.

6. FINANCIAL IMPLICATIONS

- 6.1 Some £2.7m was spent on independent sector care at home provision in 2005/06 and it is anticipated that similar levels of spend will be maintained over the duration of the contract.

7. COMMUNITY PLANNING IMPLICATIONS

- 7.1 Care at Home is a key service which supports a large number of vulnerable people in their homes and addresses the objectives set out in the Improving Health, Improving Opportunities and Eliminating Poverty Action Plans of the Community Plan.

8. RECOMMENDATIONS

- 8.1 Social Work Committee is asked to:-
 - (i) request the Executive Director of Educational & Social Services to submit a further report to detailing the outcomes of the tender process; and
 - (ii) otherwise note the contents of this report.

Graham Short
Executive Director of Educational and Social Services
ADM/CJ
25 October 2006
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LIST OF BACKGROUND PAPERS

1. East Ayrshire Council Care at Home Contract PS/02/12/SS
2. Report on the Joint Future Group 2000
3. Regulation of Care (Scotland) Act 2001
4. The Care Development Group Report: Fair Care for Older People September 2001
5. Better Outcomes for Older People – Framework for Joint Services

For further information on this report please contact:-
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