

## Commissioning and Procurement Sub-Committee – 15<sup>th</sup> September 2020

<b>Subject:</b>	Pricing Model for Non Standard/Specialist Residential and Nursing Care Services		
<b>Corporate Director(s)/ Director(s):</b>	Steve Oakley, Acting Director of Commissioning and Procurement		
<b>Portfolio Holder(s):</b>	Councillor Adele Williams – Portfolio Holder for Adult Care and Local Transport		
<b>Report author and contact details:</b>	Jo Pettifor, Category Manager - Strategy and People Tel: 0115 8765026 Email: jo.pettifor@nottinghamcity.gov.uk		
<b>Other colleagues who have provided input:</b>			
<b>Key Decision</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<b>Subject to call-in</b>
			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Reasons:</b>	<input type="checkbox"/> Expenditure	<input type="checkbox"/> Income	<input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
			<input type="checkbox"/> Revenue <input type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Total value of the decision: nil</b>			
<b>Wards affected: All</b>	<b>Date of consultation with Portfolio Holder(s):</b> Cllr Williams – 19 <sup>th</sup> August 2020 Cllr Webster – 26 <sup>th</sup> August 2020		
<b>Relevant Council Plan Key Theme:</b>			
Nottingham People			<input checked="" type="checkbox"/>
Living in Nottingham			<input type="checkbox"/>
Growing Nottingham			<input type="checkbox"/>
Respect for Nottingham			<input type="checkbox"/>
Serving Nottingham Better			<input type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>			
<p>This report presents proposals for a new pricing model for fee rates for non-standard or specialist adult residential and nursing care services. The proposed model follows a review of the arrangements for setting fee rates for packages in which the level of care needed is above what is included in the fees paid for a standard package of care. The model and rates proposed are based on consideration of the actual costs of providing services and potential sustainable funding models, and have been subject to consultation with service providers. It is proposed to implement the new model from 1st December 2020 following completion of an appeals process in relation to the banding of individual homes.</p>			
<b>Exempt information: (TBC)</b>			
<p>Legal observations at Appendix 3 to this report are exempt from publication under paragraph 5 of Schedule 12A to the Local Government Act 1972 because they contain information in respect of which a claim to legal professional privilege could be maintained in legal proceedings. In addition, in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because the information sets out the legal risks inherent in the course of action proposed here, which the decision maker is arguably entitled consider without the Council's position being affected by consideration of those risks.</p>			
<b>Recommendation(s):</b>			
<b>1</b> To approve proposals for a pricing model for non-standard/specialist adult residential and nursing care services (outlined in Appendix 1), which have been subject to consultation with service providers.			
<b>2</b> To delegate authority to the Head of Contracting and Procurement to agree the appropriate banding (and associated fee level) for each residential and nursing care service in accordance with the model proposed. The banding of individual services (for both existing and new placements) will be subject to an appeals process should providers wish to			

	challenge the banding decision for their service.
<b>3</b>	To approve the implementation of the new model for new placements from 1st December 2020, with a view to implementing for all existing packages on 1 <sup>st</sup> December 2020 subject to the outcome of the appeals process.
<b>4</b>	To delegate authority to the Director of Commissioning and Procurement in consultation with the Director of Adults Services to determine the outcome of the appeals process and confirm the timing of implementation of the new funding model for existing packages, following the appeals process.
<b>5</b>	To note that approval to spend against individual placements in specialist provision is through the Council's scheme of delegation for Adults Care Packages.

## **1 Reasons for recommendations**

- 1.1 Nottingham City Council (the Council) has a legal duty under the Care Act 2014 to consider fee rates payable for social care contracted services and in doing so, must consider the costs of delivering care and the sustainability of the market. These considerations are balanced against budget commitments and pressures for the City Council.
- 1.2 The Council is looking to implement a new funding model for non-standard/specialist residential and nursing care placements in which the level of care needed is above that of a standard package (as defined in the 'core elements' of a standard residential service). The aim is to take a more consistent and streamlined approach to the fees paid for specialist care and support. The development of a more consistent pricing mechanism supports transparency and fairness across providers.
- 1.3 Currently citizens are placed in non-standard/specialist residential and nursing care homes on a variety of differing rates, often for the same level of support. Under the proposed model, citizens with similar support needs will be paid the same rate regardless of where they are placed. Additionally there is often a high number of one to one hours required to support the citizen's daily living. The proposed model aims to reduce reliance on one to one support to 'top up' fee rates when adequate staffing should be available to support the needs of citizens within the home.
- 1.4 It is considered that a balanced, reasoned and informed approach has been adopted in developing these proposals, which seek to support a sustainable, efficient and effective market within the available resources. The key factors taken into consideration are:
- Costs of service delivery
  - Market considerations, including implications of the 'Better Lives, Better Outcomes' strategic vision for residential and nursing care
  - Outcomes of consultation with providers
  - Affordability
- 1.5 The proposed pricing model is based on a formula developed by Valuing Care Financial Management Ltd, who carried out a pricing review in 2018/19. The outcome of this review has been supplemented with information collected from providers to produce a model that is considered to align with and reflect the actual costs of service delivery in this market.
- 1.6 In recognition that the size of the home impacts on the costs of delivering services, the pricing model recognises the size of homes and comprises three

size categories: 5 beds or less; between 6 and 11 beds; and 12 beds and above.

- 1.7 Market related factors considered include: size of the market; any evidence of market failure or collapse; whether providers are managing to deliver under the current fee rates and whether the fees proposed are equitable and support an efficient, effective and sustainable market.
- 1.8 Service providers were consulted on the proposals during March 2020 and were invited to identify potential impacts and risks eg to provider/market and service delivery, and to suggest mitigating actions. The outcomes have been fully considered in making these final recommendations.
- 1.9 The Council's financial pressures are significant, with savings required in 2020/21 and cost pressures anticipated to continue. The review has been undertaken with regard to the budget savings required across adult provision, due to reductions in the funding the Council receives from central government and other current economic pressures. These proposals are considered the fairest way to allocate the funding available in the light of the Council's financial pressures and within the context of the overall funding for adult social care provision.
- 1.10 Following approval of the proposed model, it is proposed to notify providers of the banding of their individual homes during September 2020. The banding of individual services will be subject to an appeals process should providers wish to challenge this decision.
- 1.11 It is proposed to implement this pricing model for new placements in residential and nursing care from 1st December 2020. It is also the intention to implement the model for existing placements from 1<sup>st</sup> December 2020, however this will be confirmed following completion of the appeals process.

## **2 Background (including outcomes of consultation)**

- 2.1 The 'Better Lives, Better Outcomes' strategy for sustainable adult social care in Nottingham sets the direction of travel for all adult social care services, with the vision to "enable all older and disabled citizens, including those with mental health needs, in Nottingham to live as independently as they can, with a connection to their communities. When formal care and support is needed, its aim will be to retain and restore independence. No one will live in residential care unless all other options are exhausted."
- 2.2 In 2019/20, a commissioning review was completed to develop a new service specification for residential and nursing care services in the City and County and an accreditation process has been undertaken to award contracts from 1st April 2020. The value of expenditure under these contracts was included in the approval by Sub Committee on 9<sup>th</sup> July 2019 to undertake this commissioning process.
- 2.3 Since 2014/15, the City Council's fee rates for residential and nursing care have been based on the outcome of an independent pricing review undertaken by Valuing Care Financial Management Ltd in 2013. A further review was commissioned through Valuing Care in 2017/18 and the findings have been used as the basis for the proposed new pricing model. The process to develop the proposed funding model and fee rates has comprised the following:

- Analysis of the actual costs of providing services – with reference to the Valuing Care review findings and additional cost information supplied by providers. Core cost elements considered include: care home staffing, premises maintenance, supplies and services, transport, head office/regional management and return on capital and operations.
- Wider benchmarking of rates against other authorities
- Understanding the current market and the Council's market shaping duty
- Sustainability

2.4 Details of the proposed funding model and rates are set out in Appendix 1. The model consists of 4 banded rates based on the number of direct hours of care delivery to citizens, and 3 size categories of home. A total of 12 fee rates are proposed based on the combination of home band and size categories. It is expected that additional one to one hours will be commissioned only in exceptional circumstances based on evidence of need, and will be time limited – for example for specific episodes of increased need.

2.5 During March 2020 consultation was undertaken on the proposals service providers, through an online questionnaire, an engagement event and meeting with the Care Homes Association. The online survey invited providers to comment on all aspects of the proposals and to identify potential impacts and risks in relation to service delivery and the provider market. The responses received have been fully considered and were used to undertake an Equalities Impact assessment of the proposals prior to making final recommendations.

2.6 A summary of the consultation outcome is attached at Appendix 2. There was a limited response in terms of numbers of providers, however the majority of those responding agreed with the aim of setting pricing on a more consistent and streamlined basis, and felt that this would be a fairer, more consistent and transparent model. In a number of areas, respondents commented that there was insufficient information to draw conclusions on the impact of the proposals as they felt this would depend upon how the model is implemented; for example, which band individual homes fall under and how one to one support is addressed.

2.7 A potential impact of the proposals identified by providers is that services may become financially unviable in the event that providers consider that the fee levels do not cover the full cost of delivering care. This could result in homes giving notice terminate their contract with the Council. A risk arising from this is upon Adult Social Care operational resources to support citizens to move to alternative provision within the timescales of the notice period. This may add additional budgetary pressures.

### **3 Other options considered in making recommendations**

3.1 Do nothing. This is not recommended as it does not address the current inconsistencies in the pricing of specialist packages of care and achieve the aim of adopting a more consistent, streamlined and fair process across all providers.

3.2 Adopt a different model of fee rates. This is not recommended as the proposals are the result of significant analysis and financial modelling undertaken, taking into account knowledge of the market and the overall budget pressures upon the Council. The recommendations consider the potential impact on service delivery and the market. Offering alternative fee rates would place additional pressure on the Adult Social Care budget and this is not a feasible option.

- 3.3 To undertake analysis of individual placement costs and offer fee rates based on the cost of care, factoring in staffing and other operating costs. This option would not be feasible as it would be highly administratively burdensome and problematic as rates of pay and other factors are not standard across the sector.

#### **4 Finance colleague comments (including implications and value for money/VAT)**

- 4.1 This report seeks approval to implement a new pricing model for fee rates for non-standard or specialist adult residential and nursing care services from 1st December 2020, subject to the outcomes of the appeals process.
- 4.2 The development of a more consistent pricing mechanism ensures fair and equitable payments for specialist care and support services whilst supporting transparency across providers.

The consistency of the proposed banded pricing model outlined in this report will also aid planning and robust in year forecasting for Nottingham City Council by mitigating constant price fluctuations.

- 4.3 The financial impact of this decision cannot be robustly quantified until the appeals process has been heard and is therefore excluded from current Medium Term Financial Strategy assumptions, however, the proposals outlined in this report will be contained within the current budget allocation as incorporated within the Medium Term Financial Plan.
- 4.4 Approval for the expenditure associated with this decision is covered through the Council's scheme of delegation for Adults care packages, this decision solely refers to the change in pricing model, seeking approval for the proposed methodology for calculating the costs to be paid to providers moving forwards.
- 4.5 Any outcomes of this decision will need to be reviewed by the Head of Contracting and Procurement in conjunction with future National Living Wage policy decisions.
- 4.6 This decision will be subject to a separate approval process should the appeals process result in a different outcome/significant change to that outlined in this report.

Hayley Mason, Strategic Finance Business Partner (Adults and Public Health)  
25 August 2020

#### **5 Legal and Procurement colleague comments (including risk management issues, and including legal, Crime and Disorder Act and procurement implications)**

- 5.1 Legal comments are contained within exempt appendix 3

##### **Procurement Comments**

- 5.2 Nursing and Residential Care providers have been contracted through an open accreditation process managed by the Procurement Team, therefore there are no procurement implications arising from these proposals. This proposal reflects a more consistent and fair model for the pricing of Non Standard/Specialist packages in Nursing and Residential Care Homes.

**6 Social value considerations**

6.1 None applicable

**7 Regard to the NHS Constitution**

7.1 None applicable

**8 Equality Impact Assessment (EIA)**

8.1 Has the equality impact of the proposals in this report been assessed?

Yes



Attached as Appendix 4, and due regard will be given to any implications identified in it.

**9 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

9.1 None

**10 Published documents referred to in this report**

10.1 The Care Act 2014

10.2 'Better Lives, Better Outcomes: a strategy for sustainable adult social care in Nottingham' 2018