

CHESHIRE EAST

Cabinet

Date: 12 August, 2008
Report of: People
Title Residential & Nursing Contract

The decision on this matter falls within the definition of a key decision and would normally be expected to be included within the Forward Plan which is published monthly and includes details of key decisions to be made during the four month period ahead. However, this decision can still be made where the procedure contained in Rule 12 of the Access to Information Procedure Rules in the Constitution has been followed. This provides that where the decision has to be taken by such a date that it is impracticable to defer the decision until it can be included in the next Forward Plan, the Monitoring Officer must inform the Chairman of the Scrutiny Committee of the matter to which the decision is to be made, copies of the notice have been made available to the public at the shadow council's offices, and at least five clear working days have elapsed since the Monitoring Officer has complied with those obligations. In this case, the necessary procedure has been followed, and accordingly, the Cabinet may take the decision.

1.0 Purpose of Report

- 1.1 To set out the recommendations for managing the contract for residential & nursing care for adults and older people which is due to expire on the 11th April 2009.
- 1.2 To highlight issues relating to the operation of the contract and in particular the availability of supply at current contract rates and the work in hand to assess the service and financial implications
- 1.3 To note that a further report will be presented in September on the service and the financial impacts of current contract rates on the available supply of service.

2.0 Decision Required

- 2.1 Notice must be given to Providers of any proposed extension by the beginning of October 2008, therefore two decisions are needed by the end of September
 - I. Whether to agree in principle a 2 year extension
 - II. What the contract rates and pricing mechanism should be under the extended contract
- 2.2 Given that the information regarding the review of contract rates will not be available until the end of August this issue will need to be taken to the appropriate decision makers now for an agreement in principle to the extension and then again in September for an agreement on the contract price. **A route needs to be agreed now for the two parts of the decision to be made by the end of September in order to comply with the contractual obligation to give notice to the Providers**

3.0 Background and Options

- 3.1 Cheshire County Council purchases the vast majority of residential and nursing care for adults and older people via a residential and nursing care home contract. The contract is due to expire on 11th April 2009 but includes terms to allow for the extension of the contract for up to two years on similar or changed terms. **Providers must be given six months notice of changes to the contract i.e. by 11 October 2008**
- 3.2 The Contract represents one of the County Council's largest single contracts providing care home placements for 2,400 people at a gross cost of £51.5m per annum. It operates jointly in conjunction with Central and Eastern PCT and West Cheshire PCT in relation to Nursing Home provision.
- 3.3 The contract sets out the specifications for the standards of services required, and the fee rates for 'standing offer' care home placements. Standing offer fee rates apply to the majority of care home placements purchased for older people in Cheshire.
- 3.4 The contract, and associated fee rates also provide a mechanism for identifying areas of need for care and influencing the gearing of the private and independent markets towards the meeting of these needs
- 3.5 In normal circumstances, a new contract would now be in the process of being discussed, consulted upon and agreed. This would involve Cheshire County Council officers and Members, PCTs, and representative residential and nursing home providers.
- 3.6 On the 1st April 2009 the present contract will automatically be assigned to the two new Authorities by operation of contract and the contracted services disaggregated. Each successor Authority will need to take decisions regarding the future commissioning of these services. However there are a number of factors which suggest that the development of a new contract at this time would not be appropriate and that a contract extension may be the preferable option. These factors include:
- The PCTs favour a continued joint contract
 - The PCTs have already indicated that they will move their boundaries to align with the new local authorities but this re-alignment will not be completed until April 2010
 - Members will be aware of the significant work being undertaken in relation to Social Care Redesign and the move to Individualised Budgets and Self Directed Support. These initiatives are in their infancy and the likely impact on the purchasing of care home placements is as yet unknown but will become clearer in the next six months.
 - The County Council is experiencing difficulties in securing sufficient providers willing to provide services at the contract rates. Work is in hand to identify the scale of this problem and the financial implications of varying rates to retain providers in this critical market. This work will need to be

completed to inform any future tender for a new contract but is unlikely to be completed in time to allow for a re-tender by 31 March 2008. A further report will be presented to Members on the impact of this work along with options for the way ahead.

3.7 A two year contract extension is preferred because it allows sufficient time for the following:

- a full review of the existing contract including consultation with care home providers
- greater consideration of changes in contracting practice for example the use of quality premiums
- opportunities for other developments to have an impact e.g. individualised budgets which may influence the demand for residential and nursing care
- time for new local authorities and PCTs to become established and to consider their preferred approach to the local market
- a full re-tendering exercise to be carried out prior to the re-letting of the contract in 2011

4.0 Implications for Transitional Costs

4.1 There are no implications for transitional costs

5.0 Financial Implications

5.1 Decisions have not yet been take as to how the current budget will be split but current contract costs can be split between Cheshire West & Chester and East Cheshire (using current contract prices and activity) as shown in the table below.

Table 1: CCC 2008-9 Budget/ Current Costs

	CW&C	EC	Total
	£000	£000	£000
Current contract cost (2007-8 base)	24,797	26,762	51,559

5.2 The budget for this contract will be one part of the wider discussions on disaggregating the total budget for services to adults and older people (circa £230m gross in 2008-9)

5.3 Under the terms of the contract the Council pays for services at agreed rates which are subject to annual inflation based on a basket of indices set out in the contract. Work is in hand to assess the likely increase in costs for 2009-10 using these indices and this will be reported to Members in September.

5.4 As discussed above there may also be a business need to review contract rates and inflationary clauses in order to continue to secure supply but this will be subject to a further report.

6.0 Conclusions and reasons for recommendation

- 6.1 The contracted services can continue to be procured by each new Authority separately by operation of the existing contract extended for 1 or 2 years on changed or similar terms.
- 6.2 There are practical issues as regards the timing of a re-tender now including the need to
- agree the commissioning strategy for the new authorities;
 - reflect on the supply side issues affecting the operation of the existing contract in the light of pressures in the residential and nursing market, and the current capacity within the care home market to ensure viability of a 'standing offer rate', sufficiency of supply, and to an acceptable quality.
 - take account of the potentially significant impact of the social care redesign work
- 6.3 The PCTs support extension as this aligns with their own commissioning and boundary reviews

For further information:-

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Background Documents:-

Documents are available for inspection at: