

# Adult Social Care Committee

Item No:

**Report title: NorseCare Contract Review**

**Date of meeting: 6 November 2017**

**Responsible Chief Officer: James Bullion, Executive Director of Adult Social Services**

## **Strategic impact**

NorseCare is the largest single provider of Residential and Housing with Care services in Norfolk. Norfolk County Council (NCC) spends nearly £290 million a year in the care market, of which just over £34 million is with NorseCare; this represents 13% of NCC's total investment in residential care and 98% of NCC's investment in Housing with Care.

## **Summary**

Since Norfolk County Council created NorseCare in 2011 much has been achieved. NorseCare is the largest single provider of residential and Housing with Care services in Norfolk. NCC spends nearly £290 million a year in the care market, of which just over £34 million is with NorseCare.

Since the company was established, the operating context for the county council, its companies and the wider care market has significantly changed. This report analyses the current position, and proposes some new operating principles which will inform changes to the transformation programme and revise the contract arrangement between the council and NorseCare.

## **Recommendations:**

### **Committee is asked to:**

**Agree the principles in Section 3 and delegate to the Executive Director a refresh of the NorseCare Contract based on those principles**

## **1. Context and background**

- 1.1 In 2011 Norfolk County Council (NCC) created NorseCare, a company wholly owned by the County Council, operating within the Norse Group. The company was created to operate all NCC care homes and provide care into previously NCC run housing with care schemes. NorseCare operates under a contractual relationship with NCC.
- 1.2 As part of the vision for establishing the company, NorseCare was required to transform its ageing estate over 15 years. All care staff and associated management and support staff transferred to the new company with the expectation they would, wherever possible, be redeployed in the new care settings as the transformation programme proceeded.
- 1.3 Much has been achieved over the last six years. NorseCare is the largest single provider of residential and Housing with Care services in Norfolk. NCC spends nearly £290 million a year in the care market, of which just over £34 million is with NorseCare. This represents 13% of NCC's total spending on residential care and 98% of NCC's spending on Housing with Care. NorseCare has previously delivered savings for the council through efficiencies, changes to staff contracts and developing other income streams, which enabled the contract to be reduced by £1m in 2015/16 and has provided annual rebates. In this financial year NorseCare has foregone an inflationary increase and developments including resizing the contract and introducing revised terms and conditions for new staff has enabled some savings to be realised.

- 1.4 However, since the company was established, the operating context for the county council, its companies and the wider care market has significantly changed. This report analyses the current position, and proposes some new operating principles which will inform changes to the transformation programme and revise the contract arrangement between the council and NorseCare.

## **2. Factors for Change**

There are a number of factors which make it timely to review and re-set the contractual arrangements with NorseCare. These are:

### **2.1 The introduction of the Care Act 2014**

- 2.1.1 A key duty of the council under the Care Act 2014 is 'market shaping', which has three main functions:

- a) To promote wellbeing of the whole local population, not just those people whose care it funds
- b) To move from being an influencer on the care market solely through its own purchasing to one where, with providers, 'it seeks to shape, facilitate and support the care market'
- c) To ensure that continuity of care is maintained for people in case of provider failure

### **2.2 Promoting Independence Strategy**

- 2.2.1 Promoting Independence is Adult Social Services' strategy to support people to stay independent, resilient and well. Shaped by the Care Act, it aims to help people to live their lives, making choices that work for them, with support that ensures they stay in control in their preferred place of residence.
- 2.2.2 To implement Promoting Independence we are changing the pattern and type of support and care across Norfolk, with more emphasis on support for people to remain at home for longer, less reliance on residential care. This is what people tell us that they want. This approach is already reflected in our commissioning intentions, with a greater investment in home-based reablement, accommodation based reablement, assistive technology support services, home support and supported housing, nursing care, and consequently lower growth proportionately in residential care. These commissioning intentions need to be factored into the arrangements for NorseCare.

### **2.3 Changing Demographics**

- 2.3.1 A recent review of requirements for 2020 shows a significant change from the Strategic Model of Care which was developed in 2008. The most significant factor is a projected increase in the need for dementia and nursing residential care, and Housing with Care provision, with many fewer non-dementia residential care home places.

### **2.4 Financial constraints on the public sector**

- 2.4.1 Since 2010, the public sector has seen a period of sustained austerity which has reduced government grant to local councils and required year on year reductions in spend. This has been at a time of increasing demand which has made it a particularly challenging time for social care.
- 2.4.2 Nationally it is acknowledged that social care has been underfunded. Since the Council agreed its budget in February, additional funding has been directed towards adult social care by the Government, including through the ability to increase council tax to support social care. However, there is still a need for a more sustainable footing for the future,

and the Government has signalled there will be further debate in the New Year about the best way to finance and deliver social care services.

2.4.3 Whilst the overall spending for adult social services increases year on year, savings still have to be achieved to keep pace with the demand for services and the increasing costs of providing them. In 2016/17, adults made savings of £7.2m in 2016/17 against a target of £10.9m.

2.4.4 In 2017/18, it is required to deliver savings of £14m, and a further £4m to replace one-off government funding. For the following four years, the total amount is £69.619m. This gives an indication of the scale of change and transformation required.

## 2.5 **The Residential Care Market**

2.5.1 Adult Social Services spends the vast proportion of its monies with independent providers of care. Whilst social workers assess what strengths people have and agree with individuals what additional support they need to be able to stay as independently as possible, any care is then purchased from the care market.

2.5.2 Inflation, pay costs and rising prices all put pressure on the cost to adult social services for that care. In line with other local authorities, the amount of money the Council pays for each 'unit' of care is increasing. These increased costs are being driven by a range of factors including:

- a) Increases to the National Minimum Wage
- b) A very challenging labour market, with significant ongoing staff turnover, particularly in home care
- c) An 'ageing' care estate of often older care homes and nursing homes

2.5.3 Adult social services has a statutory responsibility to support and develop the market for care – not just for those eligible for adult social care, but for all citizens in Norfolk. At the same time, it is also our responsibility to purchase care in the most cost effective way for council tax payers.

2.5.4 During the 2016/17 and 2017/18 Cost of Care exercise, the consultations on Proposed Usual Prices for Residential and Nursing Care for Older People in Norfolk provided NCC with feedback from some providers who perceived that the Council's contractual arrangements with NorseCare were having a negative impact on the viability of the market.

2.5.5 Transparency and trust between Adult Social Services and the market is critical for developing sustainable care patterns for current and future generations. Clarity about the direction of travel for NorseCare and openness about the principles underpinning the contractual arrangements will help to address negative perceptions which have built up.

## 3 **Underpinning principles for future arrangements between NorseCare and Norfolk County Council**

### 3.1 **Move to unit cost basis**

3.1.1 The Council and NorseCare are working together to determine the unit cost for beds in each care home. Within this they will identify the 'legacy' cost relating to costs inherited by NorseCare from NCC when the staff and assets transferred. NCC and the company will agree a trajectory to reduce the legacy costs. They will also agree any reductions in the number of beds purchased in specific homes.

3.1.2 The council will also ensure that the payment it makes towards legacy costs does not subsidise the rates which the company charges self-funders.

### **3.2 Releasing more capacity for self-funders**

3.2.1 Income from self-funders is reinvested in the transformation programme. It is proposed to review the current position to determine a new balance between local authority purchased care and self-funders which would give greater flexibility to respond to real-time demand and market pressures.

### **3.3 Re-defining the transformation programme in line with needs**

3.3.1 The transformation programme was based on needs analysis conducted in 2008-10 and the landscape has changed considerably since then. Recent analysis by Public Health, and stakeholder views, indicate that future developments should focus on provision of accommodation for those with dementia but also on more independent living such as housing with care that can provide a better quality of life and independence for individuals.

3.3.2 To date NorseCare has made progress in transforming and adapting the estate. Four new schemes have opened to replace nine unmodernised homes. With investment from the council of some £5.6m, this has resulted in 143 dementia places and 122 housing with care units.

3.3.3 Whilst this is in line with the original transformation programme, there is a need for scale and pace to meet the changing needs. Housing with care is a more flexible, 'fit for the future', model that can be adapted to suit a variety of needs and levels of dependency.

3.3.4 NCC and NorseCare intend to work together to identify homes where a shift can be made towards dementia beds in order to help increase capacity within the market in line with anticipated future demand.

3.3.5 Both NCC and NorseCare recognise the need to take account of learning from previous developments. The options for development here need to be tested with both NorseCare and external providers to ensure resulting revenue levels are sustainable.

3.3.6 Further work will be undertaken during November and December 2017 to identify potential development of other new sites to meet demand in key areas. NCC will also consider opportunities that may exist within the market in any identified development areas.

3.3.7 Revised projections of need and requirement for a different mix of accommodation will entail potential closure of some homes that are not economically viable or meeting the aspirations of Norfolk residents. Recommendations for any re-purposing of existing homes, or closures, will be put forward by NorseCare.

## **4 Conclusion and Next Steps**

4.1 NorseCare continues to play an important role in delivering Adult Social Services' strategy for change, Promoting Independence. To ensure that it is fit for the future and closely aligned to support that strategy, a refresh of the original contract is required.

4.2 If agreed by Committee, the Executive Director will take forward discussions with NorseCare which will lead to a refreshed contract for 2018/19. The outcome of the refresh will be reported to the Adult Social Care committee.

## **5 Financial implications**

- 5.1 Re-negotiating the contract, based on the above principles, would effectively re-set financial expectations on both sides, and ensure that future savings are robust and deliverable. Critical to this will be determining the unit cost for beds in each care home and, within that, identifying the 'legacy' cost relating to the costs that NorseCare inherited from the council when the staff and assets transferred. The Council and the company will agree a trajectory to reduce the legacy costs. They will also agree any reductions in the number of beds purchased in specific homes.
- 5.2 The 2019-21 budget proposals include an initial estimate of the potential reduction in cost that could be achieved if NCC was able to achieve closer to market parity for the current services commissioned through the contract.
- 5.3 The finance monitoring report for period 6 elsewhere on this agenda sets out the current position in relation to the NorseCare budget. This reports an improved position, but there remains a variance. Work continues to address this and a clearer position will be available for Committee in January 2018.

## **6 Issues, risks and innovation**

### **6.1 Legal**

#### **6.1.1 Care Act 2014**

Market shaping is a key duty under the Care Act 2014. NCC has the responsibility of promoting the efficient and effective operation of the care market to support needs. This work will support NCC's market shaping responsibilities under the Care Act.

### **6.2 Risks**

- 6.2.1 There is a risk that relationships with the provider market will be adversely affected by the contention of current arrangements with NorseCare.
- 6.2.2 There is a risk that Adult Social Care will not deliver against its budget if changes are not undertaken in relation to current arrangements between NorseCare and NCC.

### **6.3 Equality**

- 6.3.1 By redefining the Norse transformation programme services can be developed to meet the needs of Norfolk's most vulnerable older people particularly those diagnosed with dementia.

## **7 Governance of the Contract**

- 8.1 The Liaison Board, which comprises members, officers and Norse Care's senior managers, oversees and monitors the Company's activities ensuring that the strategic objectives detailed in the contract are met.
- 8.2 NorseCare submits reports of its activities, its performance against the KPIs and its business plan and management accounts to the Liaison Board.
- 8.3 The Executive Director considers recommendations arising from the Liaison Board in managing the Norse Care contract.

## 9. Recommendations

### 9.1 Committee is asked to:

**Agree the principles in section 3 and delegate to the Executive Director a refresh of the NorseCare Contract based on those principles**

### Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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