

Adult Social Care Committee

Item No:

Report title:	NorseCare Contract Review
Date of meeting:	2 July 2018
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 (HwC) services in Norfolk. Norfolk County Council (the Council) spends over £320 million a year in the care market, of which £33.5 million is with NorseCare.

Summary

Since the contract was started, the operating context for the Council, and the wider care market has significantly changed and, in November 2017, the Adult Social Care Committee (ASCC) agreed that contractual arrangements between the Council and NorseCare should be refreshed and the revised ambitions for a new contract set out.

It was agreed that the Executive Director would take forward discussions with NorseCare on the revision of the contractual arrangements. This paper reports progress on renegotiation of the contract, identifies the enabling factors that will ensure the successful refresh of arrangements between NorseCare and the Council.

Recommendations:

Committee is asked to:

- a) **Agree the Contracting Principles between NorseCare and Norfolk County Council Outlined in Section 3 of this report**
- b) **Delegate to the Executive Director the contract variation based on those principles**

1 Context and background

- 1.1 In 2011 the Council transferred all the Council's care homes to NorseCare as it had decided to withdraw from direct provision in this area.
- 1.2 At the ASCC meeting on 6 November 2017, Committee agreed the following principles:
 - a) A move to a unit-cost basis
 - b) Release more capacity for self-funders
 - c) Redefine the transformation programme in line with the needs of Norfolk residents

2 Factors for Change

- 2.1 Since the start of the NorseCare contract, the Council and NorseCare have aimed to reshape service provision and seek further efficiencies. In addition to this work a number of factors have necessitated the review and reset of contractual arrangements with NorseCare:

- a) Duties under the Care Act (2014) to promote the wellbeing of the whole population and the Council's responsibility to shape, facilitate and support the care market
 - b) *Promoting Independence*. which is the Council's key strategy to support people to stay independent, resilient and well
 - c) Renewed emphasis on the role that HwC plays in supporting people to stay independent and development of a model of care that supports HwC to be fit for the future
 - d) Changing demographics and financial constraints on the public sector
- 2.2 The Council 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 the Council's tax payers.
- 2.3 Recent developments in the national care market emphasise the need for the Council to secure and develop care provision with the market to ensure a diverse and sustainable supply that meets projected demand.

3 Contracting Principles agreed between NorseCare and Norfolk County Council

3.1 Contract Price - move to unit cost basis

- 3.1.1 The Council and NorseCare have agreed a contract price for 2018-19. The unit prices will continue to be updated on an annual basis.
- 3.1.2 To reduce complexity and improve transparency it is proposed to separate elements of the contract from this point forward. This separation will include a defined premium paid for legacy and transformation costs, which will reduce over time. It has also been proposed to separate out the contractual costs for residential care services- where NorseCare have the responsibility for the property and provision of care - and HwC services where NorseCare have the responsibility for care but individual landlords have responsibilities to tenants and the property. This will facilitate consideration of new models of care which will be needed to ensure that HwC plays its full role in the prevention agenda.
- 3.1.3 The Council and NorseCare have agreed an estimated trajectory of legacy cost reductions but these are dependent on factors for which the business does not have direct control including future National Joint Council pay uplifts and hence could be subject to significant variation.

3.2 Legacy costs

- 3.2.1 Reduction of legacy costs is a key component in NorseCare realising price parity with the commercial care market. NorseCare and The Council has agreed a timeframe of five years for NorseCare to reach contractual terms comparable to the market.
- 3.2.2 Agreement of the 2018-19 contract price also comprises discussions about adjusting the mechanism for calculating inflation and overall contract price and considering the level of profit/margin to be made on the Council's work. Discussions about the enabling factors necessary to facilitate agreement here are ongoing, however, we expect to have agreement on this by the end of Quarter 2.
- 3.2.3 The identification of unit costs for all types of provision within the NorseCare contract supports the achievement of continued efficiencies as well as the introduction of new

models of care as outlined in the Promoting Independence strategy and Norfolk Futures work on older people housing.

3.3 Releasing more capacity for self-funders

- 3.3.1 Agreement on capacity has been reached for 2018-19 with an assessment of the balance required on an annual basis. A trajectory for the release of additional capacity to the market will be agreed over a five-year period which will assist NorseCare in achieving market parity by 2023. NorseCare and the Council continue to operate in the wider market assessing opportunities to work with other partners.
- 3.3.2 The completion of the HwC strategy, which sets out a model of care, will ensure HwC remains fit for the future and will guide the development of new and existing provision. A review of residential provision across the county is in train and will be complete in Autumn 2018; this will detail the changing needs of the county's population and propose actions for a whole market approach which will ensure needs can continue to be met.

4 Conclusion and Next Steps

- 4.1 NorseCare plays an important role in delivering Adult Social Services' strategy for change, Promoting Independence. To ensure that NorseCare provision is fit for the future and closely aligned to support that strategy, a refresh of the original contract has been completed. On agreement by Committee, appropriate contract variations/issues will be completed.
- 4.2 Discussions between NorseCare and the Council, work on market capacity and analysis of wider economic factors, have resulted in agreement on the key changes to the existing contract between the Council and NorseCare. Broader market interventions have been identified which will ensure the whole market continues to meet the needs of Norfolk residents.
- 4.3 It was agreed to rebase contract price based on unit costs, identify the legacy and transformation costs and a reshape the contract to reflect the differing role that NorseCare plays in residential and HwC.

5 Financial implications

- 5.1 Re-negotiating the contract based on the above principles, has effectively re-set financial expectations on both sides and ensures that future savings are robust and deliverable. The three key areas agreed and detailed above are critical to achieving both the savings and transformation required.
- 5.2 The mechanisms to achieve market parity are now agreed, which will ensure that the NorseCare contract is aligned with the Council's efficiency and investment targets.

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. The Council has the responsibility of promoting the efficient and effective operation of the care market to support needs. This work will support the Council's market shaping responsibilities under the Care Act.

6.2 Risks

- 6.2.1 Agreement of the refreshed contract reduces the risk that relationships with the provider market will be adversely affected by 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 the Council.

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

- 7.1 The NorseCare Liaison Board oversees and monitors the company's activities ensuring that the strategic objectives detailed in the contract are met.
- 7.2 NorseCare submits reports of its activities, its performance against the Key Performance Indicators and its business plan and management accounts to the Board.
- 7.3 The Executive Director considers recommendations arising from the Board in managing the Norse Care contract.

8. Recommendations

8.1 Committee is asked to:

- a) **Agree the Contracting Principles between NorseCare and Norfolk County Council Outlined in Section 3 of this report**
- b) **Delegate to the Executive Director the contract variation 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, e.g. equality impact assessment, please get in touch with:

Officer Name:	Tel No:	Email address:
Sera Hall	01603 224378	sera.hall@norfolk.gov.uk



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