

# BRIEFING NOTE

Agenda item no. 10

**TO: Social Care and Inclusion Scrutiny and Performance Panel**  
**DATE: 7 November 2013**

## **Support for Living at Home Framework Contract – Further Update**

### **Purpose**

The September Scrutiny Panel received a report outlining the approach to the development of a replacement contract. Following some further work a report was considered by Cabinet on 23 October 2013 which added some further detail compared to the report received by Scrutiny in September. This report is to highlight these further developments since September that were reported to Cabinet in October, and to respond to Scrutiny Panel's request to examine the implications of Walsall Council adopting a principle that providers pay a living wage to this workforce.

### **New Framework Contract**

The new contract should allow for both a situation whereby service users are receiving their funding directly from the Council in the form of a Direct Payment and choosing their own provider (as set out in the current framework and described above), or a situation where the Council will provide a Managed Account and thus continue to select providers on behalf of service users and pay the providers directly.

By establishing block contracts with a restricted number of providers for the majority of people who choose a Managed Account, the Council can ensure that these providers give a high quality of service; that they remain financially sustainable; and that they are able to respond speedily to changes in demand.

The design of the specification for a new contract should therefore comprise of a specification for block contracts with a restricted number of providers for the majority of people who choose a Managed Account, and a restricted number of providers on a framework contract for the majority of people who choose a Direct Payment. These two contracts can be established via a single procurement exercise. The specification can be made available to Scrutiny Panel Members for comment.

In effect, this means that the majority of people who choose a Managed Account will receive a service from the block contracted provider for where they live. Those people who prefer to choose a Direct Payment will be able to select an accredited provider from a framework contract.

A majority of older people are expected to choose a Managed Account, but it will be possible for older people to choose a Direct Payment and select a provider off the framework if they wish. Many adults with complex needs are expected to choose a Direct Payment, but they could choose a Managed Account and receive a service from the block contracted provider for where they live if they wish.

The block contracts will be established so that there is one main provider in each part of the Borough, with no more than 6 providers in total. The make up of each block contract will be determined following further analysis of the current distribution of hours of provision across the Borough. This work is currently underway.

The framework contract will also be restricted so that there are fewer providers than the current number on the combined framework and transitional contracts (over 50).

Following award of the contract there will be a need for a transitional period whereby existing service users migrate to their new providers. This will be a complex process and require support from the assessment and care management teams. There is also a requirement to replace the current business administration systems that support payments to providers and to people receiving a Direct Payment. This will incorporate an electronic monitoring system as part of contractual compliance to ensure the accuracy of payments.

Finally, the contract arrangements for Direct Payment Support Organisations will also be revised and re-tendered to ensure continuity with the new SLHS contract arrangements.

The SLHS procurement exercise will therefore be based upon the following principles:

- That the specification will be in two parts, one primarily for SLHS for older people as part of a block/zone contract; and another primarily for SLHS for adults with complex conditions as part of a framework contract;
- That the Council will restrict the number of providers within each part of the market;
- That the Council will have a direct contractual relationship with some SLHS providers when a managed account is chosen, and with DPSO's where a direct payment is the preferred option;
- That people who choose a managed account with the Council will default to the provider with the block contract for where they live (there may be some exceptions where this is for an adult with complex needs);
- That the Council will continue to make payments directly to those SLHS providers with a block contract, and the volume of transactions and the variation in fee levels will be reduced because of the restricted number of providers with a block contract;
- That the Council will pay DPSO's directly on behalf of people with a direct payment who choose to be supported by a DPSO;
- That the quality assurance mechanism will be based upon both outcomes as experienced by service users and delivery according to time and task;
- That the Council will require implementation of an electronic monitoring system as part of contractual compliance to ensure the accuracy of payments;
- That providers will set standard prices on an annual basis, and that the Council will set ceilings for the price of services;
- That the Council's contract arrangements may be adopted by the CCG for commissioning of SLHS for people who are eligible for Continuing Health Care;
- That a review process will be conducted to support service users who wish to choose their provider to transfer to a direct payment, or to support the transfer of people with managed accounts to the block contracted provider for where they live.

This approach was endorsed by Council Cabinet on 23 October. It represents a considerable change from what had previously been intended and a market statement will be issued to communicate this change to providers followed by a process of consultation on the new arrangements.

## **Living Wage**

The concept of the Living Wage is that it represents the minimum pay rate needed to allow workers to lead a decent quality of life. It is an informal benchmark, and not a legally enforceable minimum level of pay like the National Minimum Wage. The National Minimum Wage is set by the Chancellor of the Exchequer each year on the advice of the Low Pay Commission. It is enforced by HM Revenue & Customs (HMRC). The Living Wage is currently calculated by the Centre for Research in Social Policy at Loughborough University.

The Living Wage (outside of London) is currently calculated as £7.45 an hour. From 1st October, 2013 the National Minimum Wage is £6.31 an hour for adults, and £5.03 for those aged 18 to 21.

Currently there are 277 employers who have formally signed up to paying the Living Wage (Source: Living Wage Foundation). Accountancy firm KPMG (which supports the Living Wage idea) reported that 20% of all workers in the UK, nearly five million people, are paid below it.

Progress in raising the lowest levels of pay above the minimum wage level has been slow. Some local authorities have adopted it, including Cardiff, Birmingham and Newcastle.

Estimates of how much additional funding was needed for each of these Councils to adopt the Living Wage varied according to the size of the authority. Walsall currently purchases around 20,000 hours of home care per week. To uplift the pay levels would require an increase of £1.14 per hour resulting in an estimated £1,185 million additional expenditure for Walsall Council.

This is at a time when the Council is set a £500k reduction in expenditure on these budgets as part of the current proposed savings plan. In effect, adopting the Living Wage would either have to be funded via a subsidy from reduced expenditure from elsewhere in the Council, or via reducing the number of hours of home care service made available.

Given the funding issues, it is recommended that the issue of adopting the Living Wage is handled separately from implementing the new Support for Living at Home Services contract arrangements.

## **Recommendations**

- That the proposed new contract arrangements for Support for Living at Home Services are noted; and
- That the issue of adopting the Living Wage is handled separately from implementing the new Support for Living at Home Services contract arrangements.

Andy Rust  
Head of Joint Commissioning  
☎ 01922 654713  
[Andy.Rust@Walsall.nhs.uk](mailto:Andy.Rust@Walsall.nhs.uk)