Summary: CADMT are asked to consider the introduction of a Dynamic Purchasing System (DPS) for the purchase of residential and nursing care for working age adults and for supported living services for adult social care. The DPS can also be extended to include supported living for children.

This report sets out the current process for making placements, outlines what a DPS is and identifies the opportunities associated with introducing this approach for the Council. CADMT is also asked to consider the challenges with regard to the implementation of this process but in the context of the longer term, positive

Background

1. Issues and Analysis:

Medway Council currently supports 891 service users across residential and nursing care services at an annual cost of £37.8 million. This analysis is set out in the table below.

<table>
<thead>
<tr>
<th>OLDER PEOPLE</th>
<th>LEARNING DISABILITIES</th>
<th>MENTAL HEALTH</th>
<th>PHYSICAL DISABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>£16.1m</td>
<td>£15.3m</td>
<td>£4.2m</td>
<td>£2.2m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Client group</th>
<th>Res Perm</th>
<th>Nursing Perm</th>
<th>ALL Perm</th>
<th>Res admissions</th>
<th>Nursing admissions</th>
<th>ALL admissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Disability</td>
<td>37</td>
<td>22</td>
<td>59</td>
<td>2</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Mental Health</td>
<td>27</td>
<td>0</td>
<td>27</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Learning Disability</td>
<td>181</td>
<td>5</td>
<td>186</td>
<td>18</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>18-64</td>
<td>245</td>
<td>27</td>
<td>272</td>
<td>23</td>
<td>6</td>
<td>29</td>
</tr>
<tr>
<td>65+</td>
<td>366</td>
<td>182</td>
<td>548</td>
<td>169</td>
<td>123</td>
<td>292</td>
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<tr>
<td>ALL</td>
<td>611</td>
<td>209</td>
<td>820</td>
<td>192</td>
<td>129</td>
<td>321</td>
</tr>
</tbody>
</table>

In the case of older people, the Council operates a banding system, which ensures that the costs of placements are managed consistently and tightly across the market, thereby keeping the costs lower, whilst ensuring quality and providing value for money.
However, in the case of residential and nursing placements for working age adults, the process is more open. Placements are made based on individual needs, with Social Care staff working with providers to determine the placement costs of individual service users. As there is currently no framework such as the banding for older people placements, the placement process is not consistent in its application nor does it enable effective management of the market to keep the costs of placements down. This has resulted in a wide range of prices that are significantly higher and do not ensure value for money for the Council.

In light of this, it is important that a structured approach to making placements is implemented, which takes into account the needs of the service user, is transparent and does not compromise on service quality, whilst at the same time is flexible, allowing new providers to enter the market, so that a vibrant and diverse market is available.

Therefore, as part of the High Cost Placement work stream and the implementation of a new contract and service specification for residential and nursing care provision for working age adults; Officers have explored a range of options to deliver this.

These options include:

- A new framework contract, including the introduction of a fixed price envelope
- A new framework contract including the introduction of a price envelope, with a floor and ceiling
- The introduction of a Dynamic Purchasing System as part of new contractual arrangements

In reviewing these options, Officers were mindful that a new approach would need to:

- Ensure that quality was central so that the Council works only works with good quality providers
- Identify best value within the market, in a timely manner

1.1 Benchmarking:

In identifying an option to recommend to CADMT, Officers have looked at other Local Authority areas in terms of their approach to market and cost management. Many areas are now exploring, or have moved towards a DPS approach. Some examples are set out below:

- Southend – Southend are using a DPS for older people services, including respite and residential and nursing care services. This approach is restricted to homes within the local Southend area only.
- Newham – Newham are using a DPS for children services for children with special educational needs and disabilities (SEND) – group based support for short breaks
- Birmingham – Birmingham are using a DPS for domiciliary care services.

Through the implementation of a DPS in Southend, they have identified efficiencies in the region of 5%. Southend previously had a set price for their older peoples services and the achievement of the 5% saving was off their previously set price.
1.2 Dynamic Purchasing System:

A DPS is a completely electronic system established to purchase goods and services. It is generally managed through a placement team system, which links and works closely with qualified professionals.

This system allows providers to “bid” for packages of care and relies on market forces to keep the costs competitive. No providers are able to be part of the system unless they have satisfied a stringent quality assurance and validation process that determines their knowledge, experience, expertise.

1.3 How a DPS could work in Medway:

All providers would be required to register onto a DPS system in order to be able to be considered for the provision of placements. This would be in respect of new placements. In order to register on to the system and be part of an approved list, providers would be required to go through a quality assurance process that would assess their knowledge, experience and expertise in the delivery of quality care services. This assessment would focus on key areas such as safeguarding, recruitment, training and management of staff, choice and control and the ability to provide person centred care to name but a few.

Once providers are registered on the DPS, placements would be made in the following way:

- Care Managers would assess the service user in the usual way.
- A template detailing a summary of the needs of the service user and requirements of the placement, including their particular preferences would be completed by the Care Manager.
- A set of specific questions determined as pass/fail questions will be identified. These questions will relate to areas that are essential in terms quality care delivery for the service user and provider will be required to meet these requirements for them to be able to submit a price.
- The summary of need would be sent to the Access to Resources Team (ART), who would then send the template out to providers via the DPS.
- Providers will be able to view the summary of needs template, including key questions and will be given an allotted time period to answer them, as well as provide a price. It is important to note that the price will not be considered until the responses to the summary of needs and key questions have been evaluated and suitable providers identified.
- The providers will then be notified that they are through to the pricing stage and will be aware at what rank of price they are. They will not be able to see the prices of other providers only their ranking. Providers will have the opportunity to amend their prices and then the lowest provider will be awarded the placement.
- The placement would then be awarded based on the provider that has demonstrated that they are able to meet the needs and preferences of the service user and at a competitive price.

For each client category a pricing matrix is being developed, this will include a floor and ceiling. This approach to pricing is important, as it will determine the highest price that should be paid within a given category and importantly, the lowest price that following
benchmarking, it is considered is a safe price to pay that does not compromise on quality or safeguarding. Any providers who submit a price above or below the floor and ceiling would therefore be disqualified.

In line with personalisation and choice, a service user is able to indicate their preferred provider. Based on their choice if their preferred provider is more expensive then the placement identified by the Council, the service user is then given the choice to go for the placement with the Council’s identified provider and which covers the Council’s statutory duties, or to go with their preferred provider and pay the difference in the amount the council has identified and their provider.

It is recognised that this approach would be a real change for the Council in the way placements are made as well as a significant change for providers. In recognition of this change and to support safe decision-making in relation to placements, Officers would recommend that a care manager or team manager is identified work with the ART. This will ensure that expert social care knowledge and practice is embedded within the allocation of placements.

In addition, to support such a change close working with adult social care professionals would need to be undertaken to build in the necessary safeguards to ensure that placements are made in a safe and appropriate manner. This expertise would also be required to co-produce a template that is suitable to capture the summary of needs covering all the required information needed for the residential placement.

Finally, engagement and training would also need to be undertaken with providers to support such a change.

1.4 Benefits:

- A DPS has all the positives of a framework contract with the built in flexibility to allow new providers to join the DPS at anytime, subject to meeting the quality requirements. This is important, as a standard framework contract would not allow entrance for new providers for a fixed period of time, which does not support flexibility in the market.
- A clear quality threshold that providers are required to achieve in order to be part of the DPS.
- Person-centred placements, based on the individual needs of the service user
- A more structured process, which allows providers to submit prices, based on the care package of the service user, but within clear parameters through the use of the floor and ceiling of the price envelope.
- No set price for care packages - the market will drive the price.
- The ability to suspend providers on the system, if a level 3 safeguarding and embargo are in place.
- A fully auditable and transparent system
- In line with personalisation, a service user may have a preferred provider. Following the mini-competition process, the preferred provider may not have won the care package. In this circumstance, if a service user insists on their preferred provider they may do so, but would need to pay the difference in the cost of the placement.
- Removes the need for panels
1.5 Challenges:

- Cultural change for all of social care, as care managers will not be part of the placement process for a service user.
- ART would be placing and evaluating the needs element of a care package and therefore will require training to ensure this is done fairly.
- This will require an extensive training for providers with regard to using the system
- Providers will all need to register on the system to be able to have new placements through the DPS. Electronic tendering is one of the changes being proposed in the new EU procurement legislation and will need to be implemented for all contracts in the future.

1.6 Implementation and Costs:

There are 2 options regarding the implementation of a DPS in Medway:

1. Utilising the Council’s established pro-contract system, which has the capability for a DPS to be “built” on to it
2. A tried and tested system built to meet the specific needs and requirements for Medway can be purchased from Matrix, the lead provider for DPS

Should the decision be made to opt for the pro-contract system, it should be noted that this would require a significant dedicated Council resource to build the system and provide training and support in its use, resulting in a protracted lead-in time in order to have a fit-for-purpose system in place and operational. The benefit to this approach would be that the costs may potentially be less than those associated with engaging Matrix.

Should the decision be made to opt for Matrix, this is likely to cost between £20k and £40k. Whilst there are on-going licence costs however, these will not be significant. These costs could be offset to some extent through applying a registration fee for providers. The benefits of using Matrix would be that implementing the system would only take 3 months and the cost would include training in the use of the system or providers and the ART.

2. Financial, Risk and Equality implications:

2.1 There are some costs associated with the implementation of this system, as set out in section 1.6 above. The costs associated with using the Matrix system can however be offset through introducing a registration fee for providers.

2.2 The implementation of a DPS with associated minimum and maximum cash envelope will provide greater control in terms of costs of placements supporting the drive to achieve efficiencies, whilst maintaining quality services.

2.3 Use of a DPS will provide greater transparency in the process of making placements and will ensure that placements are made based on the individual needs and preferences of service users.

- Through the implementation of a DPS in Southend, they have identified efficiencies in the region of 5%. It is important to note that these efficiencies relate to older peoples residential and nursing care where the costs in this market are low. Given
that the costs for working age adults and children services are significantly higher, there is likely to be greater scope for efficiencies through the adoption of a DPS.

3. **Recommendation for CADMT:**

3.1 That CADMT consider and approve the proposal to implement a Dynamic Purchasing System for the Councils for the purchase of residential and nursing care for working age adults. That this system should be extended to include children’s (timetable to be agreed).

3.2 Should the DPS approach be approved, that CADMT provide guidance to Officers regarding the preferred option for implementation of the system.

**NOTE:** Cleared reports must be with Suzanne Ballard/Rebecca Weeks one week before CADMT. Therefore, please factor in enough time for the AD/DD to review/amend/clear your report. LATE REPORTS WILL NOT BE ACCEPTED.