

**CARE HOME DEVELOPMENT**

**To: Assets and Investments Committee**

**Meeting Date: 27<sup>th</sup> January 2017**

**From: Wendi Ogle-Welbourne, Interim Executive Director  
Children, Families and Adults**

**Electoral division(s): All**

**Forward Plan ref: N/a                      Key decision: No**

**Purpose: The Committee is asked to consider a proposal to  
intervene in the Care Home market in Cambridgeshire,  
involving an expansion of the current level of provision.**

**Recommendation: What is the Committee being asked to agree?**

**a) To support the principle of using Council land assets to  
secure an expansion of affordable care home provision**

**b) To support the intention to seek a strategic partner to  
develop a detailed business case and implementation plan  
to deliver additional care home capacity.**

<b><i>Officer contact:</i></b>	
Name:	Richard O'Driscoll
Post:	Head of Service Development
Email:	<a href="mailto:Richard.o'driscoll@cambridgeshire.gov.uk">Richard.o'driscoll@cambridgeshire.gov.uk</a>
Tel:	01223 729186

## **1.0 BACKGROUND**

- 1.1 As part of its recently adopted Older People's Accommodation Strategy, modelling undertaken by the County Council established that there is a current shortfall of 180 affordable care home bed spaces, of all types, in Cambridgeshire. The analysis involved a methodology developed by the Housing Local Information Network coupled with local market intelligence, operational and performance data, and the Council's own market position statement. This work included benchmarking using regional and national comparators. As the County Council only purchases 35% of all bed spaces the actual capacity gap in provision is considerably higher than the number stated above and is estimated at 450 bed spaces of all types. This shortfall results in limited choice and affordability for those needing care in the community, and also has an impact on some delayed transfers of care from hospitals. Demographic pressures mean that this situation will worsen and action needs to be taken.
- 1.2 The capacity shortfall also poses considerable financial risk to the Council. In the short term this has been mitigated by a number of commissioning initiatives including the establishment of a joint brokerage (single purchasing) unit with the NHS and by developing a new block contract for residential and nursing care. As a consequence of these measures, in the short term the Council has managed to maintain the cost of care at a weekly average of £499 per week, which is below the average in our CIPFA benchmarking group of £578. However, in the longer term, the supply challenges mean that this position will not be sustainable. Currently inflation in care home prices is running at +4% per annum on new placements (with considerable variance and volatility) in excess of the impact of the national living wage
- 1.3 Further evidence of the financial challenge is that new entrants to the Cambridgeshire market have indicated an unwillingness to work with the Council as the self-funding market is far more lucrative. It is also worth noting that market conditions for potential providers are difficult (largely relating to land prices and recruitment and retention of staff) and as a consequence more providers are currently leaving than joining the Cambridgeshire market.

## **2.0 MAIN ISSUES**

- 2.1 In connection with the Council's consideration of care home capacity, advice had previously been received from specialist Care Development Consultants, Cordis Bright, suggesting that large scale market intervention is required to try to meet both the shortfall in capacity and to manage the financial risk. It was suggested that land assets would be a beneficial lever to influence potential providers. As a consequence a Council care home task group involving property, finance and social care service representation was formed. The work was also incorporated into the Better Care Fund transformation programme, where funding was agreed to develop an outline business case.
- 2.1.2 Following a mini tendering exercise, Gleeds Advisory was appointed from the ESPO framework. They brought together a consortium of financial, care provision (Cordis Bright), property and planning specialists, and were selected both on price and quality. The scope of the work included the following:

- Planning advice as to suitability of specific identified sites in public ownership in areas of high demand. The sites were for indicative purposes only at this stage.
- Market-focused advice as to the suitability of sites for Self-funded and Local Authority funded Care Home beds, taking into account staffing requirement as well as service user choice.
- Advice on delivery model options including: direct sale of land, Council-funded development; design and build; partnerships; joint ventures; leasehold models and mechanisms by which the County has a first call on a percentage of the bed spaces for an agreed duration.
- Advice on the likely response of the market to potential delivery models.
- Current market advice on values, income, building and operating costs in the Cambridgeshire Care Home market.
- Financial modelling, including Internal Rate of Return (“IRR”) and Net Present Value (“NPV”) comparisons to support decision making.

2.1.3 Following discussion with Local Government Shared Service finance team, the scope was expanded to include an assessment of the relative financial implications of developing relevant sites for a care home rather than general residential development. This was based on recognition of competing demands for use of land assets, and the Council's stated intention to develop residential accommodation.

## **2.2 Consultant's Findings**

2.2.1 The work undertaken by Gleeds included a qualitative and quantitative analysis and some targeted market testing. These confirmed that the concept of using Council assets to incentivise care home development was a sensible approach. It also concluded that the only viable way forward to achieve the joint aims of increased capacity and affordability is to identify a strategic partner with expertise in operating care homes. For the purposes of this exercise the model assumed that the Council would retain ownership of the land and would receive rental income from the Operator. In addition, in exchange for a long contract, the Council would receive a proportion-in the region of 35%- affordable beds, with the remainder being targeted on the self-funder market. On request, the Consultants have subsequently, advised that a strategic partnership arrangement where land transfers directly to the Operator could also be viable, and likely to deliver similar benefits. However, the relative merits of each would need to be tested in far more detail through a procurement process. The quantitative analysis suggests that the Strategic Partnering model examined in the report, would both deliver the necessary capacity and based on current prices reduce revenue expenditure by £400K per annum in future compared to a “do nothing scenario”.

2.2.2 In relation to potential alternative uses of the land assets, the Consultant's report demonstrates that care home development with a secured proportion of affordable beds outperforms the alternatives of using Council land for general residential housing or the exclusively self-funder care market. Although build costs are lower for general housing, and a greater upfront capital receipt possible for an entirely private care home, the higher income per square meter for care homes compared to general housing and the revenue savings on affordable places and ongoing rent compared to an entirely private care home recommend the strategic partnering care

approach.

### **3.0 ALIGNMENT WITH CORPORATE PRIORITIES**

#### **3.1 Developing the local economy for the benefit of all**

3.2.1 The following bullet points set out details of implications identified by officers:

- The planned development of five care homes will create significant employment opportunities both in the planning and construction of the care homes and in the day to day operations.
- Creating greater choice and affordability in the care home market will provide direct financial benefits to users of services and their carers

#### **3.2 Helping people live healthy and independent lives**

3.2.1 This work is part of a wider strategy- developed in partnership with a broad range of services including housing and public health-aimed at supporting people to live independently for longer. Where there are opportunities to provide complimentary services that support independence- such as health and community services-these will be incorporated into the development plans.

#### **3.3 Supporting and protecting vulnerable people**

3.3.1 The purpose of taking this forward is to provide greater choice and affordability for services that are aimed at supporting the most vulnerable residents of Cambridgeshire.

### **4.0 SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

4.1.1 The following bullet points set out details of significant implications identified by officers:

- The report puts forward the proposition that in order to reduce the future financial risk to the Council, capital assets are utilised to provide long term revenue benefits. The detail is set out in paragraph 2.2.1.
- The Consultant's report endorses the approach, and recommends further more detailed market engagement in order to develop a full business case.

#### **4.2 Statutory, Legal and Risk**

4.2.1 The report above sets out details of significant implications in **paragraphs 2.1, 2.2 and 2.3.**

#### **4.3 Equality and Diversity**

4.3.1 The report above sets out details of significant implications in **paragraphs 3.2.1 and 3.3.1.**

#### 4.4 Engagement and Communications

4.4.1 The following bullet points set out details of significant implications identified by officers:

- This initiative has been developed as part of a multi-agency strategy. Its implementation will be shaped by working with key organisation and community stakeholders.
- The development work will include a partnership with Peterborough City Council and with Cambridgeshire and Peterborough Clinical Commissioning Group.

#### 4.5 Localism and Local Member Involvement

4.5.1 The following bullet points set out details of significant implications identified by officers:

- As part of the wider Older People's Accommodation Strategy, work is underway to ensure the need for increased older people's accommodation, including affordable care home provision, is incorporated into Local Plans.

#### 4.6 Public Health

4.6.1 The report above sets out details of significant implications in **paragraphs 3.2.1 and 3.3.1**.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	<b>Yes</b> M Wade (CYP) / T Kelly (Adults)
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	<b>Yes</b> Lynne Owen
Are there any Equality and Diversity implications?	<b>No</b> CFA Service Director
Have any engagement and communication implications been cleared by Communications?	<b>Yes</b> Simon Cobby
Are there any Localism and Local Member involvement issues?	<b>No</b> CFA Service Director
Have any Public Health implications been cleared by Public Health	<b>Yes</b> Tess Campbell

Source Documents	Location
Report on Residential Care Development by Gleeds Advisory	<a href="#">Gleeds Report</a>
The Older Peoples Accommodation Strategy. V.9	<a href="#">Older People's Accommodation Strategy V9.pdf</a>