

**OLDER PEOPLE'S ACCOMMODATION APPROACH AND RE-TENDER OF  
CURRENT BLOCK CONTRACT RESIDENTIAL AND NURSING CARE**

*To:* **Adults Committee**

*Meeting Date:* **16 January 2020**

*From:* **Executive Director People and Communities**

*Electoral division(s):* **All**

*[The My Cambridgeshire representation map on the web may help:*

*<http://my.cambridgeshire.gov.uk/myCambridgeshire.aspx>]*

*Forward Plan ref:* **2020/005** *Key decision:* **Yes**

*Purpose:* **To approve the Older People's Accommodation Commissioning Approach and to approve the re-tender current Residential and Nursing block contracts**

*Recommendation:* **The Committee is recommended to:**

- a) Approve the Cambridgeshire Older People's Accommodation Approach.**
- b) Approve the re-tender of the current Residential and Nursing block contracts.**
- c) Delegate authority of the award of contract(s) to the Executive Director of People and Communities.**

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## **1. BACKGROUND**

### **1.1 Older People's Accommodation Approach**

In 2016 the first Cambridgeshire Older People's Accommodation Strategy was launched, this set out the key pressures and challenges in the older people's accommodation system and highlighted our approach to combat these.

In the last four years the council has successfully supported people to remain independent at home and therefore the number of residential and nursing placements made has fallen rather than risen as previously predicted. However, the cost of placements has continued to increase and this has been at an unsustainable level. This tells us that there is still a shortage of affordable capacity for local authority funded residents.

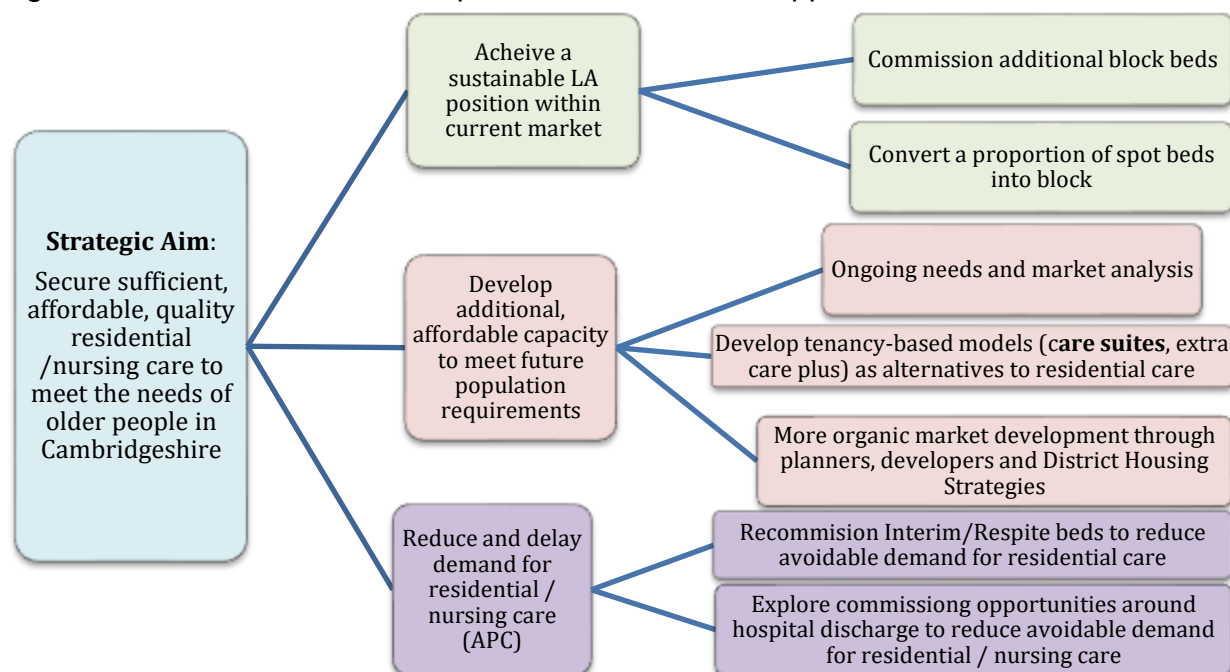
As a result of the changing picture over the last 4 years, the Commissioning Directorate has produced a revitalised and refreshed Cambridgeshire older people's accommodation approach. This is an approach that will be regularly reviewed and adapted as result of any major changes including:

- A shift in market dynamics
- An increase in affordable capacity
- Government Legislation
- Changing levels and types of need

The overarching aim of the older people's accommodation approach is to obtain sufficient, affordable and high quality residential and nursing care to meet the needs of the local community. This strategic aim underpins all commissioning activity being undertaken.

Commissioners are seeking to achieve the above aim through a multi-faceted approach which will enable us to gain control of the local market. This will include reducing demand for residential care, better market management and development of alternative delivery models such as 'care suites' and 'extra care plus'. This approach is illustrated below.

Figure 1: Overview of Older People's Accommodation Approach



A key factor in achieving sustainable local authority provision is reducing our reliance on spot purchased care home provision and instead, issuing more cost effective block contracts. As set out in the paper to Adults Committee on 12<sup>th</sup> September 2019, the rationale behind this approach is clear:

1. Market prices for older people's placements have been increasing (particularly amongst spot purchased beds) and are projected to increase further in the next 5 years
2. The council has a 75:25 ratio of spot purchased to block purchased care home provision and therefore a high exposure to non-controllable market forces
3. The majority of spot placements are below current market rates and, if replaced at those rates, will present a significant cost pressure to the council.

In addition to reducing the council's reliance on spot purchased care, a multi-faceted approach is required to achieve the overarching aims. Further activity as set out in the older people's accommodation approach includes:

- a. Securing and adding to existing Care Home Capacity
- b. Re-assessment of local need to inform long term capacity requirements
- c. Ongoing Market Engagement
- d. Piloting alternative service delivery models
- e. Delivery of Care Suites
- f. Review and refine commissioning intentions

A detailed breakdown of this activity is highlighted in Appendix 1 – Draft Cambridgeshire Older People's Accommodation Approach

## 1.2 Work Completed to Date

The following tender activity has been completed, achieving increased, affordable care home capacity for the council:

<b>Commissioning Activity</b>	<b>Additional Bed Capacity</b>	<b>Timescales</b>
Extension of current block contracts	39 beds	Delivered Autumn 2018
Tender for additional block residential dementia, nursing and nursing dementia beds. Resulting in 18 additional block bed provisions.	18 beds	Delivered summer 2019
Renegotiation and extension to the current block contracts enabling commissioners to convert spot capacity to block	13 beds	Delivered summer 2019

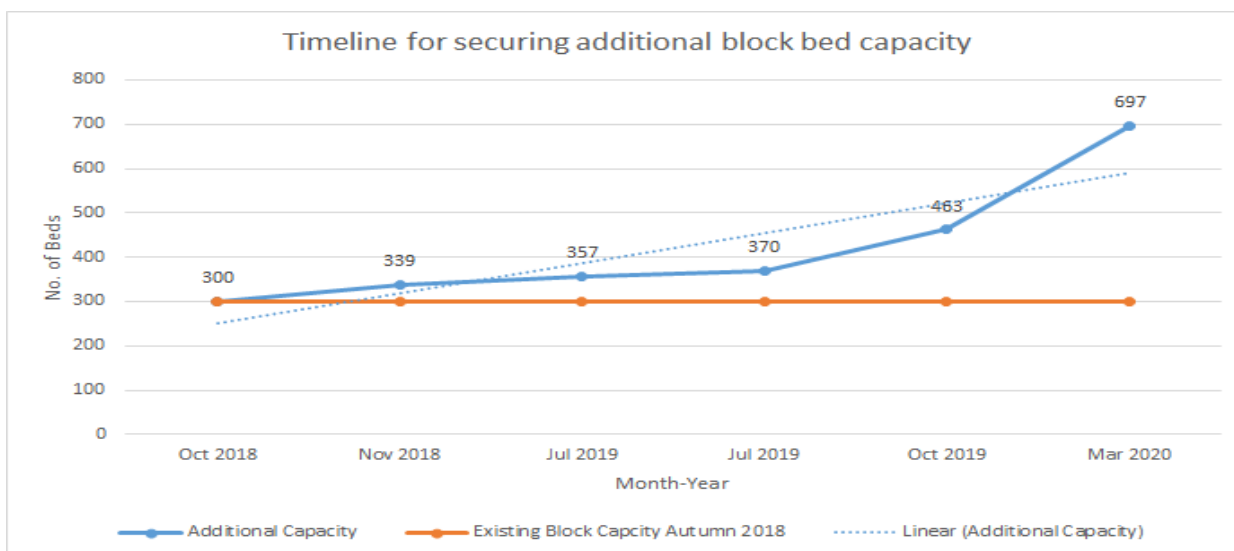
So since summer 2018, a total of 52 new block beds have been added taking the net figure from 321 block beds to 373. This will increase to a total of 391 beds following completion of the 18 beds highlighted in the table above.

## 1.3 Current Tender Activity

On 12<sup>th</sup> September 2019, Adults Committee approved the commissioning of 103 new block beds and 234 block beds to reduce reliance on spot purchasing. This recommendation was set out in the 'Care Home Development WS2 Recommendation'. These tenders are currently live and are summarised in the table below:

<b>Commissioning Activity</b>	<b>Additional Bed Capacity</b>	<b>Timescales</b>
Tender to achieve new, affordable capacity	103 beds included in tender	Contracts to be awarded in March 2020
Tender to reduce reliance on spot purchasing	234 beds included in tender	Contracts to be awarded in March 2020

The graph below details the overall capacity increase achieved and anticipated to achieve following current tender activity:



## 2. MAIN ISSUES

### 2.1 Current Residential and Nursing Block Bed Capacity

In addition to the current tendering activity described in section 1.3, Cambridgeshire County Council has a number of existing block contracts across 23 care homes in the county, totalling 373 residential and nursing beds. These block beds were originally commissioned in 2016 for 3 years and were extended in 2019 for a further two years, bringing the contract end date to 31<sup>st</sup> July 2021.

### 2.2 Residential and Nursing Block Bed Re-tender

As set out in the discussed Cambridgeshire Older People's Accommodation Approach, in order for the council to have a clear picture of the capacity and cost of residential and nursing care for the next 5-15 years, it is recommended that the council begins the re-commissioning exercise of existing block bed provision (which are due to expire in July 2021) in April 2020. This will ensure the outcome of the live tender to deliver 103 new block beds and 234 block beds to reduce spot purchasing is known.

By concluding the recommissioning of all block bed provision by autumn 2020, the council will have a clear understanding of its block contract provision for the next 5-15 years. Paired with a refreshed need and market analysis, the LA will have a clear picture of any outstanding and future affordable capacity requirements to inform subsequent commissioning activities. Carrying out this work will give the council greater visibility and control of the cost pressures in the residential and nursing care market

A brief timeline of the activity required is below:

Activity	Timescales
Cambridgeshire Older People's Accommodation Needs Assessment	December 2019 – February 2020
Cambridgeshire Care Homes Market Analysis	December 2019 – February 2020

Residential and Nursing Block Contract Tender	April 2020 – June 2020
Tender Evaluation and Moderation	June 2020
Contract Award	June 2020 – July 2020

### 2.3 **Contract Length**

In order to achieve greater affordability and sustainability for the council and care home providers, it is recommended that a total possible contract term of 15 years to be included in the tender. This would comprise of an initial term of 5 years followed by discretionary extension periods of 5+2+2+1 years.

### 2.4 **Ensuring High Quality Services**

To ensure the Council only block contracts high quality provision, the tender exercise will include a series of quality award questions for providers that will be evaluated and scored by a panel of officers including representation from social care services, commissioning, contract management and finance.

Furthermore, it is recommended that care homes can only progress to the quality award stage of the tender process if they have a current Care Quality Commission (CQC) of 'Good' and 'Outstanding'.

The council will reserve the right to not award a contract to a home if the CQC Rating falls below 'Good' following the submission of a tender bid and prior to the contract award date.

### 2.5 **Financial Sustainability**

Annual funding of current block residential and nursing care contracts is £11,998,432.82.

As detailed in the 'Care Home Development WS2 Recommendation' paper at 12<sup>th</sup> September 2019 Adults Committee, the rationale for increasing block contracted provision is due to significant forecasted spot increases.

If the council is not able to secure ongoing block contract capacity, costs will increase dramatically due to projected cost increases in spot purchased care home provision.

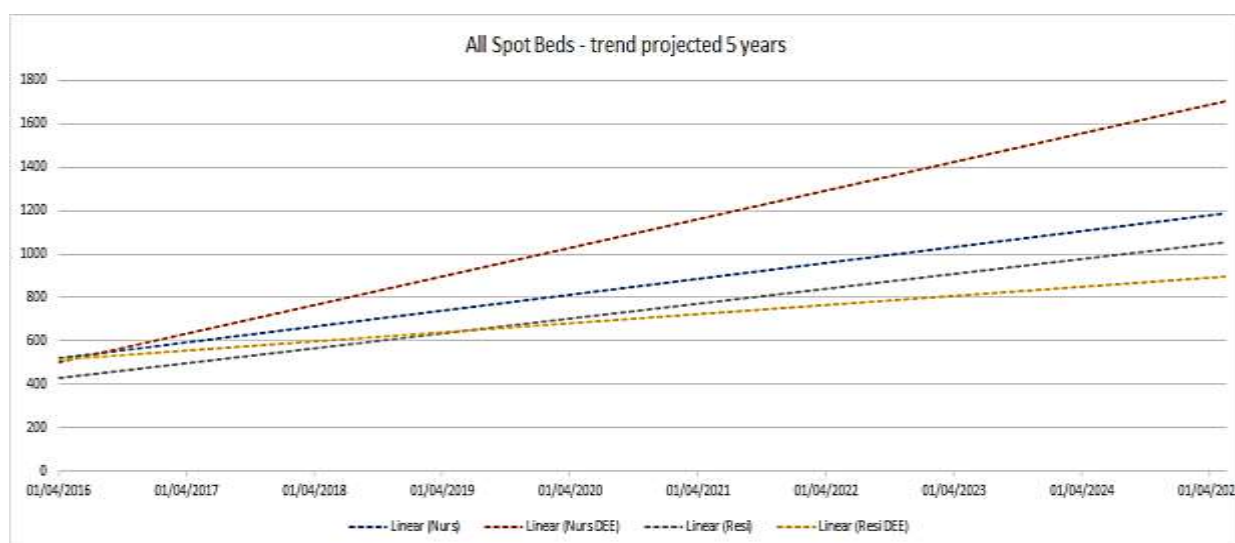
The table below details the percentage increase in the cost of care projected to 2024 based on 2016-19 market increases. It shows significant increases in the cost of all bed types.

Figure 2: Projection of average weekly spot purchased rates 2018-24 (based on 2016-19 market trends) \*

	Residential	Residential Dementia	Nursing	Nursing Dementia
2024 Projected Weekly Rate	£979.64	£849.15	£1,105.76	£1,556.57
<b>2018 - 2024 % Increases</b>	<b>65%</b>	<b>39%</b>	<b>55%</b>	<b>93%</b>

Source: LGSS Finance, Cambridgeshire County Council

The graph below shows the trend in increasing spot purchasing rates split by care type between 1<sup>st</sup> April 2016 to 1<sup>st</sup> April 2025



Re-commissioning current block care home capacity will mitigate against the risk of increasing costs relating to spot purchased provision.

Via the tender process, we will ensure the ongoing cost of block contract provision is at a financially sustainable level to the council and offers a cost avoidance when compared to spot purchasing.

### 3. ALIGNMENT WITH CORPORATE PRIORITIES

#### 3.1 A good quality of life for everyone

Re-commissioning existing care home provision will enable the Council to provide individuals with more choice and control over arrangements to meet their long term ongoing needs within high quality settings.

#### 3.2 Thriving places for people to live

Ensuring block contract capacity in the care home market will secure employment for local care workers

#### 3.3 The best start for Cambridgeshire's Children

There are no significant implications for this priority.

#### **4. SIGNIFICANT IMPLICATIONS**

##### **4.1 Resource Implications**

Significant resource implications set out in sections 2.5

##### **4.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

Significant implications relating to this category are set out in section 2.2-2.3

##### **4.3 Statutory, Legal and Risk Implications**

*There are no significant implications in this category*

##### **4.4 Equality and Diversity Implications**

*There are no significant implications in this category*

##### **4.5 Engagement and Communications Implications**

*There are no significant implications in this category*

##### **4.6 Localism and Local Member Involvement**

*There are no significant implications in this category*

##### **4.7 Public Health Implications**

*There are no significant implications in this category*



<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Name of Financial Officer: Stephen Howarth
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	Yes Name of Officer: Gus De Silva
<b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>	Yes Name of Legal Officer: Fiona McMillan
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	Yes Name of Officer: Wendi Ogle-Welbourn
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes Name of Officer: Matthew Hall
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	Yes Name of Officer: Wendi Ogle-Welbourn
<b>Have any Public Health implications been cleared by Public Health</b>	Yes Name of Officer: Tess Campbell

<b>Source Documents</b>	<b>Location</b>
None	

## APPENDIX 1:

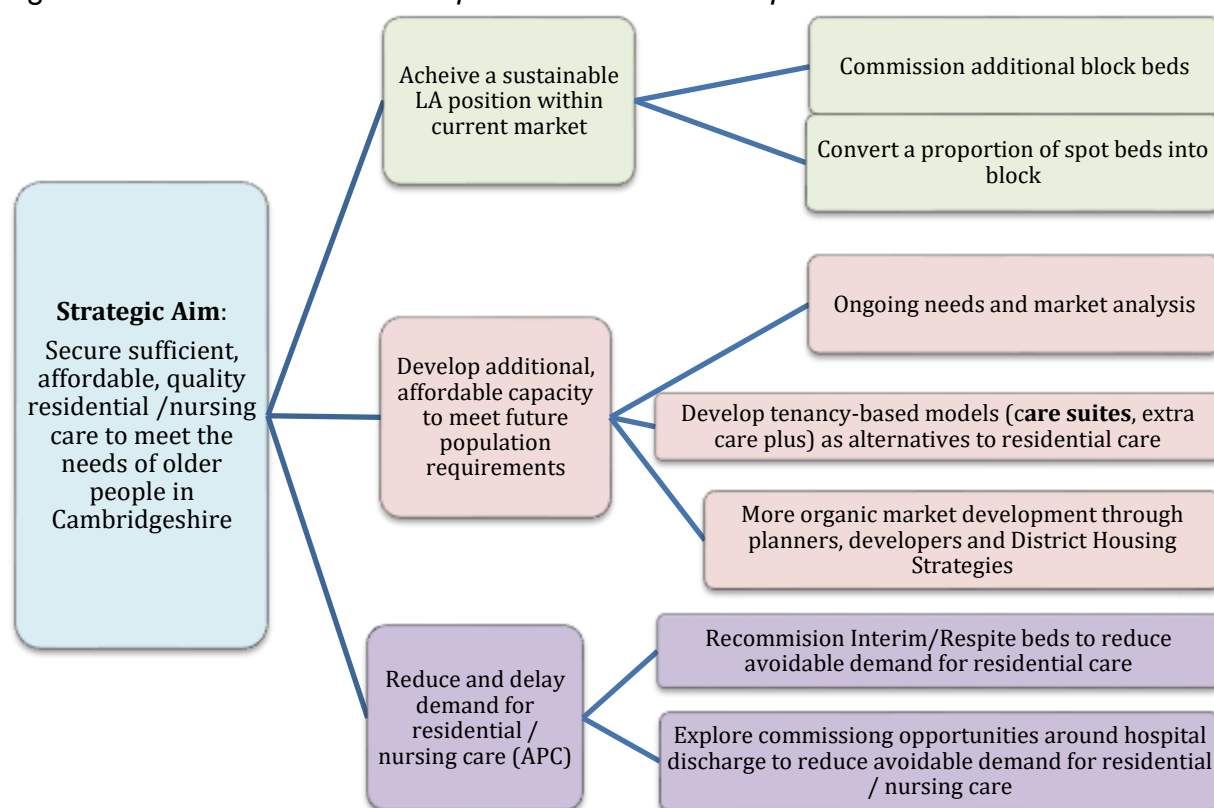
### DRAFT - Cambridgeshire Older People's Accommodation Approach

January 2020

#### 1. Background

The overarching aim of the Older People's Accommodation Approach is **to obtain sufficient, affordable and high quality residential and nursing care to meet the needs of the local community**. This strategic aim underpins all commissioning activity being undertaken. We are seeking to achieve the above through a multi-faceted plan which will help us gain more control of the local market. This includes reducing demand for residential care, better market management and development of alternative delivery models such as 'care suites' and 'extra care plus'. This plan and approach is illustrated below.

Figure 1: Overview of Older People's Accommodation plan



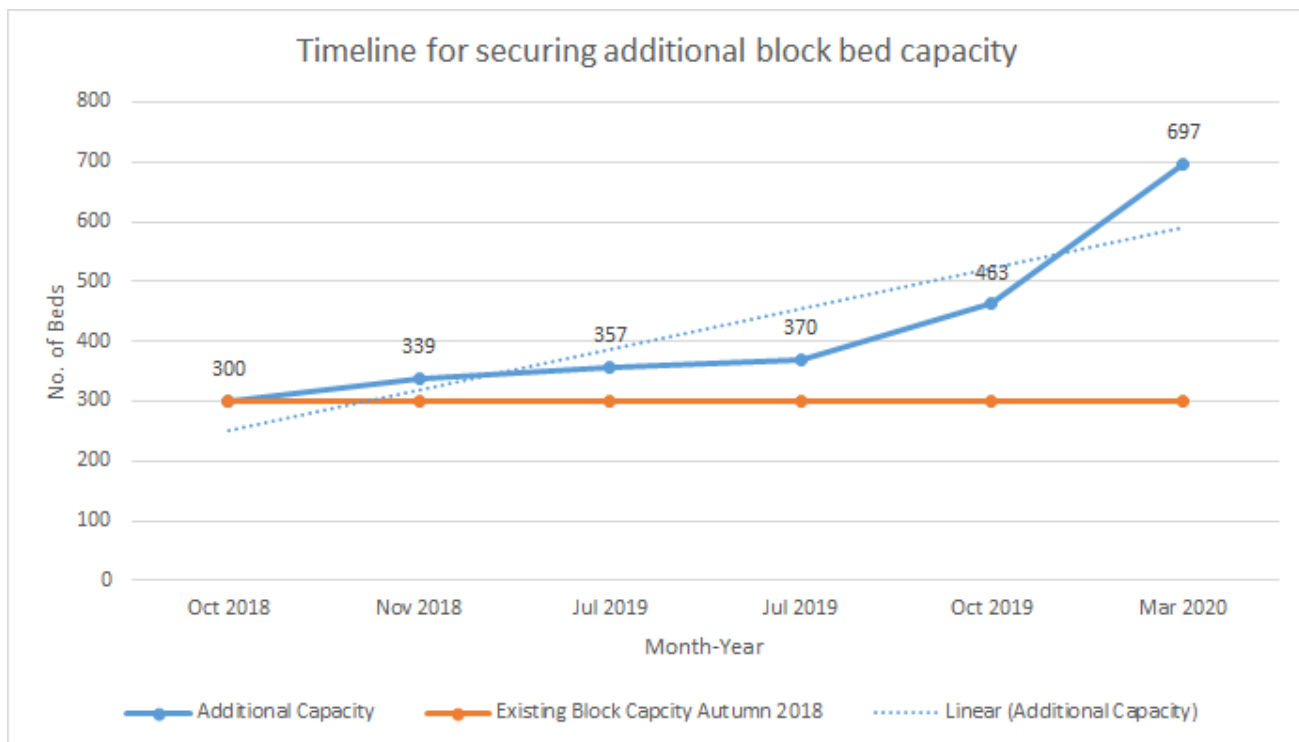
Shortage of supply is often assumed to be the main cause of increasing costs of care, but the evidence doesn't fully support this. Market capacity has grown organically since 2016 and data gathered weekly on vacancies indicates there is available capacity in the market. The latest data also suggests the number of people requiring LA funded residential/nursing care has not risen as predicted. Together, these two facts suggest that the shortages in capacity originally forecasted by the Care Homes Development Programme in 2016 may not be as acute as initially thought.

As a result, the LA's strategic commissioning intentions set in 2016 via the Care Home Development Programme are in need of refinement. Progressing procurement of a strategic partner to build 4-5 care homes risks committing the local authority to develop more capacity than

may be needed in a number of high cost ventures. Instead, it is recommended to take a more prudent approach of obtaining additional capacity from the market on an incremental basis. This includes working more closely with the market to stimulate the development of new affordable provision. Work to do this has already commenced, and the plan outlined below is has and is expected to have the following impact:

<b>Commissioning Activity</b>	<b>Additional Block Capacity</b>	<b>Timescales</b>
Extension of current block contracts	39 beds	Delivered Autumn 2018
Tender for additional block residential dementia, nursing and nursing dementia beds.	18 beds	Delivered summer 2019
Renegotiation and extension to the current block contracts enabling commissioners to convert spot capacity to block	13 beds	Delivered summer 2019
Tender exercise for the remaining 93 block beds and conversion of 30% of spot beds into block beds to rebalance the ratio of block to spot giving the LA more control of the market.	93 beds 234 beds (spot to block)	Tender Launch: October 2019 Capacity delivered from March 2020
Re-tender of existing block contract due to end in 2021. Whilst this will not add additional capacity, it will enable commissioners to secure existing capacity and mitigate against the risk of any cost pressures likely to surface in 2021, again giving the LA greater control of the market.	0	Tender Launch: March 2020 Capacity secured: July 2020
<b>Total additional beds</b>	<b>397</b>	<b>Anticipated by March 2020</b>

The forecast trajectory for increased capacity is displayed within the graph below:



In addition, we have also been working to extend the use of extra care so delaying the need for care home placements and engaging with the market to promote increase development of care home provision over time. This approach enables the LA to maximise market control, add capacity and manage rising cost pressures within the shortest timescales. It is recommended that if these actions (and those to delay and divert demand) do not yield sufficient affordable capacity, then the LA considers commissioning future care facilities based on alternative tenancy-based models on an individual basis according to the specific needs and market situation in a given geographical area.

The following provides a high level plan, setting out recommendations to achieve sufficient, affordable and quality residential and nursing care for older people.

Please note the Older People's Accommodation Approach is separate and distinct from potential commercial opportunities to develop retirement living and/or residential care provision on LA land.

The Older People's Accommodation Approach will be reviewed regularly in order to adapt to any major changes across the system and will therefore be a live, dynamic approach.

## **2. Recommendations for delivering sufficient, affordable and quality residential/nursing care**

A detailed plan setting out the steps needed to secure sufficient, affordable and quality residential/nursing care for older people can be found in the Gantt chart at the end of the report. A summary overview is provided below

### **a.) Securing and adding to existing Care Home Capacity**

As summarised above, it is recommended that before any land acquisition or procurements to design and build new care facilities are undertaken, it is essential to (i) recommission the LA's block bed provision and (ii) convert a proportion of spot purchased placements into block bed contracts. These actions intend to:

- obtain additional affordable capacity in terms of the bed types and locations the LA is currently short of in its existing block bed contracts
- reduce the high level of spot purchasing to reduce LA exposure to market forces and hedge forward against potential pressure arising from the increasing costs of spot purchased care (estimated to be in the region of £4-5 million if no corrective action is taken)
- confirm the LA's block bed provision and cost for the next 15+ years

This involves a series of procurement exercises several of which are already underway, with a completion date of Autumn 2020. By procuring beds on a longer term basis at a rate the market deems to be a fair cost of care, the LA may be able to acquire most of its affordable capacity requirements for the next 5 years without requiring capital investment to build care provision.

#### ***b.) Re-assessment of local need to inform long term capacity requirements***

There is a need to reassess the LA affordable capacity needs for the medium-long term. This requires a refreshed needs analysis and robust understanding of the local market, including potential care homes and extra care developments in planning by developers. This work can be commenced alongside the block bed recommissioning, to be finalised in Autumn 2020 once the outcomes of the block bed procurements are known.

#### ***c.) Ongoing Market Engagement***

Commissioners continue to engage with and stimulate development of additional capacity throughout this process.

By making links with existing providers and potential developers it may be possible to stimulate development of the LA's future affordable capacity requirements through organic growth in the market (again without requiring LA capital investment to build its own care provision).

There is ongoing market engagement to understand the market's appetite and preferences in developing affordable capacity for the LA in the medium to long term. This will shape the business model and approach to land acquisition taken by the LA going forward in its subsequent commissioning activities. The market preferences are to build and own the asset alongside care provision.

These activities can run concurrently with the block bed procurements with a target completion date of March 2020.

#### ***d.) Piloting alternative service delivery models***

We will continue to develop, test and refine potential alternative delivery models alongside the work outlined above.

Extra Care Plus is a local concept in which additional night care hours are commissioned to enable individuals with more complex needs to remain living in their Extra Care tenancy rather than transferring to residential care or nursing care. An initial pilot of Extra Care Plus is underway in one setting and will be permanently commissioned across two schemes during an imminent retender, going live in April 2020. A review will be conducted after 6 months, reporting findings by

December 2020. Should the pilot deliver the intended impact on spend and outcomes commissioners will seek to embed it across all Extra Care contracts by 2022.

Development of the LA's first care suite is currently underway; it is an adaption of a Care Suite model operated in Kent and will be based upon a LA block contract rather than targeting self-funders as in the Kent model. This innovation requires detailed development. There are a number of challenges still to be overcome to operationalise the concept with minimal risk to the council. For example, financial feasibility of the model is contingent on support from District Councils (unlike the Kent model). Housing Benefit determinations from District Councils are in the process of being obtained.

Following the first care suite becoming operational which is expected by April 2021, a period of review and refinement will follow (approximately 6 months until November 2021) to ensure the concept can be operationalised successfully and deliver the efficiencies and quality of care required. Learning from this initial care suite will inform subsequent commissioning intentions for future capacity.

#### **e.) *Delivery of Care Suites***

Again, concurrent to all of the work above, the Commissioning Directorate is working with Strategic Assets to scope potential land sites in areas most likely to require significant increases in capacity to meet future need during November and December 2019. This means that should the commissioning exercises completed above not deliver against future demand, there is a plan in place to mitigate against the impact of this. Early indications suggest this may be South Cambridgeshire and East Cambridgeshire for a mixture of nursing, dementia and residential care although this will be confirmed by the refreshed needs and market analysis undertaken in the New Year and finalised in Autumn 2020 upon conclusion of the block bed procurements.

#### **f.) *Review and refine commissioning intentions***

Autumn 2020 will be the critical point in which information and learning from all the activities described will be pulled together and reviewed. With additional and existing block bed provision secured for 15+ years, a refreshed need and market analysis, feedback from market engagement and potential developers and learning from the piloting of Care Suites and Extra Care Plus the LA will have a clear understanding of any outstanding and future affordable capacity requirements to inform subsequent commissioning activities along with indications of the feasibility of alternative delivery models.

It will be at this point during autumn 2020 that a set of commissioning recommendations for extra care and residential /nursing care will be developed to address any shortfalls in affordable capacity and develop a pipeline of future supply to meet population growth. The specific provision to be commissioned will be dependent upon need, market feedback and learning from the pilots.

Any subsequent procurements could commence by Winter 2020 at the earliest and, assuming a 175 day standard tender timeframe, award by Summer 2021. Intelligence gathered from the market has indicated that the process of planning for a new development is likely to take around 12-18 months, with the civil site work and build taking a further year. The likely timeframe for any associated design and build of new care facilities is around 3-4 years depending on the site availability and planning permissions.

As previously stated, review of this approach will be ongoing and the approach will be adapted as a result of any major changes in the system.

### **3. Conclusions**

We are seeking to secure sufficient, affordable and quality residential / nursing care to meet the needs of the local community via a multi-faceted approach. To date, the LA has had success in bringing additional capacity online and work continues to delivery this and increase market control in the shortest timescales possible.

Recommissioning and establishing the LA's block bed provision for the next 15+ years and reducing the proportion of spot purchased beds by June 2020 is the first priority. Alongside, commissioners will pilot the first LA block contracted care suite model as an alternative to residential/nursing care by January 2020, becoming operational by April 2021. Refinement and expansion of Extra Care Plus will also be pursued as an alternative to residential/nursing care. This approach will allow us to effectively test and refine both alternative service delivery models enabling the LA to maximise benefits and minimise risk.

Work to re-quantify the LA's future affordable capacity needs based on the most up to date intelligence gathered will be undertaken, along with market engagement and analysis. Initial scoping of potential sites for development has already commenced to reduce delays in any subsequent procurement should the building of new care facilities be required.

A review of findings will be undertaken and a set of commissioning intentions based on robust evidence and analysis will be developed in autumn 2020 in order to create a pipeline of future affordable, quality capacity.