



Cabinet Meeting on Wednesday 19 June 2019

Development of Council Owned Older People's Nursing Homes

Cllr Alan White, Deputy Leader and Cabinet Member for Health, Care and Wellbeing said,

“With the number of nursing homes decreasing in the county, and prices rising for existing placements, we have to ensure there are enough good-quality places available that meet demand and represent the best use of taxpayer’s money.

“Increasing nursing home capacity will mean we can offer good quality, cost-effective placements to meet the assessed eligible social care needs of people in Staffordshire. A capital investment of around £1m and up to a maximum of £1.2m to refurbish the former Hillfield site, as well as a proposal to build two new nursing homes in the areas of highest demand, will see the county council developing high-care environments which maximises the use of advances in technology to support the needs of residents.”

Report Summary:

The Council is facing a rising cost of new care home placements, which is driving up the average cost of placements. The Council’s expenditure on older people’s care homes is increasing by 5% annually for residential care and 12% annually for nursing care.

The Council seeks to increase nursing home capacity through Council owned nursing homes for older people to be operated either by a Local Authority Trading Company or an external care provider. This will offer the Council good quality, cost effective placements to meet the assessed eligible social care needs of people in Staffordshire.

Recommendations

I recommend that Cabinet:

- a. Agree the principle of Council owned older people’s nursing homes to be operated either by an external care provider or a Council owned Local Authority Trading Company, that will provide additional nursing home beds in Staffordshire.

- b. Delegate authority to the Director of Health and Care, in consultation with the Deputy Leader and Cabinet Member for Health, Care and Well-being, to award to a contract to provide the service through an appropriate procurement process to an external care provider or to a Council owned Local Authority Trading Company.
- c. Commence works on the Hillfield site in Burton Upon Trent to allow mobilisation of the first 38 nursing home beds by 2020/21 and approve a capital allocation of £1m up to a maximum of £1.2m.
- d. Endorse the development of a Business Case to build two new nursing homes with around an additional 120 beds by 2023/24, either as stand-alone homes or as part of 'campus style' developments with NHS facilities, which will be presented to Cabinet in September 2019.
- e. Endorse the development of a business case and exploration of sites to build further nursing home capacity, either as stand-alone care homes or as part of 'campus style' developments with NHS facilities.

Local Members Interest
N/A

Cabinet – Wednesday 19 June 2019

Development of Council Owned Older People's Nursing Homes

Recommendations of the Deputy Leader and Cabinet Member for Health, Care and Wellbeing

I recommend that Cabinet:

- a. Agree the principle of Council owned older people's nursing homes to be operated either by an external care provider or a Council owned Local Authority Trading Company, that will provide additional nursing home beds in Staffordshire.
- b. Delegate authority to the Director of Health and Care, in consultation with the Deputy Leader and Cabinet Member for Health, Care and Well-being, to award to a contract to provide the service through an appropriate procurement process to an external care provider or to a Council owned Local Authority Trading Company.
- c. Commence works on the Hillfield site in Burton Upon Trent to allow mobilisation of the first 38 nursing home beds by 2020/21 and approve a capital allocation of £1m up to a maximum of £1.2m.
- d. Endorse the development of a Business Case to build two new nursing homes with around an additional 120 beds by 2023/24, either as stand-alone homes or as part of 'campus style' developments with NHS facilities, which will be presented to Cabinet in September 2019.
- e. Endorse the development of a business case and exploration of sites to build further nursing home capacity, either as stand-alone care homes or as part of 'campus style' developments with NHS facilities.

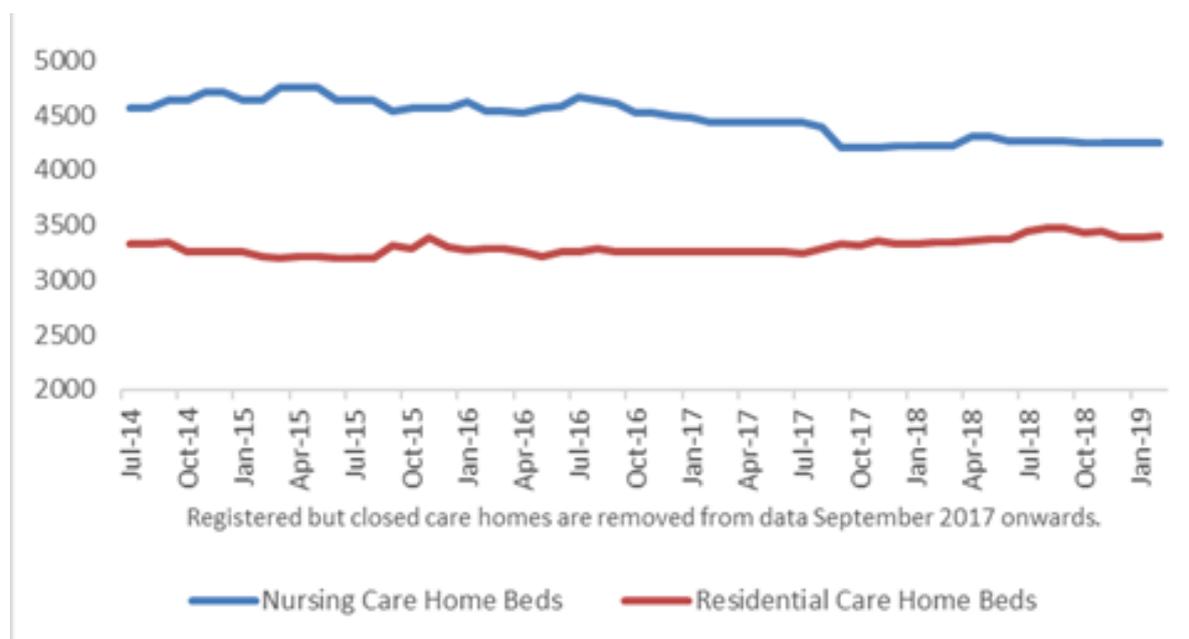
Report of the Director of Health and Care

Reasons for Recommendations:

Background

1. There are 247 private sector registered care homes in Staffordshire with 7,639 beds. The numbers of homes and beds provided has been decreasing in recent years (Figure 1). Care homes are a regulated activity and all providers must be registered with and inspected by the Care Quality Commission (CQC). The CQC rates 29% of Staffordshire residential and nursing homes as 'requires improvement' or 'inadequate'. This is in comparison to a West Midlands figure of 20% and a national figure of 18%. Over the past 12 months Staffordshire has seen an improvement in standards of care and a decline in the number of homes rated inadequate or requires improvement.

Figure 1: residential and nursing home beds in Staffordshire



2. The Council supports 2,500 older people to meet their assessed eligible social care needs in a care home: 57% are in a residential home and 43% in a nursing home. The Council arranges care with homes in Staffordshire and homes outside the county where people have a need for care to be provided in another area (e.g. to support specialist care needs or to be closer to family). At the present time 17% of placements are in homes outside of the county. Every month on average 100 new placements are made and on average 100 placements end, with the number of people supported remaining broadly static. The average length of stay is 1.8 years in residential care and 1.6 years in nursing care.
3. This means that the Council uses around 29% of total Staffordshire care home capacity for older people (2,230 beds). The remaining care home beds are used by other groups of people, self-funders, the NHS, other local authorities, or are vacant: around 9% of residential home beds and 5% of nursing home beds are vacant at any one time.
4. The Council has seen a significant rise in the cost of new placements, which is driving up the average cost of placements (Figures 2 and 3). As a result, the Council's expenditure on care homes is increasing by 5% annually for residential care and 12% annually for nursing care. The areas of the County that are most affected are South Staffordshire and Stafford.
5. These rises have produced a gross cost pressure of £9.712m, which is covered non-recurrently in 2019/20, which needs addressing to reduce the pressure in future years. If increases continue at the same rate this will result in a cost pressure of between £7.947m and 13.264m from 2020/21. This continues to be a significant risk for the MTFs.

Figure 2: trends in new nursing care placement costs (65+)

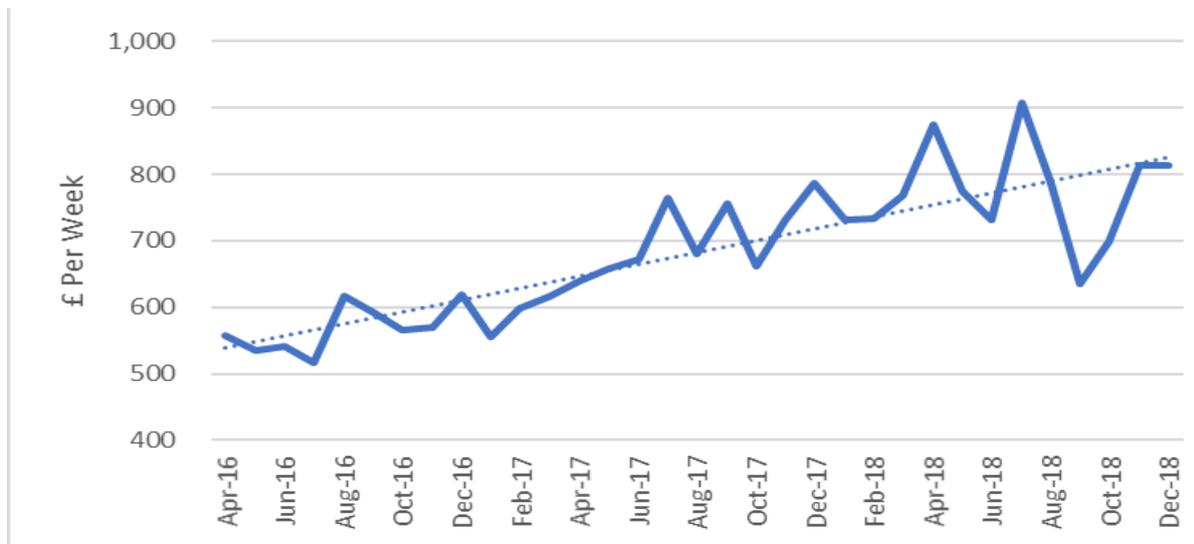
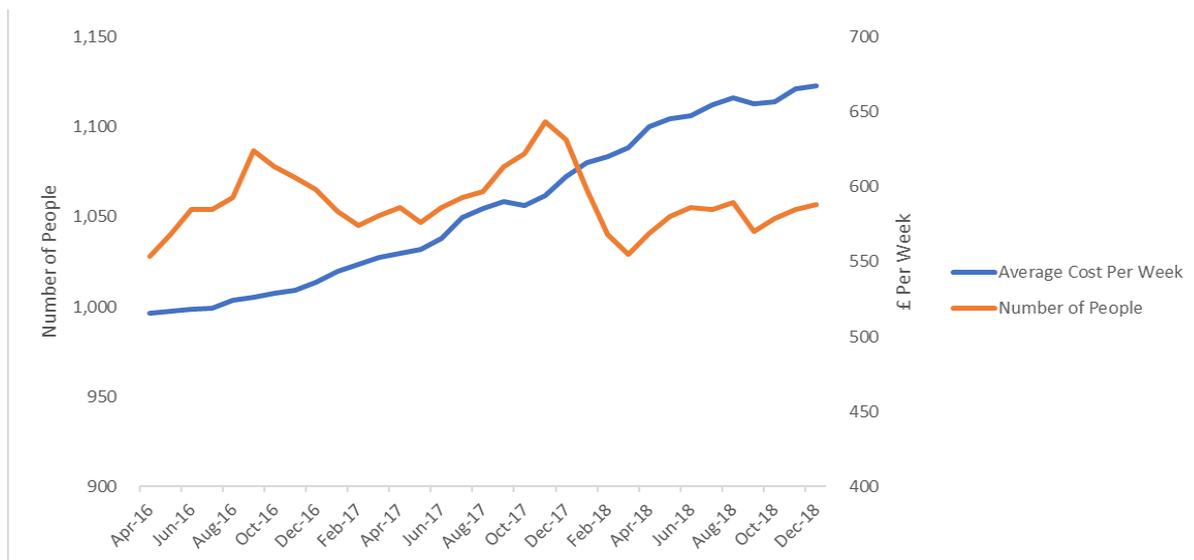


Figure 3: trends in average nursing care placement costs (65+)



6. This is likely due to three factors:

- a. Care homes are facing rising costs, especially from the increasing national living wage,
- b. A shortage of supply, especially in nursing care and affecting some areas to a greater extent than others. This means that the Council has limited choice when making placements. This is exacerbated in some areas with higher housing prices where there are higher proportions of self funders and therefore care homes are less reliant on Council funded placements; and
- c. A need to place some people quickly to support hospital discharges and avoid Delayed Transfer of Care.

Actions ongoing

7. Reversing the rise in cost of new placements whilst maintaining the quality of care will be difficult and will not happen quickly. The Council has a range of actions already in place to improve the Council's ability to secure cost-effective placements:
 - a. **Quality control of social care assessments** to ensure that assessed eligible needs are accurately described in individuals' profile;
 - b. **Implementation of the Cost Effective Care and Support Practice Guidance**". including the use of third-party top-ups;
 - c. **Quality control of brokerage** of care home placements to ensure that the most suitable placement is commissioned;
 - d. Introduction of a Staffordshire Health and Care Integrated **Provider Improvement Response Team** to support care homes to improve quality and reduce the numbers suspended to new admissions;
 - e. Commissioning of **block booked provision of short-term care home placements** to enable hospital discharges and provide a longer time to source a cost-effective long-term placement;
 - f. **Increasing contracted care homes that border Staffordshire** to provide the Council with additional options for placements;
 - g. **Commissioning of block booked provision of long-term care home placements** to secure cost effective placements by guaranteeing income to the commissioned care provider; and
 - h. **A Joint Strategic Care Home Review** to identify additional actions and/or alternative strategies for managing the market across the CCGs and local authority.

Additional actions recommended

8. There is some indication that these actions are mitigating the rise in residential care costs, however additional action is required to further mitigate the rise in nursing care costs.
9. The proposal is for the Council to develop additional and affordable nursing home capacity targeted to those areas of the county where supply is weakest and the rise in costs of new placements most pronounced.
10. The Council would develop and offer sites, including the necessary equipment, through a lease agreement to an external care provider or a Council owned Local Authority Trading Company (LATC) who would operate and manage the service. Should market conditions change the Council would have the option of selling the

properties. A summary of benefits and risks of this approach are shown in Table 1.

Table 1: benefits and risks of Council owned care homes

Benefits to the Council
Secures capacity at an affordable rate Guarantees capacity in the market for Council funded placements Provides an element of control on care delivery and quality Ability to sell properties should market conditions change
Benefits to the Provider
Guaranteed level of income, contract and payment Ability to plan Provides a care home premises
Risks to the Council
Payment required even if beds not in use Reputational issues in the event of any quality concerns

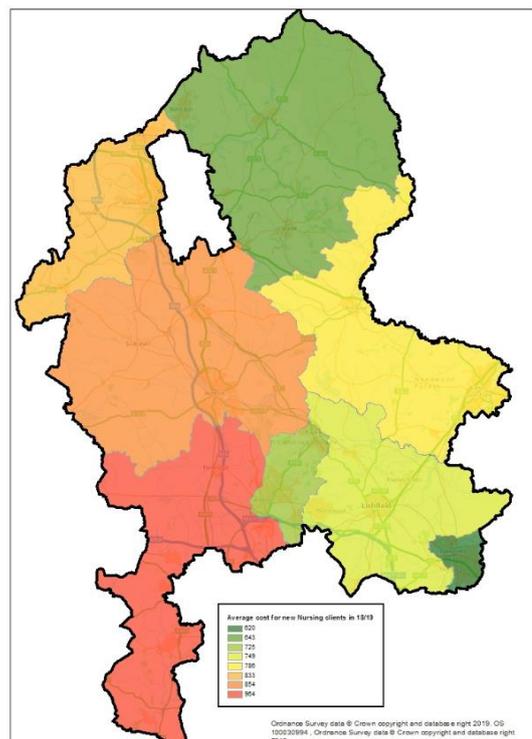
11. There are similar benefits and risks for Council owned care homes and block booking beds in the independent market place. The Council has recently decided to commission up to 200 block booked nursing beds from the independent market place to mitigate the rise in costs. This is likely to be the maximum number of beds that the Council could block book given capacity constraints in the market.

Proposed sites

12. The areas with the greatest need for intervention based on shortages of supply and costs of new placements are highlighted in Map 1, Map 2 and Table 2. These tend to correlate with areas with the lowest level of vacancies.

Map 1: Average cost of all Council Care Home placements at March 2019

Map 2: Average cost of new Care Home Placements 2018/19



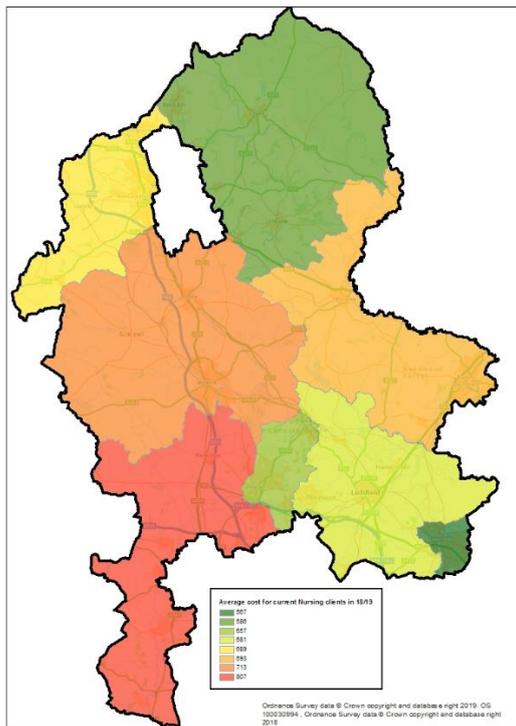
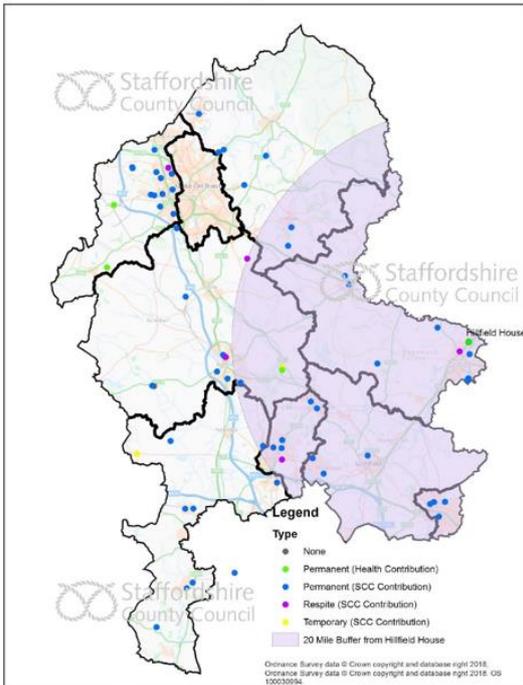


Table 2: Average Care Home Placement Cost per District

District	Average cost for a new client in 18/19	Average cost for a current client in 18/19
Cannock Chase	£724.91	£657.50
East Staffordshire	£786.16	£693.16
Lichfield	£749.23	£681.84
Newcastle Under Lyme	£832.90	£689.46
South Staffordshire	£964.15	£807.42
Stafford	£854.21	£713.46
Staffordshire Moorlands	£642.88	£586.93
Tamworth	£619.62	£567.16

13. The proposal is to provide an initial 38 nursing home beds through refurbishment of a vacant Council owned former care home in Stretton, Burton on Trent, previously known as Hillfield. Refurbishment would take 9 months and would support the Council to avoid costs from nursing care placements from 2020/21.
14. Although this site is not located in an area with greatest need for intervention, map 3 demonstrates that of all nursing placements made by the Council is a 3-month period, 50% could have considered a placement at the Hillfield site as the individual lived within a 20-mile radius. Admissions to higher cost areas could as an alternative be placed at the Hillfield site to directly reduce costs. In addition some admissions to lower cost areas could be considered to the Hillfield site to free up capacity to take placements that would otherwise go to higher cost areas.

Map 3: Nursing placements Oct to Dec 2018 within 20-miles of Hillfield Site



15. In a second phase the Council would build two new nursing homes in South Staffordshire or Stafford, with a total of around 120 beds. These sites would be developed to offer a high-quality care environment maximising the use of advances in technology to support the needs of residents. The sites could be developed either as stand-alone homes or as part of 'campus style' developments with NHS facilities – depending on the location and timescale of developments under the Sustainability and Transformation Plan. Selection of locations will be informed by the areas with the greatest need for intervention, availability of land for rapid development, and the outcome of the CCG and Local Authority Joint Strategic Care Home review.
16. In a third phase, and subject to the approval of a business case, the Council could explore development of sites with further nursing home capacity, again either as stand-alone homes or as part of 'campus style' developments with NHS facilities.

Care Provision

17. The proposal is to lease the sites to a care provider to operate and manage the services, with all placements reserved for Council funded individuals. This could either be an external care provider or a Council owned Local Authority Trading Company (LATC).
18. A business case has been developed for the services to be provided by a LATC. A breakdown of the weekly operating costs is included in Appendix 1. The full business case is included in Appendix 2. A summary of the potential gross savings (expressed as an avoidance of future costs which will materialise if no action is taken) is shown in Table 3.

Table 3: cost comparison of services provided by LATC vs new placements with the independent market (excluding the cost of capital repayment)

	Nursing home services provided by LATC	New placements with independent providers	Gross saving with LATC
Weekly care costs / price per bed (£)	583	787	204
Cost per year for 38 beds (£)	1,155,110	1,559,299	404,189
Cost over 5 years for 38 beds (£)	5,775,550	7,796,495	2,020,945
Cost over 5 years for 158 beds (£)	24,014,129	32,417,006	8,402,877

19. The proposal is that once the credentials, quality and cost of any external care providers are known, the Director of Health and Care, in consultation with the Deputy Leader and Cabinet Member for Health, Care and Wellbeing, be delegated to make a decision to contract with an external care provider as determined through an appropriate procurement process, or with a LATC.

Capital costs

20. The capital cost of refurbishing the Hillfield site for the first 38 beds is estimated as £1m and up to a maximum of £1.2 million including contingency. Details are included in Appendix 3. Cabinet is requested to provide an additional capital allocation for this refurbishment. Reduced care costs net of capital investment are £0.8 million over 5 years from investment in the Hillfield site, based on a gross cost avoidance of £0.4 million annually (Table 3). After allowing for the cost of capital this indicates a cost avoidance of £0.34 million annually. Site refurbishment and care provider mobilisation for the Hillfield site would take place in 2019/20 to ensure that the nursing home were operational by 2020/21. The saving is expressed as future costs avoided or financial risk mitigated compared to taking no action. This means that there will not be any realisable savings in the MTFS as these risks are not currently funded.

21. The capital cost of building two new nursing homes with an additional 120 beds in phase two is likely to be in the order of £7.5 million per site. This suggests a payback period from reduced care costs net of around 12 years. The timescale for development of two additional sites with a further 120 beds is likely to take until 2023/24.

List of Background Documents/Appendices:

Background Document 1: Financial Breakdown of LATC (Exempt)

Background Document 2: Staffordshire County Council, Future Care Delivery Business Case for Additional Nursing Capacity Care and Health Solutions (Exempt)

Background Document 3: Refurbishment costs for Hillfield, Entrust

[Background Document 4 - Cabinet Report \(April 2019\), Strategic Review of the Older People Care Home Market in Staffordshire](#) (Exempt)

Community Impact Assessment – Summary Document

Report Commissioner: Victoria Cotton
Job Title: Commissioning Manager
Telephone No.: 01785 355809
E-Mail Address: victoria.cotton@Staffordshire.gov.uk