

## **Approve a preferred option for the development of a new care facility in Herefordshire for meeting future demand and service delivery**

**Decision maker:**

**Cabinet**

**Decision date: Thursday 28 October 2021**

**Report by: Cabinet Member, Health and Adults Wellbeing**

### **Classification**

Open

### **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

### **Wards affected**

(All Wards);

### **Purpose**

To approve the preferred option to invest in and develop the council's own care facility in Herefordshire to meet future demand.

The Council has identified that demographic changes and the development of the local care home market will bring pressure on existing capacity through increasing numbers of older and disabled people with complex needs. Additional care home bed capacity will be required to meet needs in such a way that the council can ensure access to care when it is needed and that the care is of high quality. There is also an opportunity to create new care facilities, which are high specification and fit for the future, for the delivery of care and support. Some of the options for consideration would see those facilities address the council's environmental priorities, ensuring they are built to Herefordshire's Future Homes Standard.

The options appraisal at Appendix 1 explores how the council can achieve 80 additional high quality care home beds under its control and sets out different options for doing so:

1. Do nothing;
2. Enter into long-term block contractual arrangement with existing providers in the local market;
3. Purchase buildings on the open market, redevelop and refit, to operate directly;
4. Invest and develop the council's own, large scale care home facility;
5. Work with an investment and/or delivery partner to develop a new large-scale care home facility.

The appraisal identifies a recommended option for Cabinet to consider adopting as the council's preferred approach, which would then be taken forward in greater detail for further consideration.

## **Recommendation(s)**

**That:**

- a) The options appraisal for further development of additional care home facilities in Herefordshire is considered and the preferred option approved.**
- b) Authority is delegated to the Interim Director for Adults and Communities to take all appropriate steps to develop the preferred option in detail, for further consideration of cabinet.**
- c) A similar options appraisal for new care home or other accommodation for children is prepared for cabinet's consideration.**

## **Alternative options**

1. Do nothing and not consider or adopt a preferred model for achieving an increase in high quality care home capacity. This option is not recommended, as it would prevent progress in planning services to meet future need. It would also prevent exploitation of potential opportunities in local markets and effective deployment of capital and other resources.

## **Key considerations**

2. The options set out in the options appraisal at Appendix 1 offer different approaches to achieving an increase in care home beds. In considering the options, the council is fulfilling a requirement in the Care Act 2014 for local authorities to help develop a market that delivers a wide range of sustainable high-quality care and support services, available to their communities. The Care Act 2014 also requires that local authorities assess need and ensure future services meet those needs.
3. The council is clear that where the market cannot meet these challenges and meet the needs of individuals it will consider its role within the market and has already started to in-source some services, and is currently exploring these options to ensure choice, quality and cost effective delivery. This is set against a demand for nursing beds per month, which can fluctuate.

4. Capacity to meet demand for complex care in nursing environments in Herefordshire is limited. The council often has difficulty in both finding placements for people with high needs and controlling the cost of these placements. This can lead to placements out of county. Currently the council is reliant on spot purchasing care at significant cost from dozens of homes run as commercial business and with varying levels of quality and reliability. As the numbers of people aged 85 and older and those with complex needs grow, so do the challenges in finding the right care at an appropriate quality and price. This is especially so for people with complex needs arising from frailty and dementia.
5. The total need for care home placements for people over 65 years is projected to increase from around 1,550 in 2018 to around 2,000 people in 2028 (an increase of 450 over this 10 year period); and to around 2,650 people by 2,038 (an increase of 1,150 over this 20 year period).
6. The proposal is for the council to develop additional and affordable nursing home capacity of around 80 beds. This may be in the form of a care home or homes targeted to those areas of the county where supply is weakest and the rise in costs of new placements most. The potential benefits of investing in additional care home capacity include:
  - Reduced delays in hospital;
  - Increased capacity within the market and flexibility to manage admissions and future developments;
  - Improved local services to meet the needs of residents who have complex needs;
  - Reduced and consistent placement costs;
  - Potential option of income from placements, including self-funders.
7. The development of new care home capacity provides an opportunity to connect care and support services more effectively with their communities. Care homes should be seen as a 'part of the community and as a 'hub' of activity, rather than operating in isolation from the surrounding population. A new high specification care home could be co-located with various community facilities, such as gym, café, early years support, cultural and community support. The new service can also contribute to the Talk Community approach by providing resources to benefit the community including hot food provision, volunteering opportunities, inter-generational learning and activities or meeting facilities. The service could benefit from Talk Community through engagement, recruitment, safe activities for residents in the community and many other ways.
8. In common with many local authorities, Herefordshire divested itself of its directly owned and operated care homes almost 20 years ago. This recognised a wide variety of factors including the growth of the independent care home sector and challenges for the council around workforce and the availability of capital resources to invest in ageing buildings. In the last few years, councils have been considering acquisition or building of their own care facilities, as they weigh up the relative availability of capital investment and the limitations of their provider markets.
9. The options explored in the options appraisal in this report are:

**Option One**, 'Doing nothing', this is not considered a viable option, as it does not address the council's priorities and challenges nor contributes to planning services to meet future need.

**Option Two**, 'Enter block contract arrangements' this would require the council to negotiate multiple long-term contracts with existing providers of nursing homes in Herefordshire, totalling 80 beds.

The potential benefits from this option are:

- No capital investment required;
- Potentially immediate access to beds;
- Support the local market rather than compete within it;
- Some flexibility over bed numbers over time.

The potential disadvantages include:

- The limitations of block contracts as a commissioning method;
- It is unclear whether providers would accept block contracts or at what price;
- The price of these contracts would not necessarily offer value for money;
- The contracts would not increase overall capacity or quality locally.

**Option Three**, 'Acquiring properties from the open market'.

The potential benefits of this option are:

- It may be quicker than a large new build development, dependent on multiple factors;
- Capital costs are not likely to exceed those of a new build development;
- It makes use of existing buildings and sites.

The potential drawbacks of this option are:

- It requires multiple acquisitions in a fast moving commercial market;
- More difficult or impossible to deliver to more difficult to develop the same level of 'bespoke' placements, technical opportunities, for example to Herefordshire's Future Homes Standard;
- Multiple sites are more expensive and difficult on which to operate services.

**Option Four**, 'Invest in and develop the council's own care facility'.

The potential benefits from this option are:

- Can design a bespoke, high specification new care home that is fit for purpose and flexible;
- Meets design principles and achieve Herefordshire's Future Homes Standard;
- Potential to become a leading vanguard site regionally or nationally;
- The use of the services and their quality are entirely within the council's control.

The potential disadvantages of this option are:

- Few suitable sites are available within the council's ownership or wider public estate;
- It requires large-scale project management and governance at each stage of development;
- Potential for reputational harm to council from risk of budgets, recruitment, managing the facility and timescales not being met.

**Option Five** 'Work with an investment and/or delivery partner'. The council would devise and implement a process to identify a partner organisation with which to invest in and develop a new large-scale care facility.

The potential benefits from this option are:

- Expertise of a commercial partner with the experience to develop large-scale schemes;
- Lower initial capital investment from the council;
- Potential to become a leading vanguard site regionally or nationally
- Meets design principles and achieve Herefordshire's Future Homes Standard;
- Design a bespoke high specification care home, fit for purpose.

The potential disadvantages are:

- A partner's investment will be secured through the asset and guaranteed income;
- Risks to the council's finances, reputation and autonomy are significant;
- A development partner may not be the most appropriate provider of care services;
- A long term partnership may not facilitate changes of policy, priority and practice.

10. To meet the future challenges and deliver services within new bed facilities, it is envisaged that the care facility will be aligned to Hoople Care, part of Hoople Ltd. The operation of Hoople Care is developing rapidly to encompass a range of adult social care services including respite and residential provision. The operation of an 80-bed care facility for people with

complex needs would represent a significant growth in Hoople Care staffing and activity. In due course therefore, it will be appropriate to review the role, structure and resourcing of Hoople Care within Hoople Ltd more widely.

11. Once cabinet confirms the preferred option, the next steps in taking this work forward will include developing a detailed business case, exploring potential sites and engaging with key stakeholders.
12. Many of the considerations explored in the options appraisal will arise also in plans for increasing accommodation or bed based capacity for other user groups and service areas. As part of the council's Children's Improvement Plan, a need has been identified for facilities to support more local accommodation of children in need. This may include small residential care homes. It is proposed that the potential for acquiring or building such new capacity is the focus of a further options appraisal, for the consideration of cabinet.

## Community Impact

13. The development of a care home facility supports Herefordshire council's commitments to the County Plan 2020 - 2024 to sustainability and community, and theme of connectivity. It will also assist priorities in the corporate delivery plan in complementing the Talk Community programme and deliver specialist care home facilities and accommodation for vulnerable adults. The building of new large-scale care facilities offers abundant opportunities for co-location of activities and for community participation, engagement and shared use of resources.
14. The options explored in the options appraisal contribute to the following County Plan Themes:

Protect and improve the lives of vulnerable people	✓
Build understanding and support for sustainable living	✓
Use technology to support home care and extend independent living	✓
Use the council's land to create economic opportunities and bring higher paid roles to the county.	✓
Invest in low carbon projects	✓

15. The health and safety implications associated with all the options require a suitable building site or sites to be identified. The council will take steps to promote appropriate health and safety practice in the delivering a large-scale care home facility.
16. There are no specific implications in the options for the corporate parenting responsibilities of the council and its partners.

## Environmental Impact

17. The council provides a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors, there is a shared strong commitment to improving the environmental sustainability and achieving carbon neutrality in Herefordshire. This commitment would be advanced by sustainable methods and approaches adopted in delivering care in the new facilities proposed in this report.
18. In delivering the preferred option, the council will endeavour to align to the following success measures outlined in the County Plan:
  - I. Increase flood resilience and reduce levels of phosphate pollution in the county's river
  - II. Reduce the council's carbon emissions
  - III. Work in partnership with others to reduce county carbon emissions

- IV. Improve the air quality within Herefordshire
- V. Improve residents' access to green space in Herefordshire
- VI. Improve energy efficiency of homes and build standards for new housing
- VII. Increase the number of short distance trips being done by sustainable modes of travel - walking, cycling, and public transport.

The proposals explored in the preferred option may enable many of these success measures to be achieved or advanced. The options, which involve building new care facilities on a local site, offer an opportunity for the council to use environmental building methods and materials to create a high specification care home, built to Herefordshire's Future Homes Standard. This might not only address the council's environmental priorities but also serve as an exemplar regionally and nationally.

## Equality Duty

19. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.
20. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
21. The proposed development of additional high quality care facilities will provide significant benefits for vulnerable people sharing protected characteristics. In particular older people with complex health and social care needs will get improved access to high quality care in their local area. There will also be similar benefits for disabled people, including those with mental health needs. Three of the options for increased care home capacity will generate a significant local employment opportunity, for a diverse workforce including people sharing protected characteristics. An Equality Impact Assessment will be carried out to ascertain the impact of the preferred option.
  22. There are not anticipated to be any risks or adverse changes arising from this proposal, as it involves development of new high quality public services. The Equality Assessment will identify a set of actions aimed at mitigating risks to citizens in the protected characteristic groups.

## Resource Implications

23. There are no immediate financial implications for the council from this proposal, as it is concerned with options, which will still require significant exploration prior to their final approval and implementation. The initial next steps will include a business case, stakeholder engagement and review of sites. These can be accomplished within existing staffing resources. Further steps would include feasibility a study, which would incur costs in utilising external expertise. However, much of the work involved in a feasibility study has already been completed for one site, at Station Approach.

24. Adult social care gross revenue budgets for care home placements in the current financial year 2021/22 are circa £37.9m. The council operates a 'usual price' for placements of older people (currently £524.12 weekly for residential care and £597.87 for nursing care, which excludes Funded Nursing Care FNC £187.60). A significant proportion of placements are above this rate.
25. Options four and five in the appraisal would potentially involve a very significant capital investment by the council, likely to be in the range £13m to £16m. The council's corporate capital programme includes a provisional allocation of £14m for the development of a new 80-bed care facility.
26. Whilst the ambition is to build a care facility to Herefordshire's Future Homes Standard, it should be noted that considering options four and five might require significant longer-term investment to maintain the efficient use of the buildings.
27. Option two; entering into a long-term block contractual arrangement with the existing market would not require any capital investment. However, it would involve a long-term commitment to paying for care at not insignificant rates. The potential value of block beds can fluctuate significantly over a period of time, which illustrates some risks of the approach, as it can involve long-term commitment to short-term prices.
28. The costs for option three, to purchase buildings on the open market refurbish and expand are unknown in advance of identifying specific sites. However, these would include acquisition and environmental costs and potentially conversion, extension and/or refurbishment. Over three separate sites costs could potentially reach or exceed £10m.
29. The funding to support option four, the development by the council of a care home facility on a single site has been identified through capital investment. There is a provisional allocation of £14m within the capital programme. The table below sets out the financial implications to investing in our own care home facility:

<b>Estimated Build &amp; Fit Out Cost</b>		
	<b>Non Herefordshire Future Homes Standard</b>	<b>Herefordshire Future Homes Standard</b>
<b>Number of Beds</b>	<b>80</b>	<b>80</b>
Build Cost per Bed	£160,000	£192,000
<b>Total Build Cost</b>	<b>£12,800,000</b>	<b>£15,360,000</b>
Fit-out Cost per bed	£8,000	£8,000
<b>Total Fit-out Cost</b>	<b>£640,000</b>	<b>£640,000</b>
<b>Total Build &amp; Fit Out Cost</b>	<b>£13,440,000</b>	<b>£16,000,000</b>

<b>Sources of Funding</b>		
Capital Receipts	£6,081,000	£6,081,000
Grant Funding	£451,000	£451,000
Prudential Borrowing	£6,908,000	£9,468,000
<b>Total Funding</b>	<b>£13,440,000</b>	<b>£16,000,000</b>

30. Under option five, the costs of developing the care facility are likely to be very similar to option four, as there is the same vision for the build, configuration and general use of the building. However, this option would have a very different profile of income sources, as it is presumed

that a partner organisation would make a significant capital investment, so reducing the council's own capital contribution. The different capital profile would have a significant impact in increasing the council's revenue costs and wider financial risk. This is because the partner would expect to secure its investment partly through guaranteed income from the council, over an extended term, potentially 30 years. The council would be asked to commit to paying them, regardless of any delivery or quality considerations or any changes in policy, priorities, legislation or local needs. It is noted that there could be some commercial opportunities for the council arising from long-term arrangements.

## **Legal Implications**

31. There are no specific legal implications arising from this report as it is seeking approval of the preferred option to be subsequently developed. However, in considering the recommendations regard should be had to the council's duties under the Care Act 2014.

## **Risk Management**

32. Below are the key risks which could have impact on the options:

Risk / opportunity	Mitigation
<p>Not taking action to meet demand. This would prevent preparation to meet increasing need for care among people with complex needs. In turn this is likely to lead to an insufficiency of care home beds and poor outcomes for people with complex needs, along with escalating costs. There is a risk with larger suppliers moving in to the county as they recognise the business opportunity associated with our demography, giving us limited control to provision, quality, and costs.</p>	<p>The risks of taking no action as in option one could be mitigated by adopting one of the other options set out in the appraisal.</p>
<p>Adopting option two would risk not actually increasing capacity and having little influence over increasing quality of provision for people with complex needs. It would also not reduce costs.</p>	<p>This could be mitigated by adopting another preferred option.</p>
<p>Adopting option three involves risk of not identifying sufficient suitable sites for acquisition or being unable to acquire them owing to commercial factors and the council's governance processes.</p>	<p>Opportunities will arise in the market and the council regularly monitors those which may be suitable for acquisition or conversion</p>
<p>Option three would involve a substantial risk of not being able to achieve Herefordshire's Future Homes Standard in creating additional capacity. Conversion of older buildings also would bring to the council significant financial risk around the maintenance and repair.</p>	<p>Amongst the three sites potentially required for option three, the council may identify one or more where there is opportunity to build new facilities to complement existing buildings.</p>
<p>Options three, four and five all involve the risks associated with any major capital project including budget overspend, delay and reputational harm.</p>	<p>Capital investment of £14m has been provisionally confirmed through the Capital Programme to develop option four, investing in a new care home facility. The council has significantly expanded programme management resources and expertise to support its capital programme.</p>
<p>Challenges in securing a suitable site or for an 80 bedded care home facility under options four or five, leading to significant delay.</p>	<p>A suitable site is identified at Station Approach, and a review of other site options is advised.</p>
<p>Working with external partners to develop option five bring significant financial, legal operational and reputational risks. These arise from a partner's need to secure their investment in a way which ties the council to substantial and very long term spending which no exit options. Risks also arise around the quality and reliability of services provided by or via the partner organisation, again over an extended period.</p>	<p>Opting to prefer one of the other options would mitigate this risk.</p> <p>Ensure experienced developer/s are included within the project.</p>

## Consultees

33. Council commissioners engage continually and intensively with the local care home market, both among independent providers and associations, working closely with NHS agencies. This has provided significant clarity on the priorities, challenges and outlook of the care home market.
34. Engagement on the proposals has also taken place over a period with NHS agencies through the emerging Integrated Care System. They have been broadly supportive of the options to develop new services on this scale.
35. Members of the council have been consulted via political groups. One member expressed concern that working with an investment or delivery partner would compromise the council's control of access and quality and be expensive and contractually restrictive.
36. The views of stakeholders is critical in the delivery of the chosen option. The following key stakeholders will be consulted to help design and develop the option:
  - Herefordshire residents
  - Unpaid and family carers
  - Herefordshire and Worcestershire CCG
  - Wye Valley NHS Trust
  - Independent care home providers and associations
  - Commercial/consultants

## **Appendices**

Appendix 1 – Options Appraisal for additional care facilities in Herefordshire

Appendix 2 – Equality Impact Assessment

## **Background papers**

None