



Derby City Council

COUNCIL CABINET
7 December 2016

ITEM 8

Report of the Cabinet Member for Integrated
Health & Care

Service Delivery Model for the Council's Care Homes and Day Centres

SUMMARY

- 1.1 At the July 2016 meeting, Cabinet received a report providing consultation feedback on an alternative service model for Council owned Adults' residential care homes and day services. This led to the decision to undertake soft market testing; this report provides further details from that exercise. The soft market testing exercise was undertaken to establish whether there is interest from credible organisations who may want to take over the facilities and provide the service in an alternative way. This report proposes recommendations informed by the findings from the exercise.

Following a review of the results of the soft market testing, balanced with an analysis of the composition and physical condition of both the residential care homes and the day centres, it is proposed that whilst a definite recommendation can be made in respect of the care homes (including Morleston Day centre), further due diligence work needs to be undertaken in respect of Aspect and Inspire Day centres.

RECOMMENDATIONS

- 2.1 Cabinet delegates authority to the Strategic Director of Place following consultation with the Strategic Director of People, to sell five of the Council's care homes – Merrill House, Raynesway View, Coleridge, Arboretum House (including Morleston Day centre) & Bramblebrook to achieve the best possible outcome for the Council and to ensure that the existing residents are provided with a quality care service for the remainder of their lifetime, at no additional cost to them.
- 2.2 Cabinet notes that further dialogue is required with organisations interested in Inspire and Aspect Day centres, following the soft market testing.
- 2.3 To note that any capital receipt from the disposal of the care homes will be earmarked in accordance with the corporate capital receipts policy.

- 2.4 To note the financial implications detailed in Appendix 1 paragraph 1.2 to identify that further revenue/capital funding will be required should the Council decide to keep the properties rather than dispose of them

REASONS FOR RECOMMENDATIONS

- 3.1 Additional capital and ongoing revenue investment is still required to carry out works to the remaining in-house homes and centres to keep pace with health and safety guidelines and major maintenance requirements. To balance the pressure of this with the wider budget position of the Council, the requirement for additional investment into the facilities and taking account of the views of existing residents and service users about maintaining service delivery, Cabinet previously agreed that an alternative owner and operator should be considered. A soft market testing exercise was undertaken to ascertain ideas from interested parties and to inform any procurement/marketing strategy.

For Aspect and Inspire day centres, the general feedback in relation to these centres suggested that there were credible ideas about how individuals could be supported in a very different way from the current model, including moving away from the existing building base.



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Report of the Strategic Director of People

SUPPORTING INFORMATION

4.1 In November 2015, Cabinet agreed to the commencement of a consultation exercise to seek views on an alternative delivery model for the Council's in house Adults' care homes and day centres. After considering the consultation feedback, in July 2016 Cabinet agreed that a soft market testing exercise be carried out to listen to ideas from interested parties, and to inform any strategy to find an alternative owner/operator for the homes and day centres.

4.2 Throughout the past 12 months, the Council's stated preference has been that the affected services (listed below) remain open but that a third party owns and operates them:

- Merrill House
- Coleridge House
- Arboretum House
- Raynesway View
- Bramblebrook House
- Morleston Day Centre
- Inspire Day Centre
- Aspect Day Centre

During the consultation period, a number of local external organisations discussed their ideas for alternative delivery models for the existing services. At that time four existing private sector care home providers, and one not for profit organisation, all currently operating in Derby, expressed an interest in operating the Council's care homes. In relation to the day centres, eight existing private and not for profit organisations discussed ideas for the day centres during the consultation period. These were wide ranging and included ideas about taking over the services and redeveloping them in their existing locations, relocating services into alternative buildings and also supporting individuals in a way that did not require the use of a building, other than for occasional use.

4.3 Findings from the soft market testing

A soft market testing exercise took place between 8th September and the 14th October 2016. It was widely promoted round all existing care providers operating in Derby, and also was targeted at specific individuals who had previously expressed an interest in the facilities. The information was advertised on the website

www.sourcederbyshire.co.uk which is the Council's main vehicle for promoting potential tenders and contracts.

Interested parties had to sign a non-disclosure agreement that enabled confidentiality to be maintained throughout the process. On receipt of this, the Council released a variety of detailed information about the current facilities, including their running costs, condition surveys, staffing details, CQC reports, building layouts and maintenance costs. The purpose of this was to protect both the Council and external organisations in sharing potential commercially sensitive information.

4.4 Non-Disclosure Agreements & expression of interests

Thirty four non-disclosure agreements were returned, and 11 expressions of interest were then submitted (representing a 33% return rate), albeit two of these expressions contained no details at all other than their stated interest areas. In terms of the profile of organisations, one was a private organisation, six were from Public Limited Companies, two were from Community Interests Companies, and two were from separate consortia of local charities. In addition, a proposal has been made by two existing staff members at the Inspire service and has been discussed with them in detail as part of the process.

A copy of a blank expression of interest application is included as Appendix 2. Cabinet should note that it was made clear that the Council would be looking to secure a capital receipt for the facilities, that the necessary investment in the buildings was a pre-requisite to any transfer, and that care and support to existing residents and service users would need to continue. Interested parties were also asked to provide details of further information they may need before making a formal proposal, and also given the opportunity to provide alternative ideas.

4.5 Expression of Interests summary

Of the eleven organisations that expressed an interest, the breakdown is as follows:

Care Homes Only	Care Homes & Day Centres	Day Centres Only	Total
4 Interested Parties	4 Interested Parties	3 Interested Parties	11

4.6 Expression of Interests in the Care Homes

8 of the 11 expressions of interest concerned the care homes. With the exception of two organisations, all were interested in the Council transferring the freehold of one or more of the homes. Three were interested in transferring the freehold on all properties. None of the care homes received no expression of interest i.e there was interest in varying degrees expressed about *all* of the homes offered.

Alternative ideas that were put forward include –

- The Council considering a service contract for all facilities i.e. the Council to retain ownership but enter into a contract for the management of all facilities

- The Council agreeing to two homes becoming social enterprises where staff receive shares in the company and get involved in the strategic direction and management of the facilities
- The Council should offer one of the homes as a “gift” to a VCS organisation whom in turn would develop the facility and access capital funding via an application for a “social impact bond”
- The Council should provide a one off grant to a community interest company towards the cost of the investment required.

4.7 Expression of Interest in Day Centres

Seven of the eleven expressions of interest concerned the day centres. Three were interested in the day centres as standalone from the care homes. Four of the seven were interested in one or more of the care homes as well - this difference was largely due to Morleston and Inspire day centres, where the four parties interested in these were also interested in Arboretum House which is on the same site. There was therefore some level of interest in all 3 day centres. Alternative ideas that were put forward are:

- The Council should consider leasing the sites, rather than offering the tenure by freehold
- The Council should include any on site ancillary properties at the site of Arboretum House
- The Council should considering offering the centres as a “gift” to a VCS or CIC’s and that capital funding would be raised via a “social impact bond”
- The Council should provide a one off grant to a community interest company towards the cost of the investment required

4.8 Further information that organisations requested

Those expressing an interest were asked whether there was any additional information that was required before they could fully form a view on the Council’s portfolio. Areas stated included:

- further details on the precise running costs for the buildings;
- further details on the salary and associated benefits of the staff team;
- whether the Council will pay towards the cost of care for each individual into the future, should the Council no longer be the provider of the service;
- current usage levels for the day activities and occupancy of beds (residential);
- age/disability profile of services users;
- details about the future demand and service model for day services to determine the future sustainability of the services;
- information on the charging structure for service users;
- the likely application of TUPE i.e. are the Council looking to transfer the business to another provider?
- current staffing structures;
- whether the Council intends to support current staff to set up new services and have access to customers while still in employment with the Council;
- whether the Council intends to continue to provide transport services for

- individual attending day centres;
- whether equipment will be included in any sale;
- more detail on required capital work to be carried out prior to any activities/services being delivered;
- maintenance cost and details regarding contractors for the past 12 months;
- costings associated with rates, utility bills, service charges, insurance etc.;
- details of any restrictions on land usage surrounding care home sites; and
- the monthly costs of delivering the service on a lease basis.

4.10 **Property Aspects** - In conjunction with findings from the soft market testing, an analysis was undertaken in respect of the care homes and the day centres. This analysis took into account various aspects including:-

- Current condition of the respective buildings and the cost of undertaking future repairs to the building
- Annual Maintenance and running costs
- Potential sale value as going concerns
- Suitability and sufficiency
- Current Occupancy rates

4.11 The emerging recommendations from this analysis is that :-

- Merrill, Coleridge, Raynesway View, Bramblebrook and Arboretum House (including Morleston Day centre) should be disposed of subject to provision being made to ensure that the existing residents are provided with a quality care service for the remainder of their lifetime, at no additional cost to them.
- Further due diligence work be undertaken to establish the future strategy in respect of Inspire and Aspect Day Centres.

4.12 This process is very iterative by nature due to the unique qualities and multi-purpose use of some of the sites. Therefore it is not in the Council's best interests to adopt a uniform approach for all of the sites and services. Adopting an emergent strategic approach to the process shall ensure the best outcome for the Council and other stakeholders.

OTHER OPTIONS CONSIDERED

5.1 *Do nothing* – this option would see the Council continuing to run the care homes in their current condition. This has not been considered viable as despite some immediate remedial works having taken place, the homes still need significant investment to continue to be fit for purpose.

5.2 *Close the homes and day centres should we not be able to secure a buyer* – should the conditions of sale mean that buyers cannot be secured, the other alternative would be to close some or all of the homes and day centres. This would reduce the

on-going revenue and capital costs of maintaining the buildings and running the services. This option has not been positioned as the Council's preferred option to date due to the level of disruption to residents and the limited capacity within the existing market for residential care to absorb current and future demand for care places. The day service market may be able to absorb current service users, through the use of direct payments, and this may be one of the options to be considered following the more detailed discussions with those providers interested in the day services.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Emily Feenan, Paul McMahon, Principal Lawyer Martin Marples, Director of Finance Liz Moore, Strategic HR John Sadler, Strategic Asset Manager Kirsty Everson, Acting Service Director of Integration & Direct Services Andy Smith, Strategic Director of People
For more information contact: Background papers: List of appendices:	Kirsty Everson 01332 642743; kirsty.everson@derby.gov.uk None Appendix 1 – Implications Appendix 2 – soft market testing questionnaire

IMPLICATIONS

Financial and Value for Money

- 1.1 Feedback from the soft market testing exercise suggested that up to date and detailed financial information will need to be provided to prospective buyers. This must include full running costs of the centres as well as an indication of the ongoing revenue the Council intends to make available for use service users with eligible social care needs – for care homes, this is likely to be the normal rate at which the Council funds external residential care packages.
- 1.2 The proposals contained in this report should provide the much needed investment in the facilities as they will be marketed as “going concerns”. If the recommendation is not supported, the Council will need to secure £4.1m through a mix of revenue and capital funding sources given that the works required are mainly of a revenue nature within the capital programme for the ongoing property upgrades and urgent work that remains outstanding at these homes.

Legal

- 2.1 Legal Officers will support Estates in drafting transfer documentation to allow the freehold transfer of the properties. In order to achieve the Council's preference of maintaining ongoing care for existing residents, the Council will seek to impose contractual obligations to ensure continuity of care for residents. This could be incorporated into a new Individual Care Agreements entered into between the new owner and the Council to govern the individual care needs of the residents. Entry into a new Individual Care Agreement for each resident could be a condition precedent to completing the freehold transfer. A similar provision could also be incorporated into the contract for sale.

Sale of the properties as going concerns may give rise to a TUPE transfer of some/all of the current workforce to the new owner/operator. Legal Officers will provide advice on the application of TUPE once final proposals are received from interested bidders and will provide support to ensure the Council meets its obligations as the outgoing employer if TUPE is found to apply.

If TUPE applies to the transfer/s, the incoming providers will likely be required to provide/continue to provide access to the LGPS for those employees that transfer. In that situation the new providers may be required to obtain admitted body status from LGPS (via Derbyshire County Council).

Personnel

- 3.1 Should Cabinet agree with the recommendation, there is the potential TUPE legislation may apply to the current staff teams. HR and Legal advice will be taken on the application of TUPE, to ensure the Council meets its obligations if TUPE is found to apply. This will include advice on appropriate consultation with staff representative.

IT

No specific implications

4.1

Equalities Impact

- 5.1 A comprehensive equalities impact assessment has been completed as part of the consultation and this will need to be kept dynamic and live as proposals develop.

Health and Safety

- 6.1 The care homes and day centres continue to need remedial works to ensure they meet current standards. Whilst ever the homes remain the Council's ownership, the risks posed by not addressing these defects remain. Mitigating actions that are being currently put in place cannot be sustained in the long term. The recommendations in this report will mitigate the risks should a successful sale be achieved.

Environmental Sustainability

- 7.1 No specific implications

Property and Asset Management

- 8.1 The current portfolio of Council care homes and day centres is subject to a maintenance requirement relating to ongoing work required in terms, electrical wiring and structural and decorative needs.
- 8.2 Should the recommendations in this report be agreed, colleagues in the Strategic Asset Management & Estates teams and also the Property, Design & Maintenance team will support the disposal or transfer of these properties.

It is recognised that the terms of any transfer/disposal will impact on any value generated from these transactions. The valuations will need to take account of the restrictions that the Council will impose on the transfer of the freehold, including restrictive covenants relating to existing residents and any future overage agreements in relation to longer term plans for the homes that any prospective

buyer may have.

Risk Management

- 9.1 Mitigating actions have been put in place, with support from professionals working in the field, in relation to health and safety recent fire assessments, pending investment being made to improve the services' to the physical environment.

Corporate objectives and priorities for change

- 10.1 The proposals above will assist with the Council's wider budget position and the proposals in this report present an opportunity to get the best value for the Council, whilst maintaining continuity of care for individuals.