

**HERTFORDSHIRE COUNTY COUNCIL****ADULT CARE AND HEALTH CABINET PANEL****FRIDAY 8 SEPTEMBER 2017****FUTURE DEVELOPMENT OF CARE HOMES IN HERTFORDSHIRE**Report of the Director of Adult Care Services

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Executive Member: Colette Wyatt-Lowe – Adult Care and Health

**1. Purpose of report**

- 1.1 There is significant pressure on the County Council to support discharges from hospitals for people with increasingly complex needs who require nursing care as opposed to requiring only residential care. Commissioners have identified that this change in need from residential care to nursing care needs to be addressed as there is a lack of both availability and affordability of nursing bed provision across Hertfordshire.
- 1.2 To date, Cabinet has agreed a capital funding programme of renovation and rebuilding of residential care home stock that it owns. To address the change in needs when discharging people from hospital, Commissioners have reviewed the existing capital programme. In addition Commissioners have developed options to widen the nursing care provision across Hertfordshire to ensure best value and secure adequate capacity of nursing care beds.
- 1.3 This paper proposes changes to the existing capital funding programme for residential care homes. This paper also proposes alternative solutions to maximise options and to increase nursing care capacity.

**2. Summary**

- 2.1 Previous Cabinet reports set the parameters for use of capital funding. These reports are Review of Hertfordshire County Council's Residential Care Homes in 2005 ("2005 Report") and Quantum Care Limited – Care Contract and Property Option Agreement to Secure Re-Provision of Care Home Places in 2008 ("2008 Report").

<https://www.hertfordshire.gov.uk/statweb/meetingsnov04toapr13/Cabinet/20050221/documents.html>

<https://www.hertfordshire.gov.uk/statweb/meetingsnov04toapr13/Cabinet/20080414/documents.html>

- 2.2 There has been considerable change in the residential and nursing care market in Hertfordshire. Since the above Cabinet Reports, the nature of the demand for services has changed so that more nursing care provision is required than residential care. This has been driven by competition for suitably qualified nurses, speculative developments based on a business model of attracting private fee payers from Hertfordshire and beyond, and an increase in complexity of needs. Nationally the Care Quality Commission has identified a reduction in registered nursing beds available. This change in demand is likely to continue; in Hertfordshire the demand for nursing care is expected to outstrip capacity by 2021 unless a predicted net increase of 400 – 500 registered nursing beds is delivered. This lack of nursing care provision is adversely impacting on the County Council's ability to discharge people from hospital.
- 2.3 The cost of the capital funding programme has been increasing, from approximately £6m to £11m per project, placing considerable financial pressure on the County Council. Current and future schemes, if the programme were to continue as is, would need to attract a significantly increased level of rental income for the County Council to ensure continued viability.

### **3. Recommendations**

- 3.1 Panel is asked to recommend to Cabinet that it:
- a. Notes and agree the review of the existing capital funding programme for renovating and rebuilding residential care homes
  - b. Agrees to delegate to the Director of Adult Care Services in consultation with the Executive Member the authority to consider and implement decisions on the future options for delivery of this programme which offer greater flexibility, require less capital outlay and will result in increased nursing care provision.
  - c. Agrees to delegate to the Director of Adult Care Services in consultation with the Executive Member the authority to develop and improve the nursing care capacity across Hertfordshire to meet service pressures in a manner which provides value for money for the County Council in terms of cost and quality, in accordance with the Council's Constitution.

### **4. Background**

- 4.1 Cabinet was asked in the 2008 Report to consider (and subsequently approved) the following:
- i) A revised fifteen year contract for the purchase of care and accommodation services for older people and that the Director of Adult Care Services be authorised in consultation with the Executive Member for Adult Care Services to agree the care contract.
  - ii) An option agreement for the grant of leases that enable the construction of extensions to existing homes, redevelopment of existing homes or the development of new homes on new sites provided by the County Council, and that the Corporate Director, People and

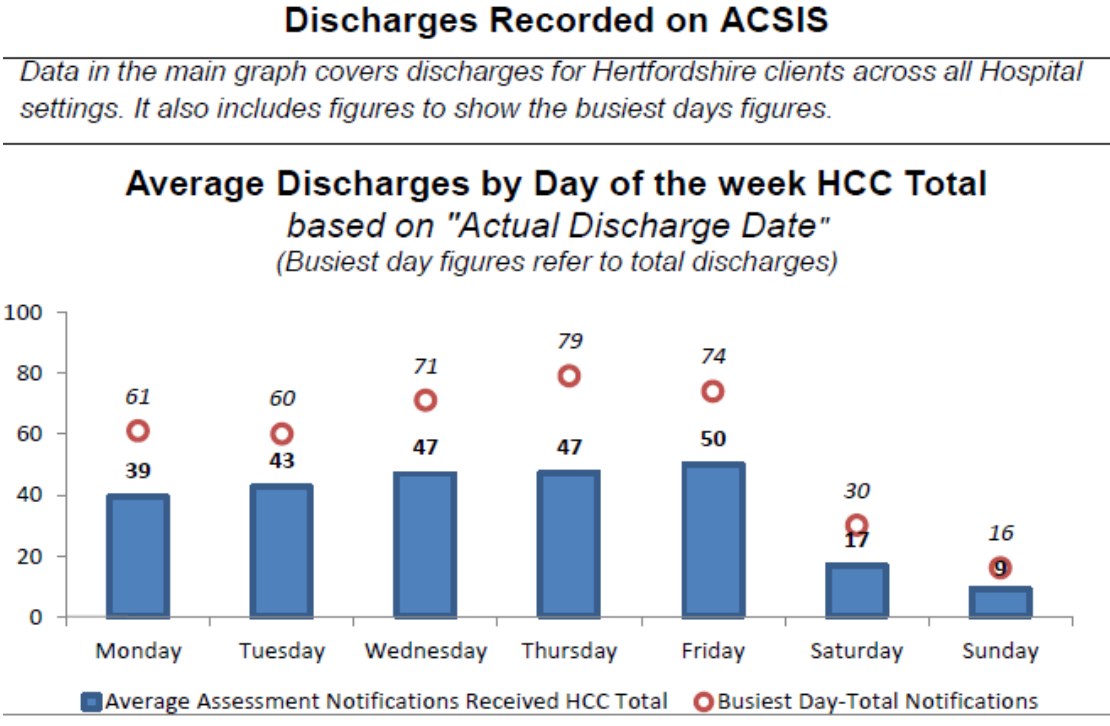
Property, in consultation with the Executive Member for Performance and Resources, be authorised to agree the property contract.

- 4.2 The conclusion of the 2008 Report was that in order to meet the anticipated demand for residential care for people eligible for placement by the County Council a strategic use of County Council land to enable re-provision of block contract places in homes that will become obsolete and to secure additional places to meet rising demand was required. Further, if the County Council or its partners cannot offer land at nil or subsidised cost for the provision of care homes, there will be a loss of care home places and an inability even to replace them, never mind increase the numbers, without a very significant increase in prices.
- 4.3 Since the Cabinet's decision following the 2008 Report, the main method for meeting demand for replacement and additional residential care places for the County Council has therefore been through a land value subsidy model.
- 4.4 The County Council has a care contract with Quantum Care Limited (QCL) under which QCL provides residential care beds and day care places to the County Council. As a result of the 2008 Report, the County Council leases the care home buildings to QCL and has an Option agreement with QCL under which it can require the alteration, extension, redevelopment or decommissioning and re-provision of the care homes.
- 4.5 Under the existing model, a programme of replacement building works for the oldest homes has been progressing for several years. Under the model the County Council provides the capital for works which is repaid by QCL over the life of the building; typically over 25-30 years. There are five homes remaining on the rebuilding programme: Nevetts, Fourfields, Fairway, Pinewood and Margaret House. Based on current trends, the cost of capital outlay for each future scheme has been identified as at least £9–10m, which is more than the level of rental income.
- 4.6 Since the implementation of this model, there have been significant changes in the care home market in Hertfordshire. This market can be split out into a residential care category and nursing care category. Growth is required across both markets. The nursing care market capacity is a significant pressure across both social care and health. Adult Care Services, both Clinical Commissioning Groups (CCGs) and Hertfordshire Partnership Foundation University Trust all have a responsibility to commission nursing care beds.
- 4.7 All partners have been working with the nursing care market, as a sector and individually, to secure the necessary capacity. There has been limited interest from providers of nursing care so far. There is increasingly a focus on the private fee paying market and Hertfordshire has seen a number of new build care homes catering for this private market.
- 4.8 There is a current shortage of capacity (particularly nursing dementia/older people with complex mental health issues) that is available for health and social care funded placements. The capacity issue partly relates to registered and available bed numbers but also relates to the affordability of beds that can be accessed.<sup>1</sup>
- 4.9 The lack of capacity has significant impact, not only on the County Council's ability to discharge people from hospitals over the course of a week (see below) but also to effectively

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<sup>1</sup> Older People MPS [www.hertsdirect.org/hertsmpe](http://www.hertsdirect.org/hertsmpe)

case manage discharges. There are approximately 20-25 people each week across all Hertfordshire hospitals that are awaiting some sort of placement in a nursing home.

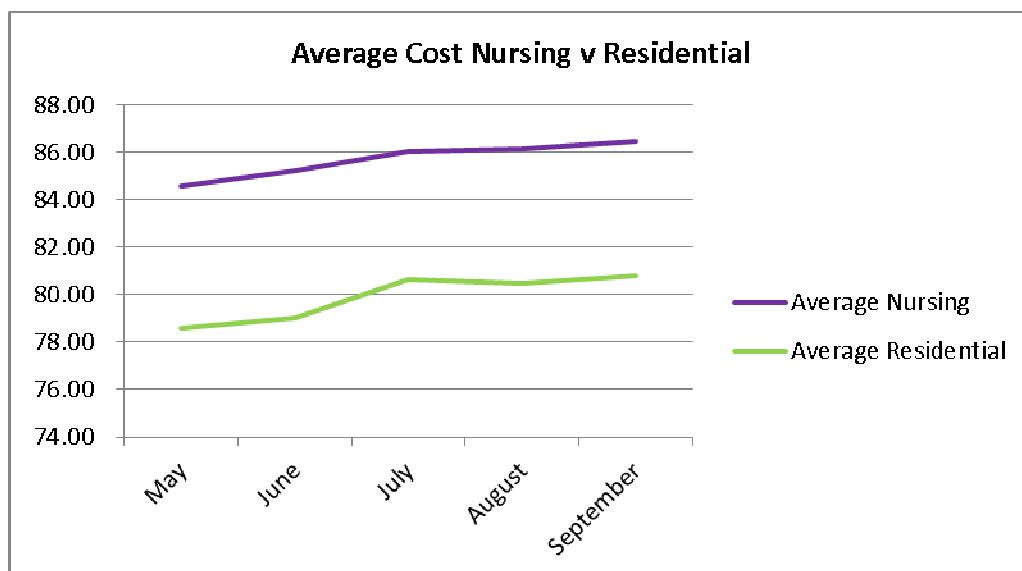


- 4.10 There are 55 nursing care homes for older people in Hertfordshire, providing 3299 beds. Of these, 769 (23%) are purchased by the County Council. The CCGs approximately purchase a further 160 (5%). The remaining beds are sold to the private fee paying market. Due to a range of community based initiatives, such as enablement, Home-first type services, Community Navigator resource and the Complex Care Programme, people with increasing care and support needs are being cared for longer and more effectively outside of residential homes. When people do require a long term placement in a care home, it is for complex nursing needs.
- 4.11 There are 92 residential care homes for older people in Hertfordshire, providing 4183 beds. Of these, 2073 (50%) are purchased by the County Council. The residential market has potential for growth and innovation, to deliver more community focussed services, such as intermediate care services, and working more closely with Lead Providers in the Support at Home market to keep people at home for longer.
- 4.12 The nature of the demand for services has therefore changed since the Cabinet Reports so that more nursing care provision is required and such requirement is likely to increase going forwards. Furthermore, the lack of nursing care capacity is adversely impacting on the County Council’s ability to discharge people from hospital.

- 4.13 To alleviate some of the pressures, the Commissioners have adopted a strategy to reduce the commissioning of residential care in order to be able to meet the increasing demand for nursing care. This change will be supported through increasing the use of community based alternatives, especially flexicare (Extracare) and rehabilitation services. Commissioners will continue to guide private developers and planning departments in the most effective models for care home and extra care delivery, including models attractive to home owners such as part-buy and leasehold. Adult Care Services (ACS) are continuing to develop an understanding of providers' required ratio of County Council and self-funded beds to maximise the number of beds accessible at County Council rates.
- 4.14 To date, the Commissioners have introduced a number of residential care projects to support self-funders to select appropriate and cost efficient care provision. These include the Herts Care Search system, an on-line bed management system which will be promoted to the public from August 2017 and the HertsHelp line which advises on care and support services that are available.

## 5. Financial implications in the market

- 5.1 Despite an annual uplift of 5.9% in the fees paid by the County Council for nursing care beds in 2016, evidence is being gathered of an impact on our ability to make placements within our current fee structure. The graph below shows that the daily cost of placements is increasing.



- 5.2 Further financial implications arise from the County Council's relationships with the CCGs, based on social care performance over 7 days and contribution to reducing delayed transfers of care. This has, in the short term, resulted in the purchase of nursing beds by the CCG at a significantly higher cost than the County Council's fee structure, with an expectation that social care funds these beds beyond the initial 4 – 6 weeks. This not only reduces overall capacity, it also reduces the County Council's ability to effectively negotiate with and shape the market, and leads nursing homes to hold out for higher rates.

- 5.3 Current funding and commissioning arrangements have not influenced the market significantly, despite an increase in the basic fee rate for nursing and the Department of Health's 40% increase in Funded Nursing Care in April 2016. Use of existing capital resource will increase our ability to influence the market, by providing better value for money, and managing the pressure on current care budgets. This will also enable us to respond flexibly to local workforce issues including the availability of qualified nurses.
- 5.4 If the County Council cannot offer capital at nil or subsidised cost for the provision of residential and nursing care in care homes, there will be a continuation of the current trend of fewer places available for ACS to commission, and this loss of capacity will be difficult to replace. This would have an adverse impact on ACS ability to increase capacity, without substantial increases in care fees.

## **6. Options Going Forward**

- 6.1 In order to secure the required increase in nursing care provision across Hertfordshire, two new future options, Model A & Model B, are recommended by the Commissioners. Details of each Model will need to be developed further based on Cabinet decision and advice from Finance and Legal.
- 6.2 Model A involves a provider with a care home (existing care home owned by the provider) extending that home with the County Council providing the capital. The value of the capital would be recovered through a block contract which gives the Council access to a specified number of beds at agreed County Council rates.
- 6.3 Model B involves a provider with land that can be developed or a provider purchasing land so that a new care home can be built with the County Council providing a percentage of the capital for the new build. The value of the capital would be recovered through a block contract which gives the Council access to a specified number of beds at agreed County Council rates.

Feature	Model A	Model B
<b>Land</b>	Third party land and building ownership	Third party land and building ownership
<b>Building</b>	Provider procures extension to existing buildings. Hertfordshire County Council supply capital.	Provider procures site and building. Hertfordshire County Council supply a % of capital.
<b>Services</b>	Provider supply services in accordance with schedule and price, tailored to meet current and forecasted service demands	Provider supply services in accordance with schedule and price, tailored to meet current and forecasted service demands
<b>Rent</b>	No rent. Third party land ownership	No rent. Third party land ownership
<b>Hertfordshire County Council Interest</b>	Funding Agreement and Care Contract	Funding Agreement and Care Contract
<b>Comment</b>	Capital contribution to extensions of existing (third party) care homes. Funding Agreement and Care Contract sets out Services to be supplied and the spend of Hertfordshire County Council Capital.	Capital contribution to private investment. Funding Agreement and Care Contract sets out Services to be supplied and the spend of Hertfordshire County Council Capital.

## 7. Equalities Implications

- 7.1 When considering proposals placed before Members it is important that they are fully aware of, and have themselves rigorously considered the equality implications of the decision that they are making.
- 7.2 Rigorous consideration will ensure that proper appreciation of any potential impact of that decision on the County Council's statutory obligations under the Public Sector Equality Duty. As a minimum this requires decision makers to read and carefully consider the content of any Equalities Impact Assessment (EQiA) produced by officers.
- 7.3 The Equality Act 2010 requires the County Council when exercising its functions to have due regard to the need to (a) eliminate discrimination, harassment, victimisation and other conduct prohibited under the Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The protected characteristics under the Equality Act 2010 are age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief, sex and sexual orientation.
- 7.4 The proposal is expected to positively impact on groups with protected characteristics, as beds are specific to older people, and will be replaced with provision which more closely meets their needs. An equalities impact assessment for the potential impact of this decision

resulting in the closure or replacement of any older persons care home is attached as Appendix 1.

Background Documents

Appendix 1: Future Development of Care Homes in Hertfordshire Equalities & Impact Assessment is attached as a separate document.