

CABINET MEMBER FOR ADULT SERVICES - 5 JANUARY 2010
OXFORDSHIRE CARE PARTNERSHIP CONTRACT STAGE 2
REDEVELOPMENT PROPOSAL AND PROGRAMME

Report by Director for Social & Community Services

Introduction

1. In December 2001 the County Council signed a 25-year contract with the Oxfordshire Care Partnership (OCP) for the transfer of all of the local authority owned care homes to the Order of St John's Care Trust (OSJ) and Bedfordshire Pilgrims Housing Association (bpha); the core elements of the contract being to ensure a development programme for the buildings, the delivery of good quality care, the protection and maintenance of the workforce and the development of specialist services, preventative services and extra care housing.
2. Those care homes, which, at the time, would fail to comply with the Government's minimum standards for registration after 2007 were redeveloped under Stage 1 of the Homes for Older People (HOPS) programme. The remaining eight care homes and the services provided under the OCP contract are to be redeveloped in light of suitability of the buildings, budget considerations, projected demographic changes, changing purchasing needs and the Council's strategy towards maintaining people's independence in their own homes and minimising reliance on long-term care home placements. These eight homes are subject to a proposal and implementation programme being referred to as the Stage 2 OCP Contract Redevelopment.
3. In December 2008 the Cabinet gave approval to the overall strategy for the Stage 2 Redevelopment of the OCP contract, the Portfolio Holder giving approval for both the financial model underpinning the OCP contract and the development proposal and timescale for each of the 8 Stage 2 care homes.
4. This report outlines the current Stage 2 OCP contract redevelopment proposal and key features of the implementation programme.
5. The proposal and implementation programme have been developed with full consideration to :
 - Commissioning requirements and demographic trends
 - Oxfordshire County Council's (OCC) Pooled Budget purchasing requirements
 - OCC Extra Care Housing strategy & programme
 - OCC dementia services requirements

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- The capital cost and service redesign of outstanding Stage 1 developments
- Oxfordshire PCT purchasing requirements and Community Hospital re-provisioning plans
- Local Care management requirements
- OSJ service plans, aspirations and constraints
- Prioritisation of development of Stage 2 care homes
- Minimising OSJ resident decanting/disruption
- Staffing levels and spread across sites
- Consultation requirements
- The condition and suitability of the Stage 2 OSJ care homes
- Future-proofing of properties that may revert back to the Council in 2026
- Non-OSJ provider plans and developments
- Procurement guidance
- Legal guidance
- District Council delivery plans
- Financial modelling of the contract and necessary adjustment
- Maintaining the Net Present Value of the contract
- Opportunities for negotiation to decrease the cost of the contract

Prioritisation of Development of Stage 2 Care Homes

6. The requirement to redevelop the individual care homes has been established on a purely 'care operations' basis, as whilst the physical upkeep of the buildings is more expensive in some than others, through the partnership OSJ has maintained high standards of maintenance across the estate.

Priority	Home	
High	Townsend, Oxford	Internal limitations, no en-suite rooms, long corridors, limited communal space, increased staffing due to layout, general poor design.
	Longlands, Oxford	
	Mayott, Abingdon	
Medium	Chilterns, Henley	No en-suite rooms, some design constraints.
Low	Marston Ct, Oxford	Generally good design and communal space but with limited flexibility.
	Stirlings, Wantage	
Lowest	Lake, Adderbury	Relatively new buildings with good communal and outdoor space and options for flexibility.
	Glebe, Kidlington	

OCP Contract Stage 2 Redevelopment Proposal

Reason why the Annexes are Exempt

7. The public should be excluded during consideration of the annexes to this report because discussion of them in public would be likely to lead to the disclosure to members of the public present of information in the following categories as prescribed by Part 1 of Schedule 12A to the Local Government Act 1972 (as amended):

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3. *Information relating to the financial and business affairs of any particular person including the authority withholding that information*
4. *Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matters arising between the authority or a Minister of the Crown and employees of, or office-holders under the authority*

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the commercial position of the parties involved and would prejudice the position of the authority's investments to the detriment of the Council's ability properly to discharge its fiduciary and other duties as a public authority.

8. The full Stage 2 Redevelopment Proposal forms Annex 1 of this report. The proposal incorporates all Stage 1 developments:

		Pre Redevelopment					Post Redevelopment						
		Residential	Residential Dementia	Nursing	Intermediate Care	Extra Care Housing	Residential	Residential Dementia	Nursing	Intermediate Care	Extra Care Housing		
North		213					74	44	24	12	120		274
City		151		40	20	20	20	20	80	20	72		212
West		107					78		18				96
Vale		150		43			25	20	83		100		228
South		89	31	57			43	31	87	15	40		216
		710	31	140	20	20	240	115	292	47	332		1026

Services

Residential – 470 bed (66%) decrease

Residential Dementia – 84 bed (270%) increase

Nursing – 152 bed (108%) increase

Intermediate Care – 27 bed (135%) increase

Extra Care Housing – 312 unit (1000%+) increase

The decrease in residential beds and increase in specialist (dementia), preventative (intermediate care) and Extra Care Housing (ECH) provision is in line with OCC purchasing strategy.

Areas

North – 61 bed/unit (28%) increase

City – 19 bed/unit (8%) decrease

West – 11 bed/unit (10%) decrease

Vale – 35 bed/unit (18%) increase

South – 39 bed/unit (22%) increase

The decrease in the City and increases in the North, Vale and South is in line with demographic projections. The decrease in the West is in line with the over-supply of care home beds.

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Overall – 105 bed/unit (12%) increase

9. In addition, the proposal incorporates a target of 41 beds to be sold to the PCT under the OCP contract, which would reduce the OCC purchasing liability. This would increase the contracted beds to:

	Residential	Residential Dementia	Nursing	Intermediate Care	Extra Care Housing		PCT purchased Int Care	
North	74	44	24	12	120	274	12	286
City	20	20	80	20	72	212		212
West	78		18			96	14	110
Vale	25	20	83		100	228		228
South	43	31	87	15	40	216	15	231
	240	115	292	47	332	1026	41	1067

10. Finally, the proposal incorporates the possibility of up to 3 Stage 2 care homes providing care home beds in addition to those above - but outside of the OCP contract - with OCC having the opportunity to purchase them on a spot basis if desired. This would increase the overall provision created by the redevelopment proposal to:

	Residential	Residential Dementia	Nursing	Intermediate Care	Extra Care Housing	PCT purchased Int Care		Provided Outside Contract	
North	74	44	24	12	120	12	286	78	364
City	20	20	80	20	72		212	47	259
West	78		18			14	110		110
Vale	25	20	83		100		228		228
South	43	31	87	15	40	15	231		231
	240	115	292	47	332	41	1067	125	1192

11. Of the additional 125 beds outside of the contract, 20 to 38 beds in the North are likely to be registered as residential dementia.

Risks

12. A full Stage 2 Redevelopment Issues and Risk Summary forms Annex 2 of this report.

Site Acquisition

13. The proposal and implementation programme currently requires the acquisition of 5 sites. Three of the sites are planned to be acquired via S106 Agreements. The remaining two sites are exclusively for Extra Care Housing developments, which fall within the OCP Stage 2 proposals and provision for £3.0M for site acquisition is being sought within the Capital Programme via the ECH programme.
14. A full Site Acquisition summary forms Annex 3 of this report.

Site Disposal

15. The proposal and implementation programme incorporates the disposal of up to 9 sites at a total receipt of £8.2M. Seven of the Stage 2 care homes carry a lease premium, which needs to be repaid if the care home is closed or redeveloped into ECH, with the benefit to the Council being the difference between the disposal value and the lease premium payable. The total lease premium based on planned disposal dates is £5.2M, leaving a capital benefit to the Council of £3.0M.
16. Four of the sites currently carry a lease premium that is higher or not far below the site value and will only become viable if the site values increase closer to that date. Only 1 of the 4 homes affected is a high priority for redevelopment.
17. A full Site Disposal summary forms Annex 4 of this report.

Capital Deficit

The start net capital position of the Stage 2 Redevelopment is one of a £1.2M deficit. This is due to development costs attached to Stage 1 (HOPs) care homes that have run over schedule. This deficit will need to be redressed so will impact on what decisions are made about site disposals and the timing of site disposals as outlined above.

Reducing the Contract Cost

18. Several areas of the contract are being explored with OCP for opportunities to decrease the costs associated with the contract through introducing efficiencies or by refinancing elements of the contract. Work on this is ongoing and workstreams have been set up, with progress being reported back to the Older Persons Service Redesign Programme Board. This work will continue throughout the implementation programme.

Financial Modelling

19. The original Project Agreement of 2001 was predicated on the Net Present Value (NPV), which was controlled via a complex financial model. Work was undertaken in 2008 to develop and agree with OCP a new financial model that simplified the basis on which the NPV is calculated. Finally, the original NPV of the contract was recalculated to reflect the position as at the end of March 2009. The new financial model and basis for calculating the NPV was agreed in the OCP Contract Development and Update to The Financial Model Cabinet Report of December 2008.
20. The new financial model also incorporates built-in flexibilities to respond to changing commissioning needs and any other constraints that may arise during the life of the programme without compromising the financial viability of

the contract. This will improve the way in which the value of the contract is calculated, monitored and evaluated as the Stage 2 programme progresses.

21. Proposal – The emerging Stage 2 proposal has been regularly tested against the financial model for viability and any adjustments required to bring the overall proposal into line with the NPV identified and negotiated with OCP.
22. Implementation Programme – Each step of the implementation programme will need regular re-assessment against the financial model to ensure that the contract value is being maintained and that all variations (delays, service redesigns, unplanned ‘hump’ costs, contract cost reductions, etc) will need to be factored in and the impact monitored and necessary adjustments to the remaining implementation programme made.

Contractual Implications

23. The formal basis for the negotiation of the redevelopment of services under the OCP contract is established in sections 29.1, 29.3.1 & 30.1.3 of the 2001 Project Agreement between OCC and OCP. The Project Agreement and the specific sections referred to have been reviewed by the Solicitor to the Council and he is in agreement with this assessment.
24. The Project Agreement now needs to be reviewed with OCP to consider what elements of the contract need to be reviewed, negotiated and redrafted in the light of the agreed Redevelopment Proposal and Implementation Programme. This work is planned for early 2010.

OCP Contract Stage 2 Redevelopment Implementation Programme

25. The Redevelopment Proposal has been worked up into an implementation programme in conjunction with OSJ senior operations and finance staff, taking into account:
 - Minimising resident disruption
 - Minimising over and under staffing during decanting
 - Avoiding or minimising staff redundancies
 - Allowing adequate staff training time
 - Incorporating adequate consultancy time
 - Factoring in planning timescales
 - Factoring in and monitoring building timescales
 - Minimising wastage of resources
 - Allowing purpose-built facilities to be developed
 - Minimising extensive or lengthy use of newly built beds to be under-utilised as a consequence of being occupied by lower need existing residents
 - Maximising the take-up of ECH
 - A methodology for engaging stakeholders
 - The financial impact on the overall OCP contract.

26. The key dates for change contained in the implementation programme are listed on the Stage 2 Proposal – Annex 1 of this report.

Future-Proofing

27. It is essential that both in the proposal development stage and the implementation stage the plans are designed and constantly reviewed and revised to ensure that future-proofing is maximised:

Building design – Against possible future registration requirements

Building layout – Against likely access space, communal space, and therapy space required for future services

Room design – Against likely requirements for future service models

Flexibility – Maximising potential for flexibility of use of rooms/facilities as and when future demand for service type, numbers and cost change

Staffing levels and training – Maximising potential for flexibility across service types and locations to meet future changing demands for services.

Implementation Programme Project Management

28. The Implementation Programme will need to be managed by a senior officer and supported by a full project management suite. The main tasks will be to:

- Coordinate remaining HOPS Ph 1 & all new Ph2 developments across:
 - Property services
 - Procurement services
 - Legal services
 - Financial advice
 - Capital programme
 - Senior OCP personnel
 - The ECH programme
 - Senior PCT personnel
 - Land owners
 - Site developers
 - District Council Officers (primarily planning)
 - Residents and families
 - OSJ Staff
 - Local public/interest groups
- Strengthen links with operational managers and commissioners so that the market responds to commissioning needs, financial constraints and the impact of self-directed support;
- Nurture a pro-active relationship with Oxfordshire PCT re pooled budget and PCT purchased services to maximise opportunities and secure pragmatic service and financial benefits;
- Explore and pursue further options for OCP contract cost reductions;
- Continue to link in with/have influence on national initiatives/drivers and representation on policy boards and ensure they are reflected in Oxfordshire practice;
- Nurture strong links with key providers, not just OSJ, to ensure effective joint working and joint efficiencies;

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- Identify and respond to variations, delays and other disruptions in the Programme and negotiate contingencies;
 - Identify and respond to financial issues created by the programme and negotiate a solution;
 - Report implementation programme progress to the Programme Board.
29. The final proposal for each individual OCP Stage 2 care home must be submitted to the Portfolio Holder for formal approval before full implementation commences.

RECOMMENDATION

The Cabinet Member for Adult Services is RECOMMENDED to approve:

- (a) the overall Oxfordshire Care Partnership (OCP) Contract Stage 2 Redevelopment Proposal and Implementation Programme key dates as set out in Annex 1 to the report;**
- (b) the principle that the Cabinet Member for Adult Services should give formal approval to the final proposal for each individual OCP Stage 2 care home prior to full implementation of the element of the programme which impacts directly upon that care home.**

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Background Papers: Nil

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