

## **CABINET – 21 JUNE 2011**

### **TOWNLANDS HOSPITAL SITE, HENLEY-ON-THAMES: PARTNERSHIP AND DEVELOPMENT PROPOSALS**

#### **Report by the Director of Social and Community Services**

#### **Introduction**

1. This report outlines the proposals for development of a nursing home and other medical facilities, housing and Extra Care Housing (ECH) on the Townlands Hospital site in Henley. The overall development is being managed by the Oxfordshire Primary Care Trust (PCT) but, as is proposed, with a partnership agreement with the County Council the PCT and the Council will both achieve important service objectives. For the County Council these are the re-provision of Chilterns End Home for Older People and a clear basis for the development of affordable ECH - the latter possibly requiring capital support from the County Council.
2. This report seeks agreement in principle to a partnership agreement between the Council and the PCT for the development of the Townlands Hospital site and related arrangements under the Project Agreement between the Council and Oxfordshire Care Partnership(OCP), with the decision on the final detailed terms of these agreements, including financial implications, to be delegated to the Cabinet Member for Adult Social Services and the Portfolio Holder for Finance and Property. Any capital contributions for the development of ECH will be subject to further approval by the Council.

#### **Background**

3. The PCT has a longstanding commitment to redevelop the Community Hospital facilities on the Townlands Hospital site in Henley-on-Thames. Alongside this, Social and Community Services wishes to find a site for the replacement of Chilterns End - a home for older people transferred to the OCP in 2001 - and for the development of ECH. In October 2009 an evaluation of all transferred care homes was carried out by OCP to establish a scale of prioritisation for redevelopment. Chilterns End was identified as a high priority. Henley and the surrounding area is relatively poorly served for both nursing home care and for ECH, and there is clear and strong evidence for the need for development of these facilities.
4. The Townlands site is owned by the NHS and covers seven acres. It is the only site available in or around Henley that would be suitable for the development of nursing care and ECH. For this reason the County Council has been working with the PCT on options for development of the site that would allow the PCT and the County Council to achieve their service

objectives. The site is also large enough to support a separate general housing development.

### **Service requirements**

5. The PCT wishes to have modern facilities for reprovision of the services currently provided on the Townlands site and the capacity to expand to meet local demographic and service pressures. Specifically, it requires:
  - bedded care services for adults and older people comprising 18 fully serviced NHS sub-acute and intermediate care beds, which will provide 24 hour nurse-led care
  - facilities from which the PCT can operate its ambulatory care services e.g. minor injury unit, outpatient clinics and diagnostics.
  
6. The County Council requires:
  - replacement facilities for Chilterns End
  - the development of specialised residential and nursing home services
  - the development of ECH.

It is envisaged that the bedded care services required by the PCT will be provided in a registered nursing home as part of a wider range of services and beds offered by the home that will also be the replacement facility for Chilterns End.

### **The opportunities through a partnership**

7. It is recognised that there are mutual benefits in having a partnership between the PCT and the County Council for development of the Townlands site. For the County Council it provides:
  - a basis for the Council to have replacement residential care facilities in Henley
  - an opportunity for OCP to continue to be the service provider for residential and nursing care within the terms of the Project Agreement between OCC and OCP
  - an opportunity for the development of ECH

For the PCT it:

- allows the County Council's expertise in the development of care homes to be available to the PCT and the development programme
- gives the opportunity for economies of scale for the PCT as well as the County Council through development of a larger nursing home
- makes the overall proposition more attractive to the market
- enhances the possibility of developing ECH on the site through the availability of financial support for ECH - subject to the County Council's conditions being met and the scale of investment required.

8. The County Council's ECH strategic objectives require the development of units available at social or affordable rent levels. The approach that the Homes and Communities Agency is now taking to funding means that such ECH developments are very likely to require additional capital subsidy, one reasonable source of which is the County Council. In this particular case, the resource could be provided through the ECH- New Schemes allocation (£3.985m) within the approved capital programme. Should capital support from the Council be necessary, further proposals will be put forward for approval as per the Financial Procedure Rules.
9. The proposed partnership agreement between the County Council and the PCT will cover:
  - arrangements for oversight and governance of the partnership to ensure that the Council's and PCT's objectives are met through the development of the site
  - the obligations and commitments of both parties.

The partnership agreement is covered in more detail later in this report (paragraph 13).

### **The proposed approach to development**

10. The PCT will be responsible for procurement for development of all of the facilities. It will appoint a Developer who will:
  - provide capital finance and develop the whole Townlands Hospital site over time
  - purchase the land available for general housing and ECH developments
  - take a head lease from the PCT for the land required for the nursing home and ambulatory care centre
  - build the required facilities to the specifications set out by the PCT and the County Council
  - appoint service providers to provide the services in the new facilities in accordance with any requirements that the PCT and the County Council would have over the service provider to be used.
11. Once built, the nursing home and the ambulatory care facilities would be leased by the Developer to the service providers. The County Council would, subject to making appropriate arrangements with OCP under the Project Agreement, require OCP to provide the nursing and residential care services in the new nursing home for the beds that the PCT does not require as replacements for the inpatient services. Under the proposed arrangements OCP would need to take a lease of the nursing home from the Developer or from the Council (the Council having a lease from the Developer). These beds will be the replacement for Chilterns End, a 46 place home for older people which was transferred to OCP by the County Council in 2001. The implications under the Project Agreement are covered in more detail later in this report (paragraphs 14 to 15). The proposal for Townlands is for a Nursing home with 42 Nursing beds and 18 Intermediate Care/Community Hospital

replacement beds (funded by the PCT) plus 40 units of ECH.

12. The need for County Council support for the development of ECH can only be judged in the light of planning and financial considerations that are not yet known, and cannot be until the planning permissions and awards of grant funding for the ECH development have been given and the level of grant available is confirmed. However, it is important for the partnership and the overall development of the Townlands site that the County Council confirms its commitment to the development of ECH and considers the financial support that it can give to such development on the Townlands subject to a full evaluation of any development proposals.

The support and care services for the ECH development would be subject to a separate competitive tender, which OCP would be free to bid for.

The ECH development costs will be covered by rent payments, which will be affordable by virtue of the any grant from the Homes and Communities Agency and the County Council that may have been awarded, the sale of leases or joint tenure arrangements. There would be a service charge for services within the ECH.

### **Partnership Arrangements**

13. The Council and the PCT should agree on partnership arrangements that will put in place proper oversight and governance to ensure that the Council's and the PCT's requirements are met. Hence, the proposal is that the County Council and the PCT enter into a partnership arrangement on the following basis, which the PCT has agreed to in principle:
- The County Council and the PCT establish a formal partnership arrangement with clear governance arrangements and oversight at Cabinet and PCT Board level
  - The PCT is responsible for the procurement of and the selection process for the appointment of the Developer on a basis agreed through the partnership
  - The Developer is responsible for delivering all the facilities and appointing service providers in line with the requirements of the PCT and the County Council
  - The County will consider the contribution of capital for the development of the ECH units on the basis of development proposals that will be prepared by the Developer
  - The development of a nursing and residential care home to a suitable specification to provide the necessary places for residents of Chilterns End who are relocated as part of the re-provision of the home, and provision for the County Council to continue purchase places on a level and for a period of time to be agreed
  - Agreement over the terms, including rental payments, of the lease to be granted by the Developer and whether this should be granted to the Council (to sub-let to OCP) or directly to OCP

- There will be an agreement with the ECH housing provider that ensures an agreed number of places in the ECH development for people who are eligible for social care and for whose social care needs are able to be met in ECH and supported financially by the Council.

### **Arrangements under the Project Agreement**

14. The outline timescale for the development is as follows:
  - Procurement commences June 2011;
  - Developer appointed December 2011/January 2012;
  - Planning applications made March/April 2012;
  - Building commences Summer 2012;
  - Ambulatory Centre and Care Home completed October 2013.
15. The County Council and OCOP have an existing 2001 Project Agreement for the provision of nursing and residential care services for older people. The Project Agreement sets out a 'reprovisioning' process to be followed in the event that there is a need to relocate a care home covered by the Project Agreement to another site. This process leads to the agreement with OCP of a reprovisioning proposal which is to be implemented in order to relocate the care home. The reprovisioning proposal would cover key areas such as property interests, impact on the price under the Project Agreement, the services to be provided and timescales. It would be necessary for the Council and OCP to agree and implement a reprovisioning proposal for the relocation of the care home at Chiltern's End to Townlands and for this to be agreed at the same time as the partnership arrangements with the PCT.
16. The agreement with the PCT must include measures to ensure that there is transparency over the costs of any development that will impact on the price that the County Council will pay under the Project Agreement for any beds that it requires. The document must also ensure that the approval of the County Council is obtained for costs that it will incur for the nursing or residential places to be purchased from OCP.

### **Legal and procurement implications**

17. The County Council's Procurement and Legal Officers have agreed that the Council may use the reprovisioning arrangement under the Project Agreement with OCP to require OCP to be the provider of care home places (as a reprovision for Chilterns End) at the Townlands site, on the basis of:
  - OCP being the named service provider for the care home beds not required by the PCT;
  - the care home beds being a replacement for those at Chilterns End; and
  - the procurement of service provision for the ECH development being outside the scope of the Project Agreement.

18. The service rationale for the Council meeting its responsibilities is as follows:
- the current Chilterns End site is not suitable for rebuilding or refurbishment to required standards. Site constraints lead to a limited building footprint and the proximity of neighbouring houses mean that the home could not be re-built with additional storeys. Together, this would result in a reduction of around 8-10 rooms - making the size of the home non-viable
  - the site is located towards the edge of the town and at the top of a hill
  - alternative sites for ECH and/or care home development have not been forthcoming and are likely to be prohibitively expensive.

Therefore, the Townlands site is both the affordable solution and the best location.

Demographic research carried out at the start of consideration of the redevelopment proposals demonstrated that the number of older people in the Henley-on-Thames area - along with the associated increase in mental health issues, social care issues and conditions that impact on the need for care - will grow above the County average (source: POPPI).

19. Henley and the Goring/South Chilterns area have a current supply/demand shortfall of 90 care home beds rising (against national age standardised demand measurements) to a shortfall of 188 beds by 2021. Additionally, demand analysis carried out for the ECH Programme identified a strong demand for a 40+ units ECH scheme now and for another similar sized scheme in the near future. This overall demand cannot be met by planned ECH developments alone.
20. Legal advice will be needed to document both the partnership arrangement with the PCT and the reprovisioning arrangement in connection with the Project Agreement with OCP. Both of these arrangements will require detailed negotiations with the PCT and with OCP which would need to be concluded at the same time.

### **Capital and Financial implications**

21. The main current financial considerations are as follows:
- The Council will receive a capital receipt for Chilterns End which has already been included in the Disposal Programme that supports the approved capital programme;
  - The lease premium for Chilterns End paid by OCP in 2002 may have to be repaid (when assessed in October 2010, this was understood to be a figure of £936,800 – which at that time was considerably less than the likely capital receipt – the provision for repayment will be from the deferred income account for this programme on the condition that the capital receipt is received.

## Future Considerations

- There will be a departure in the timing of saving proposals that relate to Chilterns End in the Annex 3 savings proposals which envisaged Chilterns End being replaced by ECH provided by OCP. Instead this proposal replaces Chilterns End with a new Care Home provided by OCP with the ECH being subject to a tendering exercise. (This is covered in more detail in paragraph 22 below).
  - The costs under the Project Agreement of the reprovided care home beds on the Townlands Site (see paragraph 25 below).
  - Possible capital support from the Council for ECH (see paragraph 24 below).
22. The savings plans set out for Chilterns End envisaged that the home would be replaced by ECH. This proposal secures a site for the development of ECH but does entail the replacement of Chilterns End by a new care home. Given the difficulties in securing suitable sites in Henley and the need for additional facilities for specialist residential and nursing provision this would seem to be a reasonable approach, and it is one that is in line with the Social and Community Services' service strategy. It will mean that the savings from the development of ECH will be delayed but at this stage it is not possible to quantify this precisely. This will be worked on as the timescales for the developments become firmer.
23. The capital receipt from Chilterns End, which is already taken into account as part of the capital resources supporting the approved capital programme, will be realised. There is funding currently available within the ECH – New Schemes Programme (£3.985m). There could, therefore, be a call on this allocation within the capital programme. However, this cannot be evaluated at this time and will be subject to further work on the basis already covered. The development of ECH on the Townlands site will contribute to the overall saving that the ECH strategy is intended to deliver.
24. As with previous developments and re-provision carried out under the Project Agreement with OCP, the cost of the re-provided care home beds on the Townlands site will be higher than the beds at Chilterns End because of the development costs of new build and the improved standards of provision. The cost of these beds to the Council will need to be established as part of the overall re-provisioning arrangements between the Council and OCP.
25. The care home will have 60 places. The vacancy level in Chilterns End will be managed to ensure that the all the residents who require and wish to move to the new care home will have a place. Some residents in redeveloped care homes have exercised their choice to move another home to be nearer family or friends. As vacancies become available in the new care home the County Council will purchase the higher dependency care that it needs. This and the development of ECH as an alternative to residential care is in line with the Social and Community Services service and business strategy.

26. The County Council and the PCT already have a pooled budget arrangement for the purchase of services for older people under the NHS Act 2006, and this could be suitable for purchasing any care services developed on the Townlands site.

## **RECOMMENDATION**

27. **The Cabinet is RECOMMENDED to note the proposed development of the Townlands Hospital site and to agree in principle to entering into a partnership agreement with Oxfordshire PCT for the development of facilities on the Townlands site and the provision of services, with agreement of the final detailed terms, including the financial implications, being delegated to the Portfolio Holder for Adult Services and the Portfolio Holder for Finance and Property.**

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Background papers: None

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June 2011