

**Decision Maker:** Care Services Policy Development and Scrutiny Committee  
19<sup>th</sup> June 2012

**Executive**

**Date:** 20<sup>th</sup> June 2012

**Decision Type:** Non-Urgent Executive Key

**Title:** RESIDENTIAL AND NURSING CARE HOME CONTRACTS FOR  
OLDER PEOPLE – GATEWAY REVIEW

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**Chief Officer:** Lorna Blackwood, Assistant Director (ECS Commissioning)

**Ward:** Borough wide

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1. Reason for report

- 1.1 The Council currently has block contracts for the provision of residential and nursing home care which expire in October 2012 and January 2013. It is advantageous for the Council to hold a proportion of the required service provision as block contracts in order to maintain a degree of price control and to assist with availability of places where demand is high.
- 1.2 This report sets out the commissioning intentions and seeks approval of the proposed procurement route.
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2. **RECOMMENDATION(S)**

- 2.1 The Policy Development and Scrutiny Committee is asked to comment on the procurement intentions.
- 2.2 The Executive is asked to approve the procurement intentions to establish new contracts for residential and nursing home care as set out in section 3.9.

## Corporate Policy

1. Policy Status: Existing Policy:
  2. BBB Priority: Excellent Council
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## Financial

1. Cost of proposal: Estimated Cost £2.9m per annum
  2. Ongoing costs: Recurring Cost
  3. Budget head/performance centre: 8249003800 (Missioncare Block); 8249003621 (Oatlands Block); 8249003501 (Nursing Care); 8249003502 (Residential Care)
  4. Total current budget for this head: £2,125,890; £500,760; £7,332,360; £11,044,480
  5. Source of funding: Education and Care Services revenue budget
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## Staff

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours:
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## Legal

1. Legal Requirement: Statutory – National Assistance Act 1948
  2. Call-in: Not Applicable
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 635 older people were in residential or nursing home care on 31<sup>st</sup> March 2012, 85 in the block contracted beds. 288 new placements were made in 2011/12 and it is anticipated that in excess of 250 new placements will be made in the current year.
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

### 3 COMMENTARY

#### Background

- 3.1 Over the last 10 years the Council's strategy for care for older people has been to reduce reliance on residential care in care homes and to develop alternative services designed to enable people to retain their independence and remain living in the community with appropriate support. This has resulted in the development of rehabilitation and reablement services, more intensive packages of home based domiciliary care, extra care housing, and more recently exploring the potential for Community Service Volunteers to provide support to older people.
- 3.2 This reports sets out the current position in respect of contracting for care home places, both residential and nursing, in the context of both reducing reliance on residential care and the projected increase in numbers of older people in the population.
- 3.3 The Council currently has block contracts for the provision of residential and nursing home care that expire as detailed below. Until the end of 2011/12 the Council also held block contracts for residential care with Shaw Healthcare in residential care homes which were owned by the Council. These homes have now closed.

Type of care	Provider	Volume Beds	Unit cost	Contract Expiry
Residential Elderly Mentally Infirm (EMI)	Oatlands	25	£539.50	8/10/12
Nursing EMI	Missioncare	40	£655.20	1/01/13
Nursing physically frail (PF)	Missioncare Greenhill	10	£690.46	1/01/13
Nursing physically frail (PF)	Missioncare Elmwood	10	£709.28	1/01/13

#### 3.4 Oatlands Residential Elderly Mentally Infirm

This contract was originally established in 2007 for a five year period initially on a first refusal basis but converting to block contract as beds have become occupied, up to a maximum of 25 beds. Occupancy is currently at 25 and has been at that level since April 2011.

#### 3.5 Mission Care Nursing Elderly Mentally Infirm

This is a block contract for 33 block beds plus 7 first refusal beds. This means that the Council is only committed to paying for the block beds but will always be offered the first refusal beds when they become vacant and will only be charged, at the block rate, should they be taken up. The contract is spread across 3 homes, Greenhill, Homefield and Willett House, with no pre-determined allocation.

The occupancy reports for the last 3 years show that total occupancy has fluctuated between 33 and 40 beds meaning that occupancy in the block beds has never been below 100%.

The current block contract rate is below the Bromley ceiling rate for EMI nursing of £700 per week. As there is no commitment to pay for vacant first refusal beds and the contract cost of the block and occupied first refusal beds is very competitive in comparison with the market this contract provides LBB with very good value for money.

### 3.6 Mission Care Nursing Physically Frail

This is a block contract for 10 beds at Elmwood Nursing Home and for 10 beds at Greenhill Nursing Home. The latest occupancy report shows that, for the last year, occupancy at both homes has been 100% in the LBB contracted beds. Indeed demand for Nursing PF beds is such that a number of spot placements have been made where block beds have been unavailable. On 31<sup>st</sup> March 2012 there were 10 spot placements at Elmwood and 9 spot placements at Greenhill as well as spot placements in other homes.

### 3.7 Demand

- 3.7.1 Due to the Government's agenda to encourage more people to retain independence by remaining in their own homes for as long as possible with the support they require, during the last 5 years overall numbers of people funded by the Council in residential and nursing home care has reduced by approximately 12%. It is anticipated that there will be a continued downward trend in the future of people who require residential care, particularly those who are physically frail, as a result of further added capacity in Extra Care Housing, increasing use of intensive packages of domiciliary care and other service developments such as reablement which assist officers in managing the number of new placements.
- 3.7.2 Although there is likely to be some shift in the balance between the different categories of care, particularly with a potential growth in demand for both nursing and residential EMI care, it is not anticipated that in the short to medium term demand in these categories will require a reduction in the current block contracted levels.
- 3.7.3 The care placement team, who find and negotiate all placements in residential and nursing homes, advise that demand for residential PF placements is reducing, principally due to more people being supported to live at home and the development of the extra care housing schemes. Demand in the other categories remains relatively high, with spot placements being made at other homes both within and outside the borough in addition to the block contracted places. The relative average cost of a spot placement is only marginally higher than the current block contract prices.
- 3.7.4 Placement levels in homes for the last 6 years, from April 2006 until March 2012, are detailed in the table at Appendix 1. These indicate a continued downward trend, with the largest fall being in the number of residential physically frail placements. However the level of new admissions shows consistently high demand for places.
- 3.7.5 In 2011/12 a total of 288 new care home placements were made as follows:
- Nursing PF - 88 new placements
  - Nursing EMI - 22 new placements
  - Residential EMI - 108 new placements
  - Residential PF - 67 new placements

NOTE: The remaining 3 placements were learning disability and substance misuse clients who were admitted to older peoples' care homes.

### 3.8 Local market

- 3.8.1 There are 11 homes in Bromley providing residential care for people with dementia, with a total of 438 places. Missioncare is the largest single provider in this category with 21% of the available beds.
- 3.8.2 The local EMI Nursing home market is very limited, with only 7 homes in the borough, 3 of which are the above Missioncare homes comprising 52% of the beds. Of the other four homes,

two have prices of approximately £1,000 per week; the remaining two will usually accept people at the current Bromley ceiling rate.

3.8.3 Fifteen homes in Bromley offer Nursing PF with around 275 beds in total, of which Missioncare provide 75 beds (27% of the total). Only four of the homes will offer care at Bromley’s ceiling rate of £700, all of which were rated by CQC as “adequate” (formerly 1 star homes); one home has a rate of £725 per week, three homes charge £775 per week and the remainder charge in excess of £850.

3.8.4 Within the current market framework in Bromley it is unlikely that any single provider other than the incumbents would be in a position to fulfil any one of the contract categories. However, Care UK are currently building a new 80 place home at Green Street Green due to open in March 2013 which is likely to be registered to provide residential and nursing care for both physically frail and dementia. This is a significant new development and expands the potential for competition across all care categories. The categories can also be broken down into smaller packages which will make it feasible for some smaller providers to tender and which will increase choice for service users.

### 3.9 Procurement proposals

3.9.1 The procurement proposals set out below are based on the following principles:

- Residential PF places will only be purchased on a spot contract basis rather than block contracted, due to the reduction in demand for residential places for people who are physically frail resulting from the development of alternative forms of care,
- Securing of capacity to meet a basic level of demand for Residential EMI, Nursing Home PF and Nursing Home EMI care, based upon historical usage, projected future demand and the competitiveness of the local care home market.
- Support of the local care home market.
- Competition to be encouraged by allowing contracts for each category to be split between providers thus enabling smaller providers to tender.
- The exercise of control over placement costs.

3.9.2 It is proposed to establish new contract arrangements for residential EMI, nursing EMI and nursing PF at the current levels. Although in each category this only represents a minority of the overall demand, in each instance a first refusal element of at least 20% of the block provision will be sought to mitigate any risk of under occupancy.

3.9.3 The proposed contract levels are:

	Block	First refusal	Total
Residential EMI	20	5	25
Nursing EMI	32	8	40
Nursing PF	16	4	20
<b>Total</b>	<b>68</b>	<b>17</b>	<b>85</b>

3.9.4 This represents approximately 12% of the overall places required for residential EMI and for Nursing PF and 50% of the overall requirement for Nursing EMI places. This differential is due to the limitations in the local Nursing EMI market as outlined in 3.8.2.

3.9.5 The arrangements will be established through competitive tendering, with contracts for a period of 3 years from 9<sup>th</sup> October 2012 for residential EMI and 2nd January 2013 for nursing EMI and PF, or such commencement date as can be negotiated and agreed; with an option to extend for up to 1 year followed by an option to extend for up to 1 further year.

3.9.6 Should a new provider be appointed the new contract will be subject to a run-in period, working up to the agreed block level as placements are made. There will be no requirement for people placed under the existing contracts to move. Those contracts will continue under current terms, effectively becoming spot contracts and ending only once a person dies or leaves the home.

#### 4 POLICY IMPLICATIONS

4.1 Establishing contracts for nursing and residential care will enable the Council to achieve good value for money through ensuring accessible and cost-effective services.

#### 5 FINANCIAL IMPLICATIONS

5.1 It is anticipated that the contract values in each instance will be at or below ceiling rate. The costs for each category and the total cost, based upon the respective ceiling rates, are detailed below.

	<b>Ceiling rate</b>	<b>Proposed no. of places</b>	<b>Cost p.a.</b>	<b>5 year cost</b>
Residential EMI	540	25	£703,931	£3,519,653
Nursing EMI	700	40	£1,460,004	£7,300,020
Nursing PF	700	20	£730,002	£3,650,010
<b>TOTAL</b>			<b>£2,893,937</b>	<b>£14,469,683</b>

5.2 All costs would be contained within current resources.

#### 6 LEGAL IMPLICATIONS

6.1 Under the National Assistance Act 1948 section 21, the Council has a duty to provide residential accommodation to some adults who by reason of age, illness, disability or any other circumstance are in need of care and attention which would otherwise be unavailable to them.

<b>Non-Applicable Sections:</b>	Personnel implications
Background Documents: (Access via Contact Officer)	[Title of document and date]