

**TO: DIRECTOR AND EXECUTIVE MEMBER OF ADULT SOCIAL CARE, HEALTH AND HOUSING**  
**21 JULY 2017**

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**HEATHLANDS CARE HOME AND EXTRA CARE HOUSING CONSTRUCTION**  
**Chief Officer: Commissioning and Resources**

**1 PURPOSE OF REPORT**

- 1.1 To seek approval to tender the construction works at Heathlands for a new care home to be developed in partnership with the Royal Borough of Windsor & Maidenhead (RBWM) and the CCG, plus an Extra Care housing facility.

**2 RECOMMENDATION**

- 2.1 **That the Director and the Executive Member approve the procurement plan to tender the construction works at Heathlands.**

**3 REASONS FOR RECOMMENDATION**

- 3.1 The supply of residential and nursing provision for older people in the borough has reduced significantly over the past 18 months due to provider closure. This has led to a significant increase in prices, which is causing considerable budgetary pressures for the department. There has also been significant progress towards more collaboration in commissioning both across local authority boundaries between different Councils, and between the Council and the CCG.
- 3.2 The Council is proposing to commission to increase the supply of provision in the borough by constructing its own care home in the Borough, in partnership with RBWM and the CCG on the site of the former Heathlands care home and day centre. In addition it is proposing, as part of the same construction project, to build a small number of extra care housing units.
- 3.3 Based on financial modelling of the proposal, it is estimated that this scheme could generate cashable savings of over £500,000 per annum. This is based on a feasibility study of the costs of development, and analysis of Laing & Buisson's industry standard model of the costs of running a care home. However, this is not without risk, including for example the risk of demand for places being lower leading to voids. Working in partnership with RBWM and the CCG reduces the risks of this happening, as well as facilitating a system wide approach to gaps in the Health & Social Care market. Both RBWM and the CCG have confirmed that they will sign a Memorandum of Understanding by 21<sup>st</sup> July over the approach to the development.
- 3.4 The plans for the care home is based on the most efficient size of care home, and as such leaves some of the site available for other developments. A review of the different options for the other part of the site has concluded that the most appropriate use of the land is to develop a small number of units of Extra Care Housing. There are implicit, very prudent, assumptions that there will be a neutral impact on the capital and revenue budgets arising from how these units are used, i.e. whether they are sold or rented, and if sold whether as individual units or to a registered provider. The decision will be informed by prevailing market conditions at completion.

## 4 ALTERNATIVE OPTIONS CONSIDERED

### Do Nothing, and sell the land

- 4.1 It is estimated that the land could be sold for £1m, generating a capital receipt. This is a low sum for the size of plot, however this is due to a restrictive covenant on the land requiring it to be used for residential care. Potentially a developer could purchase the land and develop their own care home, however this may not be developed for Council funded clients, nor would the Council necessarily be able to exert the same influence over the market that developing the home itself would provide. The opportunity for significant revenue savings would therefore be lost.
- 4.2 In addition, this option does nothing to address the need for more Extra Care units that have been identified.

### Commission a provider to develop and operate the home

- 4.3 Although this option does have the advantage over the Do Nothing option of giving the Council some control over the market, it is considered that this would be more expensive than the preferred option. This is due to the following considerations:
- Any provider will, in addition to wanting a profit on its operations, require a return on capital over and above the cost of investment
  - The cost of investment is likely to be higher for a provider than it would be for the Council, as their borrowing costs (the interest rate they pay) is likely to be significantly higher.

The preferred option allows each part of the overall programme to focus on its particular strengths, and therefore lead to a lower overall cost.

## 5 SUPPORTING INFORMATION

- 5.1 The table below shows the financial impact of the current lack of supply in the market on Council budgets. As supply has become restricted the average prices of placements in Care Homes has increased significantly, even after allowing for inflation.

**Table 1 – Prices in Care Homes 2013 and 2016**

	No. of Placements		Average Prices (Weekly £)		2013 adjusted for inflation	Additional Cost (Annual £k)
	Total	In Year	All	In Year		
Nur EMI	41	17	922	940	725	459
Nur PS	24	11	847	896	652	305
Res EMI	35	17	806	830	603	414
Res PS	16	12	741	745	520	187
<b>Total</b>						<b>1,364</b>

## Unrestricted

- 5.2 As can be seen this is as an additional cost of £1.36m over and above what we were paying in 2013, even after adjusting for inflation. Until recently the Council was able to hold prices at a level in line with what it considered a good price, although some providers argued they were too low and that we should be paying the “Fair Price for Care” established by Laing & Buisson (mentioned above) in their annual review of the care market.
- 5.3 The financial analysis for this options appraisal lifts figures from the latest Laing & Buisson study, in respect of revenue costs, and the figures estimated by Atkins in respect of capital. It also makes an assumption that some modest additional savings would also accrue from the Council having some extra control over the market price, as the Council would no longer be completely beholden to the market when making placements.
- 5.4 The modelling suggests a capital cost for the whole scheme of £13.1m; for the care home part only the cost is estimated at £10.9m. This includes contingency and risk figures. RBWM and the CCG would contribute to the £10.9m figure pro rata to the number of beds they wish to purchase. The model further suggests annual revenue saving, after paying down the minimum revenue provision and interest costs of borrowing of £456,000 against current prices, for a dual registered home (nursing and residential) where 50% of the beds are nursing. Savings are higher the greater the percentage of beds that are nursing; an assumption has been made of further savings of £90,000 based on great control of the market, i.e. that having some control over the market price reduces that price by a modest percentage.
- 5.5 The timescales for the project are laid out in the table below. Procurement of a provider to operate the home would need to start early in 2019, and is dependent on the timescales below being met. It is anticipated therefore that the home would be operational from October 2019, and that revenue savings would start to flow from that point.

Procurement Plan approved	July 21 <sup>st</sup> 2017
Selection Questionnaire (SQ)	September 2017
Published on the South East Business Portal	October 2017
SQ responses received	November 2017
SQ evaluation process complete	January 2018
ITT issued	January 2018
Tenders received	March 2018
Tenders evaluated, preferred bidder identified	April 2018
Executive approves award of works contract	July 2018
Letter of intent for mobilisation and site set up	August 2018
Contract award (Time Square remodelling works only)	August 2018
Construction starts	September 2018

Construction completion	September 2019
Handover	Late September 2019

## 6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

### Borough Solicitor

- 6.1 The Borough Solicitor's concerns and advice have now been incorporated in the procurement plan.

### Borough Treasurer

- 6.2 There is a considerable capital cost attached to the proposal, of potentially £13.1m, plus the opportunity cost of not selling the land, of £1m. However, the total revenue savings over 25 years of £13.5m on the care home are greater than these costs. The capital cost, the revenue savings, and the financial risks of paying for empty beds, would all be reduced proportionately by developing this in partnership with either or both other local authorities and the CCG(s).

### Equalities Impact Assessment

- 6.3 Attached

### Strategic Risk Management Issues

- 6.4 None

## 7 CONSULTATION

### Principal Groups Consulted

- 7.1 none

### Method of Consultation

- 7.2 none

### Representations Received

- 7.3 N/A

### Contact for further information

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