

Report to Keith Hinkley, Director of Adults and Health

April 2022

Opportunity for a Block Contract with Aster Grove, part of Archmore Care Services

Report by Catherine Galvin, Head of Commissioning

Electoral division(s): all

Summary

There are continuing pressures on the health and social care system related to the impact of the pandemic, restrictions on homes, capacity of provision where needed and challenges recruiting and retaining staff.

In addition, there is continued demand for nursing dementia beds, and this is not always available to purchase. These market pressures are also resulting in an increasing cost of residential placements.

An opportunity has arisen to commission 11 dementia nursing beds on a block contract for two years at Aster Grove, in the Littlehampton area of West Sussex.

This decision is urgent due to the immediate need for cost efficient dementia nursing beds to be sourced more quickly than wider current market availability will allow as well as to meet demand for people with complex nursing and dementia needs at a rate which presents value for money to the Council and an opportunity to make savings on the Adult Social Care budget.

Due to the need for this decision to be determined as soon as possible the Director of Adults and Health, with agreement from the Director of Law & Assurance and the Chairman of the Health and Adult Social Care Scrutiny Committee will use his delegated powers under Standing Order 5.23 (Part 4 Section 1) of the Council's Constitution to take this decision without the required 28 days' notice in the Forward Plan and 7 working day call-in period.

Recommendation

The Director of Adults and Health is asked to approve the award of a block contract for 11 nursing beds at Aster Grove in Littlehampton, for two years, from April 2022.

Proposal

1 Background and context

- 1.1 The numbers of people within the community for whom the Combined Placement and Sourcing Team (CPST) are actively sourcing residential placements has been steadily increasing since last spring and this peaked at 83 people on 4 Feb 2022. This is in addition to placements being sourced from the hospital.
- 1.2 The Council does not have a usual maximum banded rate for dementia nursing placements and hence these are purchased as 'agreed' rates. There is also demand for this type of care which is not always available and with the prevalence of dementia increasing it is likely this will continue in the future. There are no dementia nursing beds within the Council's main block residential contract with Shaw Healthcare and this type of service is identified as a gap in most areas across the County. Whilst Arun does have more dementia provision than some other areas, nursing dementia specifically is largely reliant on spot purchase from providers with this speciality.
- 1.3 Agreed rates have increased in recent years. Between March 2020 and February 2022, the number of agreed nursing rate placements has increased by 47%. The average gross cost of care has also increased by 15% between the same time frame.
- 1.4 An opportunity has arisen following the development and planned re-opening of a service in Littlehampton called Aster Grove. Aster Grove is one of three services owned by Archmore Care Services. The other two; Ashdown Nursing Home and Birchwood Grove, are currently contracted as part of the 2007 Care homes spot purchase contract and offer a quality service – both rated 'Good' at their most recent CQC inspections.

2 Proposal details

- 2.1 The proposal is to commission a block contract agreement with Archmore Care Services for 11 nursing dementia beds commencing from April 2022. This would be for a maximum period of two years (a 1 year plus 1 year contract) with any uplift for 2023 - 2024 in line with the fees increases paid to independent providers of Adults Social Care 2023- 2024.
- 2.2 This will offer long term placements for individuals who have been assessed as having eligible social care needs under the Care Act 2014 and

whose care needs to be met through a residential placement with nursing and dementia care. Given the service will be focused on long term customers with nursing and dementia needs it is anticipated that occupancy levels should be relatively constant once the initial 11 beds are filled. The Combined Placement and Sourcing Team has placed around 40 customers into nursing dementia placements so far in 2022 across West Sussex and hence there is anticipated to be demand for the service, which is anticipated, will be filled during the first six weeks of the contract.

3 Other options considered (and reasons for not proposing)

- 3.1 Commissioning services over a longer timeframe has not been proposed because a Market Sustainability Plan will be undertaken by September 2022 from which there is an intention to identify the longer-term requirements for these types of services, and this may impact the way in which this type of care is commissioned from the market.

The requirement to tender the opportunity has been reviewed. However, the Council believes that services of this value and volume would not be available from the wider market currently and given the value for money of the opportunity presented and the opportunity therefore to make savings in the service which are needed in order to maintain the budget a waiver of Standing Orders has been requested to directly award a contract to the service for up to two years.

4 Consultation, engagement, and advice

- 4.1 The Care Quality Commission have been engaged to facilitate registration given the strategic need for the service.
- 4.2 Adults' Services senior managers, Legal and Procurement have been engaged to seek their approval of the proposals.

5 Finance

Revenue consequences

- 5.1 The amount payable by the Council will be the bed cost less Funded Nursing Care (FNC), which will follow usual practice for application and payment direct from the NHS. The Council will however commit to paying FNC for any void beds and any customers who are not eligible for FNC. On the assumption that 10% of beds could fall into those categories, the cost to the Council for a 24-month contract will be approximately £780k (plus uplift for year 2).
- 5.2 The provider has agreed to a 24-month contract, with a review of prices at the end of the first year, with any uplift for 2023 - 2024, being in line with the fees increase paid to independent providers of Residential Adults Social Care 2023- 2024.

5.3 Based on the cost of comparable provision in the wider market, savings of £86k per year are estimated from the contract. These will contribute towards delivery of the £500k savings target in the adults' budget for 2022/23 from reducing expenditure on high-cost placements, as shown in the table below:

	Year 1 2022/23 £m	Year 2 2023/24 £m
Cost	0.390	0.390
Budget	0.477	0.477
Contribution towards savings	0.086	0.086

(a) How the cost represents good value

Charges for residential beds have increased significantly during the pandemic. In addition, recent tenders and soft market testing indicates that the average cost of beds is increasing.

The service is offered at a highly competitive rate at lower unit cost (assuming all beds utilised) than the 22/23 banded rate for nursing provision in the area, and significantly lower than average agreed rates. In addition, the additional specialism of dementia care can attract a higher premium which is not the case for this proposal and hence this provides added value for money.

(b) Future savings/efficiencies being delivered

This contract will help facilitate swift placements for people waiting for services within the community. Ensuring their long-term care and support needs are met at a cost-effective rate. Utilising the block beds proposed is anticipated to have a savings impact as a result of avoiding the need for higher cost spot purchase placements.

It is anticipated that the service will provide up to £170k in savings over two years having taken account of up to 10% vacancy levels and 10% liability for FNC payments. This will be monitored monthly throughout the lifetime of the contract.

(c) Human Resources, IT and Assets Impact

Although low impact these block beds will need to be correctly purchased on the IT system and contract management will need to begin for this contract.

6. Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Risk of challenge to the process of direct award	<p>It is not anticipated that other providers would be in the position to provide the volume of beds at the rate offered. However, the Council has recently tendered for a range of block residential contract opportunities across the market for a number of contracts with up to 18 months duration dependent on funding and will continue to tender opportunities as they arise for other service providers. The Council also spot purchases from the majority of residential and nursing homes in the County and therefore work is available to a wide range of providers.</p>
Underutilised services	<p>There is a risk of void beds at the service which increases the unit cost per bed and impacts on the value for money. The Care and Placement Sourcing team will prioritise admissions into block services to ensure that places are filled wherever possible. Commissioning and Contract Officers will oversee and monitor the service frequently reporting utilisation regularly. Covid and other infections can impact on utilisation as these mean a restriction on referrals and entry to the service. The provider will be required to follow national guidance and maintain good infection control practice.</p> <p>However, given the service will be focused on long-term customers with nursing and dementia needs it is anticipated that occupancy levels should be relatively constant once the initial 11 beds are filled. The Combined Placement and Sourcing Team has placed around 40 customers into nursing dementia placements so far in 2022 across West Sussex and hence there is anticipated to be demand for the service, which is anticipated, will be filled during the first six weeks of the contract.</p>

Non-Payment of FNC	There is a risk that customers are not eligible for Funded Nursing Care payments which would extend the financial cost to the Council. However, this risk is low as these beds will be specifically for customers who have been assessed as needing long term nursing care and hence it is unlikely FNC would not be payable.
Lack of Demand	If there is a change in demand over the course of the two years and less beds of this type are required, this may make the block difficult to fill and maintain at a good level of occupancy. Clauses in the contract to reduce the volume with appropriate levels of notice can be added and the contract could be ended after one year and not extended if necessary.
Financial Viability	There is a risk that the provider may not be able to sustain the service on the rates agreed. To mitigate this the Council pay in advance by two weeks and in arrears for two weeks as per all other older people's residential care contracts to ensure regular cashflow for the provider. The accounts position will be regularly reviewed throughout the contract term to monitor the stability.

7. Policy alignment and compliance

- 7.1 A single tender waiver has been approved by the Director of Finance and Support Services and the Director of Law and Assurance, with support from Finance, Legal and Procurement. The contract was drafted by legal services and is therefore compliant with the Council's Standing Orders on Procurement and Contracts.
- 7.2 As a contracting authority, the Council is governed by the Public Contracts Regulations 2015 and should competitively procure contracts above the relevant threshold. The risk of direct awarding this contract has been considered and is deemed low bearing in mind that procurement exercises have recently been carried out and taking into account the fact that there is limited scope within the market for these services.

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Appendices None

Background papers None