

Health and Social Care Scrutiny Commission

Tuesday 13 May 2025
7.00 pm
160, Tooley Street, SE1 2QH

Supplemental Two Agenda

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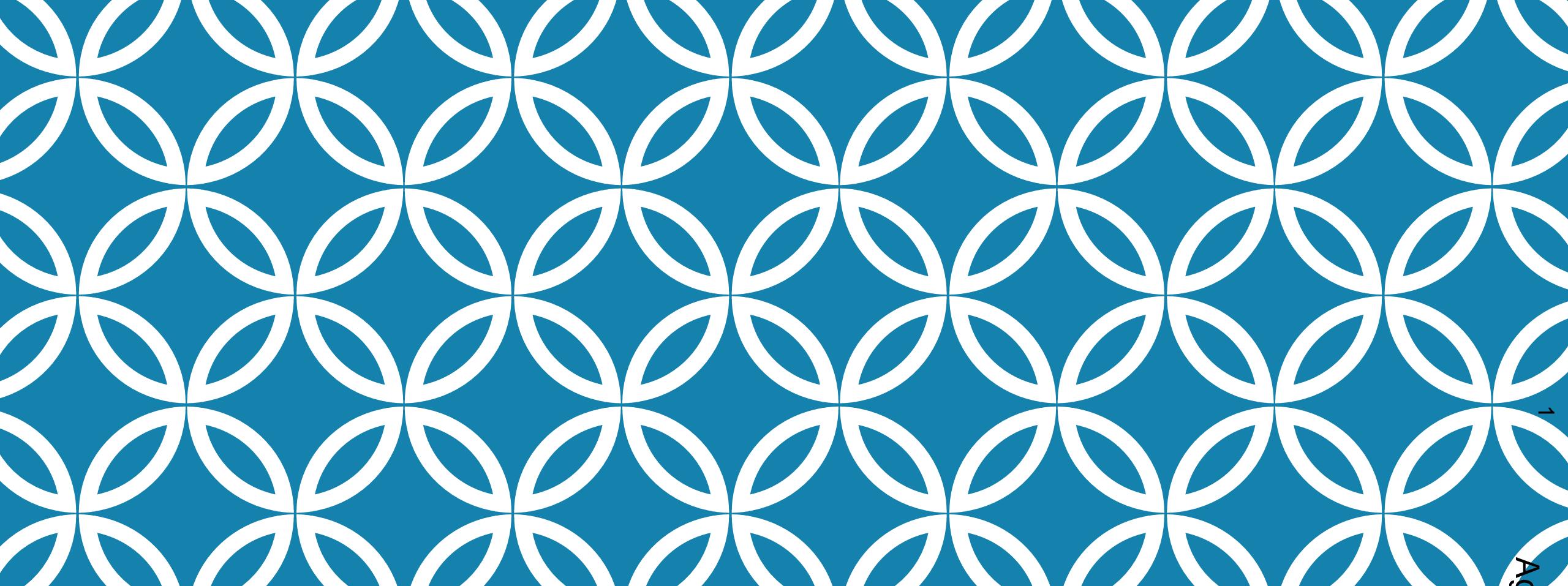
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A draft headline scrutiny review report is enclosed.

Contact

Julie Timbrell on 020 7525 0514 or email: Julie.Timbrell@southwark.gov.uk
Webpage:

Date: 12 May 2025



NURSING HOME DELIVERY

Headline report

SCOPE OF REVIEW

This mini review examines the delivery of a new nursing home.

The review was conducted in order to respond to plans to deliver a new nursing home on a site identified on Asylum Road in SE15.

The commission are seeking to ensure that the executive has thoroughly considered all available options to ensure the best outcome for local residents and the council, and that a high quality home is built that is good value.

CONTEXT - NEED FOR A NEW CARE HOME

- I. Demand for new nursing home places is predicted to rise from 292 in 2024 to 387 in 2034.
- II. Currently 70% of placements are in borough.
- III. Demand for residential care home placements is decreasing as other provision, such as Extra Care and community care, steps up.
- IV. Demand for nursing home care places is increasing as people entering care homes are older, frailer and often come in with dementia, thus increasing the requirement for NHS funded nursing care.
- V. In addition rates of dementia are increasing and members highlighted the unmet care needs of people in the more difficult middle stages of dementia, who may be physically well but may require dedicated and suitable care.

BACKGROUND

- I. The delivery of Camberwell Lodge Nursing Home, which opened in May 2022 and the purchase of Tower Bridge Nursing Home in 2024, has met the Council Plan Delivery target to provide a new home.
- II. Camberwell Lodge Nursing Home was delivered through the council working with developmental partner, Country Court Care, identified through a procurement process.
- III. Tower Bridge Care Home was purchased by the council when the care home operator HC One decided to exit delivery. The council then commissioned a new care home operator, Agincare.
- IV. Nevertheless the council's Adult Social Care (ASC) Needs Assessment in August 2024 identified an on-going demand for nursing home care.
- V. In late 2022 the council set about identifying and testing potential sites to locate a new care home in the south of the borough, and identified Asylum Road as the most suitable option.
- VI. Benefits of the Asylum Road site include location in the south/middle of the borough where there is high need, proximity to transport, support for a facility by local residents, and that the council own the land.
- VII. A capital funding allocation of £16m was set aside in 2022 to bolster delivery by, for example, buying additional care home places. The majority of the funding was however spent on purchasing Tower Bridge Care home in 2024

PRESENT CARE HOMES

- I. There are seven care home / nursing care homes for older people in Southwark.
- II. The four long-standing council owned homes: Bluegrove (Bermondsey, SE16), Greenhive (Peckham, SE15), Rose Court (Rotherhithe, SE8) and Waterside (Peckham, SE15). These are operated by Agincare.
- III. The Tower Bridge care home building was acquired by the council in 2024, and is now operated by Agincare.
- IV. The Elms residential care home in Dulwich, run by Mission Care. Mission Care are planning to expand care home provision locally with another site on Love Walk.
- V. Camberwell Lodge Nursing Home is operated by County Court Care with a long lease on council land.

HISTORY – OVERVIEW

- I. Southwark has had around seven local residential/ nursing care homes available for older people over the last decade, although provision has been variable as homes close and open.
- II. This has been able to accommodate around 70% -75% of local need as most people prefer to be located in the borough close to family and friends, however there is still a lack of local places.
- III. Three homes have closed over the last ten years (Burgess Park, Camberwell Green, Queens Oak) as commercial operators and building owners have exited the market . A further home (Tower Bridge) was threatened with closure, but the council stepped in to buy the building.
- IV. Residents who are forced to move care home can be stressed and more at risk of having their care needs unmet in unfamiliar homes, becoming unwell and dying sooner.
- V. In recognition of the need for more placements, the council has worked to deliver a new home at Camberwell Lodge through a procurement process and is planning a further new home, but it has struggled to increase capacity as local homes have closed while new places have been re-provided.
- VI. Southwark has a lower level of self-funders compared with out of London and this makes it a more challenging market proposition for commercial operators to remain viable and profitable.

1 HISTORY – OWNERSHIP: CLOSURE AND QUALITY

Homes owned by Southwark Council and operated by care providers

There are four long standing council owned homes : Bluegrove (Bermondsey, SE16), Greenhive (Peckham, SE15), Rose Court (Rotherhithe, SE8) and Waterside (Peckham, SE15). These were previously operated by Anchor and are now run by Agincare.

The care homes have had consistently good CQC reviews over the last decade.

Homes owned and operated by commercial enterprises involving Private Equity

Southwark has a legacy of care homes that were subject to the owners adopting a business model separating the building from the care operation and putting lease back arrangements in place, and involving Private Equity, and associated debt loading. Subsequently several operators declared insolvency.

In 2012 three care homes were operated by Southern Cross with Four Seasons the owner of the buildings: Tower Bridge, Camberwell Green and Burgess Park. With the collapse of Southern Cross, Tower Bridge was operated by HC-One and the remaining two homes (Camberwell Green and Burgess Park) were operated and owned by Four Seasons. Subsequently Camberwell Green Care Home was operated by HC One. Four Seasons became insolvent and were acquired by Private Equity enterprise Terra Firma.

The above care homes, when run by enterprises involving Private Equity, have had generally poor CQC ratings over the last decade.

All the operators exited the market due to insolvency or reduced profitability. Camberwell Green and Burgess Park homes closed and in the case of Tower Bridge the council stepped in to prevent closure. The two closures of Camberwell Green and Burgess Park homes meant residents had to find new homes to their detriment and placing pressure on existing homes.

2 HISTORY – OWNERSHIP: CLOSURE AND QUALITY

Homes owned and operated by Independent family-run companies

Queens Oak nursing home, owned by Excelcare, decided to close in 2022.

Camberwell Lodge Nursing Home was re-provided on the site of the Burgess Park care home through a development partner procurement process with the council and County Court Care Homes.

Homes owned and operated by charities

The Elms residential care home in Dulwich, is run by Mission Care, a Christian charity. Mission Care are planning to expand care home provision locally with another site on Love Walk in Camberwell.

CARE HOME: MODEL OWNERSHIP AND OPERATION

| Model | Land | Building Ownership | Care Operator | Example | Fate |
|--------------|-----------------------------------|--------------------|---------------------|---|--|
| A (historic) | | Private Equity | Private Equity | Burgess Park Camberwell Green Tower Bridge | Closed Closed Building acquired by council |
| B (Historic) | | Company | Company | Queens Oak | Closed |
| C (Historic) | Council freehold | Council | Housing Association | Bluegrove Greenhive Rose Court Waterside | Continue with changed operator |
| D | Council freehold | Council | Company | Bluegrove Greenhive Rose Court Waterside Tower Bridge | Operational |
| E | Council freehold with long lease, | Company | Company | Camberwell Lodge | Operational |
| F | | Charity | Charity | The Elms | Operational |

| Types of owners | Key |
|--|--------|
| Private Equity controlled enterprise : Terra Firma / Four Seasons / HC One | Red |
| Company - Independent Family run business: County Court care Home / Agincare / Excelcare | Yellow |
| Housing Association / not for profit : Anchor | Blue |
| Charity : Mission Care | Green |
| Local Authority : Southwark Council | Yellow |

QUALITY ASSURANCE

- I. Ownership impacts on quality : public and third-sector providers consistently outperform for-profit providers on quality measures by industry regulators.
- II. The CQC has a rating system for care homes and visits according to performance.
- III. The council has commissioning leverage it can use, when purchasing places under contract, or through a procurement development partnership process. Not all care homes are under commissioning contract as an alternative approach is spot purchasing.
- IV. The Age UK Lay Inspectors scheme was focused on quality, however it is now a visiting service.
- V. Southwark Healthwatch has 'enter and view' powers, which the council could step up.
- VI. There is a cost to the council for all these services, and sustaining higher quality can be costly.

RISKS

- I. **Homes closing / reduced quality** Owners cashing out through selling buildings and operations can reduce value over time and risk continuity of care. The involvement of Private Equity often loads the price of the investment on the asset. Servicing the debt plus the owners' requirement for profit generation can reduce quality of care. There is also an increased risk of insolvency or inadequate returns, leading to closure of homes.
- II. **Poor quality of care impacts negatively on residents and drives up costs of delivering the council's commissioning and quality assurance programmes.**
- III. **Expensive care** can impact on residents saving resources and the council's revenue budget over time.
- IV. **Unsustainable** An over reliance on self-funders being able and willing to purchase more expensive care home places may lead to overprovision of places that are not well-aligned to local demand and an unsustainable business model.

DELIVERY MODEL

The commission received a paper and presentation on 2 April setting out the executive's plan to deliver a new nursing home using a Market-led Approach , alongside other options considered:

- I. Market-led approach.** In this favoured approach, the council would invite the market to put forward proposals for a new nursing care home, which will be formalised through a land transaction. Modelling predicts that the council can expect around 50 places of a 100 bed home to be delivered rent free, with the council paying for care costs only.
- II. A developmental partner through a procurement process.** In this approach the council sets out what it wants through a procurement process. These requirements are then put to the market, and assessed according to criteria.
- III. Direct delivery:** here the council would fund the building of a nursing care home using its own capital and undertake the design in-house or with input from an operator. The care home operation could then be delivered in-house by the council or through commissioning an operator.
- IV. Partnership with the NHS and / or a Housing Association.** In this model the NHS would take on responsibility for the some of the delivery of the nursing care home; recognising that nursing care is an NHS responsibility. Other councils have partnered with Housing Associations.

MARKET LED APPROACH: IMPLEMENTATION

A timetable for the next 4 months for the next was provided, highlighting approval from Cabinet is anticipated to be at September 25 meeting

| Task Target | Date |
|---|--------------|
| Prepare marketing pack | March 25 |
| Commence buyer engagement | Apr - May 25 |
| Receiving indicative bids | May 25 |
| Shortlisting / Council visiting bidders care-homes. | Jun 25 |
| Final bidder selection | Jun 25 |
| Seek Cabinet approval | Sep 25 |
| Negotiations and finalising heads of terms | Sep 25 |
| Selection award; due diligence; exchange of contracts | Sep -Nov 25 |
| Design development for planning | Nov- Aug 26 |
| Planning approval | Nov 26 |
| Completion of sale 'long lease' | Jan 27 |

MARKET LED APPROACH

Advantages

Minimal capital and revenue investment to bring the home forward.

A good land offer is envisaged to attract good offers from quality providers, such as independent family run business acting as sufficient scale to have capacity to deliver.

Expected to deliver 50 nursing care home place at reduced cost to the council eg 'rent' free.

The land transaction deal de-risks the opportunity for the developer to sell on the asset. The council cannot be charged rent on the places it negotiates , only care costs, with reference to national standards.

Stakeholder can be involved assessing the offers that come forward.

Disadvantages

The council has reduced leverage to ensure the building and operator practices align with the council's values.

Only a for-profit operator is likely to have the capacity to deliver. Commercial delivery of care homes is associated with poorer quality care. Business owners change over time and this is cannot be controlled – a family business may sell out or be acquired by a Private Equity controlled enterprise

It is expected that around 50 places are envisaged to be set aside for the council rent free , this leaves a shortfall as over 100 are required (although some local self-funders will be able to access the remainder) .

A land transaction deal, based on a sale of a lease, limits contractual safeguards. While an operator is 'preferred', it is possible a developer will come forward who will sub-contract the care home operation to another provider.

The business model may be over reliant on self-funders , unsustainable and less aligned with local need.

Stakeholder involvement is envisaged, but no resident involvement.

More pressure on the revenue account as places will likely to be higher cost than via direct delivery of a council owned building.

DEVELOPMENTAL PARTNER THROUGH A PROCUREMENT PROCESS

Advantages

The council is able to set out clear criteria, standards and contractual obligations for the partner to adhere to.

No capital required , although a capital injection could increase places.

Expected to deliver 50 places out of 100.

Likely to attract a good quality provider

Significantly de-risks the opportunity for a development partner to sell on the asset or care operation through an enforceable contract.

Previous procurement has involved stakeholders and resident' representatives, because it is a longer process.

Disadvantages

Procurement is an expensive process

Obligations and break clauses on a long lease are onerous to enforce and in practice a building is likely to remain in the hands of the original providers unless performance is extremely poor.

50 places rent free will not meet demand for nursing places, although self-funders may access some of the remaining places.

The contractor is likely to be for profit and associated with lower quality provision than third sector.

The business model may be over reliant on self-funders, unsustainable and less aligned with local need.

Over the longer term the building may depreciate over time as the lease nears expiry of the life time of the building.

More pressure on the revenue account as places will likely to be higher cost than via direct delivery of a council owned building.

DIRECT DELIVERY

Advantages

Ownership of the building offers the highest level of security. Even if a care home operator departs the home remains and a new care home operator can be re-commissioned. It is possible that other sources of capital may come onstream, from the Community Infrastructure Levy

There will be long-term protection of the asset quality - the council has an incentive to build well.

The council is able to commission high quality providers (or deliver in-house) according to its values and standard, including third sector and family providers, and easily exit from poor performance .

100 places will be produced , reducing impact on overstretched revenue budget, and potentially resident savings.

The council has design experience for schools, inputted into the design of Extra Care housing and is developing children's care home direct delivery expertise. The four council owned homes delivered 20 years ago are of an excellent, spacious standard. In addition there is architectural design expertise that the council has the capacity to commission. Other councils have more recently directly delivered and designed homes.

Over the longer term there may be reduced quality assurance burden.

The places provided are likely to be lower cost and better aligned to demand.

Disadvantages

Capital is required, which is under pressure. The majority of the previous Capital Monitor capital allocation has been spent. The priority for capital is the housing budget. A loan would put a liability on the council's account.

The council has no experience of designing care homes.

PARTNERSHIP WITH THE NHS AND / OR A CHARITABLE ASSOCIATION

Advantages

The NHS or third sector charitable association involvement could offset capital or revenue costs.

The asset is likely to be more secure over the longer term.

Third sector involvement is associated with better care.

Disadvantages

The local NHS has indicated that recruitment is a barrier to delivering nursing care.

DECISION MAKING PROCESS

- I. An IDM decision was taken to utilise the Asylum Road site for a new care home and this is well supported.
- II. Southwark Council's Fairer Future Procurement Framework states that: *'As part of the "make or buy" option, full consideration of in-house service delivery is the first part of the planning process and explicit consideration of whether the works, goods or services could be provided in-house must be included when developing the procurement strategy. This consideration must be clearly set out in Gateway 0 strategic assessments for services contracts worth over £10m.'*
- III. A Gateway 0 report is an early opportunity to undertake a strategic assessment of options and the commission's view is that this intention was to ensure that in-house delivery is fully considered.
- IV. It is arguable if a market approach is a procurement process, nevertheless following the Gateway 0 process would ensure that direct delivery can be fully considered and appraised, alongside a more thorough assessment of other partnerships and the impact on the revenue account.

RECOMMENDATION

An options appraisal report is produced for cabinet to ensure a more thorough process is followed, and that all the delivery options are fully considered.

This ought to include consideration of the below :

- Direct Delivery – investigate and consider all possible sources of capital (Community Infrastructure Levy, Section 106 etc) plus a loan. The commission would encourage the cabinet to adopt a similar principle towards infrastructure provision for older people in the same way we deliver schools, libraries and leisure centres. In addition the commission would urge that cabinet consider low interest loan opportunities from Public Works Loan Board
- An appraisal of the impact of each delivery model on the revenue account.
- A partnership with the NHS.
- A partnership with a charitable association.

Health & Social Care Scrutiny Commission

MUNICIPAL YEAR 2024-25

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| Non Voting Co-opted places | | | |
| | | Total: 12 | |
| | | Dated: July 2024 | |