

APPENDIX A

# Report into the collapse of Southern Cross Care Homes

Report of the Health & Adult Social Care  
Scrutiny Sub-Committee

June 2012



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## **Introduction**

1. This report seeks to ascertain what lessons can be learnt from the collapse of Southern Cross care homes in order to mitigate potential risks to providing care for some of our most vulnerable residents.
2. The report seeks to influence Southwark Council, Southwark Health Commissioning and national government. The key issues this report seeks to address are:
  - The financial collapse of Southern Cross and the monitoring and contingency arrangements in place
  - The impact on residents; including communication with residents and their families
  - Whether there are any issues around competition and diversity that the council and the Business Support Unit need to consider when commissioning health and adult social care services in the future to better deal with market failure and promote market resilience
  - The steps the council/government is putting in place to monitor the viability and standards of care of the new organisations who will take over the operation of the three former Southern Cross care homes in the borough
  - How the new organisations will ensure clinical governance and continuity of care
3. To address the above issues, the report will focus on three key areas:
  - Financial monitoring
  - Standard of care
  - Communication with residents and their families
4. It is beyond the remit of this sub-committee to change the nature of care provision in Southwark and further afield, but it is the belief of this sub-committee that instead of a patchwork of providers, many of whom are driven by the profit motive and make their decisions based on this and not on the best interests of their patients, that a National Care Service be established in a similar manner to the National Health Service (pre 2012). It is hoped that these changes will one day be implemented but until that time the sub-committee makes recommendations to attempt to alleviate and mitigate the potential negative outcomes of the current arrangements.

## **Why did Southern Cross collapse?**

5. The reasons for Southern Cross' collapse are well-documented elsewhere and will not be repeated in detail here. In summary, Southern Cross sold its care homes and leased them back. The homes were sold to over eighty different landlords, although one – Four Seasons – bought between two and three hundred. This arrangement was predicated on rising rents and rising income from their care homes, but this model came under severe pressure

following the financial crash of 2007-2008 and the subsequent reduction in funds available to local authorities and others to pay ever increasing amounts for the care of the elderly. With reducing income and increasing expenditure (on rents and servicing debt) Southern Cross went into liquidation. Southern Cross operated three care homes in Southwark (Tower Bridge, Burgess Park and Camberwell Green). One of these, Tower Bridge, was taken over by HC-One and the remaining two by Four Seasons. While these are the only three care homes in Southwark, making Southern Cross the majority provider, across the country Southern Cross operated over 750 care homes.

### **What mitigating actions can Southwark Council take in the future?**

6. Southwark Council has no powers to stop private companies from entering into complex ownership arrangements, as happened with Southern Cross, and it has no powers to stop private companies purchasing the care homes. Indeed, the Four Seasons homes have been bought by Terra Firma, a private equity investor.
7. The council can however work with other local authorities, with a shared interest, to monitor the financial viability of care home providers. The sub-committee was informed that this already takes place but due to the number of providers used this is not always possible.
8. This report notes the findings of the Parliamentary Health Select Committee (See Appendix A) and in particular the fact that there is no body responsible for monitoring the care home sector at local, regional or national level.
9. The sub-committee notes the financial oversight arrangements already in place (as detailed at Appendix B), but recommends that these are augmented as follows:
  1. That the council works with other local authorities to monitor the financial viability of the company(ies) that own and operate care homes in the borough on an annual basis.
  2. That the council work with other local authorities to lobby central government to widen the scope of the Care Quality Commission or Monitor's remit to include oversight of the financial viability of care home providers.
  3. That the council conduct an assessment of a provider immediately after a change of operator/ownership occurs (e.g. now that Terra Firma have taken over from Four Seasons).

### **Standard of Care**

10. During the course of this review the sub-committee received evidence on the quality of care provided at the three Southern Cross care homes in the borough. As noted above, all of these have at some point been under embargo from the council due to concerns of quality.
11. Working in partnership with Southwark LINK (Local Involvement Network), the Southwark Lay Inspectors and the Southwark Pensioners Action Group and through surveys the sub-committee has ascertained that the standard of care provided at the three homes has improved since the new management

arrangements (HC One and Four Seasons) came into place. The sub-committee is encouraged by this and hopes that this upward trend continues. There are still issues to be addressed; the most recent reports into each of the three homes can be found at Appendix C.

### **Resident and residents' family members' survey**

12. As part of the evidence gathering, the sub-committee surveyed residents and their families. Of the two surveys sent out, twenty-two were returned. Full results from the survey can be found at Appendix D. The main points captured by the survey are as follows:
  - Over 50% of respondents found out about the demise of Southern Cross and the change of ownership through the media
  - Most respondents are satisfied with the new management at all three homes compared to Southern Cross
  - It is clear from the responses received that more information was required during and after the change over of management.
  - There are still some issues to be addressed over standards of care
  - Some respondents were not satisfied with the level of English language skills of some members of care home staff
  - Respondents commented that the level of cleanliness and décor of all three homes has improved under the new management
  - There are concerns that some staff members are not gentle enough with frail residents
  - Timely billing of residents (and their families) by Southern Cross was a problem, which could lead to confusion over payment arrangements.
13. In response to the points arising from the survey it is recommended that:
  4. The council works with the operators of the care homes to ensure residents and their families receive timely and accurate information of any future changes in ownership, clearly setting out what has changed, what remains the same and where residents/family members can go for further information.
  5. That the care home managers ensure staff are sufficiently trained to handle residents with the appropriate level of care and that staff members' English skills reach the required standard.
  6. That the care home providers (monitored by the council) produce timely bills to residents and their family members and to ascertain whether there are any issues to be addressed arising from the move to personal budgets.
14. To drive continued improvements in care standards this report recommends the council works closely with Southwark LINK, SPAG and the lay inspectors to continually monitor the standard of care and receive an alternative point of view.
15. On 3 April 2012 the sub-committee received a briefing paper from the Director of Health and Community Services (Susanna White) regarding the council's process for acting on issues raised by the lay inspectors (see Appendix E). This sub-committee notes the process already in place and the ongoing discussions with the lay inspectors to further improve working arrangements.

To strengthen these arrangements and to keep the sub-committee informed of developments at the homes it is recommended that the sub-committee is sent copies of all future inspection reports from the lay inspectors, and the formal responses from the strategic director/contract management team and where appropriate from the registered care home manager.

16. The sub-committee recommends that reports generated by Southwark LINK be submitted to the Director of Adult Social Care, the Cabinet Member and the management of the home concerned and that a formal response is provided with a timetable for rectifying any deficiencies found, and that the sub-committee is sent copies of any such correspondence.
17. Following comments from the surveys and evidence received by the lay inspectors and LINK which all emphasized the importance of quality management, this report recommends that a 'leadership network' is established. This would be a forum where care home and residential home managers and relevant staff from the council can meet on a regular basis to share best practice.

### **Summary of Recommendations**

1. That the council works with other local authorities to monitor the financial viability of the company(ies) that own and operate care homes in the borough on an annual basis, or more frequently as required.
2. That the council work with other local authorities to lobby central government to widen the scope of the Care Quality Commission or Monitor's remit to include oversight of the financial viability of care home providers.
3. That the council conduct an assessment of a provider before or immediately after a change of operator/ownership occurs (e.g. now that Terra Firma have taken over from Four Seasons).
4. That the council works with the operators of the care homes to ensure residents and their families receive timely and accurate information of any future changes in ownership, clearly setting out what has changed, what remains the same and where residents/family members can go for further information.
5. To drive continued improvements in care standards it is recommended that the council works closely with Southwark LINK, SPAG and the lay inspectors to continually monitor the standard of care and receive an alternative point of view.
6. That the health & adult social care scrutiny sub-committee is sent copies of all future inspection reports from the lay inspectors, and the formal responses from the strategic director/contract management team and where appropriate from the registered care home manager.
7. That reports generated by Southwark LINK be submitted to the Director of Adult Social Care, the Cabinet Member and the management of the home concerned and that a formal response is provided with a timetable for rectifying any deficiencies found, and that the health & adult social care scrutiny sub-committee is sent copies of any such correspondence.

8. That a 'leadership network' is established. This would be a forum where care home and residential home managers and relevant staff from the council can meet on at least a quarterly basis to share best practice.
9. That the care home managers ensure that staff are sufficiently trained to handle residents with the appropriate level of care and that staff members' English skills reach the required standard.
10. That the care home providers (monitored by the council) produce timely bills to residents and their family members and to ascertain whether there are any issues to be addressed arising from the move to personal budgets.
11. That visiting times for family, friends and lay inspectors should be flexible.
12. That cabinet be asked to explore the feasibility of requiring indemnification from future care contractors in the event that the provider ceases to operate.

**Appendices a – e, available to view on the council’s website:**

[http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4245  
&Ver=4](http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4245&Ver=4)

Appendix a	Select committee report on care markets
Appendix b	Care homes finance and contingency planning – report from Adult Social Care officers
Appendix c i	Lay Inspectors report on Camberwell Green 27/07/11
Appendix c ii	Lay Inspectors report on Burgess Park 30/10/11
Appendix c iii	Lay Inspectors report on Tower Bridge 29/06/11
Appendix c iv	Lay Inspectors report on Tower Bridge 09/02/12
Appendix d	Questionnaire care homes results
Appendix e	Report from Adult Social Care officers on Lay Inspectors reports