

From Jonathan Lillistone – Head of Commissioning Health and Community Services	Title Contingency Planning For Care Homes / Nursing Homes
Date 5.03.2012	To Health and Adult Social Care scrutiny meeting

1. Summary

In response to the Scrutiny Committees themed review of events surrounding the collapse of Southern Cross and the transfer of the Care and Nursing Homes it operated to other providers this report provides further information in response to the following questions raised by the committee.

1. What procedures are in place to measure the financial health and risk of care home providers?
2. Does the council regularly check the financial viability of parent companies?
3. How are these procedures applied to care home places purchased under block contract and spot purchase.
4. What, if any, contingency plans does the council have in place to manage the risk of future financial collapse of care homes.

2. Background

As reported to previous scrutiny meetings, at the time the transfer of Southern Cross Homes to other providers and winding up of Southern Cross as a company was taking place; it was responsible for the management and delivery of services in 3 homes within Southwark as follows:

- Tower Bridge – 66 nursing beds and 28 residential bed spaces
- Camberwell Green – 55 nursing beds
- Burgess Park – 60 beds

In addition, the Council had 4 placements in other Southern Cross homes outside of the borough.

Southern Cross was therefore the major supplier of nursing provision within Southwark. Working closely with the national process and following the principals of engagement issued to Local Authorities by ADASS in May 2011 council officers worked actively to manage potential risks and put in place contingency plans to ensure service continuity for residents of these homes in the event that national processes failed to secure the transfer of homes to other providers.

3. Current position – provider profile

The transfer of Southern Cross homes took place as follows; Tower Bridge and Camberwell Green transferred to Health Care One on 31st October 2012 and Burgess Park transferred to Four Seasons on 30th September 2011.

The effect of these transfers has been that provision within the borough is now spread across more providers and the following is a summary of the current supplier profile within the borough.

- **Health Care One** – two homes providing 111 nursing beds and 28 residential bed spaces
- **Four Seasons** – one home providing 60 bed spaces
- **Anchor Trust** – providing 242 residential care bed spaces
- **Abbey Health Care** – providing 52

4. Response to questions raised.

1. *What procedures are in place to measure the financial health and risk of care home providers?*

The Council undertakes regular financial checks of key providers. This is typically an Experian financial health check assessment that considers a range of assessments to provide a risk profile. Further director's searches are done where necessary, in particular to understand changes in company directors or ownership that may have occurred and any issues this may give rise to. Also this allows the Council to gain some understanding of links to other companies that may assist with anticipating potential issues.

Regular and ongoing supplier management is carried out in the form of contract performance and quality monitoring. There is also regular information exchange with other boroughs through the work of the Brokerage Team who are responsible for sourcing and negotiating placements. In addition there is regular strategic dialogue with directors to ensure that the Council remains aware of any key organisational changes and pressures that may impact on service quality, delivery and continuity of care. These discussions also serve to ensure that suppliers are kept fully informed of the Council's strategic direction of travel around reducing its reliance on residential care so that providers can plan for and respond to this and ensure that their business and operating models remain sustainable into the future.

2. *Does the council regularly check the financial viability of parent companies?*

As indicated above, a range of financial checks are undertaken including director checks to establish links to other companies and is so far as is possible, to establish company structures that may inform the type and level of risk that exists.

3. *How are these procedures applied to care home places purchased under block contract and spot purchase?*

As described in response to question 1, a range of financial checks are undertaken.

Spot Contract - Given the number of placements the council has – across all client groups this totals some 1100, and that these placements are made with

just over 450 different providers, the councils approach is to prioritise regular checks on providers who are our majority suppliers. Consistent with reporting to corporate contract review boards on care placement activity and spot contracting, the focus is generally on providers with 5 or more placements. As at February 2012 there were 11 providers where the Council had more than five placements with a given organisation. It is important to note that the Councils placements are with a range of different types of organisation and of these 11 providers 4 are private businesses, Health Care One, Bupa, Four Seasons and Abbey Health Care, with the remainder of the 11 being charitable or voluntary sector organisations.

Block Contracts - The Council holds one block contract for residential care with Anchor Trust. This contract is subject to regular financial scrutiny including a requirement that Anchor Trust provide the Council with annual trading accounts for the four home under this contract. In addition a detail Best Value review was undertaken on this contract in 2010/11 which has been refreshed in February of 2012 as part of the Councils wider work on setting its approach to fees for 2012/13.

4. *What, if any, contingency plans does the council have in place to manage the risk of future financial collapse of care homes.*

As noted above a range of checks are undertaken to assess and anticipate financial risks and the likelihood of provider failure as well as an approach to supplier engagement and management that ensure there is a constant dialogue that allows early identification of potential issues.

Risk of provider failure is a key risk identified in the departmental risk register and corporately and in event of major failure as in the case of Southern Cross it is anticipated that there would be national co-ordination from ADASS, NHS and central government departments to work collectively to ensure continuity of care.

Building on the Councils experience of the events associated with the winding up of Southern Cross and experience of having to manage the potential insolvency of a provider of care homes for people with learning disabilities training sessions have been held with senior managers across the council on how to manage provider failure, the councils role in provider insolvency situations and technical and legal aspects of working with administrators where provider failure / insolvency occurs.

This training was provided by Nabarro, specialist insolvency lawyers who are on the Councils Framework. Nabarro supported the Council in dealing with and resolving the potential insolvency and eventual transfer of service delivery to another provider, that ensured continuity of care, of the services at the care homes referred to above. The training drew out learning points from their involvement in this work for the Council and expertise and experience in a range of other insolvency, service transfer and takeover scenarios in the public sector.