
REPORT FOR: CABINET

Date of Meeting:	27 April 2017
Subject:	Sancroft Hall
Key Decision:	Yes
Responsible Officer:	Bernie Flaherty, Director of Adult Social Services. Venetia Reid-Baptiste, Divisional Director of Commissioning and Commercial Services.
Portfolio Holder:	Councillor Simon Brown, Portfolio Holder for Adults and Older People Councillor Graham Henson, Portfolio Holder for Environment, Crime and Community Safety
Exempt:	No, except for Appendices 1-3 to this report which are exempt under paragraph 3 of Schedule 12a of the Local Government Act 1972 (as amended) in that they include information relating to the financial or business affairs of any particular person (including the Authority holding the information)
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 -Sancroft Hall Business case – Exempt (Part II) Appendix 2 – Financials – Exempt (Part II)

Section 1 – Summary and Recommendations

This report seeks approval for the proposal to change the service delivery arrangements at Sancroft Hall.

Recommendations:

Cabinet is requested to:

1. approve the proposals for changes to the service delivery model at Sancroft Hall;
2. approve the funding of the implementation costs of £120k from the Transformation Priorities and Initiative Fund;
3. delegate authority to the Corporate Director of People and the Corporate Director of Community, following consultation with the Portfolio Holders for Adults and Older People and Environment Crime and Community Safety, to:
 - a) take all necessary steps to finalise all matters relating to the purchase of the site and the proposals in this report;
 - b) consult all key stakeholders as appropriate;
 - c) negotiate the required exit from the Public Finance initiative (PFI) contract and purchase the building
 - d) progress all relevant and appropriate commercial proposals including the establishment of a trading entity to run the services at Sancroft Hall.

Reason: (For recommendation)

The above recommendations are made to ensure that the Council meet the requirements of the Financial Regulations (2014) that capital expenditure over £5m and changes in service delivery models are only progressed on Cabinet approval.

Section 2 – Report

1. Introduction

- 1.1. This report sets out the proposals for changes to the service delivery model for the adults residential and residential dementia care services currently procured under a Public Finance Initiative (PFI) and delivered via third party arrangements from Sancroft Hall.
- 1.2. The proposed reconfiguration of the service delivery provides a mechanism to support the Adults Social Care service in meeting its savings targets without a reduction in either service provision or the quality of service being delivered. It also provides the scope to support referral from neighbouring boroughs in terms of provision of residential care for adults, particularly those with high dependency needs.

2. Background

- 2.1 Sancroft Hall is a purpose built Home with 50 single residential bedrooms for elderly residents which opened in 1999. The building also has a large two-storey self-contained Day Centre area at one end with a separate entrance and facilities. The Care Home is in good general condition and its latest Care Quality Commission (CQC) assessment in August 2016 outlined that people who lived at Sancroft felt safe, were protected from risk of abuse but in certain areas it is listed as “requiring improvement” such as including guidance for staff in the care plans.
- 2.2 The building and land are owned by Catalyst, formerly Ealing Family Housing Association. The operation of the Home is contracted by Catalyst to the Fremantle Trust who is the registered manager and there is a CQC licence for Residential and Residential Dementia Care.
- 2.3 Harrow entered into a pilot (PFI) style contract arrangement with Catalyst for the provision of 45 beds and two 25 place Day Centres until 2024 (25 year term). The current annual cost under the contract is £1.8m. This is predicted to rise to in excess of £2m per annum by the end of the contract. The service delivery model in operation at Sancroft is in the style of a PFI; however unlike many of the usual PFI arrangements the land was sold at the start of the contract term and the Council at the end of the term have no rights of interest or ownership. The payment of £1.8m is notionally allocated as £0.5m for the Day Centre and £1.3m for the residential service.
- 2.4 As part of the commissioning panel process in August 2015, savings were attached to the reduction of service provision at Sancroft. These included a total saving of £166k reduction in 2016/17 and £334k in 17/18 (a total of £500k across the MTFS period). These savings were proposed on the basis of changes to be made to the service to be delivered at Sancroft.
- 2.5 The purchase of the site has become the most viable option to maximise efficiency and generate savings.

3. The Proposal

3.1 The proposal is to purchase Sancroft Hall and:

- provide residential dementia and residential care through a trading company replicating those services currently provided by third party arrangements;
- provide a respite service for Harrow and extending outside the borough's boundary;
- absorb current day centre users into existing day care services ;
- maximise capacity at Sancroft by reconfiguring the day centre area into an additional 15 rooms for either residential or respite care;
- maximise current available space at Sancroft by transferring clients currently being accommodated at other facilities.

3.2 The purpose of this proposal is to provide the avenue to trade successfully in the social care market, generating a net profit each year over the first five years of business. The sources of income will derive from offering value for money services to councils (primarily Harrow), CCGs, Personal Budget holders and private payers as the space allows. To do this the Council will need to set up a trading entity and the legal section sets out the reasons and options for doing this.

4. Consultation and Council Response

4.1 There have been internal discussions on the proposal to date amongst staff and unions. However should the proposal be agreed, there would be consultation with the families, residents and with the day centre users of the facilities. It is to be reiterated that residents' outcomes will not be negatively impacted as the change will affect the day centre users only as they will be incorporated into an existing day care service.

5. Options considered

5.1 There were three options considered :

- Do nothing;
- Vary the current contract to facilitate a reduction in costs, matching the utilisation rates;
- Purchase Sancroft Hall and change the service delivery model in line with the proposals outlined above.

5.2 The option to do nothing was discounted as it did not allow the opportunity to make the changes needed to reduce the operational costs and meet MTFS targets. .

5.3 The option to vary the contract could not be progressed as the contract does not provide a legal avenue for the variation.

5.4 The option to purchase the site remains the only avenue to reconfigure the service delivery and meet objectives relating to maintaining service provision and quality and also meet MTFS targets.

6. Resources

- 6.1 The project is being managed under the Community Directorate's Project Phoenix umbrella with the working group including senior colleagues from the Adults Social Care service. A project manager will need to be recruited as part of implementation and the wider People Directorate team (commercial and capital) being involved as required.

7 Performance Issues

- 7.1 The key performance targets will be developed during the implementation process but will incorporate at a minimum;
- Ensuring the service receives and maintains Care quality Commission rating
 - Robust costs management
 - Annual survey of resident/customer satisfaction of 80%
 - Family/next of kin satisfaction - 75%
 - Staff satisfaction 80%
 - Stake holders satisfaction 80%
 - These are not additional tasks as these surveys can be provided to CQC to secure good rating.

8 Environmental Implications

- 8.1 Not applicable.

9 Risk Management Implications

- This project has a detailed risk register and will sit on the Directorate's risk register. The detailed risk register identifies key risks around demand for the services.
- A sensitivity analysis has been done as part of the development of the proposal and contingencies have been included to cover the risk of variations in labour costs as well as any business risk.
- The increased asset value provides scope to mitigate any risk around business failure in that the property could be sold to recover the capital purchase costs; however this would require further mitigation to be identified for the ongoing revenue MTFS savings of £1m.

10 Legal Implications

10.1 The Council is seeking to provide and trade for profit adults residential and residential dementia care services at Sancroft Hall. The Council is able to do this by forming a council controlled company in accordance with Regulation 12 of the Public Contract Regulations 2015 (PCR 2015). Contracts can then be awarded by the Council directly to the controlled company without a competitive tendering exercise under the PCR 2015. The characteristics of a controlled or 'Teckal' company are that:

- the Council exercises over the company a control which is similar to that which it exercises over its own departments (the 'Control Test');
- more than 80% of the activities of the company are carried out for the Council (the 'Function Test'); and
- there is no direct private capital participation in the company

10.2 The Council will be deemed to exercise control over the company similar to that which it exercises over its own departments where it exercises a decisive influence over both strategic objectives and significant decisions of the company, or the control is exercised by another council controlled company. It is intended that the proposed company will be 100% owned by Harrow Council, and this satisfies the Control Test.

10.3 At least 80% of the activities of the controlled company must be carried out for the Council to satisfy the Function Test. If the company trades more than 20% of its activities with bodies other than the council, it will need to establish a separate trading arm of the controlled company or a new trading company to trade these services.

10.4 The Local government Act 2003 allows local authorities to trade in function-related services through a company and to do for a commercial purpose anything which they are authorised to do for the purpose of carrying out their ordinary functions.

10.5 Appendix 1-the Business Case sets out where consideration has been given to the exit arrangements and implementation costs of ending the PFI contract. It explains the impact this will have on the Council in relation to the transference of services from Freemantle during the transition period to the Council-run company. This will involve transferring staff under the TUPE Regulations to the trading company.

10.6 The development of the Sancroft Hall will also be subject to planning permission being obtained for the redevelopment of the site. The application will be considered by Harrow's Planning Committee acting in its separate statutory capacity as a local planning authority.

10.7 Consultation has already been carried out with existing service users at Kenmore and there are plans to undertake further consultation with remaining day care services users after Cabinet approval has been granted.

10.8 The new company will need to register with the Care Quality Commission (CQC) in its own right in order to carry out health and social care services and that is included in the implementation plans in Appendix 1.

11 Financial Implications

11.1 The 2017/18 Capital Programme includes sufficient funding between Harrow funded capital and the unused Community Capacity Grant to cover the cost of purchase and the reconfiguration works required to create additional capacity from 45 beds to 60 beds.

11.2 The table below details the financial impact of the proposals in a full year (2018/19) once the additional capacity has been created and making

assumptions around inflation for both pay and non-pay costs.

£000	
Current cost of Sancroft [residential & day care]	1,800
New cost of residential [45 beds @ £538 pw]	1,260
Cost reduction [as day care absorbed into existing centres]	-540
Cost of additional staffing for day care	25
	-515
Maximisation of Adults capacity at Sancroft [8 @ £673 pw]	-280
Saving on existing costs	-795
New rental income at Kenmore	-100
	-895
Total savings	-895
Capital financing costs	255
Net contribution towards MTFS	-640

11.3 The Adults MTFS saving, expected to be achieved by this proposal, totals £1.1m (Sancroft £500k and Kenmore £609k) resulting in a shortfall of £460k in a full year. The financial summary, detailed in 1.2 above, does not include any potential dividend to be received by Harrow Council from the trading company. After accounting for appropriate trading and holding company costs, any dividend received by the Council will provide a further positive contribution towards the Adults MTFS savings.

11.4 In 2017/18, as the new company is not expected to commence service delivery until 1st July 2017, there will be a part year achievement on the savings, resulting in a shortfall in the region of £600k. This shortfall will require the Adults Directorate to identify mitigation actions to offset this pressure and to avoid an overspend being reported.

11.5 As would be expected, there are a range of assumptions (including maximisation of bedded capacity and completion of reconfiguration works) that have been made in the detailed business case (set out in Appendix 1), any variation on which will affect the level of profit made by the company and the level of MTFS savings to be achieved. It is assumed that:

- the current DCLG grant of £236k, received on an annual basis as part of the historic PFI arrangements associated with the building, will continue.
- The full net financial returns to the Council will be accounted for in line with the CIPFA accounting treatment for company structures of this nature and t.
- There is unlikely to be VAT implications for the Council arising from this project

11.1 A one off implementation cost of £120k (to be funded by the TPIF) is required to fund the implementation phase of the project - largely associated with exit costs of current arrangement with Freemantle and project management costs but also costs of initial recruitment, training and any building related costs. The social care review of service users to

be moved into Sancroft is expected to be contained within the existing activity associated with annual reviews.

12 Equalities implications / Public Sector Equality Duty

The Equality Act 2010 sets out the Public Sector Equality Duty which requires public authorities to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it

An initial EQIA has been completed for this project and is attached and shows that as the changes result in a like for like service being re- provided for the current day centre users, there will be no breach of the Public Sector Equality Duty.

Council Priorities

The Corporate Plan 2016-2019, entitled “Harrow Ambition Plan 2020” sets out the council’s vision of “Working together to make a difference for the vulnerable, communities, families and businesses”. The council’s strategy (priorities) to deliver its vision, between now and 2020 is to:

- Build a Better Harrow
- Be more Business-Like and Business Friendly
- Protect the Most Vulnerable and Support Families.

The council’s vision and the corporate priorities have been taken into account when developing the proposal. In particular, the project supports the priorities around protecting the most vulnerable as it increase the provision of residential dementia care in the borough.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert

Chief Financial Officer

Date: 18 April 2017

Name: Stephen Dorrian

on behalf of the
Monitoring Officer

Date: 27 March 2017

Ward Councillors notified:

**NO, as it impacts on all
Wards**

EqIA carried out:

YES

EqIA cleared by:

Johanna Morgan, DETG
Chair, People Directorate

Section 4 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste, Divisional Director – Commissioning & Commercial Services – Community Directorate. Venetia.reid-baptiste@harrow.gov.uk (020 8424 1492)

Background Papers: None.

**Call-In Waived by the
Chairman of Overview
and Scrutiny Committee**

NOT APPLICABLE

[Call-in applies]