

# Finance and Resources Committee

10am, Thursday, 27 November 2014

## Castlegreen Care Home and North Merchiston Care Home – Contract Extension with Four Seasons Health Care

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|-------------------|------|
| Item number       | 7.13 |
| Report number     |      |
| Executive/routine |      |
| Wards             |      |

### Executive summary

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This report sets out the basis for recommending the exercise of an option to extend existing contracts with Four Seasons Health Care for the management and delivery of residential care services to older people at the City of Edinburgh Council owned Castlegreen and North Merchiston care homes.

The recommended contract extension is for three years, on the basis of the headline cost increase and proposed annual uplift formula outlined in this report, together with the grant of three year extensions to current property leases held by Four Seasons Health Care in respect of both care homes.

### Links

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|--------------------------|--|
| Coalition pledges        | <a href="#">P37</a>  |
| Council outcomes         | <a href="#">CO10</a> , <a href="#">CO11</a> , <a href="#">CO13</a> |
| Single Outcome Agreement | <a href="#">SO2</a>  |

## Castlegreen Care Home and North Merchiston Care Home – Contract Extension with Four Seasons Health Care

### Recommendations

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- 1.1 Committee is recommended to:
- agree plans to align contract start/end dates in respect of Castlegreen and North Merchiston care homes
  - exercise the Council’s option to extend contracts with Four Seasons Health Care for the management and delivery of residential care services at the Council owned Castlegreen and North Merchiston care homes for the period 1 April 2015 to 31 March 2018, on the basis of the cost increase and adjustment to the fee uplift formula set out in this report
  - agree the grant of property lease extensions in respect of Castlegreen and North Merchiston care homes for the period 1 April 2015 to 31 March 2018.

### Background

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- 2.1 Seven year contracts with Four Seasons Health Care for the management and delivery of residential care services at Castlegreen and North Merchiston care homes end on 11 December 2014 and 13 January 2015 respectively.
- 2.2 When awarding these contracts to Four Seasons Health Care in 2007, the Council agreed the award would be for a period of seven years “with a possibility to extend to ten years.”
- 2.3 North Merchiston Care Home has achieved ‘good’ and ‘very good’ Care Inspectorate grades in respect of the quality of care and support provided to its residents throughout the life of the contract. While Castlegreen Care Home experienced some initial difficulties, it too has achieved ‘good’ and ‘very good’ Care Inspectorate grades for the quality of care and support provided since 2010.
- 2.4 Target occupancy levels in both homes have been achieved since 2007.

### Main report

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- 3.1 The current contract arrangement with Four Seasons Health Care has been successful in providing high quality residential care services for older people from Edinburgh.
- 3.2 A soft market testing exercise carried out in 2013 to assess interest in providing dementia and other specialist services for older people, similar to those provided at North Merchiston and Castlegreen, attracted little interest. While the Council plans to join efforts on the part of Scottish Government and others to re-shape the care home market, with a view to making it more responsive to the changing needs and expectations of older people and their families, this will inevitably take time. The current lack of market engagement does, however, indicate that little, if any, benefit would arise by not exercising the recommended contract extension option and indeed that costs could rise significantly as a result of not doing so.
- 3.3 Negotiation with Four Seasons Health Care on the terms on which Committee would be invited to consider the future of their contract has led to agreement being reached on:
- aligning the start/end dates of the contract extension for both care homes to be from 1 April 2015 to 31 March 2018, and not applying the current fee uplift formula for the period 1 December 2014 to 31 March 2015; the effect of this change will be a one off saving to the Council of £34,390 for 2014/15
  - replacing the use of the Retail Price Index with the Consumer Price Index to calculate annual fee uplifts from 1 April 2015; based on the difference in indices over the last three years, it is estimated this will lead to cost avoidance during the period of contract extension of approximately £76,000
  - agreeing a basic fee increase with Four Seasons Health Care for the period of contract extension of 3.9%; this compares favourably with increases awarded under the terms of the National Care Home Contract for Care Homes for Older People, which over the last 3 years have led to total basic fee increases of 6.45%
  - Four Seasons Health Care agreeing to continue to adhere to a similar service specification as that set out in the National Care Home Contract and with any new quality standards applied by the Care Inspectorate
  - Four Seasons Health Care acknowledging that no further contract extension options are available beyond 31 March 2018, and agreeing a new contract clause requiring they assist actively with the transition to a new provider (should this be required), following the planned procurement in 2017 of a new contract for the management and operation of both homes for the period 1 April 2018 to 31 March 2025.

## Measures of success

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- 4.1 The continued delivery of high quality residential care services for older people from Edinburgh at Castlegreen and North Merchiston care homes for the period 1 April 2015 to 31 March 2018

### **Financial impact**

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- 5.1 The headline cost of the contract will increase by 3.9% to £4,195,880 per annum for the period of the contract extension. Provision for this increase and any uplifts based on the Consumer Price Index has been made in Health and Social Care budgets for the period of the contract extension.
- 5.2 The alignment of contract start/end dates and use of the Consumer Price Index will reduce Council transaction costs and provide better value for money.

### **Risk, policy, compliance and governance impact**

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- 6.1 Report recommendations are designed to avoid the risk of disruption to the continuity of care of residents at Castlegreen and North Merchiston care homes; they are compliant with the Council's Contract Standing Orders; and they provide for the effective governance and monitoring of this significant contract.

### **Equalities impact**

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- 7.1 This report has been assessed as having no adverse equality impacts.

### **Sustainability impact**

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- 8.1 There are no sustainability impacts arising directly from this report.

### **Consultation and engagement**

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- 9.1 The recommendation to extend the contract follows extensive consultation with the Council's procurement, legal and finance teams and negotiations with Four Seasons Health Care.

### **Background reading/external references**

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Care Home Facilities for Older People – Appointment of a Provider, Council Executive, 14 August 2007

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## Links

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| <b>Coalition pledges</b>        | P37 – Examine ways to bring Council care home staff and users together into co-operatives to provide the means to make life better for care home users  |
| <b>Council outcomes</b>         | CO10 - Improved health and reduced inequalities<br>CO11 - Preventative and personalised support in place<br>CO13 – People are supported to live at home |
| <b>Single Outcome Agreement</b> | SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health  |
| <b>Appendices</b>               | None  |