

ST THOMAS' GARDENS DEVELOPMENT UPDATE

Report of the Director of Adult Services

Commercially Sensitive –Appendix 1 to this report is confidential by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in respect of which the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1. PURPOSE OF REPORT

- 1.1 This report provides a comprehensive update on the delivery of the proposed development of St Thomas' Gardens, and in particular the Academy of Living Well.
- 1.2 The financial model for the Academy of Living Well has been updated to reflect current market conditions and is reported in Appendix 1. Delegated approval is sought to enter a build contract with a contract value that is viable within the parameters of the financial model.
- 1.3 The report sets out a preferred operating structure for the Academy of Living Well and an outline engagement and selection process to secure a preferred operator.

2. BACKGROUND

- 2.1 Planning Consent and Listed Building Consent have been granted for the St Thomas' Gardens development which will see the transformation of the former hospital site into a 70 bed care facility, known as the Academy of Living Well, and 68 affordable homes delivered through Viaduct Homes.
- 2.2 The development aims to create a new intergenerational community in a highly accessible town centre location and is one of the flagship regeneration projects currently being brought forward under Stockport's Mayoral Development Corporation.
- 2.3 The restoration of Listed Buildings alongside high quality new build will bring new life to this underutilised brownfield site which has been empty since its former use as a hospital ceased in 2004. Over that period the condition of the buildings have significantly deteriorated and the plans will create an alternative use that will safeguard these important heritage assets for future generations.
- 2.4 Since the last report to Committee in February 2021 further design development has been carried out and the scheme has been tested with potential contractors. This activity has taken place amid a backdrop of significant build cost inflation and rising operational costs, however the delivery partners remain committed to progressing the consented scheme and realising the wider regeneration benefits that it will deliver.
- 2.5 Design of the Academy of Living Well service delivery model is well underway with a service specification developed from our aspirations to accomplish a Beacon of

Excellence for intermediate, respite and dementia care within Stockport and is set around the principles of Design, Care, Workforce, Culture, Education and Community. Our design concept is being tested via a small scale proof of concept which has now commenced with a local care home provider.

3. ACADEMY OF LIVING WELL

3.1 The Academy of Living Well will provide locally-based, high impact services with a focus on helping primarily older people and people in need regain their independence and wherever possible to return home. The Academy will aim to achieve the following:

- Access step-up services to prevent hospital admission
- Accelerate hospital discharge whilst providing a safe environment for recovery
- Recover and return home safely from hospital, reducing re-admissions
- Better manage long-term health conditions
- Access respite or short breaks
- Connect people with the wider community, addressing social isolation and loneliness

3.2 One of the Academy's core purposes is to provide a real-life environment for training and ongoing development, and specialisation of our community-led Health & Social Care workforce. This will be supported by a new Stockport Standard of Care.

3.3 The need for a radically different approach and case for change is very clear and is set out in the Business Case which was approved at Cabinet in February 2021.

3.4 The considerable improvements the Academy will deliver include; increased capacity, greater efficiency, swift discharge and reduction in hospital length of stay, reduced hospital admissions, social care market sustainability, and creating significant social value. It will also improve individual health and wellbeing and give flexibility of service provision to reduce the need for residential care admissions.

3.5 The improvements set out in 3.4 remain at the forefront of our ambitions, and with the challenges and impact we still face, as a result of the Pandemic, the increasing costs of care, and pressures on the NHS, it is even more important now to tackle the challenges we face.

Challenges:

3.6 Securing bed capacity at the Council's ceiling rate prices has proved increasingly challenging due to temporary home closures as a result of infection control, and the impact of the increased patient flow from the Hospital Discharge Programme. The Academy's new household model of care is designed to be more cost effective in delivering care and as a result will have a more competitive market bed rate than some of the beds currently being commissioned in Stockport. This model also supports infection control by using individual households to contain infection, resulting in more beds remaining open. It will also provide a different type of care that is practical and purposeful enabling people to return home quicker which in turn will deliver an improved patient flow.

- 3.7 Combined with this there continues to be a recruitment and retention challenge, that has grown as a result of the Pandemic and other socio-economic influences, of a suitable and sustainable care workforce. The situation has been exacerbated for care home providers by the mandatory vaccination requirement for their staff, although that has now been rescinded. Staff shortages are particularly acute in registered managers and qualified nursing staff. Whilst this is a national challenge, Providers have consistently recognised that recruitment difficulties are more acute in Stockport due to the demographics of the area. The Council continues to support the sector with this recruitment challenge, having provided a number of virtual and in person recruitment events in the last year. The Academy's ambitions for the workforce is to create a more autonomous and flexible team that is not reliant on traditional time and task care. Alongside this, the development of an attractive career pathway and new behaviour-led curriculum that supports workforce colleagues to deliver the new model of care will introduce a wider cohort of potential candidates to care careers. The cost effectiveness of the household model of care requires less staff to deliver these services and as a result can pay a higher rate through tiers of progression.
- 3.8 Local authorities will be required to undertake Fair Cost of Care & Market Sustainability Strategies with a draft submission date of October 2022. However, work is now underway to prepare our local markets for reform and move towards paying providers a fair cost of care, as appropriate to local circumstances. This will involve the following:-
- conducting a cost of care exercise to determine the sustainable rates and identify how close they are to it;
 - engaging with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market (particularly the 65+ residential care market, but also additional pressures to domiciliary care)
 - strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions;
 - use this additional funding to genuinely increase fee rates, as appropriate to local circumstances
- 3.9 This will enable the Council not only to determine the sustainable rates and identify how close the Council is to it, but also quantify and understand the variation across the market and develop a strategy for how we equalise rates across the market where the Council is purchasing the same kind of care. The Academy modelling has already determined a structured approach to the cost of room, care and hospitality to allow a range of funding options and bed mix to be considered. This financially supports the build costs and ongoing viability.
- 3.10 Aligned to Social Care Reform the cap limits the amount that individuals will contribute towards their personal care over their lifetime. This has been set at £86,000. The local authority will help individuals to 'meter' towards the cap through a personal care account. Once the cap is reached it is currently anticipated the care element of provision is funded by the local authority.

- 3.11 These financial challenges are addressed in Appendix 1 which sets out how the capital and operational costs of the Academy will be financed.

4 ACADEMY OPERATING STRUCTURE

- 4.1 The financial model is based upon the Council's preferred operating structure which will involve the procurement of an operator to deliver services from the Academy under a Management Contract.
- 4.2 Management contracts have become more popular over the last five to ten years across the Operational Real Estate sectors. A management contract enables operators to minimize the obligations and responsibilities in order to focus on expansion. It is a formal arrangement under which the owner, SMBC, employs the services of an operator to act as its agent to provide professional care management in return for a fee. The operator assumes full responsibility for the management of the business; however, the ultimate legal and financial responsibilities and rights of ownership of the property, its furniture and equipment, its working capital and the benefits of its profits (or burden of its losses) remain those of the owner, SMBC. Management agreements are usually long-term arrangements of 25-35 years.
- 4.3 Under a management contract SMBC will have greater control in respect of admissions and also service levels in order to achieve the outcomes that it is striving for. It is for this reason that we recommend that a management contract should be considered as the best operating structure for The Academy.
- 4.4 A Management Contract strikes the balance providing control around the care service working with a proven care operator who will assume full responsibility for management of The Academy. Whilst this appears to provide the best structure to meet the Council's objectives the model should retain the flexibility to adopt other structures which may become more favourable following further engagement with operators and stakeholders.
- 4.6 A two stage selection process is proposed in order to procure an operator whose vision and principles are aligned with those of the Academy. The process can be summarised as follows:
- Stage 1 – Operator Proposals and Analysis which will jointly agree the preferred ownership and operating structure, agree a targeted list of operators to approach for management agreement proposals, and discuss the opportunity with the agreed list. Following this process we would seek proposals from interested parties and undertake in-depth analysis of operating proposals, including potential scenarios, feasibility/deliverability of each proposal, and their robustness of the operating projections.
- Stage 2 – Contract Negotiation with a shortlist of parties and assess the final proposals to provide the Council with recommendations as to the optimum operator to partner with.
- 4.9 Although the Council's preferred operating structure would be under a management contract, we will, as part of the operator selection process engage with the NHS. We will get to understand if they have the foreseeable demand and appetite to enter

into a lease agreement on The Academy of Living Well with a view to providing all of their intermediate care provision in a dedicated development.

- 4.8 A potential disadvantage of a Lease structure with a third party care operator could limit the Council's ability for greater control over the service delivery and outcomes. However, if it was a Lease structure with the NHS, then certain comfort could be gained by fully understanding their aims which could be aligned with the service delivery and outcomes that the council are looking to achieve. This would be included and pursued as part of the Operator Search process.
- 4.9 The Intermediate care landscape in Stockport required a review on what future bed-based provision would be required following the end existing contracts. Alongside this a joint working group with the CCG was established to develop a joint framework for Residential and Nursing Care homes in the Borough. Discussions took place on the desired approach to commission intermediate tier/D2A beds in the future and how the Academy could potentially support this.
- 4.10 In the longer-term there is a clear appetite from NHS partners to develop and manage our own provision and this demonstrates the Council's forethought on the St Thomas' development as a key component for the strategy for intermediate care and discharge to assess.
- 4.11 The aforementioned leasing arrangement presents an opportunity for an eventual partnership with the NHS foundation trust to develop this approach either within the Academy or at another site within Stockport.

5. AFFORDABLE HOUSING

- 5.1 The delivery of 68 affordable homes adjacent to the Academy at St Thomas' Gardens will be managed by Stockport Homes Group (SHG) as part of Viaduct Housing Partnership.
- 5.2 Increases in build costs and risk factors associated with the refurbishment of listed buildings have led to a review of the tenure mix from the original proposal, however SHG remain committed to delivering 100% affordable housing on this scheme.
- 5.3 Financial governance for this aspect of the project will be overseen by SHG's Board and a report will be submitted for approval to progress the scheme in due course.

6 NEXT STEPS

- 6.1 The delivery of the Academy and the residential development are linked through the Planning Conditions for the consented scheme. Subject to the recommendations in this report being approved, and SHG Board Approval for the residential development, the next steps will be to appoint a contractor to undertake further surveys and enabling works under a pre contract service agreement. This will allow a more informed target cost to be worked up for the scheme, and if this is within the parameters of the financial model, a build contract can be awarded to construct the scheme later this year.

6.2 The next period of activity will also involve the commencement of operator engagement process for the Academy and further dialogue with Stakeholders to refine the operating structure for the Academy.

7. FINANCIAL IMPLICATIONS AND RISKS

7.1 Financial implications and risks are contained in a confidential appendix to this report.

8. LEGAL CONSIDERATIONS

8.1 The appointment of a building contractor to deliver The Academy of Living Well will be undertaken through a fully compliant procurement route. It is intended this will be through the Procure North West framework. If this is not feasible then an alternative compliant procurement route will be used.

9. HUMAN RESOURCES IMPACT

9.1 The project will be delivered within existing staff resources.

10. EQUALITIES IMPACT

10.1 Equality Impact Assessment will take place on the Academy of Living Well and already throughout the current design stages and development of service provision we have aspired to ensure it is accessible, inclusive and community based. The Academy is being delivered as part of our Prospectus for All Age Living, and our intention is to provide;

- a building with facilities that are accessible and welcoming;
- workforce strategies that will focus on inclusivity and removing barriers that will support people to access an attractive career pathway;
- sustainable employment terms and conditions, and flexibility in work patterns;
- community activity based opportunities for engagement, personal learning and development, care provision and reducing social isolation.

10.2 Stakeholder engagement and customer insight have been, and continue to be, important with ongoing activities throughout the Development of the Academy. We have undertaken numerous engagement activities and collated a vast amount of insight through business intelligence and ethnographic research, which ensures we have consulted, collaborated and understood our market and our stakeholders. These activities have had direct input into shaping our Aspirations for the Academy and sense checking our equality provision.

11. ENVIRONMENTAL IMPACT

11.1 A number of interventions have been specified as part of the design of the Academy of Living Well to create a sustainable building for the future. The building will be delivered to BREEAM Excellent standard (BREEAM is the world's leading sustainability method for building projects). We are also exploring the use of either ground or air source heat pumps to provide a sustainable source of energy for the building.

- 11.2 The project will deliver significant improvements to the existing physical environment which is currently dilapidated and underutilised. New walking and cycle routes will be created connecting the development with the town centre and the established neighbourhoods of Cale Green and Edgeley.
- 11.3 The development of affordable housing in this location will promote town centre living and the benefits of living in close proximity to local amenities and public transport links.

12. RECOMMENDATIONS

- 12.1 Adults & Health Scrutiny Committee are asked to note and provide comment on the following recommendations that will be presented to Cabinet for approval on 28 June 2022:
- 12.2 Consideration of the financial challenges in delivering this scheme.
- 12.3 The proposed recommendation to Cabinet to delegate authority to the Deputy Chief Executive, Corporate and Support Services and Director of Development and Regeneration in consultation with the Cabinet Members for Adult Care and Health
- a) To appoint a preferred contractor and negotiate a contract sum up that is viable within the parameters of the financial model summarised in Appendix 1 and finalise the terms of any appointments, contracts and other documentation required to deliver of the Academy of Living Well
 - b) Approve the revised financing arrangements for the Academy of Living Well as set out in Appendix 1, including Prudential Borrowing and use of Disabled Facilities Grant

ADDITIONAL PAPERS

Appendix One – Financial Implications and Risks **CONFIDENTIAL**

BACKGROUND PAPERS

St Thomas' Development Cabinet Report February 2021
St Thomas's Development Cabinet Report July 2020
Town Centre West Residential Strategy Cabinet Report 24 April 2018
MDC Strategic Business Plan 2020-2025 Cabinet Report 23 June 2020

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