



Business Case

Proposed New Care Home

Grantown

Council Version
29 April 2010

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1. Executive Summary

- 1.1 This Business Case is concerned with the proposed new care home at Grantown. It examines the case for building a new home to replace Grant House and compares it against the alternative of procuring care home places from the independent sector. In line with the remit agreed by Highland Council, it takes the following into account.
- i. Revenue and Capital costs, including comparisons with the current revenue operating costs of the care homes.
 - ii. The future demand for residential care, including nursing care and the capacity, both from within the Council and through the Independent Sector in the five localities (Inverness, Fort William, Muir of Ord, Tain and Grantown on Spey)
 - iii. Comparative costs within the Independent Sector
 - iv. The Social and Economic impact on the locality
- 1.2 In addition, the Business Case includes an assessment of relevant risks.
- 1.3 The submissions made by local members (which are attached as **Appendix A**), have been considered and taken into account where possible. The approach has been to address these issues throughout the text rather than to offer point by point responses.
- 1.4 The financial analysis focuses on a Net Present Value comparison of the costs of building and operating a new care home against the costs of procuring the same number of care home places from the independent sector (for clarity, it should be noted that the independent sector refers to both private and not for profit provision). It demonstrates that a decision to build and operate a new care home would commit the Council to costs significantly higher than the costs of procuring from the Independent Sector.
- 1.5 Both of these options will cost more than the current revenue operating costs of Grant House but this comparison is unsound because:
- Grant House has a lower capacity. The new capacity also includes the number of beds (10), currently available at the Wade Centre.
 - Bedrooms and en-suites do not meet space standards as required by National Care Standards.
 - The proposed new home includes nursing care.
 - Grant House is considered to be in a good state of repair and although does not have compliant space standards, could operate in the medium term.
- 1.6 An analysis of demand and capacity demonstrates that there is some alternative independent sector provision within the area. The independent sector is likely to develop additional capacity to respond to projected increased levels of demand in future years. Indeed, Mount Barker Care Home in Grantown is currently closed for a period of refurbishment extension and intends to reopen in September 2011, offering an additional 18 beds (giving a total of 30 nursing beds).

- 1.7 A key finding of this Business Case is that service standards (as measured by Care Commission gradings) are marginally higher in independent sector homes in the Highlands than in Council run homes.
- 1.8 In circumstances where the cost of independent sector places is significantly lower and the Care Commission gradings are marginally higher, a decision to build and operate Council homes would have to be based on unacceptable levels of risk. The Risk section identifies and assesses the most significant risks. While there are some high level risks associated with both options there are mitigating factors which reduce these to levels considered to be acceptable. The Business Case concludes that none of the risks identified would justify an increase in the NPV costs of £8.455m over 20 years.
- 1.9 There are independent sector care homes within a 30, 45 and 60 minute radius of Grantown as shown on the map attached as **Appendix B**.
- 1.10 The economic, environmental and social benefits of building a new care home in Grantown are considered to be worthwhile but they do not in themselves justify an investment on this scale.
- 1.11 In concluding the analysis of the case for building and operating a care home in Grantown, the Directors charged with the development of this business case recommend that the Council does not proceed with the capital project to build a new care home in Grantown but instead takes steps to seek best value through the procurement of good quality independent sector places in the locality.

2. Introduction

- 2.1 At its meeting on 17th December 2009, The Highland Council agreed to the preparation of a Business Case for each of the five new care homes (Inverness, Fort William, Muir of Ord, Tain and Grantown on Spey) taking into account:
- i. Revenue and Capital costs, including comparisons with the current revenue operating costs of the care homes.
 - ii. The future demand for residential care, including nursing care and the capacity, both from within the Council and through the Independent Sector in the five localities
 - iii. Comparative costs within the Independent Sector
 - iv. The Social and Economic impact on the locality
- 2.2 This business case focuses on the proposed new care home at Grantown. It examines the case for building a new home to replace Grant House and compares it against the alternative of procuring care home places from the independent sector. Grant House itself is considered to have a medium term operational life but current costs are set out for comparison purposes.
- 2.3 It is noted at the outset of this business case, that ensuring the provision of quality services which meet future service user needs, is a key objective.
- 2.4 As a business case it is necessarily focussed on costs, statistics, demographics, risks and the identification of options which will ensure that the Council's available resources are used in such a way as to benefit the most people. However, it is essential at this early stage in the business case, to recognise and highlight the importance of the experience of the service user. The focus of the Highland Council is very much on meeting the needs of and improving outcomes for service users.
- 2.5 The review has been undertaken by the Directors of Social Work, Housing and Property, and Finance, and their teams during the period January to April 2010.
- 2.6 The submissions made by local members (which are attached as **Appendix A**), have been considered and taken into account where possible. The approach has been to address these issues throughout the text rather than to offer point by point responses.
- 2.7. This Business Case will have implications for both the current and future residents of these homes.
- 2.8. Grant House has enjoyed capital investment and refurbishment and is in a good state of repair. It has en-suite facilities but rooms and en-suites do not meet space standards as required by National Care Standards.
- 2.9 In terms of the current residents of Grant House therefore, depending on the recommendations as detailed later in this report, residents would either relocate to the proposed new home, move to an independent sector provider or remain in the current operation in the medium term.

- 2.10 In the event a move is required, any move or relocation will have to be carefully planned and sensitively conducted, in order to minimise service user (and carer) anxiety and disruption. The Council has experience of conducting such an exercise.
- 2.11 Future residents should be confident that their new placement, whether the proposed new home or an alternative establishment, will not be associated with any uncertainty around Grant House. Of course, the placement itself should only take place after a period when they have been supported to live in their own homes for as long as possible, in line with Strengthening the Highlands.

3. Context and Assumptions

3.1 Project Status

3.1.1 The Council's capital programme contains a commitment to build a new care home in Grantown. This home is included in Phase 2 of the construction programme. It is planned as a two storey 30 bedroom Care Home (with provision for day care) located adjacent to the existing Grant House site. Discussions with NHS partners are ongoing and there is as yet no clarity on the site, therefore the design and contract programme have yet to be developed.

3.2 Business Case Approach

3.2.1 The Business Case examines the case for building a new home to replace Grant House and considers this case against the alternative of procuring care home places from the independent sector. Grant House is considered to be in a good state of repair and although does not have compliant space standards, could operate in the medium term. Therefore current revenue costs are set out for comparison purposes. The structure of the Business Case and the approach taken is considered to be appropriate to the context while taking account of HM Treasury Green Book Guidance and Council best practice guidance on Business Cases.

3.2.2 This review is focused primarily on the business issues associated with the decision to build and operate the home (and day care). It provides details of the proposed project followed by an analysis of the projected capital and revenue consequences of that investment. These costs are compared (in both NPV and Revenue terms) against the alternative to procure places from the independent sector.

3.2.3 The review considers the issues of current and future demand levels for care home provision and looks at care home capacity in the Highlands generally and in the Grantown locality in particular.

3.2.4 In order to assess the viability of the independent sector alternative the review looks in some detail at provision in this sector in terms of numbers, service standards, track record and stability. It sets out options for procuring future provision from that sector.

3.2.5 It is important to understand the consequences of the decision for the Grantown area and these are considered in an assessment covering the likely economic, environmental and social impacts.

3.2.6 An assessment of risk is considered to be an essential part of this review and these are considered both for a decision to build and the alternative decision to procure places. Risks are assessed in terms of likelihood, impact and potential mitigation.

3.2.7 The concluding analysis is essentially a review of all of these issues:- Cost, Demand, Capacity, Standards, Local Impact and Risk.

3.3 Regulatory and Policy Framework

3.3.1 In terms of the Regulatory and Policy Framework the Business Case takes account of relevant legislation and guidance including the following:-

- The Social Work (Scotland) Act 1968
- Community Care and Health Act 2002
- The NHS and Community Care Act 1990
- The Community Care and Health (Scotland) Act 2002
- Disability Discrimination Act 1995 and Disability Rights Commission Act 1999
- The Regulation of Care (Scotland) Act 2001
- National Care Standards (Care Homes for Older People)
- The Adult Support and Protection (Scotland) Act 2007
- Local Government in Scotland Act 2003
- Living and Dying Well, 2009
- Dementia Strategy Consultation, 2009
- Reshaping Care of Older People, 2010
- The Local Government in Scotland Act 2003

3.3.2 Based on the current scope and stage of the business case process, an Equalities Impact Assessment is not presently required. However, following the conclusion of the report, where recommendations suggest the Council should not build a new care home and where these recommendations are agreed, an initial screening will be required. The likely impacted groups will be older people, the predominantly female staff group and carers.

3.4 Key Assumptions

3.4.1 **Future of Grant House:** Grant House is considered to be in a reasonably good state of repair, although its use is limited to the medium term for the following reasons:

- Space standards are inadequate, most rooms do not comply with National Care Standard requirements.
- Refurbishment costs are prohibitive because of the need to decant.

It is therefore assumed that Grant House cannot continue as a care home in the long term and that the alternative to a new build is procurement from the independent sector. In compliance with current Council policy it is assumed that any displacement of staff as a result of closure will be met by re-deployment.

3.4.2 **Independent Sector Costs:** Costs of independent sector care are calculated at the spot purchase nursing rate¹ assuming full utilisation of 30 places. No reduction has been applied for the potentially lower rate achievable from a competitive tender

3.4.3 **Day Care Provision:** Grant House does provide day care and this has been part of the brief for the new build project. The current service is delivered 5 days per week and the new service has also been costed on the basis of a 5 day per week service, although it will be able to offer greater flexibility. Space

¹ Independent sector spot purchase rates are currently £550.81 per week (nursing) and £474.16 per week (residential), as negotiated by Cosla with Scottish Care.

requirements for day care in the new care home have been accounted for in the design solution, as referred to in section 4.

- 3.4.4 **Construction cost estimates:** Construction estimates are based on industry information, knowledge and experience of the current market conditions, however there is scope for tenders to vary considerably at time of tender dependent on general conditions within the industry and the commercial circumstances of individual contractors.

4. Profile of Grant House

4.1 Grant House is situated in Granttown on Spey, which has a population of approximately 2,995. Located in ward 21, Badenoch and Strathspey, this ward has a population of 12,611. Currently, 6.8% of the population (859 people) fall in to the 75-84 age group and 2.5% of the population (309 people) are over 85 years of age. Population projections for this area indicate that by 2031, the 75-84 age group will increase to 11.6% (1,653 people) and the 85+ age group to 5.9% (844 people).

4.2 The care home is currently registered for 20 beds and has a unit cost of £805 pppw. The size of the Council's proposed new care home for this area is 30 beds plus day care.

4.3 At the last Care Commission inspection (March 2009), the facility scored 4 (quality of care and support) and 3 (quality of staffing). For information, the Care Commission gradings scale is as noted below:

Grade	Descriptor
6	Excellent
5	Very good
4	Good
3	Adequate
2	Weak
1	Unsatisfactory

4.4 In terms of current residents, 75% have moved to the care home from Granttown, with the remainder from Aviemore/Nethybridge. Around 65% of staff at the care home live in Granttown, with the remainder travelling from Aviemore, Nairn, Elgin, Forres and Tomintoul.

4.5 Grant House has en-suite facilities but rooms and en-suites do not meet space standards required within the National Care Standards. The facility has enjoyed capital investment and refurbishment and is in a good state of repair.

4.6 Should the decision be taken not to rebuild, it is possible that Grant House may be able to continue to function in the medium term. It is likely that some negotiation and discussion with the Care Commission would be necessary to confirm this.

4.7 It is likely that this facility would attract a capital receipt, being on a premium site. It is possible in the event of sale, that the facility could be attractive to the market for purchase, given the room for expansion.

4.8 The future of the Wade Centre has been linked to the Grant House development. Should Grant House not be rebuilt, it is recommended that the proposals to develop the Wade Centre into very sheltered housing are still progressed.

4.9 There is currently one independent sector provider within Granttown. There is a further care home in Granttown but this is currently closed for refurbishment and expansion and due to open in September 2011 with a further 18 beds

(giving 30 in total). Within a 45 minute radius of Grantown, there are a further 7 care homes as indicated in **Appendix E**.

- 4.10 It is also relevant to note that planning permission has been granted for a 50 bed care home in Aviemore.
- 4.11 The projected revenue out-turns for 2009/10 as at 22nd March 2010 are provided later at Figure 3.
- 4.12 As stated above, Grant House is currently in a reasonable state of repair but does not comply with space standards thus is considered to have a limited long term life. The current annual operating costs were modelled for 20 years and the NPV for the current 20 beds is £8.072m. This excludes any major refurbishment works.
- 4.13 These costs include direct overheads only i.e. the costs of running and managing the services at Grant House only with no allowances made for indirect overheads such as senior management or central functions.
- 4.14 It is not within the remit of this Business Case to seek cost savings on current running costs. While it seems likely that a micro-review of current budgets would identify potential reductions this is not considered relevant to the Business Case decision at hand.

5. Project Details

5.1 Location

5.1.1 The location of the proposed new Care Home for Grantown on Spey has yet to be determined.

5.2 Site

5.2.1 To date proposals have been based on a joint initiative with the NHS to replace the Ian Charles Hospital with a new hospital, health centre, dental surgery and care home on a yet to be determined site in Grantown, but in the event of this not happening, the site described below for a new care home may be proposed.

5.2.2 The proposed site is located in front of Grant House in Castle Road East and extending into the adjacent play park at the corner of Mossie Road. The site is bounded by houses on Castle Road East and Mossie Road to the east and south. There is a field to the west and Grant House to the north.

5.3 Design Solution

5.3.1 The proposal is for a new two-storey Care Home with 22 standard bedrooms and 8 larger bedrooms, all of which would have en-suite shower rooms. There would be a large social space with TV room at ground floor level, a Living/Dining room for each of the three bedroom areas, a family/GP room and ancillary provision which would include a visiting services room, assisted bathing facilities, hairdressing, kitchen, laundry, staff room and offices.

5.3.2 It will be designed to take advantage of views, to maximise passive solar gain and to create sheltered sitting areas within the grounds. Elements from the other care homes such as the bedrooms and social spaces reconfigured to suit site conditions will be used as appropriate.

5.3.3 The proposed care home will incorporate day care facilities for 15 and will include provision of hot meals, assisted bathroom facilities and access to visiting medical and related services.

5.3.4 It is noted that the option to refurbish Grant House, rather than replace it, may be worthy of further examination but this is out-with the scope of this Business Case.

5.4 Status

5.4.1 As the site has not yet been identified no design work has been carried out and therefore no detailed project timescale is available. Informal discussions with The Cairngorms National Park Authority have taken place and they have indicated that they are not in favour of the use of the play park and its' relocation. (It seems likely that an alternative site for the play park could be agreed.)

5.5 Programme

5.5.1 From “approval to proceed”, identification and agreement of the site and finalisation of discussions with NHS, the estimated period required to complete and occupy the building would be in the order of 2 years. This will also depend on partnership arrangements with the NHS which are unknown at this time.

5.5.2 This new care home is intended to replace the existing Grant House, which would remain open until the new care home is completed.

5.6. **Gross Floor Area**

5.6.1 The gross floor area for the Care Home alone is estimated to be 2,050m²

5.7 **Estimated Capital Cost**

5.7.1 The cost for Grantown has not been reported to date. The most up to date estimate is £6.860m inclusive of professional fees, furniture and incidental costs. As no site or design is available this figure is based on assumptions from the proposals for the Inverness, Fort William and Muir of Ord Care Homes. It should be recognised that decisions as to the site, adjustments to the brief and procurement arrangements will have an impact on costs.

5.7.2 The pre-tender estimated cost for the Grantown Care Home, prepared by consultant Quantity Surveyors based on pricing a completed Bill of Quantities, is £5.560m.

5.8 **Projected Life Cycle Costs**

5.8.1 The estimated cost for repairs and maintenance of the new Care Home over 20 years is £0.798m. These costs are as indicated in the attached **Appendix E**, and have been accounted for in the financial models

5.9 **Involvement of Partners**

5.9.1 A joint initiative has been proposed with the NHS to replace the Ian Charles Hospital with a new hospital, health centre, dental surgery as part of this Care Home development. It is understood that this has been included in the Northern Territories Hub initiative.

6. Review of Projected Capital Costs and Receipts

6.1 The current estimated budget for the Grantown Care Home is **£6.860m**. This is based on a notional outline building footprint and a schematic site layout.

6.2 The estimate of costs has been based on a cost per square metre for the building, with provisional site costs being established through a series of theoretical site development scenarios. The assumption is that the building design and quality standards shall generally be in line with the other Care Homes forming Phase 1 of the programme, but at this stage the scope of the development has yet to be established.

6.3 Contingencies

6.3.1. General design and anticipated construction Contingencies are in the order of £0.470m (included in the above figure), equating to approximately 7.5% of the outline budget construction cost. This is intended to allow for design development changes, site uncertainty and unforeseen construction related variations during the contract duration.

6.4 Construction Cost Risks

6.4.1 The financial risks at this stage are mainly dictated by uncertainty about the brief, site, and by current market conditions, tendering trends and programme slippage. An allowance has been made for the anticipated main contractor's pricing margin, and an estimate for potential commercial discount has been applied. This is combined with a construction inflation allowance that is aimed at predicting the 'fixed price' nature of the project, which is anticipated to be on site for 52 weeks.

6.4.2 The above provisions are based on industry information, knowledge and experience of the current market conditions, however there is scope for tenders to vary considerably at time of tender dependent on the commercial circumstances of individual contractors, sub-contractors, suppliers, and so on, both in terms of current workload, turnover commitments, and their appetite for risk given the uncertainty of the construction sector at this time.

6.5 Receipts

6.5.1 The estimated disposal value of the current Grant House site is £0.350m

6.5.2 The estimated disposal value of the new Care Home on completion is £2.280m.

6.6 Alternative Use of Site

6.6.1 The location of the proposed care home site, would also be a suitable location for alternative uses, such as sheltered or extra care housing. Consideration of alternative uses have not been fully explored as this falls outwith the scope of the business case. However, this alternative use would assist in fulfilling the Council's commitment to deliver 600 houses suitable for older people. It is noted that there would be capital and revenue costs which have not yet been costed.

7. Operating Consequences of New Build

7.1 As part of any decision to undertake capital works it is essential to consider and make budgetary provision for the projected costs of operating and maintaining the facility over its lifecycle. A comparison of the revenue consequences of building a care home in Grantown against the costs of procuring care home places from the independent sector is the key economic consideration for this business case.

7.2 New Care Home in Grantown – Staffing Arrangements

7.2.1 The new care home will accommodate 30 residents. This includes the current capacity of Grant House (20) plus 10 beds from the Wade Centre (Kingussie) and also provision for day care at current volumes.

7.2.2 It is intended that the new care home will play a part in promoting the independence of older people by providing a range of services, including rehabilitation, step down and short breaks, in addition to a 'home for life' for some and in so doing, avoiding the need for residents to move between care homes in the last months of life when they become very frail and in need of nursing care. Nursing staff, combined with flexible staffing arrangements, will be prerequisites in order to deliver these services and meet palliative needs.

7.2.3 The Care Commission does not specify exact ratios for care and nursing staff, but lays the onus on the provider to ensure that sufficient of each are available at all times to meet the needs of the residents.

7.2.4 Where there is significant need for nursing skills, the traditional model that is used across the independent sector, involves a nurse on shift at all times, who would carry out necessary nursing assessments and interventions as well as being an integral part of the care team, and having a role in the training of care staff.

7.2.5 Through discussion with colleagues in NHS Highland and other local authorities, two different arrangements for providing the nursing care have been considered. These are:

(a) integrated input, involving nursing staff within the core team, employed either by NHS Highland or Highland Council (albeit the latter arrangement would require dedicated specialist management)

(b) an 'in-reach' service undertaken through enhanced District Nursing.

7.2.6 Arrangement (a) above is preferred, as it best manages risk, ensures there is a nursing response for both predictable and unpredictable needs, and provides the necessary support for people receiving palliative care. The detail of this arrangement is included at **Appendix C**. There could be various difficulties with arrangement (b), which might require the co-ordination of general practice arrangements, and may not offer sufficient and consistent nursing care to achieve a certificate of registration. The additional cost of the preferred arrangement (a) for nursing care is calculated at £0.039m per annum. It should be noted that arrangement (b) also incurs some additional cost.

- 7.2.7 It is acknowledged though that there may be a challenge to deliver nursing care because of potential difficulties in the recruitment and retention of sufficient numbers of qualified nursing staff. Further detailed discussions with colleagues in NHS Highland about the particular arrangements for each new care home, including supervision and clinical governance, would need to take place over the coming months.
- 7.2.8 **Appendix D** shows the optimum social care and nursing arrangements as Option 1. This Appendix also includes alternative staffing options for comparative purposes, albeit these are not preferred. The costings of the two additional options have also been included later in this Business Case to compare NPV and revenue costs.
- 7.2.9 As noted above, the new care home proposal includes provision for a day care service for 15 people, 5 days per week. Day Centre staffing has been based on the model recently agreed for the new development in Dornie. This will allow a much greater flexibility in how day care is provided, including the possibility of more flexible opening hours and some outreach developments. Delivering a 7 day service would incur a further small cost. It is highlighted that a review of day care services throughout Highland is now in progress and any changes introduced as a result of this will impact on the proposals for this facility. The cost of delivering day care, or purchasing it from the independent sector, has been included in the NPV and revenue cost comparisons.
- 7.2.10 The proposed staffing arrangements, as per **Appendices C and D**, are as follows

Figure 1

NEW CARE HOME, GRANTOWN (30 beds plus day care)		
Job Title	Full-time Equivalent Posts	Grade
Care Home		
Manager	0.50	HC10
Depute (nurse)	1.00	Nurse 6
Senior Social Care Workers	2.00	HC7
Nurses (Day Shifts)	2.85	Nurse 5
Nurses (Night Shifts)	1.85	Nurse 5
Social Care Workers (Day Shifts)	9.71	HC5
Social Care Workers (Night Shifts)	3.71	HC5
Clerical Assistant	0.50	HC2
General Assistant	5.50	HC2
Cook	1.00	HC4
Assistant Cook	1.00	HC3
Handyperson	0.50	HC3
<i>Care Home Total</i>	<i>30.12</i>	
Day Care		
Senior Day Centre Officer	1.00	HC7
Day Centre Officer 2	1.00	HC5
Support Worker	2.00	HC3
Driver/Handyperson	0.50	HC3
<i>Day Care Total</i>	<i>4.50</i>	
Total	34.62	

7.2.11 The current staffing arrangements for Grant House can be seen below in Figure 2.

Figure 2

GRANT HOUSE, GRANTOWN (20 beds plus day care)		
Job Title	Established full-time Equivalent Posts	Grade
Care Home		
Manager	0.60	HC10
Senior Social Care Workers	3.00	HC7
Social Care Workers (Day Shifts)	5.50	HC5
Social Care Workers (Night Shifts)	3.50	HC5
Clerical Assistant	1.00	HC2
General Assistants	4.00	HC2
Cook	1.00	HC4
Assistant Cook	1.00	HC3
Handyperson/Driver	1.00	HC3
<i>Care Home Total</i>	<i>20.60</i>	
Day Care		
Day Care Officer 1	1.00	HC4
<i>Day Care Total</i>	<i>1.00</i>	
Total	21.6	

7.2.12 The difference in costs between the projected out-turn for 2009-10 for Grant House and the proposed budget for the new care home in Grantown can be seen in Figure 3 below.

Figure 3

£000s	Grant House Projected Out-turn 2009-10	New Care Home in Grantown – Proposed Budget	Difference (£)
Staff Costs	£0.671m	£1.158m	£0.487m
Property Costs*	£0.061m	£0.046m	-£0.015m
Transport Costs	£0.017m	£0.020m	£0.003m
Loan Charges	£0.048m	£0.380m	£0.332m
Other Costs	£0.040m	£0.062m	£0.022m
Gross Cost	£0.837m	£1.666m	£0.829m
Income ²	-£0.282m	-£0.323m	-£0.041m
Net Cost	£0.555m	£1.343m	£0.788m

* excludes lifecycle costs

7.2.13 Property costs will reduce as a result of the improved energy efficiency which has been designed into the new building.

7.2.14 Transport, other costs and income have been increased in proportion to the increase in residents and staff in the new care home.

² Income is residents' assessed charges, in line with the Scottish Government's "Charging for Residential Accommodation Guidance". In terms of the new care home, the income is projected to increase due to the rise in the number of beds from the existing to the new care home.

7.2.15 The difference in staff costs between the current and proposed homes is attributable to a number of factors. In total, the staff numbers in the new care home will increase from 21.6 to 34.62 full-time equivalent posts. The proposed changes in establishments can be seen in **Appendix D**. The major items are:

- a) The additional cost of employing nursing staff (including relief cover and external management).
- b) The cost of additional care staff in the larger establishment, corresponding to an additional Social Care Worker on all day shifts, equivalent to 2.85 full-time (FTE) staff, and also allowing for a planned handover between shifts, or additional carer every morning.
- c) An additional Social Care Worker on night shift.
- d) Additional Day Centre staff.
- e) Other changes in the mix of care and other staff.
- f) A relief budget of 22.5% for all non-nursing staff in the proposed model, amounting to an increase of on current projections for relief and overtime budgets at Grant House.

7.2.16 It should be noted that costs have been worked out on the basis of existing staff terms and conditions and at mid point salary scales. The changes proposed by Highland Council to entitlements for weekend working will potentially increase costs by £0.067m in the Granttown care home.

7.2.17 A review of staffing arrangements across all of Highland Council's care homes is currently taking place and any changes which arise through that will be incorporated into the proposals here.

8. Financial Analysis

8.1 Two financial models have been worked up to compare the cost implications of the options available to the Council and they are attached at **Appendix G**.

8.2 Net Present Value Calculations (NPV)

8.2.1 NPV is a single value representing the difference between cash flows of various options discounted to reflect the time value of money.

8.2.2 “The Green Book” issued by HM Treasury recommends the use of NPVs and recommends the application of a discount rate of 3.5% for the public sector. The Green Book also recommends the application of optimism bias particularly on capital expenditure. An optimism bias of 5% has been applied to both capital expenditure and capital receipts.

8.2.3 The NPVs for the options of providing 30 places with nursing care (plus day care) over a 20 year period are as follows:

New Care Home in Grantown	
Option 1	£21.545m
Option 2	£18.943m
Option 3	£19.638m
Independent Sector Care	£13.090m

8.3 Revenue Budget Implications

8.3.1 A calculation of the implications for revenue budgets has also been undertaken. This model does not take account of the time value of money but assesses the comparative budgetary requirements over a 20 year period.

8.3.2 The net costs over 20 years for the options of providing 30 places with nursing care (plus day care) are as follows:

New Care Home in Grantown	
Option 1	£30.437m
Option 2	£26.714m
Option 3	£27.709m
Independent Sector Care	£18.842m

8.3.3 The move to build a new home or to contract with the independent sector will require a decision on the future use of the site and may provide the opportunity to generate a capital receipt of £0.350m on the disposal of Grant House. The impact on the Council’s finances is identical for both options and does not impact on the comparatives figures. There is currently debt outstanding of £0.438m on Grant House.

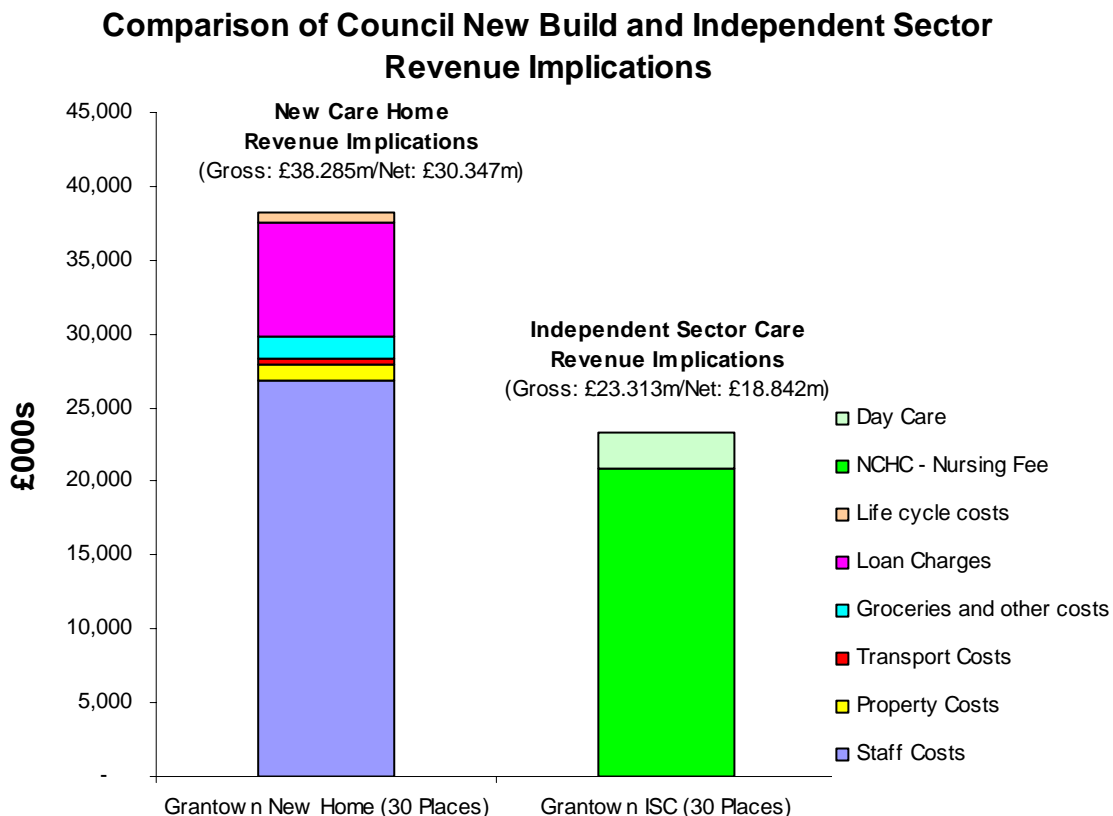
8.3.4 **It can be seen that a decision to build a new care home in Grantown rather than to procure the same number of places from the independent sector is £8.455m greater in NPV terms over 20 years. (£21.545m - £13.090m = £8.455m)**

8.3.6 The main reasons for this are:

- the new build option incurs capital costs which are not incurred by the option to procure places.
- the running costs of the new build option are higher than the cost of procuring places from the Independent sector.

8.4 Assumptions

1. NPV calculation has been used to recognise the time value of money by comparing costs that occur in different time periods
2. Optimism bias of 5% has been applied on Capital Costs and Receipts in the NPV calculation only as recommended by “The Green Book”
3. Inflation of 1½% has been applied to Wages. Inflation of 2% has been applied to all other costs and income
4. Discount Rate of 3½% applied to Net Present Value as recommended by “The Green Book”
5. The Residents contribution included in the independent sector model is an average of £117.96 per week as reported to the Leadership and Performance Board
6. In the Revenue Budget model an annuity basis is used for the Loan Charge calculations with a 60 year repayment period and 5% interest applied. Buildings values assumed to equal written down loan value after 20 years
7. Capital Receipts on the sale of current Land and Buildings will be generated at the same value not withstanding the delivery option chosen and therefore do not impact on the comparative figures.
8. A 2% increase in the level of independent sector fees has been applied year on year.



9. Demand and Capacity

9.1 Care Needs Analysis

9.1.1. In the years after the Second World War, there was a large increase in the number of births. People born at that time are now in the 55 to 65 age group. Over recent years, better housing, working conditions, nutrition, education and health care have meant that more people are living longer than before. Taken together, this means there are likely to be very large increases in the numbers of older people over coming years.

9.1.2 Due to the direction of government policy over recent years, of avoiding early admissions in to care homes and supporting people in their own homes where possible, those likely to require care home services in the future will be older and frailer, having been supported to live at home in their own community, for as long as possible.

9.1.3 In addition to the above, the care needs of older people generally increase significantly beyond the age of 75. A big increase in the number of people over 75 would have a significant impact on demand for community care (including care home) services. Recent figures³ show that the number of people aged 75 or over in the Highlands, will increase by 122% (22,000 people), by 2033, with the number of people aged between 65 and 74 projected to increase by 60% (13,200 people). This age range is an important marker, as the current average age of an older person in a care home is 84⁴ years old.

9.1.4 It is also relevant to note the current number and projections of people with dementia in Highland. Currently, it is estimated that there are 3,258 people in Highland who have dementia. Across Scotland, it is estimated that the number of people with dementia will rise by 75% by 2031⁵. Also across Scotland, around 40% of people currently living in care homes have dementia. In Highland, it is estimated that the number of people in care homes with dementia, would rise from the current number of 1,303 to 2,788 by 2031⁶.

9.1.5. The age profile of Highland, projected for 2033, therefore highlights some economic and practical challenges, given it is anticipated that there may not be enough people of working age to cope with the increased numbers of children and older people.

9.2 The Balance of Care

9.2.1 The main strategic objective of the joint community care plan is to shift the balance of care, supporting older people to delay their entry in to formal care settings and focusing the use of care homes for people who are very frail and who are unable to enjoy quality of life at home and for whom the risks at home are too great.

³ Policy and Information Briefing Note No 35, Population Projections for Highland 2008-2033, February 2010

⁴ Performance Report to Highland Partnership

⁵ The Dementia Epidemic, Alzheimer Scotland, June 2007

⁶ Information received from Policy and Research Officer, Alzheimer Scotland, March 2010

- 9.2.3 To secure progress towards this objective, and better outcomes for older people, health and social care services will require to refocus around preventative services, supporting anticipatory care and the development and sustainability of low level community/voluntary support, thereby preventing emergency admissions and the inefficient and expensive consumption of resource.
- 9.2.4. Success in shifting the balance of care will not remove the need for care homes entirely but they will be used differently. They are likely to fulfil a variety of roles enabling people in the last months of life who are very frail and whose health is failing, to die well, acting as a step down and/or step up facility supporting early discharge or preventing admission.
- 9.2.5 Highland currently has 48.2 care home places per 1,000 of the population, compared to the Scottish average of 44.7 places⁷. In addition, Highland also has a lower proportion of those getting care in their own homes. Furthermore, the flexibility of that care has been limited.
- 9.2.6 The Council has recently invested significantly in modernising its own home care service and in procuring additional home care from the independent sector, by way of block contracts, as a step towards redressing the balance of care. This has begun to impact, with improved performance by the service in the evenings and at weekends. By the end of 2010-11, the Council will be investing an additional £5m per year in care at home services.
- 9.2.7 In addition, and as a further key component in delivering government policy, the Council is also promoting the use of and investing significantly in, assistive technology such as telecare, as a further means by which to promote a service user's independence and to keep them in their own homes for as long as possible. There are currently 285 people receiving an enhanced telecare service, against a target in the current year of 250. Usage targets for enhanced telecare are, based on current trends projected to increase by 60 people in 2010-2011 and by a further 100 people in 2011-2012.
- 9.2.8 There will however remain a need for a level of care home provision, as supporting people in their own homes will not always be a suitable alternative, particularly where their needs are too great to be supported at home, or where it is not cost effective to do so. The ability to secure services which reflect best value will become increasingly critical, as demand increases and the level of available resource decreases.
- 9.2.9 What is unclear at this stage, is the volume of care home places required, given the increasing ageing population (and demand) but also the changing emphasis on the model of service delivery, to supporting more people in their own homes through various models. It is however noted that the Council's proposed new build care homes are intended only to replace some of the Council's current provision and not generate additional capacity.

⁷ Scottish Government Statistical Bulletin, 24 February 2009, <http://www.scotland.gov.uk/Publications/2009/02/20094539/0>

9.3 Evaluation of Current Capacity and Likelihood of Growth

- 9.3.1 The Highland Council has a portfolio of 18 care homes, currently delivering 264 places. The number of operational beds in each care home, range from 6 beds (Cala Sona, Dail Mhor, Melvich) to 28 beds (Urray House, Muir of Ord). The average size of care home is 14.7 beds (based on operational beds). These services are mostly situated in the rural and very rural parts of Highland (such as Broadford, Mallaig, Melvich, Gairloch and Talmine), where there are fewer choices of provider close by.
- 9.3.2 The Council has invested significantly in its own care home services over recent years, aiming to ensure its facilities meet modern standards and are fit for purpose for the 21st century. Approximately £6.8m will have been spent upgrading 10 care homes, by the completion of the refurbishment programme during 2010.
- 9.3.3 Approximately 14.2% of care home places in Highland are delivered by the Council and 85.8% are purchased from the independent sector. This picture is replicated with the national average. Across Scotland, 14% of care home places are delivered by local authorities and 86% of places are purchased from the independent sector⁸. Out of the other 31 local authorities in Scotland, 4 no longer operate their own care homes and a further 8 are engaged in an active plan to consider or reduce the number of care homes they operate.
- 9.3.4 Within the independent sector market specifically, there are currently (September 2009⁹) 1,531 care home places. The Council purchases 76% of these beds, 15% of these beds are purchased privately or by other local authorities and 9% (142) of the beds are unoccupied (possibly unusable, being refurbished or shared rooms) or vacant.
- 9.3.5 There are a number of planning applications for care homes in Highland, which have been granted over recent years. These applications are for care homes (or extensions to current care homes) in Aviemore, Alness, Thurso, Wick, Invergordon, Inverness and Fort William. If all of these approved planning applications were to proceed, this would create 383 additional beds, on top of the 142¹⁰ beds which are currently vacant.
- 9.3.6 The map plotting the locations of the Council's current and proposed care homes, along with the current and proposed independent sector care homes, is attached at **Appendix B**. Detailed information regarding past vacancy levels and current Care Commission gradings for care homes within a 30, 45 and 60 minute radius, is provided at **Appendix E**.

9.4 Viability Issues

- 9.4.1 The care home sector has been impacted¹¹ by the recent global recession¹¹. Changes in bank lending policies during 2008-2009 affected the viability of several large national providers, the result of which was falling share values. The capitalisation model employed by the bigger providers created major

⁸ Care Homes Scotland 2008, Statistical Bulletin, Scottish Government, 24 February 2009

⁹ Quarterly Service Review, Quarter 2, 2009-2010

¹⁰ It is estimated that the number of usable vacant rooms is 126

¹¹ Care Home Fees Report, Cosla, January 2010

challenges and forced some to restructure. In some instances, banks have exchanged debt owed to them by corporate providers for an equity stake in the business.

- 9.4.2 Small independent care homes were also affected by changes within the banking sector, where diminishing property values made it more difficult to secure loans and develop services. Whereas banks had previously provided loans against the value of property, the reduction of these values created a stronger focus on income levels.
- 9.4.3 Over the course of the past year, COSLA and Scottish Care have monitored the viability of the sector. In April 2009, COSLA carried out an informal survey of local authorities to assess the vulnerability of the sector and found that the overall bed numbers had remained relatively static. While some local authorities reported that care home closures were affecting their ability to meet the needs of vulnerable clients or that care homes in their area that were in danger of closing down, the severe problems anticipated during 2008 have not materialised. This is partly because inflationary pressures have receded, and partly because the banking sector has stabilised. That is not necessarily to say the sector is in good financial health, only that the critical problems forecasted have not materialised.
- 9.4.4 In Highland, there have been 5 independent sector (older people) care home closures over the last 5 years. In most cases, the closures have been as a result of services being delivered on a small scale, and in some instances, coupled with delivery of these services in an ageing building, not compliant with Care Commission requirements. These closures have been in Inverness, (2006 - Lentrane House, 34 beds), Grantown (2008 - Riversdale, 15 beds), Kinlochail (2008 - Annie Cameron Retirement Home, 11 beds and now a children's residential unit), Wick (2008 - Hempriggs House, 20 beds) and Garve (2005 - Strathgarve, 28 beds). The total loss of beds in care homes for older people over this period is 108. This is however offset against new capacity in the market in Dingwall, with the net bed loss of around 59 beds (3%). A table highlighting all (older people) care home closures since 2001, their capacity and location, is provided at **Appendix H**.
- 9.4.5 There have also been some other minor changes within the independent sector across Highland, as providers in the main have responded to the space standard requirements and some have also slightly expanded.
- 9.4.6 Based on the latest information available¹², the rate of (older people) care home closures in Scotland has been 3.13% in 2005-6, 2.3% in 2006-7 and 1.5% in 2007-8. As at March 2008, there were 942 care homes in Scotland. There is therefore not a significant pattern of closure, but it can and does happen and smaller care homes operating in buildings which are not purpose built are potentially more at risk of encountering viability issues.
- 9.4.7 It is therefore possible that smaller operators will continue to exit the market, particularly given the ongoing requirements of the Care Commission and the Council (through the targets within the National Care Home Contract), to

¹² Care Homes Scotland 2008, Statistical Bulletin, Scottish Government, 24 February 2009
Care Home Business Case – Grantown

improve quality. In addition, the projected decline of available workforce¹³, may make it more difficult to staff care homes, in a sector which relies heavily on minimum levels of staffing and in a market within which there is much competition from other employers (eg supermarkets) for less demanding work at similar pay rates.

9.4.8 The industry has indicated an “efficient scale of operation” to be 50-60 beds.¹⁴ There is also research data on the composition of costs within an efficient operating model. This information suggests that staffing costs should typically absorb 45-60% of fees.

9.4.9 It is therefore anticipated that care homes of a size able to achieve economies of scale (50-60 beds), which are efficiently run, have good Care Commission gradings and which enjoy high levels of occupancy, will continue to operate profitably. The size of independent sector care homes in Highland range from 7 beds (Coillore, Skye) to 83 beds (Highview, Inverness), with an average of 32.

¹³ Policy and Information Briefing Note No. 28, The Highland Council (based on information from the General Registers Office for Scotland)

¹⁴ Joseph Rowantree Foundation, “Calculating Operating Costs for Care Homes”, June 2002, <http://www.jrf.org.uk/sites/files/jrf/634.pdf>

10. Costs of Independent Sector Provision

10.1 National Care Home Contract Fee Rates

10.1.1 COSLA has had a remit for setting residential and nursing care home fees for older people since 2003. These fees are agreed through negotiation with Scottish Care, a body representing the majority of care home providers in Scotland.

10.1.2 COSLA has also taken the lead role in the development of a National Care Home Contract, through which these care home fees are paid. These arrangements have sought to bring consistency and transparency to care home contracting arrangements across Scotland and have driven up quality through setting quality targets within the contract. These contractual and fee arrangements have been adopted by all Scottish local authorities and apply to all the independent sector care home beds for older people (private and voluntary) purchased by them.

10.1.3 The 2009-2010 fees paid by all local authorities to secure nursing and residential care from the independent sector, were £540.10 pppw and £464.86 for nursing and residential care, respectively. This is confirmed by way of the COSLA communication attached at **Appendix I**. These fees apply where a resident is placed by the Council under this contract. This will occur where the Council has assessed the (prospective) resident as requiring a care home service and where their funds are below the set threshold. The Financial model has used £550.81 per week (2010-2011 fee) as the starting point with inflation applied at 2% per annum thereafter. Where day care is included a rate of £4.27 per hour (current rate inflated) has been used as a starting point with inflation applied at 2% per annum thereafter.

10.1.4 The fees as noted at 10.1.3 above, do not apply to those residents who are privately funded. The provider is permitted to set their own charge for privately funded residents. The Council will make a free personal (and nursing where appropriate) payment of up to £222 pppw (rising to £227 from 1 April 2010) to those residents who are assessed as requiring the service. Where the resident has the means to pay, the resident will negotiate their hotel and accommodation services directly with the independent sector provider. This is referred to as a "route 2 contract"¹⁵. The average element of residents' contribution applied to Local Authority assessed clients in the financial model is £117.96 per week as reported to the Leadership and Performance Group

10.1.5 Across Scotland, the number of self funding residents is approximately 31% of all placements in care homes for older people.¹⁶ For this period, self funders comprised approximately 28% of independent sector placements in Highland. For the last reporting period, this figure was 35%. Within the Council's own care homes, and as at March 2010, self funding residents comprised 13% of all placements. It is possible that the proportion of self funding residents is lower in the Council's care homes, due to the resident being required to pay the whole charge of £819 per person per week, less the free personal care payment of £156 pppw. As the Council does not currently deliver nursing

¹⁵ <http://www.scotland.gov.uk/Topics/Health/care/17655>

¹⁶ (Free Personal and Nursing Care, Scotland 2007-8, Scottish Government, Published on 24 November 2009).

care, the full free personal **and nursing** care payment of £227 does not apply. From those care homes included in the business cases, it is noted that currently, the highest proportion of self funders are resident in Grant House and Urray House (30% and 35% of the resident group respectively), with the lowest proportion of self funders (4% of the resident group) in Duthac, Ach-An-Eas and Invernevis.

10.1.6 For information, detail of the fees and year on year increases applied since 2003, is provided at **Appendix J**.

10.1.7 It should be noted that COSLA do not have a remit for negotiating care home fees for other client groups (eg learning disability and mental health) and the setting of these fees remain with the local authority.

10.1.8 There is a significant gap between the fee rates paid to independent sector providers and generally, the cost of Council provision across Scotland. A pilot is currently being conducted by the Joint Improvement Team in relation to the cost of care, to understand why this is the case. Further work is being done on this over coming months, with a further study/sample of local authority and independent sector care homes in May, and an analysis of this in June. The information to date from the pilot however, highlights the key cost differences to be as follows:

Pay rates: pay rates in the independent sector are lower than those in local authorities. The Highland Council's pay rates range from £6.92 per hour for a General Assistant, to £21.13 per hour for the Manager's salary. Independent sector pay rates are more concentrated around the minimum wage of £5.80 per hour, and the majority of staff typically earn between £6.00 and £8.00 per hour. It is highlighted that staffing costs account for 45-60% of costs in operating a care home.

Staffing ratios: local authority homes generally staff to a higher level

Terms and conditions of employment: overall, terms and conditions of employment are more generous in local authorities.

Pension entitlement: pensions are significantly more generous in local authorities where the employer's pension contribution rate is almost three times (290%) of the employees. If the employee earns less than £18k per annum their contribution rate is 5.5%, therefore the employers has to pay 15.95%. In terms of sick pay, the independent sector will generally only offer the statutory minimum.

Sick pay: Local authorities will pay 6 months full then 6 months half pay, and will incur additional costs of covering the shifts of the absent employee to ensure minimum staffing levels are covered.

Shift patterns: there tends to be less overlap/handover time in independent sector homes. The independent sector also utilise more part time workers and are more likely to operate with split shifts (see peak staffing below) than the independent sector.

Peak staffing: independent sector care homes are more likely to have staffing concentrated more at certain points of the day with more economical staffing at other times

Food/fuel: no major differences in food, fuel etc costs

- 10.1.9 When comparing cost differences between local authority and independent sector provision, it is also relevant to note the ability of the independent sector to operate flexibly and without the restrictions of the pay scales operated by local authorities.
- 10.1.10 In addition, it is highlighted that the independent sector market ranges significantly in size of provider, from proprietors who many have single homes (which they are likely to manage themselves), up to large corporate providers such as for example, Southern Cross (who operate 37,000 care home beds across 730 care homes in the UK) and Four Seasons (who operate 15,000 beds across 345 care homes). In general, the main business of independent sector care homes, is delivering care home services and they have significant expertise in doing so. As this is their primary concern, they are well placed to focus on delivering the most efficient operation, whilst delivering quality services.

11. Service Standards

- 11.1 There are currently 37,829 registered care home beds in Scotland¹⁷. Of these beds, 14% are provided by the public sector (local authority/NHS) and 86% are provided by the independent sector.
- 11.2 All homes, regardless of sector, are regulated by the Scottish Commission for the Regulation of Care (Care Commission) and they are all required to comply with the relevant National Care Standards as published by Scottish Ministers under the Regulation of Care (Scotland) Act 2001.
- 11.3 The Care Commission conducts an announced and unannounced visit to all care homes each year. From 1 April 2009, each inspection has resulted in a numerical grading being applied. As noted earlier, the gradings range is as follows: 6 (excellent), 5 (very good), 4 (good), 3 (adequate), 2 (weak), 1 (unsatisfactory).
- 11.4 The Care Commission hold a central database of all gradings. With regard to care homes for older people, the following information has been extracted (as at 31 December 2009):
- The **Highland** average grading for **local authority** provision is 4.03. The **Scottish** average grading for **local authority** provision is 3.99.
 - The **Highland** average grading for **independent sector** provision is 4.12. The **Scottish** average grading for **independent sector** provision is 3.86.
- 11.5 A breakdown of the detail is provided at **Appendix K** including the average grade per grading area (eg quality of care and support; quality of environment; quality of staffing; and quality of management and leadership). Within this Appendix, a further snapshot is provided, taken as at 28 February 2010. This shows an unchanged position.
- 11.6 This information indicates that in Highland, both the independent sector and local authority provision score an average grading higher than the Scottish average, and within Highland, the average grading of independent sector homes is marginally better than the Council's in house provision.
- 11.7 The Care Commission reports annually on the number of complaints received but does not distinguish the sector of provision that the complaint relates to.
- 11.8 The National Care Home Contract sets out a number of quality standards to be met by the independent sector. These include each home achieving 55% of staff with SVQ II or above in 2009-2010 (rising to 65% in 2010-2011). In Highland (and at the last audit point), 76% of homes had achieved this. There is currently no equivalent audit applicable to the Council's own care homes although information is gathered in relation to the percentage of staff who hold appropriate qualifications. The National Care Standards require a minimum of 50% of staff to be qualified to SVQ II level or above. In Highland, and at the last audit conducted in October 2008, the average across the Council's care homes was 72%¹⁸.

¹⁷ Scottish Government Statistical Bulletin, 24 February 2009

¹⁸ As reported to the Chief Executive's Quarterly Service Review, Quarter 3, 2009-2010

11.9 The Scottish Government and also the Care Commission, collect and produce information on various areas relating to the provision of care home services. Such information includes for example, the number of admissions, discharges and deaths in local authority and independent sector provision. Whilst this information indicates a higher number of deaths in independent sector care homes, this is due to the following key reasons:

- The data is based on numbers and not percentages, and 86% of beds are provided by the independent sector (actual figures suggest 26% in the independent sector and 17% in local authority homes)¹⁹;
- The independent sector also delivers nursing beds and therefore cares for people who are frailer and more dependent.

11.10 Neither the Scottish Government nor the Care Commission currently report on, or have information available in connection with comparative staff turnover (although currently being analysed by the Care Commission) or staff or resident morale.

¹⁹ Independent sector care home places 32,578 and number of deaths is 8,368, resulting in 26%. Local authority care home places 5,256 and number of deaths is 913, resulting in 17%.

12. Options to Secure Future Provision from Independent Sector

- 12.1 In the event that the Council decided not to proceed with a new build care home, there are a number of alternative options to secure the required service.
- 12.2 It is noted that these options are headline options and a full options appraisal would be required if these options were to be considered.

Option 1 – spot purchase from capacity within market	
Description	
This option would involve current residents being relocated to alternative provision and the spot purchase of future placements.	
Pros	Cons
<ul style="list-style-type: none"> ▪ More cost effective than in house delivery. ▪ No procurement exercise would be required. ▪ Greater flexibility and choice for new placements ▪ Ensures no more placements are purchased than are required. 	<ul style="list-style-type: none"> ▪ There may not be vacancies immediately available in residents' preferred locations. ▪ Closure plan would need to be carefully managed to ensure maintained residents quality of life during transition. ▪ Staff redundancy/redeployment. ▪ Additional monitoring of services may be required, incurring an additional cost implication. ▪ There is always the risk that the provider may withdraw services.
Anticipated Cost	
The service would be purchased at spot purchase rates, which are less than the cost of an in-house bed.	

Option 2 – block purchase required volume from market	
Description	
This option would involve a procurement exercise to purchase additional capacity (to replace the capacity which would have been delivered by the Council) at volumes and in the location(s) which meets the Council's requirements.	
Pros	Cons
<ul style="list-style-type: none"> ▪ May be more cost effective than spot purchase delivery. ▪ Additional security of provision would be achieved through block contract terms. 	<ul style="list-style-type: none"> ▪ May be a lack of interest from the market, given previous abandoned exercise. ▪ Time delay, if we are seeking new build facilities in particular locations. ▪ Closure/transfer plan would need to be carefully managed to ensure maintained quality of life during transition. ▪ Staff redundancy/redeployment

	<ul style="list-style-type: none"> ▪ Possible TUPE implications. ▪ Restriction of service user choice ▪ Additional monitoring of services may be required, incurring an additional cost implication. ▪ There is always the risk that the provider may withdraw during the life of the contract.
Anticipated Cost	
It is possible that the service could be secured at a cost less than the spot purchase rate and certainly at a cost also less than in house rates.	

Option 3 – enter in to long term partnership with provider(s)	
Description	
This option would involve a procurement exercise to purchase additional capacity (to replace the capacity which would have been delivered by the Council) at volumes and in the location(s) which meets the Council's requirements. This variant may involve a long term duration with access to available assets.	
Pros	Cons
<ul style="list-style-type: none"> ▪ More cost effective than spot purchase delivery. ▪ In addition, a discount could be achieved if a guaranteed volume of places is purchased. ▪ Additional security of provision would be achieved through block contract terms. ▪ Possible utilisation of available sites identified by the Council to expedite process. 	<ul style="list-style-type: none"> ▪ May be a lack of interest from the market, given previous abandoned exercise. ▪ Time delay, if we are seeking new build facilities in particular locations. ▪ Closure/transfer plan would need to be carefully managed to ensure maintained quality of life during transition. ▪ Staff redundancy/redeployment. ▪ Possible TUPE implications. ▪ Restriction of service user choice ▪ Additional monitoring of services may be required, incurring an additional cost implication. ▪ There is always the risk that the provider may withdraw during the life of the contract.
Anticipated Cost	
It is anticipated that the service could be secured at a cost less than the spot purchase rate and a cost also less than in house rates.	

Option 4 – invest in more home care
Description
This option would involve using the level of resource that had been intended to be committed to operating new care homes or purchasing alternative provision, and using it instead to deliver or procure, more home care.

Pros	Cons
<ul style="list-style-type: none"> ▪ Further shift in the balance of care. ▪ More people supported in their own homes for longer. ▪ More people could benefit from the resource available 	<ul style="list-style-type: none"> ▪ Reduction in care home capacity available. ▪ Staff redundancy/redeployment.
Anticipated Cost	
Could use all or part of available resources to invest in additional home care.	

Option 5 – use current operating costs as a saving

Description

This option would involve closing Grant House and not buying replacement provision and using the current operating costs of Grant House as a saving instead.

Pros

- Significant reduction in the Council's budget gap.

Cons

- Reduction capacity available.
- Staff redundancy/redeployment.
- Likely to be unpopular with the public.

Anticipated Cost

Current Grant House running costs could be used as a saving towards the Council's budget gap.

13. Economic and Social Impact

13.1 Economic and Social Context

13.1.1 Population information for the Grantown area is provided at section 4.1 of this business case.

13.1.2 There were 1,521 jobs in Grantown in 2008, a rise from 1,276 in 2004. The ABI (Annual Business Inquiry) shows that most jobs are in distribution, hotels and restaurants (31%); public administration, education and health (25%); manufacturing (12%); other services (11%); construction (10%). This pattern has not varied much from 2004 although there has been a slight decrease in the number of Manufacturing jobs and an increase in Construction.

13.1.3 Grantown has a lower rate of working age population claiming Job Seekers Allowance (JSA) than that of Highland and Scotland, and the same is shown for Long Term Unemployment (people claiming for over 6 months). The rate of people aged under 24 claiming JSA is considerably lower in Grantown than Highland and Scotland.

13.1.4 The rates of people claiming Department of Work and Pensions benefits in Grantown is lower than that of Highland and Scotland.

13.2 Economic Impact Calculation

13.2.1 The economic impact of the proposed development falls into three categories. Firstly, the direct impact associated with employment created in the home. Secondly, the indirect impact associated with goods and services purchased during the operation of the facility and the jobs created from that expenditure. Lastly, the induced impacts created by the spending of those employed directly and indirectly by the care home.

13.3 Direct Impacts

13.3.1 The new care home in Grantown will involve 41 jobs which equates to 35 full time equivalents. The table provided at Figure 1 sets out the direct employment created by the facility.

13.3.2 The salaries for staff range from HC10 for the care home manager (£38,457pa) to HC2 (£16,489pa) for the general assistants. In total the annual wage bill for the care home will be £1.158m including employers National Insurance and Superannuation.

13.4 Indirect Impacts

13.4.1 Indirect impacts result from expenditure on goods and services relating to the operation of the care home. The largest items of expenditure which could create additional employment relate to groceries and cleaning materials. In total expenditure on these items equates to c£55k which could create 1 additional FTE.

13.5 Induced impacts

13.5.1 These impacts relate to multiplier effects of the direct and induced employment created in the new care home. In this case a generally accepted multiplier is 0.2 meaning that for every 5 jobs created directly and indirectly by the care home there is a further job created in the wider Highland economy. This creates a further 7 FTE jobs.

13.5.2 The total economic impact of the new care home is therefore 43 FTEs.

13.5.3 A further economic impact relates to the construction of the new care home. Although the building has yet to be designed for illustrative purposes it has been estimated that the construction cost would be in the order of £5.560m. Using a construction multiplier of 1 FTE per £0.650m of expenditure means that the construction impact of the project is 8.5 FTE.

13.5.4 The total economic impact of the proposed new care home is therefore 51.5 FTEs.

13.5.5 The existing Grant House care home employs 21.5 FTEs. Using the same calculation for indirect and induced employment gives a further 5.5 FTEs. This gives a total economic impact of 27 FTEs.

13.5.6 Therefore the net additional employment created by the new care home is 16 FTEs with 27 FTEs retained. A further 8.5 FTEs could be created by the construction of the new home.

13.5.7 The extent to which new employment could be created by an alternative provider will depend on a range of factors including vacancy levels in the sector. The assumption for the economic impact calculation is that there are limited vacancies at present so alternative provision would also create new employment opportunities.

13.6 Social Impacts

13.6.1 The social impact of the care home on the local community is reflected in its importance in terms of housing older people with local connections and also the place of residence of staff.

13.6.2 Of the current 16 residents of Grant House 75% of them had addresses in Grantown, with the remainder coming from either Aviemore or Nethybridge. The representatives of almost two thirds of the residents have addresses in either Grantown or the immediate area with four having addresses outside the Highlands.

13.6.3 In terms of current staff at Grant House the vast majority (two thirds) are resident in Grantown. The remainder of the staff are drawn from nearby communities with those commuting the greatest distance coming from Elgin, Forres and Tomintoul.

13.7 Environmental Impacts: Carbon Emissions

13.7.1 The main source of carbon emissions will be the new care home itself. In addition carbon emissions will be generated by staff and visitors travelling to the facility. A new more energy efficient building can offset some of these impacts.

13.7.3 The new care home has not yet been designed, however, it is likely to be on a low carbon basis using renewable and low carbon technology. Until the home is designed it is not possible to state what the carbon emissions will be.

14. Risk Analysis

14.1 This section considers the main risks which need to be taken into account in the decision as to whether to build a new care home in Grantown. It is not practical to foresee and address every risk which could apply and so the following sections focus on the most significant risks identified by the team who contributed to this Business Case.

14.2 Risks associated with building a new care home

Risk 1	A decision to build a new care home could increase the Council's revenue costs
Likelihood	Very High
Impact	High
Mitigation	<ul style="list-style-type: none"> ▪ The Council may be able to fund the increased costs from savings in other parts of its budget ▪ A micro-review could be undertaken to mitigate the revenue cost increase ▪ Clients could be asked to pay more

Risk 2	A decision to build a new care home could create future capital liabilities for the Council in refurbishment or adaptation of the building
Likelihood	High
Impact	High
Mitigation	<ul style="list-style-type: none"> ▪ The design and specification of the new care home will take account of all current and projected requirements for a building of this type

Risk 3	A decision to build a new care home could incur higher capital costs than those currently allocated in the capital programme
Likelihood	Low
Impact	Marginal
Mitigation	<ul style="list-style-type: none"> ▪ The design has been signed off by the Project Board and therefore changes should be controlled ▪ Tenders would be invited on a firm price basis with a contingency allowance built in

Risk 4	A decision to build a new care home could add to current excess capacity in the market and therefore increase the likelihood of closure of independent sector homes
Likelihood	Low
Impact	Marginal
Mitigation	<ul style="list-style-type: none"> ▪ Demand for care home places is projected to increase ▪ Market adjustment to demand levels is inevitable over time

14.3 Risks associated with not building a new care home

Risk 1	A decision not to build a new care home could mean the loss of a business opportunity for the construction sector
Likelihood	High
Impact	Marginal
Mitigation	<ul style="list-style-type: none"> ▪ The Council is likely to invest the capital in an alternative construction project ▪ An independent Sector provider may respond to the Council's demand for places by building a new home or extending an existing home

Risk 2	A decision not to build a new care home could lead to a reduction in pay rates in the care home sector (for staff currently employed by the Council, who choose to move to work in the independent sector)
Likelihood	High
Impact	Marginal
Mitigation	<ul style="list-style-type: none"> ▪ The evidence for this sort of effect is limited ▪ Some staff will be protected by minimum wage legislation

Risk 3	A decision not to build a new care home could mean that the costs of independent sector provision increase because of the lack of alternatives
Likelihood	Medium
Impact	Marginal
Mitigation	<ul style="list-style-type: none"> ▪ Rates are set by negotiation at national level ▪ The current lower level of fee charged by the independent sector provides scope for significant increases before the differential with the council is eroded

Risk 4	A decision not to build a new care home could mean that an opportunity is lost to build a care home on the specific site selected
Likelihood	Medium
Impact	Marginal
Mitigation	<ul style="list-style-type: none"> ▪ The site could be landbanked ▪ There would be alternative benefit from affordable housing for example ▪ Alternative sites may be available if required in the future

Risk 5	A decision not to build a new care home could mean that there is insufficient care home provision locally
Likelihood	Low
Impact	High
Mitigation	<ul style="list-style-type: none"> ▪ There are currently 9 care homes within a 45 minute radius of Grantown. ▪ Expansion of a care home within Grantown plans to create a further 18 beds. Planning application for a new 50 bed care home in Aviemore. ▪ Provision is likely to develop to reflect demand

Risk 6	A decision not to build a new care home could expose the Council and its clients to the impact of closure of a home run by an independent sector provider
Likelihood	Low
Impact	High
Mitigation	<ul style="list-style-type: none"> ▪ Over the last 5 years the failure rate of this sector in the Highlands has been 3% which is considered to be low compared to general business failure rates ▪ If required (and as a last resort) the Council could seek to exercise step-in rights under its duty of care within the Social Work (Scotland) Act 1968.

Risk 7	A decision not to build a new care home could leave the Council with no alternative provision should the capacity of the independent sector fail to meet demand
Likelihood	Low
Impact	High
Mitigation	<ul style="list-style-type: none"> ▪ There is currently excess capacity in the market ▪ The Council could build/buy a care home if, when and where the capacity of the independent sector fails to meet demand

Risk 8	A decision not to build a new care home could mean that the sector does not have sufficient capacity to meet the projections for increased demand
Likelihood	Low
Impact	High
Mitigation	<ul style="list-style-type: none"> ▪ There is currently excess capacity in the market ▪ Provision is likely to develop to reflect demand

Risk 9	A decision not to build a new care home could leave the Council and its clients exposed to the impact of market adjustment not being effective in meeting demand
Likelihood	Low
Impact	High
Mitigation	<ul style="list-style-type: none"> ▪ There is currently excess capacity in the market ▪ Provision is likely to develop to reflect demand ▪ The Council could seek to shape provision through partnering with providers and long term procurement

15. Review of Key Issues

15.1 This section brings together the information and analysis contained in this Business Case and considers the cost, quality and risk issues associated with the Council's decision about building a new 30 bed care home (with day care) in Grantown.

15.2 Cost

15.2.1 The comparison of Net Present Values in the Financial Analysis section demonstrates that over 20 years the NPV costs to the Council of building and operating a new care home would be £21.545m while the NPV cost of procuring 30 places from the independent sector (plus day care) would be £13.090m. The additional cost (in NPV terms) of a decision to build is therefore £8.455m.

15.2.2 Grant House is considered to have a limited long term life however for comparison purposes the NPV cost of current provision (with the current staffing model) is calculated at £8.072m. It can be seen that both future options will cost considerably more than the current provision. It must be noted however that the current provision is for fewer beds and a significantly different staffing model.

NPV Comparison over 20 years

Option	NPV	Number of Beds
New Care Home	£21.545m	30
Independent Sector Care	£13.090m	30
Grant House Comparison	£8.072m	20

15.2.3 The comparison in revenue terms is also set out here for reference. The additional cost (in revenue terms) of a decision to build is £11.595m.

Revenue Comparison over 20 years

Option	Revenue	Number of Beds
New Care Home	£30.437m	30
Independent Sector Care	£18.842m	30
Grant House Comparison	£12.299m	20

15.3 Quality

15.3.1 The comparison of Service standards set out in section 11 demonstrates that the gradings awarded by the Care Commission are marginally higher for the independent sector homes than for Council Homes. The gradings for both sectors are higher in Highland than in Scotland generally. The independent sector provision within the immediate locality has attained Care Commission gradings of 5 (very good). The overall average grading of care homes within a 60 minute radius of Grantown, is 3.9

15.3.2 There is not enough good evidence to make any useful comparison in terms of other potential quality measures such as:

- morbidity
- client morale
- staff morale
- staff turnover

15.3.3 It is fair to say however that there is no reason to conclude that the standard or quality of care in independent sector homes is any lower than in Council run homes.

15.4 Risk

15.4.1 The risk analysis set out in section 14 is therefore key to the conclusions of this Business case. In that section the most significant risks were measured in terms of the team’s perception of likelihood, impact and potential mitigation.

15.4.2 The assessments of the **key risks** (ie those assessed as “Very High” or “High” in terms of likelihood or impact) are summarised here as follows

Key Risks associated with building a new care home

Risk (short name)	Likelihood	Impact	Potential Mitigation
Increased revenue costs	Very high	High	Identify other savings Micro review Ask clients to pay more
Future capital liabilities	High	High	Up to date design compliance

Key Risks associated with not building a new care home

Risk (short name)	Likelihood	Impact	Potential Mitigation
Lost business for Construction sector	High	Marginal	Alternative use of capital New Independent sector project
Pay rates will fall	High	Marginal	Lack of evidence Minimum wage protection
No local provision	Low	High	There are other homes within a 45 minute radius There is additional independent sector capacity planned in Grantown and Aviemore Provision will reflect demand
Closure of ISC Home	Low	High	Low failure rate Council could step in
Lack of Council alternative	Low	High	Current excess capacity Council could build or buy if market fails to meet demand
Insufficient capacity	Low	High	Current excess capacity

to meet rising demand			Provision will reflect demand
Market will not adjust	Low	High	Current excess capacity Provision will reflect demand Council can shape provision

15.4.3 In circumstances where service quality is the same or better in the independent sector and the costs of procurement from the Independent sector are much lower the crux of the decision is whether any of the risks justify the additional cost.

15.4.4 Given the potential for mitigation of the risks there appears to be no clear justification for a decision to build a Care Home in Grantown and thereby commit an additional £8.455m in NPV terms over 20 years.

16. Conclusions and Recommendations

16.1 The principal conclusions of this business case are as follows:

1. There is no economic case for the Council to build a care home in Grantown when the resulting costs will be higher than those incurred by procurement of places from the independent sector.
2. There is no evidence to suggest that service standards are higher in Council run care homes than they are in the independent sector.
3. The condition of Grant House is such that it would not require to close immediately, but as it does not meet space requirements. The ongoing viability and operation of the care home in the medium term is in question and would be subject to discussions with the Care Commission.
4. There is current capacity in the care home market to absorb current levels of demand and there is a high likelihood that independent sector provision will grow in response to market demand.
5. The location of Grantown means that there are a number of alternatives to Grant House within a 30, 45 and 60 minute drive distance.
6. The risk of closure of an independent sector home is low but it does happen.
7. The economic, environmental and social benefits of building a new care home in Grantown are worthwhile but do not in themselves justify an investment of this scale.

16.2 The factors in the remit set for the Business Case are directly addressed below.-

16.3 Revenue and Capital costs, including comparisons with the current revenue operating costs of the care home.

16.3.1 A decision to build the new care home in Grantown would incur capital and revenue costs with an NPV of £21.545m over 20 years. This is a significant increase in comparison to the current costs of operating Grant House as shown in NPV terms below. However, as Grant House is unable to continue as is beyond the medium term, a comparison based on current costs, cannot be logically made.

Option	NPV
New Care Home	£21.545m
Grant House Comparison	£8.072m

16.4 The future demand for residential care, including nursing care and the capacity, both from within the Council and through the Independent Sector in the five localities

16.4.1 There is projected to be a significant increase in people aged 75+, over the next 20 years. This increasing population will place significant demands on care services. As more people are supported to live for as long as possible in their own homes, in line with government policy and individual's wishes, those who do then require to receive a care home service will be older, frailer and so care homes in the future will require to refocus to deliver services that meet higher dependency levels.

16.4.2 Within a 45 minute radius of Grantown, there are 9 independent sector providers. One independent sector provider within Grantown intends to deliver 18 additional beds by September 2011 and additionally there is an approved planning application for a 50 bed care home in Aviemore thus indicating potential for an increase in market capacity.

16.5 Comparative costs within the Independent Sector

16.5.1 The cost of procuring the same number of places within the Independent Sector is projected as an NPV of £13.090m over 20 years. This is significantly less than the cost of building and operating a new care home as shown in NPV terms below:

Option	NPV
New Care Home	£21.545m
Independent Sector Care	£13.090m

16.6 The Social and Economic impact on the locality

16.6.1 The social and economic impact relates primarily to the employment creation effects of the proposed new care home and its place in creating community confidence in Grantown. The social impact of the existing home is reflected in its role as a source of local employment. Currently two thirds of staff at the home, including relief staff, live in Grantown, with the remainder travelling from Elgin, Forres and Tomintoul.

16.6.2 The economic impact of the proposed new care home would help to retain the existing 21.5 FTE jobs at Grant House and create a further 13.5 FTE jobs in the new care home. The net economic impact of the new care home is 16 FTEs with 27 FTEs retained. In addition 8.5 FTE construction jobs would be created by building the new care home. It is probable that alternative provision of care home facilities would create similar additional employment opportunities in the wider area. Overall unemployment in Grantown is lower than the Highlands as a whole the rate of people claiming JSA and DWP benefits, lower. The number of those under the age of 24 and claiming JSA is considerably lower than Highland.

16.6.3 While an increase in jobs would be welcome in any part of the Highlands at present this cannot be considered to be a justification in itself for a decision to build and operate care homes. With the same level of investment greater (and better targeted) economic impacts could undoubtedly be achieved by other means.

16.7 Recommendation

16.7.1 The Directors charged with the development of this business case recommend that the Council does not proceed with the capital project to build a new care home in Grantown but instead takes steps to seek best value through the procurement of good quality independent sector places in the locality. The consequence of this would be closure of Grant House in due course.

Local Member Submissions (February 2010)

Care Home Business Case

Response by Councillors Dave Fallows, Stuart Black, Jaci Douglas and Gregor Rimell (Ward 21)

Introduction

In responding to the request for member input into the process of establishing a business cases for the building of care homes, we have taken the view that members can contribute little to the actual statements of business case in respect of each proposed care home, since we lack the information, knowledge and expertise to do so and can only possibly highlight particular local variations which we may feel may not be known by officers building the cases. We have taken the view, therefore, that what we can best contribute to this process in generality is consideration of those factors which we feel may influence or alter the business case itself and those aspects which we would like to see covered and fully explored in the resulting business cases. The points below reflect our collective view of those issues which we feel must be considered if any business case is to be both robust and transparent.

1. **Compare like with like** – target audience; care + nursing care; staff : client ratio; facilities & equipment – *essential that comparison across the entire range of factors consistently identifies and demonstrates comparability*
2. **Establish baseline figures** – how many care home beds per x population (local variations?) - *this is a basic figure which needs to be established across the whole of Highland, but with particular relevance to the homes currently proposed. Needs to recognise local variation due to differing population structures – some areas attract higher numbers of retired people*
3. **Locational demand and supply** – *defines what are appropriate areas to be considered as localities – for example, Inverness and its local hinterland are clearly one locality, crossing many ward boundaries, yet equally, Badenoch & Strathspey, although only one ward, may well constitute two localities – Badenoch; and Strathspey; identifies and evaluates the current supply position in each locality; identifies which current facilities are directly comparable; evaluates current and future local demand (evidences how future demand has been assessed)*
4. **Market control** – ability to balance & maintain resources in a changing market – *evaluates the value to the council of an ongoing element of direct control as opposed to simply leaving supply to the private sector – in particular identifies the risks of private sector failure to provide facilities in localities where demand is economically less favourable*
5. **Safety net** – against private home closures – *evaluates the value to the council of having some facilities under direct control in the event of unforeseen closure of private homes – attempts to define kind of mixed economy ratio would strike a balance*
6. **Demand responsiveness** – *the ability to respond to changes in need or perception of need – is it easier to change the basis on which an in house care*

home operates to cater for changes in demand, rather than re-negotiate contracts with (possibly different) private provider?

7. **Management control** – ability to establish, monitor & maintain standards – *evaluates the extent to which homes under our direct control can establish and maintain the baseline by which we (as opposed to just basic legislation) would wish our standard of care to be measured. Considers whether we already do this, or should do so in the future*
8. **Changing client need pathways** - availability of care at home; sheltered housing; hospital care – *should evaluate the consequences of re-balancing care, yet place care home provision and location within the framework of levels of needs which change as individuals get older, and the value of co, or close, location of facilities of different types to minimise disruption and upheaval for service users*
9. **Build methodologies and costs** – alternatives such as modular pre-fabrication (ought to be highly appropriate with 'standard room' concept) – *build costs must take into account the range of building methodologies now available, and recognise the opportunities for good looking, energy efficient modular based buildings, especially given the 'standard' approach already adopted in respect of room design. Options for different methodologies should be costed fully*
10. **Energy efficiency and maintenance costs** – *long term savings through implementation of the highest standards of energy efficiency and low-maintenance build / equipping should be considered and balanced. Conclusions should be evidenced*
11. **Social & economic impact** – what does this mean? What comparative basis? - *this should take into account aspects of local sense of ownership, commitment to and engagement with the care home when local authority provided as opposed to privately. What measurable benefits are there? What intangible benefit might be considered.*
12. **Staff and client morale and commitment** – *are there differences in the morale and commitment of either or both staff and clients between in house and private provision? How might such difference be considered and accounted for?*
13. **Highland Council overhead on private provision** – *we are clear that the management overheads of Highland Council's internal structures are a heavy burden on the economics of in house provision of almost any service – but are Highland Council management overheads considered and accounted for against any private provision that is contracted? Eg drawing up sla's, monitoring performance etc*
14. **Provision of nursing care element** – who provides – NHS or privately? NHS willing partners? - *in the context of in house care homes, the intention would clearly be to work jointly with NHS for nursing support, and proximity (to cottage hospitals etc) would be a factor; privately run care homes need to source nursing support privately – is this an obstacle?; or a cost factor?*
15. **Care professionals integration and team working** – any in house advantages? - *related to aspect of nursing provision – an example of an ideal*

scenario might be the joint build of as replacement care home (Grant House) and a replacement hospital (Ian Charles) in Grantown; but also integration / co-location of social work teams; care at home teams; occupational therapy (both hospital and HC) etc

16. **Cost comparators with other Local Authorities** – *obviously we should know how we compare with others ; what our strengths and weaknesses are*
17. **Public / Private ratios in other Local Authorities** – *equally, we should know how our provision pattern compares with other local authorities, recognising fully the factors of population density (in particular, sparsity) which influence the economics of provision*









Each aspect of the business rationale should be evidenced separately since this will allow for full and transparent scrutiny and doing this exercise now may well better inform a range of future strategies.

D Fallows
S Black
J Douglas
G Rimell


4th February 2010

Older People Care Homes Grantown

March 2010

-  Highland Council
-  Independent
-  Residential
-  Nursing/Residential
-  Nursing
-  Community Care
-  Earmarked to be replaced (new capacity)
-  Planning Application for Care Home

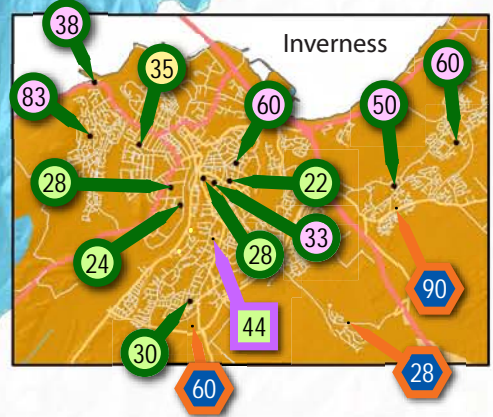
(Numbers indicate number of places)

-  30, 45 and 60 minute drive times from Grantown

Caithness, Sutherland and Easter Ross

Ross, Skye and Lochaber

Inverness, Nairn and Badenoch



Nursing Care Arrangements

1.0 District Nursing Input Integrated with Care Home Staffing Team

- 1.1 Dedicated nurses (sufficient to provide 24 hour service) would be employed by the NHS to provide all the nursing care to all residents, irrespective of which GP practice individuals are registered with, and would work within the Care Home, reporting on a day to day basis to the Manager/Shift Leader.
- 1.2 Nurses would be linked with the local nursing teams and clinically supervised by the [Depute Manager \(Grade 6 Nurse\)](#) and NHS Team Leader.
- 1.3 Seconded nurses would be an integral part of the Care Home staffing and fulfil the dual role of nurse and senior carer / shift manager.
- 1.4 Nurses would have an education role with Council staff.

2.0 Nursing Care Provision by Time of Day

- 2.1 **Day-time (8am – 6pm)**
Provided by seconded nurse(s).
- 2.2 **Evening (6pm-10pm)**
Provided by seconded nurse(s).
- 2.3 **Night (10pm – 8am)**
Provided by seconded nurse(s).

3.0 Clinical Governance

- 3.1 Continuity of care: provision of clinical leadership, supervision, standards of practice and liaison would be provided by the Community Nursing Team Leader within the community team, in order to support patient transfers and facilitate consistent standards of care e.g. infection control across sectors.
- 3.2 The ability of a nurse on site to liaise with specialist nurses for clinical advice and support to manage patient care, would promote equitable service delivery, enhance quality of care and skills development / updating.

4.0 Financial Governance

- 4.1 The integration of nurse / senior carer / shift manager role would be cost effective.
- 4.2 The secondment period would require detailed negotiation between the Council and NHS. There is precedence of such arrangements between the Council and NHS Highland (The Orchard), where these arrangements work effectively.
- 4.3 The development of joint posts creates a potential financial risk if one partner organisation wishes to redesign services that impacts on the joint role.

4.4 Unscheduled Care Teams may not be able to accommodate an increased but variable workload, and enhancement of the team may be financially prohibitive.

5.0 Staff Governance

5.1 There is increased opportunity for development and enhancement of the nursing role.

5.2 Sufficient numbers of the membership of the District Nursing Team would be required to develop the dual skills set of nurse and senior carer / shift manager to provide care in the absence of the seconded nurse, alternatively, cover for absences could be reduced to clinical care provision only.

5.3 Recruitment may be challenging as the dual post may not be an attractive role for qualified nurses.

5.4 Availability of trained nurses in the more remote and rural areas may be limited.

5.5 Security of the post for the post holder may be at risk if either organisation redesigns services that impacts on the role.

6.0 Corporate Accountability

6.1 The secondment model would require a change to the current “in reach” model. Nurses would remain employed by NHS Highland, however, the dual role would require nurses to also be accountable to the Council for the senior carer / shift manager aspect of the post.

6.2 The management of the post would require detailed negotiation and agreement between the two organisations to ensure clarity of lines of accountability, policies the individuals would be expected to work within, consideration of terms and conditions of employment for the various aspects of the post. Early discussions in this regard have already taken place.

Staffing Model Costings

Option 1

The social care staff model is the traditional local authority model, using conventional staffing ratios and the fewest possible staff and management tiers. This maximises flexibility and incorporates sufficient capacity for effective management and communications, and incorporates the staff grades and working patterns agreed locally and nationally and with the trade unions.

The nursing care model is the preferred arrangement (a).

The ratios between residents and social care/nursing staff in this option fall in the lower range of comparable independent sector care homes in Highland.

This is the preferred option.

Option 2

This option involves the minimum possible level of social care staffing, reducing capacity for management and communications. It introduces additional and lower staffing grades, at less cost on the basis of increased demarcation. Accordingly, there is reduced flexibility.

It involves the nursing arrangements as set out in part (b) in paragraph 7.2.5.

The ratios between residents and social care/nursing staff in this option are very low against comparable independent sector care homes in Highland.

This is not a preferred option.

Option 3

This option incorporates the additional and lower staffing grades and the increased demarcation of option 2, but involves a higher staffing ratio. This therefore broadly reflects the traditional social care model in the independent sector, albeit the grades of staff remain higher in the local authority.

This option involves the nursing arrangements set out in part (a) in paragraph 7.2.5, as in option 1 above.

The ratios between residents and social care/nursing staff in this option fall in the middle range of comparable independent sector care homes in Highland.

This is not a preferred option because:

- It is sustainable in the independent sector because of very different historical working patterns, including split shifts, peak-time staffing, significant numbers of part time staff and posts of 'care assistant' that would (a) be difficult to introduce in a local authority in the short-term; and (b) involve significant redeployment challenges for established staff groups.
- It introduces an additional tier of staffing and involves a level of demarcation that significantly reduces flexibility, particularly if some of the staffing arrangements indicated above are not also in place.

The staffing details for all of these options are provided on the following page.

		GRANT HOUSE CURRENT	GRANTOWN OPTION 1	GRANTOWN OPTION 2	GRANTOWN OPTION 3
	STAFF GRADE	Full-time equivalent posts	Full-time equivalent posts	Full-time equivalent posts	Full-time equivalent posts
CARE HOME					
Manager	HC10	0.60	0.50	0.50	0.50
Depute (Nurse)	Nurse 6		1.00		1.00
Depute	HC7			1.00	
Clerical Assistant	HC2	1.00	0.50	0.50	0.50
Senior Social Care Workers	HC7	3.00	2.00		
Nurse (Day Shifts)	Nurse 5		2.85		2.66
Social Care Workers (Day Shifts)	HC5	5.5	9.71	5.66	3.00
Care Assistants (Day Shifts)	HC3			7.99	10.65
Nurse (Night Shifts)	Nurse 5		1.85		1.85
Social Care Workers (Night Shifts)	HC5	3.5	3.71	3.71	
Care Assistants (Night Shifts)	HC3			1.85	3.71
General Assistants	HC2	4.00	5.50	5.52	4.18
Cook	HC4	1.00	1.00	1.00	1.00
Assistant Cook	HC3	1.00	1.00	1.00	1.00
Handyperson/Driver	HC3	1.00	0.50	0.50	0.50
Care Home Total		20.6	30.12	29.23	30.55
DAY CARE					
Grant House currently offers day care on five days per week for up to 15 people per day.					
			GRANTOWN DAY CARE OPTION 1		
Senior Day Centre Officer	HC7		1.00		
Day Centre Officer 2	HC5		1.00		
Day Care Officer 1	HC4	1.00			
Support Worker	HC3		2.00		
Driver/Handyperson	HC3		0.50		
Day Care Total		1.00	4.50		
TOTAL STAFF		21.60	34.62		
Amount allowed for relief staff		£152,802 (Projected expenditure 2009-10)	£205,598 (22.5% of larger staff number)		
TOTAL STAFFING COSTS		£670,858	£1,157,551		

Profile of Care Homes Within 30, 45 and 60 Minutes of Grantown

INDEPENDENT SECTOR								
Care Home	Location	Type	Size	Vacancies			Grading (31/12/09)	
				30/06/09	30/09/09	31/12/09		
Care Homes Within 30 Minutes								
1.	Grandview Nursing Home	Grantown on Spey	Nursing	45	3	6	6	5,5,5,5
2.	Mount Barker Care Home (expanding to 30 in September 2011)	Grantown	Residential	12	1	1	1	4,4,4,4 Temp closed
Care Homes Within 45 Minutes								
3.	Meallmore Lodge	Daviot	Nursing	70	2	2	2	2,3
4.	Bruach House	Nairn	Nursing	16	0	1	1	3,4,4,4
5.	Carolton Care	Nairn	Residential	20	1	0	0	3,4,4,4
6.	Hebron House	Nairn	Nursing	22	0	0	0	3,4,4,3
7.	Main's House	Newtonmore	Nursing	29	0	1	1	5.5.5.5
8.	St. Olaf - Cawdor Road	Nairn	Nursing	43	5	3	3	5,4,5,4
9.	Whinnieknowe	Nairn	Residential	24	1	1	0	5,5,4,5
Care Homes Within 60 Minutes								
10.	Aden House	Inverness	Residential	22	0	0	1	4,4,4,4
11.	Ballfeary House	Inverness	Residential	24	1	0	0	4,5,4,4
12.	Cameron House	Inverness	Residential	30	1	1	1	5,5,4,5
13.	Clachnaharry Care Home	Inverness	Nursing	38	0	1	1	4,3,3,3
14.	Cradlehall Care Home	Inverness	Nursing	50	0	3	1	4,4,4,4

INDEPENDENT SECTOR								
	Care Home	Location	Type	Size	Vacancies			Grading (31/12/09)
					30/06/09	30/09/09	31/12/09	
15.	Culloden Court Care Home	Inverness	Nursing	60	0	1	2	5,5
16.	Elmgrove Care Home	Inverness	Residential	28	1	1	1	1,1,2,1
17.	Fairfield	Inverness	Both	35	2	1	0	3,4,4,4
18.	Highview Care Home	Inverness	Nursing	83	6	8	0	3,4,4,3
19.	Isobel Fraser	Inverness	Residential	28	1	2	1	4,5,4,4
20.	Kingsmills Nursing Home	Inverness	Nursing	60	0	0	3	3,4,4,4
21.	Southside Care Home	Inverness	Nursing	33	0	4	0	3,2,3,3
Care Homes Over 60 Minutes								
22.	Abbeyfield Ballachulish	Ballachulish	Both	24	2	3	3	5,5
23.	Achvarasdal	Thurso	Residential	25	3	3	3	5,5,5,5
24.	Budhmor House	Portree	Residential	29	13	13	13	5,4,4,4
25.	Castle Gardens	Invergordon	Nursing	38	4	2	3	4,4,4,4
26.	Coillore	Struan	Residential	7	5	5	5	5,5,4,4,
27.	Fodderty House	By Dingwall	Residential	16	1	3	3	5,5,5,6
28.	Hilton Residential Home	Broadford	Residential	10	1	0	0	5,5,4,5
29.	Home Farm	Portree	Nursing	40	3	2	7	4,4,4,5
30.	Isle View	By Achnasheen	Nursing	23	1	0	1	5,4,5,4
31.	Kintyre House	Invergordon	Residential	37	0	0	0	6,6,6,6
32.	Marine House	Rosemarkie	Nursing	45	1	1	8	4,3,3,3
33.	Mo Dhachaidh	Ullapool	Nursing	20	0	1	1	4,4,4,4

INDEPENDENT SECTOR								
	Care Home	Location	Type	Size	Vacancies			Grading (31/12/09)
					30/06/09	30/09/09	31/12/09	
	Care Home							
34.	Moss Park Nursing Home	Fort William	Nursing	40	3	4	4	5,3,5
35.	Mull Hall	Invergordon	Residential	42	0	1	2	6,6
36.	Oversteps	Dornoch	Residential	24	0	0	3	6,6,6,6
37.	Pentland View	Thurso	Nursing	50	5	3	4	4,5,5,5
38.	Redwoods	Alness	Nursing	42	6	1	3	2,3,3,3
39.	Riverside House	Wick	Nursing	44	14	14	14	2,3,2,3
40.	Seaview House	Wick	Nursing	42	6	12	11	4,5,5,5
41.	Shoremill	By Cromarty	Residential	12	0	0	0	4,4,4,4
42.	Staffin House	Staffin	Residential	13	3	3	3	5,5,4,5
43.	Strathallan House	Strathpeffer	Residential	32	0	0	0	4,4,4,4
44.	The Haven	Uig	Residential	14	2	2	2	5,4,4,4
45.	The Meadows	Dornoch	Both	40	2	1	1	4,4,4,4
46.	Wyvis House	Dingwall	Nursing	50	7	7	7	3,3,2,2

Note:

It is highlighted that the vacancy information is as captured during a census and may not reflect any waiting list operated by a care home, or agreed placements awaiting the release of funding.

THE HIGHLAND COUNCIL					
	Care Home	Location	Type	Size	Grading (31/12/09)
Care Homes Within 30 Minutes					
1.	Grant House	Grantown	Residential	20	4,3
Care Homes Within 45 Minutes					
2.	Wade Centre	Kingussie	Residential	10	4,4,3,4
Care Homes Within 60 Minutes					
3.	Ach-an-Eas	Inverness	Residential	24	2,3,3,2
Care Homes Over 60 Minutes					
4.	An Acarsaid	Broadford	Residential	9	4,4,4,4
5.	Bayview House	Thurso	Residential	23	5,5,4,5
6.	Cala Sona	Lairg	Residential	6	5,4,4,4
7.	Dail Mhor House	Acharacle	Residential	6	4,4
8.	Duthac House	Tain	Residential	24	4,4,4,4
9.	Graham House	Kyle	Residential	12	5,3,5,4
10.	Invernevis House	Fort William	Residential	24	4,4,4,4
11.	Lochbroom House	Ullapool	Residential	8	5,3,5,5
12.	Mackintosh Centre	Mallaig	Residential	8	2,3
13.	Melvich	Melvich	Residential	6	4,4,4,4
14.	Pulteney House	Wick	Residential	18	5,5,5,5
15.	Seaforth House	Golspie	Residential	15	4,4,5,5
16.	Strathburn House	Gairloch	Residential	14	5,5,5,5
17.	Telford Centre	Fort Augustus	Residential	10	3,4,4,4
18.	Urray House	Muir of Ord	Residential	28	3,4,3,3

Projected Lifecycle Costs

Grantown on Spey Care Home

Asset Replacement Costs - Repairs and Maintenance (including inflationary allowance)

	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Total Cost in	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Period (£)	
Annual Cost (Present Day)		6,805	8,084	6,805	8,786	19,708	71,637	13,592	9,251	6,805	131,415	6,805	82,482	6,805	14,871	131,956	9,251	6,805	71,637	6,805	620,305	
Annual Cost (Including Inflation)*	0	7,080	8,579	7,366	9,700	22,194	82,288	15,925	11,056	8,295	163,398	8,630	106,699	8,979	20,014	181,147	12,954	9,719	104,362	10,112	798,499	
Cumulative Cost	0	7,080	15,659	23,025	32,725	54,920	137,208	153,133	164,189	172,484	335,882	344,513	451,212	460,191	480,205	661,353	674,306	684,025	788,387	798,499		
																						Mean Cost Per Annum £/Yr
																						39,925

* 2% Yearly allowance

Mid point cost allowances assumed (eg 2011/2012 expenditure date is 1Q12)

Appendix G

Financial Models

Care Home Project
Business Case - NPV
Grant House (20 places)

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Revenue																							
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	671	681	691	702	712	723	734	745	756	767	779	790	802	814	827	839	851	864	877	890		15,516
Property Costs	0	61	62	63	65	66	67	69	70	71	73	74	76	77	79	80	82	84	85	87	89		1,482
Transport Costs	0	17	17	18	18	18	19	19	20	20	20	21	21	22	22	22	23	23	24	24	25		413
Groceries and other costs	0	40	41	42	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58		972
Third party payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Revenue Costs	0	789	801	814	827	840	853	867	880	894	908	923	937	952	967	982	998	1,013	1,029	1,046	1,062		18,383
Income	0	282	288	293	299	305	311	318	324	330	337	344	351	358	365	372	380	387	395	403	411		6,852
Net Revenue Costs	0	507	514	521	528	535	542	549	556	564	571	579	586	594	602	610	618	626	635	643	651		11,531
Capital																							
Construction Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Capital Receipt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Total Costs	0	507	514	521	528	535	542	549	556	564	571	579	586	594	602	610	618	626	635	643	651		11,531
Net Present Value	0	490	480	470	460	450	441	432	422	414	405	396	388	380	372	364	357	349	342	334	327		8,072

Care Home Project
Business Case - Revenue Budget Implications
Grant House (20 Places)

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Revenue	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	671	681	691	702	712	723	734	745	756	767	779	790	802	814	827	839	851	864	877	890		15,516
Property Costs	0	61	62	63	65	66	67	69	70	71	73	74	76	77	79	80	82	84	85	87	89		1,482
Transport Costs	0	17	17	18	18	18	19	19	20	20	20	21	21	22	22	22	23	23	24	24	25		413
Groceries and other costs	0	40	41	42	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58		972
Third party payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Loan Charges	0	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	0	0	0	0		768
Revenue Costs	0	837	849	862	875	888	901	915	928	942	956	971	985	1,000	1,015	1,030	1,046	1,013	1,029	1,046	1,062		19,151
Income	0	282	288	293	299	305	311	318	324	330	337	344	351	358	365	372	380	387	395	403	411		6,852
Net Revenue Costs	0	555	562	569	576	583	590	597	604	612	619	627	634	642	650	658	666	626	635	643	651		12,299

Care Home Project
Business Case - NPV
Grantown New Home (30 Places)
Model 1

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Revenue	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	1,158	1,175	1,193	1,211	1,229	1,247	1,266	1,285	1,304	1,324	1,344	1,364	1,385	1,405	1,426	1,448	1,469	1,492	1,514	1,537		26,777
Property Costs	0	46	47	48	49	50	51	52	53	54	55	56	57	58	60	61	62	63	64	66	67		1,118
Life cycle costs	0	0	7	9	7	10	22	82	16	11	8	163	9	107	9	20	181	13	10	104	10		798
Transport Costs	0	20	20	21	21	22	22	23	23	23	24	24	25	25	26	26	27	27	28	29	29		486
Groceries and other costs	0	62	63	65	66	67	68	70	71	73	74	76	77	79	80	82	83	85	87	89	90		1,506
Third party payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Revenue Costs	0	1,286	1,313	1,335	1,354	1,378	1,411	1,492	1,448	1,465	1,485	1,663	1,532	1,654	1,580	1,615	1,801	1,658	1,681	1,801	1,733		30,685
Income	0	323	329	336	343	350	357	364	371	378	386	394	402	410	418	426	435	443	452	461	471		7,848
Net Revenue Costs	0	963	983	999	1,011	1,028	1,054	1,129	1,077	1,087	1,099	1,269	1,131	1,244	1,162	1,189	1,366	1,215	1,228	1,339	1,263		22,837
Capital																							
Construction Costs	7,201	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		7,201
Capital Receipt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(3,164)		(3,164)
Total Costs	7,201	963	983	999	1,011	1,028	1,054	1,129	1,077	1,087	1,099	1,269	1,131	1,244	1,162	1,189	1,366	1,215	1,228	1,339	(1,901)		26,874
Net Present Value	7,201	930	918	901	881	866	858	887	818	798	779	869	748	796	718	710	788	677	661	697	(956)		21,545

Care Home Project
Business Case - NPV
Granttown New Home (30 Places)
Model 2

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Revenue	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	997	1,012	1,027	1,043	1,058	1,074	1,090	1,107	1,123	1,140	1,157	1,174	1,192	1,210	1,228	1,246	1,265	1,284	1,303	1,323		23,054
Property Costs	0	46	47	48	49	50	51	52	53	54	55	56	57	58	60	61	62	63	64	66	67		1,118
Life cycle costs	0	0	7	9	7	10	22	82	16	11	8	163	9	107	9	20	181	13	10	104	10		798
Transport Costs	0	20	20	21	21	22	22	23	23	23	24	24	25	25	26	26	27	27	28	29	29		486
Groceries and other costs	0	62	63	65	66	67	68	70	71	73	74	76	77	79	80	82	83	85	87	89	90		1,506
Third party payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Revenue Costs	0	1,125	1,150	1,169	1,185	1,207	1,237	1,316	1,270	1,284	1,301	1,476	1,343	1,461	1,384	1,417	1,600	1,454	1,473	1,590	1,519		26,962
Income	0	323	329	336	343	350	357	364	371	378	386	394	402	410	418	426	435	443	452	461	471		7,848
Net Revenue Costs	0	802	820	833	843	857	881	953	899	906	915	1,082	941	1,052	967	991	1,165	1,010	1,021	1,129	1,049		19,114
Capital																							
Construction Costs	7,201	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		7,201
Capital Receipt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(3,164)		(3,164)
Total Costs	7,201	802	820	833	843	857	881	953	899	906	915	1,082	941	1,052	967	991	1,165	1,010	1,021	1,129	(2,115)		23,151
Net Present Value	7,201	775	766	752	734	722	716	749	682	664	649	741	623	672	597	591	672	563	550	587	(1,063)		18,943

Care Home Project
Business Case - NPV
Granttown New Home (30 Places)
Model 3

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Revenue	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	1,040	1,056	1,071	1,088	1,104	1,120	1,137	1,154	1,172	1,189	1,207	1,225	1,243	1,262	1,281	1,300	1,320	1,340	1,360	1,380	24,049	
Property Costs	0	46	47	48	49	50	51	52	53	54	55	56	57	58	60	61	62	63	64	66	67	1,118	
Life cycle costs	0	0	7	9	7	10	22	82	16	11	8	163	9	107	9	20	181	13	10	104	10	798	
Transport Costs	0	20	20	21	21	22	22	23	23	23	24	24	25	25	26	26	27	27	28	29	29	486	
Groceries and other costs	0	62	63	65	66	67	68	70	71	73	74	76	77	79	80	82	83	85	87	89	90	1,506	
Third party payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Revenue Costs	0	1,168	1,193	1,214	1,230	1,252	1,284	1,363	1,317	1,333	1,350	1,526	1,393	1,513	1,437	1,470	1,654	1,508	1,529	1,646	1,577	27,957	
Income	0	323	329	336	343	350	357	364	371	378	386	394	402	410	418	426	435	443	452	461	471	7,848	
Net Revenue Costs	0	845	864	878	888	903	927	1,000	946	954	964	1,132	992	1,103	1,019	1,044	1,219	1,065	1,076	1,185	1,106	20,109	
Capital																							
Construction Costs	7,201	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,201	
Capital Receipt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(3,164)	(3,164)	
Total Costs	7,201	845	864	878	888	903	927	1,000	946	954	964	1,132	992	1,103	1,019	1,044	1,219	1,065	1,076	1,185	(2,058)	24,146	
Net Present Value	7,201	816	806	791	773	760	754	786	719	700	683	775	656	705	629	623	703	593	580	617	(1,034)	19,638	

Care Home Project
 Business Case - Revenue Budget Implications
 Grantown New Home (30 Places)

Model 1

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total
Revenue	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	1,158	1,175	1,193	1,211	1,229	1,247	1,266	1,285	1,304	1,324	1,344	1,364	1,385	1,405	1,426	1,448	1,469	1,492	1,514	1,537	26,777
Property Costs	0	46	47	48	49	50	51	52	53	54	55	56	57	58	60	61	62	63	64	66	67	1,118
Life cycle costs	0	0	7	9	7	10	22	82	16	11	8	163	9	107	9	20	181	13	10	104	10	798
Transport Costs	0	20	20	21	21	22	22	23	23	23	24	24	25	25	26	26	27	27	28	29	29	486
Groceries and other costs	0	62	63	65	66	67	68	70	71	73	74	76	77	79	80	82	83	85	87	89	90	1,506
Third party payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Charges	0	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	7,600
Revenue Costs	0	1,666	1,693	1,715	1,734	1,758	1,791	1,872	1,828	1,845	1,865	2,043	1,912	2,034	1,960	1,995	2,181	2,038	2,061	2,181	2,113	38,285
Income	0	323	329	336	343	350	357	364	371	378	386	394	402	410	418	426	435	443	452	461	471	7,848
Net Revenue Costs	0	1,343	1,363	1,379	1,391	1,408	1,434	1,509	1,457	1,467	1,479	1,649	1,511	1,624	1,542	1,569	1,746	1,595	1,608	1,719	1,643	30,437

Care Home Project
Business Case - Revenue Budget Implications
Granttown New Home (30 Places)
Model 2

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total
Revenue	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	997	1,012	1,027	1,043	1,058	1,074	1,090	1,107	1,123	1,140	1,157	1,174	1,192	1,210	1,228	1,246	1,265	1,284	1,303	1,323	23,054
Property Costs	0	46	47	48	49	50	51	52	53	54	55	56	57	58	60	61	62	63	64	66	67	1,118
Life cycle costs	0	0	7	9	7	10	22	82	16	11	8	163	9	107	9	20	181	13	10	104	10	798
Transport Costs	0	20	20	21	21	22	22	23	23	23	24	24	25	25	26	26	27	27	28	29	29	486
Groceries and other costs	0	62	63	65	66	67	68	70	71	73	74	76	77	79	80	82	83	85	87	89	90	1,506
Third party payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Charges	0	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	7,600
Revenue Costs	0	1,505	1,530	1,549	1,565	1,587	1,617	1,696	1,650	1,664	1,681	1,856	1,723	1,841	1,764	1,797	1,980	1,834	1,853	1,970	1,899	34,562
Income	0	323	329	336	343	350	357	364	371	378	386	394	402	410	418	426	435	443	452	461	471	7,848
Net Revenue Costs	0	1,182	1,200	1,213	1,223	1,237	1,261	1,333	1,279	1,286	1,295	1,462	1,321	1,432	1,347	1,371	1,545	1,390	1,401	1,509	1,429	26,714

Care Home Project
 Business Case - Revenue Budget Implications
 Granttown New Home (30 Places)
 Model 3

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Revenue	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	1,040	1,056	1,071	1,088	1,104	1,120	1,137	1,154	1,172	1,189	1,207	1,225	1,243	1,262	1,281	1,300	1,320	1,340	1,360	1,380		24,049
Property Costs	0	46	47	48	49	50	51	52	53	54	55	56	57	58	60	61	62	63	64	66	67		1,118
Life cycle costs	0	0	7	9	7	10	22	82	16	11	8	163	9	107	9	20	181	13	10	104	10		798
Transport Costs	0	20	20	21	21	22	22	23	23	23	24	24	25	25	26	26	27	27	28	29	29		486
Groceries and other costs	0	62	63	65	66	67	68	70	71	73	74	76	77	79	80	82	83	85	87	89	90		1,506
Third party payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Loan Charges	0	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380	380		7,600
Revenue Costs	0	1,548	1,573	1,594	1,610	1,632	1,664	1,743	1,697	1,713	1,730	1,906	1,773	1,893	1,817	1,850	2,034	1,888	1,909	2,026	1,957		35,557
Income	0	323	329	336	343	350	357	364	371	378	386	394	402	410	418	426	435	443	452	461	471		7,848
Net Revenue Costs	0	1,225	1,244	1,258	1,268	1,283	1,307	1,380	1,326	1,334	1,344	1,512	1,372	1,483	1,399	1,424	1,599	1,445	1,456	1,565	1,486		27,709

Care Home Project
Business Case - NPV
Grantown ISC (30 Places)

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Revenue	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Property Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transport Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Groceries and other costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NCHC - Nursing Fee	0	860	877	894	912	930	949	968	987	1,007	1,027	1,048	1,069	1,090	1,112	1,134	1,157	1,180	1,204	1,228	1,252	20,885	
Day Care	0	100	102	104	106	108	110	113	115	117	119	122	124	127	129	132	134	137	140	143	146	2,428	
Revenue Costs	0	959	979	998	1,018	1,039	1,059	1,081	1,102	1,124	1,147	1,170	1,193	1,217	1,241	1,266	1,291	1,317	1,344	1,370	1,398	23,313	
Self Funders	0	184	188	191	195	199	203	207	211	216	220	224	229	233	238	243	248	253	258	263	268	4,471	
Net Revenue Costs	0	775	791	807	823	839	856	873	891	909	927	945	964	983	1,003	1,023	1,044	1,065	1,086	1,108	1,130	18,842	
Capital																							
Construction Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Receipt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Costs	0	775	791	807	823	839	856	873	891	909	927	945	964	983	1,003	1,023	1,044	1,065	1,086	1,108	1,130	18,842	
Net Present Value	0	749	738	728	717	707	696	686	676	667	657	647	638	629	620	611	602	593	585	576	568	13,090	

Care Home Project
 Business Case - Revenue Budget Implications
 Granttown ISC (30 Places)

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Revenue	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Property Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transport Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Groceries and other costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NCHC - Nursing Fee	0	860	877	894	912	930	949	968	987	1,007	1,027	1,048	1,069	1,090	1,112	1,134	1,157	1,180	1,204	1,228	1,252	20,885	
Day Care	0	100	102	104	106	108	110	113	115	117	119	122	124	127	129	132	134	137	140	143	146	2,428	
Loan Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Costs	0	959	979	998	1,018	1,039	1,059	1,081	1,102	1,124	1,147	1,170	1,193	1,217	1,241	1,266	1,291	1,317	1,344	1,370	1,398	23,313	
Self Funders	0	184	188	191	195	199	203	207	211	216	220	224	229	233	238	243	248	253	258	263	268	4,471	
Net Revenue Costs	0	775	791	807	823	839	856	873	891	909	927	945	964	983	1,003	1,023	1,044	1,065	1,086	1,108	1,130	18,842	

Care Home Closures

Independent Sector (Older People) Care Homes Closures						
	Name	Type	Location	Area	Size	Year of Closure
1.	Bellevue Nursing Home	Nursing	Inverness	INBS	27	2001
2.	Coig na Shee	Residential	Newtonmore	INBS	12	2001
3.	Dunachton House	Residential	Grantown	INBS	9	2001
4.	Glentower	Residential	Fort William	RSL	10	2001
5.	Balblair	Residential	Edderton	RSL	16	2003
6.	Strathcare	Residential	Skye	RSL	15	2004
7.	Helmsdale	Residential	Fort William	RSL	23	2004
8.	Strathgarve	Nursing	Garve	RSL	28	2005
9.	Lentran	Nursing	Inverness	INBS	34	2007
10.	Riversdale Care Home	Residential	Grantown	INBS	15	2008
11.	Hempriggs	Residential	Wick	CSER	20	2008
12.	Annie Cameron	Residential	Kinlocheil	RSL	11	2008
					220	

NCHC Fee Negotiations 09/10

Final Agreement Fee Level – Illustration

	<u>Nursing</u>	<u>Residential</u>
08/09 Headline Fee	£523.35	£450.45
Less share of £6 Million	<u>£6.81</u>	<u>£1.76</u>
	£516.54	£448.69
Less 08/09 DWP	<u>£102.90</u>	<u>£102.90</u>
Base Fee for inflation*.	£413.64 (Inc £18.62 QA)	£345.79 (Inc £18.62 QA)
+ 2.8% inflation uplift	<u>£11.76</u>	<u>£9.27</u>
	£425.40	£355.05
Plus share of £6 million**	<u>£6.59</u>	<u>£1.71</u>
	£432.00	£356.76
Plus 09/10 DWP	<u>£108.10</u>	<u>£108.10</u>
09/10 Headline Fee (3.2% overall)	<u>£540.10</u> ^{***}	<u>£464.86</u> ^{***}
	----00----	

the % increase is applied to a base fee which excludes DWP and the non-inflated £6 million additional quality payment made available for 08/09, 09/10, and 10/11.

The notional capital element has been retained within the base fee (in line with the 08/09 precedent.)

** The share of £6 million re-inserted has been re-configured to reflect a shift in the demographic of the care home population.

*** Includes total quality payment of **£25.95 (N)** and **£20.90 (R)**.

N.B. This illustration is derived from a computer based calculation and any apparent discrepancies in the mathematics arise from the rounding up and down of the figures – the end result (the Headline Fee) is correct.

*Doug Haggart
 NCHC Project Officer
 Health and Social Care Team
 COSLA*

*Sarah Fortune
 Policy Manager
 Local Government Finance Team
 COSLA*

10 March 2009

Cosla Payment History

	2003-2004	% Increase	2004-2005	% Increase	2005-2006	% Increase	2006-2007	% Increase	2007-2008	% Increase	2008-2009	% Increase	2009-2010	% Increase	2010-2011
Standard Old Age Nursing Fee (pppw)	406.00	3.45%	420.00	1.90%	428.00	10.15%	471.45	6.35%	501.37	4.38%	523.35	3.20%	540.10	1.98%	550.81
Standard Old Age Residential Fee (pppw)	346.00	3.47%	358.00	1.96%	365.00	11.45%	406.78	7.01%	435.30	3.48%	450.45	3.20%	464.86	2.00%	474.16

Note

- 1) The Cosla increase for 2010-2011 is 2%, with a further 0.7% where specific Care Commission gradings have been attained. For ease of calculation, a 2% increase has been assumed.
- 2) The significant increases in previous years 2005-2007, were made available through additional funding from the Scottish Government to meet the cost of care.
- 3) The current fees payable include payment for quality criteria, which is audited at set points in the year. If the required criteria is not met, the quality element is recouped from the provider.
- 4) In 2004-2005, The Highland Council paid more than the Cosla fees, which were £414.63 and £352.47 for nursing and residential care respectively.

Care Commission Gradings

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INDEPENDENT SECTOR CARE COMMISSION GRADINGS

Service Name	Location	Registered Beds	As at 31 December 2009				As at 28 February 2010			
			Quality of Care and Support	Quality of Environment	Quality of Staffing	Quality of Management and Leadership	Quality of Care and Support	Quality of Environment	Quality of Staffing	Quality of Management and Leadership
Abbeyfield Ballachulish (Care Home)	Ballachulish	24	5		5		5	5	5	6
Achvarasdal (Care Home)	Thurso	25	5	5	5	5	5	5	5	5
Budhmer House (Care Home)	Portree	29	5	4	4	4	5	4	4	4
Cameron House (Care Home)	Inverness	30	5	5	4	5	5	5	4	5
Whinnieknowe (Care Home)	Nairn	24	5	5	4	5	5	5	4	5
Oversteps (Care Home)	Dornoch	24	6	6	6	6	6	6	6	6
Aden House (Care Home)	Inverness	22	4	4	4	4	4	4	3	4
Ballifeary House	Inverness	24	4	5	4	4	4	5	4	4
Coillere (Care Home)	Struan	7	5	5	4	4	5	5	4	4
Culloden Court Care Home	Inverness	60	5		5		5		5	
Hilton Residential Home	Broadford	10	5	5	4	5	5	5	4	5
Isobel Fraser	Inverness	28	4	5	4	4	4	5	4	4
Kintyre House (Care Home)	Invergordon	37	6	6	6	6	6	6	6	6
Mull Hall (Care Home)	Invergordon	42	6		6		6		6	
Staffin House (Care Home)	Staffin	13	5	5	4	5	5	5	4	5
Strathallan House (Care Home)	Strathpeffer	32	4	4	4	4	5		6	
Meallmore Lodge	Inverness	70	2	3			2	3		
Fairfield Care Home	Inverness	35	3	4	4	4	3	4	4	4
Riverside House Care Home	Wick	44	2	3	2	3	3	3	2	3
Grandview Nursing Home	Grantown on Spey	45	5	5	5	5	5	5	5	5
Southside Care Home	Inverness	33	3	2	3	3	3	2	3	3
Isle View (Care Home)	By Achnasheen	23	5	4	5	4	5	4	5	4
Kingsmills Nursing Home	Inverness	60	3	4	4	4	3	4	4	4
Mount Barker Care Home	Grantown on Spey	12	4	4	4	4	4	4	4	4
Shoremill (Care Home)	By Cromarty	12	4	4	4	4	3	3	3	3
The Meadows (Care Home)	Dornoch	40	4	4	4	4	4	4	4	4
Carolton Care	Nairn	20	3	4	4	4	3	4	4	4
Marine House	Rosemarkie	45	4	3	3	3	4	3	3	3
St. Olaf - Cawdor Road	Nairn	43	5	4	5	4	4	4	4	4
Main's House	Newtonmore	29	5	5	5	5	5	5	5	5
The Haven	Uig	14	5	4	4	4	5	4	4	4
Redwoods (Care Home)	Alness	42	2	3	3	3	2	3	3	3
Moss Park Nursing Home	Fort William	40	5	3	5		5	3	5	
Cradlehall Care Home	Inverness	50	4	4	4	4	4	4	4	4
Castle Gardens (Care Home)	Invergordon	38	4	4	4	4	4	4	4	4
Home Farm (Care Home)	Portree	40	4	4	4	5	4	4	4	5
Clachnaharry Care Home	Inverness	38	4	3	3	3	4	3	3	3
Highview Care Home	Inverness	83	3	4	4	3	3	4	4	3
Mo Dhachaidh Care Home	Ullapool	20	4	4	4	4	4	4	4	4
Pentland View - Highland	Thurso	50	4	5	5	5	4	5	5	5
Seaview House Nursing Home	Wick	42	4	5	5	5	4	5	5	5
Fodderty House	By Dingwall	16	5	5	5	6	5	5	5	6
Elmgrove Care Home	Inverness	28	1	1	2	1	1	1	2	1
Bruach House	Nairn	16	3	4	4	4	3	4	4	4
Wyvis House Care Home	Dingwall	50	3	3	2	2	3	3	2	2
Hebron House	Nairn	22	3	4	4	3	3	4	4	3
		1531	4.11	4.12	4.16	4.10	4.11	4.12	4.13	4.13

LOCAL AUTHORITY - CARE COMMISSION GRADINGS

Service Name	Location	Registered Beds	As at 31 December 2009				As at 28 Feb 2010			
			Quality of Care and Support	Quality of Environment	Quality of Staffing	Quality of Management and Leadership	Quality of Care and Support	Quality of Environment	Quality of Staffing	Quality of Management and Leadership
Ach-an-Eas (Care Home)	Inverness	24	2	3	3	2	2	3	3	2
An Acarsaid (Care Home)	Broadford	9	4	4	4	4	4	4	4	4
Bayview House (Care Home)	Thurso	23	5	5	4	5	5	5	4	5
Graham House (Care Home)	Kyle of Lochalsh	12	5	3	5	4	5	3	5	4
Grant House (Care Home)	Grantown-on-Spey	20	4		3		4		3	
Invernevis House (Care Home)	Fort William	24	4	4	4	4	4	4	4	4
Lochbroom House (Care Home)	Ullapool	8	5	3	5	5	5	3	5	5
Caladh Sona	Lairg	6	5	4	4	4	5	4	4	4
Melvich Community Care Unit (Care Home)	Melvich	6	4	4	4	4	4	4	4	4
Dail Mhor (Care Home)	Archaracle	6			4	4	4	5	4	4
Duthac House (Care Home)	Tain	24	4	4	4	4	4	4	4	4
Seaforth House (Care Home)	Golspie	15	4	4	5	5	5		4	
Strathburn (Care Home)	Gairloch	14	5	5	5	5	5	5	5	5
Telford Centre (Care Home)	Fort Augustus	10	3	4	4	4	3	4	4	4
Urray House (Care Home)	Muir of Ord	28	3	4	3	3	3	4	3	3
Wade Centre (Care Home)	Kingussie	10	4	4	3	4	4	4	3	4
Pulteney House (Care Home)	Wick	18	5	5	5	5	5	5	5	5
Mackintosh Centre (Care Home)	Mallaig	8	2			3	2			3
			4.00	4.00	4.06	4.06	4.06	4.07	4.00	4.00

Care Commission Grading Summary and Average Information

Average Care Commission Gradings as at 31 Dec 2009						
		Care	Environ	Staff	Mgt & Ldr	Average
Scotland	All	3.92	3.88	3.91	3.81	3.88
	LA	4.09	3.97	4.01	3.91	3.99
	ISC	3.89	3.87	3.89	3.79	3.86
Highland	All	4.08	4.07	4.13	4.05	4.08
	LA	4.00	4.00	4.06	4.06	4.03
	ISC	4.11	4.12	4.16	4.10	4.12

Average Care Commission Gradings as at 28 February 2010						
		Care	Environ	Staff	Mgt & Ldr	Average
Scotland	All	3.97	3.88	3.92	3.81	3.89
	LA	4.20	4.01	4.06	3.98	4.07
	ISC	3.91	3.86	3.90	3.78	3.86
Highland	All	4.10	4.12	4.11	4.09	4.10
	LA	4.06	4.07	4.00	4.00	4.03
	ISC	4.11	4.12	4.13	4.13	4.12