

EAST RENFREWSHIRE COUNCIL14 December 2016Report by Chief Officer HSCP & Director of EnvironmentSALE OF BONNYTON HOUSE**PURPOSE OF REPORT**

1. The purpose of this report is to update Council on the process undertaken to sell Bonnyton House residential service as a going concern and request approval to proceed with the sale to the preferred bidder.

RECOMMENDATIONS

2. Council is asked to:-
- a) note the decision of the Health & Social Care Partnership Integration Joint Board (IJB) in October 2015 to proceed with the marketing and sale of Bonnyton House residential service as a going concern,
 - b) note the process undertaken to identify the preferred bidder to purchase Bonnyton House residential service as a going concern,
 - c) approve the sale of Bonnyton House residential service as a going concern to the preferred bidders subject to concluding missives, with permission that in the event of the sale not being successfully concluded negotiations can be undertaken with other bidders,
 - d) agree which pension arrangement should be progressed as part of the conclusion of missives with the preferred bidder,
 - e) delegate the responsibility to conclude negotiations for the sale of the property, including seeking to impose the requirement to ensure ongoing use of the premises as a care home, to the HSCP Chief Officer and Director of Environment in conjunction with the Chief Officer (Legal and Procurement).

BACKGROUND

3. Bonnyton House is the sole care home for older people operated by the HSCP. Located in Busby, it is registered for 34 people, currently operating with 28 permanent beds and 6 respite beds. As part of the process to identify savings for the 2015/16 - 2017/18 Council budget setting process, a range of options were considered for Bonnyton, including closure, service redesign and the sale and transfer of the service to a third sector or independent sector provider.

4. The last budget cycle was particularly challenging for officers and elected members. Significant efficiencies and savings had been taken from budgets in previous cycles and there were no “easy” savings left to make. The officers proposed savings that, whilst potentially difficult for staff, preserved good outcomes for residents. The decision on the future of Bonnyton residential service was particularly difficult for elected members however the recommendation to sell Bonnyton House to a new care provider was reluctantly supported in recognition of the Council’s responsibility to achieve best value with regards to public funding. This is expected to achieve revenue savings of up to £600k per annum by the start of the financial year 2017/18.

5. In February 2015 the decision to sell Bonnyton House was delayed so that alternative proposals put forward by staff and residents’ families could be considered by an external agency. Families and staff strongly disagreed with the HSCP’s proposals and produced alternative proposals which they believed would make the service more financially viable.

6. The HSCP carried out a procurement exercise and appointed Grant Thornton to carry out an options appraisal on the proposal and to analyse the alternative plans put forward by staff and residents’ families. The options appraisal completed by Grant Thornton which was presented to the IJB in October 2015, highlighted the significant investment required to increase the number of beds through converting respite beds to permanent beds and carrying out general building works. Capital funding of approximately £750k would be required to increase the number of beds at Bonnyton residential unit. Over the next five years anticipated maintenance costs for the building would be in the region of £387k. Grant Thornton concluded that the revenue savings required could only be achieved through the sale of Bonnyton House as a going concern.

7. The HSCP IJB was established in August 2015. On 7th October 2015 the IJB agreed to proceed with the proposed sale of Bonnyton House residential service as a going concern to a provider with a track record in delivering quality care.

8. Bonnyton House also provided a day opportunities service for older people, offering support to between 70-80 people per week, who lived at home. Prior to the IJB decision to sell Bonnyton House as a residential service, a strategy to redesign day services was already in place and underway. Increasing demand for services and the desire to transition from buildings based day services to a community based model prompted the redesign of older people day opportunities. The transition of traditional building based day services to new or alternative activities completed in October 2016. Day services are no longer provided from Bonnyton House.

REPORT

9. A three stage process was agreed with Grant Thornton as part of the procurement process:-

1. Testing of the business cases
2. Testing the market
3. Negotiating the sale with prospective operators

10. Initial marketing of Bonnyton House residential service began in January 2016. Christie & Co, on behalf of Grant Thornton and the HSCP, contacted local operators with good reputations and strong financial position to test the interest in purchasing Bonnyton residential service.

11. Interest was expressed from various operators and full marketing of Bonnyton House residential service began in March 2016. A closing date was set for the end of April 2016. No offers were ultimately received on the actual closing date but subsequently three offers were received. The number of offers and their respective values were less than the indicative valuation anticipated by Grant Thornton.

12. The focus for the sale of Bonnyton House as going concern has been on achieving recurring revenue savings. The bids received would have enabled the revenue savings to be achieved however, the value of the bids was lower than anticipated. In order to ensure compliance with the Council's obligations under the Disposal of Land by Local Authorities (Scotland) Regulations 2010, a valuation report for the sale of Bonnyton as a going concern was commissioned from the District Valuer. At June 2016 Bonnyton House residential service as a going concern was assessed as being of nil value. The valuation reflects the uncertainty in care home market, the wider economy and the current condition of Bonnyton House.

13. Grant Thornton had continued to engage with interested parties about bidding to buy the service. Upon a further note of definite interest being received it was agreed with Grant Thornton that a final closing date of 29th July 2016 would be put on the sale and all previously interested parties would be contacted and asked to submit final bids.

14. Two firm offers were received at the closing date, both of which exceeded the value of the previous bids received. Both bids were above the valuation figure, of broadly similar value and from reputable providers.

15. The Council's Chief Officer (Legal & Procurement) confirmed that the sale of Bonnyton House residential service is not a procurement process. The Council is selling the property and business. The bids were rigorously scrutinised by the HSCP using predefined best value criteria to identify a suitable purchaser.

16. The HSCP assessed the bids received on the following best value criteria:

- Credit Score Rating
- Care Inspectorate Grades of current care homes
- Plans for the property
- Approach to service users
- Approach to staff
- Previous experience/business model
- Bid value
- Face to face interview

17. Informal discussions have also taken place with contract and commissioning teams in the areas where the bidders' other care homes are located.

18. The conclusion of the bid appraisal exercise confirmed Mrs S Poddar and Mr P Gupta as the preferred bidders for Bonnyton House residential service. A purchase price of £340,000 has been offered, subject to concluded missives.

19. Mrs Poddar has been involved in the care home sector for 25 years and currently owns three other care homes which receive good, consistent Care Inspectorate grades. Appendix 1 shows the current Care Inspectorate grades for the other care homes owned by Mrs Poddar. Mr Gupta is a pharmacist by profession and was also an Operational Services Manager at Inverclyde Royal. He is now a successful businessman who has various businesses across different sectors. His company, PG Paper, has grown into one of Scotland's most successful and leading export companies with a current turnover at nearly £25 million. Both the company and Mr Gupta have been nationally recognised for their contribution to charitable causes.

20. As part of the initial offer, the bidders have agreed that existing local authority residents will be charged the current National Care Home Contract Rate subject to annual uplift rate. Current self-funding residents will continue to be charged at current rates subject to normal annual uplift applied to National Care Home Contract rates.

21. Mrs Poddar and Mr Gupta are aware of the highly skilled and experienced staff group within the residential service. Maintaining a consistency in terms of care is of great importance to both the HSCP and the bidders. As part of the discussions to conclude missives, detailed negotiations will take place on staff conditions including future pension arrangements.

22. The HSCP met with the potential preferred bidder in early October to discuss pension provision and explained that the provision would need to be broadly comparable to the existing pension scheme. The Council is required to have regard to Section 52 of the Local Government in Scotland Act 2003. The legal advice on TUPE has indicated the new employer will require to provide the same as or comparable pension up to a maximum of 6%.

23. The sale of Bonnyton House is a unique situation. Continuity of care for the residents and continuity of staff who deliver care is the primary concern for the HSCP. Following a meeting with the bidder the HSCP sent information detailing the monthly pension costs for those employees who are in the scheme and potentially due to transfer. The bidders have indicated they will meet TUPE requirements to pay the employer contribution of 6%.

24. Given the gap in pension contribution the options for the Council are:

- a. New provider makes 6% employer contribution. No input from the Council
- b. New provider makes 6% employer contribution and the Council makes an additional 6% pension subsidy for a 3 year period. This would cost the Council £69k
- c. New provider makes 6% employer contribution and the Council makes an additional 13.3% pension subsidy for a 3 year period to match current employer contribution. This would cost the Council £153k

25. Given the commitment to ensure a smooth transition for our staff, the Council would work with the bidder to agree a mechanism for the Council to make any pension subsidy agreed as part of the sale to top up the employer contribution. During the negotiation process to conclude missives the HSCP would agree contractual arrangements with the bidder that would protect both the Council and the staff working at Bonnyton residential service.

26. Mr Gupta and Mrs Poddar believe there is a significant development potential for Bonnyton as a care home. They aim to extend the number of beds from 34 up to 45 subject to detailed architectural drawings and relevant planning permissions. They estimate that they will spend in the region of £750k to complete the work. The bidders have confirmed that they have the necessary capital available for the purchasing of the care home in addition to the planned and forecasted refurbishment costs. They would intend to carry out the works required within six months of purchase, subject to the relevant planning permissions.

27. If Council agree to approve the sale of Bonnyton House then the negotiation process to conclude missives will begin. The HSCP will seek to impose a requirement to maintain the ongoing the use of the premises as a care home. In addition the HSCP will also seek commitment of the following:

- Satisfactory Care Inspectorate registration being granted to the prospective buyers
- All current Local Authority funded residents will continue to be charged the current National Care Home Contract (NCHC) rate subject to normal annual uplift
- All current privately funded residents will continue to be charged at current rates subject to normal annual uplift applied to NCHC rates
- All existing residents can remain at the home for as long as they wish
- Council satisfaction in all respects with the proposed pension arrangements being offered by the Purchaser

28. The prospective buyers have indicated the following requirements:

- Obtaining all requisite Local Authority and Care Inspectorate consents/approvals
- Satisfactory examination of title to the property
- Satisfactory building survey of the property
- Satisfactory due diligence exercise in connection with Care Home business

29. The families and staff at Bonnyton will be given the opportunity to meet the buyers as quickly as possible. Both the HSCP and the prospective buyers will ensure a smooth transition with further meetings to allow the buyers, staff and families to begin to build relationships. These meetings will be arranged and facilitated by HSCP management.

30. To ensure the financial savings are realised for the 2017/18 budget the sale of Bonnyton House will have to conclude by March 2017. The project team comprising of key representatives across the HSCP and Council will continue to manage the sale of Bonnyton House as a going concern.

FINANCE AND EFFICIENCY

31. The sale of Bonnyton House is expected to deliver revenue savings of up to £600k per annum from 2017/18 onwards, with the Council contribution to the IJB reflecting this saving. In addition, there will be a capital receipt to the Council. It should be noted that the ultimate financial impact will only be known once the missives are concluded.

CONSULTATION

32. Consultation was previously undertaken as part of the Council's wider budget consultation exercise.

PARTNERSHIP WORKING

33. The HSCP will continue to work with families, residents and staff as the sale of Bonnyton House progresses.

IMPLICATIONS OF THE PROPOSALS

Policy

34. None

Staffing

35. As a result of the sale of the residential service, staff will be subject to a TUPE transfer to the new owner and operator of the home.

36. HSCP managers will continue to work with Trade Unions to ensure staff remain fully informed as the process continues.

Legal

37. Legal Services will provide advice to HSCP to ensure any legal issues arising from the sale of Bonnyton House are appropriately considered and dealt with.

Property

38. The building will be transferred to the new provider as a result of the sale. HSCP managers will liaise with legal services and property services to ensure any issues are appropriately dealt with in the conditions of the sale.

Equalities

39. Bonnyton House was one of a number of savings options submitted to the Council's Budget Strategy Group. In line with the agreed approach to financial savings an EQIA screening was undertaken on each savings proposal. One of the original options for Bonnyton House was closure which scored high on an equality screen due to the considerable disruption this would cause to older people. The option of sale was seen as a mitigation to the original assessment of equality impact due to the protective factors of residents retaining their home and TUPE of staff offering continuity of care. This was reported to the Council and also to the IJB when a paper on Bonnyton House was taken to its October 2015 meeting. (At the time of this report the evidence collected had been the response to consultation, quality grades of local care homes and basic information about the National Care Home Contract)

40. The proposal to transfer the Bonnyton House to an alternative provider has a low equality impact as the care home residents would not require to move on. Concern has been raised during consultation on reduction of services to vulnerable people, however TUPE is considered to be the mitigating factor for staff and continuity of care. There are no minority ethnic residents or day care users of the current service.

41. Following the decision to move to the sale of Bonnyton House, more detailed data was gathered to support the EQIA. As many of the concerns for residents and staff related to the potential new provider and terms of sale it has not been possible to complete the EQIA until specific information about the provider, their track record and their response to these concerns was available. The EQIA is now complete and indicates a low equality impact.

IT

42. None

CONCLUSIONS

43. In October 2015 the Integration Joint Board took the decision to sell Bonnyton House as a going concern. Two bids were received on the closing date on 29th July 2016. Following a rigorous bid appraisal exercise undertaken by HSCP management a preferred bidder has been identified.

RECOMMENDATIONS

44. Council is asked to:-

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BACKGROUND PAPERS

[IJB PAPER - 17 August 2016](#)

[IJB PAPER – 1 June 2016](#)

[IJB PAPER – 7 October 2015](#)

KEY WORDS

Bonnyton, savings, option appraisal, Grant Thornton, sale

A report detailing the proposal to sell Bonnyton House residential service and to redesign the delivery of day opportunities to older people, to replace those delivered from Bonnyton House.

Appendix 1 – Current Care Home Grades

1. Lancefield Care Home Ltd, Rankine Street, Johnstone (Owned since October 2012)

Quality Grades:

Date	Care & Support	Environment	Staffing	Management & Leadership
01 Jul 2015	5 Very Good	5 Very Good	5 Very Good	5 Very Good
05 Jun 2014	5 Very Good	5 Very Good	5 Very Good	5 Very Good
16 Apr 2013	5 Very Good	4 Good	5 Very Good	4 Good

2. Westbank Care Home Ltd, 28 Titchfield Road, Troon (Owned since September 2013)

Quality Grades:

Date	Care & Support	Environment	Staffing	Management & Leadership
05 Jul 2016	4 Good	5 Very Good	4 Good	3 Adequate
28 Oct 2015	4 Good	5 Very Good	4 Good	4 Good
05 Sep 2014	5 Very Good	5 Very Good	5 Very Good	5 Very Good

3. Blackfaulds Nursing Home Ltd, Westfield Road, Avonbridge, Falkirk (Owned since December 2014)

Quality Grades:

Date	Care & Support	Environment	Staffing	Management & Leadership
05 Jul 2016	3 Adequate	4 Good	3 Adequate	3 Adequate
28 Oct 2015	3 Adequate	3 Adequate	3 Adequate	3 Adequate
05 Sep 2014	2 Weak	2 Weak	2 Weak	2 Weak

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