

**REPORT TO:** Executive Board  
**DATE:** 16 June 2016  
**REPORTING OFFICER:** Strategic Director, People & Economy  
**SUBJECT:** Madeline McKenna Residential Home  
**PORTFOLIO:** Health & Wellbeing  
**WARDS:** All

**1.0 PURPOSE OF REPORT**

1.1 To present Executive Board Members with two options for the future provision of Madeline McKenna Court as a residential home.

**2.0 RECOMMENDATION: That Members of the Executive Board to note the contents of the report and agree the following recommendation:**

- i) Halton Borough Council purchase Madeline McKenna Court and**
- ii) Enter into a partnership agreement with Community Integrated Care (CIC) to jointly manage Madeline McKenna Court as a residential home.**

**3.0 SUPPORTING INFORMATION**

3.1 Madeline Mckenna is a 23 bed residential home situated at the back of Hough Green Road Widnes. It is currently owned by a voluntary organisation known as Your Housing Group (“YHG”) who took ownership in 2011. Due to recent financial difficulties both the building and the business are up for sale by YHG at a guide price of £450,000 (an internal valuation by the Council is currently being carried out). There is a large communal area within the building that has recently seen some significant improvements. There is an operational kitchen and dining area. One of the rooms has en-suite facilities otherwise the rooms only have a toilet and sink, therefore residents would have to share one of the three bathrooms that are included in the property. There is an additional room that is not being used at present, but could if required be changed into a twenty fourth room or bathroom.

In addition the site contains 8 sheltered bungalows that are also owned by YHG. These houses would not be included as part of the sale of the site and ownership will remain with YHG.

YHG have had the property on the market for some time and a number of possible sales have not materialised. This has led to the provider starting formal consultation with families and residents to formalise closure of the residential home. If this option is realised it would mean that the residential home could possibly close on June 17<sup>th</sup> 2016.

- 3.2 YHG have already begun formal consultation with both residents and staff and they have outlined a number of options that have been investigated:

**Do nothing** – YHG have considered taking no action however this would mean that, as a business, they would have to continue to accept current standards – whilst the scheme has received significant investment of late this has been minimal with respect to meeting the future needs and expectations of the client group.

Continue to accept revenue losses – the care home has been generating losses over a number of years and these are projected to continue.

It is also worthy to note that Local Authority care fees have been fairly static during this period and are likely to remain so, and as a result YHG have claimed that they have been unable to continue to sustain these level of losses

YHG has considered all of its options including (i) cutting costs and increasing income; (ii) further investment and refurbishment of the residential home; and (iii) appointing a selling agent. All of these options have been considered and none of them were felt to be financially viable.

YHG has also considered the possibility of **selling the care home as going concern**. As a result it has invested a considerable amount of time, energy and resources to identify a suitable purchaser for the care homes. This has also been determined as not being financially viable or an acceptable long term option.

#### **Close and decommission the care homes -**

All of the options considered above have the benefit of avoiding the permanent closure of Madeline McKenna Court, however, for the reasons set out above, YHG preliminary view is that none of the options present a financially viable or acceptable long term option for the Group, as a not for profit social landlord.

Consequently, YHG is of the opinion that there is little or no alternative other than to consider the permanent closure of the care home.

3.3 As a result of this consultation Halton Borough Council have worked with YHG and had discussions with residents with a view to making a viable offer to purchase the residential home and avoid the closure of Madeline McKenna Court.

This would result in Halton Borough Council making a suitable offer to purchase the property outright and deliver the current service to the residents or enter into a partnership with an alternative provider.

Either option would present potential risks for the Council as identified in section 5 below. Madeline McKenna Court is currently operating with an operating deficit. It is important to note that YHG are primarily a housing provider and do not have a track record in delivering this type of service. There are a number of steps that the Local Authority would take to mitigate and reduce this deficit.

- Income generated is currently £347,873 per annum and we would expect this figure to increase significantly in line with full occupancy levels. This would significantly increase the financial viability of the home
- There would also be a range of cost cutting initiatives that would be consistent with both our experience and similar models adopted by the local authority (i.e. Oakmeadow). Some of these areas include Agency and Overtime costs, Service Costs, administration, professional and marketing costs.

The proposed changes set out above would lead to the business running at a financial loss of between £60,000 - £80,000 in the first year on the assumption that 100% of the existing staff would be transferring across under TUPE regulations. There is a possibility that some staff may choose to seek voluntary redundancy prior to any transfer and if this is the case then the losses could be significantly lower. It is anticipated that the financial loss would be in the region of £25,000 in year 2 with break even levels met in year 3. Any liabilities in relation to redundancy will be managed by YHG.

3.4 One area that is currently being investigated is the fact that a capital grant was issued by the Home and Communities Agency (HCA) for the build costs of the property. This grant remains registered as a charge against the property and can be passed onto another housing provider should a transfer of deeds take place. However, the capital grant cannot be passed on to a Local Authority and would become immediately repayable. This is not particularly an issue for Halton Borough Council as that is separate to the purchase and is therefore clearly the responsibility of Your Housing Group. This may have an overall bearing on the final decision to sell as outlined in section 5.3 below.

3.5 Halton Borough Council currently pays for the Local Authority funded placements via the Community Care budget. This arrangement will continue irrespective of which option is agreed. If we choose not to purchase there will be an increase in the funding level for those people who are placed out of borough. If all residents move to homes out of area then this would cost an additional £81,120 per annum on the existing budget. There is a high possibility of this as we are currently operating at 98% occupancy within the care home sector.

#### 4.0 **POLICY IMPLICATIONS**

4.1 There are no policy implications.

#### 5.0 **OTHER/ FINANCIAL IMPLICATIONS**

##### 5.1 *Option 1 – Halton to purchase and run Madeline McKenna*

If we made the decision as a Local Authority to purchase the building we would need to run the home for existing residents.

The relevant funding that would be required has been identified for the initial capital outlay of purchasing the site (Approximately £450k). The ongoing revenue costs would need to be considered and by choosing this option there is a significant risk that we will be running at a loss for at least 12 months as described in section 3,3.

The biggest risk with the business is that TUPE would apply and although Your Housing would pick up any liability in relation to any redundancy that the staff choose to take, however if we make the assumption that all the staff would transfer over then the overall staff cost would be in the region of approximately £411,000. Even taking into account that there are some vacancies we would still be expecting a loss for at least the first period of 12 months. Thereafter we would need to undertake negotiations with the existing staff and their Unions to look at designing a new business and staffing structure/ model for the future and see whether there is an Economic Technical or Organisational reason for a change (“ETO” reason).

This option does hold potential risks in the short-term, however it would secure the bed base within the care home sector in the borough and would support a number of vulnerable older people who would face a challenging move just prior to Christmas.

##### 5.2 **Option 2 – Partnership with Community Integrated Care**

An additional option available to the Council if it were to purchase the residential home would be to enter into a partnership agreement with another stakeholder. Initial discussions have taken place with

C-I-C who are a 'not-for-profit' organisation. C-I-C have indicated that they may be willing to enter into some form of agreement in which we would own the building and they would deliver the services. A joint management arrangement would be agreed, to ensure that governance arrangements are led by the council (possibly through the existing Better Care Board) This option would require some significant scoping so that we could fully understand the risk to the Council as well as to the C-I-C. All of the legal implications are being worked on separately to this and will be available shortly. However, in principle C-I-C have agreed to be part of a workable agreement.

Property Services are drawing up a plan of all of the associated requirements. Some of these will depend on which decisions are made and which specific route we take in relation to the building. Once all of the necessary documents have been disclosed by Your Housing Group timescales will be agreed to complete the purchase. This will include any valuation, title documentation, relevant services etc.

HR will be required to develop a staff consultation plan and also to consider the TUPE implications as TUPE will apply. This will be carried out as soon as it is clear which option we will be following.

Option 3 – The Council does not make any offers to purchase Madeline McKenna Court:-

If the Council does not to make an offer then the home would likely be decommissioned by December 2016. As we have a very limited number of vacancies the existing residents would have no option but to be moved into another area. This would result in an additional cost of £81,120 per annum to the Council for the 20 residents, not to mention the stress and challenges that would be faced by the residents and their families.

The importance of this cannot be understated if we do nothing then we will be losing £81,120 that will be additional cost to the Community Care budget.

- 5.3 Halton Borough Council is expected to put forward a formal offer supported by intentions and business plan which shall be submitted to the Your Housing Group board by 17<sup>th</sup> June 2016 It will then be for the Board of Directors of Your Housing Group to decide on our proposal and any others that have been received and then agree a formal course of action. Although discussions with Your Housing have been positive to this point, the decision of the Board will be final and if that means our offer is rejected, then there will be limited means of redress.

6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 **Children & Young People in Halton**

None identified.

6.2 **Employment, Learning & Skills in Halton**

None identified.

6.3 **A Healthy Halton**

None identified.

6.4 **A Safer Halton**

None identified.

6.5 **Halton's Urban Renewal**

None identified.

7.0 **RISK ANALYSIS**

7.1 Immediate risks are around:

- Availability of Finance;
- Potential losses in the first twelve – eighteen months
- The details of the contract between Halton and CIC in the case of a partnership agreement;
- Potential affecting the current residents of Madeline McKenna.

8.0 **EQUALITY & DIVERSITY ISSUES**

8.1 There are no Equality & Diversity issues.

9.0 **LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None.