

SURREY COUNTY COUNCIL

CABINET

DATE: 13 DECEMBER 2016



REPORT OF: MR MEL FEW, CABINET MEMBER FOR ADULT SOCIAL CARE, WELLBEING AND INDEPENDENCE

MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE

LEAD OFFICER: HELEN ATKINSON, STRATEGIC DIRECTOR FOR ADULT SOCIAL CARE & PUBLIC HEALTH

SUBJECT: ACCOMMODATION WITH CARE AND SUPPORT – EXTRA CARE

SUMMARY OF ISSUE:

The Accommodation with Care and Support Programme is a programme of work looking at all accommodation-based adult services that we commission and provide for residents of Surrey who have care and support needs. The Accommodation with Care and Support Strategy was approved by Cabinet in December 2015, giving a commitment to the direction of travel.

Surrey residents are actively choosing to make accommodation choices which are suitable for the longer term and their future care need, with an increase in people being supported to live independently. The predicted trend for accommodation needs in Surrey shows a declining demand for Residential Care with a growing popularity in Extra Care type accommodation. However, we also know that the population of Surrey is growing, people are living longer and living with more complex needs, and so despite the trend towards more independent living, we are also expecting to see a growth in demand for dementia specialist residential and nursing care.

The Accommodation with Care and Support Programme aims to increase the options available for residents needing accommodation with care and support, by integrating our approach across health, care and the community, and re-shaping the market to ensure everyone has access to the right support regardless of tenure.

Through the programme, the Council is looking to develop local partnerships and opportunities for a range of flexible and financially self-sustaining accommodation with care and support that will enable adults to live and age well. The strategic vision is to stimulate the market to deliver an additional 600 Extra Care apartments across the county by 2025.

A glossary of key terminology used in this paper is available as Annex 1.

RECOMMENDATIONS:

It is recommended that the Cabinet:

1. Agrees to the use of Surrey County Council assets, as appropriate, as part of the business case and offer to the market as outlined and described in Part 2 of this paper.
2. Agrees to delegate responsibility for the exact sites that will be used as part of the offer to the market to the Strategic Director for Adult Social Care and Public Health, in consultation with the Leader of the Council, the Cabinet Member for Adult Social Care, Wellbeing & Independence and the Cabinet Member for Business Services & Resident Experience.
3. Notes that the Council will be going to market in the Spring of 2017 to identify a development partner to begin delivery of the strategic ambition for Extra Care housing.
4. Notes that further engagement with the market and a competitive tendering process will be taking place, with the appropriate delivery model and award of contract being subject to further Cabinet consideration at a later date.

REASON FOR RECOMMENDATIONS:

With changing demographics, increasing financial challenges, and a joint health and social care strategy to support people to live independently in their homes for as long as possible, we need to commission the right accommodation options to meet our resident's health and wellbeing needs. To do this, the Council will need to work with partners and the private sector to shape the market for accommodation with care and support and to meet the strategic aims of the Accommodation with Care & Support strategy. By approving the approach to market to stimulate additional capacity within Extra Care housing market, the Cabinet sets out a clear direction of travel and message to the market in relation to future needs and our commitment to work in partnership. Further detail on this recommendation can be found in Paragraph 14.

DETAILS:

Background

1. Extra Care housing is an option of accommodation for older people which can offer a choice of independent living in a community setting, with care and support services delivered according to individual need.
2. Extra Care housing offers a way for people to continue to live as independently as possible when their care and support needs increase, without the need to move into more institutionalised forms of accommodation.
3. Extra Care housing is about living at home, not in an institution. Within Extra Care housing people have their own front doors and legal rights to occupy. There is a clear distinction between Extra Care housing and residential care as recognised by the Care Quality Commission.
4. The Council wishes to support personalised care and support based in communities, and to ensure that where possible residents receive the care and support they need in appropriate and flexible physical environments wherever they choose to live. The benefits of this being:

- Care and support services that can be flexed around the individual and their changing needs
 - Opportunities to develop accommodation further as hubs of the local community, for residents and non-residents alike
 - Individuals are able to live within and be part of thriving local communities and remain independent
 - Purpose built accommodation with a range of tenures and developed to a quality standard, including the ability for assistive technologies to be added on an individual basis
 - A range of activities and opportunities that support Surrey's Family, Friends & Community strategy.
5. The Council recognises that Extra Care housing is a valuable housing option, and represents a positive choice for people whose needs are not being met within standard accommodation. Extra Care housing can offer security, reassurance and appropriate and responsive support to facilitate the provision of home based care services. This style of accommodation can assist more vulnerable adults to live within their local community for their whole lives.
 6. Extra Care housing can provide a range of tenure options to meet the needs of potential residents. These options can include affordable rent, private rent, shared ownership models, outright sale on leasehold arrangements or any combination of tenure mix within one facility. Flexible arrangements concerning respite provision are also possible within an Extra Care setting.
 7. The Council recognises the importance of affordable housing to provide accommodation that is accessible to people on low or limited incomes; a demographic that would normally be eligible for SCC-funded services. Therefore maximising affordable provision as part of any offer to the market would increase the overall financial benefits referenced in Paragraph 39. For further information on affordable housing, please see Annex 2.
 8. There are 10 Extra Care housing schemes in Surrey which are provided by either registered housing associations or local housing authorities and offer affordable accommodation with care and support to older people. These schemes have provided a strong evidence base to support the proof of concept and resident feedback is positive on their experience. There is also evidence to support the whole system benefits in terms of reducing hospital admissions, quicker discharge and increased community support.
 9. Based on the current profile of needs, at least 1 in 4 of the residents we support in Residential Care, but possibly as many as 1 in 3, could have their needs met within an Extra Care setting. In Surrey, we do not currently have enough capacity of Extra care facilities to offer this choice. We want to work with and stimulate the market to develop the capacity needed to enable a 10% shift away from traditional residential care services, with the option to increase this percentage in the future.
 10. Given the demographic and legislative pressures, we face unprecedented financial challenges in meeting care and support needs in Surrey. However, a whole system's approach and the Cabinet's adoption of the Accommodation with Care & Support Strategy in 2015 has created opportunities for us to

examine and assess our role in the accommodation market. Working together, we have the chance to plan for the right types of accommodation for Surrey residents, provide services in key locations and maximise the use of Council assets whilst also maximising value for money.

11. It is recommended that SCC encourage and stimulate the market to increase the number of Extra Care units. Based on current population predictions and current provision in Surrey, the capacity of Extra Care will be 7 units per 1000 people aged 75+ by 2025. By comparison the current UK average is 11 (source: Housing LIN data). Our target of 600 additional units in Surrey would give Surrey a ratio of 10 / 1,000 people aged 75+ in 2025.

Market Intervention & Business Case

12. Analysis of planning applications shows that the private market is dominant in Surrey, with no affordable provision being put forward over the last 3 years. Surrey does not have the same number of providers present in the market when compared to nearby Local authorities, as discussed in Annex 3 – Other Local Authority Approaches.
13. A market engagement event held in August 2016 demonstrated that there is interest from Extra Care providers and developers in working in Surrey. However, there are challenges that are currently preventing the market from delivering new Extra Care schemes at the rate that the Council requires. Feedback from the market suggests that delivering 600 flats over 10 years is realistic if the Council is able to work with providers to overcome the current barriers.
14. The key barriers identified by the market at this event were land availability and uncertainty over full utilisation of facilities. The market's feedback was that they will require the Council to play a role in identifying and offering suitable parcels of land. The Council will also need to demonstrate its commitment to Extra Care in the long-term, with some guarantees on the number of hours of care the Council will purchase. These commitments may mean that providers are able to develop a scheme on the basis of fully affordable housing however it may still be the case that providers may require a mixed scheme in order to satisfy their own investment and business case criteria.

Routes to Market

15. From our current knowledge of the supplier market and the number of affordable Extra Care units currently available across the county, it is clear that an intervention by the Council is required if it is to meet its strategic ambition. The Council will need to provide assurances that there will be elements of block purchase of care and support with ongoing engagement to optimise the number of nominations from the housing functions of districts and boroughs for these units. The council will also be required to contribute to the initial capital investment either in the form of funding contributions or the use of appropriate council owned land.
16. A number of procurement models have been explored including a public private partnership, a joint venture, a fully commissioned design, build and deliver package, in house design and build with commissioned delivery.

17. The in house option to build and operate has been discounted due to concerns around the high level of capital investment required, and the limited professional and technical resources available within the council with knowledge of the Extra Care market and in line with the council's preference to commission care services. Two preferred options are being considered, a) the procurement of a Joint Venture partner and b) a fully commissioned model through a competitive tender exercise.
18. **Joint Venture** - a joint venture (JV) is a business arrangement in which two or more parties agree to come together for the purpose of accomplishing a specific project or business opportunity.
19. A joint venture for this project would involve a transfer of land on a long lease basis into a separate entity. However, should further analysis show that a site would only be developed on the basis of mixed tenure options alongside affordable provision, a joint venture may provide the Council with an opportunity to generate income through private tenancies or sales. Equally the Council would share the business risks of the joint venture company.
20. Creating a joint venture on terms agreeable to each party can be complex and this will have an impact on the project timescales. The market event indicated that a joint venture would not be as attractive to the market as a fully commissioned package however the Council will expect that sufficient value is being delivered in return for the contribution of its land assets.
21. **Fully Commissioned model through a competitive tender exercise** – In this model an outcomes focused specification is produced by the Council detailing expectations for accommodation with care and support without being prescriptive. The Council would engage a supplier who is a registered provider of social housing and is competent in the design, build, operation and management of a mixed tenure, extra care housing scheme. The Council's land would be offered to the market on a long leasehold basis in a similar way to the Joint Venture model.
22. The benefits to procuring a full design, build and ongoing service delivery model is that there is a clear single supplier relationship. Accountability clearly rests with the provider and therefore the likelihood of the project being delivered to time and cost is increased. Capital investment would be borne by the provider, therefore minimising the exposure to risk to the Council. The likely bidders would be expected to have the necessary sector insight.
23. Both procurement models will enable a supplier to be selected on their ability to meet the Council's commissioning objectives which are to secure affordable housing with care and support provision which is flexible and responsive to the needs of individuals requiring health and social care support.
24. The options will continue to be explored through market discussions to finalise the preferred procurement strategy. These discussions and further exploration will include the demographic detail in relation to home ownership, disposable assets and commercial sustainability including the opportunity to generate revenue for the Council. In both cases the Council will offer land on a long leasehold basis, and will therefore effectively be disposing of its assets, albeit retaining the freehold which provides the Council with a number of controls in the use of its assets over the longer term.

25. The final selected route to market will allow for innovation, improved outcomes for individuals, ensure the accommodation will support a flexible and responsive model for individuals and the Council, it will be integrated into the local communities, and take into consideration the needs of the wider health and social care agendas. There will be a focus on Social Value and long term sustainability, recognising that the Council would be entering into potentially long-term contracting arrangements and any arrangements would need to be future-proofed against demographic and legislative changes where possible. For example, considering the use of different timescales for care contracts when compared to potential leasing arrangements in order to ensure continuous value for money with regards to the commissioned services.

Shaping our offer to Market

26. The market has informally advised us that one of the key barriers to developing affordable Extra Care provision is the availability and affordability of appropriate sites. Site requirements for an Extra Care housing scheme are largely determined by the size of the proposed development, and are therefore difficult to predict in advance. Other local authorities have a minimum scheme size of 40 apartments established for each development as being necessary to secure its long term viability. No maximum size has been set for developments, being dependent upon land availability.
27. To deliver a scheme of this size, a site size of at least 1.5 acres has been identified to enable a range of communal facilities and usable external space to be provided. Exceptions to this are only likely to be considered in more urban areas where it is recognised that usable external space may be less commonly provided. Therefore the options that the Council has in its current portfolio of usable assets to offer to the market are limited.
28. In order for Extra Care housing developments in Surrey to meet the Council's strategic ambition and meet the requirements of older people, individual scheme location is very important. Any scheme needs to be both accessible to the local community whose needs they are aiming to meet and accessible for a range of key services.
29. The development of an Extra Care housing scheme should be seen as an opportunity to enhance the locality and existing services. For Extra Care housing schemes to operate as a community hub, additional consideration needs to be given to ensure that the schemes are located within a community setting and accessible by public transport.
30. Regard to the following site specific criteria is important when making decisions around scheme locations:
- The relationship of a scheme to the local community in which it is to be located
 - Level access to the scheme and surrounding facilities
 - Proximity to retail/GP/leisure facilities/places of worship
 - Links to existing services for older people
 - Proximity to other older people's accommodation
 - Easy access to GP/primary care and other community health services
 - Planning requirements constraints
 - Low crime/low risk neighbourhood
 - Easy access to local transport services

- Potential market for mixed tenure
31. The full details of the business case for the use of the Council's assets and the offer to market are found in Part 2 of the paper.

CONSULTATION:

32. All the CCGs in Surrey, as well as the districts and boroughs, have been consulted to date, have indicated their support from the direction of travel and have welcomed the opportunity to get involved from an early stage.
33. Health colleagues recognise the whole system benefits of this approach and see this as a key part of health and social care integration. A number of district and boroughs have also highlighted accommodation with care and support as a key element of their local plans in terms of future housing needs and are therefore keen to work with the Council on developing this market.
34. Further discussions have taken place with the Surrey Chief Housing Officers Group, Surrey Enabling Officers Group, Surrey Planning Working Group and the Surrey Planning Officers Group to discuss the council's strategic aim for Extra Care. This has enabled the Council to engage in detailed planning discussions for individual areas and the sharing of data and information on capacity, demand and need across the local areas.

RISK MANAGEMENT AND IMPLICATIONS:

35. There are risks in being able to identify council owned sites of a suitable size with close proximity to public transport, particularly when looking at Extra Care housing schemes which require more space. There are competing priorities for land, both internally and external to the council, which has the potential to impact on deliverability.
36. The government is moving forward with proposals to cap housing benefit to Local Housing Allowance (LHA) rates, but introducing a new funding regime to meet the increased costs associated with providing Extra Care housing and other supported accommodation business models. Government has stated that they will be deferring the application of this policy for supported housing until 2019/2020, when a new funding model is introduced, ensuring that the sector continues to be funded at current levels, and taking into account the effect of Government policy on social sector rents. There is a risk that this uncertainty may deter or limit the number of potential partners or responses to the planned procurement exercise. Any partnership arrangements established for the delivery of the strategic aim for Extra Care housing in Surrey will need to take these future changes into account when more information is made available.

Financial and Value for Money Implications

37. By focussing on ensuring a better understanding of future demand and developing the market sufficiently to meet those needs, whilst also maximising the use of our assets, additional capacity of Extra Care housing will contribute towards savings already planned for in the Medium Term Financial Plan (MTFP) and those required in future years.

38. In particular this programme of work will contribute towards achieving savings planned as part of the Adult Social Care whole systems demand management strategy as set out below.
- Improve wellbeing to manage increasing demand and care needs;
 - Shift in Older People care pathway;
 - Family, Friends and Community support.
39. Financial modelling shows that the average net amount saved on care costs per resident moving to Extra Care housing is £4,600 per annum when compared to the alternative care costs. Based on an Extra Care housing scheme of 50-60 flats, this equates to an average saving of about £280,000 per scheme. There is however an opportunity cost to the offer of the council's land and this has been taken into account in evaluating the suitability of each site. Further explanation about how this opportunity cost has been and will continue to be considered is included in the Part Two report.
40. The current MTFP assumes total savings of £1.985m per annum over the period to 2021 based on an initial assessment of the cost of Extra Care compared to alternative forms of care, future demand for care services and capacity of the market to develop new Extra Care housing schemes.
41. The Council will work with partners and the market to maximise any opportunities for additional savings as they arise, whilst recognising the challenging targets the service is already planning to deliver.

Section 151 Officer Commentary

42. The Section 151 Officer confirms that the proposal seeks to stimulate the market to deliver Extra Care accommodation. There is strong evidence that this leads to better outcomes for residents and delivers benefits to the whole health and social care system. Furthermore the average cost of care is reduced compared to other alternative models of care and therefore these proposals will assist in the delivery of savings assumed in the Medium Term Financial Plan.
43. The Council is able to consider offering land to stimulate the market in order to deliver social care outcomes. Potential sites have been evaluated to ensure that any alternative use value does not exceed the care cost savings. This potentially limits the number of sites that are suitable however ensures that the council is receiving value for money for its limited resources.
44. The County Council is facing a very serious financial situation, whereby it is forecasting a significant revenue budget overspending in this year, and does not have a balanced nor sustainable budget plan for future years. The proposals are expected to deliver savings and will therefore contribute to the council's ability to achieve a balanced and sustainable budget in the future. The benefits will be tested during the procurement to ensure that this remains the case.

Legal Implications – Monitoring Officer

45. A full procurement process for the selection of the Council's partner/supplier will be carried out. Doing this will both meet the Council's obligations under the

Public Contracts Regulations 2015 and ensure that the Council is obtaining the best consideration reasonably obtainable for the purposes of s123 of the Local Government Act 1972 (concerning the disposal of land).

46. Cabinet is not being asked to make any binding financial commitments at this stage. A further report will be brought back to Cabinet for approval once the procurement process has been carried out in accordance with the principles contained in this report.

Equalities and Diversity

47. An initial Equality Impact Assessment (EIA) is included as an Annex 4.

Safeguarding responsibilities for vulnerable children and adults implications

48. Improving the accommodation options available for people with care and support needs could have a positive impact in terms of safeguarding, ensuring that vulnerable adults can live within safe, secure environments with appropriate care and support services designed around them.

Public Health implications

49. Accommodation with care and support, including Extra Care housing, can positively impact on public health outcomes, including reductions in social isolation and/or loneliness; improved nutrition and hydration; increased wellbeing for residents participating in activities, such as exercise classes, and minimising the ill effects of fuel poverty and/or seasonal health risks.

WHAT HAPPENS NEXT:

50. If Cabinet approve the recommendations, the route to market will be finalised in early 2017 with an anticipated return to Cabinet to approve any contract award in second half of 2017.
51. The final list of suitable sites will be agreed prior to procurement by the Strategic Director for Adult Social Care and Public Health, in consultation with the Leader, the Cabinet Member for Adult Social Care, Wellbeing and Independence and the Cabinet Member for Business Services and Resident Experience.

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Consulted:

Clinical Commissioning Groups in Surrey

Surrey Districts and Boroughs

Leader

Deputy Leader

Cabinet Member for Business Services and Resident Experience

Annexes:

Annex 1 – Glossary of terms

Annex 2 – Extra Care in Surrey: An Example

Annex 3 – Other Local Authority Approaches

Annex 4 – Equality Impact Assessment

Sources/background papers:

- Cabinet 27 March 2012, item 10 - Public Value Review Of Services For People With Learning Disabilities
- Cabinet 21 October 2014, item 16 - Surrey County Council Residential Care Homes for Older People
- Cabinet 12 March 2015, item 4 – Surrey County Council Residential Care Homes For Older People
- Cabinet 15 December 2015 item 15 – Accommodation with Care and Support
- Cabinet 18 October 2016, item 7 – Sustainability and Transformation Plans
- Care Act 2014