

## ANNEX 6 RECOMMENDED DELIVERY MODELS AND ASSUMPTIONS

In 2018 a failed procurement for Extra Care prompted officers to undertake greater market insight to reconsider Surrey County Council's (SCC) preferred delivery model. Reflections on the previous procurement process have teased out a number of assumptions that officers will work towards in Extra Care Delivery:

Assumption	Rationale	Delivery Model Discounted
There must be a separation of the care provision and housing management functions	This separation of function is important to ensure that a scheme does not fall foul of regulation	A DBFO model that includes the care provision as part of the contract award
SCC does not wish to assume the Facilities Management, Housing Management or Landlord responsibilities for the extra care schemes	SCC is not sufficiently skilled or geared to do so, and the role may conflict with our responsibilities as the commissioner of care delivery	This has ruled out a SCC controlled delivery model whereby SCC operates the schemes themselves
SCC is not planning to pursue opportunities to partner with districts and borough councils in the delivery of the schemes or to support the housing objectives	For affordable units SCC must have full control of Nomination Rights which would be weakened by a collaborative approach with district and borough councils	SCC put in the land, district and borough councils put in the funding in exchange for savings on the social care rent.
SCC will not pursue opportunities to privately sell extra care units	SCC does not possess the in-house skills or expertise to operate in the private sale housing market.	This has ruled out a SCC Control Delivery model whereby SCC fund, build and retain some of the sites and directly sell others on the private market, thereby funding the build
SCC's financial position must be safeguarded in respect to Extra Care development and any financing or funding must be recouped by either direct repayment or savings achieved on the costs of care provision	SCC's current financial position renders this untenable.	This has ruled out SCC grant funding significant capital into developing schemes without a strong return on investment business case.
Include the option to directly purchase private extra care units	Could help speed up the delivery of the required affordable units, but the business case must stack up	

It is envisaged that whichever model is chosen, a developer and/or housing provider must have both the capital investment viability in terms of balancing build costs with rental income and/or sale values. If the scheme is wholly or partly affordable housing, they must also have operational viability associated with providing the required housing support services.

The care delivery partner must have operational viability associated with providing the care and support packages required by residents of the scheme. Procurement processes must be structured on a site-by-site and case-by-case basis to determine the best route to identifying suitable partners.

## RECOMMENDED DELIVERY MODELS

Many Local Authorities are engaging in housing delivery to meet local need and demand. It allows them to respond to their own problems in ways that work within the culture and operating style of their own organizations.

SCC are seeking to use their land as a means to leverage development of Extra Care schemes in the county. If the land is 'gifted' the care savings must outweigh the opportunity cost of the land.

To achieve this, many councils do not tend to rely solely on one model. The best approaches change over time and are affected by multiple factors, including, the wider economy, public sector funding and the availability of capital grants.

A mixed model approach is recommended which includes permeations of the below broad approaches

- Developer Design Build Finance Operate (DBFO)
  - Fully commissioned
  - Award care contract separately
  - Encourage a mixed tenure schemes
  - Could include some grant subsidy from SCC, but must have repayment conditions or cost avoidance benefits
  - Asset may be offered at peppercorn or with ground rent attached
- Purchase existing or planned private extra care units
- Developer Design Build and (Operate) (DBO)
  - SCC funds, return on investment through ground rent, repayment or gain sharing
  - Award care contract separately
  - Could award housing management / operation aspect in the same process or build with a construction partner and tender the lease/housing management aspect separately
- Places for People Joint Venture (see below)
- Land asset/sale in return for SCC nominations rights

### Places for People Financial Modelling

SCC has an existing delivery route to develop accommodation on Surrey owned sites.

SCC has established the Joint Venture South Ridge LLP with its partner PfP. While this partnership is still in its early stages PfP, who are a well-resourced, diverse and broad housing association group, have significant experience in the provision of all types of accommodation with support and care.

The Group includes supported living specialist company, Living+, retirement living company Brio Retirement Living and retirement rentals company, Girlings.

During the procurement process for the Joint Venture Partner PfP have demonstrated their capability against a wide range of activities which could include the provision of extra care accommodation, and the tender response from them made explicit reference to how they could provide specialist accommodation.

The important thing to note about this model is that PfP believe that to deliver these units a subsidy is required from the local authority in terms of land or financial resources as well as grant from Homes England. This SCC subsidy, if required, will need to be included in the local authority's capital programme and where required form part of our budget planning and setting. In addition to any local authority subsidy PfP are confident that they would be able to achieve additional Homes England Grant funding in most circumstances.

These are of course indicative figures and PfP note that each site, and the delivery vehicle, will be considered based on its own specific circumstances It is important to note that other providers have in the past been willing to fund the entire development cost of extra care sites in return for access to SCC land at peppercorn rent. The most appropriate delivery model will therefore need to be determined for each extra care development.

Specialist accommodation for independent living can potentially be developed by PfP without subsidy.

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