

**SURREY COUNTY COUNCIL****CABINET**

**DATE:** 29 OCTOBER 2019

**REPORT OF:** MRS SINEAD MOONEY, CABINET MEMBER FOR ADULTS & PUBLIC HEALTH

**LEAD OFFICER:** SIMON WHITE, INTERIM EXECUTIVE DIRECTOR FOR ADULT SOCIAL CARE

**SUBJECT:** DECISION ON THE ROUTE TO MARKET FOR THE THREE IDENTIFIED EXTRA CARE SITES

**SUMMARY OF ISSUE:**

A paper was brought to Cabinet in July 2019 setting out Adult Social Care's (ASC) Accommodation with Care and Support Strategy for Extra Care Housing for Older People and Independent Living Schemes for Adults with a Learning Disability and/or Autism<sup>1</sup>.

This paper sets out Surrey County Council's ("the Council") proposed route to market for the first three sites proposed for extra care housing. This will support our strategy to deliver accommodation with care and support by 2030 that will enable people to access the right health and social care at the right time in the right place, with appropriate housing for residents that helps them to remain independent, achieve their potential and ensures nobody is left behind.

**RECOMMENDATIONS:**

It is recommended that:

1. Further due diligence is conducted with the Council's joint venture partner Places for People ("Joint Venture Partner") with a view to leasing the Brockhurst and Pinehurst sites set out in this paper to Living+, which is the housing with care development and operator arm of Places for People to develop extra care housing on these sites.
2. Decisions on the final terms of any agreement or lease through the Joint Venture Partner for the Brockhurst and Pinehurst sites is delegated to the Director for Land and Property and the Executive Director for Adult Social Care in consultation with the Cabinet Member for Finance and Cabinet Member for Adult Social Care and Health.
3. Approval to procure is granted so that a full tender process to identify a development partner for the former Pond Meadow School site set out in the paper can be conducted.

---

1

<https://mycouncil.surreycc.gov.uk/documents/s57815/16.%20Accommodation%20with%20Care%20support%20Cabinet%20report%20July%202019.pdf>

4. Work continues to review the suitability of all of the sites owned by the Council for development of extra care housing as part of the Council's Asset and Place Strategy.

#### **REASON FOR RECOMMENDATIONS:**

The development of extra care housing on the three sites set out in this paper would represent a substantial contribution to the Council's strategic objective to expand affordable extra care provision by 2030.

The financial modelling set out in Part 2 of this paper demonstrates that the development of extra care on the sites generates much greater financial benefits over a 40 year period than the opportunity cost of not selling the land, subject to a S123 Best Value report. Any lease that is agreed for a site would be negotiated with conditions that safeguard the Council's position after the affordable extra care units become obsolete.

The rationale that underpins the recommended delivery model for each site is set out in the Part 2 paper.

#### **DETAILS:**

##### **Background on the three sites**

1. The three sites owned by the Council and proposed to be used for extra care developments are as follows:
  - Former Brockhurst Care Home, Brox Road, Ottershaw, Runnymede
  - Former Pinehurst Resource Centre, Camberley, Surrey Heath
  - Former Pond Meadow School, Guildford, Guildford
2. ASC's Accommodation with Care and Support Strategy presented to Cabinet in July 2019 set out the ambition to develop an additional 725 affordable units of extra care housing in Surrey by 2028. All of these sites have been successfully reviewed against the criteria for extra care developments that was set out in this paper and agreed by Cabinet in July 2019. This criteria is set out in Annex 1 and the red line drawings for each of the sites are in Annex 2.

##### **Key assumptions for Extra Care developments**

3. Based on reviews of the sites and feedback from potential developers it is estimated that the three sites proposed for development in this paper could yield between 116-165 affordable units, depending on the mix of tenure agreed for each site. These sites would therefore deliver between 16-23% of the Council's strategic ambition for extra care housing developments.
4. In addition to taking forward development of the sites set out in this paper, we will continue to review the suitability of other sites owned by the Council for extra care and explore further options with the market for delivering our extra care ambition. This could include securing nomination rights for affordable units in private developments on sites outside of the Council's portfolio as part of the planning application process through the local housing authority.
5. To be classified as affordable units, rents and service charges must be set at affordable levels. These are typically 20% below the private market level. Rents and the majority of service charges would be paid for by housing benefit administered by local district and borough councils.

6. We have reviewed the rents and service charges proposed by housing providers in their outline proposals for the sites identified with district and borough housing colleagues. They have confirmed that the levels proposed are very likely to be within what would be funded from housing benefit. Individuals would be expected to pay for certain elements of service charges, such as utilities, themselves as they would do in their own home.
7. The Council will have nomination rights for all affordable units. This will be secured through nomination agreements between the Council, the landlord and the local district and borough council. This will enable the Council to place people in affordable units who have eligible social care needs and to maintain an appropriate mix of needs across the whole site.
8. National evidence and learning from extra care schemes already used by the Council demonstrates the importance of maintaining an appropriate mix of needs to facilitate effective delivery of care and support and avoid extra care schemes becoming residential care homes in another name. Individuals placed by the Council in affordable units that the Council has nomination rights for, will always have eligible social care needs and so will have medium to high needs compared to the general population.
9. Where financial modelling indicates 100% affordable schemes are viable and offer best value, it is our intention to develop schemes on this basis. 100% affordable schemes will therefore be our default approach unless it is clear this is not viable or does not offer best value for residents.
10. The Council does not wish to be the landlord for extra care housing schemes. The collection of rents and service charges and ongoing maintenance of the sites will be contracted out through the procured housing provider.
11. Once a delivery model has been agreed for the construction of the extra care schemes, a separate procurement process will be conducted for the onsite care provider. The intention will be to seek Cabinet approval for the tender for the care provider through agreeing the relevant year's Annual Procurement Forward Plan.

### **Options for delivery of Extra Care on the three proposed sites**

12. **Five options** are considered for the delivery of affordable extra care housing on the three sites owned by the Council and proposed for new developments:

- I. **Lease two sites to Living+ (subject to further due diligence) through the Joint Venture Partner and put the remaining site out to tender**

This is the recommended option. The rationale for this recommended option is set out in the Part 2 paper.

- II. **Do not develop extra care and instead sell the land.**

If the land were to be sold then this would generate capital receipts which could be used to reduce the borrowing costs and associated minimum revenue provision of the Council's capital programme. Although this clearly would not contribute to achieving the strategic ambition to expand affordable extra care provision, it is essential the Council can demonstrate best value use of its land. The financial benefits modelled to be achieved through the development of

affordable extra care housing on council owned land should therefore be greater than the benefits estimated to be achieved if the land were to be sold.

III. [Tender for a development partner to develop all the extra care schemes on council owned land on a design, build, finance and operate \(DBFO\) basis.](#)

The Council issued a Request for Information (RFI) to housing providers in September 2019 asking them to set out outline proposals for how they would intend to proceed with extra care developments across the three sites included in this paper. The financial analysis based on their responses is set out in Part 2 of this paper.

The tender process would require housing providers to submit proposals for how sites would be developed. These proposals would be scored against a set of quality and financial criteria to identify the best proposals for each site. It is estimated that it would take approximately a year to conduct the tender exercise and finalise details of the lease to the successful housing provider.

IV. [Utilise the Joint Venture Partner that the Council has already established that can develop all the extra care sites on Council owned land.](#)

Living+ is a regulated subsidiary of Places for People Group which provides accommodation and support for vulnerable client groups with complex needs, and would deliver the management and operation of the facilities through the Joint Venture Partner.

V. [The Council to lead and fund the development of the extra care facilities themselves.](#)

In this scenario the Council would commission an organisation to build the sites and would fund all of the development costs. The Council would also commission an organisation to manage the sites in terms of collection of rents and service charges and ongoing property maintenance, with the managing company paying the Council an annual fee.

The most obvious advantage of this delivery model is that the Council could retain full ownership of the sites throughout. However, this option would require the Council to borrow very significant sums in order to fund the development and research into such an approach indicates that it would be very difficult to successfully gain Homes England funding.

13. Financial analysis for all five options is set out in the Part 2 paper.

**CONSULTATION:**

14. The consultation for this report builds on the previous discussions that have occurred during the lifespan of this programme, as outlined in the July 2019 Cabinet report. Further consultation has been undertaken in preparation for this report. There have been meetings with ward councillors and senior officers in planning and housing departments in each of the district and borough councils where these sites are located. These meetings were chaired by the Cabinet Member for Adults and Public

Health with support from the ASC Assistant Director for Commissioning and Transformation.

15. In these meetings we shared the proposed use for the sites with colleagues in the district and borough councils. This provided the district and borough councils with an opportunity to share any feedback or raise any considerations that they may have on planning or development at this early stage.
16. These meetings were positive and members from the local councils gave their support for these sites to be used to increase extra care housing capacity in Surrey. We agreed to work closely in partnership as the plans develop and will endeavour to deliver a solution that is beneficial to residents, the Council and the district and borough councils.
17. In addition to these discussions, we also provided the market with an opportunity to share their business approach to developing these sites should there be a tender process, through our RFI. This information has been used to assess and identify the best route to market for developing these sites. Due to the sensitive and commercial nature of this information, the appraisals of these submissions are included in the Part 2 of this report. However this information allows us to fully assess the best route to market for the council to develop extra care housing on these sites for the greatest benefits.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

18. There is a risk that once these sites have been launched the affordable units may not be effectively utilised by the Council. The financial modelling undertaken for these sites assumes 90% occupancy. Any void units below 90% would diminish the savings achieved for ASC for extra care compared to alternative forms of care, which would mean the Council would not be making best use of the land.
19. Voids would also adversely impact on the housing provider, because they will not receive the rent and service charges on these empty units. To mitigate against this risk, ASC will seek to identify individuals that will be suitable for extra care housing starting from a year before construction has been completed. This will provide us with adequate time to work with them, their families, friends and carers to prepare them for occupying the flats once they are available.
20. Once the sites are operational, ASC will continue to operate a nominations panel with district and borough colleagues to ensure any vacancies that occur are utilised as quickly as possible and that an appropriate mix of care needs is maintained across the sites.
21. There is a risk that the properties might not be developed to the required quality, standard and specification for extra care housing. If this were to be the case the development might not achieve the desired outcomes for residents, because of inappropriate design. To mitigate this risk, we will ensure throughout any tender and the construction process that all future developments are constructed to nationally published specifications and principles. This would include drawing on recognised standards such as the Housing our Ageing Population Panel for Innovation (HAPPI) principles.

## FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

22. As set out in the Accommodation with Care & Support Strategy presented to Cabinet in July 2019, the development of extra care housing is expected to deliver financial savings compared to alternative forms of care for two main reasons.
23. Firstly, the design and nature of extra care settings means that in the vast majority of cases people should be able to live there throughout their remaining elderly life and avoid the need to go into residential and nursing care homes when their care needs increase. Some admissions into more expensive residential and nursing homes will therefore be avoided. It is estimated that the development of these three sites will avoid the need to commission between 37-48 residential care beds and 4-5 nursing beds per annum (assuming 90% average occupancy of the affordable units).
24. Secondly, the cost of providing care in people's own homes is typically cheaper in extra care settings compared to normal residences, due to a combination of the avoidance of travel costs for care providers, economies of scale that enable improved rota management by care providers and the average number of hours of care typically being lower for people in extra care settings.
25. Modelling based on the planned usage of the Council's new affordable extra care units indicates that the Council should achieve savings of £4,600 - £5,100 per unit per year, depending on the mix of affordable vs shared or private ownership units in a scheme, compared to traditional alternative forms of care. The development of the three sites proposed in this paper is expected to generate total care savings of between £0.6m - £0.8m per year. As set out in Part 2 of this paper.
26. Beyond the direct savings to the Council it is also important to recognise the wider financial benefits to the health and social care system. Evidence indicates that well managed extra care sites will typically result in fewer people requiring admission to hospital. This reduces pressure on the health care system as well as avoiding the higher levels of social care expenditure typically required following hospital discharge, as well as of course being better for people's wellbeing and independence.

## SECTION 151 OFFICER COMMENTARY

27. The Council faces a very serious financial situation whereby there are still substantial savings to be delivered in the current financial year and identified for future years to achieve a sustainable budget.
28. The Section 151 Officer recognises the development of extra care housing will be important in helping to expand accommodation provision in the community to help older people maintain their independence that is more cost effective than traditional alternative forms of care.
29. In light of the Council's very serious financial position it is essential that the financial benefits derived from the development of new extra care schemes clearly outweigh any contribution the Council makes towards a scheme's development, whether through the use of Council owned land or capital investment. Financial modelling for the recommended delivery model for the three sites set out in this paper does clearly meet this test and also limits the Council's exposure to risk as the financial risks of the development and the ongoing delivery of the schemes will sit with the housing provider.

30. If Cabinet approves the recommendation to proceed with development of extra care housing schemes on the three sites, it will be important to ensure the Council works closely and swiftly with the housing provider and the relevant district and borough councils to finalise nomination agreements for the affordable units. As work progresses towards completion it will then be essential that individuals are identified who are suitable to move into the affordable units as close to the sites becoming operational as possible. Once the new schemes are operational, it will be important to track the costs of care provision across the affordable units and compare this to the modelled expenditure for affordable extra care so that this learning can be built into the proposed development of any further extra care schemes.

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

31. The Council as the owner of the land which it is considering selling or developing may dispose of, or develop, any land it owns. Existing rights and interests of the Council in land it owns are not affected by the Regulations. This is because Regulation 10 (1) (a) exempts such transactions from the Public Contracts Regulations 2015.
32. At this stage Cabinet has yet to decide what it wants to do with the land which could be sold as a freehold or on a long lease or developed by the Council. If the land were to be sold as a freehold or on a long lease the Council would need to show that it had obtained best value. This is a legal requirement under Section 123 of the Local Government Act 1972. To show best value has been obtained the Council may need to show that it had taken specialist external advice that sale of the land represented best value. Under Section 123(2) of the Local Government Act 1972 the Secretary of State's consent would be required before the Council could dispose of land as freehold or on a long lease at less than best value.

#### **EQUALITIES AND DIVERSITY**

33. An initial Equality Impact Assessment (EIA) is included as Annex 3, examining areas of consideration for any implementation of the Accommodation with Care and Support Strategy. Identified impacts at this stage centre on improved resident experience and outcomes, more people remaining independent within their own homes for longer and further consideration needed of people's natural communities, recognising that communities do not necessarily fit with statutory boundaries.

#### **Safeguarding Responsibilities for Vulnerable Children and Adults Implications**

34. 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.

#### **Environmental Sustainability Implications**

35. The Council will comply with best practice and any locally/nationally approved planning requirements.

## Public Health Implications

36. Accommodation with care and support 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:

37. If Cabinet approve the recommendations in this paper we will:
- i. Commence negotiation on the formal agreements for the development and operation for both the Pinehurst and Brockhurst sites with the councils residential Joint Venture Partner Places for People, which includes their operator arm Living+.
  - ii. Ensure provision is made in the Council's capital programme for any capital contribution the Council may be required to make towards the development of the two sites by Living+.
  - iii. Following Cabinet approval to procure for the former Pond Meadow school site, begin preparations to go out to market for a development partner for this site including market and stakeholder engagement and publication of an Official Journal of the European Union compliant tender.
  - iv. Continue to review the suitability of all of the sites owned by the Council for development of extra care housing as part of the Council's Asset and Place Strategy.

---

### Contact Officer:

Simon Montgomery, Project Manager, 02082132745

### Annexes:

Annex 1 - Site criteria for extra care housing

Annex 2 - Red line plans

Annex 3 - Equality impact assessment

### Sources/background papers:

Adult Social Care Accommodation with Care and Support Strategy for Extra Care Housing for Older People and Independent Living Schemes for adults with a learning disability and/or autism <https://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=120&MId=6328&Ver=4>