

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

**DATE:** 21 JULY 2020

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

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

**SUBJECT:** DECISION ON THE CHANGE OF ROUTE TO MARKET FOR TWO EXTRA CARE HOUSING SITES

**SUMMARY OF ISSUE:**

A paper was presented to Cabinet in July 2019 setting out Adult Social Care's (ASC) Accommodation with Care and Support Strategy for delivering Extra Care Housing for older persons 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") necessary and recommended change of delivery approach for two Council owned sites; the former Pinehurst Resource Centre (Camberley) and the former Brockhurst Care Home (Ottershaw). Both sites have already been allocated for Extra Care Housing.

In October 2019, Cabinet decided that the Surrey County Council joint venture with Places for People would be the delivery route of choice. However, as a result of subsequent delays in delivery by the joint venture, coupled with a pressing need for Extra Care Housing accommodation to come online, an alternative delivery route needs to be agreed as a matter of some urgency.

These sites will be integral in supporting the Council's strategy to deliver accommodation with care and support by 2030 and 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 Cabinet:

1. Agrees the recommended approach (Option 1) for the delivery of Extra Care Housing at the former Brockhurst Care Home and former Pinehurst Resource Centre sites. The approach recommended is to tender for a development and housing management strategic partner(s) for Extra Care Housing schemes on Council owned land on a design, build, finance and operate (DBFO) basis with up to a 125 year lease.

<sup>1</sup>

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

2. Grants approval to procure in order to enable a full tender process to identify an Extra Care Housing development and housing management strategic partner(s) for the former Brockhurst Care Home and former Pinehurst Resource Centre sites set out in this paper.
3. Agrees that work continues to review the feasibility of further sites owned by the Council for the development of Extra Care Housing.

#### **REASON FOR RECOMMENDATION FOR APPROVAL TO PROCURE:**

The development of Extra Care Housing on the two sites set out in this paper will represent a substantial contribution towards the Council's strategic objective to expand affordable Extra Care Housing provision by 2030.

The development of Extra Care Housing through this delivery model is in line with previous decisions made by Cabinet. In October 2019 Cabinet agreed to identify a strategic partner for the development and housing management of Extra Care Housing at the former Pond Meadow School site through a tender process.

This is consistent with our ASC vision for development of Extra Care Housing, which has been clearly communicated through market and stakeholder engagement.

Through developing Extra Care Housing via this delivery model, the Council will have evidence and experience with which to benchmark future developments against and make informed decisions regarding future sites and approaches.

The Council received positive feedback following its market engagement on the tender for Extra Care Housing at the former Pond Meadow School site. In their feedback, a number of providers sought clarification on whether further sites will be offered to the market through a tender.

A tender will be published in the Summer 2020 for an Extra Care Housing development and housing management strategic partner at the former Pond Meadow School site. This process will provide the Council with learning and a template to inform any future tenders for further Extra Care Housing schemes.

The financial case that underpins the recommended delivery model for these sites is set out in the Part 2 paper.

#### **DETAILS:**

##### **Background on the two sites**

1. The two sites owned by the Council and agreed to be used for Extra Care Housing developments are as follows:
  - Former Brockhurst Care Home, Brox Road, Ottershaw, Runnymede
  - Former Pinehurst Resource Centre, Camberley, Surrey Heath
2. ASC's Accommodation with Care and Support Strategy agreed by Cabinet in July 2019 set out the ambition to develop an additional 725 affordable units of Extra Care Housing in Surrey by 2028.
3. The Cabinet paper in October 2019 recommended that the delivery model for these two sites was through a Joint Venture. Due to a delay in delivery and a pressing need

for Extra Care Housing accommodation an alternative delivery route now needs to be agreed.

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

4. Extra Care Housing must be an enabling and accessible environment which makes independent living possible for older people with a spectrum of care needs, including those with dementia and other cognitive impairments. Its design and nature should mean that it is a 'Home for Life', in most cases, people should be able to maintain their tenancies and live comfortably and with dignity without needing to go into residential and nursing care homes when their care needs increase. The key principles of Extra Care Housing can be found in Annex 1.
5. Initial feasibility sketches based on planning feedback and a review of the local area shows that these sites could provide circa 120 affordable Extra Care Housing units depending upon design and planning permission. These sites will deliver circa 16% of the Council's strategic ambition for Extra Care Housing developments.
6. To meet the Council's definition of affordability, rents and service charges must be set at levels within Local Housing Allowance for Extra Care Housing agreed with the Strategic Housing Authority. Extra Care Housing attracts a higher Local Housing Allowance, due to the communal areas, than would be provided for general needs housing.
7. The Council will have nomination rights for all units. This will enable the Council to place people in affordable units who have eligible social care needs and to maintain an appropriate level of needs in each scheme which is essential.
8. National evidence and learning from Extra Care Housing schemes already used by the Council demonstrate the importance of maintaining an appropriate level of needs. The Council intend to operate a waiting list system to ensure appropriate nominations and care mix can be achieved and maintained through the life of the schemes. This will be essential to mitigate the risk of voids.
9. The Council's focus is on developing Extra Care Housing schemes that deliver affordable units for individuals with eligible ASC needs that the Council is required to support. As such, the Council's default approach is to develop 100% affordable schemes whereby the Council has nomination rights for all of the units. An alternative tenure model would only be considered for a site if development of a 100% affordable scheme on the site was not a realistic option.
10. A separate procurement process will be conducted for the onsite care provider. The intention will be to seek Cabinet approval for the tender of the care provider through agreeing the relevant year's Annual Procurement Forward Plan.

## OPTIONS CONSIDERED FOR THE DELIVERY OF EXTRA CARE HOUSING ON THE TWO PROPOSED SITES

### OPTION 1 – RECOMMENDED APPROACH

Tender for a development and housing management strategic partner(s) for Extra Care Housing schemes on Council owned land on a design, build, finance and operate (DBFO) basis with up to a 125 year lease

The strengths for taking this option are as follows:

- i. There is less financial risk to the Council because there will be no capital requirement or a much smaller requirement for capital funding and the Council would not have to manage the financial risks associated with ongoing operation of the site. Any requirement for capital funding, as set out in Part 2 of this paper, will be to bridge the financial gap to ensure viability of the schemes and maintain the level of rental charge within Local Housing Allowance for Extra Care Housing for residents.
- ii. The Council will be able to procure a development and housing management strategic partner(s) who has a track record of delivering Extra Care Housing. In addition to this, the marketplace for registered providers with a history of delivering Extra Care Housing has grown significantly in the last few years.
- iii. Registered providers of Extra Care Housing are able to access Homes England grant funding, which will support the viability of their proposed schemes.
- iv. This Summer (2020) the Council will complete a tender exercise to identify a development and housing management strategic partner(s) of Extra Care Housing at the former Pond Meadow School site. This process will provide the Council with learning to inform any future tenders for further Extra Care Housing schemes.
- v. Market engagement was conducted for the former Pond Meadow School site to confirm interest and the market's capability and willingness to submit applications to tender in the current Covid-19 environment. Positive feedback was received from the market indicating a willingness to work with the Council for this tender. In addition, there was interest from providers on whether future sites will be offered to the market through a similar tender.
- vi. This development opportunity will support the recovery from the Covid-19 crisis by stimulating both the local and national economy. All providers in the Extra Care Housing market will be given an opportunity to submit applications to this tender. The successful provider(s) will develop and deliver the housing management function at these schemes and realise economic and social benefits.

The challenges and limitations for this option are as follows:

- i. By releasing control of the land on a leasehold basis for up to 125 years, the Council will not be able to readily repurpose the sites if the preferred model of care changes or the demand for this model reduces. The Council expects to

structure the lease agreement to retain greater influence over the use of the sites throughout the contract and term of the lease.

- ii. As set out in the October 2019 Cabinet report, it is estimated that it will take approximately a year to conduct the full tender process and finalise the details of the lease with the successful provider(s). As a result, it will take between 6 and 9 months longer to deliver a functioning Extra Care Housing scheme than the alternative delivery method (discussed below, Option 2).
- iii. This option is currently untested by the Council, but a tender is due for publication for an Extra Care Housing scheme (at the former Pond Meadow school site) on a DBFO basis this Summer. Learning from this tender process can be used in the preparation of any future tenders for Extra Care Housing schemes. In addition, shared learning and best practice has been acquired from other local authorities that have successfully tendered for Extra Care Housing.

### **OPTION 2 – CONSIDERED BUT NOT THE RECOMMENDED OPTION FOR THESE SITES**

[The Council to directly develop and fund the development of Extra Care Housing at these sites](#)

Recognised strengths of this approach are as follows:

- i. The Council would finance the design and build through its Capital Programme and the Council has already allocated pipeline funding for the delivery of Extra Care Housing in Surrey. In the future, this would allow the Council to add value to its existing property portfolio. This option would ensure the Council could, if necessary, more easily repurpose the type of provision and the tenure options at the sites.
- ii. The Council could commission a multi-disciplinary design team with a proven track record in delivering Extra Care Housing, to design the schemes and procure a building contractor to develop the scheme on the Council's behalf.

The challenges for this option are as follows:

- i. Homes England grant funding is only available to registered providers of specialist accommodation. Currently the Council is not seeking to become a registered provider. This means that the Council would not be able to access this grant funding (circa £85k per unit), which would require the Council to fund the entirety of the schemes to ensure their viability.
- ii. There is greater financial risk to the Council. These two schemes would require substantial capital investment and the Council would have to manage the ongoing financial risks over the life of the schemes.

Financial analysis for the two options is set out in the Part 2 paper.

## CONSULTATION:

11. 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. Consultation has previously been undertaken with Districts and Borough Councils. 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.
12. In these meetings the Council 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.
13. 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.
14. Partners in the District and Borough Councils have been informed of the new delivery model for Extra Care Housing at these sites prior to the publishing of this report.
15. Through market engagement on the upcoming tender for Extra Care Housing at the former Pond Meadow School site, the Council acquired feedback on the market's ability to respond to the tender during the Covid-19 crisis. The market feedback for this opportunity was positive, with providers indicating an ability and willingness to submit applications.
16. This market intelligence provides the Council with a degree of confidence that a tender on these two sites will receive positive responses from providers of Extra Care Housing. By offering this opportunity to the market, the Council will support the economic recovery both locally and nationally to the Covid-19 crisis.

## RISK MANAGEMENT AND IMPLICATIONS:

17. There is a risk that there may not be sufficient interest from the market to develop the schemes on the basis that the Council proposes. The Council has however undertaken extensive market engagement and the indications are that there are prospective bidders who see the Council's DBFO approach as an attractive proposition.
18. There is a risk that once these sites have been launched the Council is unable to identify ASC funded residents for all of the affordable units. Void units would diminish the savings realised for ASC in Extra Care Housing compared to alternative forms of care, which would mean the Council would not be making best use of the land. To mitigate against this risk, ASC will seek to identify individuals suitable for Extra Care Housing a year in advance of their completion. This will provide adequate

time to work with our own ASC operational teams, the future residents, their families, friends and carers to prepare them for occupying the flats once they are available.

19. A full marketing strategy will be implemented to promote interest in the schemes and provide a waiting list of suitable residents. This marketing requirement is included in the budget for the Accommodation with Care and Support Strategy.
20. Once the schemes are operational, ASC will continue to operate a nominations panel with District and Borough Council colleagues to ensure any vacancies are filled as quickly as possible and an appropriate level of needs are maintained across the schemes.
21. There is a risk that the properties might not be developed to the required quality, standard and specification for Extra Care Housing. This will impact the Council's ability to achieve its desired outcomes for residents. To mitigate this risk, we will contract a development and housing management strategic partner(s) with a strong track record in delivering Extra Care Housing.
22. We will work with our development partner(s) to ensure the designs are aligned with the ASC Extra Care Housing Design Brief and recognised building and design standards, such as the Housing our Ageing Population Panel for Innovation (HAPPI) principles.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

23. As set out in the Accommodation with Care and 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:
  - i. The design and nature of Extra Care Housing settings means that in most cases this will be their home for 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 two sites will avoid the need to commission circa 35 residential care beds and 4 nursing beds per annum.
  - ii. The cost of providing care in people's own homes is typically cheaper in Extra Care Housing schemes 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 these schemes.
24. Modelling based on the planned usage of the new affordable Extra Care Housing units indicates that the Council should achieve efficiencies of £4,600 per unit per year compared to traditional alternative forms of care. The development of the two sites proposed in this paper is expected to generate total care package efficiencies of circa £513k per year. More detailed financial modelling is set out in Part 2 of this paper.
25. Beyond the direct efficiencies 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 Housing schemes 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.

26. By the Council clearly outlining its requirements in the design and build for these schemes, there is an opportunity to ensure that the design principles include the Council's Green agenda as well as using a range of renewable energy options to help reduce future utilities costs
27. Through working closely with the Council's strategic partner(s), good design and development methodology will be used. Contract management measures will be implemented to ensure good design principles that will result in lower future building maintenance costs.

#### **SECTION 151 OFFICER COMMENTARY**

28. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook is uncertain. The public health crisis has resulted in increased costs which are not fully funded in the current year. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected from next year onward, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
29. In this context, the Section 151 Officer recognises the development of Extra Care Housing will be important 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. Plans to expand the provision of affordable Extra Care Housing for older people were factored into the Medium Term Financial Strategy based on the proposals to develop the three sites approved by Cabinet in October 2019. If Cabinet approves the alternative delivery approach for the two sites recommended in this paper, then the Medium Term Financial Strategy will be updated with any changes to the timing and expected financial impact of the developments.
30. If Cabinet approves the change in the delivery approach for the development of Extra Care Housing schemes on the two sites, it will be important to ensure the Council works collaboratively and swiftly with 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 Housing so that this learning can be built into the proposed development of any further Extra Care Housing schemes.

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

31. The Council as the owner of the land which it is seeking to develop for Extra Care Housing 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 Public Contracts Regulations 2015. This is because Regulation 10 (1) (a) exempts such transactions.



32. At this stage Cabinet has yet to decide what it wants to do with the land as per the two options set out in this paper. If the recommended option is chosen, whereby the grant of a lease is required, 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 that the disposal by way of a lease 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 by way of a lease at less than best value.

#### **EQUALITIES AND DIVERSITY**

33. An initial Equality Impact Assessment (EIA) is included as Annex 2, 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. In line with the Council's Climate Change Strategy and Government' Future Homes Standard, the Council will work with the development and housing management strategic partner(s) to ensure that design principles and build provide, at minimum, a 31% CO2 reduction when compared to current building regulations.
36. Providers will be asked to take the following approach when producing methodology on how they will reduce CO2:
- a. Be Lean – Fabric first
  - b. Be Clean – Efficient energy supply
  - c. Be Green – Low Zero Carbon/Renewables
37. Any potential development and housing management strategic partner(s) will have to outline within in their bid submission on how they will achieve a reduction in CO2 emissions through design and building operations. This will be built into the method statement questions and weighting criteria in the tender evaluation.

#### **PUBLIC HEALTH IMPLICATIONS**

38. 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:**

39. If Cabinet approve the recommendations in this paper we will:
- i. Begin preparations to go out to market for a development and housing management strategic partner(s) for these sites including market and stakeholder engagement and publication of an Official Journal of the European Union compliant tender.
  - ii. Continue to review the suitability of all sites owned by the Council for development of Extra Care Housing as part of the Council's Asset and Place Strategy.
  - iii. Continue to review the feasibility of further sites owned by the Council for development of Extra Care Housing.

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**Annexes:**

Annex 1 - The key principles of Extra Care Housing

Annex 2 – Equality impact assessment

Part 2 report

**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>

Decision on the route to market for the three identified extra care sites  
<https://mycouncil.surreycc.gov.uk/documents/s63940/08.%20Extra%20Care%20Cabinet%20Report%20Oct%2019%20Part%201.pdf>

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