



CABINET – 22 OCTOBER 2019

**REQUEST FOR AN ADDITION TO THE 2019/20 CAPITAL PROGRAMME
FOR THE SOCIAL CARE ACCOMMODATION DEVELOPMENT PLAN**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND
DIRECTOR OF ADULTS AND COMMUNITIES**

PART A

Purpose of the Report

1. The purpose of this report is to seek the Cabinet's approval for the proposed process to purchase and develop assets to meet the aims of the Social Care Accommodation Development Plan, which was approved by the Cabinet on 25 June 2019.
2. The report also seeks the Cabinet's agreement to allocate an additional £10m capital funding to fund the purchase and development of properties to meet needs identified within the Social Care Accommodation Development Plan. The extra funding would cover the cost of properties expected to be purchased before the end of the financial year, as well as the development of a specialist dementia care facility in Coalville.
3. The Cabinet is asked to agree that the Council's property on Highfield Street, Coalville, known as "Workspace 17", is converted into a specialist dementia care facility. Around £5.5m of the additional capital funding would be put towards this. Due to timescales around planning and construction, most of expenditure will be incurred in later years, but approval is required before works can begin on the scheme.
4. Longer-term financial requirements are being assessed and will be incorporated into the revised Medium Term Financial Strategy (MTFS), to be considered by the Cabinet in December 2019.

Recommendations

5. It is recommended:
 - a) That £10m be added to the capital programme for the Adults and Communities Department to enable the purchase and development of priority supported living properties and a specialised dementia care facility;
 - b) That with regard to the purchase of assets to fulfil social care accommodation needs identified in the Social Care Accommodation Development Plan:
 - i) the process will be subject to the governance arrangements outlined in this report;

- i) the Director of Corporate Resources, in exercising his existing delegated powers to purchase property assets for operational purposes, will first consult with the relevant Chief Officer and Cabinet Lead Member(s);
- c) That the Council-owned property Workspace 17, at Highfield Street, Coalville be developed as a specialist dementia care facility, noting that the overall cost is expected to be in the region of £5.5m.

Reasons for Recommendations

- 6. Additional capital funding is necessary to proceed with urgent objectives in the Council's Social Care Accommodation Development Plan and the Adult Social Care Strategy.
- 7. The Director of Corporate Resources has delegated powers to purchase land for schemes within the approved capital programme and for other operational purposes, up to a maximum of £2m per transaction. Given the particular requirements of schemes within the Social Care Accommodation Development Plan, a governance process, outlined in Part B of this report, has been developed for this.
- 8. The Coalville property is suitable for the development of a much-needed specialist dementia facility.

Timetable for Decisions (including Scrutiny)

- 9. The Adults and Communities Overview and Scrutiny Committee has been consulted in the development of the Social Care Accommodation Development Plan.
- 10. Subject to approval of the recommendations, it is intended that the purchase and development of properties would begin at the earliest opportunity.

Policy Framework and Previous Decisions

- 11. In October 2018, the Cabinet noted the development of a capital investment plan for accommodation-based support services and agreed the publication of a Prior Information Notice to enable engagement with the market for adult social care.
- 12. In June 2019, the Cabinet approved the Social Care Accommodation Development Plan and Investment Prospectus 2019-2037, which aims to increase the supply of social care accommodation-based support services in Leicestershire, along with associated developments and procurement activity.
- 13. The County Council's Strategic Plan 2018-22, supported by the Enabling Growth Plan, sets out the Council's objectives for the rationalisation and utilisation of its assets, maximisation of capital receipts, and facilitating the delivery of affordable and quality homes and building a strong economy, generating economic growth.

Resource Implications

14. The cost to develop the supported living schemes in 2019/20 is estimated at £4.5m. Revenue savings for the supported living schemes will be developed as actual sites are identified and verified through agreed criteria. An Acquisitions Appraisal, using the process described in Part B of this report, will be generated for each. Research has shown that the saving per individual is around £7,000 per annum where an individual moves from residential care into supported living.
15. The overall cost for the development of Workspace 17 in Coalville is expected to be around £5.5m. Revenue savings for Workspace 17 will be achieved through reduced social care costs and possibly through net property income. If target occupancy levels are reached, savings are estimated at £1.5m per annum. However, as the savings benefits derived from the reduction in annual care costs partially fall to the individual and Health, only a proportion (around 30%) of these annual savings offset the Council's capital investment. Nonetheless, on the assumption of no capital growth, it is estimated that payback would be achieved within 22 years from full occupation. Further financial details are given within Part B of this report.
16. The Director of Law and Governance has been consulted on this report.

Circulation under the Local Issues Alert Procedure

17. Dr. Terri Eynon CC (Coalville North division) and Mr. M. B. Wyatt CC (Coalville South division). A copy of this report has also been circulated to all members of the Council.

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PART B

Background

18. Supporting people to remain within their own home for as long as possible not only provides people with the greatest level of independence but is the most cost-effective response for adult social care. This requires the right type of accommodation, with the right level of support to be available to meet need at the time it is needed. Where people cannot remain in their own home, community-based accommodation options in the form of extra care and supported living can provide a cost effective and positive alternative to residential care.

Population increase and demand for social care accommodation

19. Between 2016 and 2041, the number of households in the County is set to increase by over 60,000, an increase of over 21%. Across Leicestershire, the largest change is projected to be in Charnwood, which will see a considerably higher rate of household formation than other districts (an extra 18,000 households; an increase of 25%) followed by Hinckley and Bosworth (projected extra 10,500 households; an increase of 22%). Oadby and Wigston is expected to see the smallest change (just under 2,000 additional households), also the smallest percentage increase at 8.6%.
20. Between 2014 and 2039, households headed by those aged 25-64 are projected to decrease from 65.9% to 56.5%, with households headed by those aged 75-84 increasing from 10.9% to 15.3%. The Housing and Economic Development Needs Assessment estimates a need for an additional 9,460 specialist dwellings for older persons in Leicestershire over the period 2011 to 2036.
21. Based on these projections, and in conjunction with the aim to reduce the use of residential care, it is estimated that by 2037 a further 700 units of supported living and 1,100 units of extra care accommodation will be required in Leicestershire. The need for nursing care placements and residential placements will remain relatively stable, but those requiring services will have far more complex needs. The Council is developing a Target Operating Model for Adult Social Care. This work has already identified a cohort of 210 working age adults currently in residential care who would be better supported in a more independent setting such as supported living.
22. In addition to these needs, a specific gap in the provision of a specialist dementia facility has been identified. This is for long-term accommodation options for people who have been recently diagnosed and would benefit from a more supportive environment. It is also for those with either complex behaviours or intensive support requirements. The Council's target is to source an additional 44 units over the next five years that will provide:
- Long-term accommodation options for people who have been recently diagnosed with dementia and would benefit from a more supportive environment;
 - Accommodation with facilities for adults diagnosed with complex behaviours or requirements for intensive support that may challenge services;

Social Care Accommodation Development Plan

23. The above analysis informed the Social Care Accommodation Development Plan, which was approved by the Cabinet in June. This Plan aims to:

- **Improve service user outcomes** - Support the adult social care commissioning strategy by promoting independence and avoiding long-term institutional care by having a range of more suitable options.
- **Shape the market and ensure capacity** - Have greater control in the design of property development for use as social housing and accommodation-based support services; determine the most suitable locations based on local intelligence.
- **Contain demand growth** - Manage demand by delaying and reducing the need for care by the County Council having a greater influence over the development of the care market, ensuring it has the right mix of services to meet local demographic need.
- **Contain cost pressures** - Transfer the emphasis from revenue expenditure to improved use of capital expenditure as well as support cost avoidance of high hotel costs incurred in purchase of residential/other specialist care/support.
- **Generate income** - Get a return on investment and therefore generate income to offset challenges of austerity on available budgets.

Governance - The Acquisitions Appraisal Process

24. The Acquisitions Appraisal Process has been established for the Social Care Accommodation Development Plan, to ensure the Council can use capital to develop existing assets or purchase suitable assets for development, to realise the aims of the Social Care Accommodation Development Plan. It has several stages:

- a) Identifying the need - Work has been undertaken to develop the Investment Prospectus that sets out the gaps in provision at a district level. This needs analysis is reviewed by the Social Care Accommodation Steering Group (an officer group) to ensure that it remains accurate and is refreshed as developments progress. Before the acquisition of a site is progressed, it must first be confirmed that it is in a geographical area with demand and will meet an identified gap in service provision.
- b) The next stage in the process is to undertake a locational assessment. This considers several factors for suitability to meet desired objectives for specific needs, including space standards, proximity to amenities, health services and schools, crime data, topography, and environmental issues such as light and noise. The assessment considers the location in relation to the proposed purpose of the development. For example, some developments may require larger external space and distance from neighbours, and others may require much closer proximity to shops or transport links.

- c) Once it has been established that the location is suitable for the proposed need, the next stage of the process is to undertake a market valuation. In addition to this, a feasibility review of purchase costs and/or refurbishment costs will be calculated, providing an estimate of the total investment required.
 - d) Once the total investment costs have been established, the next stage is to consider the potential revenue costs. A generic cost avoidance model to evaluate business cases for all types of future Adult Social Care accommodation schemes has been developed and a model for Children's social care accommodation will be developed. The model's underpinning assumptions relate to the placement pathway that individuals would be expected to take with and without the proposed new scheme in place and an estimate of the care cost for each. This enables an estimate of the average annual cost avoidance to be made and considered alongside the other financial elements of each business case. Assumptions relating to care costs will be calculated based on existing data where it is available and will be modelled where it is not.
 - e) In addition to the social care saving and cost avoidance, there is a potential rental income from the property. The Council is currently in the process of procuring a Strategic Landlord Partner to undertake the housing management function in future properties developed and is seeking to retain a percentage of the rental income after landlord costs have been paid.
25. A scheme that achieves a financial return in excess of 7% would be attractive financially. Schemes that return less than 7% might still be considered, dependent on the non-financial (service outcome) benefits that might also be achieved. For each case, analysis will be undertaken to determine the sensitivity of the rate of return to the estimated savings.
 26. Property purchases and managing of any refurbishment/build works required will be managed by the Council's Corporate Resources Department.
 27. Following completion of the Acquisition Appraisal Process, the Director of Corporate Resources, following consultation with the Lead Member for Corporate Resources and the Director of Adults and Communities, or the Director of Children and Families and appropriate Lead Member, will exercise his delegated powers to commit up to £2m capital per scheme.

Capital Programme

28. The requirements for capital investment will be reviewed annually and priority schemes that have been identified for development will be included in the Council's annual MTFS for approval. There will be ongoing performance monitoring to ensure that the objectives in the Social Care Accommodation Development Plan are being met.
29. Approval is requested to add £10m to the current capital programme to ensure that urgent needs can be addressed in the remainder of this financial year. This will cover schemes that will be developed under the delegated powers as requested above, as

well as the proposed dementia provision detailed below. The £10m will be allocated from Future Developments funding.

Workspace 17, Highfield Street, Coalville – Specialist Dementia Care Facility

30. Workspace 17 is a former industrial site of approximately 1.4 acres, located within a predominantly residential area in Coalville.
31. The drive to build a specialist dementia facility is to create an alternative to long-term, non-specialist, residential care. Specialist provision will support individuals to maintain independence in an environment that is purpose-built and designed to support their needs. An intensive personalised support service aims to encourage autonomy, yet reduce isolation, by having small clusters of people living together, including appropriate care pathways based on individual needs.
32. The development of Workspace 17 has been selected as a good opportunity to contribute to reducing the gap in provision and providing the specialised care that is needed for this group of people. The development has essentially been subject to the same checks and analysis outlined as part of the acquisitions process above, albeit in this instance, the land is already owned by the County Council. However, the location has been identified as appropriate and modelling of the development costs and expected cost savings that will accrue indicate that the development will be worthwhile.
33. The proposal is to develop a specially designed building of 36 units that will meet the needs of people with complex dementia. The service model of the scheme (extra care, residential care or a hybrid model) will be co-produced with relevant stakeholders and experts once approval has been received.
34. Based on existing modelling for a 36-bed unit, the overall cost for the development of Workspace 17 is expected to be in the region of £5.5m. Revenue savings for Workspace 17 will be achieved through reduced social care costs and through net property income. On the assumption that the property maintains a target level of occupation (which will be achieved gradually over the initial 12-month period following completion), the savings are estimated at £1.5m per annum (shared between the County Council, Health authorities and the resident). As the savings derived from the reduction in annual care costs benefits not only the Council but the individual and Health as well, only a proportion (around 30%) of these annual savings offset the capital investment. On the assumption of no capital growth, it is estimated that payback would be achieved within 22 years from the start of the project and an estimated Internal Rate of Return (IRR) of 10.8% would be generated. This gives an estimated Net Present Value of the investment at £5.45m.
35. There is obviously some uncertainty at this stage around the actual build costs, as well as the actual savings that can be achieved from having the new facility available. The table below gives an indication of how sensitive the IRR is to these key assumptions by looking at increments of plus/minus 5% on the build costs and plus/minus 10% on the estimated savings.

IRR sensitivity		Build Cost						
		-15%	-10%	-5%	-	+5%	+10%	+15%
Annual Future Care Costs	-30%	17.6%	17.1%	16.7%	16.3%	16.0%	15.6%	15.3%
	-20%	15.5%	15.1%	14.8%	14.5%	14.2%	13.9%	13.6%
	-10%	13.4%	13.1%	12.9%	12.6%	12.4%	12.2%	12.0%
	-	11.4%	11.2%	11.0%	10.8%	10.7%	10.5%	10.4%
	+10%	9.4%	9.3%	9.2%	9.1%	9.0%	8.9%	8.8%
	+20%	7.5%	7.5%	7.4%	7.4%	7.4%	7.3%	7.3%
	+30%	5.7%	5.7%	5.7%	5.7%	5.8%	5.8%	5.8%

36. The property will remain in the ownership of the Council and thus have a retained value.

Supported Living

37. The initial estimate of the cost to develop the required supported living schemes, within the existing financial year, is £4.5m. This will be used to purchase properties to fill part of the gap in supported living places identified within the June Cabinet report. Whilst several properties have been identified and used for modelling, these cannot be progressed until capital is granted. The market is relatively fast paced and therefore specific properties may no longer be available. Revenue savings for the supported living schemes will therefore be developed as actual sites are confirmed and verified through agreed criteria. An Acquisitions Appraisal (as described above) will be generated for each potential scheme. This will be signed off by the Director of Corporate Resources and approved in line with the delegated powers. However, evidence has shown that the annual saving per person is estimated at £7,000 where the individual is moved from a residential care scheme to supported living.
38. In addition to the above savings, there is a potential rental income from any property developed. The extent of this cannot yet be assessed until the procurement for a Strategic Landlord Partner has been completed in November 2019. However, on the assumption of no capital growth in the property, a prudent rental income estimate and the cost avoidance modelling undertaken, payback of a scheme would be achieved within 11 to 25 years from full occupation and an IRR of between 9.4%-15.5% would be generated.

Equality and Human Rights Implications

39. An Equalities and Human Rights Impact Assessment screening was undertaken and concluded that the overall impact of the work generated through the development of the Social Care Accommodation Development Plan would be positive with some elements resulting in a neutral impact.

Background Papers

Report to the Cabinet, 16 October 2018 “Capital Investment into Adult Social Care Accommodation-Based Support Services” and minutes of that meeting: <https://bit.ly/2MuL8bb>

Leicestershire County Council Strategic Plan 2018-2022: <https://bit.ly/2MiREDU>

Report to the Cabinet, 5 February 2016 “Adult Social Care Strategy 2016-2020”

<https://bit.ly/2paYDoi>