

CABINET – 16 OCTOBER 2018**CAPITAL INVESTMENT INTO ADULT SOCIAL CARE
ACCOMODATION BASED SUPPORT SERVICES****REPORT OF THE DIRECTOR OF ADULTS AND COMMUNITIES****PART A****Purpose of the Report**

1. The purpose of this report is to provide the Cabinet with an overview of the work being undertaken to develop a capital investment plan for adult social care accommodation based support services and to seek approval to publish a Prior Information Notice (PIN) that will enable engagement with the market to support the development of that plan and a full strategic business case for the possible future investment by the Council in adult social care accommodation.

Recommendations

2. It is recommended that:
 - a) The development of a capital investment plan for adult social care accommodation based support services, including its aims and objectives as detailed in paragraph 13 of this report, be noted;
 - b) The publication of the Public Information Notice (PIN) to initiate engagement with the adult social care and investment market be approved;
 - c) That a further report be submitted to the Cabinet in 2019 which will detail the outcome of the PIN engagement exercise and present the capital investment plan and strategic business case for the future capital investment in adult social care accommodation for approval.

Reasons for Recommendations

3. The revenue costs of supporting those with social care needs are increasing and are likely to continue to increase annually for the foreseeable future. Accommodation based care is generally dependent on costs associated with the provision of accommodation which itself is influenced by investment models within the private social care and investment markets. By engaging with the market the Council will seek to validate its assumptions on accommodation costs and develop a strategic business case that will set out potential revenue cost savings and income generation through the use of capital investment.

Timetable for Decisions (including Scrutiny)

4. Subject to the Cabinet's approval, the PIN will be issued in October 2018. Following consideration of responses to the PIN, a full business case detailing the potential options,

scale of the investment required, and proposed capital investment plan, will be presented to the Cabinet in late spring 2019.

5. The Adults and Communities Overview and Scrutiny Committee will be consulted on the development of the strategic business case for the possible future investment in adult social care accommodation and the potential implications of this at its meeting on 6 November 2018.

Policy Framework and Previous Decisions

6. No policy decisions result from the publication of the PIN, however, the full strategic business case, once developed, may require significant capital investment and/or for the Council to enter into partnership arrangements for the provision of accommodation based support options. The full range of options being reviewed as part of the business case are detailed in the table below paragraph 18.

Resource Implications

7. The capital investment requested from the Council will be identified in the full business case, but initial work to identify the total cost of creating the full range of accommodation based services required by 2037 is estimated at circa £200 million. The possible funding sources are detailed in the table below paragraph 17.
8. The Director of Corporate Resources and the Director of Law and Governance have been consulted on the contents of this report.

Circulation under the Local Issues Alert Procedure

9. None.

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Background

10. 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 required. 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.
11. Active, healthy and engaged communities lead to reduced reliance on health and social care services, yet provision of different models of housing and support options remain underdeveloped in the UK. There is limited public knowledge of the housing and support options available and, in particular, there is a shortage in the supply of options offering a mix of tenure types.
12. However, it is recognised there will still be an ongoing need for residential care that can meet the needs of some older people and a small proportion of working age adults with complex needs. Whilst the market is currently developing this provision, it is often at a high cost to the Council, driven by providers' high borrowing costs and profit requirements. Investing in residential care is an opportunity for the Council to control the building design, associated costs, profit levels and quality of care service commissioned. Investment in older persons residential accommodation would also allow the Council to influence the supply of residential care homes able to meet the needs of both Council funded residents and self-funders who continue to require support beyond their level of assets.
13. The aims and objectives of the proposed capital investment plan are to:
 - a) **Improve service user outcomes** - Support the adult social care vision and strategy by promoting independence and avoiding long term institutional care by having a range of more suitable options.
 - b) **Shape the market and ensure capacity** – Have greater control in, and design of, property development for use as social housing and accommodation based support services (market shaping and development) and determine the most suitable locations based on local intelligence (housing needs analysis).
 - c) **Contain demand growth** - Manage demand by delaying and reducing the need for care, by the 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.
 - d) **Contain cost pressures** – Transfer the emphasis from revenue expenditure (due to austerity measures) to improved use of capital expenditure as well as support cost avoidance of hotel costs incurred in purchase of residential/other specialist care/support.
 - e) **Generate income** - Get a return on investment and therefore generate income to offset challenges of austerity on available budgets.
14. The capital investment plan seeks to meet these aims by:
 - a) Developing and enabling housing and care options that are aspirational, attractive and affordable with a full range of tenure options.

- b) Facilitating and encouraging innovative approaches based on best practice and learning from others.
 - c) Working with partners to increase housing and care choices for residents in Leicestershire.
 - d) Exploring the full range of market leverage options available to realise the ambition including Council investment, land transfers, developer contributions through Section 106 and partnering arrangements.
 - e) Ensuring that residents of Leicestershire are widely informed of the range of housing options available and the different models of support.
15. The average population of people over the age of 65 is set to increase by 75% by 2037, with a small increase of 2% for people under 65 years. Charnwood population growth is significantly higher than the average at 80% and 10% respectively. The only population that is predicted to shrink by 2037 is the under 65 population in Melton, and Oadby and Wigston. These figures are based on current population projections and do not take account of any large housing developments that may further increase the population. Further detail broken down by district can be found in the Appendix attached to this report.
16. Using these population figures in conjunction with the strategic intention to reduce the use of residential care, it is estimated that by 2037 a further 750 units of supported living and 1,200 units of extra care accommodation will be required. The need for nursing care placements and residential placements will remain relatively stable, but those requiring services will have far more complex needs. Further detail of the increased need by district can be found in the Appendix.
17. The table below sets out a range of funding options that will be explored during the market engagement to inform the development of the full business case:

Option	Summary of opportunity
Local authority capital funding	<p>The Council could assist in meeting the accommodation needs of Leicestershire residents over the coming years by funding the building of some of the accommodation. This may be necessary in some areas of specialist accommodation that the market will not provide or in any local communities where there is significant unmet need.</p> <p>The key advantages of the Council funding accommodation provision is that it enables the Council to build the type of accommodation that is required, it creates a valuable asset and the costs may be recovered in part by the Council selling some properties in a mixed tenure development. However, there would be the risk of lost investment return and the consideration of competing priorities contained within the Council's Capital Investment Programme.</p>

<p>Joint venture funding</p>	<p>The Council could form joint venture partnerships or companies to fund the provision of accommodation. These models could potentially increase the funds available for development, but the Council would have to share the ownership of any assets and subsequent returns in the future. It is likely that the partnerships would need to be for a significant period of time in order for the investment to generate a meaningful return.</p> <p>Any partners would bring significant experience and expertise in the design and building of accommodation which could complement that already held within the Council.</p> <p>The partnership could also extend to the provision of care services in the accommodation and also generate capital receipts by selling some units of accommodation as well as providing care to self-funders.</p>
<p>Developer funding</p>	<p>Private developers will continue to be the major provider of new accommodation across Leicestershire, however, the market will not always provide specialist or flexible accommodation to meet the needs of Leicestershire residents in the future. It is therefore essential that an element of the Council's strategy for the provision of accommodation over the next 20 years is to work with developers and District Councils to engage, inform and influence investment decisions to ensure as far as possible that the housing needs of Leicestershire residents are met.</p> <p>The current situation that the authority finds itself in of having to pay increasing "hotel costs" as part of the overall costs of care for residents in privately developed and run accommodation is not sustainable in the long term.</p>
<p>Local housing company</p>	<p>There has been a significant number of local authorities establishing Local Housing Companies to build new homes for sale or rent. These companies can be wholly owned by local authorities or be joint ventures with housing associations or developers. The benefits include the ability to develop affordable housing, produce a return back to the general fund and speed up the rate of housebuilding.</p> <p>As well as increasing the supply of housing for sale and rent the company could generate additional resources to contribute to the building of specialist housing alongside general needs housing.</p>
<p>Social investment</p>	<p>Social investment is an alternative way of raising capital rather than going to banks or the Public Works Loans Board (PWLB). Interest rates are generally less than commercial rates but higher than borrowing from the PWLB.</p> <p>With this type of investment there is often expertise in specialist fields which can support the organisation requiring the investment. From initial research most of the activity in this area has been focussed on projects providing accommodation to homeless people and/or people with poor mental health.</p>

Homes England or other partners	Grants, contributions and/or joint initiatives may provide some contribution towards the funding to meet specific housing and care needs in the future.
Section 106 contributions	There is currently a review taking place of the Section 106 requirements the Council makes of developers. Historically, the Council has not asked for a contribution to fund accommodation for adult social care, but this has been addressed in the revised guidance and could potentially be a source of funding future provision.

18. Over recent years the care market has changed significantly and with the introduction of the living wage and other legislative changes the differential between public and private sector pay and reward structures have reduced significantly. This, combined with the successful commercial approach taken in some parts of the Council, means that a full range of options of how new accommodation provision could be developed will be considered as part of the full business case. The table below sets out a range of delivery options that will be explored as part of the market engagement:

Option	Summary of opportunity
Local authority commission contractor, but design and manage the build	<p>Council officers have previous experience in undertaking housing developments and with this option the Council would retain control over the brief and design and have more scope to make alterations to the project. The Council would be able to specify accommodation design to meet the anticipated service user needs as defined by our work on demand. The delivery of services within the accommodation could either be directly provided by the Council, a trading company or outsourced.</p> <p>However, internal design costs may be greater than if outsourced to a third party and there may need to be additional resources for any in-house design teams. Any cost overruns and risks will ultimately be borne by the Council.</p>
Local authority commissions contractor to design and build	<p>This option could draw upon the design expertise and knowledge of contractors who may have particular experience of specific service user group's needs. External design may be less resource constrained and cheaper than in-house capacity and a contractor can be contract managed to build to a prescribed design and specification, in addition with effective financial and contract management costs should be known and agreeable from the outset.</p> <p>However, success of the design is dependent on the provider expertise and competence, and/or the effectiveness of Council commission and contract management, external design capacity may be more expensive than in-house provision and much of the risk of design issues still could be borne by the Council.</p>
Joint venture with developer	<p>There are a number of examples of local authorities entering into joint venture arrangements with developers to build accommodation. In some cases additional units are added onto the scheme and sold on the open market to subsidise the building of specialist units. Build costs can also be shared along with any revenue. The developer would bring significant commercial experience to the joint venture.</p>

	<p>It is likely that a greater proportion of the risk would be retained by the Council, particularly in terms of reputational risk; in addition, the final design of the scheme would have to be agreed between the different parties which may result in some compromises in terms of layout and quality. The exit strategy of the joint venture should also be considered before entering into any agreement.</p>
<p>Joint venture with Housing Association/ Registered Social Landlord/ Care provider</p>	<p>A number of large national housing associations and care providers are establishing joint venture partnerships with County Councils. The Council could form joint venture partnerships to build and operate new provision of accommodation. Any partners would bring significant experience and expertise in the design and building of accommodation which is not currently within the Council.</p> <p>The partnership could also extend to the provision of care services in the accommodation and also generate capital receipts by selling some unit of accommodation as well as providing care to self-funders.</p>
<p>Developer design and builds</p>	<p>This provides the Council with the least control over the type and cost of accommodation to meet the anticipated needs of Leicestershire residents now and in the future. However, the Council needs to engage with the market to make sure it understands the current and future supply so that it can amend and flex its own plan accordingly.</p>

The Public Information Notice (PIN)

19. Providers will be invited to complete a questionnaire to help shape the potential scheme and ensure consideration has been given to alternative delivery options. They will be reminded that this exercise is not a formal procurement process. Providers will be asked to make contact with officers if they wish to discuss the proposals and a market engagement event will be held to feedback to the market the findings of the engagement.

Financial Implications

20. Although expected costs and benefits will be significantly influenced by findings from the PIN, some initial assumptions have been made on the possible revenue savings to adult social care through the use of accommodation based support services. These have been calculated at an annual saving of £4,000 per unit for supported living, £2,000 per unit for extra care, and £10,000 for residential care for working age adults. In addition to the revenue saving, there is a potential to generate income of £6,000 per unit for supported living and £5,000 per unit for extra care. In total, it is estimated that the possible return on investment is between 4-9% for the different models of accommodation based support. These assumptions will be further tested and refined through the market engagement.

Equality and Human Rights Implications

21. An Equality and Human Rights Impact Assessment (EHRIA) screening will be produced to support the development of the full business case. It is anticipated that the development of accommodation based support will have a positive impact overall.

Background Papers

Promoting Independence, Supporting Communities; Our vision and strategy for adult social care 2016–2020

https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2016/3/23/ASC_Strategy_2016_2020_0.pdf

Appendix

Supplementary Information