

19/56 +
appendices
1, 2 + 3
DECISION
NOW MADE

Notice of KEY Executive Decision

Subject Heading:	Approval to develop three new build supported housing schemes
Cabinet Member:	Cllr Robert Benham, Cabinet Member for Education, Children & Families Cllr Jason Frost, Cabinet Member for Health and Adult Care Services
SLT Lead:	Barbara Nicholls, Director of Adults Services
Report Author and contact details:	David Mitchell T: 01708 433192 E: david.mitchell@havering.gov.uk
Policy context:	Havering Corporate Plan 2019/20 Communities Theme: Helping young and old fulfil their potential through high-achieving schools and by supporting people to live safe, healthy and independent lives. This proposal is guided and underpinned by the principles of the Care Act 2014, the Children's Act 1989 and the Children and Families Act 2014.
Financial summary:	The proposals require capital monies to build three new schemes at an estimated total cost of £6,120,000.
Reason decision is Key	Expenditure of £500,000 or more and impact on communities living or working in an area comprising two or more wards
Date notice given of intended decision:	20 th May 2019

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Relevant OSC:	Children and Learning OSC and Individuals OSC
Is it an urgent decision?	N/A
Is this decision exempt from being called-in?	No

**The subject matter of this report deals with the following Council
Objectives**

Communities making Havering	<input checked="" type="checkbox"/>
Places making Havering	<input type="checkbox"/>
Opportunities making Havering	<input type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

1. This report is seeking Cabinet approval for:
 - approval of the projects along with the necessary capital expenditure to develop three new build supported housing schemes
 - delegated authority for the procurement and award of the building works contracts
2. The schemes have been developed, as part of the Supported Housing Programme, in response to the ongoing financial pressures on the needs led service areas of adults and children's social care.
3. Finance has set aside capital for each of the schemes pending Cabinet approval of individual business cases.
4. The three proposed schemes are as follows;
 - P2: Residential Care Home and Short Breaks Facility for Children with Special Educational Needs and Disability (SEND)
 - P3: Supported Living Service for Adults with Disabilities
 - P4: Semi-Independent Scheme for Young People Leaving Care
5. The three buildings will be developed on HRA garage sites and remain the property of the Council but each will be leased to the respective care and support provider under a full repairing and insuring lease agreement, linked to individual contracts for the delivery of the respective care and support services to be provided within each of the properties.
6. Three garage sites have provisionally been identified, subject to further detailed appraisals once Cabinet agreement is obtained. The three proposed garage sites are as follows; P2: Aldwych Close, Hornchurch (Hylands Ward), P3: Mowbrays Close, Romford (Pettits Ward), P4: Mawney Close, Romford (Mawneys Ward).
7. The establishment of the new provisions will provide greater control over costs and quality for children, young people and adults, delivering:
 - Increased accommodation capacity in Havering
 - Savings and cost avoidance
 - Improved outcomes
 - Reduction in the need to place out of borough
 - Ownership of multi-million pound assets that would otherwise be owned by private providers, paid for from council revenue funds

Recommendation:

8. The Cabinet is asked to:
 - a) review and approve the development of three new build supported housing schemes as set out in the report;
 - b) agree the necessary capital funding in respect of the development as set

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- out in the report; and
- c) delegate authority to the Director of Housing Services, in consultation with the Chief Operating Officer and Deputy Director of Legal Services, to procure and subsequently award the necessary construction works contract for the building works.

AUTHORITY UNDER WHICH DECISION IS MADE

Constitution Part 3.2 para 2.1: General functions of the Cabinet

(i) To exercise control over the Council's revenue and capital budgets (including the housing revenue account).

STATEMENT OF THE REASONS FOR THE DECISION

1. Background

- 1.1 The Supported Housing Programme was set up at the beginning of 2018 with the Director of Adults Services as Senior Responsible Officer (SRO). The Supported Housing Programme Board provides governance for the programme and individual projects.
- 1.2 Bids for capital funding were approved in March 2018, subject to a further detailed business case for each project and Cabinet member approvals. Capital budgets have been set up by corporate finance for each of the three schemes.
- 1.3 The Council does not own or operate any provisions for children, all being placed with independent providers. This is the same situation with adults' services with the exception of one building owned by the Council; a supported housing scheme for adults with learning disabilities developed in partnership with Housing in 2015. This scheme demonstrates a much greater level of control over accommodation and support costs.
- 1.4 Operational teams across all service areas have identified a need to develop good quality services in the borough that can meet the needs of individuals with a range of complex needs.
- 1.5 The initiative to develop supported housing that is owned by the Council is based on the business case that by owning the properties, control of provision will be increased. This will extend to control over costs and quality, improving outcomes for end users.
- 1.6 Four projects have been developed as follows:
- *P1. Children's refurbishments - 2x units (12 young people) - utilising 2 existing Council properties to create 2x semi-independent provisions (this has previously been approved by Cabinet and is in implementation phase)*

- P2. Children's Residential (SEND) – residential care unit for 6 children (with potential for respite facilities) – new build scheme
- P3. Supported Living Service for Adults with Disabilities – 1x units (6 adults) – new build scheme
- P4. Semi Independent Scheme for Young People Leaving Care – 2x units (12 young people) – new build scheme

- 1.7 The three new build schemes (P2, P3 and P4) are the subject of this Cabinet report and decision.
- 1.8 Detailed business cases for each of the three proposed schemes have been developed in partnership with operational services with advice from finance business partners, and are attached as Background Papers.
- 1.9 Proposals have been developed and agreed by members of the Supported Housing Programme Board;
- Director of Adults Services – SRO
 - Director of Children's Services
 - Chief Operating Officer
 - Director of Housing
 - Director of Regeneration Programmes
 - Head of Finance
 - Head of Service, Joint Commissioning Unit
- 1.10 Key risks for the programme are listed at below at 7. and key risks for each scheme are contained within individual business cases, reviewed regularly with members of the Supported Housing Programme Board.

2. P2: Residential Care Home and Short Breaks Facility for Children with SEND

- 2.1 The intention of this is to enable children with higher needs who cannot live at home, to live locally, reducing the numbers of out of borough placements, ensuring local networks are maintained, controlling costs and ensuring that a good quality service is delivered.
- 2.2 The proposed building is a residential care unit for 6 children comprising of 4 long stay residential beds and a further 2 respite / short breaks beds
Estimated build cost: £1,260,000
Estimated net operating revenue savings / cost avoidance between £23,920 and £242,339 per annum including capital charges (expected to commence 2021/22) dependent on variants as described within the business case, attached as a background paper.

3. P3: Supported Living Service for Adults with Disabilities

- 3.1 The intention of this is to support young adults with learning disabilities, with additional complex needs, to develop independent living skills within a supported environment, reducing the numbers of out of borough placements, ensuring local networks are maintained, controlling costs and ensuring that a good quality service is delivered.

- 3.2 The proposed scheme is one building comprising of 6x self-contained flats with additional communal space
Estimated build cost: £1,610,000
Estimated net operating revenue savings / cost avoidance between £130,900 and £193,100 per annum including capital charges (expected to commence 2021/22) dependent on variants as described within the business case, attached as a background paper.

4. P4: Semi-Independent Scheme for Young People Leaving Care

- 4.1 The intention is to support young people leaving care with medium to high levels of need, to develop independent living skills within a supported environment, reducing the numbers of spot purchase placements, many of which are out of borough. This project will support greater control over costs and positive outcomes leading to improved pathways out of care for young people.
- 4.2 The proposed scheme consists of a total of 12x self-contained flats with additional communal spaces
Estimated build cost: £3,260,000
Estimated net operating revenue savings / cost avoidance between £41,900 and £87,600 per annum including capital charges (expected to commence 2021/22) dependent on variants as described within the business case, attached as a background paper.

5. Buildings

- 5.1 An architect has been appointed and is waiting to complete detailed site appraisals and develop detailed drawings for each of the three projects, once approval to proceed has been secured.
- 5.2 Design proposals for each individual scheme will be agreed in consultation with operational teams and the respective Occupational Therapy leads to ensure they are fit for purpose for the relevant cohorts. Providers will also be engaged in service designs as appropriate.
- 5.3 Potential garage sites have been identified by the 'Land & Property Team (New Business)' and three have been selected as preferred options due to size and location, subject to a detailed appraisal by the architect. Development costs have been estimated based on the information available at this time and are subject to confirmation once detailed drawings have been prepared and costed. Contingency has been included within the estimated figures.
- 5.4 Initial discussions have been held with colleagues in the Planning Department to outline the proposed developments.
- 5.6 Outline timetable, subject to variation:
- Cabinet decision to proceed – August 2019
 - Site evaluations and buildings designs – September and October 2019
 - Planning applications submitted November / December

- Planning Approvals –January / February
- Appointment of Developers –February / March
- Build programmes commence Spring 2020
- Buildings completed Spring / Summer 2021

6. Procurement Strategy

- 6.1 Procurement of a contractor to develop the buildings will be led by colleagues in the 'Land & Property Team (New Business)', and supported by the 'Strategic Procurement Unit' subject to planning permissions. It is planned that this will be conducted using call off from an existing construction framework to ensure compliance with the Public Contract Regulations and the Council's Contract Procedure Rules.
- 6.2 A further report seeking cabinet approval for the care and support contract procurement process will be brought in due course. The 'Joint Commissioning Unit' will procure experienced care and support providers for each of the three schemes in partnership with social care colleagues, service users or carers, where practicable, and supported by the 'Strategic Procurement Unit'. Detailed timetables for each scheme will be developed following the decision to proceed with the overall project.
- 6.3 These services fall under Schedule 3 of the Public Contracts Regulations 2015 (i.e. health, social and other services) and as such individual reports will be prepared for each procurement, in line with the Public Contract Regulations 2015 and the Council's scheme of delegation and Contract Procurement Rules. It is planned that each will be conducted using an open tender process.

7. Key Risks

- 7.1 The following risks and mitigations will be regularly reviewed and reported into the Supported Housing Programme Board and through the Communities Theme Board.
- 7.2 Risk: Proposed garage sites are not suitable, following detailed site appraisals.
Mitigation: This will be mitigated by alternative garage or council sites being made available.
- 7.3 Risk: Planning permissions are not granted.
Mitigation: This is mitigated by regular meetings with the Planning department and architects as part of the design phase, with the option to consider alternative garage sites.
- 7.4 Risk: Development costs exceed estimates.
Mitigation: The estimates have been provided by Housing Services and include contingencies to, as much as possible and reasonable, cover unforeseen costs. Further mitigations include potential alterations to building size and configuration that will be considered as each project is designed.

8. Reasons for the decision:

- 8.1 The schemes have been proposed with cross-service objectives including:
- To develop property owned by the LBH that is designed to provide care for vulnerable people
 - To manage costs more effectively as a result of owning the properties and being able to commission providers on improved terms
 - To deliver improved outcomes to the residents of the properties
 - To get a return on investment from the property element of care costs, that would otherwise fund private sector asset building
- 8.2 These projects will deliver a range of benefits including:
- Greater control over the local care markets
 - Improved quality of the services provided
 - Reduction in unit cost of placements for the respective cohorts
 - Improved outcomes for service users
 - Meeting the Office for Standards in Education, Children's Services and Skills (OFSTED) 2016 inspection report recommendation that the London Borough of Havering (LBH) brought more of its children and young people (CYP) back to the borough.
 - Reduced travel time incurred by social workers visiting children and young people placed out of borough and increased time spent on case work or face to face contact.
 - Facilitating improved access to local partner services and community services e.g. CAMHS, local schools and colleges
 - Cashable savings, as detailed in each of the three business cases
- 8.3 Detailed business cases have been developed for each scheme proposed and are attached to this report as background papers. Each business case describes in detail the drivers for each of these proposals.

OTHER OPTIONS CONSIDERED AND REJECTED

1. Option one:

That we continue to spot purchase placements across the cohorts where the price is determined by the market and a significant percentage of placements are outside the borough.

This approach would see us continue to purchase placements at increasing cost and increasing the pressure on budgets across children's and adults social care.

This option will see us continue to fund or subsidise property costs, including funding mortgages and private property investments.

2. Option two:

That we contract private developers or a housing association to source land in

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Havering, build and operate the schemes. The cost of land and subsequent build costs will be higher than if the Council uses the proposed garage sites and directly controls the development.

This approach would see little control over the design, cost and quality of the accommodation and result in less control over ongoing placement costs. This approach would also mean that any developer or housing association would expect a long term commitment from the Council for the buildings and care and support services, reducing the control afforded by option three below and at a higher cost.

Income from rents will go directly to the developer or housing association to fund mortgage and/or investment costs.

3. Option three:

Appropriate three garage sites from the HRA to the General Fund. Contract a supplier to build the three schemes, designed to our own specifications, utilising existing empty HRA garage sites in Havering. Alongside the building works, we will commission experienced providers to manage and deliver care and support services at each of the three schemes.

This option will give us greater control over the cost and quality of placements while keeping more children, young people and young adults with disabilities local. This option also gives the Council control over its additional assets, including income from the leases.

In the long term this will give the Council ownership of multi-million pound assets that would otherwise be owned by private providers, paid for from council revenue funds.

This is the option preferred by the Supported Housing Programme Board.

4. Recommended option:

Option three is the recommended option; that we build three new schemes, designed to our own specifications on the available garage sites, and contract experienced suppliers to provide high quality care and support services.

The approach will reduce the accommodation cost element of a provider's unit cost and deliver revenue savings, and reduce the reliance on spot purchasing arrangements. We also project improved outcomes for children, young people and adults with disabilities through improved contract monitoring practices and robust service specifications.

PRE-DECISION CONSULTATION

Proposals have been developed and agreed by members of the Supported

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Housing Programme Board in consultation with key representatives from the respective operational teams.

The Supported Housing Programme Board consists of ;

- Director of Adults Services – SRO
- Director of Children’s Services
- Chief Operating Officer
- Director of Housing
- Director of Regeneration Programmes
- Head of Finance (Strategic)
- Head of Service, Joint Commissioning Unit

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: David Mitchell

Designation: Commissioning Programme Manager, Supported Housing

Signature:



Date: 25th July 2019

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

1. The Care Act 2014 sets out local authorities' duties in relation to assessing people's needs and their eligibility for publicly funded care and support. Section 2 of the Care Act 2014, places a general duty on local authorities to provide, arrange or otherwise identify services, facilities or resources to help prevent, delay or reduce the needs of adults for care and support. The provision of the proposed works forms part of this duty. Section 8 of the Care Act 2014 details how a local authority should respond to an identified need and contains an illustrative list of what may be provided to an adult in need.
2. The Council also has the general power of competence under section 1 of the Localism Act 2011 to do anything an individual may generally do, together with the power under section 111 of the Local Government Act 1972 to do anything ancillary to or which facilitates any of its functions. The proposed contracts may therefore be procured in accordance with these powers.
3. The Council's Contract Procures Rules 4, 8 and 22 set out the strategy for the procurement of Works contracts of above the EU threshold (currently £4,551,413 as of January 2018) in value to be submitted to a Member of SLT for approval of procuring such contracts. If the three (3) projects are procured separately then CPR 13 (Constructionline) procedures would also apply. The details of the proposed tender process are set out within the body of this report.
4. This report is seeking the Cabinet Member's approval for the undertaking of a OJEU compliant tendering process for the construction of three (3) schemes at three (3) HRA owned garage sites (to be confirmed), following successful planning approvals. The total estimated costs for the construction works contracts sum is £6,130,000.00. The estimated length of the individual build contracts will be approximately 12 to 18 months. The proposed form of contract to be used is the is the JCT Design & Build 2016 with the Council's supplemental amendments, subject to agreement as part of the Checkpoint and Executive Decision making process.
5. The Council must procure these contracts in accordance with the Public Contracts Regulations 2015 ("PCR 2015") and the Council's Contract Procedure Rules ("CPR").
6. The Cabinet Member will be aware of the Public Sector Equality Duty (PSED) set out in section 149 of the Equality Act 2010. At each stage, in exercising its function (and in its decision making processes) the council must have due regard to the need to:
 - a) eliminate discrimination, harassment, victimisation or other prohibited conduct;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it;
 - c) foster good relations between person who share a relevant protected

characteristic and those who do not share it.

The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation

7. The Legal and Governance officers will be available to assist the client department with the tender exercise, in reviewing and finalising the terms and conditions of the proposed contracts.

FINANCIAL IMPLICATIONS AND RISKS

Financial implications and risks:

1. Detailed financial costings are provided in the Business Cases attached to this Cabinet Report. It must be stressed that at this stage in the programme these costs are based on best current estimates and could change as the work progresses. The capital costs will be refined as the detailed design progresses.
2. The Council's current Capital programme includes a £5.900m for these three schemes. The current estimated capital cost of the three business cases is £6.130m. It is recommended that the shortfall of £230k is financed from the corporate capital contingency. It should be noted however that the Business cases contain contingency provisions so it is possible that the schemes will be completed within the original funding envelope
3. It was originally agreed that the £5.9m Capital cost would be funded from available capital receipts. The business cases however notionally show a 3% financing cost to recognise that if receipts are applied to these schemes they would not then be available for other Council priority projects
4. The Net operating saving (below) includes capital charges and estimated lease income from the Care Management company. The tables below summarise the positions in the detailed business cases.

P2 New Build In Borough Residential Care Home and Short Breaks Facility for Children with SEND

5. A financial evaluation has been provided based on an existing client cohort of high and lower need clients at £19 per hour and £21 per hour (current market rates).

Investment Appraisal – Identified Cohort/Price	19/20	20/21 to 26/27 per annum	Payback in Year
Estimated Initial Capital Investment	£1,260,000		
Net Operating (Saving)/ Deficit - Tender Price High Needs £19 per hour		(£259,539)	5

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Net Operating (Saving)/ Deficit - Tender Price High Needs £21 per hour		(£189,047)	7
Net Operating (Saving)/ Deficit – Tender Price Lower Needs £19 per hour		(£105,812)	12
Net Operating (Saving)/ Deficit – Tender Price Lower Needs £21 per hour		(£41,120)	31

P3 New Build Supported Living Service for Adults with Disabilities

6. The financial evaluation has been based on an existing cohort of clients at £18 per hour and £20 per hour (current market rates).

Investment Appraisal – Identified Cohort/Price	19/20	20/21to 26/27 per annum	Payback in Year
Estimated Initial Capital Investment	£1,600,000		
Net Operating (Saving)/ Deficit - Tender Price £18 per hour		(£193,100)	8
Net Operating (Saving)/ Deficit - Tender Price £20 per hour		(£130,900)	12

P4 New Build Semi-Independent Scheme for Young People Leaving Care

7. The financial evaluation has been based on an existing cohort of clients at £18 per hour and £20 per hour (current market rates). This particular business case is very marginal in terms of financial benefits but is recommended on the basis of the non-financial benefits set out in section 8.

Investment Appraisal – Identified Cohort/Price	19/20	20/21to 26/27 per annum	Payback in Year
Estimated Initial Capital Investment	£3,260,000		
Net Operating (Saving)/ Deficit - Tender Price £18 per hour		(£87,600)	37
Net Operating (Saving)/ Deficit - Tender Price £20 per hour		(£41,900)	78

8. The initial capital investment includes a contingency amount, however, there will be a requirement for the land (and any corresponding HRA debt, if any) to be novated to the General Fund. The financial implications of this have yet to be fully worked through with the capital costs, however the net book value of the sites being discussed is some £244,000, and they should not impact on the operating revenue surplus generated by the investment.

9. The financial modelling has made assumptions regarding care and support

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costs, based on the existing identified client cohorts, and the recovery of rent and service charges through Housing Benefit/Universal credit, and this may change over the longer term. The lease income projections have been based on similar rates to income realised from Heather Court. Any fluctuations in these variables, will have an impact on the financial outturn of this modelling, and will need to be closely monitored as the project develops.

10. Consideration was given to the HRA undertaking the landlord role in these schemes where the young adults would be living in the properties. The main driver of all the schemes is care and support rather than housing. The shift of the landlord function to the care provider organisation could shift the risk of rent income collection and housing benefit from the council dependent upon the contract arrangements, but that would need to be carefully considered in the procurement process.
11. Particular care will need to be undertaken when pricing the P4 tender, based on the current financial modelling. There is a risk that this could lead to a net operating deficit if the contract is not managed closely. The procurement process for these contracts is critical in ensuring the cost efficiency of the new operating models.
12. The three schemes all have significant benefit through cost avoidance and improved service outcomes for clients. The potential costs avoided are set out in business cases attached to this decision. The cost avoidance aggregates across the likely initial contract length where it is expected costs will largely be fixed. There are also many social benefits related to these schemes which are set out in section 8 of this report and in more detail throughout the business cases.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

These are new services which will be contracted out to appropriate providers to manage. Therefore, the recommendation made in this report does not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

An Equality & Health Impact Assessment will be drafted and submitted for each individual scheme to support the design of the buildings and care and support provisions and consultations will be undertaken as each project is further developed.

The proposals are an opportunity to promote equality and enhance the outcomes for children, young people leaving care and young adults with disabilities, many of whom may otherwise be placed out of the borough. The approach will operate within the spirit of the Equality Act 2010 and Havering Council's Fair to All Equality

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Policy.

BACKGROUND PAPERS

Business cases are attached as appendices for each of the following schemes;

Appendix 1: P2: Residential Care Home and Short Breaks Facility for Children with SEND

Appendix 2: P3: Supported Living Service for Young Adults with Disabilities

Appendix 3: P4: Semi-Independent Scheme for Young People Leaving Care

Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Proposal NOT agreed because

Details of decision maker

Signed



Name: **Cllr Damian White, Leader of the Council**

Date: **15th August 2019**

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Committee Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on 15/8/2019

Signed 