

29<sup>th</sup> October 2012

Agenda Item: 6

## **REPORT OF THE SERVICE DIRECTOR FOR PERSONAL CARE AND SUPPORT, OLDER ADULTS**

### **AIMING FOR EXCELLENCE – EXTRA CARE HOUSING UPDATE**

#### **Purpose of the Report**

1. The purpose of the report is to:

- a. Advise the Committee of the outcome of the Aiming for Excellence (A4E) Extra Care Housing Schemes procurement exercise in respect of Phase 1 of the Project. The Project is to develop a number of high quality extra care housing schemes across Nottinghamshire that will become the focal point for delivering services to older people with more complex levels of need and that promote individual requirements for independence, well being and dignity.

The procurement of the nomination rights to units within Extra Care schemes is to take place over a number of phases.

Phase 1 covers 3 initial Lots:

- Lot 1 Eastwood – the proposed site is a former school on Walker Street. In total the Council requires nomination rights to 30 units for people with extra care needs.
  - Lot 2 Retford – the proposed site is a former school on West Furlong. In total the Council requires nomination rights to 25 units for people with extra care needs.
  - Lot 3 Mansfield/Ashfield – the site is on Skegby Lane in Mansfield. In total the Council requires nomination rights to 40 units for people with extra care needs.
- b. Seek approval to complete the procurement process and award contract/contracts to the preferred bidder for the Retford and Eastwood Lots.
  - c. Seek approval not to award the bid for Mansfield/Ashfield Lot as no bids were received which met the Council's minimum requirements.
  - d. Seek approval to pursue alternative approaches to the procurement for Lot 3

Mansfield/Ashfield. If agreed, officers will be tasked to immediately look at what other options are open to the council in relation to provision in the area. Once a course of action can be recommended an appropriate report will be brought back to committee.

## **Information and Advice**

### **Outcome of Assessment of Bids**

2. The current procurement process is to deliver Phase 1; comprising 95 units of Extra Care accommodation that the Council will have nomination rights to. The developments themselves will be considerably larger than this and will have a range of services and facilities on-site that both the residents and members of the wider community will be able to access. As part of the procurement process, the cross subsidy aspect of the bids has been checked in detail, in order to establish how realistic they are. As outlined in the report the bids for Lot 1 (Eastwood) and Lot 2 (Retford) are considered to be based on achievable pricing assumptions, in the context of their local housing markets, and provide a level of facilities that meet the design expectations of the Council as set out in the tender documents. The bid for Lot 3 (Mansfield/Ashfield) did not.

## **Background**

### **Nottinghamshire's Extra Care Housing Strategy**

3. This report follows the previous decisions made at a meeting of the full Council on 25<sup>th</sup> February 2010 and a meeting of the Cabinet on 14<sup>th</sup> July 2010 where it was agreed to develop a minimum of 160 extra care places across the County following a restricted procedure procurement route pursuant to the Public Contracts Regulations 2006 and that the implementation plan and associated costs would be developed and approved. A capital programme allocation for Extra Care housing of £12.65 million was also approved to support the procurement of the 160 nomination rights.
4. Nottinghamshire's Extra Care Housing Strategy aims to offer a structured and sustainable approach to developing Extra Care in the County, helping to create balanced communities and provide choice to older people in Nottinghamshire. The Strategy will allow older people in Nottinghamshire to have increased choice and control over their daily lives with care and support delivered as and when they need it.
5. The strategy for future service development in Nottinghamshire takes full account of the projected demographic changes over the next two decades. National projections predict that by the mid 2020s, older people will account for almost 50% of the increase in the total number of households, and the number of informal carers who play a crucial role in providing support to family members or neighbours are projected to rise by over 35%.
6. One of Nottinghamshire's priorities is to develop early intervention and prevention services to support people to remain as independent as possible and provide a

range of specialist services targeted at those with the most complex needs, including older people with dementia and their carers.

7. Nottinghamshire's aspiration is that it will lead the way in meeting local demand for services by making good use of public money that requires the Council to build on its partnerships with older persons care providers across all sectors. The intention is to work closely with the voluntary and private sector to support older people; giving choice and control to older people over the way their needs are met through person-centred services.
8. The Extra Care Housing Strategy for Nottinghamshire is focused on:
  - § **Choice and Control for Older People**, by offering individuals a wider range of modern, flexible and innovative care and support options, that will:
    - put older people at the centre of services
    - give individuals better and improved services that are joined up and seamless.
  - § **Promoting Independence for Older People**, by the provision of self-contained accommodation with access to on-site care and support, that will:
    - enable individuals to live as independently as possible in the community
    - promote their wellbeing and promote social inclusion.
  - § **Empowering Older People**, by the provision of health, care and support services coming to the individual, as and when they need it that will:
    - enable individuals to stay in their own homes and not be required to change their accommodation unless absolutely necessary
    - allow individuals to receive services that can and should be available in the community.
  - § **Accessible Services for Older People**, by designing or adapting where individuals live to facilitate the delivery of personal social care, support and health services.

## Background to Extra Care Housing Schemes

9. Extra Care housing schemes evolved in the early 2000s as a superior form of housing provision to traditional sheltered housing, providing a combination of more spacious individual units of accommodation (usually apartments), with extensive communal facilities, such as a communal lounge, cafe, activities room, laundry, fitness rooms and other spaces that can be used flexibly. All of these facilities promote social interaction and activity in order to improve physical and mental wellbeing in later life, in addition to reducing both care home and hospital admissions as well as enabling earlier discharges from hospital after treatment.

10. However, the high space standards and extent of the communal facilities mean that Extra Care is a relatively expensive type of housing to build, as the communal areas typically account for 35% of the floor area, yet do not create any initial or long term income for the scheme. Their value is instead in how they improve the lives of residents and impact on their need for social care and health services. This has meant that Extra Care has no direct private market equivalent. While there are private schemes that are comparable in terms of facilities, these are only accessible to those who can afford premium selling prices and high service charges and the expansion of Extra Care provision over the last 10 years has instead been underpinned by subsidies from both the Homes and Communities Agency (as part of the National Affordable Housing Programme, which was severely curtailed in the last Comprehensive Spending Review), and the Department of Health (from their Extra Care Housing Fund, which has come to an end). The average subsidy proportions of the average total capital costs per completed Extra Care unit of accommodation, prior to the Comprehensive Spending Review, were at 41% from the Homes and Communities Agency (HCA) and 29% from the Department of Health. Please note that not all schemes benefited from both sources of subsidy.
11. As early Extra Care housing was almost entirely let on social tenancies, at rent levels similar to other social stock in the same area and in line with housing benefit levels, there was limited scope to raise more income from schemes and thereby reduce the subsidy requirement. However, mixed tenure Extra Care has become increasingly prevalent as providers wish to offer the benefits of Extra Care to owner occupiers and also necessary as a method of offsetting reduced subsidy with revenue from units offered for open market sale. This form of scheme specific cross subsidy has been sought in the current procurement process, in order to achieve the intended number of places at a smaller average subsidy level than had previously been the norm. This cross subsidy from open market sales relies on a good understanding of the local housing market for any scheme, in order to make sound forecasts regarding what selling prices and fill up rates can be achieved.
12. Extra Care housing is accommodation that is suitable to meet the changing needs of primarily older people. On the same site are a range of services and facilities that are available to support the people that live there. There is usually care support available to people around the clock. The provision of care support is not part of this Tender Exercise.
13. Extra Care housing schemes are predominantly intended to provide the following for people aged 55 years and over:
- self contained independent accommodation
  - access to care and support (if and when) they need it; and
  - opportunities for social interaction, leisure and activities that promote independence.

## **Accommodation**

14. Extra Care accommodation has previously been delivered in the UK using several different built forms, including: blocks of apartments; medium density estates of houses and bungalows; and large scale retirement villages. These housing schemes are a popular choice because they provide an alternative to a care home for many people. Individual units within Extra Care schemes vary in type and size but 1 and 2 bedroom apartments are most prevalent as they meet the needs of the widest range of occupiers and can achieve higher densities which maximise the use of communal facilities and simplify management arrangements and assist in ensuring that schemes are financially viable and sustainable.

### **Tenure choices**

15. The Council is looking to ensure that each scheme will offer a range of tenures, including units for rent, sale and shared ownership. The Council is seeking to ensure that Extra Care housing is available to local people and that the sale prices, rent levels and service charges are set at a level that is reasonably affordable to local people. The rents for the nominated units will be set at Social Housing rent levels.

## Summary of Procurement Process to Date

16. The formal tender process approved at a meeting of the full Council on 14<sup>th</sup> July 2010 has now reached its final procurement stages. Previous to the original strategy being agreed the Council undertook one of its largest consultation processes to date as detailed in the County Council report of 10<sup>th</sup> April 2008. This consultation has been ongoing.
17. The procurement exercise has taken place during uncertain economic circumstances and market conditions which arguably have stifled the willingness of the market to respond as vigorously as might have been anticipated in more buoyant times.
18. This process was delayed from the original date for a number of reasons including the housing market crisis and financial climate; locally and nationally. Market testing was undertaken to establish the appetite of potential partners to develop the required schemes.
19. The full project team were identified that would undertake the procurement process and included external Legal, Housing, Commercial and Financial professionals that assisted in the development of the required procurement documentation and evaluation methodology.
20. In addition to this, work has been undertaken to establish if an existing Framework Agreement could achieve the outcome of developing Extra Care Housing without the need for a further formal tender process. This work was undertaken across the Council including the Improvement Programme, Corporate Procurement and Legal Services advice but unfortunately it was concluded that this would not be an option for the Council.
21. The formal process commenced on 9<sup>th</sup> December 2011 with the publication of the OJEU Notice, interested parties could then request the PQQ (Pre Qualification Questionnaire) documentation if they wanted to be considered to work with the Council on the Extra Care developments.
22. An Information Event was held at County Hall for interested parties who were advised about the County Council's extra care strategy and also the wider Adult Social Care agenda.
23. The Pre Qualification Questionnaire was issued in December 2011.
24. The Council's key minimum requirements for each scheme are as follows;
  - offer a choice of tenure (rental at affordable rates, shared ownership, out right sale)
  - offer a home for life
  - provide high quality accessible accommodation and services
  - provide a balanced community e.g. a range of high medium and low care needs, gender, ethnic mix etc)
  - enable provision of personalised care support

- provide a range of day opportunities e.g. social, leisure
- provide communal facilities.

The detailed requirements are set out in the Council's ITT documents.

25. In response to the PQQ, five potential bidders expressed an interest in bidding for one or more of the proposed sites. Subsequent evaluation of the PQQ submissions resulted in 3 Bidders being successfully progressed to the Invitation to Tender (ITT) stage. The two bidders who were not progressed to the ITT stage failed to meet the rigorous financial and quality (technical) criteria set by the Council.

26. An ITT was issued to the remaining three Bidders on 24<sup>th</sup> February 2012.

- Bidder One submitted bids for Lots 1, 2 and 3.
- Bidder Two submitted a single bid for Lot 3. This bid was deemed non compliant as it proposed the award of a care contract as part of the bidders business model. The Council did clarify with Bidder Two whether or not they were prepared to withdraw the area of non compliance but they were not and voluntarily withdrew from the process.
- Bidder Three withdrew from the process before making any bid.

27. Bidder One is a consortium made up of Kier Construction and Ashley House.

28. Due to the complexity of the bids it has been necessary to go through a process of clarification which sought to clarify and understand how the individual Bids met the requirements of the Council. Legal advice and support has been given to the Project Team during this clarification process however, this has taken slightly longer than had been originally envisaged and the procurement timetable has, as a result, been extended.

29. Following the rigorous evaluation process the final bids received from Bidder One for Lots 1, 2 and 3 are now referred to Committee for consideration.

## **Summary of the Bids**

### **Lot 1 – Eastwood**

30. One bid was received for this site and proposes 140 units of accommodation with 30 units being for nomination use by the Council. The development will comprise of mixed tenure accommodation and communal facilities in the central block of apartments. The bid requires a subsidy of £2,099,357.

### **Lot 2 – Retford**

31. One bid was received for this site and proposes 93 units of accommodation in total with the Council having nomination rights to 25 units of accommodation. The

development will have mixed tenure accommodation and communal facilities in the central apartment building. The bid requires a subsidy of £2,027,394.

#### Lot 3 – Mansfield/Ashfield

32. Initially 2 bids were received for Lot 3. One was subsequently withdrawn by the Bidder (Bidder Two) as it was non compliant as noted above. The remaining bid (from Bidder One) proposes 213 units of accommodation with the Council having nomination rights to 40 units of accommodation. The development will have mixed tenure accommodation and communal facilities in each of the 3 accommodation blocks. The bid requires a subsidy of £3,920,000.

### **Evaluation Criteria**

33. All of the bids were assessed against the following evaluation criteria:

- Technical including Design and Planning, Timescales, Partnership working
- Financial including subsidy and nomination units, costs and revenues including costs to tenants of nomination rights, funding.

34. The detailed criteria are set out in the ITT documents which are available as a background paper.

35. The evaluation was undertaken by a number of panels consisting of Council officers supported by specialist external, housing, commercial and financial advisors:

- KPMG
- Housing Research
- Bassetlaw District Council
- Mansfield District Council
- Broxtowe Borough Council.

### **Outcome of assessment of Bids**

#### Lot 1 - Eastwood

36. The bid was assessed against the evaluation criteria and was deemed to be of sufficient quality to recommend acceptance.

#### Lot 2 - Retford

37. The bid was assessed against the evaluation criteria and was deemed to be of sufficient quality to recommend acceptance.

#### Lot 3 – Mansfield/Ashfield

38. The bid did not meet the minimum requirements of the Council on technical and financial aspects of the bid.



39. The bid for Lot 3 (Mansfield/Ashfield) is based on open market sales prices and social rents that are both much higher than those in the local housing market. When compared to the closest local equivalent properties, the 2 bed apartments are priced 20% higher, 2 bed bungalows are priced 40% higher, 1 bed social rent apartments are 84% higher and 2 bed apartments are 101%. These discrepancies are so large that they would make the units unaffordable to many existing local residents, thereby bringing the deliverability of Lot 3 into question and raise the prospect of the scheme failing.
40. In addition, the extent of the communal facilities offered in the bid for Lot 3 (Mansfield/Ashfield) are disproportionately small for the overall size of the scheme and fall below the design expectations of the Council as set out in the tender documents. This detracts from the capacity of the scheme to accommodate the social and wellbeing activities that differentiate Extra Care from other forms of housing. Despite this shortfall in the facilities, the forecast service charges included in the bid for Lot 3 are at levels normally seen in schemes with much more extensive facilities.
41. The Council acknowledges that the decision in relation to Lot 3 will be extremely disappointing given the high demand for extra care in this area and seeks to immediately pursue alternative approaches to the provision of extra care facilities on this site and/or other alternatives for Mansfield/Ashfield districts.

## Other Considerations

42. The following additional considerations need to be made in the award of contracts for each bid:
43. *Planning* – all schemes are subject to the formal planning approvals in the relevant districts.
44. *Economic conditions* – the schemes are dependent on the developer being able to sell properties at an expected value. If this is not achieved then it could affect the delivery time of the scheme.
45. *Financing* – whilst the Bidder has set out their funding proposals (including alternative back-up proposals), conditions in the current financial markets are very changeable and there remains the possibility that availability and cost of finance could influence both the timing of delivery and viability of the proposals incorporated within the bid.
46. A sum of £12.65 million is available as a subsidy for the development of 160 nomination rights, averaging £79,000 per nomination right. The subsidy levels per nomination right for the Eastwood and Retford sites are either comfortably within or close to the average value. If the first development phase were restricted to these two sites, the average subsidy available per nomination right for subsequent phases would increase to £81,000. See table below.

All Nomination	Eastwood	Retford	Totals	Available Funding for Future Phases
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	<b>Rights</b>				
Subsidy Available/ Required	£12.650M	£2.099M	£2.027M	£4.126M	£8.524M
Nomination Rights	160	30	25	55	105
Subsidy per Nomination Right	£79,000	£70,000	£81,000	£75,000	£81,000

47. The two lots present their individual development challenges. Analysis by our appointed advisers, Housing Research, concludes that the “costs overall are comparable with recently completed Extra Care schemes by Registered Providers”, which suggest that the bids for Lots 1 and 2 offer acceptable value for money.

48. The Bidder has confirmed that it understands the legal requirements of the Council and has agreed to enter into the contracts circulated with the Councils ITT documents and this has been confirmed again in writing by the Bidder.

49. With regards to the provision of extra care in the Mansfield and Ashfield district, it is fully acknowledged that there is a clear gap in this area of service provision and priority has been given to look at how the Council can best secure service provision in these districts as soon as possible.

50. There are a number of procurement options available to the Council and soft market testing looking at the outcome of the recent procurement process will assist in developing a plan for the future.

51. Work has started to look at other methods of developing extra care services, this work though is in its early stages and the outcome of the work will be brought back to Committee for the different options to be considered.

## RECOMMENDATIONS

It is recommended that:

- 1) subject to the requirements of the Public Contracts Regulations 2006 in relation to the process of award, and completion of the contractual documents in the form supplied by the Council to bidders during the invitation to tender process that the award of contract for Lot 1 (Eastwood) is approved;
- 2) subject to the requirements of the Public Contracts Regulations 2006 in relation to the process of award, and completion of the contractual documents in the form supplied by the Council to bidders during the invitation to tender process that the award of contract for Lot 2 (Retford) is approved;
- 3) no award is made in relation to Lot 3 (Mansfield/Ashfield); and

- 4) it is further recommended that officers are tasked to look at what other options are open to the Council in relation to provision in the Mansfield/Ashfield area and report back to Committee by 7<sup>th</sup> January 2013.

**DAVID HAMILTON**

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**Constitutional Comments (LMc 19/10/2012)**

52. The Adult Social Care and Health Committee has responsibility for adult social care matter and may approve the recommendations in the report.

**Finance Comments (RWK 18/10/2012)**

53. The County Council's Capital Programme contains an allocation of £12.65 million for the development of extra care housing schemes. The report proposes committing £2.099 million to a scheme in Eastwood and £2.027 million to a scheme in Retford, a total commitment of £4.126 million. This would leave funding of £8.524 million available for future developments. The subsidy payments by the County Council will be payable upon the nomination units being made available to the Council by the Bidder. This will be dependent upon the Bidder obtaining planning permissions and the pace at which the Bidder is able to progress with the developments. The timing of these payments is therefore not known at the current time.
54. The Eastwood and Retford schemes are to be developed on land currently owned by the County Council. To enable the developments to proceed the County Council will dispose of the land to the Bidder by way of a 125 year lease for each site. A lease premium of £1 million will be payable in respect of each site. The County Council will therefore receive capital receipts totalling £2 million. The disposal of the sites will not occur until the Bidder has obtained full planning permission for the developments. The timing of these receipts is therefore also not known at the current time.

**Background Papers**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- a) 10<sup>th</sup> April 2008 – Modernising Services for Older People in Nottinghamshire – County Council (published):

[http://dominoapps.nottsc.gov.uk/apps/pr/diary/memdiary.nsf/0/A04E3B8C7477E472802572CA0034B2E9/\\$file/09r\\_Modernising%20Services%20for%20Older%20People%20in%20Notts.pdf](http://dominoapps.nottsc.gov.uk/apps/pr/diary/memdiary.nsf/0/A04E3B8C7477E472802572CA0034B2E9/$file/09r_Modernising%20Services%20for%20Older%20People%20in%20Notts.pdf)

- b) 14<sup>th</sup> July 2010 – Aiming For Excellence - Cabinet report (published):

[http://dominoapps.nottsc.gov.uk/apps/ce/memman/memman.nsf/26959B6CD01BFC578025761000320E95/\\$file/R10\\_aiming%20for%20excellence.pdf](http://dominoapps.nottsc.gov.uk/apps/ce/memman/memman.nsf/26959B6CD01BFC578025761000320E95/$file/R10_aiming%20for%20excellence.pdf)

- c) 25<sup>th</sup> February 2010 – Aiming for Excellence - Council report (published):

[http://dominoapps.nottsc.gov.uk/apps/ce/memman/memman.nsf/AEB0F3B095DA5E80802575FD0031ED98/\\$file/11\\_aiming%20for%20Excellence.pdf](http://dominoapps.nottsc.gov.uk/apps/ce/memman/memman.nsf/AEB0F3B095DA5E80802575FD0031ED98/$file/11_aiming%20for%20Excellence.pdf)

[http://dominoapps.nottsc.gov.uk/apps/ce/memman/memman.nsf/AEB0F3B095DA5E80802575FD0031ED98/\\$file/11\\_Aiming%20for%20Excellence%20App1.pdf](http://dominoapps.nottsc.gov.uk/apps/ce/memman/memman.nsf/AEB0F3B095DA5E80802575FD0031ED98/$file/11_Aiming%20for%20Excellence%20App1.pdf)

- d) Equality Impact Assessment.

- e) ITT documentation for “Aiming for Excellence – Tender for Extra Care Housing.

**Electoral Division(s) Affected**

All.

**ASCH30**