

Independent Living, Princess of Wales Development – Outline Business Case

To: Strategy and Resources Committee

Meeting Date: 6th July 2021

From: Wendi Ogle-Welbourn,
Executive Director of Commissioning, People & Communities

Electoral division(s): Ely North

Key decision: Yes

Forward Plan ref: 2021/045

Outcome: To enable further preparations and detailed design work for constructing the Council's own independent living service for older people who require care and support. The outcome required is to gain the Committee's agreement to proceeding to a full business case and update the 2021/22 Business Plan with additional capital provision.

Recommendation: The Committee is asked to give approval on:

- (i) the recommended option as set out in paragraph 2.5.7 and its financial and social justification;
- (ii) the overall capital investment case and in particular elements which affects land and property and the monies required for the next stage;
- (iii) an addition capital provision into the 2021/22 Business Plan as set out in paragraph 2.7.1;
- (iv) an expenditure of £1.1m to complete detailed design works and present an FBC as set out in paragraph 2.7.4;
- (v) delegate approval and sign-off of the inter-authority agreement and the non-binding Heads of Terms to the Chief Finance Officer and Commissioning Service Director;
- (vi) prepare and submit Planning Application for the construction works;

- (vii) the final investment levels forecast including the initial land valuation and plan to refresh both;
- (viii) revised timetable; and
- (ix) preparations on concept and detailed design, and co-production and consequently move towards full business case.

The Committee is also asked to note and comment on:

- (i) the proposed design principles employed for independent living services as set out in paragraph 2.2.3;
- (ii) the plan to put in place a formal agreement between NHS, CCC and a housing management provider about ways of working;
- (iii) the benefits case at this outline business case stage which affects Adult Social Care operating budgets;
- (iv) the general procurement approach for a contract value of £72.6m, and to procure and sign agreement with a housing management provider and a care provider; and
- (v) delegating the award of the new contract to the Executive Director of People and Communities in consultation with the Chair and Vice-Chair of the Adult and Health Committee.

Officer contact:

Name: Gurdev Singh
Post: Head of Commissioning for Commercial
Email: Gurdev.singh@cambridgeshire.gov.uk
Tel: 07747 455016

Member contacts:

Names: Cllr Nethsingha and Cllr Meschini
Post: Chair and Vice-Chair
Email: lucynethsingha@icloud.com and elisa.meschini@cambridgeshire.gov.uk
Tel: 01223 706398

1. Background

- 1.1 The cost of spot purchased Adults Older People residential and nursing care in Cambridgeshire has been rising by c.10% a year since 2016. This is due to factors including increasing costs of care, pressure on carers, recruitment challenges, a buoyant self-funder market, and shortages of the provision in parts of the county. There will be significant increases in the numbers of 65+ year olds within our local population by 2040. This brings with it an increase in demand for residential, dementia and nursing care.
- 1.2 Action is needed now to manage the increasing cost of care. To meet our statutory duty, we also need to ensure the market grows to meet the forecasted need for local authority funded care as well as the self-funder demand. Without action it will become increasingly difficult for the local authority to meet requirements under the Care Act 2014 of ensuring choice and control are key determinants in placing an individual.
- 1.3 We will continue to support older people to remain living independently through community-based care. Alongside this, we are seeking to enhance the offer to local residents who may have a need for residential and nursing care by developing a tenancy-based model of care: Independent Living Service's (ILS's), as an alternative. Specifically, this supports older people being able to stay in their own tenancy longer as care can be stepped up as needs increased, unlike residential care where they may need to move to get increased care needs met.
- 1.4 Stimulating the development of new capacity in this way will generate the much-needed provision to meet population growth forecasts. It will also offer greater choice, control, and care flexibility for those people no longer able to remain living safely at home.
- 1.5 During 2020, Cambridgeshire Community Services NHST (CCS) refreshed its business case on the redevelopment of the Princess of Wales hospital (PoW) site in Ely to develop a new local health and care hub, which will provide accommodation for a wide range of health and related services for people living in and close to Ely.
- 1.6 CCS agreed for CCC to explore delivering a health and care community-based provision at the PoW multi-disciplinary site that enables people to live independently with the care and support they need wrapped around them. As a first step, we have agreed a memorandum of understanding, which set out how collaborative working will take place to deliver a care accommodation-based facility for all parties.
- 1.7 To date we have received business case approval from Joint Management Team (JMT) in December 2020. Subsequently the approach and work to date has been noted by Council Committees in January and February 2021.
- 1.8 CCC's Capital Programme Board (CPB), has also endorsed the programme resulting in a further £6.9m to £7.6m being included in the Business Plan from 2021/22 (original amount was £8.4m) subject to conditions. Those conditions required CCS business cases be approved through its governance arrangements. The conditions also require that both the Adults and Health Committee and the Strategy and Resources Committee approving CCC's business case. Furthermore, CPB asked that all the programme risks are costed and included into the contingency section of the budget.

1.9 We have conducted more work to identify the potential benefits of acquiring land and building an accommodation-based service in Ely, which would meet both the Councils needs as well as the needs of CCS. This opportunity will build 80 flats, of which space for 16 flats will be let out to CCS to be used as a hospital rehabilitation ward which will facilitate an integrated health and social care model. As CCC would own the building we can adapt its design to best meet the combined set of requirements. The report sets out the findings of that work incorporating an externally procured feasibility study, the key elements of the business case it informs, and the recommended proposal to deliver a CCC owned new service.

1.10 For clarity, the following definitions are being used within the report:

- Final business case (FBC) - a type of business case advocated by HM Treasury which sets out all the details required to procure the recommendation.
- Independent living service (ILS) – is a tenancy-based service enabling independent living for life for high dependency older people who require care, support, and supervision.
- Nearly Zero Energy Building (NZEB) - The legal definition of is a building that has ‘a very high energy performance, where the nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable sources, including energy from renewable sources produced on-site or nearby.’
- Net present social value (NPSV) – a derivation from NPV which considers cost avoidances associated with delivering social benefits.
- Net present value (NPV) - a financial measure that allows money earned or spent in the future to be considered in today’s terms. A programme indicating a positive NPV means it will earn more than it spends.
- Outline business case (OBC) – a type of business case advocated by HM Treasury which leads to a recommendation from a short list of options.

2. Main Issues

2.1 Requirements and location update

2.1.1 The ILS will focus on those people with high needs (usually but not exclusively aged 65+) who want to retain their independence but can no longer live in their own home. The ILS delivers this by providing the following:

- a flat with accessible en-suite toilet and shower room, and kitchenette. The room is typically 25% larger than traditional residential and nursing homes where bathroom services are usually shared;
- a personalised tenancy giving greater security;
- availability of nursing care allowing people to remain until the end of life. This means care being wrapped around needs rather than causing disruption to the way people live/where they live;
- joint funding initiative ensures the local authority pays for care element of eligible individuals; rent and other costs are met from state benefits and nursing costs repatriated to the NHS;
- the provision of 1Gb internet to the site enabling wi-fi across the site;
- the provision recreational and leisure services, and facilities to allow maintaining independent living; and

- a low carbon building which means lower energy bills for tenants.

- 2.1.2 The rise in demand for ILS for life solution is consistent with the findings of a market test which took place in March 2021. At the event, made up of over 30 care providers, housing providers, developers, and investors, we took the opportunity to evaluate CCC's interpretation of how to deliver ILS. The market was supportive of CCC's position whilst parts were naturally apprehensive as it provides them with direct competition.
- 2.1.3 The rise in demand for ILS is consistent with the general views of nationally recognised expert health and social care consultants in Laing Buisson.
- 2.1.4 Based on population growth the demand for housing-with-care beds in East Cambridgeshire is expected to increase by 600 by 2036. This is additional to demand generated from replacing older services which can no longer run efficiently. To date there are 130 new bed places currently being built by the private sector over the next 2-3 years. Which means despite the planned work, further solutions are needed to meet the shortfall in future capacity. Notably analysis of new buildings over the past five years suggests new services open with 60-120 beds.
- 2.1.5 The work done by CCC in assessing the site owned by the NHS in Ely suggests it would be suitable for an ILS. This is in part because of the strong housing developments nearby, good local transport links to the city centre, and a willingness from the NHS to sell the land to CCC. This means we can engage local people to work in their own communities.
- 2.1.6 As part of our joint working with the Health, the NHS has agreed to formalise the memorandum of understanding giving CCC a commitment to complete this development work. The resultant inter-authority agreement will provide CCC important assurances on funding related to nursing care flowing to care providers and the sale of the land earmarked for ILS.

2.2 Key findings from the Feasibility Report

- 2.2.1 A feasibility study demonstrates how the PoW site could accommodate the new social care and health care services. The brief was based on applying the HAPPI design principles for older person's housing.
- 2.2.2 The HAPPI principles are based on 10 key design criteria. Many are recognisable from good design generally - good light, ventilation, room to move around and good storage - but they have particular relevance to the spectrum of older persons' housing which needs to both offer an attractive alternative to the family home, and be able to adapt over time to meet changing needs.
- 2.2.3 The feasibility study report concluded the site can be developed to meet the brief. Which means the following notable point:
- a gross internal area (GIA) of 4,375 m² over 3 floors would be allocated for tenant use.
 - communal spaces within the GIA is sufficient to allow for services such as salons, gym, and music services. This is in addition to a place to store and charge mobility vehicles;
 - an external ground area of 2,013 m² would be allocated for a private garden and 32 car parking spaces (inclusive of 5 electric vehicle charging points). This supplements the first and second floor terrace areas;

- a main bus stop within 20m of the building entrance. This will encourage the use of public transport;
- the building would meet all current and relevant legislative, statutory, and regulatory requirements, including the most up to date building design guidelines applying Department of Health & Social Care's Health Building Notes;
- the building would meet wheelchair standard throughout the building consequently opening it up to be flexible across client groups if ever required;
- dementia friendly;
- options are available to comply with near zero carbon emissions requirements through the design and build avoiding the need for retrofitting technologies;
- the desk top studies of the ground suggest it is acceptable for the proposed building. However, further assessment is required during the next stage of the programme; and
- the building should be classified as a Type C2A Building for planning purposes.

The Committee should note the nearby bus stop is one option to enable independent travel. To help tenants to and from amenities, care worker assistance will be added to their care and support plans as required. For care workers (and indeed visitors) we shall also be incorporating electric vehicle charging points within the site. This and access to public transport will help with long term modal shift towards using sustainable transport. The public transport network assessment work is scheduled to take place over the next several weeks. This work shall build on the detailed transport assessment and proposals made by the PoW project.

2.2.4 Work will commence with community groups such as Healthwatch, prospective tenants, and additional internal colleagues to refine and finalise the internal design. This body of knowledge will build on the benchmark information we have collected. Co-production is an important step as it will ensure the services people want are developed taking account of local views. This will also be the time to engage with the Care Quality Commission to build a strong supportive relationship for the ILS.

2.2.5 With an outline design early versions of the specifications have been prepared. Further pre-tendering market engagement will take place to refine the specification and generate interest levels. This will take place with a small selection of prospective providers. This feedback will enable us to share change to the ILS work with the District Council.

2.2.6 Working collaboratively with the NHS on the same site brings about the opportunity to explore a professional development pathway for care workers and healthcare assistants. As this is a specialist work area operating in a regulatory environment we shall work with the NHS and a selected care provider to work through the details in time for the service opening.

2.3 Financial update

2.3.1 CCC's preferred approach is for it to finance and construct CCC's own ILS and negotiating with the NHS for the purchase of land. The lower costs of borrowing the greater control of a programme were significant factors. This means CCC can use its experience to manage risk rather than passed through to a third party for a premium fee. The delivery of care and housing services are regulated services which benefit from the knowledge and expertise of specialist providers. As a result, we shall outsource the provision. This option also has the

greatest opportunity to deliver CCC's non-financial and wider societal benefits (see paragraph 2.5) particularly as the type of contract we propose means we can still have effective control of the whole service (see paragraph 2.4.4).

- 2.3.2 The OBC assesses the 'buy-model' and 'make-model' options.
- 2.3.3 Under the 'buy-model' option, the private sector would be commissioned to build ILS. Experience tells us private companies build care provision often with the anticipation of securing long term contracts or frequent temporary arrangements, to supplement tenancies let to self-funders. Under the 'buy model' option, the land would be negotiated and bought by the private sector, with the capital funds being supplied through their own means which is invariably from third party investors. This approach is well known to CCC being a commissioner of care and related services. However, it is unlikely the private sector will be able to agree a more favourable price from the NHS or agree a lower borrowing rate available to CCC. Consequently, the investment amount and long-term repayment level may be higher.
- 2.3.4 The 'make model' option is common practice across the CCC in long-term capital programmes. Here CCC will have overall control of the programme within a commissioning role. The delivery of the work undertaken by other organisations with better expertise. CCC is an experienced commissioner of long-term, high value capital programmes and has considerable expertise in sourcing care services. However, it is important to note that CCC has not built care provision in recent years and ILS are a new care solution.
- 2.3.5 The OBC demonstrates the CCC 'make model' option is the preferred approach for financing and constructing a new service of this type and negotiating with the NHS for the purchase of land. CCC would outsource care provision and housing management provision. The lower costs of borrowing and outsourced services were significant factors. So too was the greater control of a programme. This is the case as most of the operational risk is best placed with CCC (rather than passed through to a third party for premium fee). This option also has the greatest opportunity to deliver CCC's non-financial and wider societal benefits.
- 2.3.6 It should be noted however, that whilst the 'make model' option is the preferred model for the site at East Cambridgeshire, this may not be the case for other ILS's that CCC may wish to pursue in the future, and these will need to be assessed on a case-by-case basis.
- 2.3.7 Since the strategic business case was formulated, further benchmarking with active ILS and other similar services has been undertaken. That has resulted in changes to the specification, which has led to an increase in capital investment level required. The changes relate mostly to design of the ILS with increases in the size of the flats and communal areas, as well as more space required for the NHS. Costs have also increased due to enhancements in technology installation (to allow for a more future-proofed building) as well as allowing for the significant inflation seen in the construction industry. The changes have also incorporated measures needed to reduce carbon emissions to the highest levels possible.
- 2.3.8 The revised capital request is £15.0m to £16.0m inclusive of contingencies fund. This includes substituting the early forecasts for land valuation and construction costs with information from an independent district valuer and the formal estimates from the Feasibility Report. The District Valuation Report is used solely for investment request and later in the

programme CCC shall replace this with its own report. The revised report will be used as the basis to finalise land valuation and NHS rental income.

2.3.9 A financial model was created to factor in changes to investments, income, costs, and risks to the implications on CCC's budgets. The model predicts an approx. £937k pa benefit (this equates to 27% of the budget for this care provision if it were run under a standard care home model). The projected NPV would be £4.41m, and the payback period would be 23.9 years. The NPV does not take account at the end of the payback period there will be an ILS still in operation with a capital value. These levels are all improvements on projections made in December 2020. The savings would arise from:

- separating the housing cost from the cost of care as housing costs would be charged to the tenants (for self-funders), or to the DWP in the form of housing benefit (for eligible service users), and
- from generating an income through leasing space to the NHS.

2.3.10 For assurance, Laing Buisson (well-known international experts in the Housing and Care market) were commissioned to review the financial model. They endorsed the model and its predictions noting that if anything CCC's projections for investments were overestimated; the operating costs were overestimated; and the operating income was underestimated. Their recommended changes have been incorporated into the OBC.

2.3.11 For further assurance, a financial sensitivity analysis was completed. This study looked at the key financial variables and key controllable risks to see how they may affect the overall NPV. It tells us if the overall affordability assessment is realistic and if not what more to add to the contingency plan. Appendix 1 contains further details.

2.3.12 Taking account of the assessed probabilities of the alternative scenarios, the probability weighted position is a £0.42m NPV surplus. This is very small, and the realistic conclusion is that the risks of unfavourable and favourable variances from the base NPV in the OBC are evenly balanced. The other non-significant factors also returned a small surplus. This means the OBC can assume its base NPV does not need to be adjusted.

2.4 Commercial update

2.4.1 Negotiations on the land acquisition and any subsequent leasing arrangements with the NHS were paused until the NHS had received planning approval from East Cambridgeshire District Council, and the NHS had submitted its own OBC for approval. Both happened by 3 June 2021 which means this work can now continue.

2.4.2 For budgeting purposes, CCC have used the Land Valuation Report and Rent estimate commissioned by CCS in December 2020. Their report was completed by The Valuation Office Agency, an Executive Agency of HM Revenue & Customs. Written assurance was provided that the valuation was completed in accordance to the valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards.

The report estimated a purchase price of the land at £2.15m plus stamp duty land tax. It estimated an annual rent for NHS services at £148k pa. The estimate was based on assumptions which have since changed, consequently CCC shall commission its own report. This will assist in negotiation on the land acquisition and any subsequent leasing

arrangements which will be led by CCC's Property team. It is proposed that CCC shall pay CCS (the landowner) the full market value for the site. In return, CCS shall pay CCC a full market rent for the rehabilitation beds and any other dedicated floor space used by the CCS. Any revenues derived from the service would be used to support key Council services, supporting a good quality of life for residents. On reaching an agreement, Committee is asked to delegate approval and sign-off of non-binding Heads of Terms to the Chief Finance Officer and Commissioning Service Director.

The Committee should note the primary driver for the programme is to deliver a care services rather than a conventional return on the property investment. As a result, this business case neither claim to be nor should be considered as a viable return on property investment.

2.4.3 CCC has a selection of Corporate Contracts, Frameworks and other agreements created by the Central Procurement Team for goods, services and works where the prices and terms have been negotiated to achieve value for money for CCC. The Council's procurement policy confirms procurement of any goods or services should be procured from the established corporate contracts or corporate frameworks. Where such contracts are not available tendering should follow in line with CCC Procurement rules. Consequently, there will be three broad procurements required for the delivering an ILS as set out in the table below:

Procured services	Procurement process	Annual gross contract value	Number of years (including extensions)	Total contract value
Design and Construction services	called-off pre-existing frameworks	-	-	£14.0m
Care and Support and Nursing services	open procurement exercise	£2.5m Plus 3% inflation	10+5	£46.5m
Housing services	open procurement exercise	£0.7m Plus 2% inflation	10+5	£12.1m
Total				£72.6m

2.4.4 The programme's procurement strategy has been endorsed by the Joint Commissioning Board which means we are ready to engage with providers to deliver the next stage detailed design work. We shall work with the market to encourage the widest participation. To this extent we will allow time for smaller organisations to form consortia should they wish to collaborate with other organisations. The long-term nature of contracts means we can develop partnership relations with providers based on trust. In doing so we have greater opportunity to shape how services are delivered, problems resolved, and ideas developed without needing to revert to contracts.

2.5 Social value update

2.5.1 Social value is considered as a provision within a contractual relationship that brings added social, environmental, or economic benefit beyond the core service being delivered.

2.5.2 Government acknowledges adults in employment spend a large proportion of their time in work, our jobs and our workplaces can have a big impact on our health and wellbeing. Therefore, work and health-related worklessness are important public health issues, both at local and national level. Consequently, ILS's will pursue social value from the delivery of work to disadvantaged people. More specifically the programme will look for employment for 2 people with a learning disability each for 2 years, and 3 people who are long term unemployed each for 2 years. Through the tendering process, we would look favourably at providers offering more. In practice this means we shall add this feature into the tender evaluation criteria. In addition, the programme will look to invest capital expenditure into the local economy.

ILS's can also contribute towards CCC's climate change mitigation strategy, with a large part of this related to the efficiency of the building aiming to achieve NZEB status. A report was commissioned to explore what is required for CCC to make the ILS a NZEB. The report shows for a base line building services will achieve net zero emissions when the National Grid decarbonises as it plans to:

- deliver a building to achieve an EPC rating of A or better;
- efficient lighting system;
- use air source heat pump technology; and
- not use any fossil fuel.

This means the ILS building shall target the attainment of an industry standard BREEAM "Excellent" rating, which is the second highest rating possible.

2.5.3 The Report presents three variants which build on the baseline option:

- Proposal 1: The baseline option and a 375m² carport (including 5 electric vehicles charging points) with solar photovoltaic panels covering. With this installation it is predicted 28% of regulated electricity usage will be met by renewables onsite; and
- Proposal 2: The baseline option and a 550m² solar photovoltaic panels covering the main building roof. With this installation it is predicted 46% of regulated electricity usage will be met by renewables onsite; and
- Proposal 3: The baseline option and a 925m² solar photovoltaic panels covering the main building roof and the car port. With this installation it is predicted 74% of regulated electricity usage will be met by renewables onsite.

2.5.4 Dependent upon the selected proposal, the report estimates up to 10% of the capital cost for building works will be expenditure to allow for NZEB technologies. This equates to £200 per m² or £0.9m. An allowance has been made to cover maintenance works and replacement/refurbishments, which is estimated at £40k pa. It is important to note that as this building will not be operated by CCC, the housing management company and the tenants will benefit from the energy bills savings from the NZEB technology.

2.5.5 Combining both the social and environmental benefits, it is predicted there is a potential to leverage £1.1m – £2.1m of net present social value (NPSV). Appendix 2 contains further details. This was incorporated into the financial model which meant we could take a broad view of value.

2.5.6 We completed a risk assessment checking against all the programme's critical success factors and spending objectives. This was to evaluate where it is acceptable to sacrifice

some benefits in exchange for a reduction in overall programme risk, which should not be underestimated in a programme with the scale of complexity present in building an ILS. The table below shows the overall result of the appraisal taking account the combined investment levels from the Feasibility Report, District Valuers Report, and CCC's internal programme estimates.

Programme	Investment required	Net present value (NPV)	Net present social value (NPSV)	(NPV + NPSV)
'Make-model' option Lifecycle risk adjusted benefits. Predicted NIL % of regulated electricity usage will be met by renewables onsite.	£15.303m	£4.411m	£1.125m	£5.536m
Proposal 1 Lifecycle risk adjusted benefits (building on 'make-model' option). Predicted 28 % of regulated electricity usage will be met by renewables onsite.	£15.461m	£4.228m	£1.370m	£5.598m
Proposal 2 Lifecycle risk adjusted benefits (building on 'make-model' option). Predicted 46 % of regulated electricity usage will be met by renewables onsite.	£15.872m	£3.747m	£1.665m	£5.412m
Proposal 3 Lifecycle risk adjusted benefits (building on 'make-model' option). Predicted 74 % of regulated electricity usage will be met by renewables onsite.	£16.030m	£3.564m	£2.110m	£5.675m

2.5.7 Whilst there is significant benefit in all the options, only Proposal 3 fully meets CCC's strategic requirements¹ and so it is the recommended option for OBC. Proposals 1-2 could be retrospectively improved to match Proposal 3 but that would incur cost and delay some of the benefits. Adopting Proposal 3 means CCC would make a step change in the care market by delivering a near zero emissions building.

2.6 Management and governance arrangements update

2.6.1 There are two distinct governance groups each with its own set of terms of reference:

- CCC Council Committees and reference groups; and
- Older People Accommodation Board.

2.6.2 The governance groups will hold the programme team accountable to deliver its benefits realisation strategy and stakeholder engagement plan. The table below shows the key benefits expected from the ILS programme. These metrics will be refined for the FBC which can then lock in the expectations.

¹ Set out in the Older People Accommodation Strategy, Medium Term Financial Strategy, Commercial Strategy, and Climate Change and Environment Strategy 2020-2025.

Benefits/Impacts	Change direction	From	To	Measure Frequency	Measure Date from	Comments
Care budget expenditure	Reduced average expenditure on care placements for tenants moving to ILS	£2.6m pa	£2.0m pa	Quarterly	01/04/2024	The reduction in care budget in addition to the income generated from rent
NPV plus NPSV	Reduced average expenditure on care placements for tenants moving to ILS	Zero	£5.7m (estimated, subject to final OBC)	Once	01/04/2024	The net present value of the investment decision for the delivery of Affordable property and service (competitive in the market without displacing other market capacity)
Secure employment for disadvantaged groups	Addition of new jobs	Zero	3	Quarterly	01/04/2022	The day-to-day operations of ILS capital programme shall deliver new FTE jobs
Future harms to public health	Reduction of carbon equivalents	No metric	100 tCO2e	Once	01/07/2024	The designing out and implementation of reduced carbon equivalent emitting features as measured against tenant's pre-ILS arrangements
Secure employment for local care workers	Addition of new jobs	Zero	80-100	Quarterly	01/01/2024	The day-to-day operations of ILS shall deliver new FTE jobs covering nurses, management, care workers, and ancillary staff
Day-to-day tenant energy consumption	Lower levels of energy consumption	No metric	60%	Once	01/07/2024	The review of tenants current and future energy bills. Compare a

						baseline project with Proposal 3.
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- 2.6.3 The work to deliver the ILS programme is governed through the Older People's Accommodation Board within the Peoples and Communities service. The programme team is supported by a cross-Committee Members Reference Group who provide advice and guidance on a range of topics.
- 2.6.4 CCC is a member of the CCS Project Board, which means it can shape the success of an integrated health and care community.
- 2.6.5 We will continue to use a structured approach during the next phase of the programme. The ILS programme is applying the Cabinet Office's recommended methodology for the delivery of programmes and programmes. It is also applying the construction industry standard RIBA Plan of Work to organise the process of briefing, designing, preparing, and submitting planning application, constructing, and operating building programmes. The work schedule translates into the following milestones for CCC's own ILS programme. This includes key decision points for land acquisition and planning submission for site development later in the year.

CCC Activity for PoW site	Milestone date
Transformation funding approval	January 2021
Land valuation for accommodation facility	March 2021
Feasibility study and cost estimates	April 2021
OBC completion	May 2021
Design work (RIBA stages 2 and 3)	June to December 2021
Housing and care tendering	June to December 2021
Planning approval	June 2022
Full Business Case completion	July 2022
Land acquired; Leases signed	August 2022
Construction preparation, site cleared, build start	Oct 2022
Service operational	July 2024
CCC Activity for PoW site	Milestone date

- 2.6.6 Committee is asked to note the Council tendering date is one more month on from the information presented earlier in the year. This change is a result of CCC refraining from making commitments until there was greater clarity on the NHS agreement to proceed and its subsequent workplan. The timetable will be continued to be monitored closely in particular where there is a dependency on other parties e.g. planning permission and site access.

2.6.7 Risk ownership is allocated across the programme team and wider stakeholder group. The programme team maintains an action, issues and costed risk log. Aside from the land access risk, highest value controllable programme risks contained in the log are shown below:

No	Risk	Revenue (R) / Capital (C)	Owner	Mitigation	Residual risk cost (£000's)	P	I	Score
R14	IF care homes tender wanting to work exclusively without RSL's THEN RSL's may withdraw from tendering	C	Commissioning Lead	Meet with district planners to explain the concept and proposals in advance of a planning application. Change tendering options to allow with and without RSL's.	67	2	5	10
R17	IF the location analysis is not assessed THEN market engagement will fail	R	Commissioning Lead	Market test completed in March 21. Further work required with tenants, associations, and other interested parties.	60	1	2	2
R19	IF the CCG does not agree to pay FNC direct to the care provider THEN the benefits model will not work	R	Programme Sponsor	CCS Project Board has endorsed the MoU. Formalise this into an Inter-authority agreement.	87	1	4	4
R29	IF there is a poor level of competition for any parts of the tendering exercise THEN prices will be higher	R	Programme Manager	Early market engagement work tailored to different sectors.	75	2	5	10
R33	IF the tender exercise does not produce suitable quantity and quality of providers THEN prices will be higher	R	Programme Manager	Early market engagement work is required reaching widest audience.	53	2	4	8

2.6.8 The ILS programme has uncontrollable risks, as the name suggests, these are the risks that arise due to the factors that are not under the business' control. They are considered important since these risks, which if materialised, will significantly affect the business case. The programme team has not looked to quantify these risks but continues to work to mitigate their effects. The risks listed below are separated into those that affect the capital expenditure level and timing from those that affect revenue related benefits and timing:

Capital related

- If Covid-19 lockdowns continues then there will be delays to work
- If the NHS business case submission is not approved by Government by the end of Oct 21, then CCC will have to re-profile its capital expenditure plan and programme plan.
- If ICSs are established driving system efficiencies, then the programme benefits will be increased. But no benefits are expected in the near term.
- If the NHS chose not to sell the land (MoU is an intention to sign) then the programme will stop until new land is found
- If the procurement process is challenged then there will be a delay

Revenue related

- If the care building planning classification is wrong, then tenants will not get access to all their benefits and the savings on care placements will be compromised
- If the DWP change the criteria agreed for HB payments for ILS, then the programme benefits will be reduced. CCC has assumed low levels of payments and any change will affect higher levels of payments.
- The long-term impact of the economic recession is unknown, but it may impact on the provider market if fewer people choose to go into care facilities due to adverse publicity around covid-19.
- If the Cabinet Office change to PCR15 then the programme benefits will be increased. But no benefits are expected in the near term.
- If the DHSC change to ASC funding policy then the programme benefits will be increased. But no benefits are expected in the near term.

The programme team will continue to monitor these risks.

2.7 Summary and next stage programme

- 2.7.1 The OBC recommends investing £16.0m into building an 80-bed service supporting both CCC's ILS needs and the NHS's rehabilitation ward needs. This is inclusive of purchasing the freehold land from the NHS. CCC tenants will have access to a service where care and support levels will adjust to their needs which means they have a home for life and remain independent. The recommendation also means increasing the Business Plan from 2021/22 with a further £7.6m capital to accommodate Proposal 3 which is inclusive of contingencies.
- 2.7.2 The OBC forecast lifetime benefit, measured in present terms, of £5.7m overall value which includes £3.6m financial value. This contributes positively to CCC's Medium Term Financial Strategy (MTFS) and Commercial strategies.
- 2.7.3 The OBC presents significant contribution to CCC's Climate Change scope 3 goals. It proposes delivering a service which operates without fossil fuels and predicts 74% of regulated electricity usage for the new building will be met by renewables onsite. This means preventing 100 tCO₂e pa emissions and so reduce future harm to public health.
- 2.7.4 The next stage of the programme will require an expenditure of £1.1m to complete detailed design works and present an FBC. The initial £0.4m (taking the programme to submitting the Planning Application) is irrecoverable and cannot be capitalised should the project not

progress. In the event the Planning Application were to be not successful for significant reasons, we would consider returning to Committee.

3. Alignment with corporate priorities

3.1 Communities at the heart of everything we do

The new service enables high dependency older people to remain within a community setting. It also means care workers from the community can support older people to remain living independently.

3.2 A good quality of life for everyone

The programme is expected to create 80-100 whole time equivalent jobs in the district. Detailed work is taking place with service colleagues to refine this estimate. This is anticipated to be ready for the FBC.

3.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

3.4 Cambridgeshire: a well-connected, safe, clean, green environment

The programme is expected to benefit public health by reducing future harms from climate change. Detailed work is taking place with the Energy Investment Unit to establish a carbon baseline level and target level. Initial estimates predict the new service will prevent 100 tCO₂e pa emissions. Refinement of this information is scheduled to be ready for the FBC.

3.5 Protecting and caring for those who need us

See wording under 3.1 above.

4. Significant Implications

4.1 Resource Implications

See wording under section 2.7 above.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

See wording under section 2.4 above.

We have received advice and guidance from the Procurement team. The programme procurement strategy has been endorsed by the Joint Commissioning Board.

4.3 Statutory, Legal and Risk Implications

There is no significant impact within this category at this time. Work has started to assure stakeholders if the building classification of Type C2A Building for planning purposes has any disbenefits. None are expected.

4.4 Equality and Diversity Implications

There is no significant impact within this category at this time. A Community (Equality) Impact Assessment is scheduled for the next stage of the programme.

4.5 Engagement and Communications Implications

There is no significant impact within this category at this time. Advice and guidance will be sought later in the programme to complete a Community (Equality) Impact Assessment.

4.6 Localism and Local Member Involvement

There is no significant impact within this category at this time. Work will start towards the end of the next stage of the programme to actively increase local engagement.

4.7 Public Health Implications

The programme is expected to benefit public health by reducing future harms from climate change. Initial estimates predict the new service will prevent 100 tCO₂e pa emissions affecting human health. Refinement of this information is scheduled to be ready for the FBC.

Collaborative working with the NHS is supporting their business case for a 16-bed rehabilitation ward sited within the ILS building. Benefits attributed to this have been excluded from this report.

4.8 Environment and Climate Change Implications on Priority Areas:

The programme is expected to benefit public health by reducing future harms from climate change. Detailed work is taking place with the Energy Investment Unit to establish a carbon baseline level and target level. Initial estimates predict the new service will prevent 100 tCO₂e pa emissions. Refinement of this information is scheduled to be ready for the FBC.

4.8.1 Implication 1: Energy efficient, low carbon buildings.

Positive/neutral/negative Status: Positive

Explanation: The report recommendation is to build Proposal 3 which will achieve net zero emissions when the National Grid decarbonises as it plans to:

- deliver a building to achieve an EPC rating of A or better;
- efficient lighting system;
- use air source heat pump technology; and
- not use any fossil fuel.

This option shall incorporate 925m² solar photovoltaic panels. With this installation it is predicted 74% of regulated electricity usage will be met by renewables onsite. Initial estimates predict the new service will prevent 100 tCO₂e pa emissions. Refinement of this information is scheduled to be ready for the FBC.

4.8.2 Implication 2: Low carbon transport.

Positive/neutral/negative Status: Neutral

Explanation: There is no significant impact within this category at this time. We predict the provision of electric vehicle charging points will encourage the use of low carbon transport. Further detail will become available during the design phase.

4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Positive/neutral/negative Status: Neutral

Explanation: There is no significant impact within this category at this time. Further detail will become available during the design phase.

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Positive/neutral/negative Status: Neutral

Explanation: There is no significant impact within this category at this time. Further detail will become available during the design phase.

4.8.5 Implication 5: Water use, availability and management:

Positive/neutral/negative Status: Neutral

Explanation: There is no significant impact within this category at this time.

4.8.6 Implication 6: Air Pollution.

Positive/neutral/negative Status: Neutral

Explanation: There is no significant impact within this category at this time. Further detail will become available during the design phase.

4.8.7 Implication 7: Resilience of our services and infrastructure and supporting vulnerable people to cope with climate change.

Positive/neutral/negative Status: Neutral

Explanation: There is no significant impact within this category at this time. By bringing services into the community and providing climate-ready buildings this would help ensure service delivery is less affected by future climate impacts. Further detail will become available during the design phase.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Tom Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes

Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?

Yes

Name of Officer: Will Patten

Have any engagement and communication implications been cleared by Communications?

Yes

Name of Officer: Eleanor Bell

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Name of Officer: Will Patten

Have any Public Health implications been cleared by Public Health?

Yes

Name of Officer: Emily Smith

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer? Yes

Name of Officer: Emily Bolton

5. Source documents guidance

5.1 Source documents and their location

Source document	Location
1. HAPPI design principles for older person's housing	https://www.housinglin.org.uk
2. Nearly Zero Energy Building Requirements for New Public Buildings	https://cambridgeshire.cmis.uk.com (GPC)
3. Contract Procedure Rules	https://cambridgeshire.cmis.uk.com (Constitution)
4. BREEAM (Building Research Establishment Environmental Assessment Method, 2018)	https://www.breeam.com/
5. RIBA Plan of Work	https://www.architecture.com

Appendix 1 – Sensitivity Analysis

Sensitivity analysis has been undertaken to assess the key financial variables affecting affordability, both to ensure that the overall affordability assessment is realistic in the key assumptions it makes, and to inform contingency plans. Given the wide range of variables and assumptions made a sensitivity analysis provides assurance on the robustness of the recommended proposal. For completeness an additional analysis has also been carried out to identify the values at which the preference for making ILS switches back to buying in ILS i.e., when benefits turn negative as the buy option scored a negative net present value.

Alongside the financial variables identified in the previous section of this report, all controllable risks were costed and included within the sensitivity analysis. Collectively each variable was reviewed to establish the degree of sensitivity on base plan NPV. The review established the impact of 1% change in the 32 variables on to the NPV which showed a wide range in elasticity varying from -20.0% to +15.8%. The sensitivity analysis was carried out with the 11 (out of 32) variables which represent 80% of the change in NPV.

To gauge their impact taking account of probability, a range of realistic worst- and best-case scenarios have been established, the probability of each assessed, and the individual and overall probability weighted variances calculated. This analysis is shown in table overleaf.

Base scenario and realistic alternative scenario		Probability	Probability weighted variance
			Variance from plan £k NPV
Volume of CCC tenant flat. The shortfall to 64 flats will be available to self-funders.	Base: 54 flats to CCC tenants (subsequently modified to 56 flats)	70%	0
	Worse: 64 flats to CCC tenants	15%	-633
	Best: 44 flats to CCC tenants	15%	+1,477
Average weekly nursing cost of new OP spot purchase placement in 2020/21 (a minus figure shows there is a smaller opportunity for savings)	Base: £804.00 pw per resident	80%	0
	Worse: £763.80 pw per resident	10%	-190
	Best: £844.20 pw per resident	10%	+190
Average weekly nursing with dementia costs of new OP spot purchase placement in 2020/21 (a minus figure shows there is a smaller opportunity for savings)	Base: £908.00 pw per resident	80%	0
	Worse: 862.60 pw per resident	10%	-162
	Best: £953.40 pw per resident	10%	+162
Weighted average percentage of weekly nursing with dementia costs of new OP spot purchase placement in 2020/21	Base: 43%	80%	0
	Worse: 41%	10%	-17
	Best: 45%	10%	+17
Client contribution to care under CRAG charging	Base: £169.00 pw per tenant	80%	0
	Worse: £177.45 pw per tenant	10%	-61
	Best: £160.55 pw per tenant	10%	+62
Gross cost of care in an ILS service	Base: £605.00 pw per tenant	60%	0
	Worse: £635.25 pw per tenant	20%	-450
	Best: £574.75 pw per tenant	20%	+451
ILS flats utilisation level	Base: 85% (subsequently modified to 89%)	70%	0
	Worse: 80%	15%	-241
	Best: 95%	15%	+481
Staff availability levels within ILS flats	Base: 100% availability	70%	0
	Worse: 100% availability	-	0
	Best: 95% availability	30%	+1,022
Nursing / Nursing dementia bed utilisation level.	Base: 90% utilisation	70%	0
	Worse: 95% utilisation	30%	-433
	Best: 90% utilisation	-	0
Staff availability levels within nursing / nursing dementia setting	Base: 100% availability	70%	0
	Worse: 95% availability	30%	-1,291
	Best: 100% availability	-	0
Asset life (10 years more than repayment period)	Base: 35 years, nominal life span	50%	0
	Worse: 32 years life span	20%	-137
	Best: 38 years life span	30%	+174
Totals			+420

The analysis indicates it is reasonable to conclude that sensitivity analysis supports the view that make option is remains preferable to the buy option as the NPV does not approach zero. The sensitivity analysis will be revised for the FBC to take account new information established from housing management and care management tendering.

Appendix 2 – Social value assumptions and calculations

Incorporating a valuation of carbon emissions into business cases and decision making, will make a significant contribution towards achieving CCC’s priority, by making it clearer how CCC’s decisions and investments contribute towards our emissions reduction targets, and thus enabling better decision making that takes this (as well as all other relevant factors) into account.

In line with the recommendation² that carbon prices are built into business cases on this basis (as a ‘virtual’ cost) and presented alongside the base business case (without carbon prices) in order to understand how and which decisions may differ when the cost of carbon is taken into account. Note that this would work in both directions – a virtual cost for increasing emissions, and a virtual saving for reducing emissions. As a result, the following assumptions are made when building the estimated carbon emissions model:

Element	Level	Comment
Key older people energy consumption assumption	<ul style="list-style-type: none"> The total predicted regulated notional energy consumption is: 308,636kWhr per year The total predicted regulated notional CO2 emissions are: 156,246kgCO2 per year 	<p>A notional regulated³ energy consumption and associated carbon dioxide emissions levels taken from a third party commissioned study entitled Sustainability Statement for Planning (May 2021) for ILS services.</p> <p>Commissioners have not included unregulated energy e.g. plug in devices.</p>
Key ILS staff travel related energy assumption	<ul style="list-style-type: none"> The notional CO2 emissions for daily visits to and from care homes are: 1,900kgCO2 per year The notional CO2 emissions for staff travel time to and from work are: 500kgCO2 per year 	<p>Estimates of total distance a care staff travel to and from work was factored into a nominal carbon calculator.</p>
Key older people lifestyle carbon impact assumption	<ul style="list-style-type: none"> The notional CO2 emissions for daily living in a care homes are: 4,000kgCO2 per year The notional CO2 emissions for daily living in an ILS: 3,100kgCO2 per year 	<p>The estimate values for CO2 emission are based on an individual living in a nominal care home to find the base. Broad comparative assumptions were made to estimate what would change to establish a CO2 emission level for a person living in a care home and the proposed model care home.</p>

² Carbon Valuation Report at the Environment and Sustainability Committee, 15/10/20

³ The regulated (controlled) energy usage of the building consists of the following: Heating, Cooling, Auxiliary (For example, energy required to drive any fans and/or pumps on site), Lighting, and Hot Water

Key house build assumption	<ul style="list-style-type: none"> • ILS type building 4,500 tCO2e 	A notional carbon dioxide emissions levels taken from a third party commissioned study entitled Sustainability Statement for Planning (May 2021) for ILS services.
Key emissions cost assumption	<ul style="list-style-type: none"> • The cost of CO2 emission is £74 per tonne of CO2 emission equivalent (TCO2e) in 2024 which rises to £264 TCO2e in 2054. 	Converted emissions to costs using government non-traded conversion rates. Information was provided by CCC's Energy Management Unit.

Proposal 1 and 2 followed the same analysis process as Proposal 3. We have shown below the assumptions when building the estimated carbon emissions model for Proposal 3 which represents the upper end of the benefits range:

Element	Level	Comment
Capital investment required	<ul style="list-style-type: none"> • £883k is estimated 	The Feasibility Report estimates 10% of build capital expenditure to allow for Offer 2. This equates to £186 per m ² .
Revenue impact	<ul style="list-style-type: none"> • £40k pa 	An allowance has been made to cover maintenance works and Sinking fund allowance for replacement/refurbishment.

The table below shows the additional social value, building on the Proposal 3 option that would not otherwise have occurred in a 'buy model' option.

Benefit group	Unit Benefit	Volume	Estimated unit value per annum	Total benefit	Notes
ILS Tenants	The reduction in utility bills	80 tenants Recurrent	£400	£32,000	Assumes 50% of a 2-bed flat and 50% of a 3-bed home. Annual cost is £1k per tenant. Source: https://octopus.energy/blog/what-is-the-average-energy-bill-in-the-uk/
Carbon footprint	The reduction in CO2 equivalents	1 building recurrent	-	£20,250	Assumes an equivalent non-carbon neutral care home emitting 76% for tCO2e pa than the equivalent purpose-built ILS services. Moving to an ILS targeting 28 tCO2e level from a 156 tCO2e baseline. Under the CCC's adopted approach to pricing carbon, a nominal £158 per tCO2e average over the building life is applied. Source: Sustainability Statement for Planning (May 2021)
Total Net Present Social Value (NPSV)				£1,330,000	The additional social value expected from the 'make model' option that would not otherwise have occurred in a 'buy model' option.

Work and health-related worklessness are important public health issues, both at local and national level. As a result, this programme focuses on pursuing an employment related social value. The table below shows the additional social value expected from the all three of the proposals that would not otherwise have occurred in a 'buy model' option.

Benefit group	Unit Benefit	Volume	Estimated unit value per annum	Total benefit	Notes
Employment for a person with a disability	The reduction or cessation of a day service placement	3 Service users for 2 years	£7,500	£22,500	Assumes x3 per week attendance. Transport is kept as it would be used for employment purposes. Source: CCC's case management system
Employment for a person who is long term unemployed	The cessation of Job Seekers Allowance	2 people for 2 years	£13,500	£27,000	Assumes 30 years old, single, and long term unemployed not in receipt of other benefits with £100pw housing costs: Source: Benefits Calculator - entitledto
Total amount of more money with businesses and tradesmen based in Cambridgeshire		5% of the capital expenditure having a one-year benefit	£700,000	£700,000	Assumes the Buy option would have paid local businesses and tradesmen 60% of the capital sum spent in ILS services. And that the Make option would have paid an added 5% of the capital sum which would otherwise have been set aside as profit.
Total Net Present Social Value (NPSV)				£780,000	The additional social value expected from the 'make model' option that would not otherwise have occurred in a 'buy model' option.