



Leicester
City Council

WARDS AFFECTED
New Parks

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Cabinet
Council

12th May 2008
29th May 2008

CAPITAL RESOURCES FOR INTERMEDIATE CARE

Report of the Interim Corporate Director, Adults and Housing

1. Purpose of Report

- 1.1 This report highlights the need to seek an early decision from Cabinet on the bid submitted for capital resources for the Intermediate Care element of the Butterwick scheme.
- 1.2 Prior to seeking this decision, the Cabinet Lead was requested to provide his comments on the proposal for an early decision, which he supported.

2. Summary of key issues

- 2.1 The Butterwick scheme comprises two elements - Intermediate Care and Extra Care housing. As a result of EU procurement guidance a development partner is currently being sought through a full tender process. The costs of the scheme are approximately £6m and £10-13m for the two respective elements. The capital bid was for £3.5m to supplement existing resources for the Intermediate Care element. The Extra Care element will not be funded via the Council (excepting any contribution of land).
- 2.2 The benefits of progressing such a scheme were set out in the two papers that were approved by Cabinet on 3rd September 2007 (A Vision for Extra Care / Butterwick Extra Care & Intermediate Care Scheme). Members will recall that the project offered the development of up to 100 units of Extra Care / supported living, which enables older and disabled people to maintain their own home. In conjunction with this it provided a 60 bed Intermediate Care facility. Of these, 24 were for use by the PCT as clinical beds and 36 were for social rehabilitation. Intermediate care facilities are evidenced to promote independence, reduce long term care needs and therefore reduce care costs. There is a relative shortage of provision in Leicester compared to other areas with similar populations.
- 2.3 The benefits of developing the schemes jointly were noted, through efficiency in build costs, site management, shared facilities (where appropriate) and shared project management. The joint scheme also offers a coordinated health and social care pathway for older and disabled people.

- 2.4 The tender specification has to be specific enough to enable bidders to fully establish its nature. Thus it has included both elements of the scheme, although funding for the intermediate care element is not secured. This was to enable the tender to progress at pace, as per 2.3.
- 2.5 The tender process has been progressed quickly to enable bidders to have the best opportunity to bid for Housing Corporation funding. This has increased the risk of uncertainty affecting the tender process. However it is supporting the success of an Extra Care scheme.
- 2.6 If the funding is not secured for the Intermediate Care element then the tender process may need to be re-started, to avoid legal challenge to the procurement process.
- 2.7 The process has reached the point of entering into a competitive dialogue with bidders. This requires them to commit resources to develop proposals. A cancellation of the tender process may disadvantage the Council commercially, if bidders elect not to participate in a future procurement process."
- 2.8 Therefore a decision is required on this funding as swiftly as possible to allow the tender to progress or to cancel this before asking bidders to commit significant resources.
- 2.9 The allocation of capital will be aligned to the Council's strategic priorities. The 25 year vision and the financial strategy approved by Council as part of the budget process both make clear reference to the priority of the Council to develop this type of service for older/vulnerable people.
- 2.10 The Adults & Housing Department submitted a number of capital bids. These were not prioritized by the Department at any stage. The Department has supported this proposal seeking an early resolution.
- 2.11 A successful early request for a capital allocation to this scheme would be a significant call on the overall 'pot'. This would impact on the chances of success for other bids, which would be considered at a later stage.

3. Recommendations (or OPTIONS)

- 3.1 Council is recommended to approve the total cost of the scheme which is £20.0m including estimated land value of £1.0m and an estimated capital receipt of £0.9m for Brookside Court. The total cost of building works is estimated at up to £19m including £5-6m for Intermediate Care and £10-13m for Extra Care.
- 3.2 Council is recommended to approve Leicester City Council's contribution to the entire scheme involving:
- i) land to an estimated value of £1m for the Extra Care element of the scheme;
 - ii) the receipt from the sale of Brookside Court which is expected to be in the region of £0.9m
 - iii) a contribution of £0.3m from A&H earmarked reserves
 - iv) a commitment of £3.5m from the corporate capital programme.

A table showing costs and funding is shown at paragraph 4.1.3.

3.3 Cabinet is recommended to:-

- (i) Note the requirement for an early decision
- (ii) Agree the allocation of the capital required to progress this scheme
- (iii) Confirm the receipt from the land to be earmarked as the council's contribution to the Extra Care element of the scheme

4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

4.1. Financial Implications (Rod Pearson Adults & Housing Finance, Nick Booth Corporate Finance)

4.1.1 The proposed scheme would involve a commitment of £3.5 million from the corporate capital programme. Council at its meeting on 27th March 2008 approved an initial corporate programme of £16 million for 2008/09 to 2011/12 (including a pre commitment to the PAC of £3.1million), leaving uncommitted resources of £11 million. If the proposal to commit £3.5 million is approved, this would leave uncommitted resources of £7.5 million for which bids greatly in excess of this have been made. (The total bids for financing from the corporate programme were in excess of £112 million).

4.1.2 The land value for the Extra Care element is also proposed to be earmarked for the scheme which would have an estimated opportunity cost in excess of £1 million if sold on the open market. The remainder of the funding for the Extra Care element would be the responsibility of a Registered Social Landlord.

4.1.3 A table showing information on costs and funding is shown below.

Scheme Costs	Extra Care	Intermediate Care	Total
Land Value	£1,000,000 (e)	N/A ⊕	£1,000,000
Buildings	£10 - £13,000,000*	£5 - £6,000,000	£19,000,000
Total			£20,000,000

*Costs will be met by the Registered Social Landlord

(e) Estimated Value

⊕ Land owned by A & H designated for Intermediate Care use.

Funding

	Extra Care	Intermediate Care
Land in kind	£1,000,000	N/A ⊕
Capital receipts – Sale of	N/A	£900,000 (e)

Brookside		
PCT	N/A	N/A
Strategic Health Authority		£1,242,435
Grants	N/A	N/A
Housing Corporation	N/A +	N/A
LCC Earmarked reserves		£300,000
LCC Capital		£3,500,000
Total	£1,000,000	£5,942,435

+ RSL may seek funding which LCC will support

⊕ Land owned by A & H designated for Intermediate Care use.

4.2 Legal Implications

The EU procurement issues referred to are: (1) the European Commission's Interpretative Communication (2006/C 179/02); and (2) the ECJ's decision in *Auroux*. Following these developments: (1) Part B services (such as Extra Care) should be procured transparently, i.e. following advertising and tendering; and (2) a contract such as that envisaged, that requires the carrying out of works, will be a works contract, (which also needs to be tendered) even though the works are not "for" the Council, in the sense that they are not ultimately destined for its ownership or use.

Greg Surtees, Senior Solicitor, Legal Services

5. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	Y	Throughout
Policy	N	
Sustainable and Environmental	Y	Throughout
Crime and Disorder	N	
Human Rights Act	N	
Elderly/People on Low Income	Y	Throughout

6. Report Author

Ruth Lake, Service Director, Older People
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Key Decision	Yes
Reason	Significant in its effect on communities in one or more wards.
Appeared in Forward Plan	yes
Executive or Council Decision	Executive