

Meeting:	Cabinet member health and wellbeing
Meeting date:	28 February 2019
Title of report:	To approve expenditure and build cost to enable build works to commence on Waverley House
Report by:	Head of Care Commissioning

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose and summary

To agree the revised project costs and expenditure of capital money up to the value of £968k to extend Waverley House by an additional 11 complex nursing beds. To amend the implementation arrangements with the council now leading on the contract and project management. The additional expenditure remains an investment saving the council money on an annual basis, and will create additional beds for a cohort of individuals the council struggles to find placements for.

Recommendation(s)

That:

- (a) **To authorise the revised cost of up to £968k for the extension of nursing bed provision at Waverley House; having regard to the revised business case at appendix 1 and to agree the council will procure and manage the works.**

Alternative options

1. To continue with the approved budget and current model at Waverley House. This is not recommended as the funding will not cover the cost to deliver the project. The council is experiencing difficulties in sourcing nursing bedded provision in Herefordshire to meet the eligible needs of vulnerable adults and is currently spot purchasing additional nursing beds at Waverley House at a cost above the council's usual rate. The additional capacity will provide further block purchased beds that can be easily accessed at a substantially lower rate than current placements.
2. To utilise the space and provision within the current contract for residential or short term services. This is not recommended as the pressure for capacity in the market is for complex nursing beds.
3. To continue with Shaw leading on the project management. This is not recommended as it's a council owned building and the project is being driven by the council. Whilst the council will need to work with Shaw, the development and risks of the project should be managed by the council.

Key considerations

4. Approval to remodel Waverley House in Leominster to create an additional 11 complex nursing beds within the scope of the Shaw Healthcare contract at a cost of not more than £400k was given on 23 April 2018.
5. A £400k capital budget has already been approved however after receiving commercial market quotes, both of the quotes received exceeded the budgeted amount. These quotes were thought to be higher for several reasons including the expectation to complete the work quickly as it is currently a care home with vulnerable people, the market had several building opportunities and the quotes were based on the actual plans compared to the previous estimate.
6. On 15 February 2019 Council approved a request to increase provision in the capital programme for this project by £468k to provide a total of £968k to support the full cost of necessary works. £500k is funded through the original single capital pot grant.
7. The total capital funding now being sought to cover the works is circa £968k. The council will now engage and manage the building contractor through project management support..
8. The build costs for this project are estimated at £650,000, fixture and fittings £60,000 with the remaining £170,000 covering associated legal, planning costs, project, bank costs, architects fees, planning consent, employers agent and license of alteration and a 10% contingency. This is based upon tender submission quotes and Shaw Healthcare project management costs.
9. On behalf of Shaw Healthcare who had been authorised to undertake the works, Strongs, Chartered Quantity Surveyors undertook a procurement exercise in August - September 2018 and two tenders were received by the revised appointed time. In October 2018 Shaw

Healthcare instructed Strong's that the council required revised tenders. The original tenders were to remain open for consideration for a period of 12 weeks (expiring 27 November 2018). Both contractors are aware that the council is seeking a decision for funding in February 2019. Both of the contractors have confirmed their revised tender will remain open until 28 February 2019, however one contractor has stated after which an increase of 2.5% would apply and be held for a further eight weeks. This is based on a 26 week build period.

10. Costings have been revised from the original capital budget request of £400k after indicative commercial estimates were made on the project's costs. Following the formal tender process, as detailed in the paragraph 9, costs built into this funding request are now reflective of the actual cost to build and deliver this project.
11. The successful implementation of this project is an integral part of the Medium Term Financial Strategy (MTFS) as it will enable nursing beds to be sought and utilised for a rate lower than is currently being purchased. This proposal will generate a potential saving of circa £100k pa which has already been built into the MTFS.
12. The savings are an accurate reflection of the current market prices for placements to meet complex needs and the number of current individuals in the provider's spot purchase beds currently at £865.84 per week, compared to the indicative new block bed rate £623.26 per week (excluding Funded Nursing Care).
13. Adult Social Care (ASC) currently spends £11.2m on nursing care provision for approx. 305 Herefordshire residents. Trend analysis shows that whilst numbers in this area are relatively static (as a result of the supporting more people at home for longer), care needs are however proportionately increasing in complexity. As a result, 54% of placements in nursing homes are now paid over the "usual" rate of £547.51
14. The council must meet its responsibilities in ensuring quality and choice of services to meet individual needs are available within its care market.
15. The council owns Waverley House and an investment into the building will offer more options and opportunities when the contract ends.
16. It is anticipated that the build will be completed within 26 weeks subject to further negotiation and discussion with the contractor. The council would seek to have the project complete in time for winter 2019.
17. The council will now lead and oversee the project and will utilise the procurement process Shaw had completed to date, as they had run a competitive tender process with formal quotations received. The project management support will be through property services who will appoint additional support to manage as appropriate, these project costs are built into the budget.

Community impact

18. The recommendations in this report will ensure that the service is aligned to health and wellbeing for adult social care (Adult Wellbeing Plan 2017-2020), supporting the intention that 'Herefordshire residents are resilient, lead fulfilling lives, are emotionally and physically healthy and feel safe and secure'

19. This recommendations in this report also support the council corporate objectives to support residents to be 'able to live safe, healthy and independent lives' and that commissioning organisations 'secure better services, quality of life and value for money' across the sector
20. This project will improve service user and families' choice in Leominster through increased capacity and also support needs and demands identified by commissioners.
21. Consultation and communications with service users/families and staff will be developed once approval for the funding and development has been approved.
22. Analysis of future demand for care home beds in Herefordshire has projected demand for nursing care home beds rising from the current 452 beds to 820 by 2036, indicating a requirement for an additional 368 beds over the coming 19 years. The estimated number of people in nursing care homes with dementia in Herefordshire is expected to rise from the current 294 to 554 over the same period. The expansion of capacity at Waverley House represents one part of the wider strategy for addressing this need.
23. This recommendation supports the Adults Wellbeing Plan 2017-2020. The council currently supports around 3200 people per year through its adult social care services. On average, there are around 2500 people per year receiving long term services at any one time and of those two thirds are aged 65 years or older.
24. Herefordshire has one of the highest proportions of people over the age of 65 in the country and the figure is growing faster than in most other areas. In addition to this general trend, the number of people aged over 75 and 85 is increasing at a much more rapid rate and people in these age ranges tend to be much more likely to need formal care. Furthermore although life expectancy has been increasing, the number of years of healthy life that a person can expect has not been growing at the same rate.

Equality duty

25. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
26. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.

27. We do not perceive there to be any negative impact on the councils equality duty as there are no proposed changes to service type, service delivery or client group. This proposal only increases existing nursing capacity on the site by eleven nursing care beds this will therefore provide more opportunities for this client group to access the service. This is a positive contribution to the council's commitment to its equality duty by the sourcing and securing of additional nursing care bed provision. This is an area that the council have identified as a priority.

Resource implications

28. The build costs for this project are estimated at £650,000, fixture and fittings £60,000 with the remaining £170,000 covering associated legal, planning costs, project, bank costs, architects fees, planning consent, employers agent and license of alteration. This is based upon tender submission quotes and project management costs and includes a contingency of 10%.
29. Costings have been revised after indicative commercial estimates were made on the project costs. After a formal tender the costs built into this funding request are now reflective of the actual cost to build and deliver this project and include a contingency of 10%.
30. The savings are an accurate reflection of the current market prices for EMI beds and the number of current individuals in the Provider's spot placement beds currently at £865.84 per week, compared to the indicative new block bed rate £623.26 per week (excluding FNC). The business case indicates that the return on investment for the revised capital costs would be achieved within 11 years by offsetting the spot purchased beds at Waverley House with the new block beds. This is an increase in the payback period of 6 years due to the increased investment required.
31. Analysis of the use of the current 10 block contracted nursing EMI beds in Waverley House in May 2018 evidenced no voids over an 12 month period, therefore the commissioners are confident that the beds will be utilised based on historic data and therefore this funding request represents efficient use of resources.

Capital cost of project	2019/20	2020/21	2021/22	Future Years	Total
Please note these are approximate costs	£000	£000	£000	£000	£000
<i>Build cost (approx.)</i>	650				650
<i>Fixture and fittings (approx.)</i>	60				60
Project management costs (designs, bank and legal fees, building regs, project management fees)	170				170
Please note £22,500 has been committed to date through feasibility fees)					
Contingency 10%	88				88

TOTAL	968				968
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Funding streams	2019/20	2020/21	2021/22	Future Years	Total
<i>SCP Adults capital grant (in programme)</i>	500				500
<i>Corporately funded borrowing</i>	468				468
TOTAL	968				968

Revenue budget implications	2019/20	2020/21	2021/22	Future Years	Total
Saving (19/20 part year)	£24k	£100k			£124
TOTAL	£24k	£100k			£124

Legal implications

32. The council has obligations under the Care Act 2014 and other related legislation to provide social care services to service users including the frail elderly assessed as meeting defined eligibility criteria. In common with most authorities the council has a mixed model of service provision which includes residential and nursing care settings. The freehold of Waverley House is owned by the council and is currently leased to a private provider and will revert to the council in 2034. The terms of the lease restrict the use of the property to a residential care setting and subleasing or sale of the lease to third parties is prevented without the council's consent. Together with the provisions of the care contract which tie into the lease, the council has therefore established sufficient contractual mechanisms to ensure that this proposed investment in the property will exist for the benefit of social care service users for years to come.
33. The financial analysis set out in this report explains that this proposal will generate a potential saving of circa £100k pa which has already been built into the MTFs. The council's ownership of the building, together with this savings forecast, provides evidence that the proposed arrangement represents a best value solution for the council and that the terms of investment are those which a normal market investor would make, thus demonstrating compatibility with state aid law.
34. The council will contract directly with the contractor to manage the overall project and therefore pay the contractor directly. The care contract will be varied to oblige the provider to move the 11 beds on to the block rate triggered by the event of practical completion of the works.
35. Where the council wishes to let contracts for social services it must comply with the relevant part, depending upon the lifetime value of the contract, of paragraph 4.6.13.2. of the council's contract procedure rules. Where the lifetime value of the contract exceeds €750,000 (equivalent to £589,148), then under Regulation 74 of the Public Contracts Regulations 2015

the council is required to let contracts for social services in accordance with provisions of section 7 of the Public Contract Regulations - the light touch regime.

36. Under paragraph 4.6.17 of the constitution an exemption to the Contract Procedure Rules is a permission to proceed without complying with one or more of the rules. If an application to let a contract without genuine competition is granted the officer responsible for the contract must demonstrate that the price obtained is not in excess of the market price and that the contract represents best value
37. The circumstances outlined in the report require two waivers to be completed in conjunction with legal services, one to be able to continue to instruct Strongs and the other to enable to continue with the procurement already undertaken and to award to the building contractor.

Risk management

38. All risks will be managed through the adults' capital board which will ensure the delivery and risk management of all adults' capital projects including the Waverley redesign project.

Risk / opportunity	Mitigation
The project goes over budget.	The project is based on actual commercial quotes and programme delivery costs. It also includes a contingency amount. All elements and costs will be managed by the council and stated within a contractual arrangement to ensure this project does not exceed the budget. Monthly budget reporting into the Adults capital board and 10% contingency has been included.
The project takes longer than anticipated	The project will be managed by the council. The Project manager will report monthly into a task and finish group which in turn reports to the Adults Capital Board.
Disruption to existing residents at Waverley House.	Once the funding has been approved, a communications plan and meetings will be held with residents and families to assure them there will be little disruption as possible. The work will also be done in sections to minimise disruptions.
The additional 11 beds will not be filled.	The council has agreed with Shaw Healthcare that those in spot placements beds will move to the block beds upon completion.

Consultees

39. The feedback received from the political groups consultation exercise was positive and supportive of the initial proposal.

- A response from the Green Party responded and confirmed that they are happy with the proposals for Waverley House.
- Herefordshire Independence party acknowledge the need for additional beds and asked a few questions which have been responded to around process.

Appendices

Appendix 1 Waverley House Revised Business case

Background papers

None