

CABINET

24 November 2009

DEPARTMENT OF HEALTH PRIVATE FINANCE INITIATIVE
EXPRESSION OF INTEREST

Executive Summary

The proposal is a joint initiative between Wiltshire Council and Bath and North East Somerset Council that will provide a range of accommodation for people with dementia and high level needs including the provision of a Centre of Excellence for Supported Living, Community Outreach Support and mobile services to deliver support into rural areas.

The joint proposal will provide:

- 2 specialist dementia facilities one in Salisbury and, one in Wootton Bassett, where beds would be jointly commissioned with Swindon Borough Council
- An 80 bed nursing home in Salisbury including provision of step up / step down care for re-ablement and rehabilitation
- 3 mobile services for areas surrounding Salisbury, Devizes and Wootton Bassett
- Centre of excellence for policy, practice and research of supported living for mental health in Bath with teaching and training facilities, developed in partnership with a university
- 12 one bedroom 24 hour supported living flats in Bath collocated with 2 two bedroom crisis / respite flats.

The combined capital cost of this proposal would be approximately £28 million which equates to approximately £41million of PFI credits.

Wiltshire and BANES Council will undertake joint procurement, construction, project management and governance arrangements throughout this PFI opportunity. Wiltshire Council will be the lead authority, although the decision making processes will be taken jointly between the two authorities. This joint approach will enable the authorities to combine their expertise and experience. Furthermore, it is believed that this innovative approach will provide efficiency savings through procurement and reduce the internal overheads associated with project management and governance.

The PFI process would only be utilised for the design, construction and management of the facilities. Care contracts would be commissioned separately outside of the PFI arrangement.

The EOI proposal is being developed with a cross-functional team consisting of

Wiltshire Council representatives from adult social care, property, corporate procurement, legal and corporate finance and representatives from BANES Council. Additionally, Grant Thornton, a private consultancy firm who have extensive experience of submitting PFI bids, have been engaged to advise on the PFI process and undertake the financial modelling, value for money and options appraisal for the EOI.

Proposal

1. Cabinet is asked to authorise the Director of Community Services and the Director of Resources to submit an expression of interest for the social care PFI being offered by the Department of Health.
2. Cabinet authorises the Director of Community Services to finalise any negotiations with BANES local Authority / PCT regarding this joint bid.
3. Cabinet request the Director of Resources and the Director of Community Services ensure that the EOI financial proposal considers all potential costs.
4. Cabinet requests the Strategic Property Team identify suitable sites that have not been allocated for alternative corporate purposes.
5. Members are recommended to request a further report once notification has been received to progress to the OBC stage outlining the proposed use of budget and resources and the governance and project management arrangements for this initiative.

Reasons for Proposal

It has been proven that the development of specialist dementia and nursing care facilities are required in order to meet the future demand for services within Wiltshire. This will also ensure that high quality services are provided in environments that are fit-for-purpose and in line with older people's wishes. This social care PFI opportunity provides a mechanism to deliver this by offering access to the capital funding required.

If the Council does not proceed with the PFI bid, it will have to consider how it will meet the need for specialist nursing and dementia facilities for older people against a significant increase in demand and an ever increasing cost of social care services.

SUE REDMOND
Corporate Director – Community Services

Tel. (01225) 713901
sue.redmond@wiltshire.gov.uk

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Purpose of Report

1. To receive approval from Members to submit an expression of interest for the social care private finance initiative (PFI) being offered by the Department of Health.

Background

2. In 2007-08, Wiltshire Council commissioned Peter Fletcher Associates, an external consultancy firm, to produce an Accommodation Strategy for Older People. This report was to include demographic analysis over the next 20 years, an assessment of the current suitability and level of supply of older people's accommodation within Wiltshire, a forecast of future requirements for older people's accommodation and to make recommendations on how these requirements could be met.
3. The Accommodation Strategy for Older People has indicated that there are currently 78,690 people that are aged 65 or over within Wiltshire. This equates to approximately 17.4% of the total population. By 2026, the number of people aged 65 or over will rise to 122,610, which is an increase of 55.7%. The 85+ age category will see the highest increase during this time of 89.4%, which is significantly higher than the 64-74 age range (44.8%) or the 75-84 age group (58.6%). Furthermore, Wiltshire can expect to see 59% more cases of dementia by 2025, which is higher than the growth in England as a whole.
4. Although there is significant growth within the 65+ population, the report concluded that provided that resources were allocated to preventative services and there was an increase in extra care housing, the need for residential care home placements would reduce. However, there would be an increased need for specialist and nursing care placements, particularly for dementia, and the quality of care home provision would need to be improved.
5. The report identified that the required developments could be resourced through a variety of sources including the Council, key partner organisations, PFI schemes and central government Social Housing Grant (SHG) bids. Furthermore, it was considered important that the Council continued to own land and developments to ensure that the care home economy and market was sufficiently managed.

Main Considerations for the Council

6. In March 2009, the Department of Health announced a social care PFI opportunity and invited outline proposals from Local Authorities to be received by 22nd May 2009. It was indicated that there was £250 million available and it was likely that 12 bids would progress to the Expression of Interest (EOI) stage. The process was thoroughly over-subscribed with 33 councils applying with proposals totalling nearly £1.4 billion in PFI credit requests.
7. Wiltshire Council received notification on 17th June that their proposal had met the qualifying criteria, but failed to meet the £20 million minimum capital threshold. The Council was advised it could consider three options being:
 - To increase the size and scope of its bid
 - To undertake a joint initiative with Bath and North East Somerset Council (BANES) who had also failed to meet the minimum capital threshold
 - To progress the scheme through a LIFT arrangement with the Primary Care Trust.
8. As a result, Wiltshire Council resubmitted a joint proposal with BANES on 16th July and received notification from the DH on 20th July that it could proceed to the EOI stage. The deadline for the EOI submission will be 30th November 2009.
9. The Councils proposal is a joint initiative that will provide a range of accommodation for people with dementia and high level needs to Wiltshire and BANES including the provision of a Centre of Excellence for Supported Living, Community Outreach Support and mobile services to deliver support into rural areas.
10. The joint proposal will provide:
 - 2 specialist dementia facilities in Salisbury and Wootton Bassett, where beds would be jointly commissioned with Swindon Borough Council
 - An 80 bed nursing home in Salisbury including provision of step up / step down care for re-ablement and rehabilitation
 - 3 mobile services for areas surrounding Salisbury, Devizes and Wootton Bassett
 - Centre of excellence for policy, practice and research of supported living for mental health in Bath with teaching and training facilities, developed in partnership with a university
 - 12 one bedroom 24 hour supported living flats in Bath collocated with 2 two bedroom crisis / respite flats.
11. It has been estimated that the capital cost of the Wiltshire element of the proposal would be approximately £24 million and the BANES element would be approximately £4 million plus opportunity costs. This is based on the known capital costs of similar schemes developed recently and would include the site survey and preparation costs and the construction costs for building

the facilities. Therefore, the combined capital requirement would be £28 million which equates to £41 million of PFI credits.

12. The main objectives / outcomes of the proposal would be:
 - To support / promote social inclusion of older people and mental health service users
 - To improve community involvement and increase volunteering
 - To provide an improved quality of life for service users through increased independence
 - To enable service users to have choice and voice
 - To promote self care and health improvement
 - Local workforce reform
 - To inform evidence based service development in the UK
 - To provide best value for the Councils and their partners.
13. Wiltshire and BANES Council will undertake joint procurement, construction, project management and governance arrangements throughout this PFI opportunity. Wiltshire Council will be the lead authority, although the decision making processes will be taken jointly between the two authorities. This joint approach will enable the authorities to combine their expertise and experience. Furthermore, it is believed that this innovative approach will provide efficiency savings through procurement and reduce the internal overheads associated with project management and governance.
14. The PFI process would only be utilised for the design, construction and management of the facilities. Care contracts would be commissioned separately outside of the PFI arrangement.
15. The EOI proposal is being developed with a cross-functional team consisting of Wiltshire Council representatives from adult social care, property, corporate procurement, legal and corporate finance and representatives from BANES Council. Additionally, Grant Thornton, a private consultancy firm who have extensive experience of submitting PFI bids, have been engaged to advise on the PFI process and undertake the financial modelling, value for money and options appraisal for the EOI.
16. The anticipated timetable for this PFI opportunity is as follows:
 - EOI bid submission – 30th November 2009
 - DH evaluation of submissions – December 2009 to February 2010
 - DH recommendations to Ministers regarding allocations – March 2010
 - Notification to Councils on progression to Outline Business Case (OBC) stage – late March 2010.
17. In the event that Wiltshire was invited to submit an OBC, it is estimated that start on site would not occur at the earliest till January 2014.

Financial Implications

18. As stated above, Grant Thornton has been commissioned to support the development of the EOI bid. The full cost for this work is £15,000 plus VAT, however this is being shared on a two thirds / one third split between Wiltshire Council and BANES and therefore the cost to the Council would be £10,000 plus VAT.
19. Additionally, there will be a revenue implication to the Council for the development and implementation of this proposed social care PFI bid. Following consideration of previous PFI bids undertaken by Wiltshire County Council and West Wiltshire District Council, it is estimated that the revenue required to develop the bid through to actual start on site will be in the region of £1 million. This revenue implication relates to the external support required around legal, property and development, and excludes any internal resources.
20. £1 million has already been included within the Council's budget for the PFI housing opportunity that was being pursued. As the Council was unsuccessful in that opportunity, it is proposed that the funding allocation is utilised for this PFI proposal instead. £300,000 was included within the 2009/10 budget with the remaining £700,000 in 2010/11. However, due to the different timescale attached to this opportunity, it is recommended that the £300,000 is reallocated to the financial year 2011/12 instead of 2009/10.
21. A further report will be submitted to Cabinet in the event that the Council proceeds to the OBC stage outlining the exact profiling and expenditure of the budget.

Legal Implications

22. This proposal will be put into practice by several contracts joining a number of parties into a network of obligations. Assuming a fairly standard PFI set up, it can be said that Wiltshire Council will have the power to enter into the contracts necessary to complete this proposal, although any unusual arrangements will have to be examined as they arise. The power to act, depending on the specific contract, will be given either by the Local Government Act 2000 Section 2 (the "Well Being" power) or the Local Government Act 1972, Section 111 (the "Incidental" power).
23. As the contracts will be of a long duration, Wiltshire Council's Best Value duty will have to be taken into account both at entering into the contract and during the term of the contract. Appropriate procedures will have to be used at the start of the project when putting property into the arrangement and when procuring, amongst other things, the service providers. Then during the term of the contract the service provision to the Council will have to be able to be benchmarked to check best value is being achieved. However, as Treasury standard PFI draft contracts will be used that contain Best Value provisions, it can be reasonably assumed that this last requirement will be met.

24. Our relationship that will stand to the side of a standard PFI arrangement will be that between Wiltshire Council and BANES. Although it is envisaged that the two authorities will take a “joint approach” the details of this need to be determined in detail and this will not be done until the decision making process is more advanced. The main question is whether the relationship will be contractual with one party acting as the agent of the other, contractual with pooled budgets, some sort of trust, or something else. This will not be determined until the decision making process is more advanced. At that stage the details of any relationship proposed will have to be considered to determine both the Council’s ability to enter into it and any restrictions on the ability of Wiltshire Council and BANES to act within it.

Risk Assessment

25. A number of key risks have been identified during the analysis of this opportunity.
26. The primary risk associated with this proposal is that BANES withdraw from the PFI process leaving Wiltshire as the sole applicant. In order to mitigate against this, as part of the revised outline proposal, Wiltshire increased the size and scope of their bid to ensure that the minimum capital threshold was met. This enables Wiltshire to continue to progress this opportunity in the event that BANES withdraws.
27. Another risk inherent in this proposal is that the financial estimates included within the EOI submission are found to be insufficient once the detailed costing analysis is conducted during the OBC stage. It is highly unlikely that the Council will be able to increase its PFI credit entitlement at that stage. Therefore, steps have been put in place to minimise the risk of this occurring. All cost information has been based on the development of similar schemes within Wiltshire recently. Detailed cost information has been obtained from an independent sector provider to assist with this.
28. The final risk that has been identified relates to the failure to identify available suitable sites that are within the Council’s ownership in order to progress this scheme. In an attempt to mitigate the risk of this occurring, the strategic property team will be instructed to identify suitable sites that have not at present been allocated for alternative corporate purposes. It should be noted that the Council can change the proposed sites at the OBC stage provided that they can state a robust case on why the site is better suited to the development.

Environmental Implications

29. At the present time, no environmental implications have been identified. However, during the production of the Outline Business Case, these will be identified and investigated.

Equality Impact Assessment

30. All facilities developed under this PFI initiative will be specifically designed to cater for older people's needs. This will include the facilities being fully wheelchair accessible. Additionally, the eventual care specification will ensure that specific requirements resulting from cultural or religious beliefs will be sensitively provided to ensure the facilities are as inclusive as possible.
31. Furthermore, during the OBC stage, extensive consultation will be conducted with Service Users, carers, third sector organisations and user groups regarding the design of the facilities.

Alternative Options Considered

32. In the evaluation of whether to progress this opportunity, two alternative options were considered.
33. The first option considered was to do nothing. From the Accommodation Strategy for Older People report it has been identified that much of the care for the elderly in the county is currently provided through ageing care homes. These are owned by the Council, but operated by a third party. The care homes require significant refurbishment and major repair investment over the next 10 years. This would not be value for money nor would it alter the quality of the infrastructure or service delivered. Furthermore, there is limited specialist nursing and dementia care facilities that are insufficient to meet the projected future demand. As a result the do nothing option was discounted as it failed to meet the needs of older people within Wiltshire.
34. The second option considered was accessing alternative funding and procurement routes. It had been suggested that the Council consider the progression of a LIFT based scheme with the Primary Care Trust. However, following evaluation, it was identified that there were no LIFT schemes operating in the South West area and therefore this option was also discounted.

Conclusions / Reasons for Decision

35. It has been proven that the development of specialist dementia and nursing care facilities are required in order to meet the future demand for services within Wiltshire. This will also ensure that high quality services are provided in environments that are fit-for-purpose and in line with older people's wishes. This social care PFI opportunity provides a mechanism to deliver this by offering access to the capital funding required.
36. If the Council does not proceed with the PFI bid, it will have to consider how it will provide specialist nursing and dementia facilities for older people against a significant increase in demand and an ever increasing cost of social care services.

Proposal

37. Cabinet is asked to authorise the Director of Community Services and the Director of Resources to submit an expression of interest for the social care PFI being offered by the Department of Health.
38. Cabinet authorises the Director of Community Services to finalise any negotiations with BANES local Authority / PCT regarding this joint bid.
39. Cabinet request the Director of Resources and the Director of Community Services ensure that the EOI financial proposal considers all potential costs.
40. Cabinet requests the Strategic Property Team identify suitable sites that have not been allocated for alternative corporate purposes.
41. Members are recommended to request a further report once notification has been received to progress to the OBC stage outlining the proposed use of budget and resources and the governance and project management arrangements for this initiative.

SUE REDMOND

Corporate Director – Community Services

Report author: James Cawley, Service Director – Strategy and Commissioning

Unpublished documents relied upon in the production of this report: NONE