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To: Cabinet – 15 September 2008

Subject: **EXCELLENT HOMES FOR ALL – KENT HOUSING PRIVATE FINANCE INITIATIVE (PFI)**

Classification: Unrestricted

Summary: This report updates Cabinet on the new Kent housing PFI project that KCC is leading in partnership with 5 District Councils. It requests that Cabinet approve the Outline Business Case and agrees to progress to the next project stage.

Introduction

1. (1) In February 2008 Kent County Council and 5 District Council Partners received initial approval for £45 million PFI grant from the Department of Communities and Local Government for the Excellent Homes for All project – Kent’s new social housing PFI.

(2) The project is to develop up to 212 units of additional social housing across Kent including up to 160 extra care apartments for older people, up to 36 apartments for vulnerable homeless people, and 16 flats for people with mental health problems.

(3) This follows the Better Homes Active Lives Project which is another PFI scheme. This was procured in partnership with the District Councils, and through which 340 new apartments for vulnerable people are currently being constructed. The contract was signed in October 2007. The Better Homes Active Lives Project was affordable to the Authority with the £72 million of grants from central government fully covering the cost of the unitary charge, meaning that no additional contribution had to be made by the local authority partners.

(4) The new Excellent Homes for All PFI project is being structured in the same way as the Better Homes Active Lives project and will follow a similar procurement process in partnership with 5 District Councils.

(5) Appendix 1 shows how the accommodation will be distributed across the county.

Strategic Background to the project

2. (1) The 2006 Vision for Kent document envisages a County in which “*people lead healthier lives and have choice and control over high quality services that meet their needs for health, care and wellbeing and where people with disabilities are supported to lead independent lives within the community.*” The Vision for Kent document notes that the provision of a good mix of accommodation including extra care housing is vital to achieving the County’s objectives in this respect.

(2) The Vision for Kent also references the following short term priorities which this new PFI project will meet:

- Promoting the provision of supported housing for vulnerable adults/households
- Supporting older people and providing appropriate choices to encourage them to leave unsuitable accommodation and move to homes more suited to their needs.
- Increasing the number of sheltered housing developments with extra care facilities
- Securing funding to meet identified need for affordable housing

(3) All of the housing which is developed through the project will be what the Vision for Kent refers to as “homes for life” which help to maintain independence. The project also aligns with the Kent 2010 aims to ensure that more older people and disabled people enjoy a *“happier, healthier life in their own homes, contributing to community life and planning for a secure old age”*. It also contributes to the aim to increase the number of people supported to live independently in their own homes, by encouraging the development of more housing for older people, disabled people and those with special needs.

(4) The project will be a key contributor to the modernisation of Adult Services and delivers against the Active Care Active Lives vision to ensure vulnerable people will have the support to live independently in their local communities with improved housing and infrastructure. It will encourage the provision of preventative social care, and assist people to take greater control of their lives and to live safely and independently in their own communities.

(5) The project also delivers Kent’s Strategy for Later Life by creating more attractive housing options for older people that better meet their needs, reduce social isolation, and possibly also free up more ‘family homes’ for new families.

(6) These strategies are also in line with Central Government’s objectives as outlined in the new joint CLG and DOH Strategy - *Lifetime Homes, Lifetime Neighbourhoods* which sets out the housing challenges for an ageing society and establishes a vision for ensuring that in future there is enough appropriate housing available.

Extra Care Housing for Older People – Up to 160 new apartments

3. (1) The Better Homes Active Lives Project will develop extra care housing in Ashford, Dover, Dartford and Tunbridge Wells.

(2) Policy based projections show that Kent has an ageing population (See Appendix 2). Older people also have rising aspirations and want to exercise greater choice in housing.

(3) At present many older people are supported at home through domiciliary care, home adaptations and housing related support. Sometimes there comes a point where this is no longer possible as homes are unsuited to further adaptation, or because it is difficult to provide the levels of domiciliary care that an individual needs. Consequently, people move into residential care because they or their relatives feel they are no longer safe at home.

(4) It has been acknowledged that there is a need to modernise services for older people in Kent and provide alternative options to residential care. Currently many of the County's own residential provision is also out of date and requires modernising to meet future standards and this project is a key element of the KASS Modernisation programme.

(5) Extra care housing is an alternative to residential care. It is a form of sheltered housing which has on site 24 hour care and support. It also has additional communal facilities for tenants and the local community such as a restaurant. All of the apartments are self-contained flats which are accessible for disabled people, and the schemes make best use of assistive technology. The apartments will enable older people to live safely within their own homes, whilst knowing that help is at hand if they need it.

(6) There is a lack of adequate extra care housing across Kent, and in particular in the Districts which this project is focussed upon. Some sheltered accommodation is available, however of that some was built in the 1960's and is therefore inappropriate either because it includes a high number of bed-sits or lacks disability access.

(7) The additional choice of extra care housing will provide specially designed homes and support, enabling people to remain in local communities and is a good alternative to institutional care.

(8) The Excellent Homes for All project will provide 160 new apartments of extra care housing. The apartments will be designed and operated to cope with a range of dependencies including people with dementia. The schemes will include communal facilities such as a catering kitchen and meals service, gym and café with Internet facilities. The schemes will also contain space for a 24 hour dedicated care team, and will be equipped with assistive technology.

Housing for People with Mental Health Problems in Thanet and Ashford

4. (1) There is currently a real lack of appropriate accommodation for people with mental health problems in Kent, in particular in Thanet and Ashford

(2) Thanet District Council and Ashford Borough Council's Housing Strategies and the East Kent Homelessness strategy highlight the need for new accommodation to support vulnerable client groups.

(3) Adult Mental Health Services Kent Annual Business Unit Operational Plan highlights the need for additional appropriate housing solutions for people with mental health problems. There is a need for new provision for people with mental health problems that enables them to live independently in their own home with appropriate support. There is a particular requirement for 'move-on' accommodation which will bridge the gap between institutional care and independent living.

(4) Through the Excellent Homes for All project around 16 new apartments for people with mental health problems will be developed in Thanet and Ashford. The apartments will be self-contained purpose built flats and will have one flat which is dedicated for support staff.

Move On Accommodation – Other Vulnerable People

5. (1) The PFI will also develop some apartments which can be used as 'move on' accommodation for other vulnerable groups – such as young people coming out of care, or families who require social housing.

(2) The Vision for Kent notes that there is a need to promote the provision of supported housing for vulnerable households, and also a need to continue to support those who are homeless or at risk of homelessness. This element of move on accommodation provided through the Excellent Homes for All project will help to address this situation.

(3) The project will provide 24 units of this accommodation in Thanet and 12 units in Ashford.

Process

6. (1) The PFI process is a complex procurement to secure a private sector provider who will design, build, finance and operate the housing as well as provide the housing management services.

(2) The project will be tendered according to European procurement regulations, which due to the value of the contract, will be through the 'competitive dialogue' procedure.

(3) An estimated timetable for developing the project through this process is included in Appendix 3.

(4) The Project Team have successfully delivered one housing PFI, and are familiar with the procedure.

Financing

7. (1) The Department of Communities and Local Government (CLG) have announced the award of £45m PFI grant to Kent County Council for the initial expression of interest. This is based on initial estimates of the cost of the project submitted by KCC to the CLG in September 2007 and is based on building 182 apartments.

(2) The award of the grant is a commitment by the CLG to KCC to support the project but is subject to the submission and approval of the business case. The business case is a comprehensive document stating the case for the project to proceed to procurement. Before CLG will confirm the amount of the PFI grant it needs to be certain of the following:

- The value for money of the project supported by an options and investment appraisal
- The need for the new investment through the PFI route
- The services to be included
- Deliverability and affordability of the project
- The support of the Authority and its partners

(3) The business case consists of a detailed cost analysis of the project including all likely costs and the anticipated funding streams. It is reviewed by CLG and

Treasury and only once they are satisfied with the proposed project will they give the approval to proceed to procurement and confirm the grant allocation.

(4) It is currently planned that the project will be developed across 8 sites, of which 7 are owned by KCC.

(5) In PFI Projects there is a requirement from CLG that Councils must make a commitment to meet increased costs subject to the project being value for money and affordable. It is planned that in the “Excellent Homes for All” housing PFI as in the previous housing PFI that revenue costs will be covered by PFI Credits, rent and service charges and that there will be no additional revenue for the PFI costs required from KCC or our partners. The affordability position is a critical factor in the delivery of the project and will be reported to Cabinet alongside the benefits and risks prior to any contractual PFI agreements.

(6) The Development costs for the procurement of the project will be shared between the project partners proportionately and a development agreement between the partners has been drawn up to reflect this. The precise division may fluctuate as the numbers in units in each District are adjusted. It is also possible that some Districts are having difficulty funding their share of the development costs in the current climate and this may have an effect on the scope of the project. Appendix 4 shows the current proposed division of development costs negotiated between the partners.

Conclusion

8. (1) This project will deliver important benefits to vulnerable people and local communities and is another excellent example of partnership working. The £45m support given to the project by the Department of the Communities and Local Government is another example of the confidence it has in Kent partners to deliver complex projects.

Recommendations

9. (1) Cabinet is asked to APPROVE:
- (a) the submission of an Outline Business Case for the project
 - (b) the recommendation to progress with the procurement of the project.
 - (c) the signing of a development agreement with the District Councils to undertake the procurement in partnership

Background Documents: None

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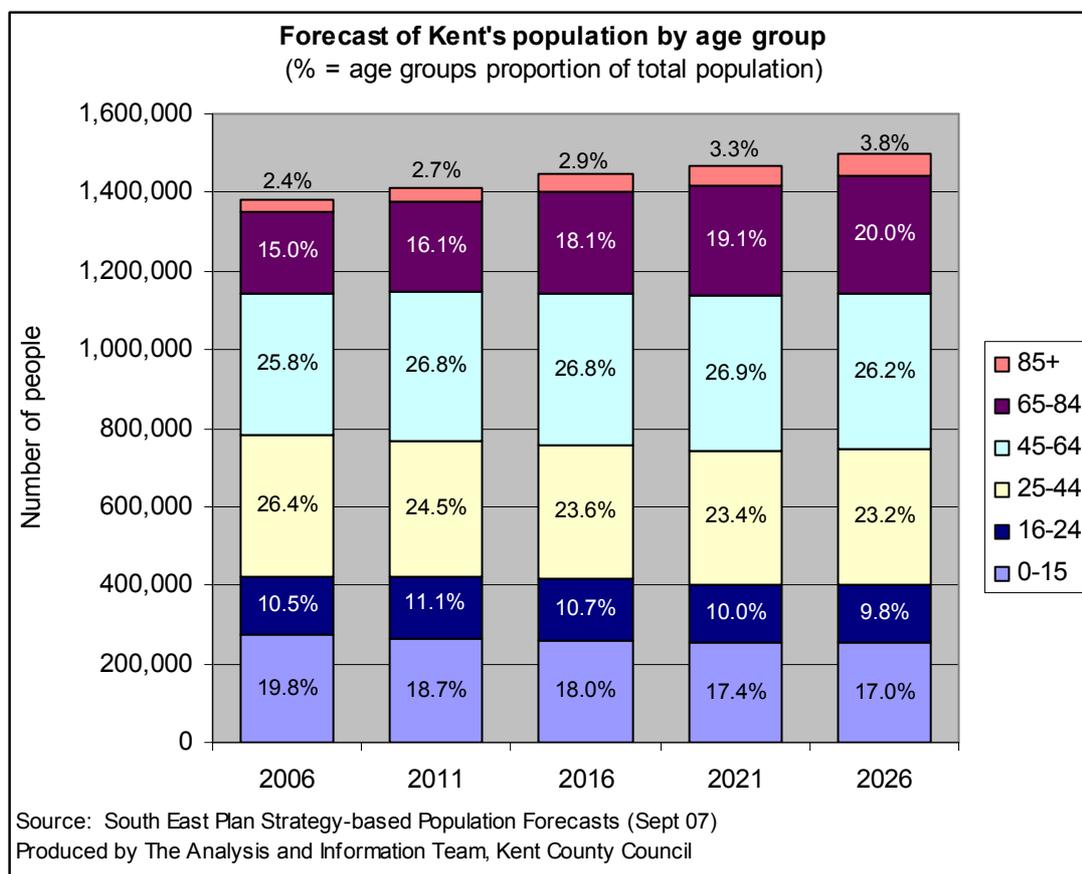
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Distribution of proposed provision across the County:

DISTRICT	NUMBER OF APARTMENTS	DESCRIPTION
Ashford	40	Extra care sheltered housing
Ashford	7	Mental health needs
Ashford	12	People who are vulnerable/homeless (move-on)
Dover	40	Extra care sheltered housing
Thanet	9	Mental health needs
Thanet	24	People who are vulnerable/homeless (move-on)
Tunbridge Wells	40	Extra care sheltered housing
Dartford	40	Extra care sheltered housing
Total	212	

Demographic Change in Kent

Kent has an ageing population. Policy based forecasts show that the retirement age population (65+) in the KCC area is forecast to increase by 44% over the period to 2006-2026. Kent's population aged 85+ is forecast to increase by 71%. These rates of growth are significantly higher than for the population as a whole (8%). The population of working age (16 – 64) is forecast to increase by 2% during the period 2006-2026 meaning that there will be less people to provide the natural family support to the growing older population.



These demographic changes will put increased pressure on existing health, social care and housing provision. The County therefore needs to develop preventative strategies for care that promote independence amongst people in these groups. Central to this is ensuring appropriate social housing and specialist supported housing which will enable more choice for individuals and the provision of preventative care strategies.

Project Timetable

Project Timetables are subject to change due to a number of factors. The Project Timetable outlined above is one that KCC and our District Council Partners, having had experience of PFI, feel is realistic.

Milestones	Finish
Submission of Exp of Interest	Sept 2007
Announcement of Successful Schemes	Feb 2008
Submission of OBC to DCLG & Treasury	Sept 2008
Decision to Proceed from Treasury and the CLG	Jan 2009
Submit OJEU Notice and hold Bidder's Conference	Feb 2009
Issue Descriptive Document and PQQ and ISOS	March 2009
Receipt of PQQ and ISOS	April 2009
Evaluate PQQ and produce longlist	April 2009
Evaluate ISOS and Report to Board	May 2009
Issue Invitation to Submit Detailed Solutions (ISDS)	Aug 2009
(Dialogue on Detailed Solutions), Evaluation of Detailed Solutions and shortlisting.	Nov 2009
Close Competitive Dialogue	Dec 2009
Call for Final Tenders	Jan 2010
Receipt and evaluation of Final Tenders	Feb 2010
select Preferred Bidder	Feb 2010
PRG second stage review	March 2010
Appoint Preferred Bidder	April 2010
Final negotiations and Full Planning Process (including Judicial Review)	April -Oct 2010
Financial Close	Oct 2010

Proposed Split of Development Costs

Proposed Development Budget

	£000
External costs	
Legal advice	300
Financial advice	170
Technical	170
Site costs	50
Insurance	14
Total external costs	704
Internal costs	
Project Director	36
Project Manager	104
Admin support	12
Financial	28
Legal	13
Meeting costs/other	10
Total internal costs	203
Total EHFA development budget	907

Potential cost share

The possible cost share based on KCC paying 20% of the development costs and the district partners sharing the remainder of the costs according to the number of units they gain from the project. This has not yet been agreed by the Project Board so may change.

	Basis	Share £000
Kent County Council	20%	181
District Partners	Unit numbers	
Ashford	59	202
Dover	40	137
Thanet	33	113
Tunbridge Wells	40	137
Dartford	40	137
Total	212	907