

London Borough of Enfield

Council
30th September 2020

Subject: Reardon Court Extra Care Housing Development

Cabinet Members: Cllr Alev Cazimoglu – Health & Social Care
Cllr Nesil Caliskan - Regeneration and Housing Supply

Executive Director: Tony Theodoulou, Executive Director People

Purpose of Report

This report provides an update on the Reardon Court project approved by Cabinet (KD4898) in July 2019 and seeks authority for the full allocation of funding required from the Council's Capital Programme, to deliver a specialised housing scheme for 91 new homes for older people with support needs.

Proposal(s)

1. To approve an increase of £2.611m to the approved allocation of capital funding in the Council's Capital Programme.
2. Note the additional borrowing requirement of £400k against the approved budget in KD 4898.
3. To note the GLA's Care and Support Specialist Housing capital grant of £9,443,161 is time limited to 12 March 2020 by which date contractually the main works must commence. The grant funding will be paid in full on entering into the build contract.
4. To note the use of funds from the Kingsdown Charitable Trust as previously referenced in the July 2019 Cabinet report (KD 4898), and as detailed at para 22.
5. To delegate all other necessary approvals and consents required to deliver the project to the Executive Director of Place in consultation with the Executive Director of People.

Reason for Proposal(s)

6. The proposal delivers on the Good Growth Housing Strategy and furthers the corporate priority for safe, healthy and confident communities. The Covid-19 crisis has highlighted how important it is for the Council to design and deliver accommodation which helps the most vulnerable to live independently.
7. Reardon Court will deliver on the vision set out in the Market Position Statement (2019-2022), enabling people to maximise their potential, delivering joined-up, efficient and high quality services, which focus on the whole person and bridging the gap between our vision and people's own personal experience.

8. The cost of provision is higher for these types of scheme resulting in an overall requirement of £0.40m of additional borrowing against the allocated capital budget. The building is a 4 storey building which will provide extra care accommodation in the form of 91 flats (81x1 bed and 10x2 bed) with courtyard, communal facilities including lounge, multi-use room, laundry, hairdressing room, mobility scooter store, library/IT room, guest room together with staff room/office and associated parking.
9. Further costs have been incurred and identified during the procurement process. A procurement strategy for the selection and appointment of services to deliver this project was agreed at the Council's Procurement and Commissioning Board (February 2019). Following an OJEU procurement process, two bids were received for the main works, of which the lowest tender exceeded the budget estimate approved in July 2019, by 15.8%.
10. Prior to commencing procurement in February 2020 our cost consultants, STACE, evaluated pre-tender costs based on the design and build costs in the market at that point. This figure was also exceeded, which is an indicator that the market has significantly changed due to Covid-19 and continuing uncertainty around Brexit.
11. This is reflected in the low number of bids and the increase in the main contractor costs accounting for the risk associated with Covid-19 and the social distancing measures required to deliver safely, for operatives and residents in adjacency to the site. The construction market is required to work within Public Health guidelines for social distancing. Site operating procedures require additional welfare facilities and staggered breaks to manage the risk of Covid-19. The cost of Covid-systems including providing Personal Protective Equipment and need for additional social distancing marshals has also impacted on cost.
12. If the project is delayed any further, the Council will have to incur additional costs and risk losing the grant which is time limited. Without the grant the scheme is not viable for the Council to deliver. With the grant, however, the project is cash positive over 40 years

Cost uplifts

13. The overall budget variation is £2.611m against the Cabinet approved allocation. This is a 9.5% increase which includes the risk adjusted for contractor costs and the delay of over 12 months to commence procurement, in which time the impact of Brexit and Covid-19 build cost inflation rose to 4.4%
14. The project was significantly delayed due to a combination of issues including delays in securing approval from Natural England for a bat licence, obtaining GLA consent to the measure proposed to meet energy efficiency standards and developing the scheme to respond to planning consultation and design review.
15. Due to being a protected species, the statutory requirement for a bat licence impacted on the programme. Initially the application was submitted in September 2019. In December 2019 Natural England advised that works could not commence until planning consent had been granted. This meant planned works for the demolition and site preparation were delayed by a year. Full planning consent was granted in May 2020 and the bat licence issued thereafter.
16. The other cost increases relate to:-

- Design changes made to comply with planning requirements and the service users' needs, which include hoists, assisted window openers and localised air conditioning.
- Specification of a future connection to the Decentralised Energy Network, which is an upfront project cost but improves energy efficiency for older residents at risk of fuel poverty during colder months.
- Site incursions, vandalism, fires and fly tipping resulting in significantly increased security costs and remediation to secure the site and manage health & safety liabilities.

GLA grant provision

17. The grant condition required a high design specification. To achieve this level of quality the Council has incurred professional fees for design, project management and planning related surveys and fees.
18. If the increase in budget is not approved, the programme to achieve a start by 12th March 2021 will not be achieved and the grant will not be received. The impact of this is that the Council will be fully liable for spend to date.
19. Within the total budget approval being sought, there is a project contingency of £1.03m of which £750k is contained within the fixed price tender and £280k by the council for any unknown eventualities.
20. The Council's investment of £18.5m will therefore deliver a £30m scheme. The Council will be the sole owner of the assets developed, benefiting from the income it generates. Over the lifetime of the asset, the quantified benefits to adult social care in the borough mean the project will pay for itself and remain beneficial to the Council.
21. The previous approval KD4898 noted the potential for a capital contribution from the Kingsdown Trust. This is now confirmed, reducing the additional capital borrowing requirement.

Relevance to the Council's Corporate Plan

22. The development of Extra Care Housing at Reardon Court contributes to the Council's Corporate Plan by providing a vibrant inclusive living environment for older people with support and care needs, that fosters connection with the wider community through shared activity and social space. It supports work on reducing inequalities through the provision of accessible and affordable housing in later life.
23. The development of Extra Care Housing at Reardon Court will enable the provision of good quality, affordable housing for those most in need, supporting older people to maintain independent and full lives in the community. It will also support the improvement of public health and wellbeing, through the promotion of healthy, active ageing, that supports social inclusion and reduces the likelihood of social isolation and loneliness.

Background

24. Reardon Court is the site of a former in-house residential care home; the site is Council owned and vacant and has carried ongoing security costs since late 2015 until September 2020 when the Demolition contractor took possession of the site.
25. In July 2018 Cabinet approved (KD 4710) a Council-led demolition, design and redevelopment of the Reardon Court Site for provision of 69 fully accessible self-contained extra care homes with provision for flexible site based care and communal facilities to promote healthy, active and inclusive ageing, for older people with care and support needs in the borough.
26. In July 2019, Cabinet approved (KD 4898) indicative borrowing requirements of £18,073,170 and the allocation of £27,516,331 to the Council's Capital programme for the overall scheme cost based on an improved business case to design 91 units and delegated authority to the Executive Director Place in consultation with the Cabinet Member for Finance and Efficiency, the Cabinet Member for Health & Social Care and Director of Health & Adult Social Care to award the Construction works contracts for demolition and redevelopment of the site.
27. Since this time the Council have worked with consultants to:-
 - Progress design and achieve full planning consent
 - develop a solution for a resident-focussed energy strategy with Energetik, resulting in a formal agreement to connect to their decentralised energy network
 - obtain a bat licence from Natural England,
 - award the demolition contract, which commenced in September and completes in November 2020,
 - procure the Main Contract via an EU compliant OJEU notice for a Design & Build contract incorporating a two stage award process.

Main Considerations for the Council

28. If the project does not commence this financial year the GLA have advised that the allocation for grant funding of £9,443,161 will be withdrawn. The Department of Health were also advised in September that the Council is on track to commence on site.
29. The development of Extra Care Housing on the Reardon Court site will support cost reduction for Adult Social Care in respect of funding care and support. Local evidence indicates that the average cost to Adult Social Care of supporting an individual in Extra Care Housing is less than high cost residential placements or community packages.
30. The current cost of supporting an individual within one of the Council's directly commissioned extra care services is £178.51 per week. The average cost to adult social care of an intensive package within extra care housing is £304 per week (£264 average net cost per week). The average weekly cost of a residential care placement for older people with physical frailty is £670 per week (£420 average net cost per week).
31. On this basis, the development of 91 homes on the Reardon Court site holds potential to support cost avoidance of more than £740,000 per annum.
32. Additional cross departmental efficiencies linked with the development of Extra Care Housing on the Reardon Court site may also be realised through:

- the reduction of hospital discharge delays and cost associated with delayed discharge;
- a reduction in costs relating to carer breakdown – by providing a supportive environment whereby partners can remain living together;
- a reduction in costs relating to the adaptation of inaccessible properties that are not suited to the often-complex needs of older people with care and support needs;
- a potential reduction in temporary accommodation costs, realised through the increase in local housing supply, and in some instances, release of Council and Housing Association properties.
- a potential reduction in levels of social isolation and loneliness, and costs associated with this, given the identified links between loneliness and mental/physical ill health.
- a reduction in falls, injuries and subsequent hospitalisation caused by housing design that does not suit the needs of people with disabilities.
- a potential reduction in care package costs for people with dementia, who require 24-hour support in a community setting due to risk factors of living alone, but have minimal support and care needs

33. A decision to approve the building contract award will be taken separately by the Executive Director, Place as an operational key decision (KD 5182) subject to the Council's approval of the capital allocation.

Housing Development and Council Housing

34. The project management will be transferred to Housing Development who will client the employer's agent STACE and manage the construction to completion. Proactive risk management and monthly cashflow issues will be resolved in a timely manner and risks escalated where appropriate to the Client Project Manager /Project Board.
35. The properties will be managed by council housing under the sheltered housing service. A working group has been established to agree the structure and how nominations will apply.

Connection to decentralised energy network

36. A requirement of grant was the project needed to achieve Code for Sustainable Homes Level 5 sustainability performance. Throughout design development and the pre-application process the planning policy on energy efficiency changed. To meet Building Regulations energy standards, the strategy changed to connect to the Decentralised Energy Network which still complies with the council's current adopted planning policies and is supported by the GLA. The return on cost is better for residents and as Energetik are wholly owned by the Council, this change has positive benefits for their business plan on connection.
37. Following a review of options, the residential connection tariff was the most cost-efficient option in use. Energetik will provide the connection to the property and the heat exchanger substation. They will also be responsible for its operation, maintenance, repair and component replacement.
38. This option has a higher initial cost but the additional capital investment will avoid these ongoing revenue costs.

Safeguarding Implications

39. The Enfield Safeguarding Adults Strategy 2018-2023 sets out the need to reduce social isolation, engage with our community to promote a culture where abuse and neglect are not tolerated and people are supported to protect themselves from harm. There is a link between social isolation and the increased risk of vulnerability and abuse.
40. This accommodation will encourage community cohesion, reduce isolation for those that may have been living alone, and support people to protect themselves from harm by providing both peer and professional support.

Public Health Implications

41. There are no changes to the Public Health Implications set out in the earlier Cabinet report on Reardon Court (ref. KD4898) and they remain extant.

Equalities Impact of the Proposal

42. There are no changes to the Equalities Implications set out in the earlier Cabinet report on Reardon Court (ref. KD4898) and they remain extant.

Environmental and Climate Change Considerations

43. The tender process required each bidder to provide three case studies that demonstrated their organisation's experience of delivering sustainable construction.
44. The building is to have a thermally efficient building fabric exceeding both the minimum Part L standards and the building fabric performance within the Part L 2013 Notional Building. A 'best practice' air permeability figure has also been targeted to reduce fabric energy losses. The building fabric design aims to maximise internal daylight levels to occupied areas, thereby reducing the reliance on artificial lighting.
45. The Decentralised Energy Network offers a low-carbon heat source which will significantly reduce the carbon emissions of the building when a connection can be made. The contract with Energetik means that the building will initially be provided with temporary gas-fired boilers for the provision of space heating and domestic hot water pending extension of the network to the site. The development will also include photovoltaic panel array for on-site generation of renewable electrical energy. Energy-efficient LED lighting shall be provided throughout. Each new dwelling will also be provided with a smart meter to inform tenants on energy usage and encourage them to use energy more efficiently.

Risks that may arise if the proposed decision and related work is not taken

46. As set out above the GLA have advised that if a building contract is not signed and main works commence by March, then the grant allocation will be withdrawn. This will result in a c.£9m increase to the capital programme which would render the scheme unaffordable for the General Fund to deliver in the next two years.
47. If the Council does not agree to approve the variation of £2.6m, the project will stall and costs will revert to revenue which adds to the existing pressures incurred as a result of Covid-19 systems being put in place for residents.

48. To date the Council has already committed £2.5m to this project which would be absorbed as a revenue cost to the council if this project does not go ahead. This will result in reputational risk to the Council and financial risk for the General Fund.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

49. The main risk is that if market conditions change the project could overrun and result in a further increase in costs. The Employer's Agent will ensure that all necessary legislative and client requirements are met and oversee all aspects of the construction and budget monitoring which will help the Council identify impacts early. Based on the advice provided, however, the known risk items have been costed and the project contingency is sufficient to absorb any variations to the scheme post contract. The risk of external factors such as the end of the Brexit transitional period in January 2020 and Covid-19 on the supply chain are currently unknown. The contractor will have assumed risk for cost increases to material and sub-contracting trades which will absorb some of that risk and the contract provisions will help to de-risk the Council's exposure.

Financial Implications

50. On the 12th Feb 2020, Cabinet recommended that Council approve the 10-Year Capital Programme (KD5026). This included £27.5m for the development of Reardon Court (KD4898).
51. This report is seeking Cabinet approval to allocate an additional £2.6m. The total budget required now is £30.1m funded by GLA grant of £9.4m, Kingsdowne charity funding of £2.1m and the remaining from borrowing. Despite an increase in costs of £2.6m this will only lead to additional borrowing of £0.4m to £18.5m (previously £18.1m), due to the charity funding. In total the Council will be investing £18.5m into this £30m scheme, where it will own the asset and benefit from the all the income it generates.
52. The contingency allowance is £750k in the tender and £280k for the Council contingency. This has been reduced from the original value as having now been through the design phase, completed the planning approval process and market testing through a competitive tender process for a build contractor. Several of the risks highlighted in the original register have been mitigated; our quantity surveyors, STACE, have advised that this is now an appropriate level of contingency for this stage of the development. As we move forward with the contract negotiation, we will continually be reviewing the design specification with the contractor with an eye on reducing costs where practicable.
53. In view of the ongoing uncertainty around Covid 19 and the possibility of further lockdowns or a second wave, it is recommended that the Council review corporate contingency for capital projects. This is in line with professional advice and reflects the prudent approach being taken by other Local Authorities.

54. The recommended increase to the budget is £2,610,997 as follows:

	Approved Budget / Provision in 10 Year Capital Programme	Revised Budget / Recommendation for Approval
Included within Capital Programme	£27.5m	£30.1m
<i>Funded by:</i>		
GLA Grant	(£9.4m)	(£9.4m)
Kingsdowne Charity Funding		(£2.1m)
Borrowing	£18.1m	£18.5m
Asset Life (Years)	40	40
NPV	£5.5m	(£0.4m)
Net Cash over Asset Life	£21.1m	£13.3m
Annual Income	(£1.0m)	(£1.0m)
Payback Period	29 Years	35
Potential cost avoidance to Adult Social Care (per annum)	£0.7m	£0.7m
Funds committed to date		£2.5m
		<i>Note: if project is stopped cost would be moved to revenue</i>

55. NPV in the table is calculated based on the annuity loan repayment method. NPV can also be calculated using the MRP method by which the Council notionally sets aside revenue to pay off loans which gives a slightly better NPV.

56. The additional development costs are partly offset by the project securing funding from the Kingsdowne charity of £2.1m

57. Kingsdowne Residential Care Home Limited, is subject to a Charity Trust, The Kingsdowne Society. It was identified by administrators that the successor to the trust is Enfield Council.

58. The Kingsdowne Residential Home Limited, Barnet, was closed a number of years ago and administrators sought to sell the building and release the remaining capital assets in Trust to the successor organisation, identified now as Enfield Council. It is the Council's understanding that the Charity Commission require the funds (Capital) to be used for the purposes of the object of the charity which is "the relief of sickness and the preservation of health among people residing in the London Borough of Enfield and surrounding areas." It is felt that a capital project such a Reardon Court would meet the objectives of the charity and permission is being sort from the Charity Commission to proceed on this basis. It is the Council's understanding that the resources cannot be converted to revenue expenditure.

59. The Kingsdowne Residential Home sold for circa £2.8 million; the funds remaining following deductions (circa £2.1m) are to be used to contribute to the capital cost of Reardon Court and reduce the Council's borrowing proportionately.
60. There are also increased operating costs arising from the connection of the Energetik heat network. The project continues to benefit from £9.4m of GLA grant funding, and overall it is cash positive over 40 years.
61. The reduced financial performance leaves little leeway for any further increases in costs and for voids and bad debt to exceed the current assumptions. It should be noted that as a matter of standard practice, a contingency allowance has been built into the budget of £1.3m to mitigate against future cost increases.
62. The project will impact the Councils revenue budget which is set out in this table:

	£m
<i>Revenue:</i>	
Rental Income	(£1.0m)
Operational Exp	£0.3m
<i>Financing costs:</i>	
Interest	£0.7m
Repayments	£0.3m
Net Revenue Impact	£0.3m
Cost Avoidance	(£0.7m)
Net Revenue including cost avoidance	(£0.5m)
Total borrowing	£18.5m

63. The additional borrowing of £0.4m will result in finance costs of £21k a year funded from the revenue budget.
64. The Reardon Court Extra Housing report approved by Council in September 2018 (KD4710) sets out the need for Extra Care Housing within the borough with increasing demand for care for older people and adults with disabilities.
65. By developing this site as an Extra Care facility, it provides additional capacity to manage the increasing demand in adult social services. Without the additional capacity the service will be reliant on more costly options to provide services to those who require them. It is estimated the Council will reduce its social care costs by £0.7m as a result of this facility. Taking this in account results in a positive contribution to the revenue budget of £0.5m.
66. The increase in borrowing will need to be met by reviewing the council wide 10 year programme; this will be incorporated into the annual refresh of the Ten Year Capital programme in February 2021.

Legal Implications

67. **Legal Implications provided by MP and SR on 21st August 2020 based on report version circulated on 15th August 2020 timed at 14:05 hrs.**

68. S.111 Local Government Act (1972) gives a local authority power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The request under cover of this report for additional funding is in accordance with this power.
69. The Council also has a general power of competence in s.1(1) Localism Act (2011) which states that a local authority has the power to do anything that individuals generally may do provided it is not prohibited by legislation.
70. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.
71. The Council must ensure compliance at all times with its Constitution. As this is a Key Decision the Council must comply with the Key Decision procedure.
72. The Council has carried out all procurement exercises in accordance with its Contract Procedure Rules (“CPRs”) and the Public Contracts Regulations (2015) (“PCRs (2015)”). In awarding any contracts the Council must continue to adhere to the PCRs (2015), its CPRs and in particular the requirement of CPR 4.2 which states that no contract may be awarded unless there is sufficient budget available for the goods, supplies, services or works being procured and appropriate delegated authority to award the contract has been provided.
73. The Council will need to ensure that the development at Reardon Court progresses in a timely manner. This will enable the Council to evidence meaningful commencement on site in order to then draw down the full amount of grant funding from the GLA within the stipulated timescale.
74. Any legal agreements (and ancillary documents where relevant) arising from the matters described in this report must be approved in advance of contract commencement by Legal Services on behalf of the Director of Law and Governance.
75. The Care Act (2014) provides for a general duty on a local authority to promote an individual’s well-being. In doing so, local authorities must (s.2) provide or arrange for the provision of services, facilities, resources or any other steps it considers will contribute towards the prevention or delay the development by adults and carers in its area of needs for care and support.
76. When exercising these functions, the authority must do so (s.3) with a view to ensuring the integration of care and support with health and health related provisions where it considers that this would promote the well-being of adults with care and support needs and the well-being of carers that contributes to the prevention or delay of the development by adults in its area of needs for care and support or improve the quality of care and support for adults & support for carers.
77. The development of Extra Care housing contributes to the Council achieving the objectives and exercise of its statutory duties in line with its Corporate Plan.

Workforce Implications

78. See Equalities Impact of the Proposal (para 43 above)

Property Implications

79. There are no changes to the Property Implications set out in the earlier relevant report on Reardon Court (KD5034) and they remain extant.

Other Implications

80. Procurement implications: Rule 1.3 of the CPR's states that all procurement must demonstrate Value for money, through a compliant procurement. Rule 1.3 (ii) states that no procurement must be entered into without sufficient budget.

Options Considered

81. Redesign building to and reduce number of units and reduce cost, the consequence of this is we would lose GLA funding and the project would be less financially beneficial to the Council.

82. Do nothing - This option is not recommended as it does not address the strategic requirement for additional accommodation of this nature, resulting in avoidable and costly placements to residential care. Over £9.4m capital funding to support the redevelopment of this site would be lost, as would opportunities for cost avoidance to the value of circa £740,000 per annum.

Conclusions

83. The development of Extra Care Housing at Reardon Court will attract investment from the GLA and support the creation of thriving, affordable neighbourhoods, through the provision of good quality, accessible and affordable housing options for older people with support and care needs.

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Appendices

None.

Background Papers

None.