

Subject:	Future Use of Knoll House Resource Centre		
Date of Meeting:	1 July 2021 8 June 2021 – Adult Social Care & Public Health Sub-Committee		
Report of:	Executive Director for Health & Adult Social Care		
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Ward(s) affected:	Wish		

FOR GENERAL RELEASE

1. PURPOSE OF THE REPORT & POLICY CONTEXT

- 1.1 Following a previous report to Health & Wellbeing Board (28 January 2020) this report sets out the feasibility and estimated cost of a Supported Housing development on the site of the Knoll House care home for people with physical disabilities and brain injuries.
- 1.2 The report provides a summary of the Business Case attached as Appendix 1 and seeks approval for Health & Adult Social Care (HASC) to borrow capital and apply for Homes England funding to pay for the demolition and new build of a 3 storey Supported Housing building (Knoll House Project Works) and to request delegate authority for the related tendering and contractual arrangements to undertake the Project Works.
- 1.3 On 8th June 2021 Adult Social Care and Public Health Sub-Committee agreed to:
 - (1) Recommend to Policy & Resources that it approves the preferred option to demolish and build a 3-storey Supported Housing service on the site of the Knoll House care home;
 - (2) Recommend that Policy & Resources Committee agree a capital programme budget up to a maximum of £9.370m for the delivery of a Supported Housing service to be financed by capital borrowing and a Homes England bid (or the difference between £9.370m and the sum released by Homes England):
 - (3) Recommend that Policy & Resources Committee delegate authority to the Executive Director of Health and Adult Social Care (in consultation with the Executive Director Finance & Resources) to enter into the necessary contracts (including with a development partner as necessary) to secure:
 - (i) The demolition of the existing building;
 - (ii) The Design and Build operations required to complete the development of the Supported Housing service at Knoll House as described in this report; and

(iii) The housing management, repairs and maintenance function.

An extract and the decisions of this meeting accompany this report.

- 1.4 The Procurement Advisory Board has also considered this project and their recommendations are attached at Appendix 2.
- 1.5 Members of Adult Social Care & Public Health Sub-Committee and Procurement Advisory Board have, however, expressed their concerns about the potential for costs to escalate in projects of this nature. The pandemic and Brexit are particularly affecting supply chains and labour costs and it is hard to predict how long this will continue and what effect it will have on prices. There could also be the potential for other factors to increase costs that cannot at this stage be predicted such as planning and design considerations and unforeseen construction issues. Taking these factors into account the contingency costs have been increased from 10% to 24% which increases the capital costs required from the original estimate of £9.370m to a maximum of £10.500m.

2. RECOMMENDATIONS

That Policy & Resources Committee:

- 2.1 Approve the preferred option to demolish and build a 3-storey Supported Housing service on the site of the Knoll House care home
- 2.2 Agree a capital programme budget up to a maximum of £10.500m for the delivery of a Supported Housing service to be financed through capital borrowing and a Homes England bid. (or the difference between £10.500m and the sum released by Homes England).
- 2.3 Delegate authority to the Executive Director of Health and Adult Social Care (in consultation with the Executive Director Finance & Resources) to enter into the necessary contracts (including with a development partner as necessary) to secure:
 - (i) The demolition of the existing building;
 - (ii) The Design and Build operations required to complete the development of the Supported Housing service at Knoll House as described in this report; and
 - (iii) The housing management, repairs and maintenance function

3. CONTEXT / BACKGROUND INFORMATION

- 3.1 On 28th January 2020 the Health & Wellbeing Board approved the preferred option to convert Knoll House into Supported Living for people with Physical Disabilities and Acquired Brain Injuries. The Board asked for a further report with details of the capital funding and the viability and costs of a Council run or outsourced service.
- 3.2 Detailed work to identify the costs for the Knoll House development was paused in March 2020 as the Covid-19 pandemic put significant strain on HASC resources and resulted in BHCC and BHCCG considering other emergency uses for the building as well as the above proposal. When the BHCCG confirmed they would not be using

the building the work on the Business Case resumed and the detailed Business Case is in Appendix 1.

- 3.3 Under the Care Act 2014 Local Authorities must provide accommodation and support to people who have been assessed as needing it. The Act sets out the duty of authorities to shape the market and promote diversity and quality in the provision of efficient, effective, sustainable, services. Individual's wellbeing must be taken into account with choice provided into how support needs are met to enable as much control over day to day life as possible.
- 3.4 It is recognised that in Brighton & Hove too many people are placed in residential and nursing home placements - 55% more than our comparator authorities and over half of these are placed outside of Brighton & Hove. In many cases this is due to the lack of suitable, accessible accommodation and support. The average age of people with physical disabilities and brain injuries is 55 yet they are being placed in care homes with older people.
- 3.5 The numbers of people with serious disabilities in Brighton & Hove is predicted to increase by 15% by 2030 (580 more people). The current provision of 10 units of Extra Care housing and 10 units of Supported Housing is inadequate to manage the demand. Only 10 of these units are wheelchair accessible and whilst there is wheelchair accessible accommodation scattered throughout the city in other general needs blocks this does not come with support on-site. People with disabilities and their advocates have complained that there aren't enough alternatives to residential care and there is much evidence relating to the long-term benefits of Supported Housing on wellbeing and independence as well as the financial benefits.

4. ANALYSIS AND CONSIDERATION OF ALTERNATIVE OPTIONS

Refurbishment and new build options

- 4.1. The Business Case sets out the detailed analysis and consideration of the 3 different options.
- 4.2. The first stage of the project was to agree the Brief that was put together using feedback from people with disabilities, occupational therapy and social work feedback and lessons learnt from other supported housing and extra care schemes and is designed to be accessible, make the best use of technology and include communal areas and adequate space for care staff.
- 4.3. The next stage was to assess the feasibility of the refurbishment. This was thought to be a good option as it utilises current resources and is less disruptive to the local community and was thought to be better value for money. A thorough feasibility study found that due to the age and current facilities extensive work would be required to meet the mechanical, electrical and structural requirements. The footprint of the existing building also meant that the Brief would be compromised with only 1 bariatric flat, some studios and not all flats would be fully wheelchair accessible. Taking into account the revised contingency costs, the costs are estimated to be up to £4.9m and a 2-storey new build is estimated to cost approximately 30% more. Therefore, the Board decided to also look at the feasibility of a new build.

4.4. An architect and further surveys were commissioned, and the feasibility report produced provides evidence that both 2 and 3-storey options are possible and meet the Brief of providing accessible, modern, sustainable accommodation with support. Taking into account the revised contingency costs, the 2-storey option is estimated to cost up to £7.6m (including fees) and the 3- storey option up to a maximum of £10.500m. The actual total contract values will differ and may anticipate some reduction on costs estimated as the tender exercise is expected to include an element of price competition. The new build options include more efficient energy sources (electricity and solar), all flats accessible for people in wheelchairs, there are 2 bariatric flats, inset balconies for each flat and more space for parking and mobility scooters.

Preferred option

4.5. The 3-storey option is recommended as the preferred option as it provides a further floor that could accommodate 10 more flats, increase the rental income and provide greater economies of scale for the support service. A new building will have an extended life span over and above the refurbishment option and have lower planned maintenance costs.

4.6. The in-house Architect team with support from the case building surveyor will act in the Client Advisory role and support HASC through the whole construction project. Property and Design team recommend that an Employer’s Agent (EA)/Construction project manager be appointed through a compliant Framework and that the specialist mechanical /electrical and structural is also appointed though a compliant Framework. The contractor will also be selected through a suitable Framework. The EA project manager would manage the whole construction project alongside the Client’s Advisory in-house role and support the HASC client to ensure the outcome is a building of high quality fulfilling all HASC client requirements. This proposed route has been used by Property & Design successfully and fulfils the lessons learnt from other projects.

4.7. The recommendation is that HASC will need a specialist project manager to steer this project from the Client’s perspective.

4.8. An indicative timeline for the recommended option is set out in below:

September 2021	Commence Client brief detailed requirements, Client advisory role and further design pre -app work
Dec 2021	Commence Direct appointments for EA/Project Manager and Specialist M & E/Structural
Feb 2022	EA/Project Manager and Specialists in place
May 2022	Issue Design & Build tender
October 2022	Instruct contractor - obtain planning consent, legals
August 2023	Start on site
February 2025	Complete on site

These are draft dates and may be subject to change

4.9. More detailed information regarding the opportunities and risks of each option is set out in Section 5 of the Business Case (page 23).

Costs and revenue

4.10. The detailed estimated costs and revenue are set out on pages 12-14 of the Business Case. The service is necessary to help manage the financial pressures and is linked to the Medium-Term Financial Strategy. The financial model assumes that rents would be set at the Local Housing Allowance (LHA) levels and the Council would retain the housing management, repairs and maintenance function. Rental income, net of service charges, management, maintenance, major repairs and voids costs is estimated at £0.150m per annum.

4.11. A bid will be submitted to the Government's Affordable Homes Programme and a grant of £45k per unit is assumed (£1.260m).

4.12. A higher project contingency of approximately 24% is assumed in the current situation due to:

- the potential impact of Brexit on labour market/costs and supply chain risks/costs;
- the potential impact of the pandemic on supply chain costs already in evidence;
- the added complexity of designing properties for social care residents compared to standard housing i.e. greater risk of cost over-runs; and
- the higher risk of cost over-runs for increased sustainability and carbon reduction requirements.

4.13. On this basis the development requires capital borrowing of £9.240m towards the total scheme capital cost of a maximum of £10.500m. The majority of the capital funding required will be from borrowing over the life of the asset (50 years) which will therefore result in an annual repayment of up to £0.296m.

4.14. The housing element of the scheme will therefore cost approximately £0.146m per annum. However, the indicative reduction in future service pressure funding, i.e. revenue savings to the Health & Adult Social Care budget arising from the avoidance of high cost in and out of area placements is in the region of £0.399m per annum assuming an externally commissioned service provides the care.

4.15. If BHCC provide the care on-site, the modelling assumes there is a loss, as BHCC care costs are higher due to high infrastructure, overhead and service on-costs. This would add to future service pressure funding requirements and increase any budget gap;

4.16. All costs are subject to change and are calculated at 20/21 prices. Any delay in the processes linked to the project has the potential to impact on the costs.

4.17. Recognising the 24% contingency assumed within the cost model there could also be the potential for other factors to increase costs that cannot at this stage be

predicted such as planning and design considerations and unforeseen construction issues.

Housing management, repairs and maintenance

- 4.18. The Business Case (pages 10-11) sets out the 2 different options for the provision of the housing management, repairs and maintenance and for the purposes of the financial modelling assumes that the Council will provide this function. Knoll House is located on a BHCC estate and next to 2 sheltered housing schemes therefore there are teams and services already in the area. BHCC would receive income in the form of rent and are already providing a similar level of service in another extra care service.

Care and Support

- 4.19. Care and support will be provided by a specialist care provider who will be registered with the Care Quality Commission to provide care to people with physical disabilities and brain injuries. Care will be available 24 hours a day to help people remain as independent as possible.
- 4.20. A decision about whether this support is to be provided directly by BHCC or by a commissioned care provider will be made nearer to the completion date. The Business Case provides more detail and the costs of both options on page 11.

5. COMMUNITY ENGAGEMENT AND CONSULTATION

- 5.1. The Director of Health & Adult Social Care and the Lead Member for Health & Adult Social Care met with local residents in October 2019 to set out the options for Knoll House and then in January 2020 to inform them of the preferred option. The meetings were well attended by Ingram Estate residents and tenants of the Muriel House and Sanders House sheltered housing schemes.
- 5.2. A Client Design group has been formed of a small number of people with physical disability and/or sensory loss. They have provided feedback that has influenced the design brief to ensure the building would be accessible and feel homely and welcoming. They have given feedback on aspects such as layout, technology, communal space and sensory accessibility issues. The group will be consulted further before establishing a final design.
- 5.3. The Lead HASC Members, Ward Councillors and local Community Engagement Officers have been briefed on progress and will be kept up to date with each stage of the project as per the Communication and Engagement Plan. More detail is set out in section 8 of the Business Plan (page 22) and this will be developed further and will include:
- The methods of communication and timescales for engagement events with local stakeholder groups and local residents and people who need the service
 - Consideration of accessibility of the information presented, for example interpretation into BSL and other languages and models & drawings may be more accessible than paper plans

- Clarity on the purpose of the engagement, the decisions that can be influenced and how the impact of the engagement will be communicated.

6. CONCLUSION

- 6.1. People with physical disabilities and brain injuries want to be able to live at home for as long as they possibly can with good quality care and support available to help them do this. The Knoll House site provides an excellent opportunity to create a service that will provide this support for 28 people and prevent the need for people to have to move out of area or into residential care and provide opportunities for people to come back to living in the city.

7. FINANCIAL & OTHER IMPLICATIONS

Financial implications

- 7.1 The proposed Adult Social Care service for people with physical disabilities and brain injuries would potentially help mitigate future financial pressures and is linked to the Medium-Term Financial Strategy. As detailed in paragraphs 4.14 and 4.15, the level of future financial mitigation in revenue terms depends on whether the service is provided in-house or externally.
- 7.2 The capital funding request is a maximum of £10.500m which will require capital borrowing over the life of the asset (50 years). Any decision around the borrowing requirement for this project will be made in consultation with the council's Treasury Management team to ensure that it is undertaken in accordance with the council's borrowing strategy, authorised borrowing limits and prudential indicators together with overall affordability within the Council's borrowing requirements.
- 7.3 A bid will be submitted to the Government's Affordable Homes Programme and any grant awarded will reduce the £10.500m capital funding request. The current financial modelling assumes a successful bid with a grant of £0.045m per unit (£1.260m in total).

Finance Officer consulted: Sophie Warburton

Date: 25/05/21

Legal implications

- 7.4 The appointment of external professional support and engagement of the design and build contractors as well as contract(s) awarded in respect of housing management, repairs and maintenance functions are subject to UK public procurement regulations and the Council's standing orders. Legal considerations related to Council obligations under the Care Act 2014 as these connect to the project are addressed in section 3.3 of the Report above. The commissioning approach relating to the provision of the extra care and support in the new homes will be formulated at a later point when recommendations and a further report will be prepared, depending on the estimated value of any proposed contracts at that time.

Lawyer consulted: Michael Leech

Date: 24/05/21

Equalities implications

- 7.5 The Equality Impact Assessment for the proposed Knoll House Supported Housing development identified a number of potential impacts and actions to be taken. These included the need for mandatory LGBTQ and race/ethnicity training for support staff and associated performance indicators. For the building design, this included adding a communal bathroom, smart technology for people with sensory loss, two units specifically for people with bariatric needs and a 2 bedroom flat with two wheelchair accessible bedrooms.

Sustainability implications

- 7.6 The proposed new development will be energy efficient and built to minimise carbon emissions. The design will aim to achieve a fabric first construction with high levels of insulation. It is proposed all energy for heating or cooled filtered fresh air, lighting, hot water and power to be generated from sustainable energy systems such as solar photovoltaic panels on the roof and air source heat pump technology. There will still be a requirement for a UKPN electricity supply sized for the whole development, for cloudy days or when system is being worked on etc but likewise there will be an option to feedback any surplus electricity into the tariff.
- 7.7 Development to the BREEAM or equivalent standard with a target level of 'Very Good' ensures that new homes are designed sustainably to minimise carbon emissions and use sustainable materials in their construction. Employer's Requirements will include KPIs in place to measure such items as minimising landfill, reusing and repurposing materials from the demolition of the existing building and sourcing local construction materials and services.
- 7.8 As standard best practice and as part of the circular economy principles BHCC will look to re-use existing building material when demolishing. Re-use and limiting waste is a condition in terms of the planning application and is very high on BHCC's Key Performance indicators. This requirement will be added to the specifications when they are being worked through as part of the process.
- 7.9 The Climate Impacts Implications checklist will be used throughout all stages of the project delivery (once final version agreed).

Brexit implications

- 7.10 Supply chain disruption due to Brexit has been identified as a risk as this may result in an increase in the costs of materials, equipment and labour. To mitigate against this the build costs, include contingency and the proposed Design and Build contract will have a fixed construction cost.

Crime & Disorder

7.11 A Community Impact Assessment has been completed which tests if a planned service will have an impact on community cohesion and community conflict. The impact assessment for the proposed Knoll House Supported Housing service indicates that it does not have the potential to heighten community tension or reduce cohesion. There will be a detailed communication plan, which will seek to maximise cohesion.

Risk and Opportunity Management

7.12 A detailed risk log is included in the Business Case at page 15 with a summary of some of the high impact risks and mitigations listed below:

Risk	Mitigation
The 3-storey option does not receive planning permission as it is higher than the existing building	<p>Formal Pre-Planning Application is required to get a clear steer from Planning.</p> <p>There are other buildings above 3 storeys on the estate.</p>
Construction works costs in excess of the budget estimates provided.	<p>Estimated cost plans for both refurbishment and new build options have been completed based on the feasibility studies and a detailed Client Brief. These have been completed by an experienced and qualified Quantity Surveying Consultant.</p> <p>The estimated budgets also contain a 5% design development contingency as well as a 5% contingency for the construction works. The former used to cover inflationary issues given the period between tender return and start on site.</p> <p>The submitted estimated Cost Plans also provide an indication of anticipated inflation allowances based on BCIS forecasts. The submitted budgets are at 1st Quarter 2021 pricing levels.</p> <p>Whilst it is never possible to have 100% certainty on likely Tender returns until the market is tested, given the above and notwithstanding large changes to the brief, in normal circumstances it would be unlikely construction costs would vary greatly from the budget costs included within this report.</p> <p>However, as lockdown restrictions are lifted industry reports over the last few days show there is a huge issue developing with construction supplies and skilled labour at present and at the moment, post lockdown / Brexit. Major shortages of steel, copper, plaster, bricks etc are being reported which is delaying projects and forcing costs to spiral upwards. - supply is reduced and the market forces of supply and demand will apply with some large increases being forecast over the next few months.</p> <p>Predictions vary but there could be significant cost increases over the next 12-18 months and beyond.</p>

	<p>Striking a reasonable risk balance depends in part on how cautious BHCC wishes to be. It is worth considering that Price inflation is just one variable on the project. Other elements that will be important in overall cost include design, value engineering, procurement route, risk reduction etc.</p> <p>In light of this the decision has been made to increase the contingency to 24%.</p>
Construction works costs exceed Contract sum	<p>The proposed Design and Build contract will have a fixed construction cost.</p> <p>Sufficient time to be allocated to completion of suitably detailed of Employer's Requirements (ER's).</p> <p>An experienced Employer's Agent will be engaged compile the ER's, produce tender documentation, evaluate returns, ensure compliance with ER's and report on progress and costs etc.</p> <p>Unless there are errors/omissions in the tender documentation or there are any unknowns or the Client changes items then the fixed cost cannot change.</p> <p>Prior to going to tender HASC will instruct further investigations to minimise unknowns.</p>
Timescales not met	<p>A specialist Project Manager will be required to oversee the project</p>
Design and specification not adequate to meet the needs.	<p>Lessons learnt from other developments.</p> <p>Engagement with people with disabilities, Occupational Therapist and providers of other Supported Housing.</p>

SUPPORTING DOCUMENTATON

Appendices

Appendix 1 Knoll Supported Housing Business Case

Appendix 2 Procurement Advisory Board Extract