
**Report to
Cabinet
Scrutiny Board 2
Report of**

**10 January 2006
5 January 2006**

Director of Community Services, Director of Finance and ICT, Director of Legal and Democratic Services.

Title

New Homes For Old Phase 2 Private Finance Initiative (PFI)- PFI Contract Negotiations

A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the identity, financial and business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods or services.

1. Purpose of the Report

- 1.1 The purpose of this report is to brief Cabinet on the outcomes of the negotiations, which have been taking place with Anchor Trust for Phase Two of the New Homes For Old ('NHFO') Private Finance Initiative ('PFI') Project. A private report is also included on your agenda, which contains commercially sensitive information in respect of the contractual arrangements that are being negotiated between the City Council and Anchor Trust (the preferred bidder).

2 Recommendations

2.1 Please:

- note the comments from Scrutiny Board 2.
- refer the report to a meeting of the City Council to be held on January 17 2006.

2.2 Cabinet is recommended to ask full Council to agree to:

- 2.2.1 Approve the outcome from the Council's negotiations with Anchor Trust in respect of the financial, technical and legal issues identified by officers and the Council's technical, legal and financial advisors following the submission of Anchor Trust's Best and Final Offer (BaFO). And, on behalf of the City Council agree for it to enter into the contract ('Project Agreement')¹ for the provision of care services for older people in five new buildings. as summarised below:

1.1 _____

¹ The Project Agreement is the NHFO PFI contract between the City Council and Anchor Trust in relation to the design, financing, construction and operation of New Homes for Old (Phase 2) as outlined in paragraph 3 of this report. While the legal terms of this agreement have been agreed, the Director of Community Services is still negotiating with Anchor on the fine detail of the building designs and the provision of facilities management services. The purpose of

- 2.2.2 Delegate authority to your officers to negotiate, settle and approve the final form of the Project Agreement and other ancillary documents relating to the project to achieve financial close during this financial year 2005/6 and affordable to the Council.
- 2.3 And, subject to the approval of the Final Business Case by The Office of the Deputy Prime Minister (ODPM) and the Department of Health (DH).
- 2.3.1 Enter into the contract for the New Homes for Old ('NHFO') Phase 2 Private Finance Initiative ('PFI') Project with Anchor Trust.
- 2.3.2 Authorise the Director of Legal and Democratic Services to sign the Project Agreement and other ancillary Documents and delegate authority to the Director of Community Services to agree any further substantive changes
- 2.3.3 Authorise the Director of Legal and Democratic Services to sign the Local Government (Contracts) Act 1997 Certificate in relation to the Project Agreement.
- 2.3.4 Grant the Director of Legal and Democratic Services an indemnity against any claims arising from the signature of the Local Government (Contracts) Act 1997 Certificate in respect of the project.
- 2.4 Receive a further report on the final outcome of negotiations after financial close.

3 Information/Background

- 3.1 NHFO programme is a strategic priority for the Council, the project aims to deliver the Council's corporate objectives at every level for example;
- the Council's Community Plan highlights older people as a priority group and NHFO focuses on improving the services provided to this group to which this project specifically addresses priorities and key themes; and
 - it is a Council corporate objective to replace more traditional residential care provision with improved models of care aimed at offering older people a higher standard of accommodation and a style of care support aimed at enabling older people to maintain their abilities and independence (Best Value Review March 2001).
- 3.2 A summary of the outcomes of the project is outlined in Section 3.3.
- 3.3 The Department of Health and the Office of the Deputy Prime Minister (ODPM) approved NHFO Phase Two for provisional PFI funding in October 2002. This scheme comprises the provision of three schemes of Housing with Domiciliary Care (HWDC) and two specialist residential schemes for older people living with dementia. The five schemes are to be developed on sites all located in Coventry:
- **Heath Crescent, Stoke Heath 1 & 2** – One Specialist 40 bedded Unit for Older People living with dementia and 46 housing units with domiciliary support to be located on this site;
 - **Quorn Way, Binley-** One Specialist 40 bedded Unit for Older People living with dementia to be located on this site

1.2

these negotiations is to provide more detail on the building designs and the structure of Anchor's support services. The Director of Community Services does not expect the contract price to change significantly as a result of the on-going negotiation and anticipates concluding the negotiations in March 2006 with a contract price that is still affordable to the Council.

- **Attoxall Road, Wyken** - 34 housing units with domiciliary support to be located on this site; and
 - **Everdon Road, Holbrooks** - 40 housing units with domiciliary support to be located on this site.
- 3.4 Ten Respite Places for specialist dementia care service users are included within the above facilities, which will allow carers to have temporary breaks from their responsibilities. The Council (Cabinet & Scrutiny 1) on 2nd September 2003 agreed to invite a short list of four organisations to tender to deliver the NHFO objectives.
- 3.5 Tenders were invited in December 2003 and evaluated by four specialist teams, which included a mix of internal and external advisers/stakeholders and representatives from the Primary Care Trust (PCT).
- Care;
 - Commercial (Including; Finance and Legal);
 - Design & Construction;
 - Facilities Management².
- 3.6 Cabinet approved on 2nd September 2003 delegation to the NHFO Project Board evaluation methodology up to and including inviting best and final offers. The outcome of the tender evaluation was considered by the NHFO Project Board on the 26th August 2004. At this meeting the NHFO Project Board decided to request officers to invite best and final offers ('BaFOs') from two tenders.
- 3.7 BaFOs were received on 15th October 2004 and the outcome from the evaluation process was reported to Cabinet on 30th November 2004 and Anchor Trust were appointed as preferred bidder.
- 3.8 Cabinet approved, the Director of Community Services (the then Director of Social Services and Housing) to enter into contractual negotiations with the preferred Bidder and to report back to Cabinet through the NHFO Project Board on the outcome of the negotiations from approval to proceed to contract signature/award.
- 3.9 This report and the Private report which contains commercially sensitive information now recommends the Council to proceed to contract signature subject to affordability and other approvals being obtained.

4 Proposal

- 4.1 Anchor is to be invited to enter in a contract to design, build, finance and operate the services for older people in three new housing with care facilities and two specialist dementia care facilities. An annual unitary charge³ will be payable by the City Council to Anchor once the first facility becomes available for a period of twenty-five years.

1.1 _____

Note² Facilities management covers the cleaning and maintenance of the building facilities and the external areas. It also includes the landlord's general maintenance responsibilities for the tenanted units

³ The Unitary Charge is the annual price paid by the Council to Anchor for delivering the new buildings and services. It is paid in monthly instalments and is adjusted depending on whether Anchor meet at a range of quality standards with regard to the provision of care and the state of the new buildings. We would expect the unitary charge to vary between 90% and 100% of the sums due to Anchor. However, it should be noted that the Unitary Charge can reduce to zero if the buildings become unavailable for whatever reason and failure in performance.

4.2 The specific terms are being established through the current negotiations in a Contract between Anchor and the City Council at the core of which will be a performance related payment mechanism with agreed deductions for failure to meet prescribed standards.

5 Other Considerations

5.1 The project requires Council approval as well as Department of Health (DH), Office of Deputy Prime Minister (ODPM) and Partnerships UK (PUK) clearance. External Auditors confirmation is also required regarding certain accounting treatments. These all need to be obtained before final contract award and financial close is reached.

6 Other specific implications

	Implications (See below)	No Implications
Area Co-ordination		<input type="checkbox"/>
Best Value	<input type="checkbox"/>	
Children and Young People		<input type="checkbox"/>
Comparable Benchmark Data		<input type="checkbox"/>
Corporate Parenting		<input type="checkbox"/>
Coventry Community Plan	<input type="checkbox"/>	
Crime and Disorder		<input type="checkbox"/>
Equal Opportunities	<input type="checkbox"/>	
Finance	<input type="checkbox"/>	
Health and Safety		<input type="checkbox"/>
Human Resources		<input type="checkbox"/>
Human Rights Act		<input type="checkbox"/>
Impact on Partner Organisations	<input type="checkbox"/>	
Information and Communications Technology		<input type="checkbox"/>
Legal Implications	<input type="checkbox"/>	
Property Implications		<input type="checkbox"/>
Race Equality Scheme		<input type="checkbox"/>
Risk Management	<input type="checkbox"/>	
Sustainable Development	<input type="checkbox"/>	
Trade Union Consultation		<input type="checkbox"/>
Voluntary Sector – The Coventry Compact		<input type="checkbox"/>

6.1 Best Value

The continuation of the New Homes for Old project into NHFO Phase Two was recommended as part of the Council's Best Value Review of Services for Older People. The overall evaluation of the bids secured under NHFO Phase Two has taken a Best Value approach seeking to balance price versus quality. This Best Value approach will seek to balance the softer, qualitative aspects of the social care service against the harder aspects of the building design facets of this PFI project.

6.2 Coventry Community Plan

The NHFO Project will address the current Community Plan. The NHFO Project Team will ensure that:

- Change affecting older people is clear and understandable.
- promote the independence of older people by focusing on enabling older people to live longer in their own homes.
- A wide range of social and leisure activities.
- Services which meet their needs and aspirations (all service users will have an individual assessment and will be fully involved in any planning for their future)

6.3 Equal Opportunities

The Project will address the Council's Equal Opportunities policies, promoting equality of opportunity by:

- providing accessible information about the services available to them
- delivering services in ways which are appropriate to service users needs and, whenever possible, removing barriers that deny access
- using its powers to ensure that organisations providing services on its behalf operate in accordance with the aims of the Policy.
- Providing an afro-caribbean flava at one of the units.

6.4 Finance

The details in relation to the finance are included within the private report.

6.5 Impact on Partner Organisations

The Primary Care Trust (PCT) and other voluntary organisations such as Age Concern and Alzheimer's Society have been involved in the project. There will be a change overtime of the make up of the care market as we move away from residential care to more extra care type facilities to promote peoples' independence and choice.

6.6 Legal Implications

The Project Agreement with the PFI Contractor and other project documentation are based on the Office of Government Commerce guidance on Standardisation of PFI contracts and the 4Ps guidance "Standardisation of Local Authority PFI contracts". These have been appropriately amended to reflect the nature of the offer and will be subject to PUK approval.

6.7 Risk Management

A risk log has been created for the programme and will be managed in accordance with the Council's risk strategy.

6.8 Sustainable Development

The new buildings will be as energy efficient as possible and will blend in with and enhance the local environment.

7 Monitoring

7.1 Monitoring is being undertaken through the New Homes for Old Project Board and the use of the Prince 2 approach to project management. The project board meets mainly on a monthly basis and at present, the core Board comprises:

- Cllr H Noonan (the Council's Cabinet Member for Community Services),
- Cllr A Lucas (Shadow Cabinet Member for Community Services).
- Andrew Bennett (Director of Commissioning from Coventry PCT),
- John Bolton (Director of Community Services) ,
- Alan Burnett (4ps) and
- several key internal representatives from the Community Services Directorate and other Directorates.

8 Timescale and expected outcomes

8.1 Subject to all the approvals been received in time and the project remaining within the affordability envelope the aim is to reach contract award and financial close by March 2006.

8.2 An indicative time scale regarding construction is as follows if financial close is obtained in this financial year;

Table 8.2 Site	Start on Site	Service Available
Stoke Heath Dementia Care	October 2006	February 2008
Quorn Way Dementia Care	March 2006	July 2007
Everden Road HWC	July 2006	November 2007
Attoxhall Road HWC	March 2006	September 2007
Stoke Heath HWC	August 2006	February 2008

	Yes	No
Key Decision	<input type="checkbox"/>	
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	<input type="checkbox"/> Scrutiny Board 2 5/1/06	
Council Consideration (if yes, date of Council meeting)	<input type="checkbox"/> Date 17/1/06	

List of background papers

Proper officer: John Bolton, Director of Community Services

Author: John Teahan, NHFO Project Manager Telephone 02476 834982

(Any enquiries should be directed to the above)

Other contributors:

Sally Burton, Head of Older People's Group, Community Services, ext 3402

Paul Adams, Project Management Group Manager, Property & Projects, City Development, ext 2654

Nigel Clews, Head of Property Assets, City Development, ext 2708

Tam McPadden, Special Projects Finance. Finance and ICT, ext 3800

John Daly, Head of Special Projects, Finance and ICT, ext 3990

Bob Yeadon, Finance Manager, Finance and ICT, ext 3460

Ros Lilley, Senior Solicitor, Legal and Democratic Services ext 3013

David Wilson, Principal Assistant (Asset/Risk And Procurement), Community Services, ext 3552

Michelle McGinty, Senior Contracts Manager, Community Services, ext 3528

Carol Williams, Service Manager Human Resources, ext 3444.

Chris Bird, Lead Accountant, Finance and ICT ext 3536.

Papers open to Public Inspection

Description of paper

Location

None