

Meeting of the

CABINET

Wednesday, 29 July 2009 at 5.30 p.m.

SUPPLEMENTAL AGENDA – SECTION ONE

VENUE

Committee Room, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

Members:

Councillor Lutfur Rahman (Chair)	– (Leader of the Council)
Councillor Joshua Peck (Vice-Chair)	– (Deputy Leader of the Council)
Councillor Ohid Ahmed	– (Lead Member, Resources and Performance)
Councillor Rofique U Ahmed	– (Lead Member, Culture and Leisure)
Councillor Anwara Ali	– (Lead Member, Health & Wellbeing)
Councillor Abdul Asad	– (Lead Member, Children's Services)
Councillor Marc Francis	– (Lead Member, Housing and Development)
Councillor Rania Khan	– (Lead Member, Regeneration, Localisation and Community Partnerships)
Councillor Oliur Rahman	– (Lead Member, Employment and Skills)
Councillor Abdal Ullah	– (Lead Member, Cleaner, Safer, Greener)

[Note: The quorum for this body is 3 Members].

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

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LONDON BOROUGH OF TOWER HAMLETS

CABINET

WEDNESDAY, 29 JULY 2009

5.30 p.m.

- 8 .2 The Centre for Independent Living and the Community Learning and Disability Service (CAB 028/090) (Pages 1 - 18)**

Agenda Item 8.2

Committee: Cabinet	Date: July 29th 2009	Classification: Unrestricted	Report No:	Agenda Item:
Report of: Corporate Director of Adults Health and Wellbeing Originating officer(s) Helen Taylor, Service Head Commissioning and Strategy, Adults Health and Wellbeing		Title: The Centre for Independent Living and the Community Learning Disability Service Wards Affected: All		

SPECIAL CIRCUMSTANCES AND REASONS FOR URGENCY

The report recommends that Members agree to the submission of an Outline Business Case requesting LIFT PFI Credits from the Department of Health at the end of July 2009 by the Corporate Director (Adults Health and Wellbeing) acting under delegated authority. The Credits would support the development and maintenance of two new facilities for use by Adult Social Care services users. The first is a Centre for Independent Living for people with a physical disability and the second a Community Learning Disability Service.

The report was unavailable for public inspection within the stated timescales set out in the Authority's constitution, because the complex financial modelling required by a scheme of this kind was not completed. The financial modelling has now been completed and the result is set out in the report.

The bid to the Department of Health must be submitted by the end of July 2009 and therefore the 29th July Cabinet is the only date available.

1. **SUMMARY**

- 1.1 This report recommends that Members agree to pursue the development of a Centre for Independent Living on the Council site at 2 Jubilee Street and a Community Learning Disability Service on the Council site at 35 Ronald Street. This report also recommends that the Cabinet endorse the use of the NHS LIFT (Local Investment Finance Trust) approach to fund the development of these two facilities, through which the facilities would be developed by the East London LIFT Co. This report recommends to the Cabinet that an Outline Business Case requesting Social Care PFI Credits to fund the new facilities is submitted to the Department of Health at the end of July 2009 by the Corporate Director (Adults Health and Wellbeing) acting under delegated authority. Finally, this report recommends that officers bring a further report to Cabinet prior to reaching financial close with East London LIFT Co, in order that Members can make a final decision at that point on whether to proceed with the scheme.

2. **RECOMMENDATIONS**

Cabinet is recommended to:

- 2.1 Agree to pursue the development of a Centre for Independent Living on the Council site at 2 Jubilee Street and to pursue the development of a Community Learning Disability Service on the Council site at 35 Ronald Street using the NHS LIFT approach to fund the design, development and maintenance of the two facilities by the East London LIFT Co;
- 2.2 Agree to the submission of an Outline Business Case to the Department of Health at the end of July 2009 by the Corporate Director (Adults Health and Wellbeing) acting under delegated authority;
- 2.3 Instruct officers to bring a further report to Cabinet prior to reaching financial close with East London LIFT Co, in order that Members can make a final decision at that point on whether to proceed with the scheme; and,
- 2.4 Approropriate the 2 Jubilee Street site for Social Care purposes.

3. **BACKGROUND**

- 3.1 Members resolved to create the Centre for Independent Living (CIL) for adults with a physical disability and the Community Learning Disability Service (CLDS) in 2006. The CIL is intended to act as a central hub, providing a base from which the expected growing numbers of people with a physical disability would be supported to live independently. The CLDS would provide day care for people with a learning disability, support for carers and provide a base to support service users to live independently.
- 3.2 In July 2006 the Cabinet resolved to submit an Outline Business Case to the Department of Health, requesting Social Care PFI Credits for both facilities. At that time, it was planned to develop the Centre for Independent Living on the site of the former St Clements Hospital and the Community Learning Disability Service on the Council site at Southern Grove. This decision was part of the Council's corporate accommodation strategy and the LIFT procurement route was chosen after an options appraisal of all alternative funding and procurement routes.
- 3.3 Since the despatch of the Outline Business Case to the Department of Health in July 2006 this project has been halted by a delay in securing the use of the St Clements site. The sale of the St Clements hospital site to English Partnerships was handled by the NHS and was finally effected in 2008. Because of the interdependency between the development of the CIL and the CLDS the delayed sale halted the whole project. During this period the Council was unable to

progress the bid for Social Care PFI Credits with the Department of Health because the bid required land ownership to be identified.

- 3.4 When the St Clements site became available in 2008 it became increasingly clear through negotiations with the development partners that there were significant limitations of the St Clements site. The complex heritage requirements combined with the proposed location within the site led to a view that some of the key requirements for the CIL, such as access, were unlikely to be achieved. Therefore a search for suitable alternative sites commenced.
- 3.5 During this time the Adults Health and Wellbeing Directorate have maintained close liaison with the Department of Health in order to reserve the Social Care PFI Credits for our use until an alternative site could be found. During the autumn of 2008, the Council conducted an options appraisal of surplus property and other available sites in the Borough. As a result of this exercise the Council is now in a position to propose the use of two Council sites for the adult social care facilities and the project is now in a position to move forward.
- 3.6 The deadline for the resubmission of the Tower Hamlets Outline Business Case has now been set by the Department of Health as July 2009. Because the Outline Business Case is being developed in parallel to this report it is not possible to attach it, complete, for Members to approve. The Outline Business Case will include the strategy for the future transformation of Adult Social Care in Tower Hamlets that was approved by Cabinet in January 2009. The document will also describe the design specification and cost of the facilities. The document will clearly set out the legal issues over ownership of the sites and the nature of the contractual arrangements to be entered into.
- 3.7 In July 2006 Tower Hamlets Council bid for £17.25 million in LIFT PFI Credits. This amount has been reserved by the Department of Health, although the final decision on whether to allocate the credits to Tower Hamlets Council will be made following submission of the Outline Business Case to the Department of Health. The LIFT PFI Credit funding route is the only feasible source of capital funding for these facilities at this time.

4. THE STRATEGIC SITE SELECTION

- 4.1 During the autumn of 2008 the Council conducted an options appraisal of surplus property and other available sites in Tower Hamlets. This review was led by AHWB and the approach approved by the Council's Capital Strategy and Asset Management Board.
- 4.2 It is now no longer proposed that the Centre for Independent Living is built on the site of the former St Clements Hospital. It is also no longer proposed that the Community Learning Disability Service is built on the Council's Southern Grove site.

- 4.3 Because officers are developing plans for a new secondary school (that could be built at Fish Island or on the Southern Grove site, subject to planning considerations) the Southern Grove site is no longer available for the CIL or CLDS developments. 2 Jubilee Street is Council owned and was declared surplus to requirements in 2005. Subsequent attempts to sell the site were abortive. Given current market conditions it was decided not to sell the property in the current market and other, operational uses were also investigated. The location and size of the site make it suitable for redevelopment for a Centre for Independent Living. The site is close to Commercial Road making it good for public transport links for service users and carers from across Tower Hamlets. It is therefore proposed that this property is no longer surplus and be brought back into use as part of the council's operational portfolio. The site was originally earmarked for disposal under the Council's Office Accommodation Strategy. Use of this site for the Centre for Independent Living involves forgoing a capital receipt, valued in 2009 at £1.325m. However this alternative scheme means that Southern Grove would become available in the event that it is not required for a school.
- 4.4 The Council site at 35 Ronald Street is currently used by the Older People's South West Social Work Team. This site is also close to Commercial Road and offers the same transport links for service users and carers from across the Borough. The site has recently become under occupied because a Community Mental Health Team has relocated, under proposals developed by the East London NHS Foundation Trust. Because of this under occupancy a more efficient future use for the site needs to be identified by the Council. If this site were to be redeveloped then the remaining office based staff could be easily relocated within the Council's existing property portfolio, in line with the Accommodation Strategy.

5. THE TRANSFORMATION OF ADULT SOCIAL CARE

- 5.1 Nationally, adult social care is being transformed to increase the choice, control and independence available to service users. This radical reform of public services will mean that people are able to live their own lives, as they wish, confident that services are of high quality, are safe and promote their own individual needs for independence, well-being and dignity. At its meeting in January 2009 Cabinet agreed the overall three year programme to achieve this transformation in Tower Hamlets. The proposal to develop these two facilities supports this objective, offering an opportunity for the development of high quality buildings from which to offer independent living services. The CIL is intended to act as a central hub, providing a base from which the expected growing numbers of people with a physical disability would be supported to live independently. The CLDS would provide services for the expected growing numbers of adults with a learning disability. This would include day care, support for carers and provide a base to support service users to live independently.

5.2 In January 2005, the government gave a commitment that:

By 2010, each locality (defined as that area covered by a Council with social services responsibilities) should have a user-led organisation, modelled on existing CILs (Centres for Independent Living).

Improving the Life Chances of Disabled People, 2005. p.91

5.3 These are some of the ways in which disabled people have described their vision for a Centre for Independent Living:

- A place with lots going on
- Part of the community – a sense of belonging
- A place where you can find out about other organisations and services
- A service that goes out to people and helps them through their journey to whatever they want to achieve
- A place where you can find out what is possible
- A place that influences change and learns from experience
- A place that gives others energy and support
- An organisation that stands up for people's rights.

5.4 This vision is of a vibrant local community centre, a place and organisation where a whole community comes together, not just people who need support in their daily lives. In order to achieve this, it would need to be linked into wider local and community networks.

5.5 The Tower Hamlets Centre for Independent Living will be a borough wide facility for adults with a physical disability, open from 8 am to 8 pm. It will be designed to allow independent travel to the site and built to a high standard of accessibility. Once at the Centre, people will receive the help they need to access the services that they choose to help them live independently e.g. advice and information, assistance in recruiting and employing personal assistants, employment support, supported housing services, advocacy and peer support. The Centre will include an equipment demonstration suite and there will be a cafe which could be run by disabled people as a social enterprise, open to all people in the community. The building itself will be designed and maintained to a high standard. Rooms in the building will be available for hire by the community. Before the buildings are developed, the local community will be consulted.

5.6 Services for adults with a physical disability are currently provided from the Resource Centre, a Council site at Southern Grove. Southern Grove was originally built as a respite care unit designed on the traditional model of institutional care for people with physical disabilities. Consequently the building

has significant limitations both in respect of current requirements and the future needs of disabled people.

- 5.7 National and local data suggests an increasing number of people with learning disabilities using services. The commissioning and procurement of day services for people with learning disabilities will be reviewed to include the proposed replacement facilities and the likely impact of personalisation on future demand for services. A number of existing contracts expire in March 2011 which brings an opportunity to review the total provision in Tower Hamlets to ensure it is fit for the future.
- 5.8 There are currently two day centres for adults with a learning disability that the Council is keen to relocate. The Council directly provides day services through the Coborn Day Centre, provided from the site of the Kirkland Centre in Bow. This site is owned and managed by Mencap. The Council has for some time sought to move this service to another site as the current premises are no longer large enough. The building is also of a traditional design and does not provide the level of accessibility or internal flexibility for varied use that is now required.
- 5.9 The Council also commissions day services for adults with a learning disability from Redbridge Housing Blue Skies Project. This is provided at the William Brinson Centre, a Council owned site, also in Bow. The site was originally built in 1974 as an industrial assembly unit, designed as a traditional institutional "adult training centre". The Council has for some time recognised the need to provide services for people with learning disabilities from a more appropriate site. The William Brinson Centre is located adjacent to a number of light industrial workshops and is not considered to be a suitable location for modern service delivery. This property will be vacant following the relocation to new facilities. The council's disposals process will then apply to establish whether there are any alternative, operational uses. If not, the property will become surplus to requirements and would be available for sale.
- 5.10 The Community Learning Disability Service would be a new development, providing space for both services to be provided from a single site. The site would be fully accessible, providing rooms of flexible size for a range of activities. Maintained to a high standard, both facilities would be designed to allow for a change of use if the nature of services needed in the future changes.

6. THE LIFT APPROACH

- 6.1 Tower Hamlets Council is eligible to bid to the Department of Health for Social Care PFI Credits to fund the design, development and maintenance of adult social care facilities. Under Treasury rules, new facilities that cost less than £20 million are eligible for Social Care PFI Credits, but only if the design, development and maintenance is through a local LIFT Co. The development of the Centre for Independent Living and the Community Learning Disability Service

is expected to cost less than the £20m threshold and so the Department of Health require the development to be planned through the East London LIFT Co.

- 6.2 The NHS Local Investment Finance Trust (LIFT) initiative was started in 2000. It is a mechanism through which the Department of Health invests in primary and community health facilities and adult social care facilities. The first step is for a LIFT consortium to be set up locally. This took place in 2003 when the East London LIFT Co was established to cover developments within the local government boundaries of Tower Hamlets, Newham, and Hackney. The work programme of the organisation is overseen by a Strategic Partnering Board.
- 6.3 All Primary Care Trusts and local authorities which signed up to the strategic partnering arrangements in East London may procure new social and healthcare projects from East London LIFT Co. In 2002 Newham Primary Care Trust led the EU procurement of the private sector partner Babcock & Brown to create the East London LIFT Co. Ashley House have since joined the East London LIFT Co as a further development partner.
- 6.4 In 2002 Tower Hamlets Council chose not to be a shareholder of the East London LIFT Co, but is a signatory to the Strategic Partnering Agreement by pursuant to a Deed of Accession entered into subsequently. The Council has signed up to the Strategic Partnering Agreement on a non-exclusive basis, which means that it may (but is not obliged to) procure social care and health-related facilities from the East London LIFT Co without the requirement for a separate procurement of a building contractor and “hard” facilities management provider. Any such projects must be referred to in the Strategic Service Delivery Plan or notified to the Strategic Partnership Board and East London LIFT CO in accordance with the Deed of Accession.
- 6.5 East London LIFT Co has a track record of delivering new facilities in Tower Hamlets. The Barkantine Health Centre, located on the Isle of Dogs, was designed and developed by the East London LIFT Co who now maintain the facility. This facility is an integral part of the Tower Hamlets Primary Care Trust's programme of creating a network of health and well being centres across the Borough. The Specialist Addiction Unit, operated by the East London Foundation NHS Trust and based on the site of Mile End Hospital, is also an East London LIFT Co facility.
- 6.6 Using the East London LIFT Co enables the Council to draw on the expertise of the development partners in the design, build and maintenance of the facilities. The Council is also able to participate in a shortened procurement process as the development partners have been pre procured. The benefits of using the Department of Health Social Care Credits are that the Council is eligible for resources that are in addition to the existing capital programme. Without access to these resources there is no alternative route to funding these new developments. The benefits of using the NHS LIFT approach are that the bidding

process provides robust project management arrangements. In order to qualify for the credits the Council must pass strict value for money criteria and demonstrate that the revenue costs to the Council are affordable. Finally, the Council further benefits because no payments are made until the new facilities are ready.

7. SOCIAL CARE CREDITS

- 7.1 Local authorities are eligible to bid to the Department of Health for Social Care PFI Credits to fund the design, development and maintenance of adult social care facilities. Social Care Credits are provided by the Department of Health to successful local authorities to cover the costs as identified in an Outline Business Case. The costs covered by the design, development and the lifecycle of the building are covered by Social Care Credits. The revenue costs of running the building (known as hard facilities management (FM) e.g. repairs, utilities, and soft FM e.g. cleaning, security) are not covered. These costs are already incurred by the Council in the operation of the current facilities and these budgets will be transferred to operate the new facilities. It is essential that the cost of operating the new facilities are affordable within the Council's resources.
- 7.2 Under the LIFT process a local authority receives Social Care PFI Credits from the Department of Health to support the capital cost of building and maintaining an asset over a 25 year period. Ensuring that the resources the Council receive through the credit cover the cost of the lease will be a key component of the negotiation with East London LIFT Co and the subsequent management of the relationship with East London LIFT Co by the Council.
- 7.3 The PFI Credit is paid to the local authority in quarterly instalments over 25 years. The value of Social Care Credits is fixed at the point the Outline Business Case is approved, based on the anticipated costs payable to LIFTCo for the provision of the Facilities, including ongoing lifecycle maintenance and inflation assumed at 2.5% per annum. The annual value of the Social Care Credits is derived on an annuity basis from the total approved at OBC approval, and do not increase with inflation each year. This means the local authority will receive slightly more than required in the early years of the 25 year period and slightly less towards the end, managing the resources through investing the surplus.
- 7.4 The value of Social Care Credits is fixed at the point the Outline Business Case is approved. It is likely that the lease agreed with East London LIFT Co will rise in line with the Retail Price Index. Therefore, there is a financial risk to the Council if inflation rises by more than projected, i.e. 2.5% per year over the life of the agreement. This risk is greatest if inflation is high in the early years of the agreement.
- 7.5 The Council will also retain the risk of interest rate changes up until the Agreement is signed. This is a standard position on risks for all LIFT and PFI

Projects, and the interest rate will be a market rate set on the day of signature. The affordability and value for money assessment of the project, plus a prudent buffer, will be conducted on the basis of estimated market rate over 25 years (it is not based on the current low interest rates at the time of writing the Bank of England Base Rate is 0.5%). The Council would however benefit from lower interest rates at the point of signature. The rates will then be fixed for the life of the Lease Plus Agreement, ensuring cost certainty for the Council.

8. LAND OWNERSHIP AND CONTRACTUAL AGREEMENTS

- 8.1 Under the LIFT process the Council may retain ownership of the land or sell the sites to LIFT Co. Under the first option the Council retains ownership, signing a Land Retained Agreement (LRA) with LIFT Co, granting them a license for 25 years. LIFTCo will then construct the new facilities, maintain the buildings for 25 years, and return the land and buildings to the Council in good condition at the end of the 25 year contract. The Council retains, therefore, the residual value of the land and buildings which revert to the Councils full ownership and control at the end of the contract.
- 8.2 Under the second option, the Council would sell (or in some cases simply transfer the land) to LIFT Co and sign a Lease Plus Agreement (LPA). LIFT Co would build and maintain the buildings for the duration of the contract. At the end of the 25 years, LiftCo has the residual value interest in the land and buildings. The Council will have the choice to renew the lease or to purchase the land and buildings at open market value – or to end its use of the facilities, and allow LIFTCo to dispose of the site/ building as it wishes.
- 8.3 A financial model of these options has been prepared and it demonstrates that the Council should retain the ownership of the sites. Officers consider that the option providing best value for money is the Land Retained Agreement (LRA). Selling the sites would realise a capital receipt (approximately £1m) for the Council, but would result in significantly higher annual lease costs (estimated to start at approximately £60,000 in the 2011/12 financial year) and the Council would not own the sites at the end of the 25 years.
- 8.4 The Social Care Credits provided by the Department of Health allow the Council to change the use of the facilities within a broad area of health and social care purposes. The Department of Health anticipate that Councils will find it necessary to change the use of facilities during the 25 years of operation and will only approve schemes with flexible building design. A change of use could include commissioning a third sector organisation to provide services and providing the building for their use.
- 8.5 If over the next 25 years the Council has reduced need for accommodation it could look to dispose of older buildings that are Council owned. Under the exceptional situation that these new LIFT Co facilities are no longer required the

Agreement that will be signed with LIFT Co will include clauses on early termination of the Agreement. These will allow the Council to voluntarily terminate the Agreement. If this were to happen, the Council would be required to pay LIFT Co Compensation on Termination, calculated in accordance with the terms of the Agreement. This will normally include the outstanding debt of LIFT Co at the point of termination, future profit of LIFT Co that they would otherwise have received, all breakage costs including financial breakage costs and subcontract breakage costs. This is usually an expensive option, and would need further analysis at the time of deciding whether to terminate the Agreement.

9. OPPORTUNITY COST

- 9.1 These proposals will enable the Council to dispose of the William Brinson site, bring the Jubilee site back into use and redevelop the Ronald Street site. The William Brinson site has been valued in 2009 at £1.121m. The Council will be foregoing the opportunity to sell Jubilee street, which has been valued in 2009 at £1.325m and Ronald Street valued at £405k.

10. FINANCIAL RISK

- 10.1 The Outline Business Case requires Tower Hamlets Council to ensure that it has mitigated the financial risk posed by the project. There are four risks that need to be drawn to Members attention: that the bid for Social Care PFI Credits should be sufficient to cover the costs of the new facilities; that the revenue cost to the Council should be affordable; the impact of inflation to the project and the possibility of the estimated 25 year rate of interest changing between the approval of the Outline Business case and the date of Financial Close.
- 10.2 First, LIFTCo have provided costs to include in the OBC. Our financial advisors have undertaken the necessary financial modelling and have confirmed that the credits will cover the capital and maintenance costs. Further modelling will take place between now and financial close and will be reported to Members before a final decision is made to proceed with the scheme.
- 10.3. Secondly, there is a risk to the Council that the revenue costs of using the new facilities will be greater than for the existing facilities. At present officers estimate that the hard FM costs will cost slightly less than the current hard FM budget, which is £240,000. The soft FM for two new facilities is currently estimated to cost more than the current soft FM budget of £112,000, but only because of service development changes. It is estimated that the new facilities will cost £44,000 more to operate for soft FM than the existing facilities. This cost is due to our intention to maximise use of the CIL by opening 8 am to 8 pm, which will require two facilities managers where at present we employ one for the comparable service at Southern Grove. The Directorate will seek efficiency savings through the procurement process described in paragraph 5.7 to ensure that the costs can be contained within the current revenue budget" There is

however an opportunity to review current non FM costs of current services provided (as referred to in Para 5.7) and officers are anticipating that efficiencies will can be made to fund the shortfall in this way. Later in this project the Council will need to decide whether to purchase facilities management from the east London and the City LIFT or whether to provide these services directly.

- 10.4 Thirdly, there is a risk to the Council that if inflation rises above 2.5% that the PFI credits provided by the Department of Health will not be sufficient. The credits will be awarded to the Council with an inbuilt amount to cover 2.5% inflation.. In order to reduce the potential adverse level of risk, officers have minimised the proportion of the lease cost charge which is adjusted by inflation. This reduced the risk significantly , for example if the RPI increased by 3% from the first year, the additional cost would be approximately £6,700p.a. If it increased by 4%, the additional cost to the Council would be £22,000 per annum. If, however RPI reduced to 2% from the first year the cost would reduce.
- 10.5 Fourthly, there is a risk that the interest rate used by the Department for Health when approving the OBC could increases by the time of Financial Close. This risk is mitigated however because the Authority will include a “buffer”.

11. PROJECT MANAGEMENT

- 11.1 Robust project management arrangements have been put in place to deliver this complex project. The Project Sponsor is Helen Taylor, Service Head, Commissioning and Strategy, Adults Health and Well Being Directorate. The project is being delivered by a project board that includes:
- a Tower Hamlets Council Project Manager;
 - the Head of Finance for the Adults Health and Wellbeing;
 - specialist external financial advisor;
 - specialist external legal advisor;
 - internal legal advisor;
 - specialist adviser on NHS LIFT PFI projects;
 - Technical building advisor; and,
 - relevant Service and Commissioning Managers from the Adults Health and Well Being Directorate.
- 11.2 Projects of this kind require external specialist advice and this incurs costs to the Council. During 2006/07, the year the original Outline Business Case was submitted to the Department of Health, the project incurred £72,063 in external fees. During 2007/08 the project incurred no external costs. During 2008/09 the Project incurred £31,463 in external fees. During 2009/10 we expect to resubmit the Outline Business Case to the Department of Health and reach contractual close with East London LIFT Co. For this reason we estimate fees of up to £165k during the year ahead.

11.3 Since 2006/07 these costs have been met from the local priorities programme of the Adult Health & Wellbeing Directorate's capital programme and revenue budgets. During 2009/10 these costs will be met initially from the local priorities programme provision for this project and then the balance from a Social Care Reform Grant which is given to all local authorities to reform the social care to amongst other things, help people live independently..

11.4 A indicative timetable for the key milestones is set out below.

Key milestone	Date (Indicative)
Submission of the Outline Business Case to the Department of Health	July 2009
Initial feedback on the Outline Business Case from the Department of Health	September 2009
Final approval for the LIFT PFI Credits from the Department of Health and the Treasury	March 2010
Preparation of detailed specification	Concurrent with negotiations with the Department of Health
Negotiations with LIFT Co	Concluded September 2010
Financial and contractual close	December 2010
Start of construction	March 2011 2010
Facilities available for use	June 2012

12. PLANNING CONSIDERATIONS

- 12.1 These comments are provided “without prejudice” and are the initial indicative planning guidance of Tower Hamlets Officers based on the existing planning policy context set out in 1998 Unitary Development Plan, Interim Planning Guidance, and London Plan. An in depth planning assessment is currently being carried out for both sites. ‘Letters of Comfort’ detailing the planning assessment will be duly appended to the Cabinet report.
- 12.2 The redevelopment of 2 Jubilee Street for community / education uses would be acceptable at this site in principle.
- 12.3 There are no land-use designations affecting site. However, it is immediately adjacent to the Commercial Road Conservation Area. Therefore, any proposals are required to respond sensitively to the setting of the conservation area and should not be detrimental to its character or appearance (Interim Planning Guidance policies CON1 and CON2).
- 12.4 The requirement for good design is an essential policy requirement of the Adopted Unitary Development Plan and emerging Local Development Framework. In the context of the redevelopment of 2 Jubilee Street, special regard must be had to a design response that respects and where possible enhances the setting of the adjacent Grade II Listed “George Tavern” (Stepney’s Nightclub) and more broadly the setting of the adjacent Conservation Area. The whole of the George Tavern (listed building) is included in the listing and specialist conservation advice should be sought in respect of any redevelopment proposals. Any planning application will be required to include a Design and Access statement.
- 12.5 The redevelopment of 35 Ronald Street for community/ education uses would be acceptable at this site in principle as it is an existing community use.
- 12.6 There are no land-use designations affecting site. However, it is immediately adjacent Albert Gardens Conservation Area. Therefore, any proposals are required to respond sensitively to the setting of the conservation area and should not be detrimental to its character or appearance (Interim Planning Guidance policies CON1 and CON2).
- 12.7 The requirement for good design is an essential policy requirement of the Unitary Development Plan and emerging Local Development Framework. In the context of redevelopment of 35 Ronald Street, special regard must be had to a design response that respects and where possible enhances the setting of the adjacent Grade II Listed Health Centre (384-398 Commercial Road specifically the frontage on Steel Lane) and the setting of the adjacent Conservation Area. Specialist conservation advice should be sought in respect of any redevelopment proposals. Any planning application will be required to include a Design and

Access statement.

- 12.8 For both sites, the Council will seek to minimise the amount of car parking and promote sustainable transport options for all types of development. All development will need to have adequate servicing access and make provision for disabled parking. In the case of the latter, a minimum of 2 spaces are required for all types uses or 10% of the total parking where parking is provided on site. Car –Free developments should include one space if it can be safely provided or must demonstrate where a person with a disability can park to access the development with ease. Any proposals at the site will need to be supported by a Transport Assessment.

13. COMMENTS OF THE SERVICE HEAD (ASSET STRATEGY, CAPITAL DELIVERY AND PROPERTY SERVICES)

- 13.1 The proposed re-use of assets in this way and the disposal of potentially surplus property represents good asset management practice.

14. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 14.1 This report asks the Cabinet to:

- agree to pursue the development of a Centre for Independent Living on the Council site at 2 Jubilee Street and to pursue the development of a Community Learning Disability Service on the Council site at 35 Ronald Street using the NHS LIFT approach to fund the design, development and maintenance of the two facilities by the East London LIFT Co;
- agree to the submission of an Outline Business Case to the Department of Health at the end of July 2009 by the Corporate Director (Adults Health and Wellbeing) acting under delegated authority;
- instruct officers to bring a further report to Cabinet prior to reaching financial close with East London LIFT Co, in order that Members can make a final decision at that point on whether to proceed with the scheme; and,
- appropriate the 2 Jubilee Street site for Social Care purposes.

- 14.2 Section 6 of the report clearly explains the “LIFT” (NHS Local Investment Finance Trust) approach

- 14.3 Section 7 clearly explains the Social Care PFI Credits arrangements.

- 14.4 If the Outline Business Case is approved by the Department of Health (which has reserved £17.25m Credits for Tower Hamlets for this scheme), then the proposed facilities in Jubilee Street and Ronald Street can be built by using Social Care PFI Credits. Social Care Credits will be provided by the Department of Health to cover the design, development and lifecycle costs of the proposed facilities, as identified in the Outline Business Case. In effect this means that the Authority is

receiving a grant, so the Council does not have to fund the new facilities by using capital funding e.g. prudential borrowing, use of capital receipts, which, as Members are aware, is not readily available.

- 14.5 Under the Social Care Credits arrangement, the credits support the cost of leasing a facility from the East London LIFT Co. over a 25 year period. The Credits will be paid to the Authority quarterly in equal instalments over 25 years. Although these do not increase, the Government includes in its overall calculation of the Credits 2.5% annual inflation to arrive at the annual Credit amount.
- 14.6 The value of Social Care Credits is fixed at the point the OBC is approved. As stated in paragraph 7.3, it is likely that the lease agreed with East London LIFT Co will include an increase in the lease charge in line with the Retail Price Index. The affordability of the project will be assessed over the full 25 years to ensure that projected cashflows balance. However there is a financial risk to the Authority if inflation rises by more than projected, i.e. 2.5% per year.
- 14.7 If inflation rises above 2.5% per year then the Authority would need to fund the additional cost. Conversely if it falls below 2.5% this will benefit the Authority. .. In order to reduce the potential adverse level of risk, officers have negotiated with LIFTco to minimise the proportion of the lease cost charge which is adjusted by inflation. This has reduced the risk significantly , for example if the RPI increased by 3% from the first year, the additional cost would be approximately £6,700. If it increased by 4%, the additional cost to the Council would be £22,000 per annum
- 14.8 The revenue costs of running the new facilities (known as hard and soft FM) are not covered by Social Care Credits. Ideally these FM costs should be met from the hard FM budget of £240,000 and Soft FM budget of £112,000 which are used for running current facilities as outlined in paragraph 10.3 above. The hard FM budget is sufficient to cover the hard fm costs, however there is an anticipated shortfall of the £44,000 for Soft FM costs, which will be met by efficiencies gained in running the new services.
- 14.9 The Department for Health simply requires that the new facilities are value for money and affordable within the Council's resources.
- 14.10 There is an opportunity cost of retaining 2 Jubilee Street and 35 Ronald Street and not selling them. The 2009 valuations for the sites (without planning permission) are £975,000 and £305,000 respectively. The proposals would release the William Brinson site for sale (£1.121million based on 2009 valuation) and would release the remaining used part of the Southern Grove site to enable the Council to consider options for the whole of the Southern Grove site.
- 14.11 As referred to in paragraph 11.2, a project of this kind requires specialist support (e.g. legal, finance). It is estimated the cost of this since the original Outline

Business Case was submitted and to “financial close”, will amount to approximately £196,000. This will be met initially from the Adults Health & Wellbeing local priorities capital programme provision for this project and then the balance from the Social Care Reform Grant.

- 14.12 Section 8 explains the options available to the Council with regard to retaining the land or selling/giving the land to LIFTco. It explains that after taking specialist advice, officers consider that the Council should retain ownership of the land. This will leave the Council with the option of selling the land and buildings at the end of the 25 year lease, or to retain.
- 14.13 Further financial modelling will take place before financial close and the outcome will be reported to members before a final decision is made.

15. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 15.1 *The Report is concerned with the development of a centre for independent living at 2 Jubilee Street and a community learning disability service at 35 Ronald Street with the assistance of the East London LIFT Company (LIFT Co). Although the Council has entered into a Strategic Partnering Agreement with East London Lift pursuant to a Deed of Accession, it is on a non-exclusive basis, which means that the Council may (but is not obliged to) procure social care and health related facilities from LIFT Co*
- 15.2 It will then follow the two-stage New Project Approval Process which forms part of the Strategic Partnering Agreement. Stage 1 of the Approval Process is carried out at LIFT Co’s risk. Once the schemes have achieved Stage 1 approval by the Strategic Partnering Board, LIFT Co will draw up detailed project plans, more detailed designs and financial models will be worked up. LIFT Co will seek Stage 2 approvals from the Strategic Partnering Board and once this is given the building work will commence. If the Strategic Partnering Board rejects new projects on grounds other than the approval criteria are not met then the participants in the Strategic Partnership (including the Council) would be liable to pay LIFT Co’s partnering costs incurred in developing the projects to that stage.
- 15.3 The standard PFI Project Agreement would have to be reviewed and list of the derogations formulated and approved by D of H to ensure that the Project Agreement meets the Council’s requirement.
- 15.4 In relation to the land ownership issues highlighted above the approach that would be adopted by the Council would be to grant to the LIFT Co a lease of the land on which the two facilities are to be located. This will enable the contractor to construct the new facilities. Upon completion of the construction works the contractor will grant a lease back to the Council of the new facilities. During the life span of the lease the Council will make annual payments comprising of the PFI Credits to cover the cost of leasing the facilities. If the Council elects to take

what are termed soft FM services from the contractor it will also pay an annual sum to cover these costs, which will have to be funded from its existing revenue budget by way of Unitary Charge.

- 15.5 As indicated in the report the 2 Jubilee Street has previously been declared surplus to needs by the Council. The development of this project has meant that this decision has been reviewed. In order to comply with proper asset management practices the Council needs to appropriate the site (this means identifying its use for a particular service use) for social care use.

16. ONE TOWER HAMLETS CONSIDERATIONS

- 16.1 A screening Equalities Impact Assessment has been conducted for the development of these facilities. These new facilities will contribute to a positive experience from adult social care service users who at risk of disadvantage or experiencing barriers to service delivery. Service users are being involved in the design and the user acceptance of the two proposed facilities. Later in the project, service users will be involved in the retendering and redesign of the services that will be delivered from these facilities.

17. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 17.1 All aspects of the development of this project will be subject to care with regard to SAGE, including the completion of sustainable travel plans.
- 17.2 The buildings will have an energy strategy which shall be in compliance with policies 4A.1 - 10 of the London Plan (2008) and DEV 6 of the LBTH Interim Planning Guidance. The renewable energy requirement of 20% will be in compliance with the London Plan (2008).
- 17.3 A sustainability strategy will be completed outlining the sustainability features of the development and a BREEAM assessment will be included where the development will meet (at the minimum) of an 'Excellent' rating.

18. RISK MANAGEMENT IMPLICATIONS

- 18.1 The Project raises potential risks for the Council. To mitigate the risks robust project management arrangements have been put in place. The Adults Health and Well Being Directorate manage projects through a Transformation Board. This particular project is led by the Project Sponsor, Helen Taylor, Service Head for Commissioning and Strategy. A Project Board including a representative from 4Ps a public sector body advising local government on the delivery of partnership projects. Specialist internal and external finance and legal advisors are also Project Board Members, as well as representatives from the council's physical disability and learning disability services.

19. EFFICIENCY STATEMENT

- 19.1 These proposals have been adopted by the Council as they represent a means of securing additional resources to develop new facilities for service delivery. Under the terms of the Department of Health's Social Care Credits scheme, the Council is required to use the LIFT procurement route.

Local Government Act, 1972 Section 100D (As amended) List of "Background Papers" used in the preparation of this report

Brief description of "back ground papers"	Name and telephone number of holder and address where open to inspection.
"The Centre for Independent Living and the Community Learning Disability Service Tower Hamlets LIFT Outline Business Case" (Tower Hamlets Council, 2009)	Andrew Shirras, Service Manager, Business Support and Programme Management, 020 7364 2140
"Improving Life Chances of Disabled People" (Cabinet Office, 2008)	