



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Business Case – Care Homes Retrofit

VERSION CONTROL

Document version	Publication date	Description of changes	Modified by
1	12 May 2022	Business Case	AC
2	25 May 2022	Amendments following PARC	AC

EXECUTIVE SUMMARY

STRATEGIC CASE

The retrofitting of care homes to reduce climate impacts aligns with objectives of the Sustainable Growth Ambition Statement. The Statement's climate objective is:

"Climate and Nature: restoring the area's depleted natural capital and addressing the impact of climate change on our low-lying area's special vulnerabilities"

By enabling businesses to take action and reduce risks to more vulnerable residents, the project will also deliver against the Statement's human capital objective.

By supporting investment in retrofit measures this will also help to build the local supply chain and skills capacity in that area.

The CPCA has agreed the Climate Action Plan that supports demonstration projects to encourage wider behaviour change. The CPCA has endorsed the Environmental Principles for the OxCam Arc, which includes tackling climate issues and other environmental outcomes. If the retro fit projects involve nature-based solutions then it may also contribute to the target to double the amount of rich wildlife area through the 'Vision for Nature'.

The programme is consistent with climate action priorities as set out in local Climate and Environment Strategies. It aligns with recommendations of the CPICC.

ECONOMIC CASE

A do-nothing approach would mean care homes would not be investing in projects that move towards net zero or will do so dependent on a market response or raising other sources of funding.

The individual projects will provide reductions in carbon emissions, that will have an economic benefit in reducing running costs and a social benefit via the cost of carbon saved. This can be calculated and monitored as part of the evaluation of the effectiveness of the programme. There will be a multiplier effect of other businesses learning from, and replicating, the types of investment made.

The programme will be run via a competitive prospectus approach. Appraisal of individual bids will include an assessment of economic benefit vs economic costs, including the match funding.

The works will help to increase capacity and skills in the retrofit sector.

FINANCIAL CASE

The £2m programme will be run as a competitive grant pot, with circa 40 awards around £50k (giving £100k average project size). Match funding is a requirement. The programme is focused on supporting change in those businesses that will have challenges in making the required investments. Care home businesses that have large asset bases are unlikely to meet that criteria. The Prospectus will define this business eligibility. The Prospectus bid criteria will also include weightings taking into account the relative vulnerability of the property and its residents to climate impacts.

COMMERCIAL CASE

The programme will be run as a CPCA programme, similar in operation to other CPCA grant programmes such as the LGF. A small element of the private sector match funding will be retained for administration of the programme.

MANAGEMENT CASE

The Programme is designed for two year programme of activity during 22/23 and 23/24 . Depending on the evaluation further iterations of the programme could be considered for future funding.

INTRODUCTION

The Cambridgeshire and Peterborough Independent Commission on Climate (CPICC) gathered evidence on the relative vulnerability of the area to future climate events, based on the geography and land-use. The CPICC also highlighted the heat and energy needs of existing buildings as a significant contributor to greenhouse gas emissions, and recommended demonstrator projects to encourage private sector investment.

There are circa 6,000 bedspaces of residential care, at over 170 locations in Cambridgeshire and Peterborough. There are a wide variety of accommodation from converted buildings to purpose-built. There is also a variety of ownership models, from independent single locations to national groups. Many of these properties have opportunities to reducing emissions from heat and energy needs. In addition, with the increasing likelihood of extreme summer heat events similar to that in 2018 there is likely to be future pressure to invest in cooling systems to protect vulnerable residents. There is an opportunity to look at nature-based solutions (such as cooling effect from trees) rather than technology based investment (and reducing the need for air-conditioning).

Given the difficult circumstances of the pandemic on the care sector it is likely to be a lower priority in the short term for the sector to invest in climate ready measures (even where over the long term they might pay for themselves in savings). Given the fragmented nature of the sector it is also likely to be limited capacity and expertise on appropriate measures, with reliance on external advice.

The aim of the programme would be to support 40 care home climate retrofit projects across the Combined Authority area. The programme will not be available for private dwelling homes (other grants may be available).

STRATEGIC CASE

INTRODUCTION

The purpose of the strategic case is to demonstrate alignment with local, regional and national policy objectives. Specifically, the strategic case should test the project fit with the CPCA's Sustainable Growth Ambition Statement.

STRATEGIC PRIORITY

The Care Home Retrofit programme aligns with objectives of the Sustainable Growth Ambition Statement. The Statement's climate objective is:

Climate and Nature: restoring the area's depleted natural capital and addressing the impact of climate change on our low-lying area's special vulnerabilities

By reducing climate risks to more vulnerable residents, the project will also deliver against the Statement's human capital objective:

People: building human capital - the health and skills of the population - to raise both productivity and the quality of life so that that people in our region are healthy and able to pursue the jobs and lives they want.

The programme is referenced in the adopted Climate Action Plan, which also supports demonstration projects to encourage wider behaviour change. The CPCA has endorsed the Environmental Principles for the OxCam Arc, which includes tackling climate issues and other environmental outcomes.

The programme is consistent with climate action priorities as set out in local Climate and Environment Strategies. It aligns with recommendations of the CPICC and the emerging Health and Wellbeing Strategy.

By applying appropriate criteria to the bid scoring there is also an opportunity deliver against the reducing inequalities objective: *investing in the community and building social capital to complement improved skills and connectivity as part of the effort to narrow the big gaps in life expectancy and people's income between places.*

CASE FOR CHANGE

The driver for change is to avoid harm to residents from climate related events (specifically flooding or extreme heat) and reduce greenhouse gases emissions from buildings in the adult care sector. Each degree of increase in heat above a comfortable temperature correlates with a 1% increase in patients presenting to A&E.

Do-nothing scenario relies on private-sector led investment into preventative measures. The ability to achieve this is reduced by (a) impact of covid-19 pandemic on finances (b) lack of institutional knowledge on appropriate measures (c) fragmented nature of sector ownership.

CLIMATE CONSIDERATIONS

The programme would have a net positive effect on climate. Although construction and materials have an embodied carbon cost, net zero projects are likely to be focused on reducing energy use and therefore provide a net benefit over time. Energy efficiency measures also 'release' future expenditure that can be deployed for other purposes or reduce bills.

SMART OBJECTIVES

Objectives:

1. By end June 2022 to issue questionnaire to 170+ care homes to assess current position and opportunity, and raise awareness of the programme

2. July 2022 – September 2022 Prospectus and EoI Bidding Round
3. By end October 2022 to agree the initial 16 prospective projects to take forward to full bids
4. By end November 2022 baseline surveys of the 16 projects undertaken and bids approved
5. January 2023 launch second round, further 24 agreed projects
6. By end September 2023 12 upgrades completed
7. By end March 2024 further 28 upgrades completed

SPECIFIC DELIVERABLES/OUTPUTS

Match fund the retrofitting of 40 care homes by March 2024 to provide resilience to climate events and/or reduce greenhouse gas emissions.

PROJECT OUTCOMES/IMPACTS

Key success factors are that the programme has generated examples of achievable retrofitting projects to meet climate challenges, reduced climate risk to vulnerable residents, and increased awareness of the need for local action on climate change emissions and risks.

CPCA performance management metrics

The Programme will deliver an outcome monitored under **CPCA performance metric 6: Total Carbon Dioxide Emissions**.

The Programme may deliver an outcome under **CPCA performance metric 17: Health Index**

The Programme may also contribute to an outcome monitored under **CPCA performance metric 8: Climate and Nature - Land Area Providing Nature Rich Habitat (PNRH) by District**. Allowance will need to be made for the biodiversity outcome to increase over time, as habitats take time to establish.

1. KEY METRIC: Change in EPC ratings
2. KEY METRIC: Uptake of climate appraisals
3. OTHER LINKED METRIC: Increase in biodiversity through nature-based solutions
4. OTHER LINKED METRIC: Supply Chain capacity improvements

DESIGNS

Not applicable at this stage.

RISKS

Scope risks

1. The condition of the existing stock may not require upgrading [Mitigation – professional opinion from CCC is that there are many opportunities for upgrades; will undertake questionnaire survey prior to development of Prospectus]
2. Cost of measures do not allow 40 schemes to proceed [Mitigation – Undertake market testing of likely expenditure to inform the Prospectus; can adjust the Output measure of number of schemes]
3. Lack of private sector match funding [Mitigation – energy performance measures will pay back over time and that cost can be amortised to justify private investment]
4. State Aid [Mitigation – new UK arrangements; Prospectus to be competitive bids]

Operational risks (excluding standard risks such as project management)

1. Ability to undertake upgrades within timetable impacted by the needs of residents in care [Mitigation – ability to consider a longer delivery period; Will be a key requirement of an EoI to explain how the delivery will be achieved]
2. Supply chain risks [Mitigation – the programme is not setting up any additional contractors framework for supply of the retrofits (to be procured by care homes) so this removes risk around a single delivery contractor; discussions are underway about the potential to access the Warmer Homes/LAD3 framework should that offer efficiencies to the programme]

Opportunities

1. Link with greenspace schemes / Biodiversity Net Gain
2. Skills development in supply chain

CONSTRAINTS

No additional constraints.

DEPENDENCIES

Success is dependent on demand and capacity from care home businesses to undertake projects. Informal testing has demonstrated an appetite for this type of programme.

ECONOMIC CASE

INTRODUCTION

The National Audit Office state that good value for money is the optimal use of resources to achieve intended outcomes. This includes ensuring that:

- There is balance of inputs, outputs & outcomes
- 'optimal' is the most desirable possible, given restrictions or constraints
- what does good look like? has been answered

The Combined Authority Assurance Framework also states that we must achieve value for money through ensuring all projects contribute to the objectives of the Combined Authority via adherence to the Green Book principles. This means all business cases must demonstrate a strong fit with the strategic objectives of the Combined Authority Board.

This financial case includes a Logic Model, a Green Book Outcome Profile Tool linked to our Sustainable Growth Ambition Statement and a summary of economic benefits to ensure that the value for money question has been answered.

All projects delivered through the programme are specifically intended to reduce emissions (which have a shadow carbon cost that can be applied) or reduce exposure to climate risks. There will be economic benefits from (a) energy cost savings over time (b) reduction in adverse health outcomes (c) reduction in insurance risks. There will be a benefit to developing supply chain capacity but likely to be relatively small economic/jobs benefit given the scale of the programme. However, there are similarities with the domestic retrofit programme being rolled out by councils under the Action on Energy scheme so the programme builds momentum in the supply chain (although this is also a capacity risk as identified under Risks).

The programme will be a match-funded programme with private sector investment.

Combined Authority Business Case Care Homes Retrofit

APPROACH TO ECONOMIC CASE

The Economic Case uses the outcome appraisal tool to establish the link to strategic objectives and assess the 'optimal' approach to the project.

OPTIONS ASSESSMENT

A Do-nothing approach would rely on care homes to fund and undertake improvements as part of future investment. Given the difficult circumstances of the pandemic on the care sector it is likely to be a lower priority in the short term for the sector to invest in climate measures (even where over the long term they might pay for themselves in savings). This will particularly be the case where the care home businesses are SMEs with small asset bases. Given the relatively fragmented nature of the sector there is also likely to be limited capacity and expertise on determining appropriate measures, with reliance on external advice.

An Option has been considered to provide 100% grant. This has been rejected as it would both reduce the overall number of projects, affect value for money, and does not reflect that as businesses, care homes ought to have long term property strategies and investment priorities.

Options have been considered and rejected to vary the preferred bid size to higher or lower than the proposed average of £50k. If significantly lower it increases administrative burdens and is likely to restrict meaningful capital works. If raised higher it reduces the number of schemes and would favour businesses more able to raise significant matching capital.

Options have been considered about focusing the programme to deliver the best value. It is considered that largescale care home businesses (that might be operating across many care homes) will have a significant asset base to raise funding (and deliver economies of scale). The reverse will be true for single site or smallscale care home businesses. The funding eligibility criteria will reflect this.

The Independent Commission on Climate looked at climate risks for the CPCA area. It found that the risks of flooding and overheating were higher than many other parts of the UK. The assessment criteria will include an element to reflect risk factors.

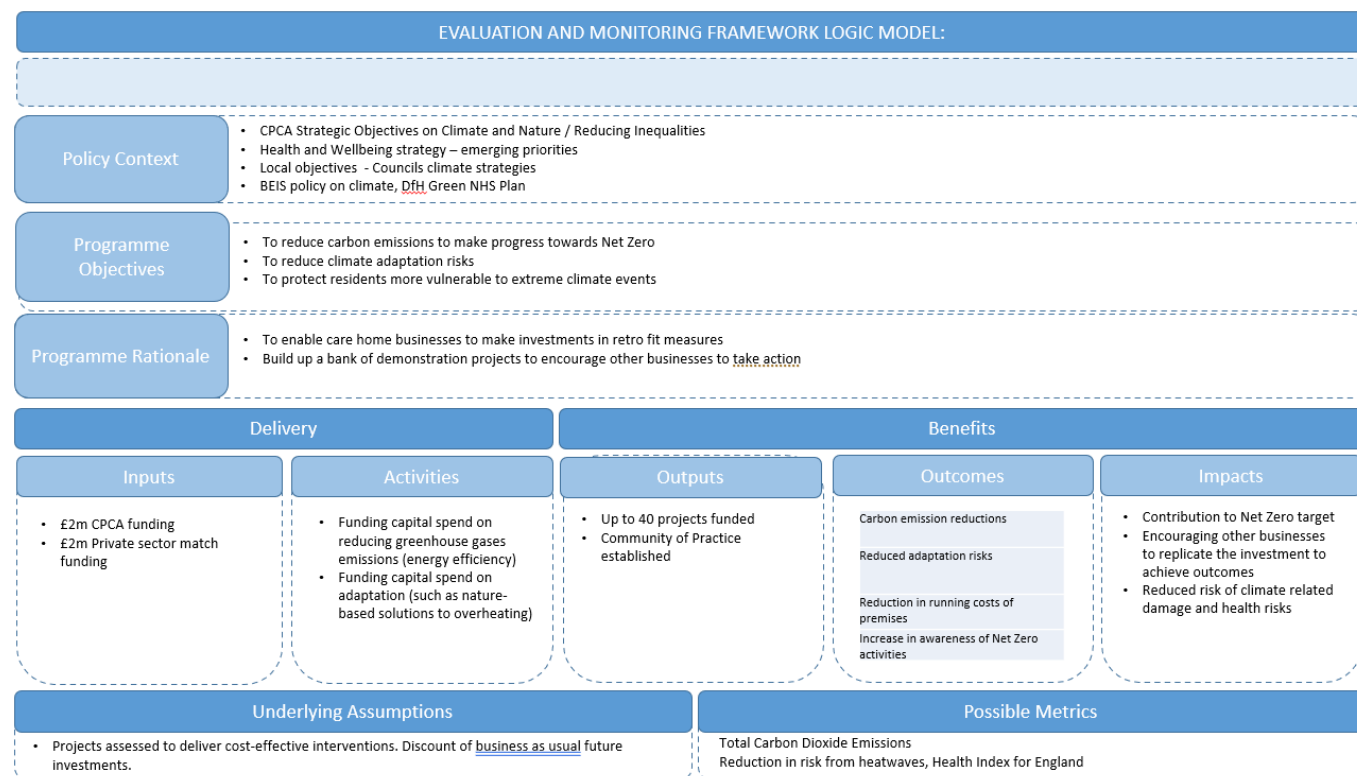
APPRAISAL SUMMARY TABLE

Not used.

OUTCOME PROFILE TOOL

Sustainable Growth Outcomes	Climate and Nature	Health and Skills
Other Programme Outcomes (optional)	Climate Action Plan (CPCA) District/Borough Climate Action Plans Cambridgeshire and Peterborough Flood Risk Management Strategy	Emerging Health and Wellbeing priorities
Project outcomes	Carbon emission reductions Increase in awareness of Net Zero activities Uptake in retrofit measures Increase in supply chain capacity	Reduction in climate related risks to health
Project outputs	Reducing carbon emissions in 40 care homes Capital investment to reduce adaptation risks Community of Practice established with case studies	Care bedspaces with reduced risk from overheating during extreme climate event
Project measures	Total Carbon Dioxide Emissions	Health Index for England
Limitations	Emissions need to be discounted by estimation of future 'business as usual' replacement/upgrade that the capital project has brought forward.	

LOGIC MODEL



ECONOMIC BENEFITS

The individual projects will provide reductions in carbon emissions, that will have a social benefit via the cost of carbon. This will be calculated and monitored as part of the individual project bids and evaluation of the effectiveness of the programme. There will be a multiplier effect of other businesses learning from, Combined Authority Business Case Care Homes Retrofit

and replicating, the types of investment made. There will be a health benefit from the reduction in risk from heatwaves on vulnerable residents.

DISPLACEMENT AND DEADWEIGHT

There is the potential for Deadweight if core work is funded that would be considered business as usual and therefore will not create added benefits. To consider this, the bid proforma will request information on planned and remaining lifecycle of existing infrastructure, to discount appropriately.

ECONOMIC COSTS

The programme will be run via a competitive prospectus approach. Appraisal of individual bids will include an assessment of economic benefit vs economic costs, including any match funding. Retrofitting is likely to reduce running costs. There would only be an economic cost if money saved was then deployed in a way that increased carbon emissions elsewhere (such as increased use of energy).

NON-QUANTIFIABLE BENEFITS

Depending on the type of retrofit capital project there may be other benefits, such as increased biodiversity from nature-based solutions or making community facilities more cost effective to run, promoting other activities that contribute to wellbeing.

SUMMARY

The project shows a clear link from the strategic objectives of the CPCA (and health partners) to the optimal solution proposed and therefore can be expected to provide value for money, although this will be assessed at the level of individual bids.

COMMERCIAL CASE

INTRODUCTION

The objectives of the commercial case is to set out the commercial objectives and constraints for the project mainly relating to procurement.

The programme will be administered by the CPCA and delivered by businesses.

PROCUREMENT OPTIONS

The Programme would operate via a Prospectus and competitive bidding round. Successful projects would procure activity. After a competitive bid round, the successful projects will be responsible for procuring and managing suitable contractors to undertake the retrofit/improvements.

The 'Action on Energy' domestic retrofit programme under the Sustainable Warmth grant is currently establishing a procurement Framework with pre-approved contractors. That Framework is being designed to allow other programmes (such as this one) to potentially access that Framework. This option will continue to be explored as a potential option for successful project bids.

DELIVERY OF THE PROJECT

CPCA is the funding organisation. The programme will be operated internally, with bids assessed via a weighted assessment proforma. Provision for administration costs of £75,000 are made within the programme.

PROCUREMENT STRATEGY

The grant scheme will run via a publicised prospectus. Care home businesses will need to provide evidence of quotes for activity in line with the CPCA's procurement policies. The potential use of the Action for Energy Framework is highlighted above.

WIDER CONSIDERATIONS

Match funding with other public sector grants would be allowed.

FINANCIAL CASE

INTRODUCTION

The purpose of the financial case is to assess the financial implications of the options as laid out within the strategic case and consider financial risk. The financial case is to deliver the preferred option and follows the appraisal set out in the Strategic and Economic Cases.

APPROACH TO FINANCIAL CASE

The grant programme has been benchmarked against other CPCA grant funding programmes. The appropriate scale of grant has been discussed with the Net Zero Hub, and with operations managers familiar with the stock condition of care homes.

PROJECT COSTING TABLE

Financial Year		2022-23	2023-24	2024-25
Project Costs	Revenue	25	50	
	Capital (£'000s)	975	2950	
	Total	1000	3000	

Financial Year		2021-22	2022-23	2023-24	2024-25
Funding Stream	CPCA	500	1500		
	Private sector / Other match funding	500	1500		

Includes provision for £25K in 22/23 and £50K in 23/24 of revenue to cover professional fees and administration. This will be funded from the private sector match element of the programme.

The above costs assume an average £50k of CPCA investment per location (£100k average project size with match funding).

PROJECT COST BREAKDOWN TABLE

Sources	Value	Uses	Value
Combined Authority	£2m		
Private sector co-funding	£2m	Development Costs	£1.925m
		Operating Costs and Management Fees	£0.075m
Total Sources	£4m	Total Uses	£4m

The £2m Combined Authority contribution is in the MTFP (Subject to Approval), although the capital spend profile is adjusted to reflect a higher spend in the second year of the programme to allow for the programme initial set up.

AFFORDABILITY ASSESSMENT

The project is to be delivered in FY22/23 and FY23/24 has been costed as such. Any construction industry inflationary pressures would be accommodated within the financial profile by adjusting the total grant available per scheme (although this may impact on overall number of projects).

CHARGING MECHANISM / CLAIM/INVOICE PROCESS

Grants will be paid in arrears on proof of valid expenditures.

MANAGEMENT CASE

INTRODUCTION

The purpose of management case is to test that robust arrangements are in place to manage the delivery of the project.

PROJECT TIMELINE

1. By end June 2022 to issue questionnaire survey 170+ care homes to assess current position and opportunity, and raise awareness
2. July 2022 – September 2022 Prospectus and EoI Bidding Round
3. By end October 2022 to agree the initial 16 EoIs to progress to bids
4. By end December 2022 climate surveys undertaken and bids approved
5. January 2023 launch second round, further 24 agreed projects
6. By end September 2023 12 upgrades completed
7. By end March 2024 further 28 upgrades completed

EXIT STRATEGY

The Programme is designed for a 'focussed' one year push on activity. Depending on the evaluation further iterations of the programme could be considered for future funding. This could revisit the decision on match funding. Any ongoing requirement for monitoring of upgraded performance – to be included in contracts.

CHANGE MANAGEMENT

Project has the same change management process and tolerances set out in the 10-point guide and Risk Management Strategy

PROJECT MANAGEMENT

SRO: Adrian Cannard, Strategic Planning Manager

CPCA Project Manager: Principal Climate Change Officer [Vacancy]

External Project Managers: Care Home businesses to identify a lead Project Manager

<div><div><div>R = Responsible</div><div>A = Accountable</div><div>C = Consulted</div><div>I = Informed</div></div><div>Activities</div></div> <div>Organisational Role</div>	Director (Senior Responsible Officer)	Programme Director	Programme Manager	External Project Managers		
	Project initiation	C	A	R		
	Delivery of the project	I	A	R	R	
	Changes to cost and programme	I	C	A	R	
	Compliance and assurance of operational data	I	I	C	A	
	Technical assurance of the content and quality of data throughout the life of the project	I	I	A	R	

<i>Content and quality of information data on a day to day basis</i>	I	I	A	R		
<i>Project closure</i>	I	A	R			

RISK MANAGEMENT STRATEGY

The CPCA risk management approach will be put into place. Initial risks have been highlighted in the Strategic Case section.

STAKEHOLDER PLAN

A Prospectus will set out details of the scheme and bidding criteria. This will be disseminated via direct contact (using database of care homes), Councils, and the social media channels of the CPCA and councils. A Community of Practice will be established for the sharing of projects and information. Engagement has been made with Cambridgeshire County Council in their role as commissioner and funder of adult social care, including residential care. Their networks and contacts will assist with the engagement with the care sector on the Prospectus and programme.

The County Council are designing and building a new care home (Ely) and experience with the design and costs of that facility will be drawn into the Prospectus and recommended measures.

ASSURANCE

The programme will be under the CPCA's assurance framework and constitution.

SUPPLY SIDE CAPACITY AND CAPABILITY

The delivery relies on a successful bid process and capacity in communities.

KEY CONTRACTUAL AGREEMENTS

Grant agreements will be required with a legal entity per project.

MONITORING AND EVALUATION

The Programme will deliver an outcome monitored under **CPCA performance metric 6: Total Carbon Dioxide Emissions**.

The Programme may deliver an outcome under **CPCA performance metric 17: Health Index**

The Programme may also contribute to an outcome monitored under **CPCA performance metric 8: Climate and Nature - Land Area Providing Nature Rich Habitat (PNRH) by District**. Allowance will need to be made for the biodiversity outcome to increase over time, as habitats take time to establish.

There will be an interim evaluation of effectiveness of the programme management; Post completion evaluation.

