

CABINET (HOUSING) COMMITTEE

30 SEPTEMBER 2015

WINCHESTER EXTRA CARE SCHEME – AUTHORISATION TO PROCEED

REPORT OF HEAD OF NEW HOMES DELIVERY

Contact Officer: Andrew Palmer Tel No: 01962 848152

RECENT REFERENCES:

[CAB2441\(HD\)](#) –Extra Care Scheme, Bid for Homes and Community Agency Funding, 17 January 2013

CAB2511 – Winchester District Car Parking Strategy, 11 September 2013

CAB2538 – Winchester Extra Care Scheme, 4 December 2013

CAB2601 – Winchester Extra Care Scheme, 9 July 2014

EXECUTIVE SUMMARY:

The report seeks approval to appoint a preferred bidder for the build contract to construct 52 flats and day care facilities on Chesil Street surface car park. A report will be brought to Cabinet on 21 October 2015 to agree the final contract sum and the necessary information to satisfy Financial Procedure Rule 6.4 to approve the capital expenditure involved, and a recommendation will also be made to full Council on 4 November 2015 to approve a revised capital programme which includes the virement required to allow the scheme to proceed.

RECOMMENDATIONS:

1. That the use of the Harris Bequest to assist in the funding of the scheme be agreed.
2. That subject to the recommendations in Exempt Appendix 3, the agreed tenure split for the scheme be 44 rented, 6 shared ownership and 2 open market sale dwellings.

3. That the appointment of Design Engine as the Council's design guardian for the scheme be approved as set out in the report and a Direction under Contracts Procedure Rules 2.4 (a) be made accordingly.
4. That the Head of Estates be authorised to negotiate and agree terms for easements, wayleaves and related agreements with utility suppliers, telecom/media providers and neighbours in order to facilitate the development.

To Cabinet:-

5. (Subject to approval of full Council to the revised new build capital programme) that the preferred bidder for the construction of the scheme, as set out in Exempt Appendix 3, be approved.
6. Subject to the above, that the Assistant Director (Chief Housing Officer) be given delegated authority to enter into the build contract with the preferred bidder for a sum not exceeding the amount set out in Exempt Appendix 3.
7. That approval be given under Financial Procedure Rule 6.4 to the capital expenditure under the scheme, as set out in Exempt Appendix 2.
8. That the Portfolio Holder for Business Services be authorised to appropriate (through the Portfolio Holder Decision Notice process and before any commencement of building works) the Chesil Street Surface car park for the purposes of Part II of the Housing Act 1985.

To Council

9. That the total scheme costs for the Chesil St Extra Care scheme be increased by £2,428,000, funded by additional capital receipts of £740,000 and a virement of £1,688,000 from the Small Sites/Unallocated Sites allowance in 2016/17 and 2017/18, with no net overall increase in the New Build programme, as detailed in paragraph 4 and Appendix 1.

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REPORT OF HEAD OF NEW HOMES DELIVERY

1. Background and Need

- 1.1. As part of the Council's strategic housing responsibilities, it has been working with Hampshire County Council (HCC) to look at ways of achieving the provision of an extra care housing scheme in Winchester. Winchester's population is ageing and a higher percentage of older people are now choosing to remain as independent as possible, rather than agree to move into institutional accommodation. As a result, they may struggle to remain in accommodation which is increasingly unsuitable for their needs and in which it is difficult to provide the care they need. The alternative of purpose-designed accommodation, into which they could move and receive a significant level of care, whilst remaining otherwise independent, provides a better environment for the individual and potentially frees up family-sized accommodation which is currently in short supply.
- 1.2. The Government's vision for adult social care is for services to be delivered in a way that is more personalised and financially sustainable. All public sector housing providers have to consider how they are to meet the housing needs of their elderly tenants in the future, whilst care providers seek cost-effective ways of delivering care packages. Large scale housing schemes which are specifically for people who also need in-home care is one of the mechanisms for achieving this. District Councils (which have the housing obligation) and County Councils (which have the care obligation) are working together in many locations to achieve schemes of this type for people who are in the affordable housing sector.
- 1.3. Demand for modern purpose-built older persons' accommodation which reflects the changing living patterns will be a particular issue in Winchester District as the number of residents over 80 continues to grow. Based on the latest census data from 2011, there has been a 25% increase in the District's households over the age of 85 since 2001 (and a 45% increase in the 60 to 64 age group). In the St. John and All Saints, St. Michaels and St. Bartholomew's wards, around 11% of the population is currently over 75 years of age, and that is set to increase by around 150 people by 2017.
- 1.4. In July 2014, Cabinet confirmed their support for Chesil Street surface car park as the preferred site for an extra care scheme. In addition, authorisation was granted for the submission of a planning application and tendering of the build works contract (in event of planning consent being granted). Planning consent for the 52 unit scheme with under-croft car parking was granted in

February 2015. During the design and planning process Design Engine were appointed (via competitive tender) by the Council to act as advisers to the principal architects (PDP) in order to give local context to the scheme. Their work was considered a success and interested bodies such as the City of Winchester Trust have strongly advised that they be retained by the Council as design guardians throughout the development, to ensure that the contractor delivers the quality finished scheme that is expected. Design Engine have submitted a fee proposal for this work which is above the delegated Officer limit for the direct award of a contract. Their fee is based on a monthly rate of £1,500 for the duration of the build contract of 18 months, which is considered an appropriate rate for the work to be undertaken. Given the benefits which have been secured to date through their involvement, it is proposed to a Direction under Contracts Procedure Rule 2.4 a) be made to allow the appointment of Design Engine as design guardian for the extra care scheme.

- 1.5. Funding for the scheme, which was originally planned as 44 rented and 6 shared ownership units, was made available from the Homes & Community Agency (HCA) of £1.85M, Hampshire County Council of £1.7M and the Harris Bequest of £0.6M. The balance is being funded from the Council's new build programme. All of the rented properties in the scheme will be owned by the Council: initially, the view was that the shared ownership units would be owned and marketed by a Registered Provider (with initial sales on a 75% share basis) but it is more financially viable for the Council to own these units, (with initial sales on a 50% basis). The additional 2 homes which are not subject to any funding conditions contained in the HCA bid can be either rented units, shared ownership or for outright sale. At this stage the outright sale option is the most financially advantageous to the viability of the scheme.

2. Tender Process

- 2.1. The tender process commenced in April 2015 and was managed by the Council's appointed construction advisers, Baqus. Tenders were invited through the Homes and Communities DPP2 OJEU compliant Framework and has been conducted in accordance with the Public Contracts Regulations and the Council's own contract procedure rules. As part of the tender process, the tenderers were informed in advance how returns would be assessed, in order to select the most economically advantageous tender.
- 2.2. Details of the tenders returned are set out in Exempt Appendix 3.
- 2.3. A report will be brought to Cabinet on 21 October 2015 with a recommended final contract sum accompanied by the financial information to satisfy Financial Procedure Rule 6.4.

OTHER CONSIDERATIONS

3. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO)

- 3.1. Developing new homes is a key priority of the Council as it seeks to promote active communities. It also facilitates the District's economic prosperity

4. RESOURCE IMPLICATIONS

- 4.1. In order for the scheme to proceed, the Council will need to ensure that it has the resources available in the HRA New Build capital programme to meet the expected costs. Some of the capital funding would come from Homes and Community Agency (HCA) grant, from Hampshire County Council and from the sale of open market and shared ownership units. It is also considered that this scheme is an appropriate use of the Harris Bequest recently made to the Council (report CAB 2283 refers - the Bequest was included in the capital programme, subject to a case being made for its use on a suitable project in due course). The HCA grant element has been confirmed and a timetable of key development milestones has been supplied to them. They will closely monitor the project to ensure that the grant is drawn down promptly and in accordance with the conditions. The grant awarded by the HCA to the Council assumed that an 80% affordable rent would be charged for the rental units (in line with all HCA grant funded schemes).
- 4.2. The Harris Bequest was made by Mr Harold William Alfred Harris, who was born in Winchester, but lived in Hong Kong, and left part of his estate to the Council to help to provide housing accommodation for senior citizens in Winchester. Cabinet decided to accept the Bequest for these purposes on 7 December 2011 (Report CAB2270 refers).
- 4.3. The relevant extracts from the Will are as follows:

" I GIVE

due to being born and brought up in the City of Winchester all my assets situate in the United Kingdom to Winchester City Council or its successor ("the Council") of City Offices Colebrook Street Winchester SO23 9LJ United Kingdom to be applied towards the capital costs of housing the senior citizens of the City of Winchester either by a scheme undertaken directly by the Council or alternatively by the Council providing grant aid towards such a scheme undertaken by a Housing Association, Trust or similarly constituted body.....

..... AND I FURTHER DECLARE that I would like a small plaque or other inscription containing my wife's and my name to be placedon the building....(s)... to which a contribution has been made as an acknowledgement of this said Bequest....."

The name of Mr Harris's wife, who pre-deceased him, was Yuk Sin Harris.

- 4.4. The Bequest can only be used for capital purposes for senior citizen housing. It can either contribute towards new build or major improvements to existing scheme(s).
- 4.5. S139(1)(a) Local Government Act 1972 enabled the Council to accept gifts for the purpose of any of its functions – in this case the provision of housing accommodation under the Housing Acts and related statutory provisions on assistance to Housing Associations and Trusts e.g. Local Government Act 1988.
- 4.6. The Extra Care Scheme at Chesil Street meets the criteria set out in the Bequest and this report recommends that it be used towards the costs of the provision of Council properties available for rent within the scheme.
- 4.7. As the site in question is currently in use as a car park, it will be necessary to consider the impact on the General Fund. The Car Parking Strategy has identified that the demand for off-street parking in this part of Winchester Town could be met using the adjacent multi-storey car park alone. The General Fund will receive appropriate value from the HRA for the changed use of the surface car park. The Chesil Street surface car park will need to be appropriated from the General Fund to the Housing Revenue Account, and it is suggested that this be done immediately prior to development commencing on the site. This will allow the GF to benefit from car park income for the maximum period. It is therefore recommended that authority for the appropriation of the land be sought through the Portfolio Holder Decision Notice process, and that Cabinet authorises the Portfolio Holder for Business Services accordingly.
- 4.8. The current viability appraisal, based on a final build contract sum as set out in Exempt Appendix 1, is contained in Exempt Appendix 2. In summary the scheme is viable based on 52 units, 44 rented, 6 shared ownership and 2 for sale. Assuming the build contract is as above it shows a positive Net Present Value based on a year 35 payback period. The payback period for other schemes to date has typically been 30 years or less. However, these have all been general needs housing schemes.
- 4.9. There are significant additional costs associated with developing extra care schemes that makes meeting the Council's standard viability test for new housing very challenging. They include, larger individual flats to meet mobility needs in line with Housing our Ageing Population, Panel for Innovation (HAPPI) guidelines, additional scheme facilities that do not generate revenue such as a kitchen and dining area and (particular to this scheme) under-croft car parking. Where possible, the Council develops affordable housing on existing Council housing land and pays no land costs, but in this instance no housing land was available and a General Fund asset had to be acquired at its market value. In addition, there is a strong economic case for development which is difficult to justify (as set out in this report).

- 4.10. The total scheme cost is £15,294,000, an increase of £2,428,000 compared to the original budget approved in February 2015. The increase results from the general increase in construction costs, land valuation and fees incurred to date. This increase is partly offset by additional capital receipts of £740,000. It is recommended that the remaining £1,688,000 be vired from the within the Capital Programme, from the Small Sites/Unallocated Sites allowance in 2016/17 and 2017/18, as set out in the revised capital programme included in Appendix 1. As this sum exceeds £500,000, approval of full Council will be required.
- 4.11. A summary of the additional costs to the HRA following the tender exercise is shown in the table below. Additionally this shows the extra income from HCC contributions and sales receipts. This updated information has also been fed in to the new build capital programme and Appendix 1 shows a proposed revised programme for the years 2015/16 to 2019/20 for approval by Cabinet. Members may wish to note the opportunity has also been taken to amend the capital programme for other new build schemes, specifically Bourne Close, Itchen Abbas and Victoria House where updated cost expectations are known.

Financial Year	Approved Budget (£000)	Revised Budget (£000)
Costs		
Previous years	258	264
2015/16	5,156	2,952
2016/17	6,880	10,937
2017/18	572	1,141
Total	12,866	15,294
Funding		
Homes & Communities Agency	1,850	1,850
Harris Bequest	605	605
Hampshire CC	1,100	1,700
Sales Receipts	1,260	1,400
Borrowing/Revenue Contributions	8,051	9,739

Total	12,866	15,294
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5. RISK MANAGEMENT ISSUES

- 5.1. The significant financial risk involved at this stage is the loss of fees already spent on the project in the design, preparation of a planning application and associated technical work if the scheme does not proceed. The tenure mix of the scheme has now changed with the Council taking on the risk of selling all of the properties (both shared ownership and market), and therefore, a suitable exit strategy will be developed to cover the eventuality of a fall in property sales values.
- 5.2. As part of the conditions related to the HCA grant, the Council has provided an indicative timetable for the development of the extra care scheme. Variation from this timetable needs HCA approval or there is a risk funding offer will be withdrawn.
- 5.3. The viability appraisal has used rental policies and guidelines as they are currently in place. Members and officers will be aware of proposed reductions to social rents between April 2016 and March 2020 in the Welfare Bill and this risk has been sensitivity checked and this is noted as a risk for this project. However, it is also understood that consideration is being given to exemptions from the reductions for supported housing.

BACKGROUND DOCUMENTS

Hampshire County Council Executive Decision Record 3772

http://www3.hants.gov.uk/councilmeetings/advsearchmeetings/meetingsitems/summary.htm?tab=1&item_ID=3772

APPENDICES

Appendix 1 – Updated HRA Capital Programme (New Build)

EXEMPT Appendix 2 - Scheme Viability Appraisal

EXEMPT Appendix 3 – Tender Report

UPDATED HOUSING REVENUE CAPITAL PROGRAMME (NEW BUILD)

		2015/16	2016/17	2017/18	2018/19	2019/20	Total
Scheme description	Previous years actuals	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.
	£000	£000	£000	£000	£000	£000	£000
New Build Programme							
Bourne Close	451	8					459
Pumping Station, Itchen Abbas	639	10					649
NQH development - Stanmore	361	2,356					2,717
Swanmore / Springvale	12	369					381
Westman Rd	67	1,887	8				1,962
Victoria House	161	435	3,878	374			4,848
Hillier Way	0	500	1,821				2,321
Extra Care	264	2,952	10,937	1,141			15,294
Mitford road	0	25	700	715			1,440
Wilberforce Close - Stanmore	0		1,240	2,360			3,600
Property Acquisition	486	1,015					1,501
Small sites / unallocated programme	0	31	1,000	3,757	5,810	5,970	16,568
Total New Build Programme	2,441	9,588	19,584	8,347	5,810	5,970	51,740

Programme Funding							
Right to Buy 1-4-1 Receipts		1,045	823	1,538	622	600	4,628
Right to Buy Other Retained receipts		376	343	0	347	175	1,241
Non-RTB Sales		1,000	0	0	0	0	1,000
S.106 Contributions		1,114	850	100	50	0	2,114
Harris Bequest		605	0	0	0	0	605
HCA Grants		925	0	925	0	0	1,850
HCC Extra Care Grant		565	565	570	0	0	1,700
RCCO & Borrowing		3,958	17,003	5,214	4,791	5,195	36,161
Total Funding	2441	9,588	19,584	8,347	5,810	5,970	51,740