

Report of Service Transformation Team

Report to Chief Officer Asset Management and Regeneration

Date: 27th January 2021

Subject: Extra Care Package One – request for additional commuted sums for the use at Seacroft Crescent, Seacroft to assist in the delivery of 64 Extra Care units

Are specific electoral wards affected? If yes, name(s) of ward(s): Killingbeck and Seacroft	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number: Appendix 1	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Summary

1. Main issues

- Executive Board approval was received on 25th November 2019 for the sale of the subject land to Home Group, at less than best of the purchase price, to construct 64 Extra Care units. A consortium of Home Group and Morgan Sindall Later Living is required to work under licence for the duration of the build programme. The land transfer will complete once the consortium can evidence that the completed Extra Care scheme meets the specification included in the Development Agreement signed by all parties.
- The Extra Care scheme being developed on the Seacroft Crescent site will deliver 64 Extra Care Housing apartments with communal facilities open to the public, and was granted conditional planning approval on 17th March 2020. The scheme will deliver 100% affordable rental units which significantly exceeds Affordable Housing Planning Policy requirements of 5% for the Killingbeck and Seacroft ward. For a period of 60 years, the Council will have nomination rights on 100% of these units for the first lettings, and 75% nomination rights on subsequent lettings.
- The scheme contributes to the Council's strategic objective of delivering the Leeds Vision for Extra Care Housing by working with partner organisations to construct

more than 1,000 units of Extra Care Housing by 2028 to meet the growing demand for this accommodation type and population forecasts.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- The Extra Care programme directly contributes to one of the Best Council Plan's 2019/20 outcomes of enabling residents with care and support needs to have greater choice and control.
- The delivery of the Extra Care programme also contributes to the Housing priority contained within the Best Council Plan 2019/20 by providing the right housing options to support older and vulnerable residents to remain active and independent

3. Resource Implications

- Based on the minimum projected efficiency saving of £240.00 per week for an individual with high support needs living in an Extra Care scheme, applied against the Council exercising its 100% nomination rights for Seacroft Crescent, the proposed scheme will generate an estimated system cost saving of approximately £786,240 per annum when compared to the average cost of residential care (local authority and independent sector provision.)
- As this site is not currently in the Council's capital receipt list, the sale of the land to the consortium will generate an additional windfall receipt in support of the Council's capital programme.

Recommendations

The Chief Officer of Asset Management and Regeneration is recommended to:

- Approve the release of commuted sums for the development of the Extra Care scheme at Seacroft Crescent, Seacroft.
- Grant authority for a grant agreement to be signed between the consortium and Leeds City Council to agree the funding.

1. Purpose of this report

- 1.1 The purpose of the report is to seek approval from the Chief Officer of Asset Management and Regeneration for the release of commuted sums for the development of the Extra Care scheme at Seacroft Crescent, Seacroft. Details of which are contained in the confidential appendix attached to the report.

2. Background information

- 2.1 The North Yorkshire County Council (NYCC) Extra Care procurement framework was used to appoint a delivery partner in January 2019 to design, build and operate Extra Care Housing on Seacroft Crescent and three other Package 1 sites – Westerton Walk, East Ardsley; Windlesford Green, Woodlesford; and Farrar Lane, Holt Park.
- 2.2 Following the conclusion of the procurement process, the Director of Resources and Housing, in accordance with his delegated authority, approved the decision to enter into a partnership contract with the consortia of Morgan Sindall Later Lives and Home Group for the Package 1 sites. Seacroft Crescent is the second site to

be developed through this partnership, after Westerton Walk which is due for completion in June 2021 and was also granted commuted sums in September 2019.

- 2.3 This report follows approval by Executive Board on 25th November 2019 of a report entitled 'Disposal of land located on Seacroft Crescent, Killingbeck and Seacroft, for Extra Care Housing delivery and final terms of Development Agreement' for the sale of the subject land to Home Group at market value.
- 2.4 By approving the report Executive Board confirmed their support of disposing the Seacroft Crescent site in order to deliver Extra Care Housing with higher levels of affordable housing than required under Planning Policy, along with delivering a wider social value impact.
- 2.5 These include for a period of 60 years 100% nomination rights on the affordable rented units for the first lettings, followed by 75% nomination rights for subsequent lettings; delivering Extra Care Housing in an area where there is a current undersupply; and an opportunity to create employment and training opportunities.
- 2.6 The Seacroft Crescent site has been identified for Extra Care Housing due to high levels of demand for such provision in the Inner East locality. Adults and Health have undertaken a comprehensive demand analysis of Extra Care Housing to identify the quantity and type of specialist older peoples housing required across the city currently with forecasts up to 2028. There is currently no provision of Extra Care Housing in the Inner East Community Committee area where Seacroft Crescent is located.

3. Main issues

- 3.1 The scheme has been severely delayed which has led to the substantial cost increases and viability challenges, which have been further exacerbated by the Covid pandemic.
- 3.2 Building work was postponed during the initial lockdown that was due to be provided by a Tier 2 contractor. This period also saw a number of Tier 2 contractors suffer from liquidity issues and as a result with the consortium being obliged to change to a Tier 1 contractor because of these issues within the construction industry to ensure the project had financial security and mitigate the risk of any contractor being unable to complete the scheme.
- 3.3 In addition, at the time of submitting the land offer for the Seacroft Crescent site during the procurement exercise in August 2018, and to Executive Board in November 2019, the consortium were unaware of the full requirements for the land improvements to enable the site to be developed. Which information was obtained as detail site investigations have been undertaken.
- 3.4 A substantive cost which has emerged has been a result of the issues with the land quality and the requirements needed to make the ground stable. The consortium were notified that grouting would be required in early 2020, and following additional surveys and further discussions with a grouting contractor, a final cost for the works has been produced.
- 3.5 The level of grouting required to make the ground stable, and therefore the considerable abnormal cost of this, is due to the presence of mine shafts and bell pits which the consortium were not aware of during the procurement exercise of 2018. These ground conditions alongside significant grouting measures require

heavy duty piled foundations to secure the site. This has added major costs to the development and have significantly affected the scheme's budget.

- 3.6 Unavoidable costs have additionally emerged following location of cables running beneath the site. These specifically regard S278 works, with the discovery of Northern Power cables alongside the public footway adjacent to the site, where highway works are required, and further easement costs are necessary for the low voltage cable which runs across the site.
- 3.7 The other abnormal costs which have emerged are due to the impact on supply chains, processes and materials forced by responses to the Coronavirus pandemic. Construction, which is due to start on site in 2021, has also had to factor in increased cost of materials, including steel and insulation especially, which in part have risen due to the events of 2020 and also due to Britain's exit from the European Union.
- 3.8 Furthermore, the Coronavirus pandemic has also led to an increase in costs faced by the consortium in order to enable effective social distancing and additionally meet heightened safety requirements to mitigate the risk that the site is forced to shut down for a period due to health and safety reasons.
- 3.9 The full total of these abnormal costs outlined above for the development of Extra Care Housing at the Seacroft Crescent site are substantial for a project that is funded by affordable rents. It should be noted that this is not a private sector led project.
- 3.10 The scheme will contribute towards Leeds City Council's target of 1,000 Extra Care units in the city by 2028, and allow significant system cost savings to be made. It should be noted that Home Group, a Homes England grant funded not-for-profit registered provider, which is working with the local authority, will ultimately own these apartments with the Council having nominations rights over a 60 year period.
- 3.11 This comprises of 100% nomination rights on the affordable rented units for the first lettings, followed by 75% nomination rights for subsequent lettings which will deliver Extra Care Housing in an area where there is a current undersupply.
- 3.12 The consortium made up of Morgan Sindall Later Living and Home Group have absorbed the majority of these abnormal costs.
- 3.13 The commuted sums figure for the authority represents contribution of 11.2% of the total cost of the abnormal costs which now need to be factored in for the development of the programme. A commuted sums contribution will assist with some of the abnormal site and Covid-19 related costs.
- 3.14 It would therefore enable the scheme to mitigate the risk of further issues or delays, or ultimately cancellation, and thereby enable the scheme to reach financial close and site construction with greater security. Were the commuted sums not be granted there remains the significant risk that the scheme remains unviable and may not proceed.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Consultation has taken place with the Killingbeck and Seacroft Ward Members throughout the duration of the project with quarterly briefings taking place and are supportive of the proposals. Consultation has also taken place with Executive

Member for Health, Wellbeing and Adults, Executive Member for Resources and Executive Member for Communities. The quarterly briefings will continue to take place for the duration of the project.

- 4.1.2 A communications plan has been prepared and implemented for the scheme delivery. This details how the Council and the consortium engage with key stakeholders, including Ward members and local residents, throughout all stages of project delivery. It also describes the multiple consultation events held for local residents which formed part of the statutory planning public consultation process.
- 4.1.3 Legal Services have been consulted over the additional funding and have advised that a grant agreement will need to be signed between Leeds City Council and the consortium.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 The proposals for Extra Care Housing on the subject land will deliver 48 one bed apartments and 16 two bed apartments for older people with medium to high level care needs.
- 4.2.2 An Equality, Diversity, Cohesion and Integration Screening was carried out in July 2019.

4.3 Council policies and the Best Council Plan

Climate Emergency

- 4.3.1 The consortium has committed to delivering a scheme which offers low running costs to tenants through energy efficient designs and also ensures sustainable operation of the building by ensuring that the development meets the Council's core strategy policies EN1 (Climate Change – Carbon Dioxide) and EN2 (sustainable design and construction).
- 4.3.2 A Travel Plan, which is aimed at promoting greener, cleaner travel choices and reducing the reliance on the private car, has been produced for the development. The Travel Plan will be managed by a Travel Plan Co-ordinator who will carry out a questionnaire survey of the residents travel patterns and preferences. A subsequent action plan will be developed which aims to promote sustainable travel and reduce the number of car-borne trips.
- 4.3.3 The consortium is committed to offering opportunities for local training and employment and the engagement of local supply chain partners linked to the programme. The consortium encourages, through financial rewards, for operatives to car share or use public transport where practical.

4.4 Resources, procurement and value for money

- 4.4.1 A multi-disciplinary cross directorate team has been established to deliver the project. This includes representatives from the Council Housing Growth Team, Housing Management, Adults and Health and City Development. The day to day management of the project is led by the Director of Resources and Housing who is working in partnership with the Director of Adults and Health.

4.4.2 Initial financial comparisons on the average cost of residential care (local authority and independent sector provision) versus Extra Care Housing (based on the actual tendered cost of care package for Seacroft Crescent provided by the consortium) reveal that Extra Care Housing, even with all care recipients having high care and support needs, provides the opportunity to realise significant system cost savings. Based on the minimum projected efficiency saving of £240.00 per week for an individual with high support needs is applied against 100% of the scheme being affordable rent and the Council receiving 100% nomination rights for the Seacroft Crescent development, this would generate an estimated system cost saving of approximately £786,240 per annum.

4.5 Legal implications, access to information, and call-in

4.5.1 The recommendations in this report are linked to key decisions dated 21st September 2016, 21st November 2018 and 19th December 2018 and therefore this is not a key decision.

4.6 Risk management

4.6.1 An Extra Care Package 1 project team has been established since January 2019, with representation from Legal Services' Commercial Property Team, Highways and Transportation, Planning, Council Housing Growth Team and Land and Property when appropriate. The key objective of the project team has been to assess all risks associated with the land transfer, and agree a position with the consortium to minimise those risks, prior to entering into the Development Agreement.

4.6.2 Risks have also been added to a programme risk log which is reviewed on a monthly basis with high level risks reported to the Council Housing Growth Programme Board so that the mitigating actions can be reviewed. The project team will continue to monitor the identified risks and consider any new risks moving forward.

4.6.3 All surveys have now been undertaken by the consortium, ahead of the start on site on Monday 15th February you add in a para on the all surveys have now been undertaken and therefore no any further requests for support are envisaged.

4.6.4 Specific risks regarding the award of commuted sums to bridge the viability gap are as follows:

Description & Consequences	Probability	Impact	Rating
Due to the viability gap the consortium walk away from the Seacroft scheme and it is not developed	High	Very High	Very High
The consortium decide to end their partnership and withdraw from all other schemes within the package due to the deteriorating financial position	Medium	Very High	Very High
The scheme is cancelled meaning the Council loses out on a capital receipt for the sale of the site	High	Medium	High
The scheme is cancelled resulting in the Adults and Health Directorate being unable to realise system savings of £770k/yr and will still leave an undersupply of Extra Care beds in the Killingbeck and Seacroft ward	High	High	High
The scheme is delayed further as the scheme cannot progress and work continues to address the viability gap	Very High	High	Very High

5. Conclusions

- 5.1 Following the conclusion of the procurement process through the North Yorkshire County Council (NYCC) Extra Care Framework, the Director of Resources and Housing, in accordance with his delegated authority, approved the decision to enter into a partnership contract with the consortia of Morgan Sindall Later Living and Home Group for Package 1.
- 5.2 This report follows approval by Executive Board on 25th November 2019 of a report entitled 'Disposal of land located on Seacroft Crescent, Killingbeck and Seacroft, for Extra Care Housing delivery and final terms of Development Agreement' for the sale of the subject land to the consortia of Morgan Sindall Later Living and Home Group at less than best purchase price.
- 5.3 The Council have added a contractual requirement to the Development Agreement to ensure that 100% of the new development at Seacroft Crescent would be affordable homes for rent. This level of affordable housing significantly exceeds the minimum planning policy requirement of 5% for the Seacroft area. For a period of 60 years the Council will obtain 100% nomination rights on the affordable rental units and 75% nomination rights on subsequent relets.
- 5.4 The scheme has been hit by a variety of additional costs which has significantly added to the overall scheme budget. Whilst the consortium have worked hard to absorb these and value engineer the development, there still remains a viability gap which needs addressing. Should the commuted sums not be awarded to as a contribution to this gap, then there is a significant risk of the scheme not going ahead and delivering the affordable homes in excess of planning policy.

6. Recommendations

- 6.1 The Chief Officer of Asset Management and Regeneration is recommended to:
 - Approve the release of additional commuted sums for the development of the Extra Care scheme at Seacroft Crescent, Seacroft.
 - Grant authority for a grant agreement to be signed between the consortium and Leeds City Council to agree the additional funding.

7. Background documents¹

- 7.1 None

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.