

## Extra Care Package One – request for commuted sums for use at Windlesford Green, Rothwell to assist in the delivery of 62 Extra Care units

Date: 28<sup>th</sup> May 2021

Report of: Service Transformation Team

Report to: Chief Officer Asset Management and Regeneration

Will the decision be open for call in? ☐ Yes ☒ No

Does the report contain confidential or exempt information? ☒ Yes ☐ No

### What is this report about?

#### Including how it contributes to the city's and council's ambitions

- This report regards the development of a 62 bed Affordable Extra Care scheme at Windlesford Green, Rothwell.
- Approval was granted by Executive Board in December 2020 for the sale of the site to Home Group at a less than best offer than could be expected on the open market in return for the provision of 100% affordable housing with the scheme supporting care and housing needs in the city. Approval was also granted to enter into a Development Agreement with a consortium of Morgan Sindall Later Living and Home Group.
- The Coronavirus pandemic has had a major impact upon the scheme's viability due to supply chain and cashflow issues faced by the construction industry since March 2020.
- This has meant significantly increased costs through both the selection of contractor and the cost of materials. As such Home Group is now facing a negative Net Present Value and a viability gap has arisen which threatens the development, therefore a request for s106 commuted sums is being made to assist.
- The Windlesford Green Extra Care scheme directly contributes to one of the Best Council Plan 2020-25 outcomes of enabling residents to live with dignity and stay independent for as long as possible. The delivery of the Extra Care programme also contributes to the outcome of inclusive growth through an increase in new, affordable homes, and will see the development and regeneration of the Windlesford Green site in the Rothwell ward

### Recommendations

- a) The Chief Officer of Asset Management and Regeneration is recommended to approve the release of commuted sums to Home Group for the development of the Extra Care scheme at Windlesford Green, Rothwell, as indicated in Confidential Appendix 1
- b) The Chief Officer of Asset Management and Regeneration is recommended to grant authority for a grant agreement to be signed between Home Group and Leeds City Council to agree the funding.

### Why is the proposal being put forward?

- 1 The Extra Care development at Windlesford Green, Rothwell, is a proposed 62 unit scheme being developed by a consortium of Lovell Later Living and Home Group that will provide 100% affordable housing and under a nominations agreement with the consortium Leeds City Council will have 100% nominations rights for all properties at first let, then 75% thereafter up to 60 years.
- 2 The Coronavirus pandemic has had an impact upon the scheme's viability. As a result of issues faced by the construction industry since March 2020, the consortium have had to de-risk the construction stage of the scheme at Windlesford Green.
- 3 Covid has also led to an increase in operational costs faced by the consortium for their contractors to safely work within the Covid regulations, and consequentially, further budget pressures have been unavoidable.
- 4 These issues have meant that there is now a viability gap that threatens the development of the scheme. The abnormal costs and scheme development cost increases have been evidenced to the satisfaction of the Council's Extra Care project team.
- 5 It is therefore proposed that the grant of commuted sums would be used to plug this gap and support the delivery of affordable housing.

### What impact will this proposal have?

**Wards affected: Rothwell**

Have ward members been consulted?

☒ Yes

☐ No

- 6 The award of commuted sums would mean that the scheme would be able to proceed as planned and allows the Registered Provider to provide 100% affordable housing to meet housing needs in the city. Subject to the scheme being financially viable, start on site is expected in October 2021, with completion expected in early 2023.

### What consultation and engagement has taken place?

- 7 Consultation has taken place with the Rothwell Ward Members throughout the duration of the project with quarterly briefings and consultation meetings taking place. The most recent consultation event took place on 23rd October 2020 to discuss the final scheme design and usage proposals ahead of the Executive Board report. Throughout the project the feedback received has been positive and all Ward Members support the development of an Extra Care Scheme on this site, especially in light of the proposed closure of Homelea House care home in Rothwell.

- 8 Consultation has also taken place with Executive Member for Health, Wellbeing and Adults, Executive Member for Resources and Executive Member for Communities. Quarterly briefings will continue to take place for the duration of the project.
- 9 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.

### **What are the resource implications?**

- 10 A multi-disciplinary cross directorate team has been established to deliver the project. This includes representatives from the Asset Management and Regeneration, 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.
- 11 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 Windlesford Green 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.
- 12 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 Windlesford Green development, this would generate an estimated system cost saving of approximately £763,760 per annum.

### **What are the legal implications?**

- 13 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.
- 14 Legal Services have recommended that clawback clauses will be inserted to the grant agreement which will oblige the Registered Provider to return the commuted sums should the scheme be not delivered in line with the supported Application, and will restrict the buildings and land to be restricted as 100% Older People Affordable Housing scheme in in perpetuity.

### **What are the key risks and how are they being managed?**

- 15 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.
- 16 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.
- 17 The scheme has been hit by a variety of unforeseen costs which has significantly added to the overall scheme budget in addition to the planning constraints that were not advertised at the time of tender. Whilst the consortium have worked hard to absorb these and value engineer the development, there still remain a viability gap which needs addressing in order to provide affordable housing.

- 18 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 and Leeds City Council not realising the associated savings.

**Does this proposal support the council's three Key Pillars?**

☒ Inclusive Growth      ☒ Health and Wellbeing      ☐ Climate Emergency

- 19 The Extra Care programme directly contributes to one of the Best Council Plan 2020-25 outcomes of enabling residents to live with dignity and stay independent for as long as possible.
- 20 The delivery of the Extra Care programme also contributes to the outcome of inclusive growth through an increase in new homes, and will see the development and regeneration of the Windlesford Green site in the Rothwell ward.
- 21 The development of the scheme supports the Housing priority contained within the Best Council Plan 2020-25 by providing the right housing options to support older and vulnerable residents to remain active and independent.

**Options, timescales and measuring success**

**What other options were considered?**

- 22 Work has been carried out to value engineer the scheme in light of the increased cost of materials, a review of rents has been carried out in addition to the Registered Provider obtaining grants from Homes England. However, the viability gap has remained.
- 23 A rent review has been carried out by Housing Benefit and Home Group which has seen rents increased from the 2018 rates submitted at the time of tender to take into account inflation and additional costs, however the rents are now considered to be at the most optimal level to achieve the required outcomes for the city.
- 24 The consortium has also value engineered the project though design amends which reduce construction costs, are acceptable to planning, and meet the required standard in the 2018 procurement process. Despite these efforts, a viability gap remains.

**How will success be measured?**

- 25 Should the scheme proceed through the grant of commuted sums, with 100% of the scheme being affordable rent and the Council receiving 100% nomination rights for the Windlesford Green development, this would generate an estimated system cost saving of approximately £763,760 per annum. The scheme would also take 62 people off the Extra Care waiting list held by Adults and Health, plus deliver an additional 62 units of Affordable Homes in the city.

**What is the timetable for implementation?**

- 26 Subject to the award of the commuted sums, it is expected construction will start on site in October 2021, with completion expected in early 2023.

**Appendices**

- 27 Confidential Appendix 1 - Windlesford Green s106 funds
- 28 Confidential Appendix 2 – Windlesford Green scheme financial information

## **Background papers**

29 Background Paper 1 - Extra Care Package One – request for commuted sums for use at Windlesford Green, Rothwell to assist in the delivery of 62 Extra Care units