



Report of the Chief Regeneration Officer

Executive Board

Date: 5th November 2008

Subject: Public Private Finance Initiative Round 6 – Submission of Expression of Interest.

Electoral Wards Affected:

City Wide

Ward Members consulted (referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In (Details contained in the report)

EXECUTIVE SUMMARY

1. The Government has announced the availability of investment funds for housing under the Public Private Finance Initiative (PFI). This Round 6 of the programme will release up to £1.87 billion of PFI revenue credits to support suitable housing investment and regeneration programmes. This round of funding covers all the funding available between 2008/09 and 2010/11.
2. A jointly sponsored project between the Environment and Neighbourhoods and Adult Social Care has been developed with the aim of creating a network of extra care and affordable lifetime homes in the City to meet primarily the needs of older people, but which will also make a significant contribution to neighbourhood regeneration and achieving affordable housing targets.
3. The project aims to develop a significant number of new homes (c1,100) as replacement for just over 600 units of older and outdated older people's housing. It allows scope for the refurbishment of up to 200 linked adjacent properties or additional new build. The new homes will be mixed tenure, potentially with up to 25% for affordable sale.
4. The programme is closely aligned to the Council's regeneration and affordable housing programme priorities and the PCT's investment plans. It is also driven by the aims of the Leeds City Council Housing Strategy for Older People – 'Home not Alone' which seeks to provide for the health and well being of older people through appropriate housing, appropriate and flexible support and care and the maximisation of independent living.

5. An Expression of Interest (Eoi) has been developed in line with the bid timetable seeking up to £271m in PFI credits to support the capital investment required to deliver the new homes, with c£125,000 per annum estimated General Fund contribution over a thirty year contract period. Whilst it is intended that new developments are mixed tenure, the finance model in the Expression of Interest is based on an assumption that 100% of the new provision is Council and that this new accommodation will remain within the HRA subsidy system. As part of the development of the Outline Business Case, the mixed level percentage will be confirmed and negotiations will take place with CLG to remove the proposed new Council dwellings from the HRA. In addition, the financial model in the Eoi assumes 100% new build, but work will take place at Outline Business Case to potentially include a small amount of linked refurbishment.

1.0 Purpose Of This Report

- 1.1 The deadline for submission of expressions of interest is October 31st. Given the tight timetable, the Deputy Chief Executive has given approval to submit the Expression of Interest by that date.
- 1.2 This report seeks the endorsement of the Executive Board to the submission of the Expression of Interest, and agreement to develop an Outline Business Case for the implementation of a programme of new house building in the City to create a range of extra care and affordable Lifetime Homes standard housing in key locations across the City, through the support of Housing PFI credits.

2.0 Background Information

2.1 PFI Bidding Guidance

- 2.1.1 A further round of bidding was announced by the Minister for Communities & Local Government (CLG) on the 2nd July 2008, Round 6 for Housing, making £1.87 billion in PFI credits available. CLG has pooled 3 years' worth of PFI resources (2008/9 – 2010/11) into this one bidding round.
- 2.1.2 Bidding guidance has been issued detailing the scope of projects that will be supported. The following priorities have been indicated in the bidding guidance with the aim of supporting outputs that contribute to regeneration and the creation of sustainable communities, with particular emphasis on:-
- a re-positioning of estates and their neighbourhoods in terms of quality and diversity of housing, reputation and demand;
 - a comprehensive approach to a broad policy agenda which includes tackling worklessness, community empowerment and enhanced design and quality;
 - a recognition that service led solutions must complement bricks and mortar ones
 - a 'thematic' approach to stock needs (e.g. addressing problems with sheltered housing);
 - an increase in affordable rented housing, particularly where this addresses the needs of specific client groups, especially those socially excluded.
- 2.1.3 Further, there are 3 other principle elements that should be noted:-
- The primary focus for bids under Round 6 has been indicated to cover new build, although some element of refurbishment would be accepted;
 - Bids should have a capital value of £100m or more, but smaller bids will be accepted if jointly secured e.g. cross authority working;

- New homes to adhere to the Housing Corporation's Design and Quality Standards and the Code for Sustainable Homes.

2.1.4 Expressions of Interest are required to be submitted by 31st October 2008, with confirmation of inclusion into the programme proposed for the end of February 2009. Outline Business cases are to be endorsed by July 2010.

2.1.5 Initial indications are that there is considerable interest from other local authorities in this bidding round. Indications are that bids from other authorities will range from £100-200m.

2.2 **Summary of Programme Proposals**

2.2.1 The programme proposals contained in this report can be summarised as:-

- the provision of c1,110 new homes across the City with scope to refurbish up to 200 linked adjacent properties;
- the new homes will be mixed tenure in order to contribute to the creation of sustainable mixed communities, with an element of new build for sale, including affordable housing;
- the new housing will be a mix of extra care and affordable Lifetime Homes standard housing to replace outdated sheltered and residential care housing and fill in gaps that currently exist in provision within localities;
- each location will be selected because it is possible to achieve a critical mass of housing and support around a community hub, often linked to other regeneration investment that is taking place or planned;
- provides a greater choice of housing for older people into the future, both in terms of type of accommodation, local availability and choice of tenure;
- supports independent living, allowing appropriate housing support, health and care needs to be met;
- contributes to the regeneration programme of the City, including the Town & District Centres Regeneration Programme;
- by providing homes that are highly energy efficient that will contribute to the carbon reduction programme;
- will provide the infrastructure to support the transformation of housing support and care provision, away from building based support and care, to personalised and flexible support and care.

2.2.2 This programme will add to the work already undertaken over recent years to provide an initial network of extra care housing, replacing outdated residential care homes in seven locations in the City. The programme proposals will add to that network with an additional ten extra care schemes and complementary affordable Lifetimes Homes standard housing.

2.2.3 There will, however, continue to be the need to tackle any remaining outdated sheltered housing and residential care homes, and the need to develop appropriate specialist residential care (where independent living is not an appropriate solution), by a further programme of redevelopment, upgrade and modernisation.

2.2.4 An Expression of Interest has been developed meeting the Government's bid requirements for PFI credits. It is proposed to develop a detailed Outline Business Case for Executive

Board and Government approval that would set out the fully developed proposals as well as the framework for the procurement and implementation of the programme.

2.3 Context of National Strategies

2.3.1 The bid for Round 6 Housing PFI sits in the context of the following national strategies:-

- The Local Government White Paper, ***Strong and Prosperous Communities***, proposed a ‘duty of partnership’ on local authorities to prepare Joint Strategic Assessments across health, social care and housing;
- The Department of Health White Paper, ***Our Health, Our Care, Our Say (2006)***, envisages that ‘local authorities and PCTs focus on community well-being and ‘drive a radical realignment of the whole local system, which includes services like transport, housing and leisure;
- Communities & Local Government’s ***Transforming Places; changing lives*** regeneration framework seeks to ensure that regeneration investment is co-ordinated and prioritised in the right places, with public, private and third sector organisations working together in the same places towards a shared vision.
- ***‘Lifetime Homes, Lifetime Neighbourhoods: A National Strategy for Housing in an Ageing Society’***, the strategy has sought to outline the scale of the issue to be addressed and the approach that the Government would seek to support. In particular this strategy noted a number of key issues and principles:-
 - The 75+ age group growing faster than any other, and will be increasingly diverse;
 - Over a million people predicted to suffer from dementia by 2025;
 - Double the numbers of older disabled people in England from 2.3 million in 2002 to 4.6 million by 2041;
 - Plans for the future should focus on independent living within communities, with the right range of specialist housing available for those who need more support, homes at the heart of the community that look and feel like home;
 - Housing to be central to health and well-being with services planned and integrated to reflect that.

2.4 Demographic Need and Housing Demand

2.4.1 Demographic Change

The table below shows the population projections for Leeds for people aged 55 and over.

Table – Population Projections 2006 - 2025 Leeds Population Projections (55+ years)					
Ages	2006	2010	2015	2020	2025
55+	42300	37200	39800	43300	43100
60+	33500	38600	34000	36500	39900
65+	56200	56400	61400	62600	61500
75+	38600	38500	40100	41100	46000
85+	14500	15600	16900	18600	20900
TOTAL 55+	185100	186300	192200	202100	211400
% of Leeds Population	25.8%	25.8%	26.5%	27.6%	28.7%

- 2.4.2 The table shows a growth in the actual numbers of people aged 55 and over and, perhaps more significantly, that by 2025 the number of people aged 75+ will increase from 53,100 in 2006 to 66,900 in 2025 (a 26% increase) with the highest increase being in the 85+ age group where a 44% increase is envisaged.
- 2.4.3 Although the growth in the older population is expected to be higher in outer areas, there are other factors that will be taken into account in prioritising what intervention is needed within each location in the inner areas. Life expectancy is lower; there are also higher levels of long term limiting illness, fuel poverty and living alone. However there is a greater reliance on unpaid care in outer areas. Therefore, proposals will be developed which are appropriate to the area, and which complement other services and facilities.
- 2.4.4 The provision of housing and services is not limited to the rented sector. The greatest proportion of older people live in their own homes (64%). As this proportion is projected to increase to over 70% by 2025, the Outline Business Case will consider more fully the proportion of the new provision that should be made available for sale.
- 2.4.5 Some of the key aspirations of older people, now and into the future were highlighted in the Government Strategy, ***Lifetime Homes, Lifetime Neighbourhoods:-***
- **‘Homes for life’** – adaptable accommodation designed for all age groups;
 - **Space is important:** - to accommodate visiting family or a carer;
 - **Affordable to heat** - user friendly design with a downstairs WC and bathroom with shower and bath
 - **Access** to green, private space, and a safe neighbourhood is important, as is housing that is accessible to good local transport, facilities and amenities.
- 2.4.6 These aspirations have been incorporated into the objectives of the Round 6 Housing PFI EoI.

2.5 Current Provision and Services

2.5.1 Housing Sheltered and Residential and Accommodation for Older People

- (i) Current provision is across all tenures and includes self-contained or shared accommodation as well as some with communal care arrangements.

Table – Breakdown of Sheltered and Residential Care Units

	Inner Areas	Outer Areas	Total
LCC Sheltered	1,476	3,260	4,736
RSL Sheltered *	414	350	765
LCC Residential Care	184	459	643
Private Residential Care	1,590	2,048	3,638
Extra Care Housing	160	219	379
Total units	3,824	6,336	10,161

* RSL – Registered Social Landlords Category 2 Supported Housing

- (ii) Leeds City Council currently owns and manages 4,736 sheltered housing units across the city.
- (iii) The stock is unevenly distributed across the city compared to the distribution of older people, and in terms quality and type of accommodation. For example, there is a low level of

accommodation in Inner East Leeds and Outer North East Leeds, no modern Extra Care housing in Outer South, Inner North West or Outer West Leeds, a concentration of residential care in the Outer West and Inner North East areas and the option of RSL sheltered housing predominantly in only half of the City.

- (iv) Large parts of the stock were constructed pre-1980s and require modernising in terms of type of accommodation, space standards, access, mobility and energy efficiency. The most modern stock is the extra care housing and some of the private retirement housing that has been built more recently.
- (v) Reviews have been undertaken, through the Leeds ALMOs as part of the drive to meet the Decent Homes standard, on the suitability and need for investment in the Council's sheltered housing stock. Further, a suitability analysis has been undertaken by Adult Social Care and Asset Management on the building assets, residential care and day care centres which provide support services for older people.
- (vi) Those reviews have shown that although the accommodation meets current statutory standards, much of it fails to meet the more modern standards applicable to older people's needs in one aspect or another: old designs and housing layouts (e.g. sheltered bed-sit accommodation without access to private bathrooms in most cases); limited access internally, for example, not all homes can accommodate wheelchairs or scooters easily or at all due to narrow doorways, lobbies; inadequate communal areas (such as lack of lift access); and low energy efficiency due to the age and design of the buildings, affecting warmth and fuel bills (relative to the income levels of older people).
- (vii) As part of the development of the Outline Business Case, further work will be undertaken to analyse the current distribution, quality and range of accommodation across the City in comparison with anticipated needs and delivery issues.

2.5.2 Service Provision.

- (i) The Round 6 Housing PFI project is closely linked to the modernisation of support and care services provided for older people through Adult Social Care, Housing and health services.
- (ii) Many of the current services are provided through dedicated buildings, in particular the sheltered warden service, the residential care service and the day centre service. The services tend to be fixed in scope and scale and not flexible enough to meet the needs to individuals or their changing needs.
- (iii) The main focus of the Supporting People strategy is to enable older people to remain in their own home.
- (iv) The needs and choices of some older people will be best met in more specialist housing, such as Extra Care. There are now six extra care housing schemes in Leeds, mainly provided by housing associations, although new Council provision is planned at Hemingway House in Hunslet. High levels of care and support can be readily provided from within these schemes to both residents and non residents in the locality.
- (v) These new extra care schemes have been jointly commissioned by Housing and Adult Social Care and funded by the Housing Corporation (HC) and Department of Health money as a response to the closure of selected residential care homes, which were unable to meet the requirements of the Care Standards Act 2000. Five schemes are in operation, with one in construction and one further scheme at planning stage. The Laureates scheme in Guiseley, which is under construction, will also offer shared equity as an option. These new models of enhanced and extra care housing offer not only the possibility of supporting higher levels of dependency but also an environment for a lively and active old age.

- (vi) The Round 6 Housing PFI EoI aims to build on this provision with the objective of ultimately ensuring city-wide provision of extra care accommodation, within communities that also include housing provision for older people.

3 Main Issues

3.1 Proposal Outline

- 3.1.1 The proposal for the submission to Round 6 PFI programme is to seek to develop upon the small network of extra care housing provision in the City, and develop new housing to Lifetime Homes standards to link with the extra care housing provision. The programme aims to complement existing facilities and services, in particular new or planned investment in community hub locations in regeneration priority areas or town & district centres.
- 3.1.2 The programme will be aligned with other regeneration and investment programmes, including the Affordable Housing Programme, the Easel Programme, the West Leeds Gateway, the Town & District Centres Regeneration Programme and the Strategic Service Development Plan (LIFT).
- 3.1.3 There is the potential to have linked action between programmes on larger sites, such as development by both PFI and affordable housing provision to offer a range of suitable housing to meet the needs of the particular neighbourhood. It is also envisaged that tenure for all the sites will be a mix of rent and sale units of accommodation
- 3.1.4 The provision of support, care and health services could be delivered from the hub of the extra care housing schemes to serve the resident and local community, but not dedicated only to serve the specific housing schemes.
- 3.1.5 Initial assessments suggest that across the City there is the capacity to provide c1,100 new homes, replacing c600 homes that are not considered suitable for future housing needs. There may be an opportunity to develop a mix of new build housing together with refurbishment of existing housing provision as an alternative to complete new build. Detailed analysis of all potential locations will take place as part of the next stage, the development of the Outline Business Case.

3.2 Extra Care Housing Schemes.

- 3.2.1 These are housing schemes designed to offer independent living for residents, with fully self contained accommodation (usually 1 or 2 bedroom apartments and sometimes linked bungalow properties) with access to shared communal facilities often termed a 'resource centre'.
- 3.2.2 The size and scale of an extra care scheme will depend in part on the site constraints, and generally can offer between 50 and 150 units of accommodation. The model included in the Expression of Interest is based on an average scheme size of 60 units, with 60% 2 bedroom accommodation and 40% 1 bedroom accommodation.
- 3.2.3 The resource centre can contain a range of facilities including communal lounge, café, activity rooms, service rooms (e.g. hairdressing, chiropodist, peripatetic health services such as physiotherapy), communal laundry, assisted bathing facilities, provision for 24 hours care & support services; and storage & charging facilities for mobility scooters. Some schemes may go further linking into provision of services to the local community and offer a small shop or restaurant / bar facility.

3.3 Lifetime Homes

- 3.3.1 This is housing that is provided to meet the Lifetime Homes standards. These standards impact on the size of accommodation (allowing for wheelchair use and access and space for lifts and hoist in the future), layout of accommodation (allowing for direct access from bedroom to bathroom if required), access to the home and parking space. To meet the standard new homes need to be designed and constructed to be able to be readily adapted to meet future needs and for flexibility in use.
- 3.3.2 It is proposed that all the homes constructed by the proposed programme would meet the Lifetimes Homes standard.

3.4 Code for Sustainable Homes

- 3.4.1 All new social housing is required to be constructed to this standard. The code covers issues such as energy efficiency and CO² impact, waste and recycling, the conservation of water, the sustainable use of materials, the reduction of pollution and the health and well being of residents.
- 3.4.2 The Code has six levels, all of which are higher than the current Building Regulation standards. The Government has outlined that it would seek to have a stepped improvement in standards over the next few years, seeking Level 3 for all new homes constructed from 2010, from 2013 all homes to meet Level 4 and from 2016 all new homes to meet the highest standard Level 6.
- 3.4.3 It is proposed under this programme that all Extra Care and Lifetime homes constructed between 2012 and 2017 meet a minimum of Code Level 5, with the aim to seek development up to Code Level 6 as the best methods for achieving this become more widely available in the market. Code Level 5 is the equivalent to a 'zero carbon' home for all heating and lighting. Code Level 6 is a wholly 'zero carbon' home.

3.5 Overall Mix of housing proposed.

- 3.5.1 The overall mix proposed in the Expression of Interest is:-
- 600 one and two bed Extra Care homes
 - 510 two and three bed Lifetime homes, with scope to include larger units where local needs are identified
- 3.5.2 Although initial assessments have been undertaken on a range of sample locations, in terms of suitability, location and delivery, they have yet to be the subject of full assessment including user consultation and comparison with alternative sites that may become available within the vicinity. This detailed analysis will take place as part of the preparation of the Outline Business Case.
- 3.5.3 The range of accommodation to be provided could be both Council rented and private, with a proportion of homes on affordable leasehold or freehold sale arrangements. The extent of private sale within the new housing will be determined as part of the development of the Outline Business Case, taking into account needs, aspirations, market and risk issues. In order to minimise risk at this stage, for the purposes of the EoI financial model none has been assumed.

3.6 Contract Service Package

- 3.6.1 The aim is to provide new appropriate accommodation into neighbourhoods where older people can live independent lives; will have ready access to care and support where

needed; have access to social activities and interaction; and have flexibility of their home and support to meet changing needs.

- 3.6.2 The programme will aim to contract with the PFI provider to provide the new accommodation and also undertake the necessary scheme management and maintenance roles.
- 3.6.3 The roles that are proposed at this stage to be included into the programme include:
- Construction of new homes and facilities;
 - Repair and planned maintenance of the properties;
 - Life cycle maintenance over the proposed 30 years of the contract;
 - Management of the tenancies and leaseholders within the schemes;
 - Management of the communal facilities and resource centres.
- 3.6.4 The service package would commence operation once properties are constructed and they become available for letting. The tenanted properties are proposed to be Council tenanted properties, with the leasehold properties to manage as Council leasehold properties.
- 3.6.5 The PFI provider will therefore need to be a consortium made up of contractors for the construction and maintenance of the homes and also specialist housing managers to manage the tenancies and leasehold accommodation. During preparation of the Outline Business Case full consideration will be given to the appropriate apportionment of management and maintenance to be offered within the PFI contract, and the extent to which the Leeds ALMOs are placed to offer an efficient and effective value for money management service.
- 3.6.6 The exact range of community and communal services provided within each locality will be reviewed as part of the Outline Business Case and will reflect local circumstances. However, care services will not be included in the service package.

3.7 Project Delivery

- 3.7.1 The Regeneration City Projects Team in the Environment & Neighbourhoods Directorate, in partnership with Adult Social Care and the Public Private Partnerships Unit (PPPU), has prepared the Expression of Interest for a bid to Round 6 of the Private Finance Initiative (PFI). The EOI was required to be submitted to Communities & Local Government (CLG) by 31st October 2008. Approval to submit the Expression of Interest was received through Delegated Authority of the Deputy Chief Executive at Housing PFI Project Board on 24th October 2008.
- 3.7.2 CLG has indicated that it will advise all bidders on the success or otherwise of their bids by the end of February 2009. The bidding guidance from Government indicates that it would wish to endorse the Outline Business Cases for successful schemes by July 2010, which would lead to a programme start by 2013.
- 3.7.3 It is proposed that development of the Outline Business Case should commence immediately upon approval of this report and following the submission of the Expression of Interest, which could bring forward the Council's OBC submission date and project delivery substantially.
- 3.7.4 The outline timetable for development of the programme and for undertaking the necessary contract procurement is noted below.

Expression of Interest (Eoi) Submission	- 31 st October 2008
Approval of Eoi	- End of February 2009

Submission of Outline Business Case (OBC)	- July 2009
Approval of OBC	- September 2009
Commencement of procurement	- October 2009
Competitive Dialogue Procurement Stages	- January 2010 – May 2011
Final Business Case (FBC) submitted	- July 2011
FBC Approved	- September 2011
Financial Close	- March 2012
Start on site of programme	- May 2012

3.7.5 An early commencement of the proposed time table would enable a start on site for the proposed scheme of new housing as early as 2012, with all new developments completed within 5 years, by 2017. The contract would run in total a proposed 30 years up to 2042.

4 Implications For Council Policy and Governance

4.1 Local Strategic Context

4.1.1 The Round 6 Housing PFI Expression of Interest builds on the following local priorities:-

- (i) Leeds Affordable Housing Programme
- (ii) Leeds regeneration priority areas including EASEL, West Leeds Gateway and the Town & District Centres Regeneration Programme;
- (iii) Leeds City Council Housing Strategy for Older People – ‘Home not Alone’
- (iv) Leeds Extra Care Housing Strategy.

5 Legal and Resource Implications

5.1 The programme proposal is seeking to bid for PFI credits to support the capital cost of the new housing provision and for future life cycle renewal expenditure. The total value of credits being sought amounts to £271m in revenue credits, which will support initial capital expenditure of up to £182m for the first five years of the programme and a further £54m of life-cycle renewal work over the following 25 years (all costs based on a 2012 cost base).

5.2 The Council will be required to provide revenue funding to support the bid, principally supporting the management and maintenance of the facilities. The revenue support from the Council will be made up from rents, service charges and revenue contributions from the support and care service providers operating from the new Extra Care facilities. The exact balance of funds from each source and between the Housing Revenue Account and the General Fund will be undertaken as part of the development of the Outline Business Case, on successful approval of the Expression of Interest by Government. However, for the development of the financial model as part of the submission of the Expression of Interest, the figure used is a contribution of £125,000 per annum over thirty years (or £108,000 per annum if measures referred to in 5.2 and 5.3 above are taken).

5.3 There will be costs incurred to develop the programme, including development of the Outline Business Case, procurement of the PFI contract and with any necessary property re-housing. These costs will be clarified during the development of the Outline Business Case. However, a provision of £550,000 within the HRA has already been made by Executive Board to support this.

5.4 The programme will require identification and use of Council land for new build purposes. Some of this land will be available through replacement of current provision. However there are a

number of locations where the regeneration impact is more significant and a greater land take is required, particularly where there are currently large clear sites available. This will be explored further as part of the preparation of the Outline Business Case and a report brought back to Executive Board for approval early in 2009.

6 Conclusions

- 6.1** This programme proposes the building of a stock of new Extra Care and Lifetimes Homes housing across the City, supported by investment funds from the Housing Private Finance programme 2008 – 2011.
- 6.2** The provision of such accommodation is fully in accordance with the principle and aims of the Strategy for Older People – ‘Home not Alone’ by providing accommodation that is more appropriate to the needs of older people, meeting high standards for use, access, adaptability and sustainability.
- 6.3** The proposal to provide housing and linked facilities supports the move on the provision of support, care and health services away from building based services, to a system of self-assessed, flexible and cost effective services to meet the needs of a growing population of older people.
- 6.4** The programme proposes development of just over 1,100 new homes to replace just over 600 units of outdated housing accommodation and allows scope for the refurbishment of up to 200 linked adjacent properties. A proportion of the new homes will be offered for sale at affordable sale values.
- 6.5** An Expression of Interest has been prepared and submitted to Government within their time limit of 31st October, which seeks up to £271m in PFI revenue credits. A copy of the Eoi is available from Governance Services.
- 6.6** Council revenue and capital resources will be required to implement the programme, to support the development of a robust business case and the necessary contract procurement, as well as resources to support appropriate rehousing for any households needing to be displaced from the older accommodation.

7 Recommendations

Executive Board is asked to;

- (b) approve the submission of the Expression of Interest for Round 6 Housing PFI credits of £271m.
- (c) to agree to develop an Outline Business Case for the implementation of a programme of new house building in the City to create a range of Extra Care and Lifetime Homes housing, through the support of Round 6 Housing PFI credits.
- (d) to agree to receive a further report in early 2009 identifying land which will be required to deliver the programme.