

## **POLICY & FINANCE COMMITTEE**

**27 JUNE 2019**

### **HOUSING REVENUE ACCOUNT - EXTRA CARE SCHEME – BOUGHTON**

#### **1.0 Purpose of Report**

- 1.1 To update the Committee on the progress to develop an extra care housing scheme (Housing Revenue Account) in Boughton and to seek approval to increase the capital budget to enable the scheme to be delivered.

#### **2.0 Background Information**

- 2.1 At its meeting on 28 June 2018 the Committee approved, in principle, the development of a new extra care scheme on the \*allocated housing site in Boughton, to be delivered in partnership with Homes England, Newark and Sherwood Homes and Nottinghamshire County Council.

*\*(Allocations & Development Management Development Plan Document - Policy OB/Ho/2 - Ollerton & Boughton - Housing Site 2)*

- 2.2 An indicative capital finance split was presented to Committee, as illustrated in the table below. The County Council are not making a capital contribution to the scheme, the reasons for which were cited in the 2018 report:

| <b>Funding Source</b>                                                                                               | <b>Capital Contribution</b> |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Homes England                                                                                                       | 30%                         |
| Newark & Sherwood District Council<br><i>(Through Housing Revenue Account (HRA) Balances<br/>And/or Borrowing).</i> | 70%                         |

- 2.3 In the approved capital programme a budget sum of £7.6m has been allocated to deliver the extra care scheme, covering pre-construction & design fees, the build contract, soft furnishings and a contingency. This sum includes the Homes England affordable homes grant funding recently secured of just over £2m.
- 2.4 The scheme was granted full planning permission on 6 December 2018, comprising 30 x 1 bed apartments in a main building and 10 x 2 bed bungalows on the remainder of the site, in addition to on-site communal facilities.

#### ***Nottinghamshire County Council***

- 2.5 The Committee will note that the Council received a letter of support from Nottinghamshire County Council last year, stating:

*".....In respect of the above development, as proposed by Newark & Sherwood District Council, I can confirm that Nottinghamshire County Council will be seeking to agree nomination rights to a proportion of the new homes to be created for use as 'housing with care' for its service users as part of the implementation plan.*

*The County Council will meet all of the ongoing eligible social care needs of all the occupants living in the units that the County Council's has nomination rights for, as well as occupants living in the other units at the scheme where these individuals develop future needs that are assessed as eligible for social care support.*

*The care support contract will be funded from the County Council's ongoing revenue budget....."*

- 2.6 Officers of the Council and Company are now in discussions with the County Council to confirm the above arrangements in order to draw up a nomination agreement. Amongst other things, this will stipulate that the County Council will cover the void rent loss for empty units after a qualifying period of time, therefore protecting rental income into the HRA Business Plan. This will be similar to the arrangement at Gladstone House.
- 2.7 Those units not nominated to the County Council would be let as general supported housing, with the Company providing the housing management and repairs service for the wholescheme.

### **HRA Revenue**

- 2.8 All units will be charged at an affordable rent level, and have a service charge and provision of an intensive housing management service. (**NB:** *An Affordable Rent is set at up to 80% of the market rent (i.e. the average rent for local private lettings) inclusive of any service charges.*)
- 2.9 For Committee information the current affordable rent and service charge levels for Gladstone House are £264.31pw for a two bedroom unit and £220.16pw for a one bedroom unit. It is anticipated that the rent and service charges for the Boughton scheme will be at a similar level inflated to reflect the indicative letting at 2020/21, which would provide an estimated charge of £233.57pw and £280.41pw for a one and two bedroom unit respectively. At Gladstone House the affordable rent and service charges are housing benefit eligible, with the exception to a proportion of the midday meal, TV licence and care line facility.

### **3.0 Tendering Exercise**

- 3.1 Due to the specialist nature of the proposed scheme a procurement exercise has been undertaken outside of the existing approved 5 year HRA development programme that Robert Woodhead are contracted to deliver and therefore financed separately to this.
- 3.2 Newark and Sherwood Homes are project managing the development, in line with the agreed project management specification and fee schedule, and follow the Council's Contract and Procedure Rules.
- 3.3 A tendering process for the build contract has now been concluded and seven contractors had initially accepted to tender for this project.

- 3.4 However, due to the risks involved with working around the high voltage overhead cables that cross the site and run in close proximity to the build, three contractors withdrew during the process for this particular reason, two contractors withdrew early on in the process and one contractor withdrew due to being unable to tender within the timescales, leaving one contractor to tender for this project.
- 3.5 The submitted tender sum for the build contract is 23% higher than that originally estimated by the Company, which at that time was validated by an independent cost consultant.
- 3.6 Reasons for this include:
- a) The original estimate was calculated 15 months ago during this time market conditions for the construction sector have continued to improve, along with demand on resources (*manpower & materials*) and evidenced by the single return received for the scheme.
  - b) The site is very complex, with significant changes in levels, restricted access and the high voltage power lines running across the site. (*In contrast to Gladstone House, which had no such constraints and the road infrastructure was in situ.*)
  - c) Such factors will have raised the preliminary and groundworks costs above those envisaged when estimating the scheme.
- 3.7 Subsequent to the receipt of the tender the Company and cost consultant have undertaken a value engineering exercise with the tenderer. This has resulted in a reduced tender sum, which is now 18% above the original estimated sum.
- 3.8 The value engineering exercise has seen savings generated in the following key areas:
- a) Omission of a covered walkway connecting the bungalows and the main building, the purpose was predominantly an aesthetic one.
  - b) Reduced specification of the specialist toilets, this is based on feedback from Gladstone House.
  - c) Rationalisation of external hard and soft landscaping, street furniture and feature lighting.
  - d) Omission of white goods and appliances, this based on feedback from Gladstone House.
  - e) Alternative products and rationalisation of design.
- 3.9 The integrity of design of the extra care scheme remains so to uphold the same principles, standards and specification to that of Gladstone House.
- 3.10 The cost consultant has advised that:
- 'The package offer provides high cost certainty at the outset as all normal design and build risk is held by the Contractor.....We consider the design and build package offer submitted to be bona fide and representing value for money and, as such, we recommend the acceptance of the revised tender sum....'*
- 3.11 In addition the Company has advised the Council that through the evaluation process they are satisfied that the submitted tender bid satisfies all of the required criteria and is compliant.

#### **4.0 Proposal**

4.1 Based on the details and reasons set in section 3 it is proposed that the budget allocated to deliver the proposed new extra care housing scheme in Boughton is increased from £7,600,000 to £8,937,401.70. This sum includes all pre-construction & design fees, the build contract, soft furnishings and a contingency.

4.2 The scheme will be funded through the capital finances available within the HRA Business Plan and grant secured from Homes England, with the revised capital finance split detailed below:

| <b>Funding Source</b>                                                                                           | <b>Capital Contribution</b> |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------|
| Homes England                                                                                                   | 24%                         |
| Newark & Sherwood District Council<br><i>(Through Housing Revenue Account (HRA) Balances and/or Borrowing).</i> | 76%                         |

4.3 The Committee should note that discussions continue with the County Council to secure a nomination agreement for the scheme, which the County have accepted in principle.

4.4 Should the Committee approve the increased budget then the Company have advised that an October 2019 start on site is feasible, with an 18 month build programme.

#### **5.0 Equalities Implications**

5.1 As detailed in 28<sup>th</sup> June 2018 Committee report the proposed extra care scheme will meet evidenced housing, health and social need for the older population in Ollerton & Boughton.

#### **6.0 Impact on Budget/Policy Framework**

6.1 Within the contents of the main report all the budgetary and policy framework requirements have been considered.

#### **7.0 Financial Implications FIN19-20/6743**

7.1 The approved budget of £7.6m is included in the current Capital Programme profiled over 2019/20 and 2020/21.

7.2 The proposed option which has an additional increase in the budget required of £1.337m, has been modelled into the 30 year HRA business Plan and it has been identified that there is available HRA Capital resources to finance the additional budget requirement of £1.337m.

#### **8.0 RECOMMENDATION**

**That the Committee approve an increase in budget of £1.337m for the extra care scheme in Boughton within the HRA 2019/20 capital programme, financed through available**

**Housing Revenue Account (HRA) capital resources within the HRA Business Plan, to enable delivery of the housing scheme.**

**Reason for Recommendation**

**To meet the Council's objectives within the Community Plan specifically to 'Accelerate the supply of new homes including associated facilities' and 'Improve the health and wellbeing of local residents, with a particular focus on narrowing the gap in healthy life expectancy and other health outcomes', set against the evidenced housing, health and social care need for this locality.**

**Background Papers**

Nil

For further information please contact Rob Main, Business Manager – Housing Strategy & Development on Ext 5930 or Jill Sanderson, Housing Development Officer on Ext 5624.

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