
**Manchester City Council
Report for Resolution**

Report to: Executive - 8 March 2017

Subject: Extra Care Housing

Report of: Strategic Director (Development), Strategic Director, Children, Families, Health and Wellbeing

Summary

This report provides an update on work being undertaken to develop viable delivery options for an MCC commissioned programme of Extra Care Retirement Housing the principles of which were previously approved by Executive and link into the Manchester Locality Plan and subsequent savings required of Health and Social Care budgets.

The report highlights the delay and risk to the development of schemes by Registered Provider (RP) partners due to a shortfall within financial models created by the uncertainty of the Government's proposed changes to Housing Benefit for supported housing and the subsequent deferred implementation date of 2019.

Alternative financial options for enabling development to commence are outlined and Executive approval is sought in principal ahead of detailed business case submissions to the Council's capital approval processes.

Recommendations

Executive is recommended to:

- 1 Approve the principle of Manchester City Council, as commissioner of supported housing services, providing a specified capital subsidy and where necessary and appropriate making available loan finance, subject to agreement through the capital spend approval processes, in order to enable the earlier development of extra care schemes to meet evidenced need across Manchester.
- 2 Support the principles outlined in 5.1 to guide decisions on the scope, funding and conditions applied to any form of support provided by the City Council, taking into account potential risk presented set against benefits to be achieved.
- 3 Delegate final approval of the terms and conditions to the Director of Housing, the City Treasurer and the Head of Development, in consultation with the Executive Member for Housing and Regeneration and Executive member for finance.

4. Authorise the City Solicitor to conclude and complete all documents and agreements necessary to give effect to the terms and conditions approved and agreed.
5. Note that should any additional capital outlay to the £6m allowed in the Capital Budget be required then this will be pursued separately through the capital approvals process and may be subject to Executive or Council approval.
6. Approve the disposal of the site of Bellamy Court, Abbey Hey at an undervalue of £630,000 on condition of it being used for the purpose of providing Extra Care.

Wards Affected

Gorton North, Moss Side, Fallowfield, Miles Platting and Newton Heath.

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Providing a high quality mixed tenure offer for older households can free up family houses which are in demand for a growing workforce critical to economic growth. The development process will provide much needed employment opportunities for lower skilled work. There is a lack of choice across the city, particularly in the south, for older households who wish to move to more appropriate accommodation in the community. The delivery of Extra Care retirement living schemes will provide more choice of homes for older households in their neighbourhoods close to family and friends
A highly skilled city: world class and home grown talent sustaining the city's economic success	The schemes offer significant employment opportunities for residents in the surrounding areas as well as training and placement opportunities for students
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Providing a mixed tenure offer for older people offers enhanced opportunities for residents to retain their independence, and age in place. The inclusion of an LGBT+ majority scheme within the extra care programme will meet an identified need within Manchester's large, ageing LGBT community.
A liveable and low carbon city: a destination of choice to live, visit, work	Extra care schemes also enable older people to remain living with partners/carers in the community rather than entering residential care
A connected city: world class infrastructure and connectivity to drive growth	The extra care schemes will include state of the art technology to improve the care offer and make scheme savings.

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The provision of Extra Care Retirement Housing has the potential to offer significant savings to Adult Social Care and Health budgets through providing accommodation in which older households can remain independent in their own homes with the provision of high quality onsite care. The provision of transitional units within the extra care schemes will both minimise the need for hospital admissions and accelerate hospital discharge through a new step up/down care model.

Upon completion of the development, MCC will commission the care required. Funding will be identified through reducing the current expenditure on residential and nursing care, as well as people moving into extra care with an existing homecare package. The cost of care at 4 additional schemes would be estimated at £500k per scheme, £2 million in total for new developments. Early indications from modelling work completed so far indicate that this would generate savings of £3.347m with a net saving of £1.347m for 2018/19 onwards. These savings are already in the financial benefits set out in the Manchester Locality Plan for the integration of health and social care.

Financial Consequences – Capital

It is established that although providing wide ranging benefits, extra care schemes are expensive to develop, hence Executive approving in November 2015 the Council contributing land on either an investment basis or as part of a land deal. As part of that work, the need for some capital investment for the two proposed extra care schemes was identified to compliment the HCA funding allocated to the Registered Provider (RPs) and £6m was earmarked as part of the recent capital budget process. The uncertainty created by Government proposed policy changes to rent and service charge restrictions from 2019 alongside the 1% rent reduction from 2017/18, has impacted upon RP business cases and created a risk to proceeding with the two schemes within HCA funding timescales.

To enable the schemes to be developed by the RPs within the timescales required to secure HCA funding, the potential for MCC to provide loan support and/or an additional injection of upfront capital investment is being examined. Any such support will be subject to claw back, should the Governments proposed revenue pot devolved to the Local Authority enable the Registered Provider to set more realistic rent and service charge levels for the scheme. The terms of this clawback arrangement would be developed as a legal agreement between each individual RP and MCC.

As part of the above arrangements the Bellamy Court site will transfer to Southway Housing Trust (SHS) for £1 to enable the Abbey Hey Extra Care scheme to be

delivered. The market value of the site is £630,000 on the assumption that any residential development is restricted to Extra Care.

At this stage no major VAT issues have been identified, as detail develops any VAT implications will be quantified within the Gateway approval process.

Any extra care scheme model developed will be subject to the Council's capital approval processes. Should the level of capital support required exceed the £6m allocated then full Council approval will be required.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Manchester's Draft Locality Plan 2015

Report to Executive – 4 November 2015: Extra Care Retirement Housing Development Opportunities

Manchester Locality Plan Final version 2017

Living Longer, Living Better; Housing for an Age Friendly Manchester

http://www.manchester.gov.uk/downloads/download/6143/housing_for_an_agefriendly_manchester

1.0 Background

- 1.1 Executive have previously noted the general cost benefits of Extra Care and approved in principle a plan to develop more extra care housing to meet evidenced need in Manchester. A detailed evidence base was subsequently developed via a comprehensive needs assessment and forecast model. A detailed Manchester cost benefit analysis of extra care identified an overall fiscal benefit to the Council of £1.12 for every £1 spent, and overall benefits for the economy to be £1.26 for every £1 spent. These estimated benefits relate to the proportion of people who would need to go into more expensive residential - nursing care in the absence of extra care housing and the financial impact of lower hospitalisation rates. Wider benefits include: wider housing choice for older households, the release of family homes, increased health benefits for older households through more appropriate accommodation, reduction in social isolation and on site care teams.
- 1.2 Extra Care housing was identified in Manchester's Draft Locality Plan presented to the Health and Wellbeing Board in September 2015 as a significant contribution that housing can make to health and wellbeing delivery and efficiencies, along with a more extensive use of Assistive Living Technology.
- 1.3 Extra Care was also identified within the City Councils Residential Growth Strategy as a key programme to enable older households to move from under occupied family housing into purpose built residential accommodation more suited to their needs. This would free up family housing without the need to build more.
- 1.4 In November 2015 Executive approved the provision of four Manchester City Council owned sites in appropriate locations across Manchester for the development of Extra Care Retirement Housing. Recognising that, whilst offering significant benefits Extra Care schemes are expensive to build, even with grant funding and subsidy from the developing Registered Providers, Executive Committee also agreed that officers work with partners to develop viable financial models to ensure scheme delivery. This report provides an update regarding that work and outlines financial options for consideration and approval.

2.0 Scheme/site progress update

- 2.1 To achieve the stated aim of delivering 400 new extra care bed spaces in Manchester, officers have continued to work with our Registered Provider Partners and the Homes and Communities Agency to develop viable financial models for the delivery of the proposed Extra Care programme. Due to the funding methodology, spatial distribution of sites and individual organisations financial arrangements, this has had to be done on a site by site basis rather than a single funded programme approach.

- 2.2 The 4 sites as approved by Executive in November 2015 for the development of extra care housing are as follows
- 2.2.1 **Silk Street, Newton Heath** - There is RP interest in developing the site and Health commissioners have indicated that Health priorities in the north of the city would make this an ideal joint venture. A preferred partner has not yet been selected but work is due to start on this in March 2017
- 2.2.2 **Oakwood Lodge, Northenden** -This may now be impacted upon by HS2 route and no further work has progressed until the outcome is clearer.
- 2.2.3 **Withington Road, Whalley Range** – In response to the LGBT Foundation research commissioned by MCC Equalities team, which identified a pressing need in Manchester for an LGBT majority scheme to counter discrimination being encountered in general schemes by LGBT elders, relevant lead Executive Members and ward members have this site for development of this proposal. A number of RPs have already expressed an interest in what will be a flagship scheme and work to select a preferred partner to develop the detailed scheme will begin shortly with the aim of preparing a detailed funding bid to the HCA by early summer 2017. The site may still produce a receipt depending on the mix of sale and affordable rent/shared ownership.
- 2.2.4 **Bellamy Court site, Abby Hey, Gorton** - The Clinical Commissioning Group and the Central Manchester Foundation Trust identified that the greatest immediate need for additional accommodation was in Gorton in East Manchester, and Southway Housing Trust were selected as the preferred partner in early 2016. Southway has received HCA grant funding of £55k per unit to develop 105 Extra Care Retirement apartments, 100 of which are for affordable rent, with 5 units intended for use as “step up/step down” intermediate care accommodation to facilitate hospital discharge or avoid emergency hospital admission. However, progress on the Bellamy Court scheme has now paused due to the financial uncertainty created by the Government’s changes to housing benefit which are set out in more detail in section 3 below.
- 2.3 In addition to the proposed extra care developments on the above approved MCC sites, two further schemes are well advanced in the development process:
- 2.3.1 **Stagecoach site, Bowes Street, Moss Side** - As part of the wider multi tenure, residential scheme being undertaken by a partnership between Rowlinson Construction and MossCare, a 72 unit extra care scheme proposal has been developed. Full planning has been granted and HCA grant funding received. MossCare have committed to subsidising the scheme with Rent Conversions but are reluctant to commit the scheme due to the same financial uncertainties introduced by the proposed welfare reform changes.
- 2.3.2 **Village 135** - Wythenshawe Community Housing Group (WCHG) Village 135, is due to complete in March 2017. WCHG have invested a significant amount of their capital into the scheme in addition to HCA and NHS funding, the

scheme has been built on WCHG owned land and incorporates existing WCHG owned multi storey blocks. It will deliver 135 apartments with a range of tenures.

This report is initially focussing on the two sites which have HCA funding secured (Bellamy Court and Stage Coach) but where delivery is now at risk due to the proposed changes on funding arrangements for supported housing.

3. Impact of Welfare reform proposals on development of extra care

- 3.1 Work undertaken to develop sustainable investment models for the two extra care sites with development partners and grant funding in place (Bellamy and Stage Coach) have been impacted upon by Government changes to funding arrangements for supported housing. The 2015 budget announced changes to how housing benefit would be treated for people entitled to claim who were going to live in supported housing, restricting rent and service charge costs to the Local Housing Allowance Rate. The changes will significantly reduce the amount of housing benefit payable for supported housing and has caused a great deal of concern amongst housing providers, Local Authorities and service providers alike and nationally has stalled the development of new supported housing schemes such as Extra Care. After much lobbying, the Work and Pensions Secretary announced in September 2016 that the implementation date for the changes would be deferred until April 2019 and a new ringfenced housing support fund would be devolved to local authorities from which the schemes could be funded. However, the announcement extended the scope of the change from just new tenants to all existing tenants. Consultation on the principles and assumptions of how the fund could work has only just closed and therefore the way in which funding is calculated and allocated to Local Authorities remains uncertain.
- 3.2 The development of the 105 Extra Care units on the Bellamy Court site has secured grant funding awarded to Southway Housing Trust from the Homes and Community Agency (HCA) of £5.5m. Similarly the Stagecoach proposal for 72 Extra care units has secured HCA grant funding of £3.84m. At the time of bidding, it was likely that Housing Benefit would have covered the cost of rent and service charges. The subsequent proposed changes have now clearly affected the financial model as LHA rate is significantly lower and the proposed top up fund for the service charges is unknown.
- 3.3 The HCA funding approval for the Southway and Mosscafe schemes being time limited. In order to meet HCA deadlines, Southway Housing Trust need to submit planning applications in April 2017. Whilst Mosscafe are in a slightly different position regarding HCA funding, the Stagecoach development programme as a whole will begin in the spring of 2017 and the developer needs to be clear whether or not they are building out the extra care scheme.

4. Financial modelling options for consideration

- 4.1 Taking into account the continued uncertainty around the funding, the pressing need for extra care provision and the savings identified in the Adult Services

budget plan, provider partners and MCC officers have considered a number of financial options to secure confidence for early delivery of MCC's Extra Care programme.

4.2 In addition to transferring land at less than best value, options for the City Council to consider to improving the extra care financial model are as follows:

- a capital contribution
- providing a loan through its prudential borrowing powers.
- underwriting risk to the housing provider through guarantees

The above options have been considered alone and as a combination by capital finance officers who have been working with Southway and Mosscaire on an open book basis to assess the financial scheme appraisal in detail.

4.3 The £6 million identified in the Capital Budget for extra care schemes can be used to support the development of the two priority schemes. This could take the form of either a conditional contribution or an underwriting fund which would be clawed back if the LHA funding is at a sufficient level to enable the schemes to be developed without further support. This option would give the Council more flexibility once the supported housing funding pot is known.

4.4 In addition there is the potential for MCC to finance the build through a loan. Registered Provider partners will need to satisfy themselves that their existing lenders are comfortable with another form of loan finance being introduced. It is estimated that there could be significant savings if council support can be provided on more favourable terms. Any loan financing would need to be fully secured and if the amounts exceed the £6m capital allocation then full Council approval will be required as any loan over one year is treated as capital spend.

4.5 Underwriting the risk to the housing provider may be more attractive to the Council at this stage; especially given the Secretary of State's publicly recorded announcements of support for Supported Housing. Should the supported housing fund not be sufficient to provide the top up to the rent, then the capital funding would have to be called upon. Capital funding has to be identified to support any underwrite and should the planned support for the two schemes exceed the £6m Council approval will be required.

4.6 An MCC financial model based upon an actual extra care scheme has been developed, incorporating the above proposals. Extensive sensitivity testing has been undertaken to ensure the financial viability of the proposal. In any final model developed, consequences of and risks around rising build costs, loan interest rates and the uncertainty around the devolved fund from Central Government to compensate for the changes to the LHA caps would need to be managed.

5. Recommendation: Principles on which to proceed

5.1 To mitigate the risk of not achieving the necessary savings to the Health and Social care budget and to ensure grant funding is maximised, the Executive is

recommended to approve the 'in principle' support of Extra Care Housing costs as set out in this report. This will be based on the following conditions;

- A full strategic fit and cost benefit analysis is undertaken
- Support may be in the form of discounted land, provision of capital finance by way of grant, loan, equity investment or a combination of these. The relevant approvals would be sought before progressing.
- Any disposal of land at a sale price at less than best value to be subject to RPs working on an open book basis by providing a satisfactory and detailed development appraisal and the User Clause will be restricted to extra care.
- A financial model will be used to appraise the development costs of each scheme. This model identifies and measures both the risks and financial benefits of each proposed scheme business plan and enables scheme costs to be compared. The risks to be assessed include, but are not restricted to, interest rate changes, on going uncertainty over the future of supported housing, build cost inflation and fees potentially increasing by the time development starts.
- That any funding provided by MCC will be clawed back should funding be available through Local Housing Allowance funding, or where circumstances change over time which enable the funding of the schemes to be self-supporting by the registered providers.
- RPs will use affordable rent conversions from elsewhere, or recycled capital grant funds (RCGF) to support the model wherever possible.

5.2 Extra Care is and will continue to be a top priority for the Council. As commissioners, the Council and its Health service partners need to work to reach an understanding and agreement on an RP's financial model and assumptions, working with them on the details to agree the optimum financial package that allows the scheme to work, whether that is a capital subsidy, financial loan, a revenue top up or a mixture of all three. The Executive approval of these principles does not imply a blanket approval to all extra care schemes, each of which will be assessed and approved on their own merit taking into account the legislative and funding arrangements in place at the time.

6.0 Contributing to the Manchester Strategy

(a) A thriving and sustainable city

6.1 Providing a high quality mixed tenure offer for older households can free up family houses which are in demand for a growing workforce critical to economic growth. There is a lack of choice across the city, particularly in the south, for older households who wish to move to more appropriate accommodation in the community. The delivery of Extra Care retirement living schemes will provide more choice of homes for older households in their neighbourhoods close to family and friends

(b) A highly skilled city

- 6.2 The development process will provide much needed employment opportunities for lower skilled work. The schemes offer significant employment opportunities for residents in the surrounding areas as well as training and placement opportunities for students

(c) A progressive and equitable city

- 6.3 Providing a mixed tenure offer for older people offers enhanced opportunities for residents to retain their independence, and age in place.

(d) A liveable and low carbon city

- 6.4 Extra care schemes also enable older people to remain living with partners/carers in the community rather than entering residential care

(e) A connected city

- 6.5 The extra care schemes will include state of the art technology to improve the care offer and make scheme savings.

7.0. Key Policies and Considerations

(a) Equal Opportunities

- 7.1 The extra care programme will address the lack of choice across the city, particularly in the south, for older households who wish to move to more appropriate accommodation in the community. The inclusion of an LGBT majority scheme within the extra care programme will meet an identified need within Manchester's large, ageing LGBT community.

(b) Risk Management

- 7.2 Extensive sensitivity testing has been undertaken to ensure the financial viability of the proposal. Risk assessments will be made at each stage of the Council's capital approval process.

(c) Legal Considerations

- 7.3 Legal Services will provide support when progressing individual schemes or proposals, to ensure that the project is compliant with all relevant legal considerations (including public procurement, state aid and land disposal requirements).