

ACCEPTANCE OF HCA FUNDING FOR HILLINGDON'S SUPPORTED HOUSING PROGRAMME

Cabinet Member	Councillor Philip Corthorne
Cabinet Portfolio	Social Services, Health and Housing
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Papers with report	

HEADLINE INFORMATION

Purpose of report	To seek the Cabinet's approval to progress the supported housing programme and to accept funding from the Homes and Communities Agency.
Contribution to our plans and strategies	<p>This project will directly contribute to the council's objectives of:</p> <ul style="list-style-type: none">• Achieving the Medium Term Financial Forecast (MTFF) saving of £3.46m by providing supported housing as an alternative to expensive and inappropriate residential care.• Providing older people, people with physical learning disabilities and mental health issues with a range of housing options as an alternative to institutional forms of living.• Making better use of property assets by redevelopment• Achieving value for money – providing financial benefit to the Council by providing inward investment.• Helping to meet housing targets within the Local Development Framework (LDF)
Financial Cost	The cost of the 3 year programme is £27.98m. This will be financed by HCA grant of £3.38 and £24.6m of HRA prudential borrowing.
Relevant Policy Overview Committee	Social Services, Health and Housing
Ward(s) affected	All Wards

RECOMMENDATIONS

That Cabinet:

1. Approve that the Council accept Homes and Communities Agency (HCA) funding in order to deliver a supported housing programme of 225 units for a range of vulnerable client groups over a 3 year period. The council will enter into a grant agreement with the HCA setting out terms and conditions of the grant funding.

2. Delegate authority to the Leader of the Council and Cabinet Member for Finance, Property and Business Service to approve sites to be included in the programme, including the authority to approve substitute sites if needed.

3. Approve that the Council enters into prudential borrowing arrangements to meet the project costs of £24.6 m not covered by the grant funding.

4. Approve that the procurement process for suitably qualified specialists for professional and technical services and the building contractor be carried out by Corporate Landlord and Corporate Procurement and reported to Cabinet or Cabinet Member for decision as appropriate.

INFORMATION

Reasons for recommendation

1. To reduce the dependence on residential care by increasing supported housing options, which is a key Social Care Health & Housing strategic objective with this scheme being an essential contributor to the achievement of wider MTFF savings £3.46m.
2. To meet the needs of older residents, people with physical learning disabilities and mental health issues and promote independence.
3. To make better use of redundant or underused council land including sites on existing estates or General Fund sites agreed to be used for housing.
4. To take advantage of an opportunity to accept funding from the HCA in order to deliver a range of supported housing which would not be delivered by sole reliance on the market within the timescale required.

Alternative options considered / risk management

Cabinet could decide not apply for this external funding to deliver its supported housing programme.

Comments of Policy Overview Committee(s)

5. None at this stage.

Supporting Information

Hillingdon Supported Housing Programme

6. As with other local authorities, Hillingdon still uses some institutional forms of accommodation such as residential care for people with care and support needs - with a current annual spend of approximately £36m on residential and nursing care. This form of accommodation is expensive to run and is not always suitable for people who in many cases could live more independently.

7. The council's Medium Term Financial Forecast (MTFF) proposes that over 400 supported homes be built over a period of three years to create real alternatives to the current situation and reduce the numbers of people living in residential care. The new accommodation will provide independent living with either floating support or care available on site tailored to clients' needs. It will be less expensive to manage and the cost of providing care will be reduced.

Financial modelling conducted for the MTFF process suggests that the annual cost of extra care is £13k less per person than the cost of residential care.

8. This report proposes that the Council accept Homes and Communities Agency funding in order to directly develop 225 supported homes, approximately half of the council's requirements. The remaining homes would be provided at no direct cost to the council by working in partnership with housing associations (Registered Providers) – note that the housing associations would be required to pay for the land if disposed by the council thus bringing in a receipt.

HCA Funding

9. The council has a history of success in attracting HCA funding to deliver new housing. The Triscott House extra care scheme currently under construction was partially funded from HCA grant and the successful progress of this project has strengthened Hillingdon's position as a reliable delivery partner.

10. In April 2011, Cabinet approved that officers could submit a bid to the HCA for grant funding under the 2011-15 affordable homes programme. This has been approved by the HCA and officers are now seeking cabinet approval to accept this funding. Using the funding to deliver the supported housing programme will have a number of advantages including a reduction of the borrowing required to fund the programme and further strengthen the council's track record as a reliable HCA partner.

11. Proposed HRA reforms coming into force in April 2012 will provide the borrowing capacity to allow new supported housing development as well as improvements to existing stock. However, this capacity will be limited as are the availability of council owned sites. Consequently, the HCA grant represents a window of opportunity to reduce dependence on care and to counter the impact of the economic downturn on the delivery of affordable housing for all client groups. Direct development of supported housing by the council will allow the authority to invest in its assets and retain control over them for the benefit of Hillingdon residents.

12. It is a condition of taking part in the HCA framework that providers adopt a new form of tenure for new supply alongside existing ones. This new tenure provides the flexibility to charge rents up to 80% of market levels. This generates funding to compensate for the reduced levels of grant available at present. The council's offer to the HCA is that 60% of market rents will be charged meaning that rents will still be affordable to tenants but with sufficient funding to make the programme self financing so long as the council takes advantage of the added benefit of HCA grant.

13. The timetable to accept HCA funding is as follows:

- Week commencing 4th July 2011 - HCA and ministers signed-off the national programme
- End of July 2011 – Initial contracts with the HCA to be signed by grant recipients

Types of Supported Housing

14. The types of supported housing delivered would come under the following categories:

Extra care

15. There are two examples of extra care currently under construction in the borough – Triscott House in Hayes which is being project managed by the council and Ickenham Park which is being delivered by Paradigm Housing Group.

16. The extra care model can provide independent living for older people (usually over 55), as well as people with physical and learning disabilities, providing care and support on site 24 hours each day. Schemes often contain communal facilities such as dining areas, hydrotherapy, surgery/treatment room, hairdresser and a shopping kiosk. This model of housing is much more popular than traditional care homes with a modern, not institutional, setting and is also less expensive to run. The estimated saving compared to a care home is £13k per unit per annum. To achieve economies of scale the optimum size of an extra care scheme is around 40-60 units. In allocating extra care units a banding system is used to have a mixture of people with a range of needs which will ensure the scheme has a mixed and more sustainable community. Low cost home ownership options can also be provided.

17. In addition to the 95 units being constructed at Triscott House and Ickenham Park, the council has identified a need for a further 136 units of extra care housing for older people. This would result in a further net saving of up to £1.77m per year. Currently, sites have been identified for housing association provision of up to 50 units with a further 86 units being considered on council land including the redevelopment of existing accommodation.

Support for people with learning disabilities

18. Supported housing schemes for people with learning disabilities tend to be smaller in size than for extra care schemes and may have fewer communal facilities. They can either offer self contained flats with on-site support or fully independent living with floating support. The council has previously delivered Hamlet Lodge in Eastcote in partnership with Look Ahead Housing and Care, and is carrying out conversion projects at Ascott Court and Horton Road to provide new flats for this client group. The shortage of residential care for those with very high needs means that high savings are achievable by providing supported housing for this group where this is appropriate. It is estimated that the savings are around £19k per unit per annum.

19. The identified need is for 217 units with 36 of these being accommodated within extra care facilities. Currently 81 units have been identified for council provision with the remainder being provided by housing associations.

Support for people with mental health problems

20. The council has previously delivered the Hayes Park Lodge redevelopment in partnership with Catalyst and Look Ahead. This provides 20 units of independent living adjacent to the Mead House daycare centre. The council has identified a need for 45 further homes of this type with potential savings to be made in the region of £14.3k per year per unit.

Support for people with physical and sensory disabilities

21. The provision of supported housing for people with physical disabilities involves the development of new wheelchair access properties as part of the general needs housing programme. There are a number of units in the pipeline that are under construction. The possibility is being explored of developing a number of HRA sites to provide wheelchair access bungalows. The council has already delivered 4 wheelchair access bungalows as part of the council's HRA Pipeline programme. The estimated saving is £13k per unit per annum. 18 units could be delivered through the HRA pipeline sites and 32 could be delivered by housing associations.

22. The table below shows the estimated need for supported housing and the units to be directly provided by the council programme in the last column.

Tenure	Estimated Future Need *	(minus) Capacity for Housing Association Delivery 2011-15	(equals) Required Council Delivery 2011-15
Extra Care (older people and learning disabilities)	136 units	50 units identified	86 units
Learning Disabilities (excluding extra care)	181 units	18 units identified 82 units to be found	81 units
Mental Health	55 units	15 units to be found	40 units
Physical Disabilities	50 units	32 units identified	18 units
Total	422 units	100 units identified 97 units to be identified = 197 total units	225 units

*Excludes sites already under construction

23. Officers in SCHH would be responsible for scheme briefs, commissioning of care and support, assessment and allocations processes and overall programme co-ordination. The Corporate Landlord will lead on the professional and technical aspects of the project, potentially by external appointment using established frameworks of consultants or appointing following competitive tenders.

Financial Implications

24. The supported housing capital programme will cost £27.98m. This includes £24.6m of HRA prudential borrowing and £3.38m HCA grant. The borrowing will be carried out within the HRA over 3 years starting in 2012/13 and the full £24.6m will therefore be taken up by 2014/15. Debt costs for the loan will be wholly charged within the HRA. The rent for these 225 properties will be governed by the new affordable rent provision which allow the individual rents to be set at 60% of market rent.

25. A financial appraisal of this supported housing programme indicates that the scheme will break even by year 34 during 2045/46 assuming interest on borrowing averages at 5.5%. If interest rates average 5% then the break even position will be achieved around 10 years earlier during 2036/37 in year 25.

26. Apart from management and maintenance costs a provision has also been made for major repairs within this financial appraisal. This major repairs provision will ensure that the long term value and life of the assets will be maintained for many decades. The appraisal also assumes that the loans will be repaid within 40 years. This will therefore require the HRA to absorb annual cash outflows of around £468k if interest rates are at 5.5% or £369k if interest rate average at 5%. A report elsewhere on the agenda on the implementation of the HRA Self-financing regime indicates that the HRA will be able to absorb these costs. At the point at which

the loans are repaid there will be no interest costs to set against the rental stream so the scheme will provide a substantial financial benefit for the HRA.

27. In addition, unlike housing for general needs, these supported housing units are not eligible for purchase under the Right to Buy scheme so there is no risk of the council being left with debt and no asset if 75% of the sales proceed had been taken by central government.

28. The programme will also provide substantial benefits for the General Fund by making available supported housing units for older people as well as those with learning disability, mental health and physical disabilities. The scheme is also a critical element in the council's strategy of transferring people from residential care into independent living. Apart from making a big difference in their ability to lead independent lives and correspondingly in their quality of life such a strategy will have significant benefit for council in financial terms as set out in the table below.

Supported Housing Programme		
Tenure	Units	Saving £'000
Extra Care	86	1,118
Learning Disability	81	1,539
Mental Health	40	572
Physical Disability	18	234
	225	3,463

EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

There will be an improvement in the provision of affordable and supported housing which will promote choice, independence and quality for service users who have a need for this type of accommodation.

Consultation Carried Out or Required

Local residents and Ward Councillors will be consulted on all new proposed developments.

CORPORATE IMPLICATIONS

Corporate Finance

This report follows that of April 2011 'Bidding for the Homes and Communities Agency's (HCA) Affordable Housing Framework 2011-2015' and now recommends the take up of HCA funding alongside the adoption of a programme to deliver 225 units of supported housing.

In that report, Corporate Finance supported the recommendations but highlighted the following council-wide implications:-

- Potential loss of receipts to finance the general capital programme. Supported housing savings would therefore need to be sufficient to cover the additional borrowing costs incurred due to additional borrowing up to the amount of receipt unrealised.

- Following the proposed Subsidy reforms, borrowing limits will be imposed on the HRA and although there will be some headroom for additional borrowing, the proposals recommended within this report would use a sizable portion of this, thus potentially limiting future developments requiring borrowing.
- Borrowing for the Council in its entirety is set to increase substantially with major borrowing required for Subsidy settlement, Primary Capital Programme and ongoing capital developments.

This report is seeking recommendation to approve prudential borrowing of £24.6m to fund this programme over 3 years starting from 2012/13. The Council's authorised borrowing limit approved by Council on 24 February is sufficient at present to accommodate such additional borrowing.

Corporate Finance has reviewed the financial appraisal of this scheme considering its feasibility under two scenarios, namely a) self-financing reforms go ahead as outlined in previous reports, and b) under the highly unlikely event that reforms do not proceed and the HRA continues to operate within a similar framework to that currently in place.

The cash flows shown in paragraph 26 indicate a net cost during the financing period of up to £468k per year. However, significant prudence has been applied with assumptions used, namely a long term interest rate of 5.5%, provisions for management and maintenance, repairs and bad debts with no recourse to balances or non-pooled HRA capital receipts. If self-financing reforms are introduced as planned, there will be plenty of headroom within the annual budget to absorb these costs; indeed the reforms are partly designed to facilitate such developments and hence revenue allowances for such financing have been factored into the draft settlement model.

Should reforms not proceed, there are strategies available to the HRA over and above reviewing the prudent provisions described above which include the reprofiling of principal debt under the current Item 8 determination and/or the employment of existing HRA balances and capital receipts to reduce the borrowing requirement. Hence, it would be perfectly feasible to reduce the net cost shown in this report if the HRA is still operating under the Subsidy system.

However, with the proviso around forgone receipts, substantial savings will accrue to the GF if vulnerable residents can be diverted from residential care to supported units thus providing savings currently within the MTFE as well as affording significant non-financial benefits for all residents concerned. This provides an additional incentive to use any available HCA funding, albeit that this contribution would be a fairly minor part of the programme costs, particularly once land values have been included. From a Council wide perspective, potential residential costs savings makes the programme suitable for Prudential borrowing satisfying the Prudential Code criteria of affordability, sustainability and prudence. Hence Corporate Finance supports the recommendations of this report.

Legal Implications

The Borough Solicitor advises as follows:

HCA GRANT

The HCA has offered the Council a grant of £3.38 million to contribute towards the cost of the Supported Housing Capital Programme. This grant is made under Section 19 of the Housing & Regeneration Act 2008. There are no legal impediments to the Council accepting this grant.

HOUSING REVENUE ACCOUNT (HRA) PRUDENTIAL BORROWING

As stated in the report, the Government has indicated that it will change the legislation relating to the HRA from April 2012.

The Localism Bill, currently progressing through Parliament, contains clauses to abolish the current HRA subsidy system and grants powers to the Secretary of State to establish a new system for Housing Finance. However, the Bill has not yet completed its legislative passage through Parliament. Any decision for the Council to borrow money must, therefore, be based on the Council's existing powers. If new powers subsequently become available, the Council could legitimately decide to borrow the money using its new powers if it is in the Council's best interests to do so.

Part 1 of the Local Government Act 2003 regulates borrowing by the Council. Section 1 of the Act enables the Council to "borrow money for any purpose relevant to its functions under any enactment", provided that the amount of borrowing does not exceed its affordable borrowing limit.

The Council, as Local Housing Authority, has power under Section 9 of the Housing Act 1985 to provide housing accommodation and under Section 17 to acquire land for the provision of housing accommodation.

The provision by the Council of supported housing constitutes "housing accommodation" under the Housing Act 1985 and the Council is therefore able to borrow money in order to provide such accommodation.

However, before exercising its power to borrow under the Local Government Act 2003, the Council is required to determine an affordable borrowing limit and to comply with regulations issued by the Secretary of State.

Article 4 of the Council's Constitution provides for Full Council to approve the Council's budget, including any borrowing.

The report shows that the Council's authorised borrowing limit, approved by Full Council on 24 February 2011, is sufficient to accommodate the borrowing of £24.6m. Cabinet, therefore, has authority to approve this borrowing.

The Local Authorities (Capital Finance & Accounting) (England) Regulations 2003 requires the Council to have regard to the "Prudential Code for Capital Finance in Local Authorities" published by CIPFA. This code requires the Council to be satisfied that the borrowing is affordable, sustainable and prudent. The report shows that Corporate Finance consider these criteria to be satisfied.

Finally, with regard to borrowing, Cabinet is reminded that all costs associated with the provision of housing by the Council must be charged to the HRA. Therefore, Cabinet therefore needs to be satisfied that the cost of the borrowing can be contained within the HRA.

HOUSING MATTERS

This report states that rents of 60% of market level will be charged for these properties and that the properties will not attract the right to buy.

Section 24 of the Housing Act 1985 enables the Council to "make such reasonable charges as they may determine for the tenancy or occupation of their houses and from time to time to

review rents and make such changes, either of rents generally or of particular rents, as circumstances may require". This section, therefore, enables the Council to charge a higher rent for these properties in order to attract HCA funding or to make the cost of borrowing affordable.

If the Council proposes to charge rents that differ from the levels currently approved, additional approval from Cabinet would be required.

With regard to the right to buy, Schedule 5 to the Housing Act 1985 specifies the circumstances in which the right to buy does not arise. It is proposed that these properties will be offered to older residents, people with physical or learning disabilities and residents with mental health issues. Exemptions to the right to buy arise where the Council has a policy of allocating accommodation to persons with physical or mental disabilities or to those of pensionable age provided that the properties are adapted to cater for the needs of these tenants and that special services are provided to assist them to reside in their accommodation.

In all other respects the tenants of these properties, as secure tenants of the Council, will enjoy the same rights as all other council tenants.

Corporate Landlord

The Corporate Landlord supports the recommendations of this report.

BACKGROUND PAPERS

**"2011-15 Affordable Homes Programme – Framework", Homes and Communities Agency
Cabinet Report – Bid for the Affordable Homes Programme**