



Cabinet
22 May 2017

**Report from the
Strategic Director of Resources**

Wards Affected:
Stonebridge

**Plot 3, Land East of Victoria Centre, Acton Lane, Park Royal
– Land acquisition, Design & Build Proposals**

***Appendix 1 is not for publication as it contains the following category of exempt information as specified in Part 3, Schedule 12A of the Local Government Act 1972, namely:**

“Information relating to the financial or business affairs of any particular person (including the authority holding that information)”

1.0 Summary

- 1.1 The proposed purchase of a 141-apartment supported housing development on Plot 3, Land East of Victoria Centre, Acton Lane, Park Royal as detailed in the red line plan at Appendix 2. Such purchase would be based on a fixed cost via a land acquisition, in response to a known local need and to support the Council’s new accommodation for independent living (NAIL) programme.

2.0 Recommendations

That Members:

- 2.1 Approve the acquisition of a 141-apartment supported housing development on Plot 3, Land East of Victoria Centre, Acton Lane, Park Royal from Hollybrook Ltd for a package price as set out in appendix 1, subject to 1) an independent valuation, 2) independent cost report confirming value for money, 3) clean and marketable title, 4) satisfactory planning permission and 5) financial and legal due diligence
- 2.2 Subject to acceptance of the Council’s offer for the site detailed in 2.1 above, to delegate authority to the Strategic Director Resources, in consultation with the Portfolio Lead Member, to finalise the terms of the proposed acquisition and enter any associated agreements and contracts.
- 2.3 Approve the submission of an application to the Greater London Authority (GLA) for grant funding to offset the purchase cost and achieve affordable rents to maximise long-term sustainability.

- 2.4 Approve a capital budget that depending on the final negotiated figure would be up to £31m including the various fees, charges, taxes and additional social care requirements noted in appendix 1.

3.0 Detail

Background

- 3.1 Plot 3, Land East of Victoria Centre, Acton Lane, Park Royal ("Plot 3") is a vacant brownfield site located in Park Royal within the London Borough of Brent, which is owned by Hollybrook Ltd (Hollybrook), a commercial developer.
- 3.2 The site benefits from planning permission for 103 supported housing apartments. However, Hollybrook has explored the potential of an enhanced scheme, subject to a revised planning application which has been submitted to the Old Oak and Park Royal Development Corporation (OPDC).
- 3.3 The proposed enhanced scheme consists of a part 4, 5, 6 and 9 storey building comprising 141 one-bedroom apartments, including wheelchair adaptable units, as supported housing units and the provision of communal facilities. Given the high care needs of the tenants, the development is proposed to be a low car use scheme, with two car parking spaces provided on site. The site has good access to public transport with several bus-stops nearby.
- 3.4 The site is bounded to the north by Central Middlesex Hospital and to the south by Acton Lane. To the east, the site is bounded by commercial premises and to the west by the Victoria Care Centre and a new extra care facility owned by Asra, known as Visram House.
- 3.5 The site falls within the Old Oak Park Royal Opportunity Area, as defined in the London Plan, which aims to transform the area into a well-connected transport interchange, providing new housing and commercial development. Major investment in rail infrastructure projects such as HS2 and Crossrail is also supporting the development of the Park Royal area.
- 3.6 It is anticipated that the supported housing development will take 2 years to deliver from exchange of contracts/start on site to completion/hand over. The timescale for delivery will be made clearer once the exact form and structure the deal will take on is known.

Proposal

- 3.7 Adult Social Care financially supports nearly 600 older adults in residential and nursing care in the borough, along with the extra care schemes currently in operation. To meet the current demand of older adults who get admitted into residential care placements, an estimated 492 extra care places are required in total. Support for older adults who get admitted into nursing care adds a further 100 places and a further 20 extra care units a year between 2020 and 2030 are required to meet the demographic growth in the over 85s.
- 3.8 Therefore Council officers have been seeking new investment opportunities for developing new extra care housing to meet the projected growth in demand and to provide future capacity under the Council's NAIL programme, which led to the identification of the site at Plot 3.

- 3.9 Hollybrook's agent, Site Sales Marketing Ltd, have informally marketed the site. Following discussions with the agent, the Council has made an offer to acquire the freehold of the site by private treaty based on a fixed cost via a land, design and build package (see appendix 1).
- 3.10 The offer has been made subject to planning permission being granted for the enhanced scheme of 141 supported housing units, subject to Cabinet approval, subject to contract and on a without prejudice basis.
- 3.11 The offer is also subject to the transaction value being supported by an independent valuation of the development site and verification of construction costs by an independently appointed quantity surveyor/employer's agent to confirm that the costs represent value for money for the Council.
- 3.12 The Council's intention is to hold further negotiations with Hollybrook on the final level of fit-out and refurbishment based on the Council's minimum requirements. The Council will appoint an employer's agent to act on its behalf and to provide a number of services to protect the Council's interest, including sanctioning the detailed design and quality inspection throughout the contract and on completion.
- 3.13 The Council is seeking to fund the purchase cost through grant funding (£85k/unit) to enable it to deliver affordable rent units, with flexibility for the Council to provide alternatives to affordable rent on some units. Informal discussions with the GLA indicates that there is likely to be a favourable response to an application for grant funding, but this is subject to a formal application by the Council and formal decision making process by the GLA.
- 3.14 A housing provider would be commissioned to manage the scheme i.e., all housing management activities, tenant sign up, rent collection etc., and a care and support provider would be commissioned to provide the 24-hour care service that will be delivered to tenants in the scheme. The Council currently commissions 275 units of extra care elsewhere in the borough and have the appropriate procurement mechanisms in place to effectively manage the scheme.
- 3.15 The options appraisal is set out below.

Option 1: Acquire site and completed scheme (preferred option)

Benefits

- Improved housing for older adults;
- Provides capacity for estimated growth in demand for supported housing (141 units subject to planning);
- Supports the Council's savings and investment strategy and delivers savings to the Adult Social Care budget. See appendix 1 for investment appraisal.
- If over time the demand for extra care changes, which is unlikely given the demographic growth in the over 65s and particularly the growth in

over 85s, the scheme could be re-designated for general needs or other vulnerable tenant group.

Risks

- GLA grant funding availability, which is subject to a formal decision making process;
- The proposal is subject to detailed negotiation, subject to contract and due diligence;
- The proposal is subject to planning permission for the enhanced scheme.

Option 2: Scheme acquired by registered provider or other purchaser

Benefits

- No capital expenditure requirement;

Risks

- No guaranteed nomination rights for the Council;
- No certainty of acquisition of the scheme by registered provider;
- Delayed start for the scheme whilst new purchaser is found;
- GLA grant availability;
- Risk of increased pressure and cost to Brent if the scheme draws tenants from outside the borough;

Option 3: Do nothing

Benefits

- None.

Risks

- Few or no alternatives which would provide similar provision or cost efficiency;
- Limited options to meet the needs of older adults with high care and support needs to meet the aims of the personalisation agenda set out in the Care Act 2014.
- There would be a loss to the Adult Social Care budgets as the 141 tenants would have to be accommodated in residential care rather than this more independent environment where the Adult Social Care is only responsible for the care and support service provided, rather than the accommodation costs and food costs of a placement in a care home.
- Scarce availability of land, alternative sites and viability.

3.16 The preferred option is option 1, purchase of the site and completed scheme which will increase the quality and quantity of supported housing, help to meet the current and projected demand and deliver ongoing revenue savings for the Council as shown in appendix 1.

4.0 Financial Implications

- 4.1 NAIL schemes like this support the Council's investment and savings strategy. Each unit potentially saves the Council up to £332/week in Adult Social Care, subject to an inevitable period of vacancy and an element of bad debt. Therefore, there are £2.4m of annual savings that this specific scheme could deliver. Furthermore, control over the housing units directly gives Adult Social Care greater cost certainty over its budget in the long-term in an uncertain fiscal environment.
- 4.2 The Council would be committing up to £31m including a variety of additional charges. Full confidential details are in the investment appraisal shown in appendix 1.
- 4.3 Obtaining GLA grant, rather than using Right to Buy Receipts, is more efficient on this scheme as it would provide a greater level of funding. This issue solely relates to the fact that extra care is supported under the current scheme to a greater extent (£85k/unit) than other forms of housing by the GLA, such as shared ownership (£28k/unit).
- 4.4 With grant, the scheme should repay the principal and the interest costs. However, it is important to note that there would be a capital financing gap that the Council would need to fund before the scheme became operational.
- 4.5 Having an experienced developer deliver a fixed price scheme reduces the Council's risk. However, capital schemes often have significant delays within them and this would have a knock-on impact on the Adult Social Care revenue budget.

5.0 Legal Implications

- 5.1 The Council has a general power to acquire land or premises used for the purposes of any of their functions by virtue of section 120 Local Government Act 1972.
- 5.2 The Council is required to comply with its statutory duty under section 123 of the Local Government Act 1972 to achieve best consideration reasonably obtainable to maximise its returns.
- 5.3 The proposal is to acquire the freehold of a 141-apartment supported housing development site, on a fixed price basis. There is likely to be the requirement to exchange on the vacant site with a long stop date for completion.
- 5.4 The proposed transaction as detailed in the report is considered to be an exempt land transaction for the purposes of EU Procurement Rules. Care will need to be taken to ensure the form and substance of the agreement with the seller fully reflects the proposed land transaction.

6.0 Diversity Implications

- 6.1 The equality analysis for The NAIL Project found that from a protected characteristic point of view the NAIL schemes have a positive impact, as having a home of your own gives more individual choice and control than in a care home

(over how it's decorated, furnished, food you eat, how you spend your day, and more personal space to have visitors) and the range of communal facilities enable greater levels and opportunities for social activities.

- 6.2 It was noted that in residential care, older adults from local BME (black and minority ethnic) communities were under represented, anecdotally this does not appear to be the case in extra care with an increasing number of referrals from the BME communities.

7.0 Staffing/Accommodation Implications

- 7.1 External consultants will be required.

Background Papers

Appendix 1: Confidential Investment appraisal

Appendix 2: Red line plan

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