

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY 23 JULY 2001 AT 10.00 A.M.**

**EXECUTIVE COMMITTEE
MONDAY 23 JULY 2001 AT 2.15 P.M.**

Agenda item
No.

5

PROPERTY DISPOSAL – THE ORCHARDS, ORCHARDS WAY, LETCHWORTH

Report of the Corporate Director (People and Property)

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Executive Member: David Beatty

Local Member: Nigel Agar

1.0 Purpose of Report

To seek approval for the sale of the site of the Orchards Hostel, Letchworth as part of a self-financing scheme to provide suitable replacement accommodation on part of the same site.

2.0 Summary

It is proposed to dispose of the Orchards Hostel, Orchard Way, Letchworth by way of competition to find a development partner who would build on part of the same site a new twelve bed residential care unit and twelve units of supported housing. The Council would retain full nomination rights at no cost for the twenty-four places being provided. The site is capable of supporting further residential development, which will generate value to be invested into the development proposed.

Owing to the urgency of this matter it has not been possible to put the matter to a meeting of the Resources Prosperity Partnership & Consultation Select Committee . Comments have been invited from the Select Committee Spokesman. Any comments received will be reported to the Cabinet.

3.0 Conclusion

That Members decide whether or not to approve this part self-financing scheme which is designed to recycle an existing asset in order to provide a replacement asset, which satisfies one of the objectives of the Adult Care Services Learning Disability Accommodation Review and accords with the Adult Care Services Property Strategy.

4.0 Background

- 4.1 At its meeting on 15th April 1999, the former Social Services Committee received a report reviewing the accommodation and residential care provision for people with learning disability and resolved to implement its recommendations which included the need to replace the Orchards as it no longer meets Registration Standards.
- 4.2 The Orchards is a hostel for adults with learning disabilities for over 20 people built approximately 30 years ago. The style of accommodation is not compatible with the current care model based on smaller groups and the building cannot be economically converted to meet registration standards or the specification required by the current care model.
- 4.3 A great deal of feasibility work has been undertaken to see how the required levels of provision can be met and the details have been developed through a Members Topic Group. The proposals are now formulated in the Adult Care Services Property Strategy as requiring accommodation for twelve adults in supported housing and twelve adults in residential accommodation.
- 4.4 The feasibility work examined options for replacement of the accommodation on other County Council owned land and for redevelopment of the existing site. The need for continuous accommodation provision for the existing residents was paramount.
- 4.5 The existing Orchards buildings are laid out on approximately half of the site. The feasibility studies revealed that it was possible to develop on the site on the undeveloped area allowing the residents to remain in occupation. The conclusion of this work was that the best option for the Council was to redevelop the existing site which would render surplus to requirements the site of the existing buildings.
- 4.6 The total capital required to fully fund the countywide four-year programme to improve accommodation for people with learning disabilities is £12m and the current capital allocation is less than £2m. Creative solutions therefore have to be examined in order to implement the proposals.
- 4.7 With no capital allocation available to replace the Orchards, investigations were put in hand to establish whether there are development partners (residential social landlords, probably Housing Associations) who could access capital and be prepared to work with the County Council. The result of this work was that there are at least six such partners who would operate in Hertfordshire.
- 4.8 In order to take this forward a report was presented to the former Social Services Committee at its meeting on 6th July 2000 (Agenda item 6) the former resolved:-
- To seek approval for the disposal of the Orchards and surrounding land.

- To seek approval to go out to Tender to obtain a development partner who will design and build the accommodation required by the County Council in return for surplus land.
- To request the approval of Policy Committee to use the capital receipt from the sale of the Orchards to provide suitable alternative accommodation.

4.9 The six Housing Associations that expressed an interest were invited to submit proposals in December 2000. Three tenders were received and following evaluation by a panel reflecting expertise in social care, finance, building design, and property management, a preferred partner has been selected. The partner's proposals are set out below and will be the subject to further refinement in ongoing discussions.

5.0 The Development Proposal

5.1 The proposal is to dispose of the whole of the freehold of the existing site to a Housing Association who will design and build a twelve place residential care unit and twelve units of supported housing.

5.2 The housing association will be responsible for obtaining planning permission, finance and for providing a building to a specification approved by the County Council.

5.3 The supported housing would be managed by the Housing Association with the occupiers as its tenants. The County Council would have full nomination rights to ensure that its obligations to procure accommodation are met.

5.4 The residential care home would be leased back to the County Council for a period of forty years so that the Council can run and manage the home, at a rental of £40,000 p.a.

5.5 Care packages to the occupiers will be delivered separately from the property and accommodation package, which gives the County Council greater flexibility.

5.6 The housing association would use the capital value of the surplus land to subsidise the cost of the new development.

5.7 Mechanisms will be in place to ensure the new accommodation is made available for County Council clients as long as is legally possible and that, in the event of the surplus land being sold, any sums in excess of the agreed budget figure, are returned to the County Council.

5.8 Satisfactory arrangement will be made for continuous occupation of the existing accommodation during the construction period.

6.0 Financial Implications

6.1 The capital cost of the scheme estimated by the Housing Association is £2,226,500.

6.2 The income sources to meet this figure are:

Private Capital (from banks)	£647,950
Social Housing Grant	£963,500
Capital receipt from sale of the surplus land	<u>£615,000</u>
	<u>£2,226,500</u>

6.3 Prudent enquiries have been made in order to establish the certainty of this income. The preferred partner has significant facility lending arrangements secured against its property portfolio. The Housing Corporation has indicated that it is likely to approve the grant required out of its strategic reserve.

The level of the estimated capital receipt has been audited and confirmed as reasonable. If there is a surplus receipt it will be returned to the County Council.

6.4 The revenue costs have been budgeted for in the Learning Disability Accommodation Review.

7.0 Self Financing Aspects

7.1 The former Policy Committee criteria for self-financing schemes are:

“committees may bid to the Policy Committee for self-financing schemes funded from the disposal receipt and within the asset replacement capital control regime if:

- the proposed scheme is estimated to be robustly self-financing
- change cannot be achieved within a Committee guideline
- there is a real impediment to beneficial release of resources
- the cash flow effect can be accommodated within capital control limits as they affect the whole Council, and
- disposal receipts revert to the “pool” if external funding is achieved later.

7.2 Clearly the scheme fulfils these criteria except that significant external funding is required from the development partner to supplement the value of the land that the County Council is putting into the scheme.

Background information used by the Author in compiling this Report

Social Services Committee 6th July 2000.
Policy Committee November 1996.