



## **Extra Care Initiative:** delivering affordable Extra Care accommodation for Local Authorities

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# Executive Summary

Preferred Homes Limited (“PH”) in partnership with Ashbourne Capital Partners is in the process of registration with the Regulator of Social Housing as a ‘for profit’ Registered Social Landlord (‘RP’) which will enable PH to develop, deliver, own and manage new extra care social housing for affordable rent.



Our objective is to deliver, manage and own a portfolio of new sustainable affordable Extra Care apartment schemes with available on-site care assisting Local Authorities who are under pressure to provide more social housing and reduce care budgets, meeting local demand for social housing and reducing reliance on more expensive and unsuitable care alternatives.

We will develop new supported independent retirement accommodation and the Local Authorities will provide or procure intermediate care services for our qualifying residents.

We are currently seeking to work with Local Authority partners where we can identify local demand for affordable Extra Care schemes.

We will work collaboratively with Local Authority Commissioners to identify suitable sites and develop apartment schemes. We have carefully researched the Extra Care market in order to understand and challenge existing design trends and adopt assistive technologies.

We are looking to significantly invest in this sector over the next 10 years and become a market leader in the provision of Extra Care housing to qualifying tenants across the whole of England.

**We believe our model meets an identifiable local social housing need and shall deliver individual or multiple schemes within targeted Local Authority areas.**

# Background

The Extra Care market in the UK is significantly under-supplied which the acknowledged demographic trend of an ageing population continues to reinforce. The critical need for more affordable rented accommodation for the elderly is a very clear social and political priority.

Demand for “help to live independently” is set to rise as the population ages and medical advances assist more people to enjoy longer lives. Government projections suggest that the overall number of supported homes may need to rise across Great Britain from 650,000 to 845,000 by 2030 (30% increase), particularly among older people (35% increase on current demand).

All our extra care schemes are intended to meet individual Local Authority strategic housing requirements based on their demographically evidenced long term demand. The agreed weekly affordable rents and eligible service charges will be underpinned by Nominations Agreements with Local Authorities prior to the commencement of construction.

The Government’s Shared Ownership and Affordable Homes Programme (SOAHP) 2016 – 2021 invites qualifying organisations to apply for funding. Currently, £4.7bn of capital grant is available between 2016 and 2021 to deliver homes. The Government has recently announced a further £2bn of funding from 2021.



Within our model, we have assumed eligibility for grant allocation which our sector specialists advise is likely to be approved by Homes England (“HE”).

We are looking to establish strategic housing requirements with individual Local Authorities across England, whom we acknowledge are under pressure to provide more social housing to local residents, reduce care budgets and move away from expensive alternatives, including residential care homes and existing poor quality sheltered accommodation. PH will provide, and manage quality, well run schemes for independent living for the many tenants currently on Local Authority waiting lists.

# The Process

- Our model creates Extra Care retirement housing, using private funds, modest bank debt and HE grants.
- Total capital expenditure is forecast to be in the region of £500 million.
- Delivering a substantial number of schemes across multiple locations in England.
- We own our schemes and do not use a lease back model.
- The PH team has been involved in the delivery of over 1,300 units worth in excess of £115m since 2004.
- Our rent setting methodology ascertains affordable rents, reflecting local comparables based on the size, quality and specification of our schemes, in consultation with each Local Authority.
- Our approach to land price, construction costs and the HE grant enables us to deliver local affordable rents.
- Our rents will have contracted annual rental growth of CPI +1%, based on the confirmed Government settlement.
- Our development will be fully integrated into the local community, aiming to enhance the neighbourhood through both active and passive engagement.



# The Process

As a for profit RP, PH will be run in accordance with requirements of the Regulatory Framework. We will work with the Regulator of Social Housing to ensure that PH is a well governed and financially viable business. PH has a professional executive team in place supported by a multi skilled and dedicated Board. PH will own and operate its own developed assets.

Origination and preparation activity will take place via a separate dedicated development company contracted to deliver suitable schemes for PH.

As each development is approved, the scheme is progressed with a confirmed Local Authority Nominations Arrangements, confirmed HE grant and with the site secured by conditional contract or option.

Each scheme, averaging 80 Extra Care apartment units, will be delivered pursuant to a fixed price lump sum design and build JCT building contract.

We acknowledge the separation of the housing and care functions and believe it is imperative that close co-operation between the property owner, manager and care provider commissioned by the Local Authority is seamless and flexible.

We will work with Local Authorities to ensure there is shared vision in our ethos of Extra Care housing enabling independent living for our residents.



# The Process

The process in relation to each scheme is as follows: -

1. The strategic unfulfilled Extra Care housing requirements of a Local Authority will be ascertained including whether the Local Authority has a site available to meet those requirements. Each development is carefully selected through demographic assessment and market review including consideration of local comparables in the affordable and private rented sectors. We undertake this activity at the outset alongside the relevant Local Authority.

All our schemes will be underpinned by a Nominations Agreement with the relevant Local Authority specifying the number of units to be developed, the criteria to be fulfilled by nominee qualifying tenants and the base level of affordable rent and eligible service charge. The Local Authority will be required to take up to 100% nomination rights and, where PH has a vacant unit, will be contractually obliged to provide a qualifying tenant from its assessed tenant waiting list ensuring unit void periods are at an absolute minimum.

2. Site acquisition terms are agreed conditional on planning consent for Extra Care use, a Nominations Agreement and confirmation of the availability of the required level of HE grant.

Sites are selected where planning consent is available or assessed as being secured via a Local authority supported planning application.

3. The specific HE grant application process is then commenced and takes 6 - 10 weeks for a preliminary decision.
4. The site is secured by option or conditional contract.
5. A fixed price Design & Build contract to build out against the outline design and layout is negotiated. A build programme is agreed subject to securing planning. All our schemes will meet HE required build standards, including the Lifetime Homes Standard and the National Design Space Standards, and will be rigorously cost controlled and managed by the development company and will be delivered on a JCT design and build contract arrangement in return for a lump sum contract price with the selected building contractor. We will standardise our building and design requirements to ensure a uniform, quality product able to minimise costs on multiple schemes.
6. The planning application process is commenced with the support of all stakeholders to assist swift approval.

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# The Process (continued)

7. Negotiations are commenced with selected local RPs for contracts to manage and maintain our completed schemes which agreements become operative upon practical completion when the schemes are available to qualifying tenants. Usually the local RPs will be on the panel of the relevant Local Authority. Tenants will all be over 55 and will be pre-assessed by the relevant Local Authority and drawn from the Local Authority's waiting list. Each tenant will enter into a standard form of periodic assured tenancy agreement. The affordable rent is agreed with the Local Authority and will also meet HE rent standard guidance requirements including eligible service charges. Service charge costs will include apportioned liabilities for utilities and repairs. Rent will be subject to upward only annual CPI+1% reviews as agreed by the Government.
8. In parallel, the Local Authority will conclude terms with a suitable care operator for care provision to be provided to tenants on site unless the Local Authority provides care services itself. We will ensure care can be efficiently provided on site e.g. by providing a care call system connected to each apartment and providing on site accommodation for carers.
9. The HE grant is secured and the grant agreement completed.
10. Planning Permission is secured.
11. Site acquisition is completed.
12. The construction programme is commenced, managed and completed.
13. The local RP management and maintenance agreement is completed and the local RP undertakes day to day on site management, completes new tenancy agreements, collects our rents and manages voids in liaison with the Local Authority.



# Management Team

## **Stephen Sorrell**

Stephen is a specialist commercial and residential development and investment lawyer and was a senior real estate partner at Eversheds Sutherland for 27 years. Stephen is a social housing specialist and acted for many Local Authorities and Homes England since its creation as English Partnerships and has worked on each of the grant and loan facilities offered by HE to RP's and residential developers. Stephen was instrumental to the delivery of the legacy development of the London 2012 Olympic Park and RSL led residential development delivery in the Park and the Earls Court residential led scheme in London. Stephen has acted for many of the UK's major developers, institutional investors and publicbodies.

Stephen developed the innovative public/private co-investment partnership model, now adopted by several UK local authorities which enables surplus public sector land to be brought forward alongside investor funding for development outside of the European procurement rules.

## **Findlay MacAlpine**

Findlay, a chartered surveyor, began his 33 year investment career with Standard Life before joining Conrad Ritblat (now Colliers) as investment director, advising clients on commercial property investment and development funding opportunities throughout the UK. Following 18 years as an equity partner with Mason Philips Chartered Surveyors where he sourced, acquired and managed commercial and mixed use investment and development opportunities with David/Ashbourne and other clients, Findlay left Mason Philips to set up Ashbourne Capital Partners.

## **David Newsome**

David, a chartered accountant, trained in a small practice and then worked with Ernst & Young, gaining expertise in structuring, administration, property acquisition and property management. In 1998 he set up the pre-cursor to the Ashbourne and started working with Findlay. David has successfully managed the structuring, fundraising, administration, accounting and joint venture partnership and investor relationships of Ashbourne over the past 20 years.

## **Richard Frank**

A chartered surveyor with over 30 years property experience, Richard has specialised in the Food Retail sector, initially with Safeway and then running the development program for Asda in the South East. Richard left Asda to set up his own property consultancy business advising Royal Bank of Scotland Group ("RBS") amongst others and set up the Property Portfolio Acquisition Team for Sainsbury. Richard ran Ashbourne's Isle of Dogs project, securing planning permission for a new supermarket, a new District Centre for the Crossharbour area and 850 residential units and continues to advise on this project.

## **Alan Ferguson**

Alan has over 25 years' experience in Real Estate and Corporate Asset Restructuring with Chemical Bank, The Bank of Tokyo Mitsubishi and RBS. At RBS Alan was Head of Restructuring-Americas, managing an asset book of some \$45 billion, Head of Corporate Business Change RBS Williams & Glynn, and the Head of Indirect Asset Management RBS Capital Resolution Group where he drove the disposal of a £3.4 Billion non-core real estate and corporate asset portfolio, leaving RBS at the end of 2015, Alan joined the Ashbourne team in 2016.

## CONTACT DETAILS

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