



## POLICY AND RESOURCES COMMITTEE 20<sup>th</sup> April 2023

<b>Title</b>	Dell Field Court and Meadowside Care Homes – Freehold Acquisitions
<b>Report of</b>	Chair of the Policy and Resources Committee
<b>Wards</b>	West Finchley Ward Totteridge and Woodside Ward
<b>Status</b>	Public with accompanying Exempt Report.
<b>Urgent</b>	No
<b>Key</b>	Key
<b>Enclosures</b>	None
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### Summary

Dell Field Court and Meadowside Care Homes provide care for over 100 local residents with care and support needs. Care is provided by Your Choice Barnet, whilst the Council is the lease holder of the homes. The leases expire on 28<sup>th</sup> March 2034, but with mutual break options upon serving 18 months' notice on 28<sup>th</sup> March and thereafter. A long-term need for the homes has been identified, with significant refurbishment required to maintain satisfactory operational standards within the homes. Holding the freeholds will give the council the control required to meet this need. As a result, Heads of Terms have been agreed to purchase the Freeholds of Dell Field Court and Meadowside Care Homes. This report asks the committee to agree the purchase of the two care homes.

### Officers Recommendations

1. That the Committee approves the purchase of:
  - Dell Field Court Care Home, 1 Etchingam Park Road, N3 2DY, and;
  - Meadowside Care Home, 60 Holden Road, N12 7DY.

<b>2. That authority be delegated to the Deputy Chief Executive to enter into all documentation for both purchases as soon as possible following Committee approval, subject to satisfactory due diligence being confirmed.</b>

## **1. Why this report is needed**

1.1 This report covers these properties:

- Dell Field Court, 1 Etchingam Park Road, N3 2DY, and;
- Meadowside, 60 Holden Road, N12 7DY.

The two care homes provide care and support for 108 people, along with an on-site day centre.

1.2 The freeholds are owned by Catalyst Housing Ltd (now part of Peabody Housing Association) and the council has occupational leases for them. These leases expire on 28<sup>th</sup> March 2034. There are mutual break clauses on 18 months' notice to take effect on 28<sup>th</sup> March 2028 and at any time thereafter.

1.3 The council provides ongoing care and support for more than 4,000 residents each year, and of these, a quarter require a placement in a care home. An assessment of need has concluded that there is a continuing need for both these homes in the community, particularly as care home bed availability within the borough and neighbouring boroughs is decreasing. The council has no occupational certainty beyond the next 5 years due to this rolling break clause.

1.4 Fire Safety and other safety issues were identified in assessments undertaken in 2021. A programme of works is underway, with urgent work already completed to maintain and improve resident and staff safety, as well as general refurbishment to improve the environment for residents. This results in a significant capital outlay, as attached at Appendix 1.

1.5 A purchase of the freeholds is recommended to protect availability of beds and the capital spend beyond the term remaining on the lease.

1.6 Thus, Heads of Terms have been agreed to purchase the freeholds of these properties.

1.7 The purchase prices are set out in the Exempt Report.

1.8 There will be other purchase costs (detail within Exempt Report) including:

- Stamp Duty Land Tax (SDLT);
- Solicitors Fees;
- Agents Fees;

- Environmental Phase 1 Survey.

## **2. Reasons for recommendations**

- 2.1 The break clauses in the lease do not provide the council with certainty of occupation beyond March 2028.
- 2.2 To continue the provision for the next 5 years, substantial capital expenditure on refurbishment is required. Officers have calculated that this should be for a minimum of eight years but that the value for money of the programme of improvements will only increase if the council continues to maintain longer occupation.
- 2.3 The council works jointly with the other North Central London Boroughs of Camden, Enfield, Haringey and Islington on a shared programme of market management and support to the care sector. There has been an overall reduction of more than 500 beds across north central London in recent years as homes close and providers leave the market. This is despite there being no reduction in need for these services and an increase in demand for care homes which can support residents with more complex needs. The purchase of these sites secures a combined total of 108 beds for the local market, with greater control over this provision and without risk of lease term issues or future market rental movements.
- 2.4 Owning the properties also means that the council will be able to determine what happens should the need for care change, or the building becomes uneconomic to repair; at which point, the council can choose to redevelop as a new care home or alternative use (subject to planning) or to sell the site with either option generating value. There would be no dilapidations liability at disposal, unlike lease expiry/termination as the council can sell in any condition. The model also includes a schedule of routine maintenance to ensure that the building is maintained on a continual basis so there is no backlog of work with the associated cost;

## **3. Alternative options considered and not recommended**

- 3.1 Do nothing

The council would not get value for money from the compliance and refurbishment works required during the next 5 years to 2028. This would likely result in a loss of 108 beds from the market and an uneconomic return from the capital investment required within this 5-year period. There may also be a dilapidations liability for the council to pay.

- 3.2 Close home in 5 years' time and lease from a provider

The council would not get value for money from the compliance and refurbishment works required during the next 5 years to 2028. There may also be a dilapidations liability for the council to pay.

The equivalent number of beds could be leased from a provider in the market. There is no guarantee of availability or price level in 5 years' time.

This has the second lowest ranked General Fund impact, but at a significant extra cost and risk to the recommended option.

### 3.3 Negotiate New Leases on these homes

As stated in exempt report

### 3.4 Break the lease and build replacement homes

The council could purchase land to develop a replacement provision and then serve 18 months' notice on the Landlord to terminate the lease if it will be ready for occupation.

This has the highest General Fund impact of the options and also has considerable risk i.e. ability to purchase land, development cost risk, delivery timeframe and relocation of residents to the new home.

## 4. Post decision implementation

- 4.1 The due diligence required to be able to complete the purchases is on-going during this approval process. A Phase 1 Environmental survey will be instructed, as will a Rooftop Condition survey as this has not been carried out recently (minor repairs required on an on-going basis). The reports will be considered with any concerns dealt with. HBPL, our solicitors, will produce a Report on Title and confirm if the title is satisfactory and they recommend completing the purchase.
- 4.2 Our property advisers, CBRE will produce a report on the acquisition and confirm that the purchase prices represent fair value in the market. This is required to be able to proceed as this is an 'off-market' transaction where the council hasn't been in competition with other potential purchasers.
- 4.3 Insurance colleagues will be providing a quote to provide buildings Insurance on these properties. This will be taken out upon completion.
- 4.4 Upon satisfaction of all of the above, and a DPR being completed to enable the documentation to be entered into, HBPL will be instructed to complete the purchase of the freehold interests.
- 4.5 CSG will be informed about the acquisitions so that these properties can be added to the Asset Register.
- 4.6 Capital Delivery are to work with Barnet Homes, as project manager, to progress further refurbishment works to maximise occupancy potential.

- 4.7 Barnet Homes will be responsible for maintenance during the refurbishment project, but an on-going contract for maintenance needs to be completed to ensure the properties remain in a good and compliant condition.

## **5. Implications of decision**

### **5.1 Corporate Priorities and Performance**

**Caring for People** – by acquiring the freeholds, the council will have greater control to provide a longer-term provision for residents in a refurbished and compliant environment. This will contribute to its commitment to ‘High Quality Adult Social Care’ and ‘Living Well’;

**Places** – the refurbishment will improve the quality of the building and the provision that the council is offering;

**Planet** – grant funding to reduce the carbon footprint of the buildings will be investigated through initiatives such as photovoltaic panels, replacing windows etc..

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

The capital outlay on purchasing the freeholds and acquisition costs is significant, compared with the current rent level, but as this will not continue for more than 5 years, it is recommended that the council take a proactive approach.

The financial model run on the alternative options shows that the recommendation provides the lowest impact on the General Fund. The NPV is a close second to the option of doing nothing and leasing bed space from an alternative provider. The model does not take into account the risk of putting this option in place. Closure of the homes through termination of the lease without replacement provision could result in redundancy costs estimated at approximately £1m.

#### **5.2.1 Source of Funding**

The majority of the funding will come from the Strategic Opportunities Fund and the money allocated for the building improvement programme. With both of these budgets, the majority of the purchase cost is covered although there will be a shortfall of approximately £3M. It is anticipated that the shortfall will be made up from additional PWLB borrowing. Officers consider that the cost of additional borrowing (c.£250k per annum) could be met through improved utilisation and revenue performance of the care homes on conclusion of the refurbishment works.

### **5.3 Legal and Constitutional References**

- 5.3.1 Under Article 7 of the council’s constitution, Policy and Resources Committee’s remit

includes responsibility for Finance including Revenue and Capital Monitoring and Expenditure and responsibility for all matters not specifically allocated to any other committee affecting the affairs of the Council

5.3.2 Under Table A of Article 10 – Decision Making – of the council’s constitution, settlements on a property for a cost in excess of £500,000 are a ‘Key Decision’ and are to be approved by the Housing and Growth Committee. Given that the last meeting of the Housing and Growth Committee has passed, the Policy and Resources Committee has within its terms of reference responsibility for all matters not specifically allocated to any other Committee affecting the affairs of the Council.

5.3.3 Council Constitution Article 7.5 states that “If any report appears to come within the remit of more than one committee, to avoid the report being discussed at several committees, the report will be presented and determined at the most appropriate committee as indicated by the Chair of the relevant committees in consultation with the Leader. If there is no indication from the committee chairs, then the report will be discussed and determined by the Policy and Resources Committee.” As a result of the above, it has been decided to take this recommendation to Policy and Resource Committee for consideration.

#### **5.4 Insight**

Not applicable

#### **5.5 Social Value**

The Public Services (Social Value) Act 2012 requires the commissioning of public services to assess and secure wider social, economic and environmental benefits London Borough of Barnet has adopted a Social Value policy which informs procurements and for existing contracts benefit realisation in support of securing wider social, economic and environmental benefit.

#### **5.6 Risk Management**

The property value will fluctuate with market movements during the ownership period. This does not affect the model output as there is no land value included in the model at the end. However, there is risk to the land value varying from the purchase price. However, considering tight land supply and the intention to use the care home for the long term then this is not a substantial risk.

The council is exposed to the same cost risks as freeholder or leaseholder as the lease would be a ‘Full Repair and Insuring’ lease. All repair costs are at risk of cost inflation and this has been assumed at 2% pa in the model.

#### **5.7 Equalities and Diversity**

Pursuant to the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between those with a protected characteristic and those without; promote good relations between those with a protected characteristic and those without. The relevant protected

characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination. This proposal will enable the council to maintain care provision for older people.

#### **5.8 Corporate Parenting**

Not applicable

#### **5.9 Consultation and Engagement**

Not applicable

#### **5.10 Environmental Impact**

Owning the freeholds will enable the council to take decisions on environmental initiatives with longer term payback periods.

### **6. Background papers**

- 6.1 Full Business Case for the purchase of the Freeholds of Dell Field Court and Meadowside Care Homes