

## STRATEGY AND RESOURCES COMMITTEE

Wednesday 27 January 2016 at 7.30 pm

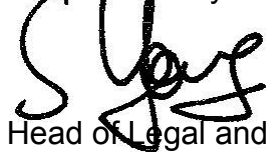
### Town Hall

The members listed below are summoned to attend the Strategy and Resources Committee meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Councillor Neil Dallen (Chairman)  
Councillor Clive Woodbridge (Vice-Chairman)  
Councillor Tony Axelrod  
Councillor Richard Baker  
Councillor Rekha Bansil

Councillor Kate Chinn  
Councillor Eber Kington  
Councillor Omer Kokou-Tchiri  
Councillor Keith Partridge  
Councillor Mike Teasdale

Yours sincerely



Head of Legal and Democratic Services

For further information, please contact Fiona Cotter, 01372 732124 or [fcotter@epsom-ewell.gov.uk](mailto:fcotter@epsom-ewell.gov.uk)

### AGENDA

#### 1. QUESTION TIME

To take any questions from members of the Public

**Please Note: Members of the Public are requested to inform the Democratic Services Officer before the meeting begins if they wish to ask a verbal question at the meeting**

#### 2. DECLARATIONS OF INTEREST

Members are asked to declare the existence and nature of any Disclosable Pecuniary Interests in respect of any item of business to be considered at the meeting.

**3. PAY AWARD 2016-17 AND PAY POLICY 2016-20** (Pages 5 - 12)

This report provides background information on the budget implications of the Council's proposed pay award for 2016/17 and Pay Policy for 2016/20.

**4. FEES AND CHARGES 2016/17** (Pages 13 - 16)

This report recommends fees and charges for which this Committee is responsible, with the new charges being effective from 1 April 2016.

**5. CAPITAL PROGRAMME 2016-17** (Pages 17 - 22)

This report proposes the 2016/17 capital programme and a provisional programme for 2017-19.

**6. REVENUE BUDGET 2016-17** (Pages 23 - 30)

That the Committee recommends the 2016/17 service estimates for approval at the budget meeting of the Council on 11 February 2016.

**7. BOROUGH INSIGHT CONTRACT** (Pages 31 - 40)

This report sets out the benefits of producing the Council's magazine Borough Insight for our community. It seeks approval from the Committee to continue with the production of the magazine, for the next two years following a successful tender process to secure an experienced supplier.

**8. PERFORMANCE MANAGEMENT MONITORING - PROGRESS REPORT 2 2015/16** (Pages 41 - 56)

This report sets out performance against the Committee's actions for Progress Report Two 2015/2016.

**9. BLenheim ROAD - RENOVATION OF PROPERTIES FOR TEMPORARY ACCOMMODATION** (Pages 57 - 78)

The property at 1 – 3 Blenheim Road should be renovated to provide 9 x 1 bed temporary accommodation units within the borough at a capital cost of £373,500 reducing the cost of nightly paid emergency accommodation.

**10. RESIDENTIAL PROPERTY ACQUISITION FUND** (Pages 79 - 102)

A Residential Property Acquisition Fund of £3 million should be created for the purchase of suitable properties for use as temporary accommodation.

**11. PRIVATE SECTOR LEASING SCHEME** (Pages 103 - 128)

To establish a pilot in-house private sector leasing scheme for a two year period for the provision of temporary accommodation for homeless households.

**12. LAND ON LONGMEAD ESTATE**

This report outlines a proposal by Rosebery Housing Association to develop three or four sites in the Borough, considers the impact of those proposals on the Council as a land owner in the vicinity and proposes how the issues can be determined **(TO FOLLOW)**

**13. HORTON CHAPEL (Pages 129 - 142)**

A report summarising the position in relation to Horton Chapel and seeking agreement to a way forward to result in the disposal of the Chapel by the Council, either to an organisation for provision of a community facility, or on the open market.

**14. EXCLUSION OF PRESS AND PUBLIC (Pages 143 - 144)**

The Committee is asked to consider whether it wishes to pass a resolution to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involves the likely disclosure of exempt information as defined in paragraphs 1, 2, and 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**15. HORTON CHAPEL - ANNEXE 2 (Pages 145 - 148)**

This report has not been published because the meeting is likely to be closed to the press and public in view of the nature of the business to be transacted/nature of the proceedings. The report deals with information relating to the business affairs of the Council and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

**16. ICT SHARED SERVICE (Pages 149 - 174)**

This report has not been published because the meeting is likely to be closed to the press and public in view of the nature of the business to be transacted/nature of the proceedings. The report deals with information relating to, or which is likely to reveal the identity of an individual and the business affairs of the Council and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

**17. LAND IN WEST EWELL (Pages 175 - 198)**

This report has not been published because the meeting is likely to be closed to the press and public in view of the nature of the business to be transacted/nature of the proceedings. The report deals with information relating to the business affairs of the Council and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

**18. PROCUREMENT** (Pages 199 - 206)

This report has not been published because the meeting is likely to be closed to the press and public in view of the nature of the business to be transacted/nature of the proceedings. The report deals with information relating to, or which is likely to reveal the identity of an individual and the business affairs of the Council and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

**EEBC PAY AWARD 2016-17 & PAY POLICY 2016/20**

Report of the:	Head of HR & Organisational Development
Contact:	Shona Mason
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Pay Award 2016/17 report to Joint Staff Committee Pay Policy 2016/20 report to Joint Staff Committee Pay Policy 2016/20
<u>Other available papers</u> (not attached):	None

**REPORT SUMMARY**

**This report provides background information on the budget implications of the Council's proposed pay award for 2016/17 and Pay Policy for 2016/20.**

**RECOMMENDATION (S)**

*Notes*

- (1) That the Committee agrees a 1.5% pay award for 2016/17 as recommended by the Joint Staff Committee on 13 October 2015;**
- (2) That the Committee agrees the Pay Policy 2016/20 with a full review of the Councils pay structure and performance pay scheme as recommended by the Joint Staff Committee on 13 Oct 2015.**

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 The Council's employees are a key part of its efforts to meet the Council's ambition to make Epsom & Ewell an excellent place to live and work, and its policies on the pay of staff will be important in ensuring that the Council meets its key priorities. In particular, any policy about pay is relevant to the Council's key priority of "Managing Resources" – the Council aims to utilise its limited resources in the most efficient and effective way. It is also relevant to consider its Core Values, which set the principles that guide how the Council does business, which include:

- Valuing Staff – We will value staff by ensuring that they are supported, motivated and empowered. We will be a good employer, provide strong and committed leadership, develop staff and value their achievements.
- Continuous Improvement – We will monitor and evaluate our activities and strive for improvement in all that we do.
- Value for Money – We will ensure that we use our time, money and other resources wisely to deliver services at an affordable cost.

1.2 There are no implications arising from this report for the Sustainable Community Strategy.

## **2 Background**

- 2.1 The back ground to pay award 2016/17 and Pay Policy is outlined in the two attached reports that were considered at the Joint Staff Committee on 13 October 2015.
- 2.2 The Council's pay offer to staff was 1.3%. The Staff Consultative Group made a claim for 2% which was discussed at that meeting.
- 2.3 The Joint Staff Committee was keen to improve on the offer of 1.3% and has recommended 1.5%.
- 2.4 The Council's Pay Policy was drafted to include an across the board pay award for each year during the four year period and consideration to be given to moving from a 9 point pay scale to 6 point pay scale.
- 2.5 Staff Consultative Group requested that a review of the Council's pay structure along with the performance pay and appraisal scheme should be included during the 4 year period. The Joint Staff Committee was supportive of this request and has recommended that the Pay Policy be amended to include a full review.

## **3 Proposals**

- 3.1 The Strategy & Resources Committee approve the proposal of 1.5% pay award for 2016/17.
- 3.2 The Strategy & Resources Committee approve the Pay Policy 2016/20 with a full review of the Council's pay structure and performance pay scheme.

## **4 Financial and Manpower Implications**

- 4.1 The total pay bill inclusive of agency staff and employer salary on-costs is £11.4 million.

- 4.2 It is estimated that the cost of the proposed 1.5% pay award for 2016/17 will be approximately £170,000 including on-costs which has been included in the draft budget for 2016/17.

- 4.3 **Chief Finance Officer's comments:** *The 1.5% pay award for 2016/17 will be approximately £170,000 and has been incorporated into the budget for 2016/17. This is just for the pay award and there is a separate increase in the budget for progression related costs which is estimated at £60,000. Therefore the overall budget increased by £230,000 (as detailed in Item 6) to reflect pay awards for 2016/17. The 1% pay rise and annual progression anticipated in future years have been included in the 4 year financial plan.*

**5 Legal Implications (including implications for matters relating to equality)**

- 5.1 In 2014 the Council carried out market test benchmarking exercise to ensure our salaries are competitive within the defined bench mark group, fair and the pay structure is fit for purpose as it is important to be able to attract and retain staff with the right skills and experience. The exercise provides reassurance that all our staff are paid fairly for their jobs.

- 5.2 There have been no equal pay claims in the last four years.

- 5.3 **Monitoring Officer's comments:** *No further comment.*

**6 Sustainability Policy and Community Safety Implications; Partnerships**

- 6.1 There are no implications for this report.

**7 Risk Assessment**

- 7.1 Failure to agree a pay award and to undertake a wider review of the Council's pay structure and performance pay scheme is likely to lead to increased turnover and difficulties in recruitment and retention of staff, as well as contribute to low staff morale.

**8 Conclusion and Recommendations**

- 8.1 The approved budget available would allow the Committee to consider the recommended pay award of 1.5%.
- 8.2 The Committee is requested to endorse the recommendation of the 1.5% pay award and Pay Policy 2016/20 with a full review of the Council's pay structure and performance pay scheme.

**WARD(S) AFFECTED: All**

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**DRAFT**

**EPSOM & EWELL BOROUGH COUNCIL**

**PAY POLICY 2016 -2020**

**1. OBJECTIVES OF EEBC'S NEW PAY STRATEGY/POLICY**

This policy sets out the Council's aspirations in relation to Pay within the context of affordability and financial conditions.

All new appointments to the Council's service are made on the basis of locally devised and negotiated conditions of service. The Council is not party to the National Joint Council (NJC) pay scales or conditions of service, which do not apply to EEBC employees.

Contracts of employment are entirely local and do not incorporate the provisions of the NJC Conditions.

The aims of local conditions of service are:-

- a) To offer a competitive salary and benefits package to attract and retain competent and experienced staff;
- b) Payment levels to be nearer the mid-point or median of our benchmark group
- c) To link progression to individual performance;
- d) To take account of skills shortages by the use of market supplements where appropriate;
- e) That all salary and conditions of service matters are consulted on internally.

All existing members of staff and all new appointments to the Council's service from 1 April 2016 will be in accordance with the provisions of this Policy and Conditions of Service and subsequent revisions relating thereto.

**2. SALARY ON APPOINTMENT AND PROGRESSION**

Each post within the officer establishment is subject to job evaluation using Role Profiles and a salary scale determined by the relative pay rate of its Market Anchor post. The starting salary on appointment to any post will normally be to the lowest point of the salary scale (SCP 1) for that particular post. However, in exceptional circumstances it is possible to negotiate a higher starting salary subject to the appointee's level of relevant experience and attained qualifications, as appropriate to the post. To appoint at a higher level, the appointing manager would be required to provide justification which should then be referred to the Head of HR and Organisational Development.

Progression beyond the starting salary will be dependent upon positive performance recommendations, in accordance with the criteria detailed in the Council's performance management appraisal processes, and will take effect from 1 April each year. There will be no further progression payment once an employee reaches the maximum spinal column point of their Market Anchor; however, they could be entitled to bonus payments in accordance with the appraisal scheme.

### **3. PERFORMANCE RELATED PAYMENTS**

Following the recommendations of the relevant manager and within the terms of the performance management process, a small unconsolidated bonus payment may be made in exceptional circumstances in order to recognise a high level of performance over and above what is required during the appraisal year. Any such payments will be at the discretion of the Chief Executive and Director of Finance & Resources and will normally be paid in May each year.

### **4. PAY BENCHMARKING**

Epaycheck is the national online pay benchmarking service developed for the public sector by the public sector. Councils who have joined the Epaycheck community securely share and compare their pay data with that of other councils, across hundreds of common roles within the sector.

Epaycheck is delivered in partnership with the Local Government Association and it provides access to current information to support pay negotiations and a means of tracking the effects of pay changes on key job groups. EEBC has signed up to this facility and will use the database as the main source for pay data.

If for any reason the pay data available on Epaycheck is insufficient then additional data will be collected directly from the comparator group.

For pay benchmarking purposes the local authority comparator group will comprise of District & Borough Councils in the South East Region

Private sector pay data will be collated from local businesses and recruitment agencies.

The Head of HR & Organisational Development will assess the available information and propose pay settlements to the relevant Committee for implementation on 01 April each year.

### **5. ANNUAL PAY AWARDS AND REVIEW TIMETABLE**

This Pay Policy is for a period of four years from 2016 – 2020 in line with the Council's Corporate Plan.

Agreement has already been reached in terms of the pay settlement and arrangements for the coming year 2016/17. This will be XX.

In the following year 2017/18, the proposal would be to explore the possibility of reverting to having six spinal column points per Market Anchor instead of the present nine and the possibility of awarding an across the board pay award if appropriate and affordable.

Thereafter, the Council will carry out annual benchmarking via Epaycheck of the Market Anchor posts to determine if the salary scales continue to be fit for purpose and salaries continue to be competitive.

In addition when appropriate and affordable consideration will be given to an across the board pay award which will be informed by pay settlements reached by the local authorities within the benchmarking comparator group.

The pay award in any given year will not normally be expected to exceed the rate of CPI. This does not mean that the pay award will always equate to CPI. For the purposes of this policy the CPI rate will be taken in the month when any pay offer is made to staff.

The table below summarises the review timetable:

<b>Year</b>	<b>Pay Policy</b>
2016 – 17	Across the board pay award
2017 – 18	Review of the salary scales & performance appraisal scheme (Implementation dependent upon appropriateness and affordability at the time)
2018 - 19	Across the board pay award and benchmarking
2019 - 20	Across the board pay award and benchmarking

## **6. IMPLEMENTATION OF DECISIONS**

When appropriate and affordable the results of any pay benchmarking surveys and/or reviews will be implemented with effect from 1 April each year.

## **7. MARKET POSITION**

In terms of the pay rates for the Market Anchor posts, the Council will generally seek to position itself at the mid-point or median of the benchmarking comparator group. This does not imply a guarantee that the Council will pay at the mid-point for all posts. Market conditions and other factors may cause the Council to consider positioning itself higher or lower with the comparator group while taking into consideration affordability.

## **8. STAFF TURNOVER**

It is expected that normal annual staff turnover be contained within the range 12% - 18% of the officer establishment. A quarterly review of staff turnover rates will be undertaken; should trends indicate that it will fall outside of this range the Council will consider appropriate remedial such as applying market supplements.

## **9. MARKET SUPPLEMENTS / APPOINTMENT ALLOWANCES**

The Council will consider the provisions of market supplements, partnership supplements and/or appointment allowances to be applied to specific posts in the event of recruitment difficulties. Where such supplements and/or allowances are introduced they will be applied, reviewed and withdrawn in accordance with the Council's scheme.

## **10. FLEXIBLE BENEFITS**

A menu of flexible benefits may be offered to all employees. The degree to which staff may chose the benefits offered within the overall scheme may be expanded over time. Benefits may be in kind or cash and are non-contractual, subject to periodic review. The purpose of such benefits is to enhance the attractiveness of the Council's pay end remuneration package and to take account of work/life balance while at the same time assisting staff to fulfil their duties to the maximum effectiveness for the benefit of the Council, its residents and clients.

## **11. IMPLEMENTATION / REVIEW OF PAY POLICY**

This Pay Policy will be effective from 1 April 2016, for an initial period of four years, but will be subject to regular review by the Head of HR & Organisational Development as deemed appropriate.

Consultations on any amendments to this Pay Policy will take place through the SCG and relevant Committee.

**Head of HR & Organisational Development**  
**Draft Dec 2015**

**FEES AND CHARGES 2016/17**

Report of the:	Director of Finance & Resources
Contact:	Lee Duffy/Joy Stevens/Andrew Lunt
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	None
Other available papers:	None

**REPORT SUMMARY**

**This report recommends fees and charges for which this Committee is responsible, with the new charges being effective from 1 April 2016.**

**RECOMMENDATION (S)**

**That, subject to the approval of Council, the Committee agrees the fees and charges for 2016/17.**

*Notes*

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

1.1 As set out in the revenue estimates report on this agenda.

**2 Background**

- 2.1 The Council will meet to agree the budget, including estimates of income and expenditure, on 11 February 2016. To enable the budget to be finalised, the Policy Committees are being asked to recommend fees and charges covering the services for which they are responsible.
- 2.2 The fees and charges presented in this report are discretionary charges only. For discretionary charges there is scope to generate additional income, to reduce the subsidy of the service or to contribute to an improved budget position.
- 2.3 There are a number of charges that are set externally of which the Council has no control or power to alter. This restricts the Council's ability to raise additional income and therefore the fees and charges set by statute are not presented to this Committee for approval.

- 2.4 The budget guidelines agreed by Strategy and Resources included an overall increase in revenue from discretionary fees and charges of 6%. The guidelines also anticipate that additional income may be generated to contribute to the required savings target.
- 2.5 When preparing estimates, fees and charges have been reviewed by service managers and any negative impact on demand anticipated by increased charges has been considered.
- 2.6 Members should refer to the estimates report on this agenda for an overview of the Committee's budget position.
- 2.7 In January 2013 the Committee agreed that the Director of Finance and Resources should have delegated authority to vary fees and charges for items generating income under £1,000 per annum. The Committee also agreed that the Director of Finance and Resources be permitted to set charges for one off services or items not included in the fees and charges schedule under delegated authority.

### **3 Proposals**

- 3.1 There are a limited number of services provided by the Committee for which fees and charges are levied. Income from rents and investments is covered in the revenue estimates report.
- 3.2 The proposed tariffs are expected to generate negligible additional income with changes to services at the Town Hall for room hire and associated officer time. These fees have been raised by between 6.02% and 7.35% and the budget for this service is £473.
- 3.3 There is no change to tariffs for Land Charges.
- 3.4 There is no change proposed to the percentage charged on credit card fees.

### **4 Financial and Manpower Implications**

- 4.1 The charges proposed for this Committee will produce negligible additional income compared with 2015/16 estimates.
- 4.2 ***Chief Finance Officer's comments:*** *All financial implications are included within this report.*

### **5 Legal Implications (including implications for matters relating to equality)**

- 5.1 There are no specific issues arising from this report but the Council's resources will need to be applied to ensure that it fulfils its statutory obligations and delivers its policy on equalities.
- 5.2 ***Monitoring Officer's comments:*** *No further comment*

**6 Sustainability Policy and Community Safety Implications; Partnerships**

6.1 None for the purposes of this report.

**7 Risk Assessment**

7.1 Income from services remains at risk due to the state of the economy. Charges have been set taking into account market conditions.

7.2 The continued delivery of Council services is dependent upon income generation, creating a risk to service delivery if charges are not set at levels that make a significant contribution to the Council's finances.

**8 Conclusion and Recommendations**

8.1 This report proposes new fees and charges for services with effect from 1 April 2016.

8.2 The impact of changes in fees and charges has been estimated and incorporated in the Committee's budget estimates 2016/17. If lower charges are agreed the Committee will be required to identify cost savings to enable the Council to meet its overall budget target.

**WARD(S) AFFECTED: All**

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**CAPITAL PROGRAMME 2016/17**

<u>Report of the:</u>	Director of Finance & Resources
<u>Contact:</u>	Lee Duffy or Lesley Shields
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	Annexe 1 : Proposed Capital Programme
<u>Other available papers (not attached):</u>	Financial Policy Panel papers 1 December 2015

**REPORT SUMMARY**

**This report proposes the 2016/17 capital programme and a provisional programme for 2017-19.**

**RECOMMENDATION (S)**

*Notes*

- (1) Submits the Capital Programme for 2016/17 as identified in section 4 of this report to the Council for approval on 11 February 2016;**
- (2) Confirms that it supports all of the schemes included in the provisional programme for 2017-19 as identified in section 5 of this report;**
- (3) Notes that schemes for 2017-19 are provisional pending an annual review of funds available for capital investment.**

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

1.1 The Council's Medium Term Financial Strategy includes the following in regards to investment in services:-

- Prioritise capital investment to ensure retained property is fit for purpose.
- Maximise the use of external funding opportunities to deliver improvements to the community infrastructure, including affordable housing.

- Maintain a minimum uncommitted level of capital reserves of £1 million.

## **2 Background**

- 2.1 The Capital Strategy was last agreed by the Council on 17 February 2015 at which time the capital programme was approved for 2015/16. Schemes for 2016-2018 were provisional pending the annual budget review and an annual assessment of funds for capital investment.
- 2.2 The Financial Policy Panel provided the Capital Member Group (CMG) with a remit to guide the preparation of a capital programme for 2016-17. The Panel received details of capital bids on 1 December 2015 following an assessment of investment options by the CMG.
- 2.3 The Panel were advised that the proposed level of investment of £2.5 million over three years 2016/17 to 2018/19 would reduce the available capital reserves to £1.3 million at the end of this period. The proposed capital programme assumes funding from capital and revenue reserves, and government grants. Specific schemes may also be funded from other grants where successful bids are made.
- 2.4 The Panel's guidance relevant to this policy committee's recommendations was as follows:-
  - 2.4.1 Priority schemes identified by the Capital Member Group should be presented with project appraisals to the policy committees in January to establish whether there is support for the individual projects, with any projects not supported being removed from the draft programme.
  - 2.4.2 There were no schemes identified in section 4 of this report for 2016/17.

## **3 Proposals**

- 3.1 The Committee is asked:-
  - 3.1.1 To note the position for 2016/17;
  - 3.1.2 To agree the provisional programme for 2017-19
- 3.2 The timing of the programme should be based on the ability to deliver with a realistic number of projects in any one year.
- 3.3 The budget assumes that interest earned on capital reserves will be used to help finance the revenue budget.

- 3.4 If all schemes in the proposed corporate capital programme for 2016/17 were to progress this would reduce the capital reserves to around £2.1 million and as a result there will be reduced funding available for service delivery. This is reflected in next year's estimates and the financial forecasts.

#### **4 Core Programme 2016/17 Funded from Capital Reserves**

- 4.1 The Financial Policy Panel recommended that no schemes are put forward for this committee for 2016/17.

#### **5 Proposed Capital Programme 2017/18 to 2018/19**

- 5.1 The provisional programme proposed for 2017-19 is:-

<b>Bid Ref:</b>	<b>Scheme</b>	<b>2017/18 (£'000)</b>	<b>2018/19 (£'000)</b>	<b>Funding</b>
S&R Bid 1	ICT Programme of Work	250	0	Capital Reserves
S&R Bid 2	Installation of LED	50	0	Capital Reserves
S&R Bid 3	Installation of Solar Panels to Council Buildings	100	0	Capital Reserves
	Total proposed capital programme 2017/18 to 2018/19	400	0	

- 5.2 Bids for these schemes will be prepared and submitted to future Capital Member Group meetings for their support to be included within the capital programme for 2017/18 and 2018/19.

#### **6 Financial and Manpower Implications**

- 6.1 As highlighted in this report, any scheme not attracting full external funding will have a revenue budget impact.
- 6.2 The Committee will wish to ensure that the Council has the capacity to deliver the recommended schemes.
- 6.3 ***Chief Finance Officer's comments:*** All financial implications are included in the body of the report.

#### **7 Legal Implications (including implications for matters relating to equality)**

- 7.1 A baseline criteria for schemes is 'Investment required to meet Health and Safety or other new legislative requirements' as identified in the project appraisals.

7.2 ***Monitoring Officer's comments:*** *No further comment*

## **8 Sustainability Policy and Community Safety Implications**

8.1 None for the purpose of this report.

## **9 Partnerships**

9.1 There are no schemes dependent upon partnership agreement or funding. Schemes may, subject to evaluation, involve partnership for procurement or service delivery.

## **10 Risk Assessment**

10.1 The Capital Member Group has used the Capital Strategy to balance the need for prioritised investment against a reducing level of capital reserves.

10.2 To help manage risks to the General Fund revenue account business case investment has been prioritised where it demonstrates a payback within 5 years or 7 years for renewable energy projects.

10.3 Funding has been identified to enable the delivery of the capital programme for 2016/17 and officers believe that there should be sufficient capacity to deliver these projects.

## **11 Conclusion and Recommendations**

11.1 No capital programme is recommended for this committee in 2016/17.

11.2 To agree the provisional programme for 2017 - 2019.

**WARD(S) AFFECTED: All**

**Strategy and Resources Committee Proposed Capital Programme 2016/17 - 2018/19**

	<b>Original Budget 2016/17 £'000</b>	<b>Proposed Budget 2017/18 £'000</b>	<b>Proposed Budget 2018/19 £'000</b>	<b>Total Provision 2016/17- 2018/19 £'000</b>
ICT Programme of Work	0	250	0	<b>250</b>
Installation of LED Lighting	0	50	0	<b>50</b>
Installation of Solar Panels to Council Buildings-Town Hall	0	100	0	<b>100</b>
	<b>0</b>	<b>400</b>	<b>0</b>	<b>400</b>

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**REVENUE BUDGET 2016/17**

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Kathryn Beldon/Lee Duffy
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	None
<u>Other available papers (not attached):</u>	Budget Target Report 17 November 2015

**REPORT SUMMARY**

**This report sets out estimates for income and expenditure on services in 2016/17.**

**RECOMMENDATION (S)**

*Notes*

**That the Committee recommends the 2016/17 service estimates for approval at the budget meeting of the Council on 11 February 2016.**

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 The Medium Term Financial Strategy aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.
- 1.2 The Service Plan for the Corporate Priority "Managing Resources" includes service targets designed to maintain a balanced budget.

**2 Background**

- 2.1 Government reductions in public sector funding, welfare benefit changes and the long term impacts of a weak economy continue to create pressure on Council finances and are likely to do so for the foreseeable future. The Council's budget strategy has been, as far as practical, to make operational and efficiency savings to minimise service reduction affecting residents.
- 2.2 The recommendation in this report is consistent with the Council's four-year financial plan 2016-2020 and the Medium Term Financial Strategy.

2.3 The overall Council revenue budget target for 2016/17 was agreed by Strategy & Resources Committee on 29 September 2015 as follows:-

- Estimates are prepared including options to reduce organisational costs by £650,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5million in accordance with the Medium Term Financial Strategy;
- That at least £400,000 additional revenue is generated from an increase in discretionary fees and charges, based on an overall increase in yield of 6.0%;
- That a provision for pay award is made of £230,000 that represents a 1.5% increase;
- That further savings are identified for inclusion within the medium term financial strategy that will reduce the Council's net operating costs by a minimum of £1,644,000 over the period 2017/18 to 2019/20;
- That the Capital Member Group seeks to limit schemes included within the capital expenditure programme that enable the retention of agreed minimum level of capital reserves. A separate Capital report for this Committee is included on this agenda.

2.4 The figures in this report are final and are representative of the local government finance settlement. Any changes to the service estimates should either be self-financing or produce a saving within the Committee's overall recommended budget.

2.5 The service estimates for this Committee are included in the draft Budget Book 2016/17 that has been distributed to all Councillors.

### **3 Proposals**

3.1 Estimates have been prepared on the basis that all existing services to residents are maintained.

3.2 No general allowance has been made for price inflation. Where increased costs are unavoidable efficiency savings have been identified to offset the additional costs.

3.3 The Council agreed a target to increase overall income from locally set fees and charges by a minimum of 6%, after making allowance for any further changes in service. Proposals have been included in a separate report on this agenda. Certain charges are being proposed at above-inflation levels, either to reduce service subsidy levels or to enable the Council to achieve a balanced budget.

3.4 To allow the Council to determine the budget and Council Tax in February, the Committee estimates have been presented as follows:-

- The Budget Book contains the service estimates for 2016/17.
- All unavoidable cost increases and income reductions are reflected in the estimates.
- All operational savings identified to date are reflected in the base estimates.
- Recommended increases to fees and charges have been included within the Budget Book and the income estimates.
- All increases in charges are subject to approval by the Council.

#### **4 Revised Estimates 2015/16**

- 4.1 Before considering estimates for 2016/17 this section provides a summary of the forecast for the current financial year. Variations identified have been taken into account in preparing next year's budget.
- 4.2 The Council's overall expected outturn for 2015/16 anticipates £391,000 use of reserves, this is £162,000 in excess of the budgeted position of £229,000.
- 4.3 Although the latest forecast for 2015/16 is projecting an overspend of £162,000, officers have introduced in year spending reviews and restrictions to remove the overspend. Further in year updates will be reported at Quarter 3 monitoring. Should members wish to allocate such further sums, then further savings/income generation would be required to ensure that the Council does not further exceed the current year's budget.
- 4.4 As can be seen from the table below, this Committee is forecasting only minor variations with the exception of other accounts - £208,000 favourable variation. The main items included here are £175,000 savings from the DMA review and £40,000 saving on Business rates for the Town Hall.
- 4.5 The Committee's probable outturn (estimated net expenditure) for 2015/16 is included in the draft Budget Book on each cost centre page, with a detailed analysis on variations to original budget. The outturn forecasts are based on the quarter two budget monitoring reports issued to all Councillors.

4.6 A summary of probable outturn for each service group is as follows:

<b>Service group</b>	<b>Published budget 2015/16  £'000</b>	<b>Current approved budget 2015/16  £'000</b>	<b>Probable outturn 2015/16  £'000</b>	<b>Variation from current budget  £'000</b>
Democratic & Civic	672	672	673	1
Corporate Functions	838	832	816	(16)
Corp Financial Management	149	145	(55)	(200)
Tax Collection & Benefits	1014	1012	1010	(2)
Land Charges	(58)	(68)	(68)	0
Land & Property	(813)	(880)	(880)	0
Economic Dev. & Prosperity	128	118	113	(5)
Community Wellbeing	155	148	140	(8)
Other Accounts	316	258	50	(208)
<b>Total</b>	<b>2,401</b>	<b>2,237</b>	<b>1,800</b>	<b>(437)</b>

4.7 The current approved budget in the table above represents the published budget updated with authorised transfer of funds since the budget was approved in February 2015.

4.8 This Committee's probable outturn for 2015/16 is £437,000 less than the current approved budget.

## **5 Budget Proposals 2016/17**

5.1 The service estimates are included in the draft Budget Book 2016/17, circulated to Councillors in January.

5.2 A summary of the Committee's revenue estimates for 2016/17 is set out below:

<b>Service group</b>	<b>Published budget 2015/16 £'000</b>	<b>Base position 2016/17 £'000</b>
Democratic & Civic	672	681
Corporate Functions	838	727
Corp Financial Management	149	165
Tax Collection & Benefits	1014	1,230
Land Charges	(58)	(68)
Land & Property	(813)	(789)
Economic Dev. & Prosperity	128	127
Community Wellbeing	155	146
Other Accounts	316	(7)
<b>Total</b>	<b>2,401</b>	<b>2,212</b>

5.3 The following table comprises a summary of the main changes to the Committee's proposed budget 2016/17 compared with the published budget for 2015/16.

<b>STRATEGY AND RESOURCES COMMITTEE</b>	<b>BUDGET £'000</b>
Published Budget 2015/16	2,401
Variation in pay, pension (IAS19) & support service recharges *	(400)
Additional new homes bonus receipt	(217)
Reduction to general contingency provision	(136)
Additional rents and reduced costs - investment properties	(83)
EEBC Election costs removed	(60)
Reductions for business rates and utilities	(48)
Additional court costs receipts	(34)
Other changes	(33)
Reduced costs supplies and services	(29)
Reduction in contract costs charged to services	244
Reduced contribution from business equalisation reserve	279
Additional provision for property maintenance **	150
Additional contribution to corporate project reserve	127

<b>STRATEGY AND RESOURCES COMMITTEE</b>	<b>BUDGET £'000</b>
Changes to other government grants	30
Changes to capital charges	21
<b>Base Position 2016/17</b>	<b>2,212</b>

*\* Pay and pension costs include all charges for employees, including pension fund liabilities under International Accounting Standard 19, for this Committee. Support service recharges are for the provision of statutory and administrative services carried out by back office departments of the Council.*

*\*\* This additional provision is set aside specifically for critical emergency works.*

- 5.4 Detailed budget changes are shown in the Budget Book pages.
- 5.5 Operational / efficiency savings towards the Medium Term Financial Strategy that were agreed by this Committee on 17 November 2015 have been included within the base position. The base position also includes changes identified by officers to reduce organisation costs.
- 5.6 The fees and charges report on this agenda identifies areas where additional income can be generated.
- 5.7 The following comprises a summary of the impact of the proposed fees and charges for services.

<b>Service</b>	<b>Additional Income £'000</b>
Land charge search fees	18
<b>Total</b>	<b>18</b>

## **6 Budget Reviews**

- 6.1 No specific issues for review were identified for this committee's services at the meeting of this Committee in November.

## **7 Financial and Manpower Implications**

- 7.1 Consultation processes will be progressed should operational changes affect staffing levels or staff duties.
- 7.2 Any questions or queries with the Budget Book 2016/17 should be sent to relevant Officers in advance of this Committee meeting.
- 7.3 **Chief Finance Officer's comments:** *Financial implications are contained within the body of this report.*

## 8 Legal Implications (including implications for matters relating to equality)

8.1 The Council will fulfil its statutory obligations and comply with its policy on equalities.

8.2 **Monitoring Officer's comments:** *No further comment*

## 9 Sustainability Policy and Community Safety Implications

9.1 Whilst there are no particular implications for the Sustainability Policy or the Community Safety Strategy arising out of this report, the allocation of resources by the relevant policy committees will be needed to deliver actions in these areas of work.

## 10 Partnerships

10.1 Many services are provided by the Council without the direct involvement of other agencies. There is, however, an increasing role for partnership working with others to achieve mutually agreed objectives. The benefits and risks need to be assessed in each specific case to ensure that value for money is secured and the Council's priorities are delivered in the most efficient and effective manner.

## 11 Risk Assessment

11.1 In preparing the revenue budget estimates officers have identified the main risks facing the Committee in delivering services within the budget. These budgets will require careful management during the year.

Service	Risk	Budget Estimate 2016/17 £'000	Risk Management
Employee costs	<b>Medium :</b> Not achieving budgeted staff savings to meet the vacancy provision	11,116	Recruitment management Salaries monitoring
Treasury management – income from interest on balances	<b>Medium:</b> Achievement of budgeted return	178	Prudent budgeting Treasury Management Policy including use of specialist external advisers and fund managers Use of Interest Equalisation Reserve

Service	Risk	Budget Estimate 2016/17 £'000	Risk Management
Land and property	<b>Medium :</b> Loss of tenants and commercial rentals	1,334	Asset Management Plan – property and rent reviews

## 12 Conclusion and Recommendations

- 12.1 The Committee is asked to agree the service revenue estimates as set out in the draft Budget Book 2016/17
- 12.2 The Council will consider the budget at its meeting on 11 February 2016.

**WARD(S) AFFECTED: All**

**BOROUGH INSIGHT**

<u>Report of the:</u>	Chief Executive
<u>Contact:</u>	Mark Rouson/Riquita D'Souza
<u>Urgent Decision?</u>	Yes
<u>If yes, reason urgent decision required:</u>	Current contract ending March 2016
<u>Annexes/Appendices (attached):</u>	Annexe 1: tender results
<u>Other available papers (not attached):</u>	None

**REPORT SUMMARY**

This report sets out the benefits of producing the Council's magazine Borough Insight for our community. It seeks approval from the Committee to continue with the production of the magazine, for the next two years following a successful tender process to secure an experienced supplier.

<b><u>RECOMMENDATION (S)</u></b>	<i>Notes</i>
<p>The Committee agrees that:</p> <p>(1) Borough Insight continues as a printed magazine delivered to households and venues in the Borough three times a year.</p> <p>(2) If (1) is agreed, the contract for the production, delivery and advertising management of the printed magazine is awarded to Frontline.</p> <p>(3) We continue to produce e-Borough Insight in-house and endeavour to increase residents' subscription numbers.</p>	

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 Communications with residents about the work of the Council, especially in the context of service delivery changes, is highly important.
- 1.2 The Council's key priorities include 'quality of life', 'safer and stronger communities' and 'economic vitality' all of which require messages to the community. The printed Borough Insight magazine is one of the main communication channels that the Council uses to accomplish this.

- 1.3 Another of our core value is 'openness and honesty'. Appropriate and transparent communications, eg Borough Insight, allow the Council to address this value in a visible way.
- 1.4 Many of our service plans include a communications aspect with residents – Borough Insight is used to satisfy this requirement.

## **2 Background**

- 2.1 The Code of Recommended Practice on Local Authority Publicity (the 'Publicity Code') sets out a range of provisions in relation to our publicity. These provisions include the seven principles of local authority publicity, namely that it should be lawful, cost effective, objective, even-handed, appropriate, have regard to equality and diversity, and be issued with care during periods of heightened sensitivity.
- 2.2 The provisions also include statements of the actions a local authority should or should not take in order to comply with the principles, including the principle of objectivity, a statement that a local authority should avoid anything likely to be perceived by readers as constituting a political statement, or in relation to the appropriateness principle statements about the frequency, content and appearance of local authority newssheets or similar communications. The code was updated by the Secretary of State, Department for Communities and Local Government, in 2014. Borough Insight meets these requirements and stipulations of the Publicity Code.
- 2.3 Borough Insight has been produced in different formats since 1992. Since that time we have introduced a colour magazine, recycled paper and advertisements. The printed magazine is delivered to the majority of homes in the Borough<sup>1</sup>. Additional copies are bulk delivered to the Borough's community hubs (Council venues, Libraries, GP surgeries, etc). Advertising is accepted as a way of decreasing costs to the Council.
- 2.4 We deliver the printed version to 32,000 addresses. The magazine is printed and distributed three times a year.
- 2.5 Recent surveys on various Council services have included questions on where residents find Council information – the printed version of Borough Insight is regularly quoted as the main information source.

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<sup>1</sup> Delivery target is 98%. Some homes specify no junk mail, etc so Borough Insight is not delivered to those properties. The most effective and cost efficient delivery method has proven to be via postcodes areas. There are a few streets where the postcode is shared between this Borough and another. Where the majority of households in these streets lie outside the Borough, the magazine is not delivered to this Borough's residents due to the high cost – this applies to less than 50 identified households (where the majority of households are within this Borough we deliver to the whole street, including the non-Borough residents, as this is the cheapest option). We have a small mailing list of residents who have requested the magazine from the areas not receiving it which are posted.

- 2.6 Information given to third parties for residents (eg the press) is likely to be interpreted and edited – Borough Insight content is totally within our control.
- 2.7 The current contract for the design, production, printing, delivery and advertising marketing and management has been in place for three years. A formal tender process has been undertaken for a new initial two year contract – details in Annex one.
- 2.8 A monthly electronic version of Borough Insight was introduced three years ago with four core objectives:
  - 2.8.1 To be able to provide up-to-date information around the tri-annual printed version
  - 2.8.2 To accommodate the volume of information provided by partner agencies which we do not have room for in the printed copy
  - 2.8.3 To meet the growing requirement for digital communications from some demographics
  - 2.8.4 To position a digital replacement for the printed magazine for some time in the future
- 2.9 The e-version has 645 subscribers and is issued 11 times a year.
- 2.10 It is Officers considered opinion that e-Borough Insight has insufficient subscribers at this time to fully replace the printed version.

### **3 Proposals**

- 3.1 To appoint Frontline to design, produce, print, deliver and manage and market advertising of the printed magazine for two years (with the option to extend this for an additional year, under Local Government procurement rules).
- 3.2 Officers monitor and evaluate the printed magazine's contribution to information dissemination over the contract period to assess whether it continues to serve its purpose and provide value for money; this to be accomplished via a residents' survey and via feedback from Members.
- 3.3 To continue to produce e-Borough Insight in-house and to endeavour to increase residents' subscription numbers within current resources.

### **4 Financial and Manpower Implications**

- 4.1 The cost of Borough Insight going forward is detailed in Annex 1. Whilst the cheapest supplier has been selected, costs are in excess of the provisional budget for 2016/17. Overall costs are in the region of £32,000 the provisional budget is £28,000 (a shortfall of £4,000).

- 4.2 **Chief Finance Officer's comments:** *The anticipated cost for the tender is included in Annexe 1. The total net cost of Borough Insight in the financial year 2014/15 was £23,000. The budget allocated to delivering Borough Insight in 2016/17 is £29,000. Therefore any additional costs from retendering will need to be found from within existing budgets. As detailed in the report it is important to regularly review usage and platforms for delivery as users continue to move to embrace online/electronic publications.*

**5 Legal Implications (including implications for matters relating to equality)**

- 5.1 The illustration of the discharge of accountability for performance with public money, which allows the Council to be held to public account and which enables proper comparisons to be made with other organisations delivering the same or similar services, is covered by the annual report produced in the Autumn issue of Borough Insight – the report has been highlighted as best practice by the independent citizen body Surrey Tax Action group (STAG).
- 5.2 Text in Borough Insight is minimum 11pt and the magazine is reproduced on-line on the Council's website in a format that allows the document to be increased in size by 200%. These factors are considered minimum best practice for ease of reading for those with sight difficulties.
- 5.3 **Monitoring Officer's comments:** *No further comment*

**6 Sustainability Policy and Community Safety Implications**

- 6.1 The magazine is produced within a sustainable ethos; waste is kept to a minimum, stock has Forest Stewardship Council (FSC) accreditation, inks used are environmentally friendly and alcohol free, and the magazine is recyclable.
- 6.2 Borough Insight is one of the channels for Council information, including community safety communication.

**7 Partnerships**

- 7.1 None

**8 Risk Assessment**

- 8.1 If the magazine was not printed and delivered to each household in the Borough we would need to ensure that our signposting to other channels, including digital are very clear. Whilst this is something that we already do, some of our residents may find it difficult to only access information in these other formats.

**9 Conclusion and Recommendations**

- 9.1 It is important to offer a number of channels, including digital, to deliver the Council's messages. Borough Insight offers an opportunity to ensure appropriate communication with each household in the Borough.
- 9.2 Content (copy and images) and basic layout will continue to be provided by the Council, with the selected supplier contracted to provide, design, produce, print and deliver the magazine plus market and manage the advertising.
- 9.3 To continue to produce e-borough Insight in-house and to endeavour to increase residents' subscription numbers.
- 9.4 Officers are mindful that the use of print form is diminishing nationally. With that in mind we will monitor feedback and continue to evaluate the printed magazine's contribution to information dissemination over the contract period to assess whether it continues to serve its purpose and provide value for money.

**WARD(S) AFFECTED: All**

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### **Tender process and conclusion**

The Communications team identified and approached 12 organisations. These included the current and previous provider, companies and organisations that had approached the Council about the possibility of producing Borough Insight, businesses in the Borough who it was felt had the capability to produce the magazine and others recommended by colleagues in Surrey Councils.

The requirement is to take content (copy and images) and basic layout from the Council and to design, produce, print and deliver the magazine plus market and manage the advertising.

The 12 organisations approached were (in no particular order):

- MCR Print
- Ruxley Communications
- Print Solutions Epsom
- EM Communications
- Big Blue Print
- Frontline
- Tunbridge Wells Borough Council
- Sustain Communications
- Kalligraphic Design
- Mail boxes etc
- Rowcolour Limited
- Artful Dog

Three of the organisations formally declined at this stage. Following exchanges over the nature of the requirement, four organisations formally expressed an interest in tendering for the requirement:

- Frontline (the current supplier, based in Sussex )
- Big Blue Print (with offices in Epsom and production facilities in Redhill)
- Rowcolour Limited (based in Epsom)
- Artful Dog (based in South London)

Of those that formally declined, reasons given were two fold; the inability to make a reasonable profit from what the Council required or a lack of expertise in one or other elements of the tender requirements.

Two companies subsequently submitted tenders for the contract (Frontline and Big Blue Print).

The two tenders were then evaluated against key criteria:

- Price (50%)
- Quality and deliverability (50%)
  - Project Plan
  - Design
  - Evidence of capability
  - Meeting our required timetable
  - Sustainability
  - Distribution
  - Advertising

The organisation 'Frontline' has been selected - it was marginally cheaper than Big Blue Print and was either equal to or superior to the quality and deliverability elements.

Frontline is a commercial design house which has been established for 21 years. One of the company's specialities is the production and distribution of Council literature and they produce the residents' magazine for the Surrey Borough and District Councils of Woking, Surrey Heath, Tandridge and Mole Valley and for a number of other councils in the south east.

Frontline is the incumbent supplier, who has good knowledge of our needs. They have a robust relationship with Royal Mail (for distribution) and have shown that they can manage the advertising requirement successfully.

### **Costs**

The cost of the printed Borough Insight will be in the region of £32,000 annually.

This comprises of the costs **per issue** from the successful tenderer i.e.

- Design/reprographics/proofs/printing £6,478
- Delivery £3,500
- Advertising revenue (£2,100)

Plus costs associated with use of copyright material (eg image library), postage costs, separate artwork, corrections to final proofs and contingency.

Advertising is completely managed by the selected organisation with advertising limited to four pages. The organisation determines the advertising rates and guarantees the income – if it fails to generate this income this is at their risk and the Council does not lose out financially.

The costs of e-borough Insight (which has 645 subscribers and is issued 11 times a year) are approximately £500 per year, comprising hosting on a third party site,

charges relating to using the third party service and costs associated with use of copyright material (e.g. image library).

Officers will continue to supply content/overall design - the costs above do not include Officer's time.

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**PERFORMANCE MANAGEMENT: PROGRESS REPORT TWO 2015/16**

Report of the: Chief Executive  
Contact: Frances Rutter/Adama Roberts  
Urgent Decision?(yes/no) No  
If yes, reason urgent decision required: N/A  
Annexes/Appendices (attached): Performance Management – Progress Report Two 2015/16  
Other available papers (not attached): None

**REPORT SUMMARY**




**This report sets out performance against the Committee's actions for Progress Report Two 2015/2016.**

<b><u>RECOMMENDATION (S)</u></b>	<i>Notes</i>
(1) That the Committee receives Performance Management Progress Report Two, 2015/2016.	
(2) Identifies any issues requiring action over and above that set out in the Progress Report.	

**1 Background and Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 In December 2011 the Council adopted the Corporate Plan for 2012/16. The Plan identifies the Council's Key Priorities and Core Values for the next four years. This is the last year of the life cycle of the current Corporate Plan.
- 1.2 As part of the service planning process to support delivery of the Council's Corporate Plan, actions have been agreed under the Service Plans for 2015/16.
- 1.3 It was agreed that due to the volatile nature of the economic climate, actions will be reviewed and set annually rather than for a period of four years. This was deemed more productive because changes and decisions around actions set in our Service Plans could be taken promptly, in line with changing economic times.

- 1.4 The former Corporate Management Board also agreed to trial production of the Performance Management Report based on the Committee cycle rather than quarterly cycles in order to make the information reported more streamlined and up to date. This has proved to be more effective and evident in years two and three of the Council's Annual Service Plan monitoring.
- 1.5 As a result, progressive updates are given, the traffic lights system of reporting has been replaced with an 'Achieved', 'On Target', and 'Not Met', status update for Progress Reports one to three. However the same format as in the previous system of reporting has been maintained for year-end i.e. 'Achieved', 'Signed Off', 'Rolled Forward' and 'Deferred or Deleted'.

<b>Key to Reporting Progress Reports One to Three Format</b>	
<b>Achieved</b> 	<p>An action is achieved once all objectives specified have been completed.</p>
<b>On Target</b> 	<p>An action is on target at the time of reporting the progress if it's likely to be completed by year end. Actions that are reported as on target are closely monitored and evaluated throughout various performance phases to ensure they continue to be achievable by year end.</p> <p>Measures have been implemented to ensure Responsible Officers (ROs) promptly advise the Consultation &amp; Communication team of any change/s that is/are likely to impact on an action being achieved. This is then fed back to CMB and responsible committees.</p> <p>A risk analysis section has been introduced, for the first time in our performance reporting to pre-empt and facilitate the achieving of actions set within a given financial year. This enhances the review process embedded within our performance monitoring, because all actions that are reported as on target or not met have to be rigorously evaluated at each performance management phase - with further actions outlined to facilitate their achievement.</p>
<b>Not Met</b> 	<p>An action is reported as not met if it's likely to be unachievable at year end. The chances of achieving these actions within the reporting period are slim.</p> <p>All actions are continuously evaluated and where issues may occur, automatically highlighted to alert CMB and responsible committees in order to facilitate a prompt decision making process. This process usually involves the ROs, CMB and responsible committees.</p>

	However, for Data Quality purposes, committees have the final say as to whether an action will be deleted/deferred/tweaked or replaced with a new one depending on the evidence given by ROs or CMB.
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- 1.6 A risk analysis section has been incorporated into the Performance Management Framework as per audit and the former CMB recommendations. It facilitates the pre-empting and reviewing of any issues that may prevent an action being achieved within a specific timeframe.
- 1.7 The Council's performance management framework enables progress against each of the Service Plan action areas to be monitored on a committee cycle basis as explained above.
- 1.8 This report sets out performance against the Year 4 Service Plan actions and Progress Report One 2015/16 actions for which the Committee is responsible.

## 2 Performance as at December 2015

- 2.1 Annexe 1 to this report provides the Committee with an extract from the Progress Report One 2015/16 covering all the Service Plan actions for which this Committee is responsible. The full Progress Report One 2015/16 is available to councillors on the Council's Intranet, IRIS.
- 2.2 Overall, Strategy & Resources Committee has **15 actions** for the financial year 2015/16. Of the 15 actions, **one** was achieved in PR1. As at December, **one** has been 'Achieved', **seven** are 'On Target', 'Not Met' and for **two**, there is 'No Data Available'.

## 3 Financial and Manpower Implications

- 3.1 Actions identified for 2015/16, at the time of agreeing the actions, were considered to be achievable within agreed budgets, including the reduced staffing budget.
- 3.2 **Chief Finance Officer's comments:** *There are no specific financial or manpower implications for the purpose of this report.*

## 4 Legal Implications (including implications for matters relating to equality)

- 4.1 There is the opportunity through the development and delivery of this Service Plan to secure significant benefits for residents.
- 4.2 There are no particular legal implications for the purpose of this report.
- 4.3 **Monitoring Officer's comments:** *None for the purposes of this report.*

**5 Sustainability Policy and Community Safety Implications**

- 5.1 Delivery of Year 4 of the Service Plan will assist the Council to create sustainable communities.
- 5.2 There are no particular community safety implications for the purpose of this report.

**6 Partnerships**

- 6.1 There are no particular partnership implications for the purpose of this report.

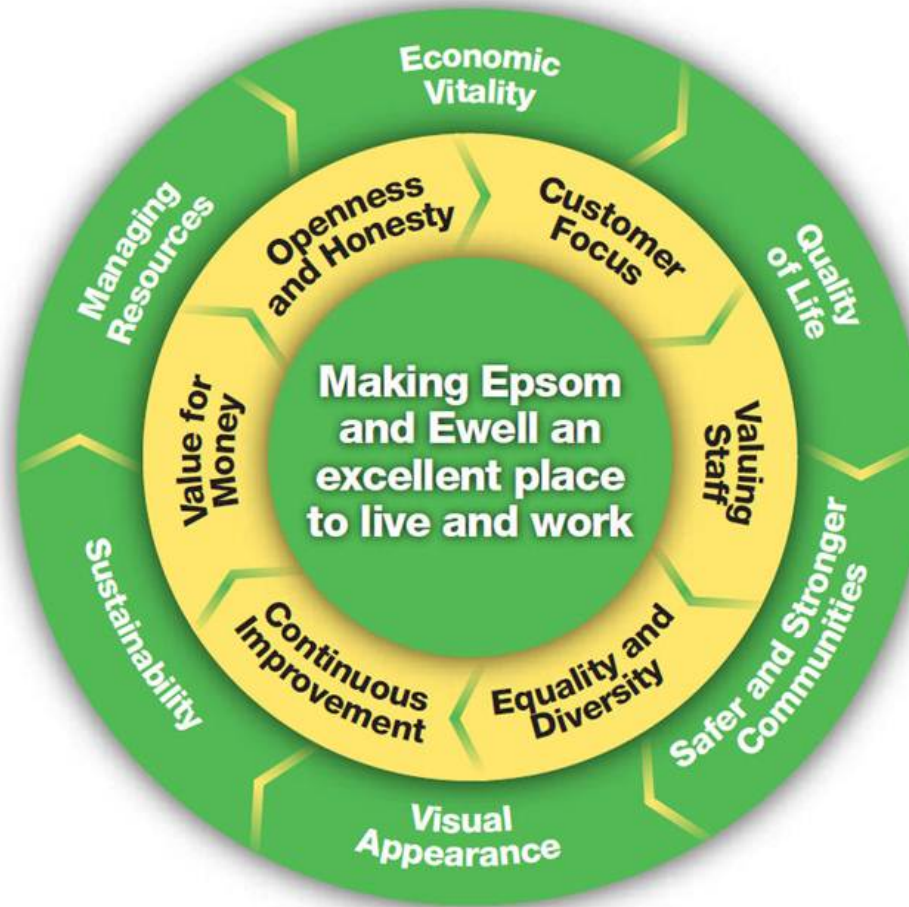
**7 Risk Assessment**

- 7.1 The creation of a Performance Management Framework mitigates against loss of focus and assists the organisation in ensuring that it has the financial capacity to deliver its objectives.

**8 Conclusion and Recommendations**

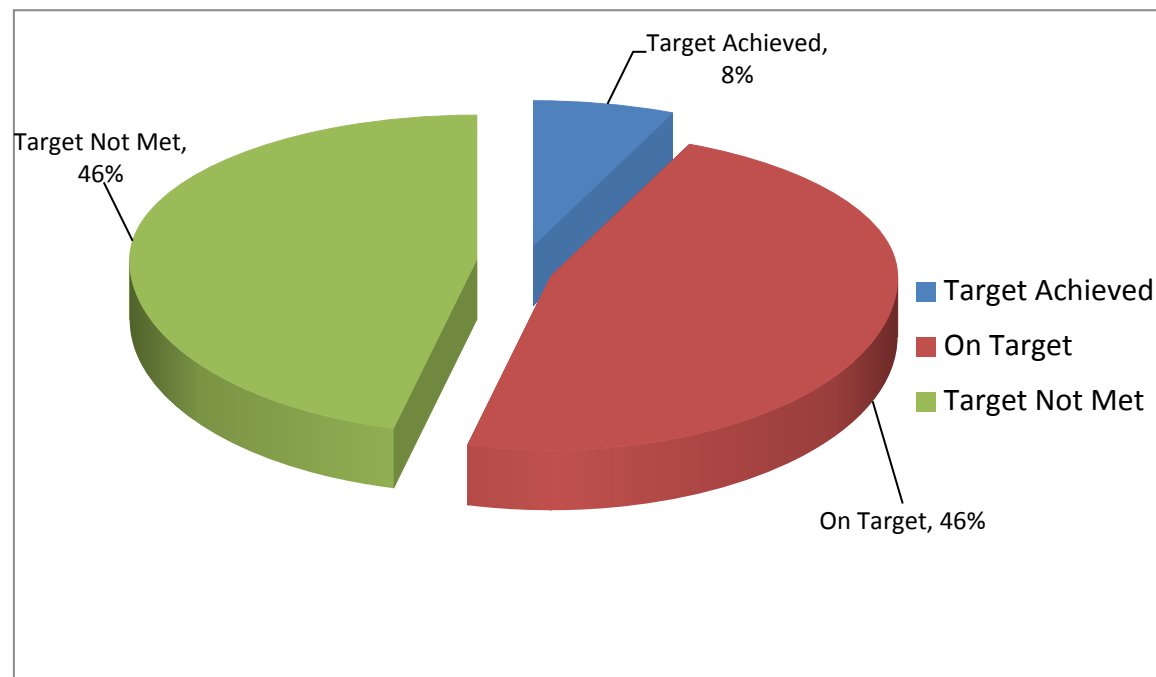
- 8.1 The implementation of a robust performance monitoring and management system is essential to ensure that the Committee's Service Plans, and ultimately, the Council's Key Priorities are delivered or any variances explained and decisions over future action made.
- 8.2 This report sets out performance information relating to the Service Plan for 2015/16 to date. In considering any action as a result of the information before them, Members must take into account the risks and implications of failing to meet a target or changing a target at some stage during the monitoring period.
- 8.1 The Committee is asked to identify any issues requiring action over and above that set out in the Progress Report in Annexe 1.

**WARD(S) AFFECTED: All**







**Progress Report Two**  
**Prepared for the Strategy & Resources Committee**


## Summary of Strategy & Resources Committee as at December 2015







**Strategy & Resources Committee**, has **15** actions for the financial year 2015/2016. Of those 15 actions, one (1) was achieved in PR1. As at December **one (1)** has been Achieved, **six (6)** are On Target, **six (6)** are Not Met and **one (1)** have No Data Available – these two have been excluded from the chart above.


<b>ECONOMIC VITALITY: Promote the economic vitality of Epsom &amp; Ewell</b>							
<b>KP Code</b>	<b>Our objective is ....</b>	<b>Responsible Officer/ Committee</b>	<b>Action 2015/2016</b>	<b>Progress as at December</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Current Action Status</b>
<b>EV1</b>	Encouraging a vibrant and successful retail and business environment in the Borough	Joy Stevens (from 1 April 2015)  Strategy & Resources/ Environment	Monitor impact of parking charging regime and set charges in consultation with local businesses	Car Parking working party agreed in October Environment Committee. Terms of reference includes charges. Town Centre Manager is also part of the group.	Lack of buy-in from relevant stakeholders  Problems engaging with business communities	Work with stakeholders to ensure their views are taken on board  Continue to monitor data provided to increase the level of car park usage	On Target 
<b>EV4</b>	Making progress in delivering Plan 'E' (which provides a detailed vision for the future of Epsom Town Centre over the next 15 to 20 years)	Mark Berry/ Strategy & Resources	Planning application submitted and determined for new retail store and housing on Depot Road and Upper High Street (Rolled Forward from 2014/2015)  Subject to approval new retail store and housing in place on Depot Road and Upper High Street	Following the termination of negotiations for a new retail store on Upper High Street work limited work has been done on delivery of this project in the last quarter. There is the prospect of the relocation of the fire station and this could be a catalyst to re-start negotiations for the delivery of a different food store and the preliminary work around other key elements of the brief. Development of a mixed-use on the former Tesco site is anticipated subject to planning permission but proposals are at an early stage of preparation.  Other aspects of Plan E continue to progress satisfactorily.	Lack of buy-in from partners  Impact of the current economic climate	Engage with partners to ensure projects are delivered on time	Not Met 

<b>ECONOMIC VITALITY: Promote the economic vitality of Epsom &amp; Ewell</b>							
<b>KP Code</b>	<b>Our objective is ....</b>	<b>Responsible Officer/ Committee</b>	<b>Action 2015/2016</b>	<b>Progress as at December</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Current Action Status</b>
		Mark Berry/ Strategy & Resources	Work proactively with land owners to encourage the opportunities sites identified in Plan E to be brought forward for development	See comment immediately above.	Lack of buy-in from partners  Impact of the current economic climate	Engage with partners to ensure projects are delivered on time	Not Met 
		Mark Berry/ Strategy & Resources	Implement the agreed plan and deliver the junction improvement at the Spread Eagle	Detailed designs for the highway works are under preparation with further consultation with key stakeholders taking place. Public realm improvement options will be worked up once details costings are available. Work on site is anticipated to commence in late June 2016.	Lack of buy-in from partners  Impact of the current economic climate	Engage with partners to ensure projects are delivered on time	Not Met 

<b>MANAGING RESOURCES: Utilise the Council's limited resources in the most efficient way</b>							
<b>KP Code</b>	<b>Our objective is ....</b>	<b>Responsible Officer/ Committee</b>	<b>Action 2015/2016</b>	<b>Progress as at December</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Current Action Status</b>
<b>MR1</b>	Keeping our Council Tax below the average of the Surrey districts	Kathryn Beldon/ Strategy & Resources	Set budget targets for 2016/17 to keep the tax level below the Surrey average	<p>Budget Targets have been agreed by Policy Committees in October/November 2015.</p> <p>Council on track to maintain the Council Tax level below the average in Surrey.</p>	<p>Increased demand for services for the vulnerable</p> <p>Government funding cuts / changes to local government funding</p> <p>Reduced service revenues Savings targets not delivered</p>	<p>Regular scrutiny of high risk budgets (including housing and homelessness, local council tax support, income from fees and charges)</p> <p>Enhanced monitoring and forecasting of business rates</p> <p>Corporate Budget Monitoring</p> <p>Future savings/additional income streams have been agreed in principle.</p>	<p>On Target</p> 

MANAGING RESOURCES: Utilise the Council's limited resources in the most efficient way							
KP Code	Our objective is ....	Responsible Officer/ Committee	Action 2015/2016	Progress as at December	Risk	Mitigation	Current Action Status
		Kathryn Beldon/ Strategy & Resources	Prepare Financial Plan 2016-2020	Members have agreed in principle additional income/savings for the next four years which will assist with balancing the future year deficits. The Financial Plan will be presented to Council in February with the Corporate Plan.	None identified	Regular scrutiny of high risk budgets.  Awareness of changes in local government funding streams  Delivering the agreed work streams to inform future cost reduction/income generating plans.  Greater awareness of the financial pressures facing the council both at officer and member level.	On Target 
MR2	Continuing to ensure all our activities are customer focused and provide good value for money	Joy Stevens/ Strategy & Resources	Implement service changes agreed	No further service changes being implemented due to current freeze on CRM development.	Customer Services & ICT staff time	Identify and implement achievable measures	Not Met 


<b>MANAGING RESOURCES: Utilise the Council's limited resources in the most efficient way</b>							
<b>KP Code</b>	<b>Our objective is ....</b>	<b>Responsible Officer/ Committee</b>	<b>Action 2015/2016</b>	<b>Progress as at December</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Current Action Status</b>
<b>MR4</b>	Maximising revenues generated by and minimising costs associated with all Council assets and activities	Andrew Lunt/  Strategy & Resources/ Leisure	Implement changes to deliver venues subsidy targets	Since 2011 officers have achieved reductions to the Venues subsidies as reported to Leisure Committee. A full service review of the venues is to commence in February 2016. The results and recommendations from this review will be used to make further improvements to the service.	Poor market conditions Unable to meet income targets  Unable to meet cost reduction targets	Service review Business Planning Budget Monitoring	Not Met  
<b>MR6</b>	Seeking to generate savings of at least £1.5 million over the next three years	Kathryn Beldon/ Strategy & Resources	Implement cost savings for 2015/16	The only cost saving required within the 2015/16 budget was the closure of the cash office which took place at the beginning of November.	Planned savings not delivered  Cost pressures increase savings required	Six monthly monitoring shows a projected overspend of £412k on the revenue budget. Restrictions on spending in place and Heads of Service tasked with finding in year savings. Latest projections show a potential £200k overspend. Main variances are loss of income on both onstreet enforcement and development control and the increasing cost of homelessness due to high numbers at the start of the year.	Achieved  


MANAGING RESOURCES: Utilise the Council's limited resources in the most efficient way							
KP Code	Our objective is ....	Responsible Officer/ Committee	Action 2015/2016	Progress as at December	Risk	Mitigation	Current Action Status
MR7	Directing resources (financial, human and physical) towards the delivery of the objectives and targets set out in this plan	Frances Rutter/ Strategy & Resources	Prepare Corporate Plan 2016-2020	Work is underway on the preparation of the new Corporate Plan which will be presented diagrammatically on a page. This will be approved in February alongside the MTFS. Targets associated with the plan will be agreed by the Policy Committees in March/April.	(see below)	(see below)	On Target 
MR7	Risk	<ul style="list-style-type: none"> <li>• Failure to develop a coherent Corporate Plan linked to risk management strategies due to time constraints.</li> <li>• Lack of buy in from stakeholders resulting in failures to address key objectives around the Corporate Plan and KPIs identified.</li> <li>• Failure to review objectives identified and lack of a consistent risk management approach across the Council.</li> <li>• Failure to clearly define risks associated with objectives identified; Failure to set out accountabilities, remedial actions for objectives that are not likely to be achieved and failure to set guidelines as to how to execute risks management plans associated with failing objectives.</li> <li>• Failure to identify ways of continuously improving service delivery.</li> </ul>					


### MANAGING RESOURCES: Utilise the Council's limited resources in the most efficient way

KP Code	Our objective is ....	Responsible Officer/ Committee	Action 2015/2016	Progress as at December	Risk	Mitigation	Current Action Status
MR7	Mitigation	<ul style="list-style-type: none"><li>• Design and execute a coherent Corporate Plan and risk management process by integrating both process;</li><li>• Integrate business risk management with our Corporate Plan processes;</li><li>• Articulate the desired outcomes within our Corporate Plan so that they are understood throughout the Council;</li><li>• Establish Key Performance Indicators (KPIs) designed to drive performance and behaviors consistent with our Corporate Plan strategy; and reward effective articulation and management of key risks proven to generate substantial savings.</li><li>• Ensure process ownership questions are addressed with clarity so that roles, responsibilities and authorities are properly understood. Design and execute a consistent process to monitor and reassess KPIs and identify gaps in the management of those risks, based upon changes in business objectives and in the external and internal operating environment.</li><li>• Define risk management strategies with clear accountabilities and action plans for building and executing risk management capabilities and improving them continuously.</li><li>• Continuously monitor performance information provided to councilors and decision-makers in order to assist them as they manage key risks.</li></ul>					

### SUSTAINABILITY: Encourage energy efficiency, reduced waste and cleaner forms of transport

KP Code	Our objective is ....	Responsible Officer/ Committee	Action 2015/2016	Progress as at December	Risk	Mitigation	Current Action Status
S2	Further reducing the environmental impact of Council operations	Doug Earle / Nigel Campbell/ Strategy & Resources	To reduce electricity consumption to 1.9m KWHs	As at November target met YTD.	Agreed investments not implemented  Adverse weather conditions	Robust arrangements in place to ensure implementation	On Target 

SUSTAINABILITY: Encourage energy efficiency, reduced waste and cleaner forms of transport							
KP Code	Our objective is ....	Responsible Officer/ Committee	Action 2015/2016	Progress as at December	Risk	Mitigation	Current Action Status
		Doug Earle / Nigel Campbell/ Strategy & Resources	To reduce gas consumption to 2.5m KWHs	New smart meters are now in operation. Order has been placed for historical smart meter data. However the data to gauge progress is not available yet.	Agreed investments not implemented  Adverse weather conditions	Robust arrangements in place to ensure implementation	No Data
		Doug Earle / Nigel Campbell/ Strategy & Resources	To reduce mains water use in line with agreed targets	Leak investigations ongoing.	Agreed investments not implemented	Robust arrangements in place to ensure implementation	On Target 

SAFER AND STRONGER COMMUNITIES: Promote safer, more active and caring communities							
KP Code	Our objective is ....	Responsible Officer/ Committee	Action 2015/2016	Progress as at November	Risk	Mitigation	Current Action Status
SS2	<p>Encouraging greater community involvement across the Borough</p> <p>Enabling stronger communities in areas of identified needs such as Town, Court and Ruxley wards</p>	Simon Young/Strategy & Resources	<p>Undertake refurbishment at Horton Chapel</p> <p>Note: This action was deferred to 2015/16 as a result of the Decisions Notice of Strategy &amp; Resources Committee issued on 23 September 2014.</p> <p>Chapel functioning as community centre</p>	Nothing further to report since S&R Dec 15	<p>Failure to appoint Trustee</p> <p>Failure to complete project</p>	<p>Engage with communities</p> <p>Engage with relevant stakeholders to ensure project is completed</p>	<p>Not Met</p> 

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**RENOVATION OF 1 – 3 BLENHEIM ROAD TO FORM 9 TEMPORARY  
ACCOMMODATION UNITS**

<u>Report of the:</u>	Head of Housing and Environmental Services
<u>Contact:</u>	Rod Brown
Urgent Decision?(yes/no)	no
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Appendix 1 – Lessons learnt from the purchase of 102 Upper High Street Appendix 2 – Scheme of works for refurbishment of 1 – 3 Blenheim Road
<u>Other available papers</u> (not attached):	None

**REPORT SUMMARY**

**The property at 1 – 3 Blenheim Road should be renovated to provide 9 x 1 bed temporary accommodation units within the borough at a capital cost of £373,500 reducing the cost of nightly paid emergency accommodation.**

**RECOMMENDATION (S)**

*Notes*

**(1) That the Committee recommends to Council the use of:**

- **The £200,000 of capital reserves previously approved for the demolition of 1 – 3 Blenheim Road**
- **And up to a further £173,500 from s106 affordable housing developer contributions.**

**to bring 9 x 1 bedroom flats at Blenheim Road into use as temporary accommodation, subject to first entering into a full repairing Agreement to Lease with a Social Housing Provider.**

**(2) Authorises the Head of Housing and Environmental Services to negotiate and agree terms of the agreement for lease with the Social Housing Provider, following consultation with the Head of Legal & Democratic Services, Director of Finance & Resources and the Chairman of the Strategy & Resources Committee.**

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 Managing Resources – Utilise the Council's limited resources in the most efficient and effective way.
- 1.2 Quality of life – Improve the quality of life for all residents, but particularly the more vulnerable within our society.
- 1.3 Health, Housing and wellbeing is a priority theme of the Sustainable Community Strategy and the proposal would be a significant contribution towards these objectives, particularly for the most vulnerable.

**2 Background**

- 2.1 The properties at 1 to 3 Blenheim Road were constructed around 1960 originally as three "Town Houses" to provide accommodation to council staff. They are located in a commercial area adjacent to the council's depot.
- 2.2 At some point these houses were converted to provide nine one bedroom flats. The dwellings were leased to Rosebery Housing Association for many years to provide temporary accommodation for homeless households from the borough.
- 2.3 The properties are poorly insulated have suffered from serious problems associated with condensation and poor thermal efficiency.
- 2.4 The overall building is poorly insulated with no insulation in the cavity walls on three sides. The façade facing Blenheim Road is tile hung. The building has uPVC double glazing throughout.
- 2.5 The three ground floor flats differ from the remaining 6 flats in that they have an externally facing u-PVC panel with internally facing plaster board immediately beneath the front window. This replaced the original garage door when the units were just 3 properties. The bathrooms in these three ground floor flats are located centrally within the flats, without the benefits of natural lighting or ventilation.
- 2.6 The remaining 6 flats on the first and second floors all have bathrooms to the rear with frosted rear windows providing both natural light and ventilation.
- 2.7 The building has a flat roof which appears to be substantially weather tight and has minimal insulation. The building has no gas supply and relies on electric storage heaters for space heating.
- 2.8 The properties were managed as temporary accommodation by Rosebery Housing Association (RHA) under a lease and management agreement until summer 2015.

- 2.9 RHA had raised concerns about the poor condition of the properties, particularly the poor thermal insulation and condensation. In light of this, as families moved out of the properties, RHA did not re-let the vacated flats and the numbers of families living in the building reduced over time. In the last year only 4 of the 9 flats were being used as temporary accommodation.

### **3 Previous considerations by Committee**

- 3.1 Strategy & Resources Committee considered a report in March 2014 which considered the purchase of property for the provision of temporary accommodation. In this report, it was stated that the Blenheim Road properties required significant investment and indicated that a report on this issue would be brought to committee.
- 3.2 Subsequently in June 2014, the Committee considered a further report which concluded that, at that time, the option to renovate the building did not represent value for money and that as a result of this decision RHA would terminate their lease. Committee agreed that, thereafter the buildings should be demolished to facilitate the creation of a separate in and out access at the Council's Longmead Road Depot at a cost of £200,000 to be funded from capital reserves.
- 3.3 The lease with RHA was surrendered and the remaining 4 families were relocated. 1 family was found settled accommodation elsewhere and the remaining 3 families had moved to 102 Upper High Street. All 9 flats are currently vacant, but not suitable for occupation in their current condition.

### **4 Current supply of Temporary Accommodation within Borough**

- 4.1 The Council has access to a stock of managed units, which are summarised below.

Table showing existing temporary accommodation with Epsom and Ewell Borough Council including details of ownership and management:

<b>Property</b>	<b>Description</b>	<b>Numbers</b>	<b>Owned By</b>	<b>Managed By</b>
West Hill Court Epsom	27 x Studio flats 5 x1 bed flat 1 x 3 bed house	33	Rosebery Housing Association	Rosebery Housing Association
58 Upper High Street Epsom	9 x studios	9	Rosebery Housing Association	Rosebery Housing Association
Phoenix Court Epsom	7 x studios 3 x 1 bed flat 4 x 3 bed flat	14	Rosebery Housing Association	Rosebery Housing Association

<b>Property</b>	<b>Description</b>	<b>Numbers</b>	<b>Owned By</b>	<b>Managed By</b>
Celia Court West Ewell	4 x 2 bed flat 2 x 1 bed flat	6	Rosebery Housing Association	Rosebery Housing Association
“The Cottages” High Street Epsom	4 x 2 bed houses	4	Epsom and Ewell Borough Council	Rosebery Housing Association
Other 2 bedroom properties	Various 2 bedroom street properties	4	Rosebery Housing Association or Rosebery private sector leased	Rosebery Housing Association
Other 3 bedroom properties	Various 3 bedroom street properties	7	Rosebery Housing Association or Rosebery private sector leased	Rosebery Housing Association
Eaton House Epsom	9 x 2 bed flat	9	Mount Green Housing Association	Mount Green Housing Association
Dalmeny Way Epsom	4 x 3 bed houses	4	Mount Green Housing Association	Mount Green Housing Association
102 Upper High St Epsom	1 x Studio flats 2 x 1 bed flat 4 x 2 bed flat 1 x 3 bed flat	8	Epsom and Ewell Borough Council	Transform Housing & Support
<b>Total</b>		<b>98</b>		

## **5 Current & future demand for Temporary Accommodation**

- 5.1 The 98 properties identified in the above table are insufficient to meet the current requirements for the Council to fulfil its statutory duties and, as a result use is made of nightly paid emergency accommodation (commonly referred to as Bed and Breakfast accommodation).
- 5.2 There is no suitable nightly paid emergency accommodation available within the borough and these households, including families, are placed outside of the Borough in areas such as Wandsworth, Crawley and Croydon.
- 5.3 In addition to the statutory requirements and possible financial benefits, it is worth also considering the wider social benefits of increasing the amount of temporary accommodation within the borough. It is preferable that applicants be accommodated in housing in the borough, rather than nightly paid emergency accommodation outside the borough.

- 5.4 It also helps, particularly in the case of families with children or applicants with specific health needs, to preserve links with schools, doctors and other services and support networks. In the case of working-age applicants, it can also better help them get or keep a job.
- 5.5 Over the last two years the number of families in nightly paid emergency accommodation varied. At the end of each month the numbers ranged from 52 to 88. The movement of families in and out of nightly paid emergency accommodation is illustrated below for the two financial years 2014/5 and 2015/16.

Table showing the number of families at the end of each month living in nightly paid emergency accommodation

Month	Number Of Households Placed in Nightly Paid Emergency Accommodation During Month	Number Of Households Moved Out Of Nightly Paid Emergency Accommodation During Month	Net Number Of Households in Nightly Paid Emergency Accommodation At End Of Month
<b>2014/15</b>	<b>Net Carried Forward Figure</b>		<b>54</b>
April	9	15	<b>48</b>
May	13	9	<b>52</b>
June	7	7	<b>52</b>
July	9	8	<b>53</b>
August	13	6	<b>60</b>
September	12	5	<b>67</b>
October	15	1	<b>81</b>
November	5	7	<b>79</b>
December	13	22	<b>70</b>
January	12	13	<b>69</b>
February	16	3	<b>82</b>
March	12	9	<b>85</b>

Month	Number Of Households Placed Into B&B During Month	Number Of Households Moved Out Of B&B During Month	Net Number Of Households in B&B At End Of Month
2015/16	Net Carried Forward Figure		<b>85</b>
April	10	7	88
May	11	29	70
June	7	9	68
July	9	12	65
August	2	7	60
September	6	7	59
October	6	6	59
November	10	4	65
December			62
January			
February			
March			

## **6 Cost of Nightly Paid Emergency Accommodation**

- 6.1 The supply of nightly paid emergency accommodation is limited and reliant on spot purchasing in response to the presentation of applicants meeting the statutory requirements for emergency accommodation.
- 6.2 The cost of this type of accommodation is considerably higher than settled social housing and is supplied by a range of specialised housing suppliers. Competition for this accommodation is marked and we compete with several other councils in securing accommodation.
- 6.3 Unlike the cost of all temporary accommodation operated by housing associations within the borough, the cost of out of the borough nightly paid emergency accommodation is significantly in excess of the housing benefit payments received and is subsidised by the council.
- 6.4 Last year many suppliers of nightly paid emergency accommodation were required to improve their accommodation in order to meet statutory suitability criteria relating to self-contained units for families in residence more than 6 weeks. As a result the cost of this type of accommodation increased further.
- 6.5 The costs illustrated in the table below reflect the average actual net cost to the council for purchasing this accommodation over recent months.  
Average net annual cost of Nightly Paid Emergency Accommodation by household size (as of Sept 2015)

Table showing average net cost of nightly paid emergency accommodation

<b>Household Type</b>	<b>Average net cost of nightly paid accommodation per year (£)</b>
Small Family - 2 adults & 1 child or 1 adult & 2 children	17,988
Medium Family – 2 adults & 2 children	17,988
Larger Family - 3 or more children	24,743

**7 Recent changes relevant to consideration for the future use of Blenheim Road properties**

- 7.1 Since the decision of Strategy and Resources Committee in June 2014 to end the use of the Blenheim Road properties for temporary accommodation, the Council has experienced continuing high demand for temporary accommodation. This demand has been in excess of budgetary expectations and due to the lack of an adequate supply there has been an increase in the cost for out of borough nightly paid emergency accommodation.
- 7.2 In light of these budgetary pressures, a range of options have been considered in order to limit expenditure and this reconsideration of the decision in relation to 1 – 3 Blenheim Road is one such option.
- 7.3 A closer inspection of the properties has also enabled a more accurate assessment of the costs associated with bringing the properties up to a decent homes standard. It is believed that this work would satisfactorily overcome the previous concerns from RHA about condensation and poor thermal insulation.
- 7.4 Discussions with the Head of Operational Services and the Council's Health and Safety Advisor has resulted in agreement that the improvement to the depot's vehicular access does not require the demolition of the Blenheim Road properties as originally thought and can be met through effective management.
- 7.5 The Health and Safety Executive (HSE) did not identify the lack of a separate in and out access as an imminent risk, although the idea was discussed informally at their inspection 9 years ago. It was not mentioned during their 2011 inspection and the council's Health and Safety Advisor considers it unlikely the visit due March 2016 will raise the need for a separate in and out access as a mandatory requirement.

**8 Post implementation review of purchase of 102 Upper High Street for use as temporary accommodation**

- 8.1 In response to a lack of supply of temporary accommodation the Council purchased a substantial property in Upper High Street Epsom for use as temporary accommodation. This now operates successfully and is managed by Transform Housing and Support, providing accommodation for 8 local families.
- 8.2 In 2014, Members approved the purchase of the property. A review of the process from acquisition to the building's eventual use has highlighted a number of areas where lessons could be learnt.
- 8.3 The post implementation review of this purchase has been valuable in identifying how future projects should be managed. The main lessons learnt which will be applied to future property projects are set out in Appendix 1.

**9 Proposal to renovate 9 x 1 bedroom Blenheim Road properties for temporary accommodation**

- 9.1 A scheme of works to refurbish the 9 units, improve the thermal insulation of the building and improve the internal layout of the 3 ground floor units, introduce gas central heating and provide a communal laundry is set out in Appendix 2.
- 9.2 In preparing the scheme of works, a number of studies were conducted to examine the current condition of the property and decide on the most cost effective method of refurbishment. The results of these studies were then used to inform refurbishment costs.
- 9.3 As the original concerns of RHA related to condensation and thermal insulation, discussions with RHA have indicated that if these works were carried out in full that they would be prepared to manage the units subject to agreement on the terms of a lease.
- 9.4 The proposal will generate a rental income from the use of the properties as temporary accommodation. The mechanism for calculating the rent levels is prescribed and based on the 90% of Local Housing Allowance for 2011 plus £60. Residents would be responsible for costs of all utilities.
- 9.5 The cost of managing the units would be subject to negotiation with a Social Housing Provider and be deducted from this rental income.
- 9.6 The proposal for the refurbishment and improvement of these dwellings would be funded by the Council as set out in section 12 of this report. It would be the Council's position to lease the property for a term of 7 - 10 years on a full repairing and insuring lease. In these circumstances the responsibility for on-going maintenance would be with Social Housing Provider.

- 9.7 The proposal would create 9 x 1 bed flats for use as temporary accommodation. As the units would be for temporary accommodation, as opposed to settled accommodation, it would be possible to accommodate small families in each unit. Typically this could be 2 adults and 1 child, or 1 adult and 2 young children. In temporary accommodation it is usual that the lounge is utilised for sleeping in addition to the one bedroom.
- 9.8 The proposal described includes the creation of three level access ground floor units, the only such temporary accommodation units within the borough. The additional space created by the internal layout changes and level access throughout would improve the suitability of these units for applicants with mobility concerns.
- 9.9 Given the history of condensation and poor thermal performance of the building, if approved, these refurbishments would centre on overcoming the inherent poor performance of the building and encourage more appropriate behaviour regarding laundry arrangements.
- 9.10 The introduction of gas central heating would remove the need for storage heaters and provide affordable adequate heating and hot water for all the families. Heating is one of the key considerations in preventing condensation that arises from usual family activities such as clothes drying and bathing.
- 9.11 The three ground floor units have experienced the worse of the condensation, in part due to the use of a poor insulated u-PVC panel beneath the front window in the lounge and the internal position of the bathrooms in the centre of the units.
- 9.12 The proposals include for the replacement of the u-PVC panel with a solid cavity wall significantly improving the thermal performance of the external wall to these units.
- 9.13 The proposed internal rearrangement of the three ground floor units would address the poor internal layout and move the existing central bathroom to the back of the property, in line with those on the other two floors. This will allow for external natural ventilation and light, overcoming the historic high levels of condensation in these units.
- 9.14 This would reduce the size of the kitchen in these units, but retain adequate space to create a new kitchen diner.
- 9.15 A further significant cause of condensation would have been drying clothes internally, using only electrical storage heating. It is therefore proposed to discuss with a Social Housing Provider the provision of a laundry facility at the rear of the property with both washing machines and drying machines along with outdoor washing lines to dry clothes. Such an approach has proved very successful in another temporary accommodation development in West Hill Court. The costs of providing this facility are included in the proposed scheme in Appendix 2 and operating details will be agreed with the Social Housing Provider during the development of the scheme.

## **10 Project timescale and project management**

- 10.1 The reduction in the cost of homelessness is a high corporate priority for the Council. The proposal is clearly intended to assist in reducing the cost of nightly paid emergency accommodation and as such will be a high priority corporate project.
- 10.2 In preparing the proposal, early “in principle” discussions have occurred with RHA about the future management of the units as temporary accommodation. The current proposed timescale includes provisions for detailed negotiations with RHA or another Social Housing Provider, procurement and tender of works plus award of contract and completion of works. Following this, the refurbished flats could be available for occupation from 1<sup>st</sup> April 2017.
- 10.3 The proposal is based upon a detailed examination of the structure of the building by officers and discussions with third parties such as British Gas and Social Housing Providers, the outcomes of which has subsequently informed the drafting of the schedule of works and proposed project timescale.
- 10.4 The project will be led by a Project Team and supported by a detailed Project Plan, identifying key milestones and accountabilities.
- 10.5 Whilst it is expected the project will deliver the additional temporary accommodation within the project timescale, there are factors that could affect delivery. These include: any discussions with other Social Housing Providers other than RHA, reliance on third parties including contractors, any unforeseen circumstances and the completion and subsequent consequences of any further intrusive investigations that may be necessary.
- 10.6 Success criteria for the proposal include:
- Maximum occupation of all available units with the associated avoided cost by 1<sup>st</sup> April 2017
  - Expenditure on the refurbishment within agreed budgets
  - Net income from property rental of at least £42,000 per annum.

## **11 Landlord management and lease arrangements**

- 11.1 It is proposed that a Social Housing Provider would manage the properties as temporary accommodation on the council's behalf. Should members support this proposal; officers will negotiate with RHA and or another Social Housing Provider to secure a suitable lease for the properties and an associated nomination and management agreement with the Social Housing Provider.

- 11.2 Initial discussions with RHA have indicated that they would be prepared to enter into a lease arrangement with the council to manage these properties, subject to the completion of the refurbishments and negotiations on their management costs. The report's recommendation makes commissioning these works, as outlined in Appendix 2, dependent on receiving an Agreement to Lease from RHA or another Social Housing Provider.

## **12 Financial Implications**

- 12.1 This proposal is a spend to save project which, through the rental income generated and avoided nightly paid emergency accommodation costs and associated storage costs, is expected to pay back within 2 years of use.

### **Funding Options**

- 12.2 The Council has already approved £200,000 of expenditure funded from capital reserves for the demolition and land clearance of 1-3 Blenheim Road in order to create a separate in and out access to service the depot and an additional storage unit. It is proposed that the £200,000 already approved for demolition of the building is instead used to fund a substantial part of the refurbishment costs of the building.
- 12.3 The Council currently holds £469,500 in uncommitted affordable housing S106 developer contributions. The application of these contributions to this project is consistent with the legal agreements from which they arise.
- 12.4 Another item on this agenda will discuss the possibility of setting up a Residential Property Acquisition Fund of £3m. The proposal is to fund this with a maximum of £2m from New Homes Bonus, £275,000 from the capital receipt received this year from Berridale and Bankside, with the remainder to be funded from affordable housing S106 contributions. Use of s106 for Blenheim Road flats would lower the balance held for affordable housing S106 funds to £296,000. The impact of this would be to lower the current available funding for the Property acquisition fund to £2.6m.
- 12.5 As income from residential property is exempt from VAT there is a potential VAT liability arising from works carried out at Blenheim Road. For local authorities the amount of VAT recoverable on expenditure related to exempt income is limited to 5% of total VAT recovered. If this is exceeded then the liability to HMRC is the whole amount of VAT recovered on expenditure relating to exempt income.
- 12.6 VAT recovered on these works would be in the region of £66,000. Typically the total limit would be around twice that sum. Officers will investigate options to reduce liability on other properties to mitigate the risk of having to pay over circa £120,000 to HMRC and may need to seek professional advice on this issue.
- 12.7 A number of funding options have been explored. Officers recommend that the Council approve use of the £200,000 capital reserves earmarked for demolition of Blenheim Road and up to £173,500 from S106 affordable housing developer contributions.

Table showing proposed sources of funding for refurbishment

<b>Spend to Save Source of funding</b>	<b>Value (£)</b>	<b>Cumulative value (£)</b>
Capital Reserve	200,000	200,000
S106 funding	173,500	373,500

12.8 The success of the project relies on effective project management. The cost of £373,500 includes estimated costs of employing a project manager to oversee the completion of the project. This has been estimated to be 12.5% of the cost of works, £41,500.

12.9 These estimated costs of works represent the high end estimate of the works specified in the scheme of works in Appendix 2 and includes professional fees plus a 10% contingency. The actual final project cost will be subject to the budgetary limitation as set out in this report but could be less and will be subject to tender.

12.1 The current and next years agreed budget provision for nightly paid emergency accommodation, including a forecast for the current year, based on 60 families in accommodation, is detailed below.

Table showing the budget provision nightly paid emergency accommodation

	<b>Approved Budget 2015/16 £</b>	<b>Forecast at Quarter 2 2015/16 £</b>	<b>Working Budget 2016/17 £</b>
Expenditure	1,022,900	1,790,000	1,600,000
Rental Income	406,770	700,000	575,000
Net Annual Cost	616,130	1,090,000	1,025,000

12.2 Although it is anticipated this proposal, along with other options being considered, will reduce the expenditure in nightly paid emergency accommodation, it is proposed that the budget for 2016/17 should be maintained, given the unpredictability of future homeless demand. The budget would be subject to regular monitoring as part of the Council's agreed financial management processes.

### **Income**

12.3 This proposal aims to reduce the cost of providing nightly paid emergency accommodation by creating additional temporary accommodation capacity within the borough. This reduction in cost is described as "avoided cost" and based on occupancy of all 9 units for small family groups, the annual avoided cost for nightly paid emergency accommodation would be equivalent to 9 x £17,988 = £161,892.

- 12.4 In addition to this avoided expenditure, there would be an annual income from leasing the properties to the Social Housing Provider. The length of any lease would be subject to the outcome of negotiations with RHS or another Social Housing Provider.
- 12.5 The maximum temporary accommodation rents that can be charged for each of the 1 bedroom flats at Blenheim Rd is prescribed and based on 90% of the Local Housing Allowance (2011) plus £60 per week. This is equivalent to £867.50pcm for each unit.
- 12.6 The maximum rental income all 9 flats that would be £93, 690 per year.
- 12.7 The management of these units by RHA or another Social Housing Provider on behalf of the Council will be subject to negotiation but inevitably will reduce the rental income received by the Council.
- 12.8 Typically the management costs associated with temporary accommodation would be 52% – 67% of the maximum rental income. Assuming the Council retains only 52% of the potential rental income, this would suggest net annual rental income to the Council of £48,719.
- 12.9 If future, projections for income and costs are assumed to remain at current levels and assuming a maximum income level, the estimated income projections from the use of these 9 units as temporary accommodation are composed of:

Table showing estimated net income including avoided costs

Year	Avoidable expenditure on nightly paid emergency accommodation  £	Estimated Maximum Net Rental Income  £	Cumulative estimated net income (including avoided cost and net rental income)  £
2016/17	0	0	0
2017/18	161,892	48,719	210,611
2018/19	161,892	48,719	421,222
2019/20	161,892	48,719	631,833
2020/21	161,892	48,719	842,444
2021/22	161,892	48,719	1,053,055

12.10 The proposal meets the Council's set criteria for capital spend, which includes a payback requirement period within 5 years.

12.11 Given the projected annual income of £48,719 and the annual avoided nightly paid emergency accommodation of £161,892, it is considered the payback period for investing £373,500 can reasonably be considered to be 1 year and 10 months.

12.12 **Chief Finance Officer's comments:** *All financial implications are detailed within the body of this report. There is an expectation that only a full repairing lease agreement will be acceptable at this property. If for any reason this is not possible, the Director of Finance and Resources should be consulted before any arrangements are entered into. Care should be taken when setting up the terms of the full repairing lease to protect the Council's interests with regards to dilapidations. A regular schedule of inspection should be agreed at the outset to ensure that the property is being kept at the agreed standard through the life of the lease.*

### 13 Legal Implications (including implications for matters relating to equality)

13.1 The refurbishment of these properties is a positive step towards providing level accessible temporary accommodation in the Borough. This would help meet the needs of any clients with relevant disability. It is not considered that there are other equalities implications arising from this report.

13.1 The Right to Buy (RTB) does not apply to families being accommodated in these properties. The RTB attaches to Secure Tenancies and the tenancies being offered in these circumstances are granted in pursuance of our functions under Part VII of the Housing Act 1996, and such tenancies are specifically not "Secure Tenancies" in accordance with section 79(2) of, and para 4 of Schedule 1 to, the Housing Act 1985.

- 13.2 Under section 74 of the Local Government & Housing Act 1989, a local housing authority has a duty to keep a housing revenue account in respect of houses provided under Part II of the Housing Act 1985 (and certain other properties).
- 13.3 If any of the dwellings are regarded as being held for the purposes of Part II, then the duty to have a HRA applies. The Secretary of State can, however, direct that the duty shall not apply to such land as they specify. The HRA manual indicates that such a direction will normally be given where fewer than 50 dwellings are held by an authority.
- 13.4 Considering the properties already owned by the Council, plus those envisaged under the proposed Private Sector Leasing scheme and refurbishment of 1 – Blenheim Road and the possible 8 additional properties purchased through this proposal, it is not considered the Council will exceed this limit of 50 dwellings.

Table showing current residential properties in Council ownership

	<b>Council owned residential properties</b>
Proposed refurbishment of 1 – 3 Blenheim Road	9
102 Upper High Street	8
The Cottages High Street Epsom	4
Proposed Private Sector Leasing	15
Keepers Cottage, Horton Country Park	1
Bourne Hall Lodge	1
Rosebery Park Lodge	1
<b>Total</b>	<b>39</b>

- 13.1 It is therefore recommended that, when implementing the above schemes, the Council firstly assert to DCLG that the duty does not apply and, in the alternative, seeking in-principle support for a direction (or even an actual direction for the dwellings we own already).
- 13.2 **Monitoring Officer Comment's:** *Under section 123 of the Local Government Act 1972, the Council can dispose of land in any manner it wishes, subject to certain constraints. A Council shall not, without the consent of the Secretary of State, dispose of land for a consideration less than the best which can reasonably be obtained. In this context, a "disposal" does not include granting a lease of less than seven years.*

- 13.3 *So, in the case of a disposal by way of a lease with a term of less than seven years, the best consideration duty does not apply. However, it is clearly important that the Council generally seeks to obtain the best consideration it can. This is in accordance with our Key Priority of Managing Resources, which we say we will seek to achieve by “maximising revenues generated by, and minimising costs associated with, all Council assets and activities.”*
- 13.4 *In this case, officers may agree a lease at less than “best consideration” that could be obtained for residential properties. This will reflect the challenge presented by managing temporary accommodation and the strong interest in the Council avoiding costs which it would otherwise incur to house individuals in nightly paid emergency accommodation.*
- 13.1 *The Right to Buy (RTB) does not apply to families being accommodated in these properties. The RTB attaches to Secure Tenancies and the tenancies being offered in these circumstances are granted in pursuance of our functions under Part VII of the Housing Act 1996, and such tenancies are specifically not “Secure Tenancies” in accordance with section 79(2) of, and para 4 of Schedule 1 to, the Housing Act 1985.*

#### **14 Sustainability Policy and Community Safety Implications**

- 14.1 None for the purposes of this report.

#### **15 Partnerships**

- 15.1 Historically the Council has worked in partnership with housing associations to provide suitable temporary accommodation. There has been agreement in principle with Rosebery Housing Association through informal discussions that they would be willing to manage the 9 Blenheim Road Flats.

#### **16 Risk Assessment**

- 16.1 The proposal to renovate these buildings for use as temporary accommodation seeks to increase the supply of such property as an alternative to using nightly paid emergency accommodation out of the borough. As part of the development of the scheme a risk assessment has been produced and is outlined below.

<b>Risk</b>	<b>Level</b>	<b>Mitigation</b>
The cost of renovating the property is in excess of the income received, including avoided nightly paid emergency accommodation.	<b>L</b>	The property has been surveyed for the scale of refurbishment required and the estimated costs are considered to be high end costs.  The scale of the savings occurring from avoided costs associated with nightly paid emergency accommodation is significant making the risk that the refurbishment costs could not be recovered within 5 years unlikely.
Unforeseen refurbishment	<b>M</b>	There is always the chance that additional repairs are

<b>Risk</b>	<b>Level</b>	<b>Mitigation</b>
costs		discovered when work commences. In preparing the specification, the surveyor conducted intrusive tests and sought professional advice in estimating repair costs.
Legal Challenge	<b>L</b>	Diminishing reliance on suitable emergency nightly paid accommodation will reduce the risk of legal challenge.
Dilapidations	<b>M</b>	<p>Hand backs and dilapidation of properties are not expected in year one or two. However to mitigate risk an agreed schedule of the condition of each of the properties at initial handover will be attached to the lease. This will include a photographic record of all aspects of the property and a register of all fixtures and fittings and their condition.</p> <p>As part of the management agreement, regular inspections will note any deterioration to the property not resulting from fair, wear and tear. If all of this is done then the costs of reinstatement will be kept to a minimum.</p>
Bad Debt	<b>L</b>	As part of the management agreement early arrears monitoring and careful rent arrears management, including liaison with Housing Benefit should help mitigate bad debt. It should be noted the Council is exposed to this risk when using emergency nightly paid accommodation but at a much higher financial level, therefore this proposal reduces the risk.
Voids Loss/Void Repairs/Minor Repairs	<b>L</b>	The average length of stay in one of these properties is likely to be around three to four years and voids do not occur regularly. This will reduce the risk of void loss and void repairs. Regular property inspections and careful property/tenancy management should reduce the risk of damages and repairs.
Changes to the Housing Benefit temporary accommodation subsidy formula	<b>L</b>	In the autumn statement the Chancellor announced the governments intentions to devolve and reform funding for managing temporary accommodation from 2017-18. The temporary accommodation management fee will no longer be paid through the benefits system and instead Councils will receive this money upfront. The government has said they will maintain current levels and will be providing an additional £10 million a year, so that they can give more freedom and flexibilities to local authorities. There are no clear details yet however if there were to be a negative risk then the Council would be exposed to this risk when using emergency nightly paid accommodation but at a much higher financial level, therefore the proposal reduces the risk.
Universal Credit	<b>L</b>	If the tenant is more than one month in arrears the Council can notify the DWP. At this point DWP will review the claimant's situation and can offer the tenant budgeting support and may decide to pay the rent directly to the Council. When arrears reach the

Risk	Level	Mitigation
		equivalent of two month's rent (the 'trigger point'), an Alternative Payment Arrangement will be put in place by the DWP to allow a managed payment to the Council. In addition rent arrears can be recovered from the tenant through a deduction to their Universal Credit. The tenant can also be evicted for rent arrears. The Council will be exposed to this risk when using emergency nightly-paid accommodation but at a much higher financial level.

## **17 Conclusion and Recommendations**

- 17.1 This proposal is a spend to save project, using capital reserves already directed at demolishing this building, together with s106 funds to refurbish the 9 x 1 bedroom flats in Blenheim Road to create additional temporary accommodation within the boundary of the borough.
- 17.2 The proposal will have significantly positive financial and social impacts. These include the saving of £161,892 of nightly paid emergency temporary accommodation each year plus an estimated £48,719 new income from the rental of the 9 units for temporary accommodation. The social impacts will centre on returning local families back into the borough where they will be able to reconnect with support mechanisms including family and friends.
- 17.3 Due to the continuing high costs of nightly paid accommodation, the investment will be paid back within 2 years.
- 17.4 There have been significant changes since the previous decision to demolish the building was taken. These include the continued pressure on the Council from housing those to whom we have a statutory duty to house and the increased costs of doing so. In addition the earlier concerns about creating a new access for the Council's depot have receded as new alternative methods of controlling this depot risk have been explored.
- 17.5 The report recommends that Committee recommend to Council the use of £200,000 of capital reserves previously approved for the demolition of 1 – 3 Blenheim Road and up to a further £173,500 from s106 affordable housing developer contributions to bring 9 x 1 bedroom flats at Blenheim Road into use as temporary accommodation, subject to first entering into a full repairing Agreement to Lease with a Social Housing Provider.
- 17.6 Authorises the Head of Housing and Environmental Services to negotiate and agree terms of the agreement for lease with the Social Housing Provider, following consultation with the Head of Legal & Democratic Services, Director of Finance & Resources and the Chairman of the Strategy & Resources Committee.

**WARD(S) AFFECTED: Court**

Table showing lessons learnt and future approaches based on purchase of 102 Upper High Street

<b>Issue from lessons learnt</b>	<b>Outcomes for future projects</b>
Purchase process needs to be significantly quicker	Proposal for Property Acquisition Fund enabling quicker purchasing
Early engagement and up front discussion with organisations expected to manage the property as Temporary Accommodation	Regular discussions at Head of Service level with Rosebery and other Housing Associations active within EEBC
Clearer prioritisation for Corporate Projects	Corporate Project Plan will be developed with clear governance arrangements
Robustness of Business Case	Pro forma business case should be developed at the outset to ensure that financial targets are clearly defined and can be monitored.
Adoption of clear Project Management principles at start of project	Project Management guidelines and documentation will be in place and agreed
Clear accountability for project delivery	Corporate Project Plans clearly identify accountability for all corporate projects
Monitoring of key milestones towards delivery	Project management documentation and governance arrangements will be in place
Identifying and using key skills within project team	Project Management principles and documentation will be in place

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Blenheim Flats

**Brief:**  
To establish possible improvement solutions and estimates for the following works at Blenheim Flats and Longmead Depot

**Table One**  
This table outlines the possible higher end costs to refurbish the 9 flats known as Blenheim Flats. Currently the ground floor flats have ventilation and condensation problems. All the flats have dated heating systems which need upgrading. Most bathrooms and kitchens need replacing, although it may be possible to save a few. Previously the walls were thought to be timber framed, this is not the case they are non insulated cavity walls with around a 75mm gap. If the walls were cavity insulated and suitable ventilation and heating installed the condensation problems in some of the flats will be reduced. There is always an element of occupiers behaviour causing condensation, this could be reduced by erecting an outside clothing wash room, which could be used by all residents. Presently the properties only have electric services, so estimated in the table is the costs of supplying a new gas mains and meters plus a central heating systems (Other heating solution could be looked into at a later date). Presently the flat roof is sound without leaks, though it only appears to have a thin layer of insulation built into the flat roof structure. If foam backed insulation was laid on the existing flat roof and this was covered with a new felt or fibre glass covering then top flats would benefit from a reduction in heat loss.

The ground floor flats if remodelled and refurbished could benefit disabled residents. This would mean creating a new wider doorway and easy turning access inside the flat.

The table is split into sections, it also has a breakdown of costs per building element for each of the 9 flats

Internal Works	Works within the building fabric
Exterior Works	Works to the exterior of the building
Professional Fees	Estimated costs to gain building control and planning approvals
Contingency	This is estimated at 10% of the total build costs
Totals	The estimated costs to refurbish the flats to a good standard

Table One:					
General Costs	Estimated to Include Labour and Materials				Assumption One Cost Divided by 9 Flats
Internal Works					
Plastering room	£12	m2	100	m2	1,200.00
Wallpaper	£625	Room	2	Rooms	1,250.00
Fit Kitchen Including Tiles	£4,000		Each		4,000.00
New Combi Boiler plus 3 Rads	£4,000		Each		4,000.00
New Bathroom and Tiles	£2,500		Each		2,500.00
New Floor Covering	£20	m2	£1,000		1,000.00
Drywall	£625	Flat			625.00
Demolition & Removal Works	£1,000				1,000.00
Dry line Wall	£1,500				1,500.00
Decorating	Room/Landing	£400	Room	5	Rooms
Sempitap	Installed	30	m2		2,000.00
Mould Removal Materials and Labour		30	m2		1,000.00
Ventilation	£1,000				1,000.00
Electrical Consumer Unit	Consumer unit plus other electrics	£1000	a flat		1,000.00
Drainage works to level GF Showers	Only in GF 3 Flats	2500	div 3		277.77
Disabled Access	Only in GF 3 Flats	6000	div 3		666.66
	Including Doorways				
Internal Works Sub Total	ST1				£23,019
Exterior Works					
Scaffolding	6,500.00	div 9			722.22
Cavity Wall	Sides plus Back				
	Plus Clean out Cavity	£2,309	Div. 9 Flats	£257	257.00
Guttering	Installed	£13	m	53m	
				div by 9 Flats	£77
Driveway	£3,600				400.00
New Locks	£120				120.00
Install Gas Mains and Meters Per Flat	To supply Gas Mains to Property	£6,832.35	div 9	£759.15	759.15
The standard cost for new supplies are:					
Electric Supply is £ 1619 plus VAT					
Gas Supply is £723 plus VAT					
Water Supply £857.65 plus VAT					
Window Fixing	Gas Meter				723.00
Window Ground Floor and Wall	Remove GF window and clad replace with new window and cavity wall x 3			£1000 x3 £3000 div 9 = 333	350.00
Improved Fencing and Gate	£900				333.00
					100.00
Re Cover and Insulate Flat Roof (Not necessary presently)	Re Felt Flat Roof				1,735.00
	The Blenheim Flats have a combined flat roof surface area of 156.15m2				782.88
	So estimates based on roofing site prices:				
	A Cost B Cost Fibre glass				
	£15,615 £14,053.50	div 9 Flats	£15,615		
	Insulation on Roof				
	25m2 cost £720.85 x 7 lots = £5045.95 Plus VAT Material cost Labour Cost				777.00
	Assumption cost to lay the Insulation board £ 2000			£7,045.95	div 9 Flats
Rear Court Yard	£7,000	div 9			
Replace timber soffits with UPVC	£500	div 9			55.55
Replace external cladding	£2,500	div 9			277.77
Others:					
Building an Exterior Washing Machine Room	£25,000	div 9			2,777.00
Exterior Works Sub Total	ST2				10246.57
Professional Fees					
Planning Fees	500	Div. 9			55.55
Building control fees	1200	Div. 9			133.33
Professional Fees Sub Total	ST3				188.88
Grand Total Per Flat	ST1 + ST2 + ST3				£33,454.88
Grand Total For Works					£301,093.92
Contingency at 10%					£30,109.39
Total including contingency					£331,203.31

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**RESIDENTIAL PROPERTY ACQUISITION FUND TO PROVIDE TEMPORARY ACCOMMODATION**

<u>Report of the:</u>	Residential Property Acquisition Fund
<u>Contact:</u>	Rod Brown
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	None
<u>Other available papers (not attached):</u>	Savills Residential Property Focus 2015

**REPORT SUMMARY**

**A Residential Property Acquisition Fund of £3 million should be created for the purchase of suitable properties for use as temporary accommodation, to generate an income stream, reduce emergency temporary accommodation costs incurred and provide a long term asset value growth.**

**RECOMMENDATION (S)**

- (1) That Committee recommends to Council the creation of a residential property acquisition fund of £3 million for the purchase of properties to use as temporary accommodation.**
- (2) That Committee approve the use of New Homes Bonus up to a maximum of £2 million, £275,000 capital reserves and the remainder to be funded from available s106 funds.**
- (3) That Committee approve the decision making process for this fund as set out in section 8 of this report.**

*Notes*

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 Managing Resources – Utilise the Council's limited resources in the most efficient and effective way.**

- 1.2 Quality of life – Improve the quality of life for all residents, but particularly the more vulnerable within our society.
- 1.3 Health, Housing and wellbeing is a priority theme of the Sustainable Community Strategy and the proposal would be a significant contribution towards these objectives, particularly for the most vulnerable.

## **2 Homelessness duty**

- 2.1 Under the homeless legislation, the council is required to provide applicants with emergency accommodation whilst their application is being investigated and, if their application is accepted, until they are housed in settled accommodation.
- 2.2 The Council fulfils this duty through:
- The use of property owned by the council but leased to and managed by housing associations for use as temporary accommodation
  - Agreements with housing associations to use specific properties that they own as temporary accommodation
  - Where there is no alternative, through the use of nightly paid emergency accommodation.

## **3 Supply of temporary accommodation**

- 3.1 Any accommodation offered must be suitable to the needs of the applicant and all members of their family. It is usually preferable to house an applicant in temporary accommodation within the borough; however, the extent of temporary accommodation within the borough is limited and only 98 such properties exist.
- 3.2 The Council has access to a stock of managed units, which are summarised below:

Table showing existing temporary accommodation with Epsom and Ewell Borough Council including details of ownership and management

<b>Property</b>	<b>Description</b>	<b>Numbers</b>	<b>Owned By</b>	<b>Managed By</b>
West Hill Court Epsom	27 x Studio flats 5 x1 bed flat 1 x 3 bed house	33	Rosebery Housing Association	Rosebery Housing Association
58 Upper High Street Epsom	9 x studios	9	Rosebery Housing Association	Rosebery Housing Association

<b>Property</b>	<b>Description</b>	<b>Numbers</b>	<b>Owned By</b>	<b>Managed By</b>
Phoenix Court Epsom	7 x studios 3 x 1 bed flat 4 x 3 bed flat	14	Rosebery Housing Association	Rosebery Housing Association
Celia Court West Ewell	4 x 2 bed flat 2 x 1 bed flat	6	Rosebery Housing Association	Rosebery Housing Association
High Street "The Cottages" Epsom	4 x 2 bed houses	4	Epsom and Ewell Borough Council	Rosebery Housing Association
Other 2 bedroom properties	Various 2 bedroom street properties	4	Rosebery Housing Association or Rosebery private sector leased	Rosebery Housing Association
Other 3 bedroom properties	Various 3 bedroom street properties	7	Rosebery Housing Association or Rosebery private sector leased	Rosebery Housing Association
Eaton House Epsom	9 x 2 bed flat	9	Mount Green Housing Association	Mount Green Housing Association
Dalmeny Way Epsom	4 x 3 bed houses	4	Mount Green Housing Association	Mount Green Housing Association
102 Upper High St Epsom	1 x Studio flats 2 x 1 bed flat 4 x 2 bed flat 1 x 3 bed flat	8	Epsom and Ewell Borough Council	Transform Housing & Support
<b>Total</b>		<b>98</b>		

- 3.3 As demand exceeds this supply, it is often necessary to place applicants in out of borough emergency temporary accommodation. This differs from temporary accommodation as it is all privately owned property, often some distance from the borough and paid for on a nightly basis. In this report this type of accommodation is referred to as nightly paid emergency accommodation but is commonly known as Homeless Bed and Breakfast accommodation.

- 3.4 The length of residency in temporary accommodation varies with the size of the occupying household. Single people and larger families in need of 4 bedroom properties usually occupy these properties longer than other household sizes, for periods in excess of 2 years. The majority of families currently in temporary accommodation are in need of 2 or 3 bedroom properties and on average spend 24 - 36 months in temporary accommodation.

**4 Current & future demand for Temporary Accommodation**

- 4.1 The 98 properties identified in the above table are insufficient to meet the current requirements for the Council to fulfil its statutory duties and, as a result use is made of nightly paid emergency accommodation (commonly referred to as Bed and Breakfast accommodation).
- 4.2 There is no suitable nightly paid emergency accommodation available within the borough and these households, including families, are placed outside of the Borough in areas such as Wandsworth, Crawley and Croydon.
- 4.3 In addition to the statutory requirements and possible financial benefits, it is worth also considering the wider social benefits of increasing the amount of temporary accommodation close to or within the borough. It is usually preferable that applicants be accommodated close to the borough, rather than nightly paid emergency accommodation outside the borough.
- 4.4 It also helps, particularly in the case of families with children or applicants with specific health needs, to preserve links with schools, doctors and other services and support networks. In the case of working-age applicants, it can also better help them get or keep a job.
- 4.5 Over the last two years the number of families in nightly paid emergency accommodation varied. At the end of each month the numbers ranged from 52 to 88. The movement of families in and out of nightly paid emergency accommodation is illustrated below for the two financial years 2014/5 and 2015/16.

Table showing the number of families at the end of each month living in nightly paid emergency accommodation

Month	Number Of Households Placed in Nightly Paid Emergency Accommodation During Month	Number Of Households Moved Out Of Nightly Paid Emergency Accommodation During Month	Net Number Of Households in Nightly Paid Emergency Accommodation At End Of Month
<b>2014/15</b>	<b>Net Carried Forward Figure</b>		<b>54</b>
April	9	15	<b>48</b>
May	13	9	<b>52</b>
June	7	7	<b>52</b>
July	9	8	<b>53</b>
August	13	6	<b>60</b>
September	12	5	<b>67</b>
October	15	1	<b>81</b>
November	5	7	<b>79</b>
December	13	22	<b>70</b>
January	12	13	<b>69</b>
February	16	3	<b>82</b>
March	12	9	<b>85</b>

Month	Number Of Households Placed Into B&B During Month	Number Of Households Moved Out Of B&B During Month	Net Number Of Households in B&B At End Of Month
<b>2015/16</b>	<b>Net Carried Forward Figure</b>		<b>85</b>
April	10	7	88
May	11	29	70
June	7	9	68
July	9	12	65
August	2	7	60
September	6	7	59
October	6	6	59
November	10	4	65
December			62
January			
February			
March			

## **5 Cost of Nightly Paid Emergency Accommodation**

- 5.1 The supply of nightly paid emergency accommodation is limited and reliant on spot purchasing in response to the presentation of applicants meeting the statutory requirements for emergency accommodation.

- 5.2 The cost of this type of accommodation is considerably higher than settled social housing and is supplied by a range of specialised housing suppliers. Competition for this accommodation is marked and we compete with several other councils in securing accommodation.
- 5.3 Unlike the cost of all temporary accommodation operated by housing associations within the borough, the cost of out of the borough nightly paid emergency accommodation is also significantly in excess of the housing benefit payments received and is consequently subsidised by the council.
- 5.4 Last year many suppliers of nightly paid emergency accommodation were required to improve their accommodation in order to meet statutory suitability criteria relating to self-contained units for families in residence more than 6 weeks. As a result the cost of this type of accommodation increased further.
- 5.5 The costs illustrated in the table below reflect the average actual net cost to the council for purchasing this accommodation over recent months.
- Average net (after housing benefits) annual cost of Nightly Paid Emergency Accommodation by household size (as of Sept 2015)

Table showing average net cost of nightly paid emergency accommodation

<b>Household Type</b>	<b>Average net cost of nightly paid accommodation per year (£)</b>
Small Family - 2 adults & 1 child or 1 adult & 2 children	17,988
Medium Family – 2 adults & 2 children	17,988
Larger Family - 3 or more children	24,743

## **6 Movement out of Temporary Accommodation into Settled Accommodation**

- 6.1 Settled accommodation provides long term housing for individuals or families and is the intended next move after living in temporary accommodation. This settled accommodation is mainly supplied as social rented housing by housing associations but also as rented properties by private sector landlords.
- 6.2 There is a shortage of settled accommodation within the borough and this slows down the speed of movement through temporary accommodation and nightly paid emergency accommodation, resulting in large numbers of applicants living in this temporary accommodation with nowhere to move to.

- 6.3 The supply of social rented accommodation in the borough has fallen significantly in recent years. From April to October 2015 we have only had 27 social rented properties become available whereas last year we had 92 and significantly more the year before that.

Table showing availability of social rented properties in EEBC area over last 4 years

Year	1 bed	2 bed	3 & 4 bed	Sheltered	ALL types
2015/16 *	5	9	5	8	27
2014/15	35	23	9	25	92
2013/4	29	51	20	13	113
2012/3	68	59	24	23	174

*\* April 2015 – October 2015*

- 6.4 This lack of social rented property is particularly evident in EEBC, where our previous healthy supply of properties was associated with new developments.
- 6.5 The usual supply of new affordable housing has been adversely affected by a number of factors, including:
- 6.5.1 Low turnover of existing social housing in EEBC - 4% turnover in EEBC versus 8% nationally.
  - 6.5.2 Low existing supply of social housing in EEBC (one of the lowest supplies of social housing in the UK)
  - 6.5.3 Impact of rent reductions. The government introduced reduction in Housing Association rental incomes of 1% per year for the next 4 years. This reduces the ability of Housing Associations to borrow or take on new developments
  - 6.5.4 The government new emphasis on starter homes over social rents, including a requirement to consider shared ownership in place of other types of tenure in affordable housing schemes attached to in existing legal agreements.

## **7 Review of purchase of 102 Upper High Street Epsom for use as temporary accommodation**

- 7.1 In response to the lack of supply of temporary accommodation the Council purchased a substantial property in Upper High Street Epsom for temporary accommodation. This now operates successfully and is managed by Transform Housing and Support, providing accommodation for 8 local families.

- 7.2 In 2014, Members approved the purchase of the property. A review of the process from acquisition to the building's eventual use has highlighted a number of areas where lessons could be learnt.
- 7.3 The time taken to complete the process from Member decision to first nominated occupant took 15 months. The process from offer to completion took 7 months, being hindered by completion being dependant on vacant procession. It took a further 7 months from completion to signing the lease. It took 4 months from completion to finding a Housing Association to manage the property on behalf of the Council.
- 7.4 In addition to the protracted nature of the process, there were other key lessons identified. Many of these delays were due to a lack of project management and lack of clarity as to where the corporate priorities were with various projects being developed at that time.
- 7.5 The review identified that there was a lack of clarity about responsibilities and expectations of the project. There was also a lack of engagement with any potential housing associations prior to the purchase which resulted in more complex negotiations than anticipated being required once the property had been acquired.
- 7.6 The experience has however been valuable in identifying how future projects should be managed. Below are the main lessons learnt which will be applied to future property projects.

Table showing lessons learnt and future approaches based on purchase of 102 Upper High Street

<b>Issue from lessons learnt</b>	<b>Outcomes for future projects</b>
Purchase process needs to be significantly quicker	Proposal for Property Acquisition Fund enabling quicker purchasing
Early engagement and up front discussion with organisations expected to manage the property as Temporary Accommodation	Regular discussions at Head of Service level with Rosebery and other Housing Associations active within EEBC
Clearer prioritisation for Corporate Projects	Corporate Project Plan will be developed with clear governance arrangements
Robustness of Business Case	Pro forma business case should be developed at the outset to ensure that financial targets are clearly defined and can be monitored.

Issue from lessons learnt	Outcomes for future projects
Adoption of clear Project Management principles at start of project	Project Management guidelines and documentation will be in place and agreed
Clear accountability for project delivery	Corporate Project Plans clearly identify accountability for all corporate projects
Monitoring of key milestones towards delivery	Project management documentation and governance arrangements will be in place
Identifying and using key skills within project team	Project Management principles and documentation will be in place

## **8 Proposal for Residential Property Acquisition Fund**

- 8.1 The proposal is that a Residential Property Acquisition Fund is established by the Council to enable suitable properties to be purchased to serve as temporary accommodation. This will reduce the demand for use of out of borough nightly paid emergency accommodation, reduce the cost of homelessness and maintain a capital asset which is likely to increase in value.
- 8.2 The speed with which targeted properties sell requires the Council to respond quicker than occurred with the purchase of 102 Upper High Street. The redeeming feature of that purchase was that the property had limited appeal due to the internal arrangement as 8 separate private rented flats. As a result the property remained on the market for a substantial period allowing the Council's time consuming decision making process to conclude.
- 8.3 The creation of the purchase fund together with a streamlined decision making process will enable the Council to compete with other purchasers in this competitive market.
- 8.4 The target market will be residential property typically in the lower quartile of borough property values. These are likely to be ex-local authority properties, for which there is likely to be substantial interest.
- 8.5 The greatest demand for housing comes from those with a need for a 2 or 3 bedroom property. The council would use any properties purchased to meet the housing needs of those who might otherwise present as homeless and have to be accommodated at the Council's cost in expensive emergency accommodation.

- 8.6 Households placed in properties that the Council has purchased and leased to a Housing Association will be liable for the full cost of the rent themselves which they will meet either from their own earned income or with their entitlement to housing benefit. This differs from the Council placing households directly into emergency accommodation, where around 60% of the full weekly cost of that accommodation then falls to the Council to pay.
- 8.7 Due to the temporary nature of this use, there is more flexibility in the size of family the properties can accommodate. It is envisaged that the properties will accommodate larger families than would be permitted had the properties been used for settled accommodation. In temporary accommodation it is usual that the lounge is utilised for sleeping, in addition to the bedrooms.
- 8.8 Initial discussions have been had with Rosebery Housing Association (RHA) about managing these properties as temporary accommodation. RHA have indicated that as many of these properties would be adjacent to housing stock already managed by them, that “in principle” they would be willing to manage them.

## **9 Decision making arrangements for purchasing properties**

- 9.1 The purpose of the proposal is to enable the Council to purchase properties for use as temporary accommodation and to be able to achieve this, the decision making procedure needs to be able to react to the tight timescales involved.
- 9.2 It is proposed that following initial offer and any subsequent negotiations will be undertaken by the Head of Housing and Environment, in consultation with the Head of Legal and Director of Resources.
- 9.3 Following professional valuation and appropriate survey, the decision to purchase the property will be made by the Head of Housing and Environment in consultation with the Chair of Strategy and Resources, the Chief Executive, Director of Resources and Head of Legal Services.

## **10 Programme of purchases**

- 10.1 The objective of this proposal is to put the Council in an improved position to be able to react quickly to opportunities to purchase suitable properties when they arise. The extent of property purchasing will be linked to the ability of the remaining fund to cover the cost of purchase and associated costs.
- 10.2 Although the purchase fund would be an opportunistic initiative, enabling the Council to take advantage of suitable properties becoming available, it is proposed that the Council will aim to purchase an average of 2 properties each year over a period of 4 years.

- 10.3 The property type being sought would depend on current housing need, but it is envisaged that this will continue to be 2 and 3 bedroom properties into which medium and larger families currently in nightly paid emergency accommodation would be put.
- 10.4 On the associated cost of purchasing outlined below, a fund of £3 million could typically enable the purchase of 3 x 3 bed properties and 5 x 2 bed properties over the course of 4 years.
- 10.5 The risk of these properties no longer being required for temporary accommodation can be mitigated. If in the future the level of demand for temporary accommodation reduces within the borough, the Council can:
  - 10.5.1 Cease the use of out of borough nightly paid accommodation, moving households into borough accommodation.
  - 10.5.2 Convert existing temporary accommodation into settled accommodation
  - 10.5.3 Lease property to other boroughs and districts for use as emergency accommodation
  - 10.5.4 Lease or sell to a local housing association or charity
  - 10.5.5 Sell on the open market

## **11 Decision making arrangements for disposal of properties acquired**

- 11.1 Prior to acquiring any property, officers will seek to have agreed in principle with a registered social housing provider terms on which the housing provider will take a lease of the property, and will manage it day to day. This is likely to be by way of a lease with the Council having the right to nominate occupants to the housing provider for the term of the lease. Any such lease is likely to be for a period of 7- 10 years with the opportunity for early termination. The terms will be agreed by the Head of Housing & Environmental Services, following consultation with the Director of Finance & Resources and Head of Legal & Democratic Services.

## **12 Asset Management Plan**

- 12.1 The Council has agreed an Asset Management Plan which, amongst other things sets out the criteria to be applied when properties are to be acquired or disposed of. The plan also includes specific division of authority for approval of property matters, including the level of delegation to officers. This report seeks to depart from the Plan, in terms of criteria, process and delegation. This is considered necessary in order to enable the Council to act efficiently and effectively to meet the objectives of the proposed fund – to acquire and bring into use additional temporary accommodation within the borough.

### 13 Acquisition criteria

#### 13.1 Acquisition criteria are set out below:

13.1.1 *Property requirements are identified by the Capital Management Group in compliance with the Capital Strategy:* This report departs from this process because the requirement for temporary accommodation has been identified.

13.1.2 *A business case is prepared, including a whole life costing exercise and a review of existing holdings to determine whether the need can be met from the current portfolio:* A business case will be prepared in respect of each acquisition (broadly as set out in this report). It is clear that the Council's existing portfolio cannot meet the identified need for temporary accommodation.

13.1.3 *A briefing note including location, size, specification and other relevant requirements is produced and agreed. At this stage, based on funding and other constraints a decision is made on the appropriate interest to be acquired (freehold, long lease etc.):* These matters have been identified in broad terms. The scheme will operate on an opportunistic basis as suitable properties come up for sale in the borough. It is intended that freehold properties will be acquired, but this will be considered on a property by property basis.

13.1.4 *The Corporate Property Officer, in liaison with the service head or other appropriate nominee, leads in the search and acquisition process, instructing external agents where necessary, through the negotiation of terms, reporting and final approval by Strategy and Resources Committee:* The lead for this project will be the Head of Housing & Environmental Services, with suitable advice from the Corporate Property Officer and others. In a departure from the plan, officers will agree terms of acquisition, which, if the recommendations in this report are agreed will not require the approval of Strategy and Resources Committee.

13.1.5 *Strategy and Resources Committee must approve the terms of all acquisitions:* As stated above, in a departure from the plan, officers will agree terms of acquisition, which will not require the approval of Strategy and Resources Committee.

### 14 Disposal Criteria

14.1 All disposals are governed by the obligation to secure the best consideration which can reasonably be obtained pursuant to Section 123 of the Local Government Act 1972, although non-financial benefits may form part of the consideration. Officers will ensure compliance with the best consideration obligation.

- 14.1.1 *The property is declared surplus to requirements by the relevant service department, after concluding that operational life cannot be extended by repair, adaptation or other measures. The decision to be confirmed by Corporate Management Board:* This is not applicable. The properties are being acquired to be immediately disposed of by way of a lease. This is specifically aimed at helping to meet the Council's identified need for temporary accommodation.
- 14.1.2 *An option appraisal is carried out to determine alternative operational use or other reason to retain the property. This exercise would encompass potential for income generation with or without further investment and whether it is possible to improve efficiency by a part or split disposal:* Not applicable in this case because of the specific aims of the scheme.
- 14.1.3 *Is there scope for a Community Asset Transfer or sharing option?* Not applicable.
- 14.1.4 *If there is no potential for alternative use or Community Asset Transfer the preferred option should be a sale but this should be governed by an assessment of current market conditions and a review of longer term operational requirements:* Not applicable – the most effective means of meeting the need for temporary accommodation is for the properties to be leased to and managed by a social housing provider on the Council's behalf. If at some point a property is no longer needed for that purpose, then the provisions of the Asset Management Plan, in respect of disposal of surplus property, will be applied.
- 14.1.5 *The Strategy and Resources Committee determines the best means of disposal - sale, long lease or short term lease/licence based on advice from the Corporate Property Officer or external agent:* Not applicable. Properties will be leased to a social housing provider on terms approved by officers.
- 14.1.6 *In the case of development land or property for refurbishment the requirement for an overage provision ('claw back') should be considered:* Not applicable.
- 14.1.7 *The Strategy and Resources Committee must approve the method and terms of all sales and of other disposals where a decision has not been delegated to Officers.*

## **15 Best Consideration**

- 15.1 Under section 123 of the Local Government Act 1972, the Council can dispose of land in any manner it wishes, subject to certain constraints. A Council shall not, without the consent of the Secretary of State, dispose of land for a consideration less than the best which can reasonably be obtained. In this context, a disposal excludes granting a lease of less than seven years.

- 15.2 The Secretary of State has issued the General Disposal Consent (England) 2003. This is appended to Circular 06/03, which contains further relevant guidance.
- 15.3 The General Disposal Consent permits the Council to dispose of land for less than best consideration, provided that the Council considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of one or more of the following objects in respect of the whole or any part of the Borough, or of all or any persons resident or present in the Borough:
- 15.3.1 The promotion or improvement of economic well-being;
- 15.3.2 The promotion or improvement of social well-being; and
- 15.3.3 The promotion or improvement of environmental well-being; and
- 15.3.4 The undervalue (the difference between the unrestricted value – the market value - and the terms for the disposal), does not exceed £2million.
- 15.4 Under the terms of the General Consent, the unrestricted value is to be assessed in accordance with a Technical Appendix. This in turn effectively requires that a report be obtained from a qualified valuer (a member of the Royal Institution of Chartered Surveyors).
- 15.5 This is also emphasised in the Circular, which strongly advises authorities to obtain a valuation, and states that an authority *“should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue.”*
- 15.6 In this case, the duty would be engaged if a lease of seven years or longer is contemplated. It is arguable that disposal to RHA or other Social Housing Provider on the sort of terms outlined in the report could constitute a disposal at an undervalue. However, seeking best consideration would wholly frustrate the purpose of the report – to provide more temporary accommodation in the Borough.
- 15.7 Officers will seek to ensure that any undervalue would be less than the limit permitted under the general consent referred to above. It is clear from the body of the report that the purpose of the disposal will contribute to the achievement of the social well-being of those who will be accommodated in the refurbished premises. It is therefore considered that the arrangements proposed can be entered into without breaching the terms of the General Disposal Consent, even if a formal valuation is not obtained in order to seek to confirm that. There is limited risk of challenge to that decision.

## **16 Financial Implications**

- 16.1 This proposal will lead to significant revenue savings which will generate additional rental income for the Council and savings through avoided nightly paid emergency accommodation and the associated storage costs. In addition, the purchase of property will provide a long term asset growth.

### **Funding Sources**

- 16.2 The proposal to develop a £3 million residential property fund would be principally reliant on New Homes Bonus (NHB) up to a limit of £2 million, with additional funding from capital reserves £275,000 and affordable housing s106 contributions. If this programme was agreed there would be a loss of interest on balances of £20,250 per annum (based on an historic average 3% annual investment return).
- 16.3 The NHB currently available is £1,580,000 with a confirmed £1,527,000 available for 2016/17. NHB funding is currently under review by central government and there is an expectation that future funding levels will be significantly reduced. The use of £2m for this project would leave a balance in excess £1m for 2016/17 onwards.
- 16.4 Earlier this year the council negotiated a capital receipt of £275,000 following RHA's sale of Bankside and Berridale, which was in addition to having that accommodation re-provided using West Hill Court development earlier this year.
- 16.1 The Council currently holds £469,500 in uncommitted affordable housing S106 developer contributions. The application of these contributions to this project is consistent with the legal agreements from which they arise.
- 16.2 Use of S106 for the project on 1-3 Blenheim Road, would lower the balance held for affordable housing S106 funds to £296,000. This leaves a funding shortfall of £429,000 for this project. However the Council are reasonably assured of a S106 contribution of £180,000 before the end of the financial year.
- 16.3 The Council continues to receive a steady stream of affordable housing S106 contributions. It would be reasonable to assume that contribution levels will remain constant in the short term.

Table showing the s106 contributions received annually since 2011/12

<b>Actual 2011/12</b>	<b>Actual 2012/13</b>	<b>Actual 2013/14</b>	<b>Actual 2014/15</b>	<b>Received to 31/12/2015</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
197,040	111,470	419,720	230,870	165,000

- 16.4 Although none of the S106 contributions held are time restricted it is important to continue to apply these funds to appropriate schemes to avoid challenge from developers in the future with regards to repayment of unspent contributions.
- 16.5 The use of NHB, capital reserves and S106 would lead to a loss of interest on balances of £8,865 per annum per two bed property and £12,651 per annum per three bed property (based on an average 3% annual investment return).
- 16.6 The alternative funding route of borrowing to purchase both 2 bedroom and 3 bedroom properties has been explored, however at this time Officers believe the use of existing reserves is a more viable option.
- 16.7 This proposal will not however meet the Councils spend to save criteria of a 5 year payback period. The use of the purchased property for temporary accommodation will make significant revenue savings from avoided expenditure for nightly paid emergency accommodation and generate an additional income.

**Income and savings**

- 16.8 In November 2015 Savills Research published their 5 year forecasts for residential property values across the UK between 2016-2020. This report predicts over the next five years a 24.0% increase in market value for “inner commute” areas around London, which are considered to be those areas within a 30 minute commute of the capital. The similar prediction for the “outer commute” area, within a 30 – 60 minute commute, was 23.4%
- 16.9 Based on current market values for properties in the lower quartile for purchase cost, the illustrative cost of purchasing typical target properties is set out below:

Table showing typical cost to purchase 2 and 3 bedroom property around Epsom and Ewell Borough

	<b>2 bedroom property (£)</b>	<b>3 bedroom property (£)</b>
Purchase Price	280,000	400,000
Stamp Duty	4,000	10,000
Legal and search fees	1,500	1,700
Refurbishment	15,000	15,000
<b>TOTAL</b>	<b>300,500</b>	<b>426,700</b>

- 16.10 The 2 bed properties could accommodate medium sized families, either 3 or more younger children plus two adults or couples with older children. The 3 bedroom properties could accommodate larger families.

- 16.11 It is anticipated that the Council would let the property on a new 10 year full repairing and insuring lease. The length of any lease would be subject to the outcome of negotiations with RHA or another Social Housing Provider.
- 16.12 Purchasing suitable property would avoid costs associated with nightly paid emergency accommodation for medium (2 bed) and larger (3 bed). Based on 2015/16 actual payments, these avoided costs have been estimated to be £17,988 and £24,743 respectively.
- 16.13 In addition to this avoided expenditure, there would be an annual income from leasing the properties to Social Housing Provider. The maximum temporary accommodation rents that can be charged for these properties is prescribed and based on 90% of the Local Housing Allowance (2011) plus £60 per week. For a 2 bedroom property this is equivalent to £1,024.99 pcm and for a 3 bedroom property £1,205.01 pcm.
- 16.14 The management of these properties by RHA or another Social Housing Provider on behalf of the Council will be subject to negotiation but inevitably will reduce the rental income received by the Council.
- 16.15 Typically the management costs associated with temporary accommodation would be 52% – 67% of the maximum rental income. Assuming the Council retains only 52% of the potential rental income, this would suggest net annual rental income to the Council of £6,396 for a 2 bed property and £7,524 for a 3 bed property.
- 16.16 Based on the assumptions above, the expenditure and income, including avoided costs, for 2 bed and 3 bed properties is outlined below with the estimated percentage return on investment.

Table showing estimated annual return on purchasing property for temporary accommodation

	<b>2 Bed Property (£)</b>	<b>3 Bed Property (£)</b>
Cost of purchase	300,500	426,700
Loss of interest from using existing funds	8,865	12,651
Annual avoided cost of nightly paid emergency accommodation	17,988	24,743
Estimated Annual rental Income based on 52% temporary accommodation rent	6,396	7,524
Estimated annual return on investment	8.0%	7.4%

- 16.17 The estimated return on investment set out in this proposal of between 7% and 8% is significantly more than the 3% average achievable through investment return. In addition it is anticipated that there would be an increase in asset value.

- 16.1 ***Chief Finance Officer's comments:*** *As income from residential property is exempt from VAT there is a potential VAT liability arising from this proposal. For local authorities the amount of VAT recoverable on expenditure related to exempt income is limited to 5% of total VAT recovered. If this is exceeded then the liability to HMRC is the whole amount of VAT recovered on expenditure relating to exempt income.*

*Officers will investigate options to reduce liability on other properties to mitigate the risk of having to pay over circa £120,000 to HMRC and may need to seek professional advice on this issue.*

*There is an expectation that only a full repairing lease agreement will be acceptable at these properties. If for any reason this is not possible, the Director of Finance and Resources should be consulted before any arrangements are entered into.*

*Care should be taken when setting up the terms of the full repairing lease to protect the Council's interests with regards to dilapidations. A regular schedule of inspection should be agreed at the outset to ensure that the property is being kept at the agreed standard through the life of the lease.*

## **17 Legal Implications (including implications for matters relating to equality)**

- 17.1 The Right to Buy (RTB) does not apply to families being accommodated in these properties. The RTB attaches to Secure Tenancies and the tenancies being offered in these circumstances are granted in pursuance of our functions under Part VII of the Housing Act 1996, and such tenancies are specifically not "Secure Tenancies" in accordance with section 79(2) of, and para 4 of Schedule 1 to, the Housing Act 1985.
- 17.2 Under section 74 of the Local Government & Housing Act 1989, a local housing authority has a duty to keep a housing revenue account in respect of houses provided under Part II of the Housing Act 1985 (and certain other properties).
- 17.3 If any of the dwellings are regarded as being held for the purposes of Part II, then the duty to have a HRA applies. The Secretary of State can, however, direct that the duty shall not apply to such land as they specify. The HRA manual indicates that such a direction will normally be given where fewer than 50 dwellings are held by an authority.

- 17.4 Considering the properties already owned by the Council, plus those envisaged under the proposed Private Sector Leasing scheme and refurbishment of 1 – Blenheim Road and the possible 8 additional properties purchased through this proposal, it is not considered the Council will exceed this limit of 50 dwellings.

Table showing current residential properties in Council ownership

	<b>Council owned residential properties</b>
Proposed refurbishment of 1 – 3 Blenheim Road	<b>9</b>
102 Upper High Street	<b>8</b>
The Cottages High Street Epsom	<b>4</b>
Proposed Private Sector Leasing	<b>15</b>
Keepers Cottage Horton Country Park	<b>1</b>
Bourne Hall Lodge	<b>1</b>
Rosebery Park Lodge	<b>1</b>
<b>Total</b>	<b>39</b>

- 17.5 It is therefore recommended that, when implementing the above schemes, the Council firstly assert to DCLG that the duty does not apply and, in the alternative, seeking in-principle support for a direction (or even an actual direction for the dwellings we own already). Secondly, to seek a direction in respect of each unit when acquired.

- 17.6 **Monitoring Officer's comments:** Section 120(1) of the Local Government Act 1972 provides that:

*"For the purposes of—*

*(a) any of their functions under this or any other enactment, or*

*(b) the benefit, improvement or development of their area,*

*a principal council may acquire by agreement any land, whether situated inside or outside their area."*

*In this case, the accommodation will be acquired for onward disposal by way of lease to a registered social housing provider, for the purpose of providing temporary accommodation for homeless persons where the Council has a duty to provide them with accommodation. This is clearly within the Council's powers.*

*Section 18 of the Housing Act 1985 provides that:*

- “(1) Where a local housing authority acquire a building which may be made suitable as a house, they shall forthwith proceed to secure that the building is so made suitable either by themselves executing any necessary works or by leasing it or selling it to some person subject to conditions for securing that he will so make it suitable.*
- (2) Where a local housing authority—*
- (a) acquire a house, or*
  - (b) acquire a building which may be made suitable as a house and themselves carry out any necessary work as mentioned in subsection (1),*

*they shall, as soon as practicable after the acquisition or, as the case may be, after the completion of the necessary works, secure that the house or building is used as housing accommodation.”*

*In this case it is intended that any properties acquired for this purpose are brought into use as housing accommodation at the earliest opportunity, and this is in accordance with the Council’s obligations.*

*The Council has approved an Asset Management Plan, which sets out criteria for acquisition and disposal of property. This report proposes a departure from the provisions of that plan and the delegations which members have previously agreed. If this report is agreed, it is essential that the Asset Management Plan (which is shortly to be reviewed) is amended to take into account the proposed approach.*

*It is essential, when we come to the disposal of the acquired properties on a lease to a registered social housing provider that the “best consideration” duty is met (if relevant). The proposed arrangements for dealing with properties will ensure that the duty is met.*

## **18 Sustainability Policy and Community Safety Implications**

18.1 None for the purposes of this report.

## **19 Partnerships**

- 19.1 Historically the Council has worked in partnership with housing associations to provide suitable temporary accommodation. There has been agreement in principle with Rosebery Housing Association through informal discussions that they would be willing to manage properties purchased. There is a possibility that in some future time, Housing Associations may themselves seek to purchase similar properties. In such circumstances offers would work closely with them to avoid competition.

**20 Risk Assessment**

- 20.1 The proposal to purchase property for use as temporary accommodation seeks to increase the supply of such property as an alternative to using nightly paid emergency accommodation out of the borough. As part of the development of the scheme a risk assessment has been produced and is outlined below.

<b>Risk</b>	<b>Level</b>	<b>Mitigation</b>
The cost of acquiring and maintaining property is in excess of the income received, including avoided nightly paid emergency accommodation.	<b>L</b>	The proposal is aimed at properties in the lower price quartile and will be subject to survey and agreement in accordance with governance arrangements, as set out in the report.  The expected continued rise in property prices will result in an asset of increasing value. Selling the property would enable the Council to recover some or all of the investment.
Lack of suitable properties	<b>L</b>	The proposal is intended to be opportunistic, enabling the Council to respond to suitable properties becoming available.
Adverse impact on Council's VAT position	<b>L</b>	Failure to negotiate Full Repairing Lease may adversely affect the Council's VAT liability. Purchasing properties in state of reasonable repair will help mitigate this.
Legal Challenge	<b>L</b>	Diminishing reliance on suitable emergency nightly paid accommodation will reduce the risk of legal challenge.
Dilapidations	<b>M</b>	Due to the longer term nature of temporary accommodation, it is not expected that properties will be vacated within 24 months. To mitigate risk that a property will be in poor condition on being vacated, an agreed schedule of the condition of each of the properties at initial handover will be attached to the lease. This will include a photographic record of all aspects of the property and a register of all fixtures and fittings and their condition.  As part of the management agreement, regular inspections will note any deterioration to the property not resulting from fair, wear and tear. If all of this is done then the costs of reinstatement will be kept to a minimum.

<b>Risk</b>	<b>Level</b>	<b>Mitigation</b>
		Tenants will be recharge for damaged they cause to the property.
Bad Debt	<b>L</b>	As part of the management agreement early arrears monitoring and careful rent arrears management, including liaison with Housing Benefit should help mitigate bad debt. It should be noted the Council is exposed to this risk when using emergency nightly paid accommodation but at a much higher financial level, therefore this proposal reduces the risk.
Voids Loss/Void Repairs/Minor Repairs	<b>L</b>	The average length of stay in one of these properties is likely to be around three to four years and voids do not occur regularly. This will reduce the risk of void loss and void repairs. Regular property inspections and careful property/tenancy management should reduce the risk of damages and repairs.
Changes to the Housing Benefit temporary accommodation subsidy formula	<b>L</b>	In the autumn statement the Chancellor announced the governments intentions to devolve and reform funding for managing temporary accommodation from 2017-18. The temporary accommodation management fee will no longer be paid through the benefits system and instead Councils will receive this money upfront. The government has said they will maintain current levels and will be providing an additional £10 million a year, so that they can give more freedom and flexibilities to local authorities.  There are no clear details yet however if there were to be a negative risk then the Council would be exposed to this risk when using emergency nightly paid accommodation but at a much higher financial level, therefore the proposal reduces the risk.
Universal Credit	<b>L</b>	If the tenant is more than one month in arrears the Council can notify the DWP. At this point DWP will review the claimant's situation and can offer the tenant budgeting support and may decide to pay the rent directly to the Council. When arrears reach the equivalent of two month's rent (the 'trigger point'), an Alternative Payment Arrangement will be put in place by the DWP to allow a managed payment to the Council. In addition rent arrears can be recovered from the tenant through a deduction to their Universal Credit. The tenant can also be evicted for rent arrears. The Council will be exposed to this risk when using emergency nightly-paid accommodation but at a much higher

Risk	Level	Mitigation
		financial level.

L – Low M – Medium H - High

## **21 Conclusion and Recommendations**

- 21.1 This proposal is a spend to save project, using New Homes Bonus, capital receipts and s106 funds to fund the purchase of properties to use as temporary accommodation, with the potential to make significant revenue savings and to provide a new rental income stream producing a higher return on investment than is possible through the average annual investment return.
- 21.2 Increasing the supply of temporary accommodation within or close to the borough boundary has both financial and social advantages, enabling tenants to be supported within the borough by friend and family as well to be in a better position to seek employment.
- 21.3 With the high cost of homelessness, this proposal seeks to make significant revenue savings from avoidable costs associated with nightly paid accommodation and to generate an additional income from renting the properties and having them managed by a Social Housing Provider.
- 21.4 The purchase of property is likely to generate an asset of increasing capital value with local property prices anticipated to increase by 24% over the next 5 years..
- 21.5 Previous experiences of the Council purchasing property for use as temporary accommodation has been used to develop this proposal. The Council needs to be able to respond quickly to opportunities to purchase suitable accommodation.
- 21.6 The recommendation of this report that the Council has a purchase fund of £3 million established, together with an agreed procedure for purchasing suitable properties, will enable the Council to compete for suitable properties in a competitive market.
- 21.7 The report's recommendation is that the Committee recommends to Council that New Homes Bonus, capital receipts and s106 funding is used to create a £3 million fund to purchase property and that a streamlined decision making process to purchase property is adopted to ensure the Council can compete in the current housing market.

**WARD(S) AFFECTED: All**

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**THE ESTABLISHMENT OF A PRIVATE SECTOR LEASING SCHEME FOR THE PROVISION OF TEMPORARY ACCOMMODATION FOR HOMELESS HOUSEHOLDS**

<u>Report of the:</u>	Director of Finance & Resources/Head of Housing & Environmental Health
<u>Contact:</u>	Rod Brown/Annette Snell
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	Appendix 1 - Unit cost of each type of property Appendix 2 - PSL Overall Financial Model
<u>Other available papers (not attached):</u>	None

**REPORT SUMMARY**

To establish an in house private sector leasing scheme for the provision of temporary accommodation for homeless households.

**RECOMMENDATION (S)**

*Notes*

- (1) The Committee notes the report and endorses its support for the establishment of a Private Sector Leasing Scheme.
- (2) Authorises the Head of Housing & Environmental Services to take leases of up to 15 private residential properties on such terms as he considers appropriate, following consultation with the Director of Finance & Resources and Head of Legal & Democratic Services.
- (3) A review of the operation of the scheme be conducted within 12 months of operation and reported to the Strategy & Resources Committee.

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 Managing Resources - Utilise the Council's limited resources in the most efficient and effective way.
- 1.2 Quality of Life - Improve the quality of life for all residents, but particularly the

more vulnerable within our society.

- 1.3 Health, Housing and Well-being is a priority theme of the Sustainable Community Strategy. The Council has a statutory duty to house homeless persons

## **2 Background**

### **Legal Duty – Suitability of Accommodation**

- 2.1 The Housing Act 1996 (as amended by Homelessness Act 2002) places a duty on local housing authorities to secure accommodation for unintentionally homeless people in 'priority need'. When an application is made, the authority is under a duty to carry out inquiries to ascertain the level of duty owed to the applicant. If a local authority has reason to believe that an applicant may be homeless, eligible for assistance, and has a priority need, the authority has an immediate duty, pursuant to s188 Housing Act 1996, to ensure that emergency accommodation is available for his/her occupation pending a decision as to the duty (if any) owed to him/her.
- 2.2 The properties will be offered either as emergency interim duty under section 188 of the Housing Act 1996) or as temporary accommodation to meet the main duty under section 193 of the Housing Act 1996.
- 2.3 Section 206 of the Housing Act 1996 provides that any accommodation secured must be suitable. Suitability must be considered in relation to the applicant and to all members of his/her household who normally reside with him/her, or who might reasonably be expected to reside with him/her.
- 2.4 The Homelessness (Suitability of Accommodation) (England) Order 2003) order states that applicants who are pregnant or have dependent children must not be housed in shared bed and breakfast accommodation (defined as accommodation where the toilet, bathroom or cooking facilities are shared) unless there is no other suitable accommodation available, and then only for a maximum of six weeks.
- 2.5 The Homelessness Codes of Guidance for Local Authorities, the Homelessness (Suitability of Accommodation) (England) Order 2012, and the Supplementary Codes of Guidance on homelessness, advises that housing authorities should aim to secure accommodation within their own district wherever possible.
- 2.6 As far as reasonably practicable authorities should secure accommodation in their own areas. Where this is not possible the authorities must try to place the applicant as close as possible to where they were previously living.
- 2.7 Key factors that have to be assessed for each household when considering suitability include:
- The distance of the accommodation from the local authority area
  - The significance of any disruption which would be caused by the location

of the accommodation to the employment, caring responsibilities or education of the applicant or members of his household

- Proximity and accessibility to schools, public transport, primary care services, local services and amenities in the area in which the accommodation is located
- Space and arrangement
- Health and safety considerations
- Affordability
- Location
- Availability of alternative suitable accommodation in the local authority area
- Size and location of alternative equivalent accommodation available outside of the borough and the availability of support networks in the area.

2.8 Section 11 of the Children Act 2004 requires that local authorities have regard to the need to safeguard and promote the welfare of children in the applicant's household when making its decisions. The suitability of accommodation to meet a child's needs is a key component in its suitability generally. Disruption to education and other support networks may be detrimental to a child's development. It is not enough for a local authority to only consider whether a child is approaching a significant exam when deciding whether accommodation is suitable in terms of its location.

2.9 The Supreme Court has advised that each local authority should have a policy for procuring sufficient units of temporary accommodation to meet the anticipated demand during the coming year. It should also have a policy for allocating those units to individual homeless households. Where there was an anticipated shortfall of units in its own area, that policy would explain the factors which would be taken into account in offering households those units, the factors which would be taken into account in offering units close to home, and if there was a shortage of such units, the factors which would make it suitable to accommodate a household further away. Both policies should be kept up-to-date and be publicly available.

### **What is a Private Sector Leasing Scheme?**

2.10 Under a private sector leasing scheme properties are leased from a private sector landlord, for typically three to five years. The property is then let and managed by the Council with the rent to the landlord guaranteed for the period of the lease. The Council uses the properties as temporary accommodation for homeless households and grants non-secure tenancies/licences.

- 2.11 The Council will be responsible for managing the properties including minor repairs, rent collection, voids and tenancy management. Landlords will however remain responsible under the terms of the lease for carrying out major repairs and gas safety.
- 2.12 Landlords would receive a lower rental income than might be available at market levels as the Council removes the risks and costs of letting, such as agents fees, management & voids costs and will be guaranteeing the rent. The operation costs associated with running the scheme will be funded by the margin between the rents charged to the tenant and rents paid to the landlord and the costs avoided from nightly-paid emergency temporary accommodation.
- 2.13 This scheme is part of a range of schemes in development to boost supply of properties to prevent homelessness, reduce and minimise the spend on nightly-paid emergency accommodation, whilst providing suitable local accommodation for homeless families.
- 2.14 The proposed private sector leasing scheme offers the Council a mechanism to quickly procure suitable local properties, at a much reduced cost than expensive nightly paid accommodation, and supplement the temporary accommodation supply by taking direct action ourselves.
- 2.15 In the past, we have been reliant on third parties/housing associations to supply suitable accommodation. If we are directly acquiring leases, we have more control and can apply extra efforts and resources as required.
- 2.16 A PSL scheme can be quick to implement and relatively cost effective compared to other schemes such as buying existing street properties or funding new developments, with the flexibility to scale up or down numbers as demand dictates. The great advantage of PSL is that it can be designed around the needs of specific households and it can provide a relatively rapid response to those needs.
- 2.17 PSL schemes operate in neighbouring boroughs, and an in-house scheme would reduce the risk of procurement from other authorities within our borough and increases our presence in the market, thus attracting and maintaining relations with landlords.
- 2.18 The importance of this scheme is primarily the ability to reduce the costs associated with nightly-paid emergency accommodation and has the added bonus of being able to provide good quality local homes for the homeless families to whom we have a duty.

### **3 Proposals - How will the scheme operate?**

- 3.1 The Council will acquire properties from private landlords typically on 3 year leases at rents close to the current Local Housing Allowance (LHA) levels. Each lease will contain a break clause of between 6-12 months, allowing it to be ended sooner.

- 3.2 The initial intention is to offer landlords rents at current LHA levels. However if it is not possible to attract enough landlords at this rent level it is requested that the Head of Housing and Environmental Services be authorised to make such changes to the rent level as he considers appropriate.
- 3.3 The Council will sub-let the properties to homeless households through non-secure council tenancies.
- 3.4 The rents the Council charges to tenants will be set at the Housing Benefit subsidy formula which is January 2011 LHA rates minus 10% plus a £60 per week management fee. The scheme will be funded by the margin between the rents charged to the tenant and rents paid to the landlord plus any savings from nightly-paid emergency accommodation.
- 3.5 The landlord is paid a guaranteed rent during the term of the lease regardless of whether the property is occupied or not.
- 3.6 The Council will be responsible for the day to day management of the properties including minor repairs, rent collection, voids and tenancy management. Landlords will however retain responsibility under the lease for major repairs and will be required to have building insurance and a gas servicing contract.
- 3.7 The Council will take responsibility for the first three minor repairs worth up to a maximum of £500 each year. The Council will use their existing contractors or the Handyman service to carry out of these minor repairs. The price of these repairs, bad debt and voids has been costed into the financial model.
- 3.8 At the end of the lease period the property would either be returned to the landlord in the same condition with vacant possession, or a further lease will be agreed and the contract re-negotiated. Alternatively the landlord and tenant will have the option of entering into a direct Assured Shorthold Tenancy arrangement which the Council could facilitate.
- 3.9 If the property was returned to the landlord the Council would have to guarantee vacant possession and would be responsible for any dilapidations taking into account fair wear and tear. A sinking fund of £1500 per property over the term of the lease has been costed into the financial model.
- 3.10 The scheme will focus on families with children and is aimed at homeless households in two categories; (i) those that the Council has accepted a duty to and are already occupying nightly-paid temporary accommodation, or (ii) those who are threatened with homelessness within 28 days and the Council has a reason to believe they will have a duty to them. This will prevent the need for them to be provided with nightly-paid emergency accommodation.
- 3.11 The intention is to start the scheme by building up a small portfolio of properties steadily. In the first 12 months the Council will lease up to 15 properties, procuring at least two properties a month. These will be a mixture of 1, 2 & 3 bedroom properties.

- 3.12 The role of setting up and managing the PSL scheme will be combined with duties currently undertaken by the Temporary Accommodation Liaison Officer post however on a full time basis.
- 3.13 Key responsibilities of the role would include:
- **Setting up & developing the PSL scheme** – the development of detailed procedures, leases and property standards;
  - **promoting the scheme** – following its launch and at regular intervals as more properties are required;
  - **procuring properties** – skilful negotiations with landlords to acquire properties;
  - **assessing property standards** – to ensure that properties are of a type and in a location to meet identified needs and to a prescribed physical standard;
  - **tenancy sign up** – inventory inspections, drafting of tenancy agreements, setting up rent accounts and housing benefit claims
  - **organising repairs** – based on the terms of the lease, arrangements for ensuring that maintenance liabilities were addressed by the Council or Landlord;
  - **overall management** – ongoing housing management of the property - tenancy sustainment, arrears management, routine property inspections.
  - **procuring, organising and managing emergency accommodation (B&B) placements and storage.**
- 3.14 Given the experience already within Housing Services team and using existing models of operation officers anticipate that the scheme would take three months to set up.

### **Property Standards**

- 3.15 As part of the setting up the scheme a set of Property Standard which landlords must meet will be establish.
- 3.16 All properties will be inspected and only properties meeting the schemes property standard at acquisition stage will be taken on.
- 3.17 This will encourage landlords to provide good quality accommodation and reduce the risk of minor repairs expenditure.
- 3.18 At a minimum the property will be required to meet the Housing Health and Safety rating system with no category 1 or 2 hazards.
- 3.19 The landlord will be responsible for undertaking annual gas and electrical safety checks and providing certificates, smoke and carbon monoxide

detectors, as well as having a central heating service contract. In addition they will be required to provide an Energy Performance Certificate, proof of ownership, permission to rent from the mortgagee and building insurance.

- 3.20 The landlord will remain responsible for major repairs which will be clearly defined in the lease agreement. The Council may agree to undertake these repairs on behalf of the landlord but the costs would be reclaimed through the rent.

### **Types of Landlord**

- 3.21 The current buoyant private rented market has meant that it has become extremely difficult for households in receipt of housing benefit to find and secure private rented accommodation in the borough.
- 3.22 The features of the scheme are designed to offer an attractive package to local landlords and to encourage them to work with the Council to meet local housing need and address homelessness.
- 3.23 The scheme is particularly good for those landlords with little or no experience who do not want the expense of using a private estate agent to manage their property. This would reflect the profile of landlords in our borough as we do not tend to have portfolio type landlords.
- 3.24 It is thought this scheme may be popular as there have been a number of calls from landlords who would prefer to have a direct leasing relationship with the Council. Discussions with local estates agents would indicate that this type of scheme would overcome the barriers of landlords being reluctant to rent to this group of tenants as it removes the risks.
- 3.25 We believe that the scheme will complement our existing Rent Deposit Scheme where these landlords often prefer to manage properties themselves. Landlords not interested in PSL will be directed to Rent Deposit Scheme an alternative option and vice versa.

### **Benefits for landlords**

- 3.26 The PSL model should be attractive to private landlords because, in exchange for a slightly lower market rent, they will be offered:
- Guaranteed rental income for the lease period, even if the property is empty
  - No bad debt risk
  - No void loss periods
  - Limited risk of void repairs
  - No agents or management fees
  - Day to day tenant & property management including minor repairs

- Guaranteed vacant possession at the end of the lease
- Property returned at the end of the lease in the same condition (taking into account fair, wear and tear).

### **Marketing**

- 3.27** In developing the scheme we will need to set up a marketing strategy and an in house media campaign to attract landlords, this may include promotional literature, adverts in local papers / business journals or running a landlords forum. Set up costs associated with marketing fees have been costed into the financial model.

### **Legal Documentation**

- 3.28** In developing the scheme we need to work with Legal Services to set up a model lease for landlords.
- 3.29** The tenancy agreement for the homeless household will be based on a standard Council non-secure tenancy agreement with minor amendments to reflect the appropriate exclusion from secure tenancy status.
- 3.30** Other Councils have operated PSL schemes for a number of years and their leases and tenancies are readily available as templates, as are ones provided by the Chartered Institute of Housing. Set up costs associated with legal fees have been costed into the financial model.

### **Exit Strategy**

- 3.31** The scheme will be monitored monthly and the Head of Housing and Environmental Services will report back to the Strategy & Resources Committee the progress of the scheme after 12 months.
- 3.32** Should the scheme become unviable or unnecessary for whatever reason the Council has the ability through a break clause to terminate each individual lease with the appropriate notice.
- 3.33** Where we wish to end the lease the first option will be to negotiate a direct tenancy agreement between the tenant and the owner of the property.
- 3.34** Should these options prove unsuccessful the Council will vacate the property and return it to the owner in accordance with the lease. The speed with which we reduce the stock will depend on the supply of alternative temporary accommodation to move the tenants to.
- 3.35** A sinking fund has been worked into the financial model to cover up to £1500 for dilapidations per property over the 3 years lease period.

### **Empty Properties**

- 3.36** A small EEBC officer group has been established to identify and encourage back to use empty properties within the borough. PSL can be an ideal vehicle to help bring empty properties back into use as temporary accommodation.

- 3.37 Suitable properties identified through the Empty Property Group and potential owners/landlords can be directed to the PSL scheme. This would provide a means of managing the property on their behalf. If works were required to bring the property up to standards various options to achieve this could be considered. The Council could carry these out as improvement works and remain cost through the rental payment due to landlords or by placing a charge on the property.

#### **4 Financial and Manpower Implications**

- 4.1 The Council has experienced an unprecedented increase in the incidence of homelessness. This has resulted in the use of expensive nightly-paid emergency accommodation and a corresponding increase in expenditure. The figures in 4.2 below demonstrate this. The development of a private sector leasing Scheme the Council can significantly reduce the use and cost of nightly-paid emergency accommodation for homeless households, resulting in avoidable expenditure savings in the region of £244,000 per year once the scheme is fully set up.
- 4.2 The net current approved budget for nightly-paid emergency accommodation for 2015/16 is £616,130. At quarter two the current net expenditure forecast for 2015/16 is £1,090,000.
- 4.3 The working budget for 2016/17 the net expenditure for nightly-paid emergency accommodation is estimated at £1,025,000.
- 4.4 An evaluation to assess the average annual net cost of nightly-paid emergency accommodation by household, was undertaken by Finance and Housing Services in September 2015. These costs range from £17,988 to £24,743 per household per year depending on the size of the household.
- 4.5 Currently the costs for nightly-paid emergency accommodation do not take into account staffing costs or bad debt.
- 4.6 Through the development of a private sector leasing Scheme the Council can significantly reduce the use and cost of nightly-paid emergency accommodation for homeless households.
- 4.7 The financial model indicates that the initial procurement of 15 properties during year one (procuring at least two properties a month) would result in estimated net expenditure of £49,145. This includes scheme set up costs, all operational costs as outlined in figure 2 and staff costs. The equivalent net cost to the Council of placement into nightly-paid emergency accommodation would be £144,113. Resulting in net avoidable expenditure savings of £94,968 pa in year one.
- 4.8 Once the scheme is fully operational the net expenditure for the PSL scheme is estimated to be £58,653 in year two and £59,133 in year three. The equivalent net cost to the Council of placement into nightly-paid emergency accommodation would be £303,595 pa. Resulting in net avoidable expenditure savings of £244,942 pa in year two and £244,462 pa in year three.

- 4.9 The table below shows a comparison between the average annual net cost of nightly-paid emergency accommodation and the equivalent net costs of a private sector lease property. In addition to this the set up and staffing costs have been factored into the overall financial model.

<b>Household Type</b>	<b>Average net cost of nightly-paid emergency accommodation  £'000 per year</b>	<b>Equivalent net costs of a private sector lease property  £'000 per year</b>	<b>Cost Avoidance Savings Per property  £'000 per year</b>
Small Family - 2 adults & 1 child or 1 adult & 2 children	17,988	793	17,195
Medium Family – 2 adults & 2 children	17,988	146	16,526
Larger Family - 3 or more children	24,743	3,069	21,674

Figure 1

- 4.10 The avoidable expenditure savings will be dependent on the rent levels negotiated with landlords.
- 4.11 In addition there will be some avoidable expenditure savings for associated costs of storage of homeless household's personal belongings.

#### **Private Sector Lease Financial Model**

- 4.12 In developing the PSL scheme we have sought to quantify the financial implications for the Council of operating a PSL scheme based on a portfolio of 15 properties, procuring at least two properties a month in the first year. These will be a mixture of 1, 2 & 3 bedroom properties
- 4.13 For the purposes of developing the financial model this has been based on procuring 5 x 1-bedroom, 5 x 2-bedroom and 5 x 3-bedroom properties. However the actual mix will depend on demand at the time. The financial model scales up the procurement of two properties a month in the first year.
- 4.14 A financial model has been produced to calculate the level of operational costs and avoidable expenditure savings associated with the PSL scheme. The model has two aspects, the first is based on the unit cost of each type of property and the second is the overall operating costs of the scheme over a three year period. The key areas for financial consideration resulting from the model are in appendix 1 & 2 and are identified in the scheme outline above and in key points below.

### **Operational Costs**

- 4.15 In developing the financial model the costs have been estimated over a three year period. In year one it is estimated the scheme will take three months to set up with the procurement of properties starting in month four. Supply will start from a zero base and is targeted to reach 15 properties within 12 months, procuring two properties per month. The costs associated with year one have been scaled up on this basis and include start up and staff costs. For year two & three the model will operate on 15 properties.

### **Income Assumptions**

#### **Rental Income from tenants**

- 4.16 The rental income for a PSL scheme is based on the Housing Benefit temporary accommodation subsidy formula outlined in section 3.4. Projecting the likely rental income/expenditure has been made on the basis of procuring 5 x 1-bedroom, 5 x 2-bedroom and 5 x 3-bedroom properties. However the actual mix will depend on demand at the time. The financial model scales up the income based on the procurement of two properties a month in the first year.
- 4.17 In year one the total rent receipts from tenants is profiled at £81,879 in year two and three £186,029 each year.

### **Void Loss and Bad Debt**

- 4.18 The model has factored in 2 weeks rental void loss per property per year. However due to the slow turnover of settled housing it is anticipated that most tenants will remain in the property for 3-4 years so void loss is like to be significantly less than this. Void loss is likely to be incurred when the property is first taken on and when a tenant vacates. A bad debt provision of 5% per property per year has been factored into the model.

### **Expenditure Assumptions**

#### **Rental payments to landlords**

- 4.19 The main expenditure on the scheme will be the rental payments to be made to the owners/landlords under the terms of the lease. These payments have initially been set at the current Local Housing Allowance for the property size. If a higher rent level has to be agreed in order to attract landlords this will impact on the cost avoidance savings.
- 4.20 In year one the total rental payments to landlords is profiled at £75,107 and in year two and three £105,771 each year.

### **Minor & Void Repairs**

- 4.21 As noted above the owners/landlord remains responsible for major repairs to the property, however under the PSL model as an incentive to encourage participation the Council will undertake minor repairs up to a maximum of £500 each year. The equivalent amount has been set aside for void repairs.

This has been factored into the financial model, however this is unlikely to be required for each property.

### **Dilapidation Sinking Fund**

- 4.22 Dilapidations are the cost of reinstatement works to a leased property when it is returned to the owner at the end of the lease. If the property is in good condition initially and if it is well maintained with regular inspections then these should be minimised. A sinking fund has been worked into the financial model to cover up to £1500 dilapidations per property over the 3 years lease period. This equates to an annual contribution of £500 per property.

### **Legal Costs**

- 4.23 The legal costs to set up each lease have been estimated at £250 per property. Legal costs associated with evicting a tenant for ASB or rent arrears have been factored into the financial model, however it is estimated that the risk of this occurring over the lease period are low and only likely to affect one property. As figure of £5000 has been estimated and this has been spread over the whole property portfolio.

<b>Income &amp; Expenditure Assumptions per unit</b>	<b>1 bedroom property x 5 To be used for small families</b>	<b>2 bedroom property x 5 To be used for medium families</b>	<b>3 bedroom property x 5 To be used for larger families</b>
Rent charged to tenant (90% of Jan 2011 LHA + £60pw)	10,410	12,299.88	14460.12
LHA rent paid to Landlord	-8719.32	-10,979.76	-14555.16
Bad Debt (5% pa)	-520.44	-614.88	-723
Void Lost (2 weeks pa)	-268.32	-473.04	-556.08
Void Repairs (£500 pa)	-500	-500	-500
Minor Repairs (£500 pa)	-500	-500	-500
Legal Costs	-195	-195	-195
Dilapidations Fund (£500 pa)	-500	-500	-500
<b>TOTAL</b>	<b>-793</b>	<b>-1462.80</b>	<b>-3069.12</b>

Figure 2

### **Staffing Costs**

- 4.24 This is the main operating cost to be factored into the PSL scheme. In the start-up period, staff costs will be higher and expenditure will exceed income until a critical mass of properties is achieved. This has been taken into account when scaling up the financial model. Staffing projections have to allow for staff time on procurement and on negotiations with owners, the time for letting and allocating properties, and for settling-in visits, rent account monitoring and repairs administration etc.

- 4.25 The initial staffing costs incurred in the first year can be met through existing departmental budgets, using funds currently held in the reserve account for the Rent Deposit Scheme, therefore the Council is not required to find any additional expenditure to set the scheme. The financial model has been fully costed for staff expenditure so these funds could be reimbursed to the Rent Deposit Scheme reserve account at end of the first year.
- 4.26 This funding will also cross fund the other duties of the Temporary Accommodation Liaison Officer.

**Initial One Off set up**

- 4.27 The set up costs involved with establishing the scheme include legal costs for the template lease/rental agreement and the costs of promoting the scheme to attract landlords. One off costs of £5000 have been factored into the financial model. Initial set up costs for the scheme can be met through funds currently held in the reserve account for the Rent Deposit Scheme.
- 4.28 **Chief Finance Officer's comments:** *If significant works to properties were undertaken this would have a negative impact on the Council's VAT position. However, as only minimal expenditure on properties is anticipated this impact should be very limited.*

**5 Legal Implications (including implications for matters relating to equality)**

- 5.1 The Council's duties and powers in relation to homelessness are principally contained within the Housing Act 1996 (as amended) and the Homelessness Act 2002. The Council has specific powers to acquire and operate housing for the proposed purpose.
- 5.2 The Right to Buy (RTB) does not apply to families being accommodated in these properties. The RTB attaches to Secure Tenancies and the tenancies being offered in these circumstances are granted in pursuance of our functions under Part VII of the Housing Act 1996, and such tenancies are specifically not "Secure Tenancies" in accordance with section 79(2) of, and para 4 of Schedule 1 to, the Housing Act 1985.
- 5.3 Under section 74 of the Local Government & Housing Act 1989, a local housing authority has a duty to keep a housing revenue account in respect of houses provided under Part II of the Housing Act 1985 (and certain other properties).
- 5.4 If any of the dwellings are regarded as being held for the purposes of Part II, then the duty to have a HRA applies. The Secretary of State can, however, direct that the duty shall not apply to such land as they specify. The HRA manual indicates that such a direction will normally be given where fewer than 50 dwellings are held by an authority.
- 5.5 Considering the properties already owned by the Council, plus those envisaged under the proposed Private Sector Leasing Scheme, refurbishment of 1 – 3 Blenheim Road and the possible 8 properties that could be purchased as part of the acquisition programme, it is not considered the Council will exceed this limit of 50 dwellings.

- 5.6 It is therefore recommended that, when implementing the above schemes, the Council firstly assert to DCLG that the duty does not apply and, in the alternative, seeking in-principle support for a direction (or even an actual direction for the dwellings we own already). Secondly, to seek a direction in respect of each unit when acquired.
- 5.7 There are no matters relating to equality in providing local suitable temporary accommodation through a PSL scheme.
- 5.8 **Monitoring Officer's comments:** Section 120(1) of the Local Government Act 1972 provides that:

*"For the purposes of—*

- (a) any of their functions under this or any other enactment, or*
- (b) the benefit, improvement or development of their area, a principal council may acquire by agreement any land, whether situated inside or outside their area."*

*Section 17(1) of the Housing Act 1985, in addition, specifically provides that:*

*"A local housing authority may for the purposes of this Part—...*

- (b) acquire houses, ... together with any land occupied with the houses or buildings,"*

*Section 18 of the Housing Act 1985 provides that:*

- "(1) Where a local housing authority acquire a building which may be made suitable as a house, they shall forthwith proceed to secure that the building is so made suitable either by themselves executing any necessary works or by leasing it or selling it to some person subject to conditions for securing that he will so make it suitable.*
- (2) Where a local housing authority—*
  - (a) acquire a house, or*
  - (b) acquire a building which may be made suitable as a house and themselves carry out any necessary work as mentioned in subsection (1), they shall, as soon as practicable after the acquisition or, as the case may be, after the completion of the necessary works, secure that the house or building is used as housing accommodation."*

*In this case, the accommodation will be acquired by way of short term lease, for the purpose of providing temporary accommodation for homeless persons where the Council has a duty to provide them with accommodation. This is clearly within the Council's powers.*

*It is also intended that any properties acquired for this purpose are brought into use as housing accommodation at the earliest opportunity, and this is in accordance with the Council's obligations.*

*As any properties acquired under this scheme will be directly managed by the Council, the Council will need to ensure it complies with its obligations in terms of the general management regulation and control of housing, under the Housing Act 1985 and any other relevant legislation.*

*The Council has approved an Asset Management Plan, which sets out criteria for acquisition and disposal of property. This report proposes a departure from the provisions of that plan and the delegations which members have previously agreed. If this report is agreed, it is essential that the Asset Management Plan (which is shortly to be reviewed) is amended to take into account the proposed approach.*

## **6 Asset Management Plan**

- 6.1 The Council has agreed an Asset Management Plan which, amongst other things sets out the criteria to be applied when properties are to be acquired or disposed of. The plan also includes specific division of authority for approval of property matters, including the level of delegation to officers. This report seeks to depart from the Plan, in terms of criteria, process and delegation. This is considered necessary in order to enable the Council to act efficiently and effectively to meet the objectives of the proposed scheme – to acquire and bring into use additional temporary accommodation within the borough

<b>Acquisition Criteria</b>	<b>Comment</b>
Property requirements are identified by the Capital Management Group in compliance with the Capital Strategy.	This report departs from this process. The requirement for temporary accommodation has been identified.
A business case is prepared, including a whole life costing exercise and a review of existing holdings to determine whether the need can be met from the current portfolio.	A business case will be prepared in respect of each acquisition (broadly as set out in this report). It is clear that the Council's existing portfolio cannot meet the identified need for temporary accommodation
A briefing note including location, size, specification and other relevant requirements is produced and agreed. At this stage, based on funding and other constraints a decision is made on the appropriate interest to be acquired (freehold, long lease etc.).	These matters have been identified in broad terms. The scheme will operate on an opportunistic basis as suitable properties come up for sale in the borough. It is intended that properties will be acquired on a short-term leasehold basis.
The Corporate Property Officer, in liaison with the service head or other appropriate nominee, leads in the search and acquisition	The lead for this project will be the Head of Housing & Environmental Services, with suitable advice from the Corporate Property

Acquisition Criteria	Comment
process, instructing external agents where necessary, through the negotiation of terms, reporting and final approval by Strategy and Resources Committee.	Officer and others. In a departure from the plan, officers will agree terms of acquisition, which, if the recommendations in this report are agreed will not require the approval of Strategy and Resources Committee.
Strategy and Resources Committee must approve the terms of all acquisitions.	As stated above, in a departure from the plan, officers will agree terms of acquisition, which will not require the approval of Strategy and Resources Committee.

## **7 Sustainability Policy and Community Safety Implications**

7.1 None for the purposes of this report.

## **8 Partnerships**

- 8.1 Historically we have worked in partnership with housing associations to provide suitable temporary accommodation. There is currently little appetite for housing associations to enter into new private sector leasing arrangements as it is difficult to make a profit. However for the Council due to the high costs associated with nightly-paid emergency accommodation it makes PSL a financially viable alternative. For a housing associations to operate PSL they would expect the Council to fully fund the scheme and would normally require an additional 10%-12% management fee.
- 8.2 By managing the scheme in-house we are minimising the costs to the Council whilst at the same time reducing our reliant on housing associations, which means we have more control and can apply extra efforts and resources as required to meet demand.
- 8.3 By working in partnership with private sector landlords this will encourage landlords to provide good quality accommodation.

## **9 Risk Assessment**

- 9.1 With an in-house scheme the Council takes on risks associated with arrears, minor repairs, voids and dilapidations, however the financial model suggests the scheme will operate at significantly less costs than the equivalent nightly-paid emergency accommodation. As part of the development of the scheme a risk assessment has been produced and is outlined below.

<b>Risk</b>	<b>Level</b>	<b>Mitigation</b>
The rent paid to landlords is less than the market rent so landlords may be reluctant to participate in the scheme	<b>M</b>	There are a number of benefits of the scheme such as the rent being guaranteed, no agent fees or hassle of managing a property. Strong marketing and skilful negotiations regarding the Council's 'offer' to landlords should make them aware of the benefits of working in partnership with the Council. In the event that the rent is still considered too low then the Head of Housing & Environmental services will re-evaluated this but this will then affect the margins of the scheme.
The scheme is not able to attract enough landlords to make it viable	<b>L</b>	Strong procurement & marketing of the scheme will be critical. The financial viability of the scheme will be monitored monthly and the Head of Housing and Environmental Services will report back to Social Committee the progress of the scheme at 12. If the scheme is deemed not viable then the Council can serve notice on the landlords to end the lease and the scheme can be wound up.
Legal Challenge	<b>L</b>	Diminishing reliance on suitable nightly-paid emergency accommodation will reduce the risk of legal challenge.
<p>Dilapidations</p> <p>Research indicates that dilapidations can be a subject of dispute between landlords and the Council</p>	<b>M</b>	<p>Hand backs and dilapidation of properties are not expected in year one or two. However to mitigate risk an agreed schedule of the condition of each of the property at initial handover will be attached to the lease. This will include a photographic record of all aspects of the property and a register of all fixtures and fittings and their condition. Whilst the property is being leased, complete records of works undertaken by the owner and works undertaken by the Council will be kept. All properties will be routinely inspected to note any deterioration to the property not resulting from fair, wear and tear. If all of this is done then the costs of reinstatement will be kept to a minimum. In addition a dilapidations sinking fund of £1500 has been set up for each property.</p> <p>Routine inspection of the property will help ensure that tenants are maintaining their property in a satisfactory manner and they will be over looked for social housing if they are not. Tenants will be recharge for damaged they cause to the property.</p> <p>The scheme will accumulate risk funds to cover</p>

<b>Risk</b>	<b>Level</b>	<b>Mitigation</b>
		costs that may arise such as rent arrears, voids lost, minor repair, legal costs and dilapidations.
Bad Debt	<b>L</b>	<p>A 5% per year debt allowance has been factored into the financial model for each property. In addition early arrears monitoring and careful rent arrears management, including liaison with Housing Benefit should help mitigate bad debt. It should be noted the Council is exposed to this risk when using nightly- paid emergency accommodation but at a much higher financial level, therefore a PSL scheme reduces the risk.</p> <p>The scheme will accumulate risk funds to cover costs that may arise such as rent arrears, voids lost, minor repair, legal costs and dilapidations.</p>
Voids Loss/Void Repairs/Minor Repairs	<b>L</b>	<p>The average length of stay in a PSL property is likely to be around three to four years and voids do not occur regularly. This will reduce the risk of void loss and void repairs. Regular property inspections and careful property/tenancy management should reduce the risk of damages and repairs.</p> <p>The scheme will accumulate risk funds to cover costs that may arise such as rent arrears, voids lost, minor repair, legal costs and dilapidations.</p>
Changes to the Housing Benefit temporary accommodation subsidy formula	<b>L</b>	<p>In the autumn statement the Chancellor announced the governments intentions to devolve and reform funding for managing temporary accommodation from 2017-18.</p> <p>The temporary accommodation management fee will no longer be paid through the benefits system and instead Councils will receive this money upfront.</p> <p>The government has said they will maintain current levels of funding and will be providing an additional £10 million a year, so that they can give more freedom and flexibilities to local authorities. There are no clear details yet however if there were to be a negative risk then the Council would be exposed to this risk when using nightly-paid emergency accommodation but at a much higher financial level, therefore a PSL scheme reduces the risk.</p>
Universal Credit	<b>L</b>	If the tenant is more than one month in arrears the Council can notify the DWP. At this point

Risk	Level	Mitigation
		<p>DWP will review the claimants' situation and can offer the tenant budgeting support and may decide to pay the rent directly to the Council.</p> <p>When arrears reach the equivalent of two month's rent (the 'trigger point'), an Alternative Payment Arrangement will be put in place by the DWP to allow a managed payment to the Council. In addition rent arrears can be recovered from the tenant through a deduction to their Universal Credit. The tenant can also be evicted for rent arrears. The Council will be exposed to this risk when using emergency nightly-paid accommodation but at a much higher financial level, therefore a PSL scheme reduces the risk.</p>

L – Low, M – Medium, H - High

## **10 Conclusion and Recommendations**

- 10.1 In setting up the PSL scheme the Council has the opportunity to provide local suitable temporary accommodation to homeless households at a much reduced cost than expensive nightly-paid accommodation. Net avoidable expenditure savings on nightly-paid emergency accommodation have been estimated at £94,968 pa in year one and £244,942 pa in year two and £244,462 pa in year three.
- 10.2 The proposed Private Sector Leasing scheme offers the Council a mechanism to quickly acquire suitable local properties and is part of a range of schemes in development to boost supply of properties to prevent homelessness, to meet our legal duty to provide temporary accommodation and the requirement to have a policy for procuring sufficient units of temporary accommodation to meet the anticipated demand.
- 10.3 The recommendation of this report is that the Committee notes the report and endorses its support for the establishment of a Private Sector Leasing Scheme, where the Council leases properties from private sector landlords for the provision of temporary accommodation for homeless households.
- 10.4 The Head of Housing & Environmental Services be authorised to take leases of up to 15 private residential properties on such terms as he considers appropriate, following consultation with the Director of Finance & Resources and Head of Legal & Democratic Services.
- 10.5 A review of the operation of the scheme be conducted within 12 months of operation and reported to the Strategy & Resources Committee.

**WARD(S) AFFECTED: All**

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**Private Sector Leasing costings per property type**

**1 bedroom property**

Per Cal.  
Month                      Per Yr

Rental Income from tenant (90% of Jan 2011 LHA + £60pw)	-£867.50	
Rent paid to landlord	£726.61	
Bad Debt (5% PA)	43.375	
Void loss - (2 Wks rent PA)	22.36	
Void Repairs (£500 PA)	41.66	
Minor Repairs (£500 PA)	41.66	
Legal Costs	16.2	
Dilapidations Fund (£500 PA)	41.66	
<b>Total Net Costs per unit</b>	<b>£66.03</b>	<b>£792.36</b>
<b>Equivalent net nightly-paid accommodation costs per Yr</b>		<b>17988</b>
<b>Equivalent net cost of PSL per Yr</b>		<b>-792.36</b>
<b>Avoidable Expenditure Savings Per Property per Yr</b>		<b>17195.64</b>

**Other Costs**

**1. Staffing Costs**

M10/5 = £25,246 + 25% oncosts = £31, 556 pa

<b>Staffing Costs for Yr 1</b>	£31, 566 pa
<b>Staffing Costs for Yr 2</b>	£32, 029 pa
<b>Staffing Costs for Yr 3</b>	£32, 509 pa

**2. One off set up costs**

Advertising/Promotion/Marketing	£2,500
Legal costs	£2,500

Appendix 1

2 bedroom property		3 bedroom property	
Per Cal. Month	Per Yr	Per Cal. Month	Per Yr
-£1,024.99		-£1,205.01	
£914.98		£1,212.93	
51.24		60.25	
39.42		46.34	
41.66		41.66	
41.66		41.66	
16.2		16.2	
41.66		41.66	
<b>£121.83</b>	<b>£1,461.96</b>	<b>£255.69</b>	<b>£3,068.28</b>
	<b>17988</b>		<b>24743.16</b>
	<b>-1461.96</b>		<b>-3068.28</b>
	<b>16526.04</b>		<b>21674.88</b>

**Private Sector Leasing - Overall Operational Financial Model Yr 1-3**

Year 1	
Total Properties Acquired - 2 per month (cumulative)	
	No. of 1 bedroom property
	No. of 2 bedroom property
	No. of 3 bedroom property
PSL Expenditure per month as per Appendix 1, based on No. of properties acquired each month	
Set Up Costs	
Salary per month	
Total PSL Expenditure PA - Yr 1	
Equivalent net nightly paid accommodation costs	
<b>Avoidable Expenditure Savings PA - Yr 1</b>	
Year 2	
Properties under Scheme (15)	
PSL Expenditure per month as per Appendix 1, based on 15 properties	
Salary per month	
Total PSL Expenditure PA - Yr 2	
Equivalent net nightly paid accommodation costs	
<b>Avoidable Expenditure Savings PA - Yr 2</b>	
Year 3	
Properties under Scheme (15)	
PSL Expenditure per month as per Appendix 1, based on 15 properties	
Salary per month	
Total PSL Expenditure PA - Yr 3	
Equivalent net nightly paid accommodation costs	
<b>Avoidable Expenditure Savings PA - Yr 3</b>	

AGENDA ITEM 11  
ANNEXE 1

Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Scheme Set Up						
			2	4	6	8
			1	1	1	2
			1	2	3	3
			0	1	2	3
			187.86	565.38	942.9	1264.62
5000						
2630	2630	2630	2630	2630	2630	2630
			2998	6558.93	10119.86	13680.79

Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
15	15	15	15	15	15	15
2217.75	2217.75	2217.75	2217.75	2217.75	2217.75	2217.75
2670	2670	2670	2670	2670	2670	2670
25299.65	25299.65	25299.65	25299.65	25299.65	25299.65	25299.65

Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
15	15	15	15	15	15	15
2217.75	2217.75	2217.75	2217.75	2217.75	2217.75	2217.75
2710	2710	2710	2710	2710	2710	2710
25299.65	25299.65	25299.65	25299.65	25299.65	25299.65	25299.65

Appendix 2

Month 8	Month 9	Month 10	Month 11	Month 12	Totals
<b>10</b>	<b>12</b>	<b>14</b>	<b>15</b>	<b>15</b>	<b>15</b>
3	4	5	5	5	
4	4	5	5	5	
3	4	4	5	5	
1452.48	1774.2	1962.06	2217.75	2217.75	<b>12585</b>
					<b>5000</b>
2630	2630	2630	2630	2630	<b>31560</b>
					<b>49145</b>
16678.79	20239.79	23237.72	25299.65	25299.65	<b>144,133.18</b>
					<b>94,968.18</b>

Month 8	Month 9	Month 10	Month 11	Month 12	Totals
15	15	15	15	15	
2217.75	2217.75	2217.75	2217.75	2217.75	<b>26613</b>
2670	2670	2670	2670	2670	<b>32040</b>
					<b>58653</b>
25299.65	25299.65	25299.65	25299.65	25299.65	<b>303,595.80</b>
					<b>244,942.80</b>

Month 8	Month 9	Month 10	Month 11	Month 12	Totals
15	15	15	15	15	
2217.75	2217.75	2217.75	2217.75	2217.75	<b>26613</b>
2710	2710	2710	2710	2710	<b>32520</b>
					<b>59133</b>
25299.65	25299.65	25299.65	25299.65	25299.65	<b>303,595.80</b>
					<b>244,462.80</b>

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**HORTON CHAPEL**

<u>Report of the:</u>	Head of Legal & Democratic Services
<u>Contact:</u>	Simon Young
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	Annexe 1: Background to acquisition and action to date Annexe 2 (considered exempt from publication): Financial background
<u>Other available papers (not attached):</u>	Previous reports to committee Title Documents, and associated documents Agreements under which funding was provided. Project papers.

**REPORT SUMMARY**

A report summarising the position in relation to Horton Chapel and seeking agreement to a way forward to result in the disposal of the Chapel by the Council, either to an organisation for provision of a community facility, or on the open market.

**RECOMMENDATION (S)**

It is recommended that the Committee:

- (1) Notes the position to date.
- (2) Authorises officers to engage an agent to market the property for freehold disposal.
- (3) Authorises officers to agree allocation of funds, for the purposes of the marketing exercise.
- (4) Agrees that the period for submission of bids be 4 months.
- (5) Makes such other recommendations as they consider appropriate.

*Notes*

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 Resolving the long running issue of what to do with Horton Chapel is relevant to the Council's key priority of Managing Resources – utilising the Council's limited resources in the most efficient and effective way. Depending on what is ultimately achieved, the project could contribute in some way to each of the other key priorities.

**2 Background**

- 2.1 A note setting out the background to how the Council acquired Horton Chapel and what it has done since that date is set out at Annexe 1.
- 2.2 Most recently, members will note that the Council sought to progress a project which would have led to the redevelopment of the Chapel to provide office space for a medical enterprise, together with provision of a community hall. Unfortunately the development partner decided not to proceed, and the project therefore failed to complete, leaving the Council once again to consider its options for the Chapel.
- 2.3 The project had reached a fairly advanced stage of planning. An architect was engaged to prepare a preliminary development scheme, and consult on this with the Council's planning team. The proposed scheme was costed and, although it must be acknowledged that the costs are far from certain, the scheme as it stood when the project stalled was costed at £2.4million.
- 2.4 The Council sought to obtain an independent professional valuation from the District Valuer Service of the property in its current condition, and valuation if the project had proceeded as planned. The precise valuations are set out in Annexe 2, as these are considered to be exempt from publication in light of the possibility that the Chapel may be sold. However, it is fair to note that the Chapel in its current condition is considered to have a low value, and even after redevelopment would have a value below the estimated cost of the works required to bring it back into use.
- 2.5 Since the failure of the most recent project, due to withdrawal of the prospective development partner, the Council has received expressions of interest from a number of different "community" groups, as well as occasional speculative interest from public sector (health and local authority) and commercial organisations potentially interested in developing the Chapel for uses related to their business.
- 2.6 In relation to the community groups, none has yet been able to produce a costed plan, and this has been in large part due to lack of clarity on their part as to the funds which would be available to support redevelopment of the Chapel. If the proposals in this report are agreed, then a way forward to assist those groups, along with anyone else interested in the property, would be in place.

- 2.7 On 29 October 2015, the Council's Social Committee considered a report entitled "Scrutiny Review of the Social Centres", which was exempt from publication. That report included provisions which could impact on any proposals agreed by this committee in relation to Horton Chapel. Officers will be conducting further work as instructed by the Social Committee. Any recommendation agreed by this committee will be subject to any decision taken by full Council following that work, and a final decision on the Chapel's future will not, in any event, be possible until after that issue has been determined. It is not considered that this should prevent the marketing exercise from proceeding.

### **3 Asset Management Plan**

- 3.1 Appendix 4 to the Plan deals with acquisitions and disposals.
- 3.2 In summary, the disposal criteria are set out below, with a comment as to the position in this case:

<b>Criteria</b>	<b>Comment</b>
Compliance with section 123 (best consideration), including consideration of non-financial benefits	This has been considered as part of this report, and will form the basis of the assessment of bids received if the marketing exercise is approved.
Land declared surplus to requirements	Land has always been considered surplus to the Council's requirements.
Community Asset Transfer/share	This is what has been tried in numerous different ways, and is part of the proposed marketing strategy.
S&R agree best means of disposal	This and previous reports have considered the best means of disposal.
Consider overage	Not applicable in this instance, as the use of the property is restricted and the benefit of those restrictions lies with others.
S & R Final approval to the deal	This will come forward at a later date

### **4 Proposals**

- 4.1 It is proposed that the committee authorise officers to engage a property agent to market Horton Chapel for a freehold sale.
- 4.2 It is further proposed that officers will work with all those community groups and other organisations to ensure that they are given the opportunity to submit bids for the acquisition of the property, in addition to any purely commercial bids.

- 4.3 In order to give everyone ample opportunity to prepare any financial or business plans to support their bids, it is proposed that we first fix a period for the invitation of bids, allowing 4 months for bids to be received. At the end of that period, all bids will be evaluated and members will be invited to decide which bid, if any to accept.
- 4.4 If no bids are received, or no bids are considered acceptable, then a further report will be brought to committee in which it is likely that disposal by way of open marketing or, more likely, by auction will be recommended.
- 4.5 Officers will seek to organise an “open day” to give any interested parties the opportunity to view the building.
- 4.6 In light of the restrictions applying to some of the available funds (as detailed in Annexe 2), officers will seek to include provision of certain funds as part of the marketing exercise. Ultimately, full Council will need to determine what is to be done in respect of any significant changes to the allocation of funds.

## **5 Other Options**

- 5.1 The other realistic options available would seem to be:
  - 5.1.1 That the Council itself develops the Chapel for community use, whether it subsequently manages the building or not. This is not considered to be viable given the financial costs involved, and the Council’s clear decisions that it does not wish to create an additional “venue” which would require ongoing revenue support.
  - 5.1.2 The property is simply placed in auction. This could be contemplated, but on balance it is considered that there should be a final opportunity for community bids to be made, in addition to seeing what commercial interest there may be.

## **6 Financial and Manpower Implications**

- 6.1 The funds held and information about their source and use are set out in Annexe 2, as these are considered to be exempt information. Members will be aware from other reports regarding the Council’s financial position, including in relation to capital expenditure that the Council’s resources are stretched. It is therefore not considered that any further funds could or should be allocated to be spent on Horton Chapel, given the other competing demands on the Council’s finances, unless a strong business case would show a net financial gain.
- 6.2 It is important that proper consideration is given to the use of the funds set out in Annexe 2 (considered exempt from publication), however members are minded to proceed in relation to the Chapel.

**7 Legal Implications (including implications for matters relating to equality)**

- 7.1 Under section 123 of the Local Government Act 1972, the Council can dispose of land in any manner it wishes, subject to certain constraints. A Council shall not, without the consent of the Secretary of State, dispose of land for a consideration less than the best which can reasonably be obtained
- 7.2 The Secretary of State has issued the General Disposal Consent (England) 2003. This is Annexed to Circular 06/03, which contains further relevant guidance. The General Disposal Consent permits Councils to dispose of land for less than best consideration, provided that:
- 7.2.1 The Council considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of one or more of the following objects in respect of the whole or any part of the Borough, or of all or any persons resident or present in the Borough:
- The promotion or improvement of economic well-being;
  - The promotion or improvement of social well-being; and
  - The promotion or improvement of environmental well-being; and
  - The undervalue (the difference between the unrestricted value – the market value - and the terms for the disposal), does not exceed £2million.
- 7.3 Under the terms of the General Consent, the unrestricted value is to be assessed in accordance with a Technical Appendix. This in turn effectively requires that a report be obtained from a qualified valuer (a member of the Royal Institution of Chartered Surveyors). This is emphasised in the Circular, which states that an authority “should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue.”
- 7.4 We have already obtained a professional independent valuation of the property, and are proposing to instigate an open marketing exercise. It is considered that the “best consideration” duty will therefore clearly be met if the highest bid is accepted.
- 7.5 If a community bid comes forward, which is not the best cash price, this can still be assessed against the criteria above, most likely the improvement of social well-being. It is highly unlikely, having regard to the information in Annexe 2, that any such “undervalue” would exceed the £2million limit in the General Disposal Consent.
- 7.6 ***Monitoring Officer’s comments:*** *It is important that the Council complies with its statutory duties in respect of the disposal of property, and the proposals in this report are compliant.*

**8 Sustainability Policy and Community Safety Implications**

8.1 There are no implications arising directly from this report.

**9 Partnerships**

9.1 The Council has sought to work with a number of partners in relation to the Chapel, and will continue to work with interested parties, but this report has no implications for existing formal partnership arrangements.

**10 Risk Assessment**

10.1 The main risks associated with this issue are, firstly, in relation to the continued deterioration of Horton Chapel, a Grade II listed building. Secondly, in relation to the Council's reputation whilst the matter remains unresolved. The transfer of the Chapel to the Council was agreed in 1998, and took place in 2004.

10.2 In relation to each of these risks it is considered that the best mitigation is to resolve the issue of the Chapel by disposing of it, as has been the intention for many years. If this can be a disposal to facilitate a community use, that would clearly be preferable, but the balance is in favour of bringing the matter to a close, whether for a community use or not.

**11 Conclusion and Recommendations**

11.1 On balance it is considered that the property should now be marketed, so that all interested parties will have the same opportunity to bid for the property. Such bids can be assessed and members will be able to decide which represents the best option. This will bring the matter to a close so that the Council can focus on other key priorities.

**WARD(S) AFFECTED: Court, Stamford & Ruxley**

## **Horton Chapel Annexe 1 – Background Information**

1. The following information is provided by way of background.

### **History**

2. Horton Chapel was constructed in 1901 to serve the Epsom Hospital Cluster. It is a Grade II listed building located in the grounds of the former Horton Hospital, now known as Livingstone Park. The building remains relatively unchanged since its construction although a section of the nave was partitioned off at some point to create a community/theatre facility, which was known as “Harewood Hall”. The building also includes some rudimentary kitchen and toilet facilities, none of which are functional. At present there is no on-site parking provision.
3. The Chapel has a gross internal floor area of approximately 800 sq metres (8,600 square feet) and a maximum internal height of 8 metres (26 feet).
4. Previous surveys indicated that the building structure was basically sound but also that works are needed to arrest gradual deterioration resulting from long term disuse and lack of maintenance. All building services, where they exist, are considered to be obsolete and will need complete replacement as part of a refurbishment.
5. An asbestos audit was undertaken in March 2009. This identified some asbestos bearing material in electrical fittings and elsewhere but this was in good/fair condition and was considered to be low risk.
6. The Chapel building and a small parcel of land outside was transferred to the Council on 25 June 2004 pursuant to a 1998 agreement following which the Secretary of State for Health obtained planning permission for the “Hospital Cluster Sites” to be developed as housing. The extent of the land transferred in 2004 is shown shaded yellow on the attached map.
7. In August 2014, the Council also completed the acquisition of a further parcel of surrounding land, shown edged red on the attached map.

### **Transfers**

8. The 2004 transfer was subject to a number of conditions, including:
    - 1) Not without the prior written consent of the Secretary of State for Health and Charles Church Developments Limited to use the property
      - a. except:
        - i. for community recreational purposes and/or
        - ii. for the provision of family medical or health services.
- and for other uses reasonably ancillary to either of the principal uses.

- b. Between the hours of midnight and 8am on any day for organised recreational activities or for the provision of family medical or health services
  - c. For any purpose which may be or become a nuisance disturbance or annoyance to the occupiers of certain defined property.
  - d. For the open storage of goods and materials except goods and materials reasonably ancillary to the permitted uses – provided the storage doesn't breach the restriction at c. above.
- 2) Not to erect any new buildings or structures on the property nor make any alterations or additions affecting the external appearance of buildings or structures forming part of the Property, except decorative alterations or alterations having 'no material visual impact', without in each case the prior written consent of the Secretary of State and Charles Church Developments Limited.
- 3) Not at any time to park more than 30 motor vehicles on the Property.
9. The 2014 transfer also contained restrictions, including:
- 1) Not to erect any buildings on the property and not to use it other than as amenity open space, vehicle parking, external play area and other purposes ancillary to the principal uses referred to above in relation to the building itself.

## **Funds**

10. Certain funds are held which are currently allocated for spending on the Chapel, the origin, amount and notes on use of the various funds are set out in Annexe 2, which is exempt from publication.
11. In total, around £1.69million has currently been allocated for spending on the Chapel.

## **Projects**

12. Over the years, the Council has attempted to progress a number of schemes with the aim of bringing the Chapel back into use, with the creation of a community facility.
13. The building has remained vacant since acquisition whilst officers have been investigating an appropriate use for this listed building.
14. In 2004/2005, recognising the difficulties of making this building fit for community use, the Council spent some time consulting with Community Action Network (CAN) to carry out a feasibility study of potential community uses.
15. CAN is a leading organisation for the development, promotion and support for difficult community projects by seeking to bring together social entrepreneurs

in the voluntary and not for profit sector with the public and private sector. However, the financial outlay and future costs that CAN were looking to the Council to bear (in addition to those sums already earmarked) as detailed in the study they produced at the time did not make this a feasible or viable venture for the Council.

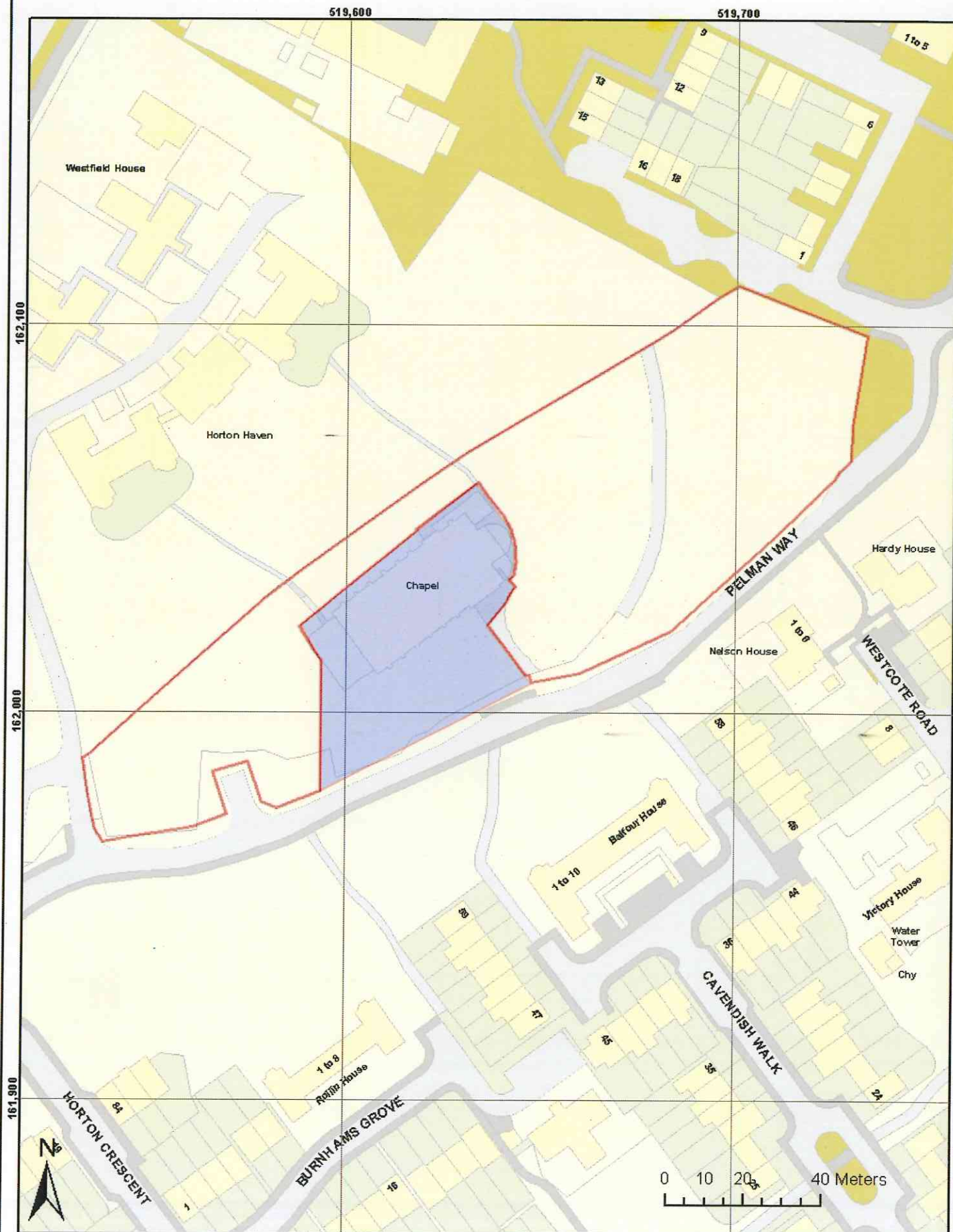
16. Officers also at the same time explored the use of the building for children's nursery purposes but the scale and costs of converting this listed building for such use were not considered to be attractive to that particular market at the time.
17. Then in 2005 approaches were received from three separate sources for the use of the building, including one from the Epsom Islamic Society and another from the Cheam Church. Recognising the time that had elapsed since acquisition and the difficulty in attracting the market to the building, and the need to take advantage of these from community project interests, formal expressions of interest were sought from these three parties, two of whom (those mentioned) submitted bids.
18. Criteria for the assessment of the bids were agreed and the bids were assessed.
19. The recommendation to proceed with one of the bids was considered financially superior for the Council in that a capital contribution from the Council of £344,000 plus fees and VAT would have been required on the refurbishment and adaptations compared to a higher sum under the other proposal. The bid proposed that an annual rent would be payable, albeit likely to be a relatively small amount to the Council whereas the other bid offered only a peppercorn rent with the possibility of a higher rent if some form of commercial use was incorporated within the premises, opportunities for which were considered extremely limited under the terms of the restrictive covenants on the building. Whilst both parties wish to purchase the freehold at some stage, the preferred bid left this open for future negotiation.
20. Officers therefore recommended one of the bids for acceptance, but this was not agreed by members. Following complaints regarding the tender process followed, a report was commissioned from the District Auditor. The subsequent District Auditor's report made recommendations concerning re-tendering and officers were authorised to undertake consultation with the local community and to subsequently proceed to tender using the services of an independent supervisor. A public consultation process was completed in April 2008, when the results were published. These showed overwhelming support for the use of Horton Chapel as a community building.
21. The re-tendering process was then put on hold whilst an alternative option for operation by a Community Development Trust (CDT) was considered. This would rely on funding from the development of the West Park Hospital site. It was recognised that the CDT model would not provide a certain resolution to the problems with the existing building both in terms of future use and maintenance of a listed building simply because the trust is not yet

established and proven. As noted from the Shenley Park CDT model, which was a scheme the Council studied, it can take quite a few years before the community gets fully involved to enable them to run the Development Trust unaided, and no guarantee that this would be achievable.

22. At that stage, the impending commencement of work on the fourth hospital cluster site at West Park promised the availability of significant additional funding and the potential for a Community Development Trust (CDT), associated with that development, that could also help to deliver a community building at Horton Chapel. This was considered to be a credible alternative option to the re-tendering process and it was hoped it could facilitate a building run by the local community for the local community, subject to assessment that this could be achieved without additional cost to the Council.
23. The Hospital Cluster Working Group in December 2008 supported an evaluation of the CDT option prior to re-tendering.
24. In order to assist with the decision process, a condition survey of the Chapel was commissioned and results were received in March 2009.
25. It was clear throughout this period that the Council's aims in the exercise were to provide a facility for the community, but also to ensure that the building should not become an ongoing liability on Council Tax payers generally. This has consistently been the Council's stance.
26. From 2009 onwards the Council explored in particular the option to create a community development trust (CDT) which could take over the building and enable a viable community facility to be created. This involved setting up a working group involving certain members of the public, who freely gave significant time and effort in trying to move the project along.
27. The Council's intention was to establish a CDT, with a view to agreeing and funding (to the extent of available funds) the renovation of the building, and lease of the building to the CDT.
28. Following a report in September 2011, external advice was sought about the most appropriate way forward. It was important to balance the Council's need to have reasonable assurance as to the medium- to long-term viability of the CDT against the need to give the CDT the necessary freedom to enable it, in due course, to flourish independently of Council support.
29. It was considered that there were potential pitfalls in creating a company which would, initially at least, be regarded in law as council "controlled" or "influenced", but that is what the Council did in 2012. The company has since been dissolved, as the project did not proceed.
30. A further working group was appointed from interested members of the public in 2013. The individuals who came forward and were appointed demonstrated enthusiasm and a good mix of skills to give the CDT the best opportunity to achieve viability.

31. We sought to work with the working group to agree all the matters necessary to allow the project to proceed.
32. When matters were sufficiently advanced to the satisfaction of all concerned, it was hoped that the working group would replace the initial board on the company the Council established. It was hoped that the CDT would then be able to enter into formal agreements with the Council to enable the works to be undertaken and the building leased to the CDT. For whatever reason, despite the best efforts of those involved, this project stalled.
33. In late 2013/early 2014, we sought again to reinvigorate the project and appointed an external programme manager, and allocated a project manager and project team from within the Council's staff. We had received an expression of interest from a local healthcare organisation, and this appeared to present a good opportunity to progress.
34. Work continued, an architect was appointed, plans were drawn up & costed, and a further steering group drawn from members of the public was established. The project envisaged that the majority of the building would be converted to offices for the healthcare organisation with the provision of a community hall at one end of the building. The steering group worked to prepare a business plan for the community hall. Ultimately, however, the healthcare organisation decided not to proceed, and this latest project came to an end. This is referred to in the main report.

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**EXCLUSION OF PRESS AND PUBLIC**

The Committee is asked to consider whether it wishes to pass a resolution to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involves the likely disclosure of exempt information as defined in paragraph (s) 1, 2 and 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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