

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

**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.

STRATEGY AND RESOURCES COMMITTEE

27 JANUARY 2016

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.

STRATEGY AND RESOURCES COMMITTEE

27 JANUARY 2016

- 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:

Property	Description	Numbers	Owned By	Managed By
West Hill Court Epsom	27 x Studio flats 5 x 1 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

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

Property	Description	Numbers	Owned By	Managed By
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
Total		98		

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.

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

- 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
2014/15	Net Carried Forward Figure		54
April	9	15	48
May	13	9	52
June	7	7	52
July	9	8	53
August	13	6	60
September	12	5	67
October	15	1	81
November	5	7	79
December	13	22	70
January	12	13	69
February	16	3	82
March	12	9	85

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

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		85
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)

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

Table showing average net cost of nightly paid emergency accommodation

Household Type	Average net cost of nightly paid accommodation per year (£)
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.

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

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.

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

- 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.

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

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 1st 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 1st 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.

STRATEGY AND RESOURCES COMMITTEE

27 JANUARY 2016

- 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.

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

Table showing proposed sources of funding for refurbishment

Spend to Save Source of funding	Value (£)	Cumulative value (£)
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

	Approved Budget 2015/16 £	Forecast at Quarter 2 2015/16 £	Working Budget 2016/17 £
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.

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

- 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:

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

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.

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

- 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

	Council owned residential properties
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
Total	39

- 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.*

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

- 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.

Risk	Level	Mitigation
The cost of renovating the property is in excess of the income received, including avoided nightly paid emergency accommodation.	L	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	M	There is always the chance that additional repairs are

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

Risk	Level	Mitigation
costs		discovered when work commences. In preparing the specification, the surveyor conducted intrusive tests and sought professional advice in estimating repair costs.
Legal Challenge	L	Diminishing reliance on suitable emergency nightly paid accommodation will reduce the risk of legal challenge.
Dilapidations	M	<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	L	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.
Void Loss/Void Repairs/Minor Repairs	L	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	L	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	L	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

STRATEGY AND RESOURCES COMMITTEE
27 JANUARY 2016

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