

Subject:	HRA Stock Review: Delivering Temporary Accommodation – former Oxford Street housing office		
Date of Meeting:	18 January 2017		
Report of:	Executive Director Neighbourhoods, Communities and Housing		
Contact Officer:	Name:	Simon Pickles	Tel: 29-2083
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Ward(s) affected:	St Peter's & North Laine		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 Improving housing supply in the City, in particular the supply of affordable homes for rent is a key element of our city-wide Housing Strategy. Our Housing Asset Management Strategy acts as a link between our Housing Strategy and investment programmes including a priority of supporting new housing supply. Neighbourhoods, Communities & Housing (NCH) Budget Strategy includes savings to be achieved through the potential development of new Temporary Accommodation (TA) through commissioning a council housing stock review to deliver conversions of existing under-used or unused buildings or spaces into TA.
- 1.2 At its meeting on 11 November 2015 the Housing & New Homes Committee considered a range of high level future options for this Housing Revenue Account (HRA) owned former Oxford Street housing office. Members agreed that a further, fully costed report be brought back to the Committee for consideration, focussing on options which would make best use of the asset, meet housing needs in the city and/or generated a financial return for the Council, whether revenue or capital.
- 1.3 This report reviews in more detail (including financial models, valuations and social benefit) the following options, subject to Planning approval:

Option 1: Disposal on the open market.

Option 2: Disposal to a Registered Provider (Housing Association) partner, providing affordable accommodation.

Option 3: Development by the Council, providing affordable accommodation.

Option 4: Conversion by the Council into a supported housing scheme for older former street homeless persons with disabilities.

Option 5: Conversion by the Council into Temporary Accommodation, which also provides significant savings for the General Fund.

- 1.4 The recommended option is Option 5 because it provides a high financial return for the council and best meets our strategic objectives.

2. RECOMMENDATIONS:

That the Housing & New Homes Committee:

- 2.1 Notes the range of future options for this HRA owned former operational property at 20-22 Oxford Street in sections 3 and 4.
- 2.2 Agrees the preferred option 5, that the Council refurbishes and converts this property into 12 accessible studios and flats for use as Temporary Accommodation for people to whom we have a duty to accommodate.
- 2.3 Notes that a capital budget of £1.186 million for option 5 is included in the Housing Revenue Account Budget and Investment Programme 2017/18 and Medium Term Financial Strategy report, also being reported to this committee.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The former Oxford Street housing office is located off the London Road and is a three-storey (plus basement) end of terrace building. It fronts directly onto a public footpath on Oxford Street. Photographs are attached at Appendix 1, and a Localview map at Appendix 2.
- 3.2 The Council bought the property on 28 September 1995 for £0.283 million, excluding refurbishment costs.
- 3.3 The consideration of future options for the use of this HRA asset needs to be in the context of: the City wide Housing Strategy agreed by Council in March 2015; the HRA Asset Management Strategy agreed by Committee in March 2016; and NCH Budget Strategy 2017 / 20 reported to Policy Resources & Growth Committee in December 2016.

The Housing Strategy sets out the detailed housing challenges across the City. It has 3 key priorities: improving housing supply; improving housing quality and improving housing support.

This review of options also addresses the requirement to make the best use of the Council's HRA assets.

The key priority objectives of the Asset Management Strategy are: investing in homes and neighbourhoods to provide safe, good quality housing and support services; supporting new housing supply; ensuring financial viability within the Tenancy Strategy.

NCH Budget Strategy includes the potential development of new Temporary Accommodation through commissioning a council housing stock review to deliver conversions of existing under-used or unused buildings or spaces into Temporary Accommodation. This will achieve savings against costs of procuring more expensive accommodation from the private market either through existing dynamic purchasing frameworks or spot purchase. This approach has already commenced on a pilot basis at the largely vacant Stonehurst Court and a business case is currently being developed to roll out further with savings being delivered in 2018/19.

To summarise the five options under consideration:

3.3.1 Option 1 Disposal on the open market: The capital receipt could be used to subsidise the housing capital programme or repay HRA debt. Any disposal would be subject to Policy, Resources & Growth committee's agreement and advice from the Council's Property & Design Team to ensure the Council obtains 'best consideration'.

To date the council's Housing Strategy has not supported disposal of HRA assets on the open market. Open market disposal would not allow any control or benefit from any resultant residential accommodation to be secured for the Council other than through Planning obligation should the scheme be greater than 10 units and therefore subject to provision of up to 40% affordable housing required under Planning Policy. Any affordable housing provision may include shared ownership homes as well as any rented homes that may be deliverable subject to developer viability considerations.

3.3.2 Option 2 Disposal to a Registered Provider, creating a mixed use of affordable homes and commercial units: The capital receipt could be used to subsidise the housing capital programme or repay HRA debt. Any disposal would be subject to Policy, Resources & Growth committee's agreement and advice from the Council's Property & Design Team to ensure the Council obtains 'best consideration'.

This option would ensure Housing Strategy priorities are met, in particular addressing the shortage of family homes for rent available to those on the Housing Register. A Registered Provider (RP) taking on the property will 'de-risk' the delivery of Affordable Homes from a Council perspective and not impact on Council borrow.

Indications are that RP partners are either not interested or would only accept the disposal at nil or minimal value, running counter to a 'best consideration' disposal of assets.

Over recent years we have seen a significant drop in RP delivery of affordable homes, in particular rented homes, in the City linked to:

- Developers successfully demonstrating, via independent viability review, lower than policy affordable housing offer (in terms of unit mix / numbers / % of overall housing);
- Changes to Government funding of affordable homes - there is no longer funding for affordable delivery if part of a S106 / Planning Gain contribution from developers and until Autumn Statement there was no funding for general needs rented on RP sites not part of S106;
- Impact of Welfare Reform, including roll out of universal credit, on RP appetite to deliver rented homes owing to bad debt risk.

3.3.3 Option 3 Conversion by the Council, creating a mixed use of affordable homes and commercial units: This option will ensure Housing Strategy priorities are met, in particular addressing the shortage of family homes for rent available to those on the Housing Register, and would not require additional HRA subsidy.

The building would be retained by the Council as an appreciating asset under this option.

There is a range of 1 & 2 bed units that could be delivered under this option, with and without ground floor commercial units, all subject to Planning.

3.3.4 Option 4 Conversion by the Council into supported move on accommodation for older former street homeless persons with disabilities: This option could support the Council's Rough Sleeping strategy for accommodation for older homeless people with complex needs. This could provide an opportunity to utilise HCA 'Homelessness Change' grant funding available to the Council. The Council has a capital grant allocation from the HCA of £0.569 million (subject to meeting the grant conditions and being able to sign the grant agreement) to support the creation of additional homes for older former street homeless people with disabilities. This funding is not formally linked to the former housing office at Oxford Street. Refurbished accommodation at Oxford Street, subject to Planning, could offer up to 12 self-contained affordable rent studios designed for people with physical disabilities. However, in reviewing this option there remain financial considerations to be resolved (outlined in Finance paragraphs 7.13 & 7.14 below) and concerns as to whether this is likely to be an appropriate location for such move on accommodation.

Officers are actively exploring other more suitable locations and are working with the government (via the HCA) to make better use of this grant allocation.

3.3.5 Option 5 Conversion by the Council into Temporary Accommodation: This option is for conversion into 12 studios and flats for applicants to whom we have a duty to house, needing good quality Temporary Accommodation, all

subject to Planning. In addition to meeting strategic housing needs, this aligns with NCH Budget Strategy reported to Policy, Resources & Growth Committee as there would be potential savings to the General Fund as detailed in the financial implications, were the Temporary Accommodation option to be taken forward.

This option would not require additional HRA subsidy. The council will be able to use £0.356 million of retained RTB receipts towards funding the cost of conversion.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Table 1 below is a summary of five options for the future use of the former Oxford Street housing office. A more detailed options table can be found at Appendix 3.

4.2 Table 1: Summary of five options.

Table 1:

	Provides affordable housing	Provides an ongoing HRA revenue income stream	Provides a capital receipt that can be invested in the HRA	Does not involve borrowing against HRA capital headroom	The Council retains control of an appreciating asset	Levers in funds from the HCA/or RTB receipts
Option 1: Disposal on the open market			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Option 2: Disposal to a Housing Association, creating a mixed use of affordable homes and commercial units	<input checked="" type="checkbox"/>		Please see Footnote	<input checked="" type="checkbox"/>		
Option 3: Conversion by the Council, creating a mixed use of affordable homes and commercial units	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	
Option 4: Conversion by the Council into supported move on accommodation for older former street homeless persons with disabilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Option 5: Conversion by the Council into Temporary Accommodation in line with Budget Strategy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> And makes savings for the General Fund			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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Footnote: Indications are that Registered Provider partners are either not interested or would accept the disposal at nil or minimal value, running counter to a 'best consideration' disposal of assets.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Engagement with the community is pending agreement of the preferred option and will take place before any Planning application is submitted.
- 5.2 Ward members have been notified of the current review of future options. One ward member has offered to support any community engagement exercise.
- 5.3 Subject to committee agreement we will consult with external stakeholders and partner organisations about the use of the site.

6. CONCLUSION

- 6.1 In support of the council's Budget Strategy to reduce expenditure on Temporary Accommodation, the preferred option is to refurbish and convert this property into Temporary Accommodation for people to whom we have a duty to accommodate.

7. FINANCIAL & OTHER IMPLICATIONS:

7.1 Financial Implications:

- 7.1.1 Appendix 3 includes financial information for the five options in this report. Valuations for option 1 were supplied by the council's valuers, Cluttons, in December 2015 and provide a guide of a market value that could be achieved if the property was sold on the open market. Financial viability modelling has been undertaken for options 3 to 5, where the proposals are to develop/ convert the property at Oxford Street into living accommodation.
- 7.1.2 Option 3 is conversion by the Council, creating a mixed use of affordable homes and commercial units. The estimated cost of these options range between £0.911 million to £1.263 million and can be funded using a mixture of retained RTB receipts and borrowing which would be supported by the net rental income streams from this development option. The results of the initial financial viability modelling for this option demonstrate that a subsidy would not be required as

the funding available from the use of RTB receipts and the net rental income stream exceed the estimated cost.

- 7.1.3 Option 4 is for the conversion of Oxford Street into a supported housing scheme for older former street homeless people and has an estimated total scheme cost of £1.5 million. To support the creation of additional homes for older former street homeless people the HCA has agreed a grant allocation of £0.569 million to the council (subject to meeting the grant conditions and being able to sign the agreement), the funding is not formally linked to the Oxford Street conversion. The remaining funding requirement would be met through HRA borrowing of approximately £0.925 million. The tenure proposal for this option means that the cost of borrowing will need to be supported by income received through the leasing of the property to the housing and support provider. The income from the lease will need to be in the region of £55,000 to £65,000 per annum to cover the HRA borrowing costs, subject to the final lease terms regarding conditions of the lease for repairs and maintenance.
- 7.1.4 The lease terms and amounts for Option 4 have not yet been drawn up and will need to be agreed between Housing and Adult Social Care/ housing and support provider. ASC had previously identified a support budget of £0.150 million per annum to fund the support costs for this project, which has been confirmed that this is still available. There may be a risk that the lease payments required to support the borrowing are not deemed reasonable for this type of development or are too high for the housing and support provider. This risk needs to be considered.
- 7.1.5 Option 5 is to convert Oxford Street into Temporary Accommodation with estimated total scheme costs of £1.186 million. The latest viability modelling shows that financially this option provides a high return to the HRA and will help to reduce costs pressures in the General Fund. The cost of the development can be met by using net RTB receipts of approximately £0.356 million with the balance being met through HRA borrowing supported by the net rental income streams. Rent has been assumed to be the LHA rate for a 1 bed property of £153 (inclusive of service charges). The current estimate of borrowing available supported by this rental income exceeds the required amount and therefore will make a contribution to the HRA.
- 7.1.6 A budget of £1.186 million for the recommended option 5 is included in the HRA Capital Programme in the Housing Revenue Account Budget and Investment Programme 2017/18 and Medium Term Financial Strategy report, also being reported to this Committee.
- 7.1.7 Making use of the site as Temporary Accommodation will reduce cost pressures in the general fund as these units will have a nil cost to the general fund because housing benefit (where applicable) will cover the rental costs. The net cost to the general fund for other forms of Temporary Accommodation currently ranges in

price from some small surpluses per week for privately leased accommodation (these are becoming increasingly difficult and more expensive to procure) through to an average of £213 per week for the most expensive emergency accommodation. Therefore annually this option could reduce costs by up to £0.132m. The budget for Temporary Accommodation is currently under pressure and is forecast to overspend in 2016/17 by £0.711m (as at month 7). The shortage of supply of affordable accommodation in the City together with the implementation of further welfare reforms means that the pressure on the Temporary Accommodation budget will continue for 2017/18 therefore any extra low cost units of accommodation will help mitigate this pressure.

Finance Officer Consulted: Susie Allen

Date: 9/12/2016

7.2 Legal Implications:

7.2.1 Section 9 of the Housing Act 1985 provides that a local housing authority, such as the Council, may provide housing accommodation by converting buildings. It is therefore within the Council's powers to convert the existing office accommodation into move on or Temporary Accommodation.

7.2.2. The Council can only dispose of HRA land with the consent of the Secretary of State. Consent may be given either i) generally to all local authorities, or ii) in relation to particular land. Under the General Consent 2013, issued under i), there is power to dispose of land for a consideration equal to its market value. If a disposal to a Registered Provider is the preferred option, consideration will need to be given to the precise terms of the transaction to determine whether the arrangement falls within the Consent regime.

Under the Council's constitution, the disposal of any land, or an interest in it, must be referred to Policy, Resources and Growth Committee for determination.

Lawyer Consulted: Liz Woodley

Date: 24/08/16

7.3 Equalities Implications:

The development of the preferred option would enable the council to house people in Temporary Accommodation more cost effectively, meeting both housing needs and strategic budgetary pressures.

7.4 Sustainability Implications:

Any future development would meet the code for sustainable homes (albeit now subsumed by Building Regulations). Warm and well insulated homes will have beneficial impacts on issues such as health, fuel poverty, and reduced occupiers' costs of running the home and reduced CO2 emissions. Any conversion or newbuild project would comply with Building Regulations.

SUPPORTING DOCUMENTATION

Appendix 1: External photographs

Appendix 2: Localview site map

Appendix 3: Options table

