

<b>Subject:</b>	<b>Procurement of council owned short-term temporary accommodation – Gladstone Court, Hartington Road, Brighton</b>		
<b>Date of meeting:</b>	<b>15 January 2020</b>		
<b>Report of:</b>	<b>Executive Director Housing, Neighbourhoods &amp; Communities</b>		
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<b>Ward(s) affected:</b>	Hanover and Elm Grove		

**For General Release****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Over the next five years, the council are planning to change the model of temporary accommodation (TA) provision to reduce the ratio of short term and emergency temporary accommodation to longer-term leased accommodation and to provide more council owned short-term accommodation. Overall, the council plan to reduce the use of TA over the next 5 years.
- 1.2 Housing Committee on 19 June 2019 considered a report setting out options and considerations to achieve the delivery of short-term temporary accommodation by the council. Committee noted the contents of this report and that business cases would be developed to assess available properties as being potentially suitable for consideration at a future Committee.
- 1.3 This report presents to Housing Committee an opportunity to acquire Gladstone Court, a block of 38 flats. The Council is the freeholder of the site which the vendor holds on a long lease for a term of 150 years. The opportunity enables the Council to meet short-term temporary and emergency accommodation needs, and thereby supports the programme agreed by the Housing & New Homes Committee to purchase council owned short-term temporary accommodation which it will manage itself. It accords with the Housing Committee Work Plan commitments agreed at Housing Committee on 18 September 2019 relating to additional affordable homes, as well as the provision of council run short-term temporary accommodation.
- 1.4 The proposal also supports the Council's housing strategy priorities to increase housing quality and supply.
- 1.5 The proposal aligns to a decision of Budget Council in February 2019 which agreed a budget of £2.1m to purchase short-term temporary accommodation to

be managed in-house subject to detailed report of the full revenue and capital financial implications to demonstrate its viability and value for money. This is to be funded by prudential borrowing in the General Fund. Separately to this the Housing Revenue Account (HRA) Capital Programme for 2019/20 includes £3.5m capital budget funded by borrowing (70%), and Right to Buy receipts (30%), again subject to a detailed viability report.

## 2. RECOMMENDATIONS:

- 2.1 That Housing Committee agree the purchase of Gladstone Court for the use of emergency and short-term temporary accommodation for a sum to be negotiated up to the maximum set out in the Part 2 report.
- 2.2 That Housing Committee recommends to Policy & Resources Committee that the Council makes an offer of up to the agreed sum detailed in the Part 2 report to acquire Gladstone Court.
- 2.3 That Housing Committee recommends to Policy & Resources Committee that the freehold of the site is appropriated from the General Fund for Part II Housing Act 1985 purposes for a fee of up to £250,000, as estimated by external valuation.

## 3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 As part of the Council's drive to reduce the use and relatively high cost of spot-purchase temporary accommodation, consideration is being given to purchasing property on the open market so that the Council can run and manage its own short-term and emergency accommodation. Council purchases of short-term temporary accommodation would make the council less reliant on the need to procure from the private sector. In the short term, it is unlikely that it would be possible for the Council to purchase sufficient short-term temporary accommodation to preclude the need to procure some TA from the private sector.
- 3.2 Gladstone Court is a 4-storey purpose built 1980s block of 38 flats located on the northern side of Hartington Road, Brighton. The Council hold the freehold interest in the land, with the long leasehold interest belonging to the vendors. The building was formerly used by Anchor Housing to provide social housing and is now used by the current leaseholders as student housing. Vacant possession of the building is anticipated in mid-2020 when the students' tenancies end. The building appears as a three-storey building to the front elevation and four storeys to the rear due to the change in level across the site, from south to north. There are seven car parking spaces provided to the east of the property.
- 3.3 The flats are arranged as follows:-

	1 bed	2 bed	3 bed	4bed	Total
<b>Second floor</b>	11				<b>11</b>
<b>First floor</b>	11				<b>11</b>
<b>Ground floor</b>	7			1	<b>8</b>
<b>Lower ground floor</b>	7		1		<b>8</b>
<b>Total</b>	<b>36</b>		<b>1</b>	<b>1</b>	<b>38</b>

- 3.4 Given the layout of the block across 4 floors, there is the possibility of meeting the housing needs of a range of client groups and the demand for predominantly 1 bed temporary accommodation (TA) homes. The purchase would support the initiative for the Council to run and manage its own short term and emergency temporary accommodation. The accommodation also offers the flexibility of providing a longer-term opportunity to use Gladstone Court to meet other housing needs should demand for temporary accommodation change in the future. The following analysis of strengths, weaknesses, opportunities and threats concerning the purchase and management of Council-owned short-term temporary accommodation was presented to Committee in the report approved in June 2019:

### **SWOT (strengths, weaknesses, opportunities and threats) Analysis**

#### Strengths:

- More control to set and achieve property and management standards.
- Achieve and maintain consistent quality of accommodation.
- Social value – sense of security and improved wellbeing through being managed by the council.
- Negate the risk of private sector providers withdrawing from providing accommodation.

#### Weaknesses:

- More expensive due to terms and conditions for council staff.
- Inexperience of managing emergency and short-term temporary accommodation leading to higher costs and/or anti-social behaviour.

#### Opportunities:

- Flexibility to change provision to reflect changing priorities.
- Council gaining and retaining the asset.

#### Threats:

- Council taking on the financial risks of managing property turnaround times, maintenance costs and the collection of service charge income. If costs are not managed within current resources, this will create a budget pressure.
- Reputational damage should there be any property management issues such as anti-social behaviour or repairs not being completed in a timely manner.

- 3.5 Gladstone Court has been measured against an assessment tool developed to assess the varying open market opportunities against the following criteria areas:

- Strategic fit
- Social, economic and environmental considerations
- Development potential
- Stock condition and compliance
- Sustainability
- Valuation and financial viability assumptions

The tool uses a five-point rating scale of excellent, good, acceptable, marginal or unacceptable; and Gladstone Court achieved a positive overall grading of 'good' across all criteria.

## **Background**

- 3.6 In October 2017 the cross-party members' Estate Regeneration Board (now called the Housing Supply Member Board), approved that negotiations take place with the vendor of Gladstone Court. However, it was not recommended to proceed as the proposal was not deemed to be financially viable. The position has now changed, and it affords the council a better proposition than the situation previously.

## **Due diligence surveys**

- 3.7 As part of the stock condition and compliance criteria of the assessment tool mentioned in paragraph 3.5, an independent condition survey and specialist surveys by council teams were undertaken. They focused on the critical areas of fire safety and compliance, mechanical and electrical systems, and drainage. Enquiries were also made with Building Control on the history of the building's refurbishment in 2013. An asbestos survey has not been commissioned at this stage due to its intrusive nature.
- 3.8 Generally the building was found to be in a reasonable condition within the flats which were refurbished in 2013. Both kitchens and shower rooms were replaced at that time and, although showing a small amount of wear, seemed serviceable in the five flats that were available to inspect.
- 3.9 The common parts of the building require some improvement, particularly to bring them up to current health and safety standards. The communal heating system is of an age that it will require replacement in the medium-term. The building has limited thermal efficiency so improvements to the building envelope would be required including the replacement of all windows. Some areas such as the lift were decommissioned and closed off, so replacement would need to be considered - dependent on client group.
- 3.10 The design and installation of the foul drainage system requires further investigation to ascertain if the current pumping arrangement is adequate and robust as this could present a significant issue if this was to fail. This has been reflected in the valuation and a provisional sum placed against a risk of remedial work. Due diligence surveys, with the leaseholder's permission, are scheduled for early January.
- 3.11 There are opportunities to install sustainable sources of power generation (PV/solar thermal) owing to the favourable orientation of the building and the available roof space - subject to individual feasibility.
- 3.12 A total investment of an estimated £1.400m is needed to bring this building up to current standards over a five-year period. An estimated core cost of £0.750m including fees would be required to bring the building up to a lettable standard. Work required to bring it up to a lettable standard includes fire safety doors, asbestos survey, lift replacement or refurbishment, and drainage work.

## **4 ANALYSIS & CONSIDERATION OF ANY OPTIONS**

- 4.1 The lease between Brighton & Hove City Council and the vendor (dated 26th May 2016) is for a term of 150 years. The appropriation of the freehold will result in a loss of the annual rent income to the General Fund as outlined in the Part 2 paper to this report.
- 4.2 The Council commissioned an independent 'Redbook' valuation (a valuation report that adheres to the Royal Institution of Chartered Surveyor's Valuation Professional Standards). The details of the valuation are set out in Paragraph 2 of the Part 2 paper and provide value for the Council.

### **Financial appraisal**

- 4.3 Financial appraisals have been undertaken for purchasing these units for differing uses. The first is for use as short-term temporary accommodation units, and the second is for general needs housing purposes. The appraisals are set out in the Part 2 paper, with refurbishment costs of £1.4m assumed for each option.

### **Risk and Opportunity Management Implications:**

- 4.4 The potential risk of purchasing Gladstone Court for council owned short-term and emergency temporary accommodation is that the exact management and maintenance costs for the scheme are currently unknown including the costs of repairs, voids and equipment/furniture costs.
- 4.5 The benefits of the proposed purchase are that it enables the council to have control over the management of short-term emergency temporary accommodation and can better support the needs of homeless households which can be complex. This will provide opportunities for the council to own the asset and reduce reliance on external private providers and reduce exposure to the costs of market provision.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 Ward members will be notified.

## **6. CONCLUSION**

- 6.1 The purchase of Gladstone Court enables the Council to pursue its aims to have its own in-house provision of emergency and short-term temporary accommodation, and it reflects value for money.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 7.1 There are financial risks associated with the council managing and maintaining its own short-term emergency accommodation. The financial viability makes assumptions on the costs of maintenance, costs the staff required to support

residents and the rent loss caused by periods where the flats are empty awaiting repair or refurbishment. If costs are higher than assumed levels, this will lead to a budget pressure for Housing general fund budgets.

- 7.2 Detailed financial implications which are exempt from disclosure are provided in Appendix 2 to the report (circulated to Members only), which is listed as agenda item No. 53.

*Finance Officer Consulted: Craig Garoghan/Monica Brooks Date: 9.12.2019*

Legal Implications:

- 7.3 As the Council is the freeholder of the site, the 150-year lease to the current leaseholder will need to be surrendered. The surrender of the lease is being treated as the acquisition of land. Section 17 of the Housing Act 1985 authorises a local housing authority such as the council to acquire buildings which may be made suitable as houses. Legal Services will review all documentation associated with the transaction.
- 7.4 As the site is currently accounted for in the General Fund, it will need to be appropriated for housing purposes. Policy & Resources Committee has delegated powers to manage corporately held property and is therefore the proper committee to authorise the appropriation for part II Housing Act 1985 purposes. All land held for part II purposes (provision of housing accommodation) must be accounted for within the HRA.

*Lawyer Consulted: Liz Woodley Date: 31/12/19*

Equalities Implications:

- 7.5 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 7.6 The purchase of Gladstone Court will provide an opportunity for the council to increase the energy efficiency of the property.

Any Other Significant Implications:

Public Health Implications:

- 7.7 There are no direct public health implications arising from this report.

Crime & Disorder Implications:

- 7.8 There are no direct crime and disorder implications arising from this report.

Corporate / Citywide Implications:

- 7.9 The Council purchasing this block provides opportunities that supports its priorities for meeting local housing need.

**SUPPORTING DOCUMENTATION**

**Appendices**

Appendix 1 - Photograph of Gladstone Court

Appendix 2 – Detailed Financial Information – Exempt Category 3

**Appendix 1: Gladstone Court**

