

**Body:** Cabinet

**Date:** 23<sup>rd</sup> March 2017

**Subject:** Temporary Accommodation and HRA Asset Management Strategy

**Report Of:** Ian Fitzpatrick, Director of Service Delivery

**Ward(s)** All

**Purpose:** To provide an update on a change in demand for emergency accommodation options in Eastbourne due to an increase in homelessness.

To mitigate some of the impact the report seeks Cabinet approval to dispose of a number of assets held within the Housing Revenue Account (HRA) to ensure we are well placed to meet our strategic priority; providing more housing options and the right housing for residents of the town

**Recommendation(s):**

1. That Cabinet grant delegated authority to the Director of Service Delivery–
  - (i) Subject to the obtaining of the necessary consent of the Secretary of State pursuant to s19 of the Housing Act 1985 to appropriate the 8, 1 bedroom flats at 3 Hartfield Road currently held in the HRA to the General Fund for the provision (pursuant to s120 of the Local Government Act 1972) of emergency accommodation to meet EBC’s statutory homelessness duty under S188 of the 1996 Housing Act .
  - (ii) To add £250K to the Council’s capital program to bring Hartfield Road back into a lettable state for use as temporary accommodation.
  - (iii) To further consult about sale of the freeholds with the freeholders of the properties listed and dispose of the garage blocks listed in appendix 1.

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## **1.0 Background/Introduction**

- 1.1 The number of people needing housing advice and options is increasing in Eastbourne. This trend is common across East Sussex and nationally with a significant rise in households making homeless applications to Local Authorities. At present one of the Council's key priorities is to consider the availability of existing accommodation options and how they can adapt to meet a change in demand.
- 1.2 Eastbourne as a housing authority has an interim duty to accommodate households in case of apparent priority need under S188 of the Housing Act 1996 with emergency accommodation. This duty is in place until a decision on Eastbourne's duty (if any) to provide assistance has been made.
- 1.3 The cost to the Council of providing emergency accommodation is rising. The numbers of households in temporary accommodation (TA) currently stand at 71 as at 07/02/17, compared to an average in 2015/16 of 22. In line with national and regional trends in Eastbourne we have seen a steady increase in numbers in TA since April 2015, when there were 12 households in TA.
- 1.4 The cost to the Council in HB expenditure unable to be reclaimed through HB subsidy has been rising. In 2014/15 it was £72K, in 2015/16 it was £132K and is likely to be higher 2016/17.
- 1.5 Furthermore, the reduction in the Benefit Cap from November, the pending removal of the £60 Housing Management fee and the rollout of the Universal Credit Digital Service in 2017 will lead to more pressure on the Council's finances. The Government recently sought views on a Supported Housing Consultation paper, which included options around emergency accommodation payments. However, the outcome of this consultation is currently unknown and any forecast can only assume that emergency accommodation subsidy will be capped at LHA rates

## **2.0 Eastbourne's Strategic Priority to Reduce Homelessness**

- 2.1 Eastbourne as part of wider partnership with East and West Sussex made two successful bids to the DCLG Homelessness Prevention Programme in December 2016.
- 2.2 The funding for the Prevention of Rough Sleeping will be used to fund new roles for staff to evaluate assessment processes across health, housing and social care in East Sussex with the intention of realigning services to what is the 'front line' identifying those at the highest risk of rough sleeping. Supporting those individuals will be Rough Sleeper Co-ordinators will work across services to find housing solutions for those at risk and in some circumstances accessing 'crash pads' to prevent someone going onto the street that night. The programme is for 3 years and will report to the East Sussex Better Together Health & Housing Subgroup who will provide strategic direction. Ian Fitzpatrick is the Co-Chair of the Health & Housing Subgroup.

- 2.3 Led by Brighton in partnership with Hastings and Worthing & Adur the bid was successful to access Social Impact Bonds (SIB) for a new service targeted at entrenched rough sleepers. Across the 5 areas 150 individuals will be identified and a 'Housing First' service commissioned on a payment by results basis. The SIB is worth £1m over the 3 year period of the project. Officers will work closely with statutory services and existing providers on the development of this project and its progress will be governed through the Health & Housing Subgroup.
- 2.4 On a more local level in Eastbourne a number of options to deal with homelessness and more specifically emergency accommodation options are being considered. The need for such a focus is highlighted in the Homelessness Strategy published in January 2017 and the subject of accommodation options will be a key element of the associated action plan.

### **3.0 Appropriation of 3 Hartfield Road to the General Fund for Use as Emergency Accommodation**

- 3.1 3 Hartfield Road is a block of 8, 1 bed flats in the Upperton neighbourhood of Eastbourne with a recent valuation of £545,000. It is currently held as an asset in the HRA and the proposal is to appropriate the entire block of 8 flats to the General Fund to be used as emergency accommodation to meet our statutory duties.
- 3.2 An initial survey of Hartfield Road has been undertaken and it is estimated that repairs will cost approximately £250K for the building to be brought back to a lettable standard and provide white goods for each of the flats. More detailed surveys are underway which may result in the forecast of works being different. However it is proposed the figure of £250K is used as a baseline and has been factored in to the financial modelling below.
- 3.4 If we also take account of current costs of providing emergency accommodation to 8 households who require self-contained accommodation the use of Hartfield Road would mitigate an overspend of £82k annually to the existing budget. This saving figure is based on the cost of placing a household in self-contained unit with our main provider and has taken into account the subsidy amount we receive back from Government.

### **4.0 Disposal of Freehold Housing Assets**

- 4.1 In February 2016 Cabinet gave the then Senior Head of Community delegated authority to dispose of freeholds where the Council no longer has a leasehold interest to residents of the block.
- 4.2 Since then EHL acting on behalf of the Council are in the process of selling 4 of the freeholds where the Council has no other interest to the current leaseholders of the blocks.
- 4.3 This report is recommending that leaseholder of the blocks where EBC only hold a freehold interest as listed in appendix 1. are further consulted about the potential sale of their freeholds on the open market.

4.4 On the basis of a valuation carried out by Kingston Morehen Chartered Surveyors for the Cabinet report in February 2016 the sale of the freeholds should bring a capital receipt into the HRA of £50K. Given the potential impact of the High Value Assets Levy on the HRA it is felt important to highlight to those property owners that the Council will have potentially prioritise the sale of assets and those not affect the Councils ability to meet housing need likely to be highest priority for disposal.

## **5.0 Disposal of Garage blocks**

5.1 EHL on behalf of the Council have undertaken a full review of all garage sites held in the HRA to firstly gain a valuation of the stock and secondly to explore any housing development opportunities.

5.2 There are a number of garage blocks listed in appendix 1. which have no to very limited housing development potential and are not considered future strategic sites for wider regeneration. However on the basis of valuation it is considered that factoring in the yield as detailed below sale of the sites listed in appendix 1. on the open market should be considered.

5.3 Below is the detail of how the yield has been calculated.

Gross annual income from garage listed in Appendix 1 = £50,567.40

Total capital works costs due at 2018 = £65,420

Management fees @ 5% of costs = £3,271

Professional fees @ 8% of costs = £5,233.60

Total estimated capital costs at 2018 = £73,924.60

Net annual income = £50,567.40 - £73,924.60 = -£23,357.20

Yield = -3%

Background Reasons for Reduced Yield:

- Currently 16 garage units void
- £9,853.56 current void loss (based at current set rents)
- A large amount of "catch-up" works are required to bring the sites up to an acceptable standard.

5.4 The HRA capital receipt estimated should the proposed garage sites be sold is £735,000 based on valuation. It is also thought that sale of the garage sites will reduce future capital costs to the HRA and should the High Value Assets levy come to fruition will mean the HRA has additional funds to contribution to lowering the impact of the levy without selling homes.

## **6.0 Consultation**

### **6.1 Disposal of 100% Leaseholder Blocks and Garages Sites within the HRA**

Following the Cabinet approval in February 2016 to dispose of Freeholds

where the Council has no other interest to leaseholders of the blocks a full consultation process was undertaken by EHL. Overall the feedback to the proposal was positive with 4 blocks of leaseholders deciding to purchase the freehold from the Council and two offers have been made to all blocks as listed in appendix 1. EHL will facilitate the next stage of consultation as recommended in this report.

- 6.2 Before garage sites are sold at auction EHL on behalf of the Council, will contact all existing licence holders of garages to fore-warn them of the sale. Should the existing licence holders of garages wish to continue their contract with the new owner of the garage EHL will facilitate the communication between both parties until the sale is completed.

## **7.0 Resource Implications**

### **7.2 Financial**

The impact on the General Fund due to an increase in homelessness are significant. This report is set to mitigate impact by making best use of our HRA assets to ensure we are financially prepared for the future.

### **7.3 Staffing**

There are no staffing implications from the recommendations in this report. The work will be undertaken from within existing staff resources.

## **8.0 Legal Implications**

### **8.1 Appropriation of 3 Hartfield Road to the General Fund for Use as Emergency Accommodation**

Under Part II of the Housing Act 1985 the council has a duty consider housing conditions in their district and the needs of the district with respect to the provision of further housing accommodation. The council may under those provisions provide housing accommodation but it is specifically stated that nothing in the Act shall be taken to require (or to have at any time required) a local housing authority itself to acquire or hold any houses or other land for the purposes of Part II. If a council does decide to purchase and hold land under its powers in Part II Housing Act 1985 then it must obtain consent from the Secretary of State if it wishes to subsequently either dispose of that property or to appropriate it for any other purpose. Property held for the purposes of Part II is accounted for under the Housing Revenue Account.

- 8.2 Under section 188 of the Housing Act 1996 if the council (as local housing authority) has a reason to believe that an applicant may be homeless, eligible for assistance and have a priority need, it must secure that accommodation is available for his occupation pending a decision as to the duty (if any) owed to him under the provisions of the Act. A local housing authority may discharge its housing functions under section 188 in a number of ways including by securing that suitable accommodation provided by them is available. A local authority has power under section

120 of the Local Government Act 1972 to acquire by agreement any land for the purposes of any of their functions under any enactment. Land acquired under section 120 is held within the General Fund.

8.3 Section 122(1) of the Local Government Act 1972 provides that a council may appropriate any land which belongs to the council and is no longer required for the purpose for which it is held immediately before the appropriation for any purpose for which the council are authorised to acquire land by agreement. In reaching this decision, the council must consider the public need within the area for the existing use.

8.4 External legal advice from Trowers & Hamlins LLP has confirmed that many councils hold the properties used for the purposes of providing emergency accommodation under the Housing Act 1996 outside of the Housing Revenue Account and that in their view it would be appropriate to make an application to the Secretary of State for appropriation of 3 Hartfield Road on the basis the dwelling was no longer being provided pursuant to the council's powers in Part II of the Housing Act 1985 as it was felt more appropriate to provide the dwelling for the purpose of discharging duties under Parts VI and VII of the Housing Act 1996 and outside of the council's Housing Revenue Account.

#### 8.5 **Sale of Freeholds**

The Housing Act section 32 enables the Council to dispose of land held for housing purposes subject to the consent of the Secretary of State. The Secretary of State has issued a series of General Consents for the disposal of different types of housing properties. The Council can rely upon The General Consent for the Disposal of Reversionary Interests in Houses and Flats 2013, (D4) in this case.

#### 8.6 **Sale of Garage Sites**

Section 32 Housing Act 1985 requires Secretary of state consent for the disposal of garages held for the purposes of that Act. The General Housing Act Consents 2013 apply to the disposal of land under Section 32. In particular Consent A 3.2 is applicable to the sale of garage sites and enables the council to dispose of them at any price determined by it.

8.7 In disposing of any land or interest in land the council must ensure that it does so in accordance with State aid rules. The European Commission's Communication on the Sale of Land sets out an automatic assumption that no State aid is present in a sale of land and buildings, provided its terms are followed. It requires the sale of land for "market value" through (i) an open and unconditional bidding process or (ii) an expert valuation.

### 9.0 **Conclusion**

9.1 We are currently in an environment of rapid and radical changes in national policy and funding arrangements and it is necessary for the council to review its strategies accordingly to ensure we make the best use of our housing stock, capital assets and revenue income.

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**Background Papers:**

The Background Papers used in compiling this report were as follows:

- Market valuations for assets to be disposed of
- EHL SLT Report: Disposal of Fully Leasehold Assets - Decision
- HRA 30 year business plan

To inspect or obtain copies of background papers please refer to the contact officer listed above.