



REPORT TO THE MEETING OF CABINET – 13 AUGUST 2024

PORTFOLIO: SPECIAL PROJECTS AND ASSETS – CLLR TOM GIBSON AND HEALTH, WELLBEING AND HOUSING – CLLR ROB LILLIS

REPORT FROM ASSISTANT DIRECTOR ESTATES AND ASSISTANT DIRECTOR HOUSING, HEALTH AND PARTNERSHIPS

SUBJECT: PURCHASE OF FORMER PRIVATE SHELTERED SCHEME FOR USE AS TEMPORARY ACCOMMODATION

1 PURPOSE OF REPORT

- 1.1 To present to the Cabinet for approval an outline business case for the purchase and development of the former privately owned Abbeyfield sheltered housing scheme in Chapel Lane, Hadleigh (“the Property”). The outline business case is set out in Exempt Appendix 1 to this report. A plan of the site and floor layout plans are set out in Appendix 2.
- 1.2 The Council’s offer to purchase the property has been accepted by the vendor. This report seeks Cabinet’s approval to the purchase (subject to the due diligence set out in paragraph 3.2 of the outline business case) together with the delegation of authority to complete the purchase and undertake renovation works to convert the property into temporary accommodation for use by the Council at a cost of up to £1.9m.

2 LINKS TO COUNCIL’S PRIORITIES AND OBJECTIVES

- 2.1 This will provide links to the objectives of People and Place contained within the Corporate Plan.
- 2.2 This will meet the objective of People by supporting vulnerable people and mean that they can stay in or closer to their communities and support networks or in the case of families, educational settings.

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- 2.3 This will meet the objective of Place as it will improve access to housing to those unable to find affordable short-term accommodation or sustain an existing tenancy for whatever reason.

3 RECOMMENDATION

3.1 It is proposed that Cabinet **RESOLVES**

- (1) To approve the outline business case set out in Exempt Appendix 1.
- (2) To agree to purchase the former private Abbeyfield Sheltered Housing Scheme (the “Property”) for £1.1m and to delegate authority to the Director of Commercial and Assets and the S151 Officer (in consultation with the Portfolio Holder for Health, Wellbeing and Housing, the Portfolio Holder for Special Projects and Assets, the Leader and the Deputy Leader) to complete the purchase, subject to satisfactory completion of due diligence as set out in paragraph 3.2 of the outline business case.
- (3) To agree payment of purchase and due diligence related fees and to commission the refurbishment and redevelopment works as are necessary to convert the property into temporary accommodation for use by the Council with a combined value of up to £800,000 and to delegate authority to the Director of Commercial and Assets and the S151 Officer (in consultation with the Portfolio Holder for Health, Wellbeing and Housing, the Portfolio Holder for Special Projects and Assets, the Leader and the Deputy Leader) to scope, procure and award contract(s) for such works.
- (4) To create a new capital scheme within the General Fund for the purchase and refurbishment, with scheme approval of £1.9m, 2024/25 payments approval of £1.2m and 2025/26 payments approval of £700,000.
- (5) To agree to a Supplementary Estimate for £20,000 to fund interest costs in 2024/25, to be funded from the General Reserve.

4 BACKGROUND

- 4.1 The Council has a statutory duty to provide temporary accommodation to households presenting as homeless. This statutory duty applies irrespective of demand and affordability. In the last 2 years, the cost of providing temporary accommodation has increased significantly for the Council primarily as a result of increased demand and increased costs to secure temporary accommodation. The Council is able to recover some costs from central government through Housing Benefit, but the calculations that government applies means that there is a shortfall which the Council must bear from its own finances. As a demand led service, this presents a significant risk to the Council’s budgetary position, especially when combined with other financial pressures.

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- 4.2 The Council's position reflects a wider national picture for lower tier councils who have a homelessness duty and national bodies such as the District Councils Network and locally, Essex Chief Executives are lobbying government to address the growing financial pressure of homelessness.
- 4.3 In practice, the Council's homelessness duty is typically delivered in the first instance, via the use of nightly let properties, such as bed and breakfast accommodation or homes offered on a nightly let basis by specialist providers. The Council then has a statutory duty to move all households with children placed in these properties on to interim accommodation within 6 weeks. Nightly let accommodation locally is both expensive and in short supply with typical costs in the region of £370 per week. Due to the local market this type of accommodation is provided predominately out of borough in neighbouring Local Authority areas, which results in the households being taken away from their support networks and potentially creates disruption in their children's education or healthcare, many households have complex needs.
- 4.4 The Council has 17 units of temporary accommodation which it owns and operates. Demand is significantly higher than this available stock, with currently 50 nightly let places routinely filled by households in private sector temporary accommodation.
- 4.5 The urgent needs of homeless people cannot be met by the private sector within the Borough. Out of borough placements, principally in Basildon, Rochford and Southend, but as far as Ipswich and Thurrock, account for 92% of current emergency placements, whilst 25% of interim accommodation is out of borough. There is a clear demand for affordable emergency temporary rented accommodation to be provided locally.
- 4.6 The net cost of Bed and Breakfast accommodation to the General Fund was £532,000 in 2023/24, an increase from £310,000 in 2022/23. This means, as part of its budget setting process, the Council must make provision for substantial costs for temporary housing via private sector temporary accommodation providers.
- 4.7 The Property has recently come onto the open market for sale. It consists of 14 bedsits and 2 one bedroom flats. The Property is ideal for use as temporary accommodation as it is conveniently located to nearby facilities to meet the requirements of homeless households. The Outline Business Case set out in Exempt Appendix 1 makes a case for the purchase of the Property by the Council and its conversion for use as temporary accommodation of homeless households. The Outline Business Case confirms that this proposed investment will result in greater capacity to house homeless residents within the Borough at a cost which is cheaper than the current provision, thereby saving money for the Council and providing a better overall experience for the Council's residents.

5 OUTLINE BUSINESS CASE AND NEXT STEPS

- 5.1 The outline business case was considered by the Council's Asset Review Board (ARB) and was endorsed at that stage as being worthy of recommendation to the Cabinet for decision. On that basis a without prejudice offer of £1.1m (subject to contract) was made to the vendor. This offer was based upon an independent market appraisal commissioned by the Director, Commercial and Assets and was £100,000 below the asking price. This was accepted by the vendor on 23 July 2024. Completion of the sale at this price remains, however, subject to full due diligence, for which a cost of £100,000 has been allowed, and to Cabinet agreement as proposed in the recommendations above.
- 5.2 The outline business case proposes refurbishment and redevelopment of the internal layout, the costs of which are estimated at £500,000. This is based on our experience of works undertaken when building, developing and refurbishing our own housing stock but remains subject to further assessment after full due diligence has been carried out. For this reason a contingency of £200,000 has been included, to allow for any additional unforeseen costs and demonstrate the viability of the project, even at an increased cost.
- 5.3 The outline business case is predicated on a number of assumptions and during the due diligence phase before completion of the purchase, it will be important to test all of those assumptions and ensure that all financial implications are robustly tested and understood. This will involve undertaking detailed surveys of the property in relation to its condition and legal investigation work to ensure that the purchase should proceed to exchange and completion. Until the Council is satisfied that this has been completed the purchase will not be finalised. As mentioned above, a cost of £100,000 has been allowed for this element of the purchase.
- 5.4 As the proposal for the property is to refurbish and redevelop the internal layout, it is proposed to remove the current communal facilities to allow the total number of units to increase from 16 to 19, all with kitchen and ensuite facilities making them self-contained units. Plans showing the location and borders as well as the floor plans of the property are shown in Appendix 2.
- 5.5 Following the refurbishment and redevelopment works, the property will be operated by the Housing Team on the same basis as the Council's existing two temporary accommodation complexes.
- 5.6 Conversion of the property, as proposed by the outline business case, is not considered to constitute a change of use requiring planning consent but this will be kept under review, for example possible planning requirements related to the addition of new rooms. The works will, however, need to be compliant with building regulations. The completed scheme would not be classified as a s.257 HMO (a HMO is defined as a converted block of flats with shared facilities, under Housing Act 2004), on the basis that all rooms have dedicated facilities, which are not shared with other rooms.

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- 5.7 Indicative timelines associated with the acquisition of the property, along with subsequent procurement and refurbishment processes, are set out in the Appendix to the report.
- 5.8 Upon acquisition, the Council will appoint an architect to scope the site and deliver a draft specification.
- 5.9 The specification will be used as a basis to invite tenders in accordance with the Council's Contract Procedure Rules with a view to awarding the contract by December 2024.

6 OPTIONS

- 6.1 *Option 1: Do nothing.* It remains open to the Cabinet to not purchase the property and to withdraw from the sale process. This would mean that the Council's current position regarding its homelessness duty would remain unchanged. Although it is always possible that demand for temporary accommodation could reduce, all the evidence that we have, the upward trajectory and the national picture does not suggest that will happen in the short to medium term. In addition, properties such as this are highly sought after by Social Housing Landlords looking beyond their typical area. Failure to secure and use the property for the benefit of the Council's own local residents increases the risk that the property is acquired by such landlords or even another Local Authority/ Government agency for housing their own cohorts of people.
- 6.2 *Option 2: Proceed with the purchase.* This is the recommended option and is set out in detail in the outline business case. Benefits of this option include:
- a. This option will improve the quality of the service offered by the Council to its residents but enabling the placement of more homeless households within the Borough. This will also allow residents easy access to community facilities and public transport for households that may find it hard to access these on a day to day basis. Importantly it will enable households to remain closer to their friends, family and support networks within the Borough. This is especially important for maintaining existing healthcare or educational links.
 - b. As this option will result in accommodation owned and managed by the Council, the standard of accommodation can be ensured and officers will be better placed to provide more intensive support to households. This property will form part of a future capital programme to develop social housing across a variety of tenures and types and help support a greater number of people in acute housing need.
 - c. The current levels of demand means that occupancy rates in temporary accommodation are likely to be very high for many year. The total number of households in temporary accommodation in the Borough (measured in March of each year) increased from 97 households in 2021/22 to 98 households in 2022/23 and then further increased to 115

households in 2023/24. Between December 2019 and December 2023 the number of households placed by the Council in nightly lets increased by 79% of which 62% were households with children. Nationally there was a 102% increase in the use of nightly lets, thus this is a trend impacting all Local Authorities.

- d. The outline business case concludes that there will be an average net financial gain to the General Fund of £155,000 per annum after the repayment of the initial purchase price, refurbishment and redevelopment costs and interest charges amortised over a 20-year period, which is considered a reasonable asset life striking a balance between cash flow and swift repayment.
- e. This option means that the Council will own an asset which is likely to increase in value and if demand for temporary accommodation does reduce in the longer term, the Council has the opportunity to consider how it wishes to use that asset e.g. conversion for use as permanent accommodation via the Housing Revenue Account.

7 RISK IMPLICATIONS

- 7.1 Risks associated with the preferred option are identified below with mitigations suggested.

Risks Arising During Due Diligence

- 7.2 If, during due diligence, risks present which would lead to an adverse impact on the Council then this may affect the recommendation to proceed with the purchase of the property e.g. apparent structural defects, rot or damp within the building which require action. A comprehensive building survey will be commissioned to mitigate this risk and highlight any defects that require consideration ahead of proceeding with purchase. As the delegation is to the Director, Commercial and Assets and the S151 Officer, in consultation with the Portfolio Holder for Health, Wellbeing and Housing, the Portfolio Holder for Special Projects and Assets, the Leader and the Deputy Leader, there will be specialised Officer and Member oversight of the results of the due diligence.

Regulatory Risks

- 7.3 Some aspects of the refurbishment and redevelopment work may require planning consent. This will be explored in detail as part of the due diligence process and if planning permission is required that will be factored into the project plan. Building regulations will be complied with and early involvement of the building control teams as to the scope of the works.

Financial Risks

- 7.3 Financial risks arise in the commissioning of the refurbishment and redevelopment works, including any works identified as being required in the building survey referenced above.

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- 7.4 The deployment of an architect to fully scope and specify a programme of works will help to mitigate the risk of unforeseen costs associated with refurbishment and re-development.
- 7.5 As referenced above, there is always a risk that a reduction in demand levels for temporary accommodation of this type, means that the accommodation would be underutilised and, therefore, fail to deliver the financial benefits set out in the outline business case. For the reasons set out in this report, this risk is considered to be very small and, in any event, the ownership of the asset means that the Council can mitigate any impact thorough choosing alternative uses for the asset e.g. redevelopment of the site as affordable housing.

Reputational Risks

- 7.6 There may be some resistance to the proposed use of the property as temporary accommodation by local residents. This is usually due to the perception that homelessness is the same as rough sleeping or a hostel arrangement which would not be the case here. This would be addressed through deployment of a robust communication strategy and resident engagement strategy.
- 7.7 In addition, the property continues to be occupied by one remaining resident. This person will need to be moved to alternative accommodation. They are already known to the Housing Options team who are supporting them to identify suitable alternative accommodation within the Council's housing stock that meets their specific needs.

8 CRIME AND DISORDER IMPLICATIONS

- 8.1 During the refurbishment and recommissioning phase, there could be an increase in the local fear of crime and anti-social behaviour or a concern that the premises will attract undesirable elements. Early engagement with our Policing partners and targeted use of the powers under ASB Crime and Policing Act 2014 will be deployed to relive this concern.
- 8.2 Once established, properties used for temporary accommodation can cause further undue and heightened feelings of concern amongst local residents. The Housing Team in conjunction with the Castle Point Council Community Safety Partnership, will have a range of management and enforcement and mitigation options open to them. These include the ability to vet placements, apply stricter tenancy/licences conditions, and apply enforcement remedies.
- 8.3 Generally, the acquisition of such a property should have a positive impact on reducing crime and disorder across the district more widely, by providing affordable urgent short-term safe and secure accommodation for individuals and households faced with homelessness.

9 ENVIRONMENTAL IMPLICATIONS

- 9.1 Accommodating more households within the Borough will reduce journeys needed to both support them and for them to use their existing support networks and services such as education and healthcare.
- 9.2 The refurbishment and redevelopment works will have improved energy efficiency measures compared to what is already at the property.
- 9.3 There will be no impact on the existing street scene because the proposed refurbishment and redevelopment works are internal only.

10 FINANCIAL IMPLICATIONS

- 10.1 The purchase and subsequent redevelopment of the property is expected to cost up to £1.9m. Therefore, a new General Fund capital scheme will need to be created for £1.9m, with payments approval in 2024/25 of £1.2m and £700,000 in 2025/26.
- 10.2 The Section 151 Officer will determine the best method to finance the capital scheme, with options including utilising cash balances (known as internal borrowing), short term external borrowing, long term external borrowing, or a mix of financing methods. Any financing will be managed through the Council's usual treasury management processes.
- 10.3 The outline business case demonstrates that the scheme will deliver savings to the Council once the scheme is up and running, including after taking into account the Minimum Revenue Provision (MRP) that will need to be budgeted for to repay the capital financing of the scheme. The savings arise due to no longer needing fund the shortfall between private sector rents and Housing Benefit LHA rates.
- 10.4 The forecast saving against the Housing Services policy line within the Medium Term Financial Strategy are shown in the table below, with some smaller fluctuations in future years depending on forecast maintenance requirements and, as debt is repaid, lower interest costs.

	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Gross cost / (saving)	-	(165)	(328)	(328)
MRP	-	60	95	95
Interest costs	20	83	92	87
Net cost / (saving)	20	(22)	(141)	(146)

- 10.5 In the current financial year, as interest costs will be incurred, or investment income foregone if internal borrowing is used, a Supplementary Estimate of £20,000 is required to fund this cost. In future years, the interest cost can be met from within the in-year savings generated.

11 LEGAL IMPLICATIONS

- 11.1 Section 120 of the Local Government Act 1972 provides that the Council can acquire the freehold interest in the property for the purposes of:
- (a) any of their function under or any other enactment, or
 - (b) the benefit, improvement or development of their area,
- 11.2 The Council's legal services will undertake the conveyancing process including all searches and title information to ensure the Council will acquire good title.
- 11.3 Procurement of the Contractor to carry out the refurbishment works will be conducted in accordance with the Council's Contract Procedure Rules.

12 HUMAN RESOURCES IMPLICATIONS

- 12.1 There are limited human resource implications as any potential development will result in the requirement to provide cleaning services.

13 EQUALITY AND DIVERSITY IMPLICATIONS

- 13.1 An equalities impact assessment has been carried out on the proposed purchase of the property.
- 13.2 This identifies positive impacts on the Age, Disability, Gender and Pregnancy/Maternity protected groups within homeless households as a result of improved accommodation provision.
- 13.3 It identifies the need to protect any of the protected groups from negative impacts by full consultation with the neighbouring residents and proactive management of the scheme.



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Background Papers:-

None.

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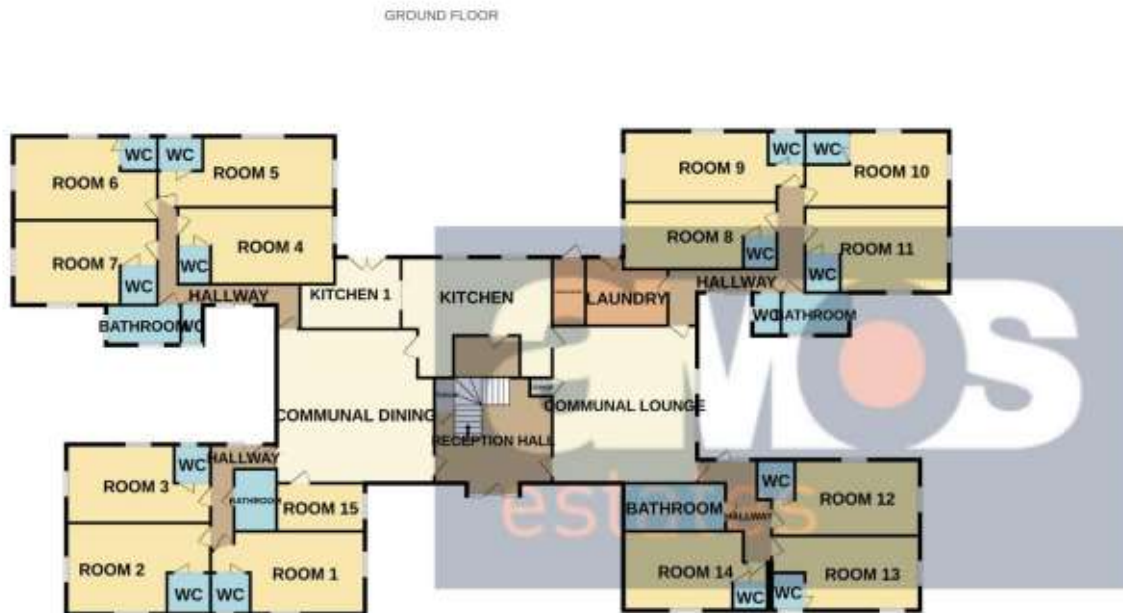
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Appendix 2 - Plans

- 1.1 Shown below is a plan of the former private Abbeyfield sheltered scheme in Chapel Lane with the location and borders of the property shown in red. The building dates from the early 1980's and has a small about of grounds surrounding it.



- 1.2 Below are the current floor plans showing the ground floor and first floor of the building. This highlights that the central part is occupied currently by communal lounge, dining and kitchens, whilst communal bathrooms are located in the four wings of the building serving those rooms.



1ST FLOOR



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- 1.3 A draft revised ground floor plan is shown below where the communal facilities, excluding the laundry have been used to converting the ground floor into 17 self-contained flats with toilet, shower and cooking facilities. Interconnecting doors have also been shown on some of the rooms to enable larger households to be accommodated in a single dwelling.
 - 1.4 This provides an example of how the changes could be made but will be subject to review following a detailed survey of the building.
 - 1.5 It is not proposed to change the first floor layout at this time.

