

<b>Subject:</b>	<b>Appropriation of 243 and 245 Preston Road Brighton to the Housing Revenue Account</b>		
<b>Date of Meeting:</b>	Housing Committee 20 June 2012 <b>Policy &amp; Resources Committee 12 July 2012</b>		
<b>Report of:</b>	<b>Strategic Director, Place</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Carol Jenkins</b>	<b>Tel: 29-3832</b>
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<b>Ward(s) affected:</b>	<b>Withdean</b>		

**FOR GENERAL RELEASE****1. SUMMARY AND POLICY CONTEXT:**

- 1.1 In October 2008 Full Council on the recommendation of Cabinet and with the unanimous support of the Housing Management Consultative Committee and cross party support authorised the leasing to Brighton & Hove Seaside Community Homes (Seaside) of 106 named Housing Revenue Account dwellings formerly used as temporary accommodation and in need of investment. These are a key part of the 499 properties to be leased to this housing Local Delivery Vehicle (LDV), which was set up by the council to raise investment to improve council homes, meet strategic housing and corporate priorities and refurbish the leased stock.
- 1.2 Those 106 dwellings included 15 vacant units in two converted Victorian houses with shared facilities and four prefabricated bungalow units in the gardens at 243 and 245 Preston Road, Brighton. It has now come to light that, although these properties are included in the Housing Revenue Account dwellings register and had long been used by the council's housing department as temporary housing accommodation, the council's ownership was never formally transferred from corporate (Policy and Resources) to the Housing Revenue Account (HRA).
- 1.3 It is therefore proposed that the Policy and Resources Committee regularise the position by formally appropriating these properties to the HRA. Firstly, this would enable the refurbishment and leasing of vacant units in very poor condition to proceed as planned and agreed with Seaside. Projected rental income from leasing of these units on 1 October 2012 is important to Seaside's business plan, which is underwritten by the council. It is unlikely that additional properties meeting the agreed criteria for leasing to Seaside would be available to substitute for these units in the next 18 months or more. Secondly, the large rear gardens – which would not be leased to Seaside – may also have potential to build some new council housing, subject to a formal Planning view and an options appraisal which has been commissioned.

## **2. RECOMMENDATIONS:**

2.1 That the Housing Committee recommends:

2.1.1 That the Policy and Resources Committee agrees the appropriation of the 19 dwellings comprising 15 flats and four bungalow units and the land at 243 and 245 Preston Road, Brighton to the council's Housing Revenue Account.

2.1.2 That the Policy and Resources Committee notes the earlier Cabinet and Council decisions to lease dwellings at these properties to Brighton & Hove Seaside Community Homes as part of the LDV project in September and October 2008.

## **3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

3.1 On 9 October 2008 Full Council on the recommendation of Cabinet and with the unanimous support of the Housing Management Consultative Committee and cross party support, authorised the making of an application to the Secretary of State for consent to lease to Brighton & Hove Seaside Community Homes (Seaside) 106 Housing Revenue Account (HRA) dwellings listed in a schedule in Part 2 of the agenda under the requirements of s32 Housing Act 1985 and any additional application necessary or incidental to the granting of such leases or under any other relevant legislation. Cabinet, with continuing cross party and Housing Management Consultative Committee support, finally approved the proposed arrangements for leasing to Seaside on 16 September 2011.

3.2 These dwellings are a key part of the 499 properties to be leased to Seaside under the housing Local Delivery Vehicle (LDV) project, whose purpose is:

- To bring in additional investment to improve council homes, to assist in meeting Decent Homes Standard and tenant aspirations for improvement of the council housing stock.
- To meet strategic housing and corporate priorities. In particular, to provide accommodation for people with particular needs to whom the council owes a housing duty.
- To refurbish the leased stock.

The LDV project and the capital receipts it generates for the HRA are critical to the council achieving its objective of bringing all council tenants' homes up to the government's Decent Homes Standard by the end of 2013.

3.3 The 106 dwellings specifically identified and agreed for leasing to Seaside had all been used as temporary accommodation. They included 19 units at 243 and 245 Preston Road, Brighton: 15 units in the two converted Victorian houses with shared kitchens and bathrooms and four prefabricated bungalow units in the gardens. These are empty units in very poor condition which require significant works to bring them up to a lettable standard and make all into self contained flats. Investment raised by Seaside will help fund the necessary improvement works to bring the properties back into use if they are leased as planned. The leasing of these properties is integral to the LDV project and Seaside's business plan and financial model agreed with and underwritten by the council.

3.4 As explained in the report to Cabinet on 16 September 2011, the council is carrying out refurbishment works to former temporary accommodation properties

before they are leased. Whilst the four prefabricated bungalow units at Preston Road may now all be beyond reasonable repair and unsuitable for leasing, Housing officers have obtained planning permission for refurbishment of the main buildings and agreed a works programme, through the HRA's repairs and improvements partnership with Mears.

- 3.5 These works need to start on site very soon in order to lease the units in accordance with the programme and financial model agreed with Seaside and underwritten by the council. Eighteen refurbished units at 243-245 Preston Road were scheduled to be leased to Seaside on 1 October 2012 in the financial model (16 in the main buildings including new loft conversions plus two bungalow units). If the appropriation of the buildings does not take place Housing officers do not expect other HRA properties that meet the agreed leasing criteria to become available to substitute for the modelled units at that time. Whilst 18 additional units that meet the leasing criteria may become available for leasing in years three to five of the LDV project, the council might be called upon to make up the loss in Seaside's rental income in the meantime. The eighteen units were modelled to produce £2,786 per week in rental income for Seaside from 1 October 2012.
- 3.6 The large rear gardens – which are not part of the agreed leasing arrangements with Seaside – may also provide a possible development opportunity for the HRA to build homes on council land, in line with the council's corporate plan and housing commissioning priorities. An options appraisal has been commissioned. The obsolete prefabricated bungalow units and part of the garden land will not therefore be included in the leases to Seaside when the units are included in a batch disposal as provided for in the suite of documents related to the LDV project. However any backland redevelopment will be subject to planning policies.
- 3.7 243 Preston Road was acquired by the council in 1956 for housing and road widening and 245 Preston Road in 1957 for road improvements. The properties were, however, used for many years as HRA temporary accommodation. They are included in the HRA dwellings register and have long been considered and treated as owned by the HRA. It has now come to light that no formal appropriation to the Housing Revenue Account has ever taken place and the properties are still held by Policy and Resources. It is therefore proposed that the Policy and Resources Committee regularise the position by formally appropriating these properties to the HRA, which will enable the refurbishment and leasing of vacant units in very poor condition to proceed as planned and agreed with Seaside.
- 3.8 Alternatively, the properties could be retained by Policy and Resources and put on the market for sale. A market valuation, prepared on the basis that 243-245, including the four bungalow units, would be refurbished and available on an affordable basis, is in the order of £540,000. The valuers consider that demand for sites for affordable housing in the city by registered providers of social housing remains reasonably buoyant. Whilst there might be space for additional development at the rear, the verbal Planning comment was that additional backland development would not generally be favoured in this location which is within a conservation area. If it is possible to obtain consent for more than four

units in the back gardens, albeit for affordable development, the market assessment would be higher than £540,000.

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 Throughout the development of the LDV project council tenants and leaseholders have been consulted and informed through numerous updates in Homing In magazine, meetings for tenant representatives, presentations to Area Housing Management Panels and information sheets sent to resident representatives and available on our website. The four Tenant Board Members of Seaside – who are council tenants appointed by the council’s Area Panels – have provided written and oral updates to each Area Panel meeting since 2009. Housing Management Consultative Committee has been consulted prior to all proposals put to Cabinet for decision and continued to support the project.
- 4.2 Seaside and its board members are aware that Cabinet and Full Council agreed in 2008 that units at 243 – 245 Preston Road should be leased to Seaside and have been expecting that to proceed for several years.

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

##### Financial Implications:

- 5.1 The appropriation to the HRA must take place in order for the vacant units to be leased to Seaside, they cannot be leased directly from the General Fund (GF). The council has provided a rental income guarantee under the LDV scheme. If the units are not leased to Seaside then the probability of triggering payments under the guarantee are significantly increased as replacement units will be very hard to identify particularly as turnover in the housing stock has declined under current economic conditions. The annual rent associated with the 18 units modelled in the Seaside business case is the equivalent to about £145,000 per annum based on current rents. Alternatively the site could be sold and Members have complete freedom to decide how any receipt is used, so it could be allocated in full to housing. Based on existing planning consents Cluttons have estimated the market value of the site to be about £540,000. Once the site has been appropriated to the HRA any capital receipt generated by a decision to sell part or all of the site will be caught by pooling arrangements.

*Finance Officer Consulted: Mark Ireland*

*Date: 16/05/12*

##### Legal Implications:

- 5.2.1 The purpose of this report is to appropriate the land shown on the plan to the HRA. Section 122 of the Local Government Act 1972 permits the council to appropriate land held for one purpose for use for any other purpose for which the council is authorised to acquire land by agreement.
- 5.2.2 Any inclusion of some of the residential units and gardens in a subsequent Batch disposal to Seaside will be actioned in accordance with existing arrangements regarding such leases and any proposal for development of the remainder of the site to be appropriated will be the subject of a further report in due course.

*Lawyer Consulted: Bob Bruce*

*Date: 03/05/12*

Equalities Implications:

- 5.3 An equalities impact assessment identified that the LDV project will offer greater access to higher quality accommodation to vulnerable households that was previously in short supply. The project provides settled accommodation to vulnerable households who hitherto have found decent standard accommodation difficult to access. If appropriated to the HRA, these properties will be refurbished into self contained flats and leased to Seaside. There may be potential for additional affordable housing for people in housing need to be developed in the rear gardens.

Sustainability Implications:

- 5.4 Seaside has access to funding to help pay to refurbish these housing properties and bring them back into use if they are leased as planned. In so doing it will meet housing needs, contribute to council priorities to address sustainability as an integral part of all service delivery and contribute to the UK's Sustainable Development Strategy.

Crime & Disorder Implications:

- 5.5 Providing stable accommodation to some of the city's most vulnerable households reduces the downward spiral of poverty. It also limits and helps prevent dysfunctional behaviour which unchallenged can lead to crime and disorder. The leasing of properties to Seaside as a provider of good standard accommodation is expected to have a positive impact on crime and disorder within the city, as is bringing these long term empty properties back into use.

Risk and Opportunity Management Implications:

- 5.6 A risk management strategy has been in place for the LDV project from its inception and risk share agreed with Seaside and approved by Cabinet. If these properties are not appropriated to the HRA, it will be unable to lease the agreed number of HRA units at the scheduled dates for Seaside's business plan, which is underwritten by the council.

Public Health Implications:

- 5.7 The investment generated by leasing these properties to Seaside will be used to refurbish the leased units and the council's retained housing stock and thus improve the health and well being of residents.

Corporate / Citywide Implications:

- 5.8 Retaining these properties within the LDV project provides access to funding to help bring empty council homes in very poor condition back into use and deliver this priority project as planned and agreed.

**6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 6.1 Previous reports to Cabinet set out the options that had been explored and rejected for funding investment in the council's housing stock in order to bring all council homes up to standard. Leasing of the properties formerly used as temporary council housing is critical to the LDV project and Seaside's business plan. The council bears the risk if Seaside's rental income is reduced because the HRA is unable to supply vacant properties meeting the agreed leasing criteria in line with the financial model. If the properties are appropriated, any potential

for backland redevelopment of the site subject to planning would benefit the HRA.

- 6.2 The alternative option for the properties would be retention by Policy and Resources, with the possibility of selling the site for redevelopment. A provisional valuation based on assumption of the refurbishment of 243 and 245 and the four bungalows for affordable housing obtained from Cluttons (without access to the premises) provides a market value estimate achievable from an open sale with the benefit of existing planning consents in the order of £540,000. The current planning permissions (which expire this autumn) are to convert the properties from Houses in Multiple Occupation to self contained affordable housing flats. If alternative consent could be obtained even for affordable housing, whereby the number of units could be increased, the value of the site could increase significantly. Further redevelopment of the backland on the site would be subject to planning policy and has not been included in the Cluttons valuation figure. Any capital receipt achieved would go towards supporting the council's priorities and the capital programme.
- 6.3 In either case the council would retain the potential to achieve more affordable development on the sites subject to planning consent.

## **7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 To formalise the long practice of these properties being treated as HRA properties and enable the council to proceed to refurbish units in the properties and lease them by the required deadline for the LDV project and Seaside's business plan.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

Appendix: Map of 243-245 Preston Road, Brighton

### **Documents in Members' Rooms**

None

### **Background Documents**

1. *Local Delivery Vehicle* report to Cabinet 24 September 2008
2. *A Housing Local Delivery Vehicle* report to Full Council 9 October 2008
3. *Proposed leases to Brighton & Hove Seaside Community Homes Ltd* report to Cabinet 16 September 2011
4. *Seaside Homes Information sheet - October 2011* ([http://www.brighton-hove.gov.uk/downloads/bhcc/housing/council\\_housing/Seaside Homes Information Sheet for residents.pdf](http://www.brighton-hove.gov.uk/downloads/bhcc/housing/council_housing/Seaside_Homes_Information_Sheet_for_residents.pdf))