

## Agenda Item 10

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<b>Date</b>	8 April 2014

<b>Ward (s) affected</b>	Bookham North	<b>Key Decision</b>	No
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<b>Subject</b>	<b>Emergency Accommodation – 33 and 34 Edenside, Bookham, Surrey</b>
<p><b>RECOMMENDATIONS</b></p> <p>On 25 June 2013, the Executive approved up to £1.4m from the 2013/14 capital programme to acquire five emergency accommodation units.</p> <p>The Executive is asked to approve:</p> <ul style="list-style-type: none"> <li>▪ capital expenditure of £150,000 from this budget to convert the Council's asset at 33 and 34 Edenside from a commercial unit with residential accommodation to two emergency accommodation two bedroom flats; and</li> <li>▪ the transfer of 33 and 34 Edenside from the Communities and Assets portfolio to the Customer Services and Wellbeing portfolio.</li> </ul>	

<p><b>EXECUTIVE SUMMARY</b></p> <p>On 25 June 2013, the Executive approved up to £1.4m from the 2013/14 capital programme to acquire five emergency accommodation units to reduce the Council's dependence on bed and breakfast accommodation for homeless households. It was estimated that this initiative would achieve a net annual saving of £56,000.</p> <p>To date three x two bedroom flats have been acquired at an approximate cost of £570,000, including improvement works and fees. These properties should be available for use by the beginning of May.</p> <p>The opportunity has also arisen to convert the Council's asset at 33 and 34 Edenside from a commercial unit with residential accommodation to two x two bedroom flats for use as emergency accommodation. The unit has been marketed at a reasonable rent but no interest has been received. Planning permission has been granted and the estimated cost of the works is £150,000. This expenditure can be met from the approved £1.4m budget for the acquisition of emergency accommodation. The initiative provides</p>
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good value for money at £75,000 per unit compared to the acquisition of property on the open market at an average of £190,000 and makes best use of the Council's asset.

The overall cost of the acquisitions is £570,000, and with the Edenside conversion of £150,000, the total cost will be £720,000.

Compared to the originally envisaged annual net savings of £56,000 this revised initiative will provide an improved savings figure of £70,000.

Given the ongoing demand for this type of accommodation it is proposed to spend some of the remaining budget of £680,000 on two more properties (one x two bedroom and one x three bedroom) at a cost of about, including works and fees, £575,000, leaving an approximate balance of £105,000.

In summary, seven units of emergency accommodation will be provided: four x two bedroom and one x three bedroom property bought on the open market and two x two bedroom flats following conversion of existing Council owned stock. This will be achieved below budget and with an improved net annual savings figure.

## **CORPORATE PRIORITIES**

### **Access to Services – Helping residents to access the services they need**

The Council has a responsibility to homeless households to provide, when legally required, emergency accommodation. Legislation states that bed and breakfast should only be used in cases of emergency, and that families with children should not remain there for more than six weeks. Government guidance for emergency accommodation requires that it should be self contained.

Additional self contained units within Mole Valley for emergency accommodation will significantly improve the service provided to homeless households, support their health and wellbeing and potentially the need to rely on other statutory and voluntary services for support.

### **Environment - Maintaining the character and environment of Mole Valley**

The energy efficiency ratings of the property will be improved during conversion and this has been built into the costs.

### **Value for Money - Delivering quality, value for money services**

The conversion of existing units as an alternative to bed and breakfast accommodation will produce a net full year saving to the Council of approximately £18,000 (in addition to an approximate full year saving of £52,000 from the purchase of the initial 3 x 2 bedroom properties, making a total saving of £70,000). This takes into account the direct saving of bed and breakfast costs as well as the reduced investment income that the Council will make after diverting capital resources for this purpose. This is calculated at current interest rate levels of between 1% and 2%. The higher the interest rate, the smaller the saving to the Council from this proposal since the expenditure on the properties could

earn higher interest earnings as part of the Council's investments. The financial appraisal undertaken investigated the savings achievable on a range of interest rates. The breakeven point for the proposed refurbishment of the existing units is 5.2% and this will improve with the purchase of two more properties. However, it is not anticipated that interest rates will approach this level in the near future due to economic conditions.

The additional units will mean a higher quality of service is delivered to applicants, as the units will be self contained and households will not be sharing bathroom and kitchen facilities. Homeless families that are adequately housed on an emergency basis in the Mole Valley area will have a period of stability (unlike living in bed and breakfast accommodation out of the area that presents difficulties in accessing current schools and health services) and are less likely to be a drain on the resources of statutory and voluntary agencies that may be needed to support them.

**The Executive has the authority to determine the recommendations.**

## 1.0 BACKGROUND

1.1 Under the homelessness legislation the Council is required to provide applicants with emergency accommodation whilst their application is investigated and, if their application is accepted, until they are housed. The Council now has a stock of 22 units, which are detailed below.

Location	Number of units	Number of bedrooms
Poplar Road, Leatherhead	8	Bedsits
Church Gardens, Dorking	6	One bedroom
Mill Lane, Dorking	1	Two bedrooms
Rough Rew *	1	Two bedrooms
Cressall Close*	1	Two bedrooms
Cressall Mead*	1	Two bedrooms
Clare Crescent, Leatherhead	1	Three bedrooms
Kingston Road, Leatherhead	1	Three bedrooms
Barnett Wood Lane, Ashted	1	Three bedrooms
Curtis Road, Dorking	1	Three bedrooms
<b>Total</b>	<b>22</b>	

\* Recently purchased through the acquisition programme

1.2 This stock is in constant use and units only become vacant when current occupants are housed into housing association or private rented sector homes or they leave for other reasons. A member of staff in the housing team is responsible for managing and maintaining these units. Sometimes units have to be used to house larger numbers of people than they were designed for because of the lack of alternative accommodation.

1.3 Since 2011, the Council has relied on bed and breakfast to initially house

homeless households, because the above emergency accommodation is often full and appropriate private rented sector and housing association accommodation is not always available. During 2011/12 the number of households in bed and breakfast increased to a high of 11, during 2012/13 the average was six and the high 10 and during 2013/14 the average has been 12 and the high 17. The number on the last day of each month is reported through corporate performance monitoring. The numbers that have applied as homeless and have been accepted over the last seven years are detailed below, and the trend is upwards.

<b>Year</b>	<b>Nos. of homelessness applications</b>	<b>Nos. of homelessness acceptances</b>	<b>Percentage of applications accepted</b>
2007/08	53	18	34%
2008/09	69	14	20%
2009/10	52	18	35%
2010/11	51	13	25%
2011/12	59	25	42%
2012/13	77	31	40%
2013/14 est.	71	27	35%

- 1.4 When households are placed into bed and breakfast the Council pays the nightly charge to the proprietor and in return the household is required to pay this rate to the Council. The applicant pays this charge from their income, but for the majority Housing Benefit meets most of it. This has a significant financial impact on the Council because the DWP does not provide a 100% subsidy for the Housing Benefit. There is also the cost of storage of personal belongings, which cannot be taken to the bed and breakfast accommodation. The net cost to the Council of housing homeless applicants in bed and breakfast accommodation in 2011/12 was £61,000, in 2012/13 it was £64,000 and in 2013/14 it is estimated to be £108,000.
- 1.5 The Council is also exposed to risk by families with children remaining in bed and breakfast for 6 weeks or more and the bed and breakfast establishments are located outside of Mole Valley in areas such as Crawley, Horley and Croydon causing inconvenience and disruption to the stability of families. Families in this situation often need additional support from statutory and voluntary agencies, which is a further cost to the public purse.
- 1.6 In response to this situation three of the Council's residential properties that have been previously occupied for other purposes have been added and are included on the list of emergency accommodation stock above. Arrangements are also being made with Mole Valley Housing Association to use temporarily one or two of their vacant properties that are to be redeveloped, which will help over the short term.
- 1.7 Taking a longer term view a financial appraisal was undertaken last year to ascertain whether it would be more cost effective to further increase the stock of emergency accommodation to reduce the Council's dependence on bed and

breakfast. This resulted in the recommendation to Executive on 25 June, to approve the acquisition of additional units.

## **2.0 THE APPRAISAL**

2.1 The appraisal concluded that the acquisition of up to five residential units as an alternative to bed and breakfast accommodation would produce a net saving for the Council of £56,000 annually. This was calculated by taking the savings in revenue costs and reducing them by the investment income lost by diverting £1.4m of capital resources. The cost of management and maintenance was offset by income of approximately £30,500 per annum. The Executive approved this approach on 25 June 2013. To date three x two bedroom flats have been secured at an approximate cost of £570,000, including improvement works and fees. These properties should be available for use from beginning of May.

2.2 The opportunity has also arisen to convert the Council's asset at 33 and 34 Edenside from a commercial unit with residential accommodation to two x two bedroom flats for use as emergency accommodation. No interest has been received to lease the unit at a reasonable rent when it was marketed. Planning permission has been granted and the estimated cost of the works is £150,000. This expenditure can be met from the approved £1.4 million budget for the acquisition of emergency accommodation. The initiative provides good value for money at £75,000 per unit compared to the acquisition of property on the open market at an average of £190,000 and makes best use of the Council's asset.

2.3 The overall cost of the acquisitions is £570,000, and with the Edenside conversion of £150,000, the total cost will be £720,000. Compared to the originally envisaged annual net savings of £56,000 this initiative will provide an improved savings figure of £70,000, (£52,000 property acquisitions and £18,000 for the conversion of 33 and 34 Edenside).

2.4 Given the ongoing demand for this type of accommodation it is proposed to spend some of the remaining budget of £680,000 to purchase two more properties (one x two bedroom and one x three bedroom) at a cost of about, including works and fees, £575,000, leaving an approximate balance of £105,000.

2.5 In summary, seven units of emergency accommodation will be provided: four x two bedroom and one x three bedroom property bought on the open market and two x two bedroom flats following conversion of existing Council owned stock. This will be achieved below budget and with an improved net annual savings figure.

## **3.0 THE LONG TERM**

3.1 Whilst the acquisition of additional units for emergency accommodation will help alleviate the current pressure and need to use bed and breakfast accommodation it will not necessarily assist in meeting the long term projected need for affordable housing identified in the Adopted Core Strategy 2009. To tackle the long term need it is essential that the Council maintains its successful arrangements to house households in the private rented sector and ensures that

there is an ongoing supply of new affordable homes at an average of at least 50 per year (Core Strategy target).

- 3.2 Whilst it is not currently envisaged, if in the future the level of need reduced so that the emergency accommodation units owned by the Council were not required there are a number of options for the units which are:
- lease to Surrey districts or boroughs for use as emergency accommodation;
  - lease or sell to a local housing association or charitable body; or
  - sell on the open market.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 It is anticipated that the cost of acquisition and conversion will come in below £1.4 million and whilst the use of capital reserves to purchase the properties will reduce the investment income to the Council this has been taken into account in the appraisal. The level of capital reserves stands at around £14m at the end of 2012/13. The proposed capital expenditure will deplete the overall reserve by 10% but the level will remain well above the minimum £8m as recommended by the Section 151 Officer.
- 4.2 It is possible to increase the Council's housing stock up to 50 units without the need to open a Housing Revenue Account. There are currently, along with other residential property owned by the Council and the emergency accommodation, 33 dwellings formally registered with the Department of Communities and Local Government, leaving scope to increase by another 17. The acquisition and conversion of a further six properties, will not have a significant impact.

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 Bed and breakfast accommodation is not to be regarded as suitable for an applicant with family commitments, except where no other accommodation is available and the applicant occupies the bed and breakfast accommodation for a period, or a total of periods, which does not exceed 6 weeks, (Homelessness (Suitability of Accommodation)(England) Order 2003). Therefore, whilst the Council is reliant on bed and breakfast accommodation it runs the risk of being legally challenged should any family with children remain in the accommodation for more than six weeks.

#### **6.0 OPTIONS**

- 6.1 There are two options the Executive are asked to consider.

### **Option 1**

Approve the expenditure of £150,000 for the conversion of 33 and 34 Edenside, Bookham into two x two bedroom flats from the approved budget of up to £1.4 million for emergency accommodation.

### **Option 2**

Do not approve the expenditure for the conversion of 33 and 34 Edenside and ask for further work to be undertaken.

## **7.0 CORPORATE IMPLICATIONS**

### **Monitoring Officer Commentary**

All relevant legal implications have been taken into account for this proposal.

### **Section 151 Officer Commentary**

The Section 151 Officer confirms that all financial implications have been taken into account in formulating this proposal. The Council's capital reserves will remain well above the minimum recommended level of £8m and the revenue saving "return" on the £1.4m investment will outperform the current return on investment from capital reserves. This proposal is in line with recent changes to the Treasury Management strategy that targeted improved returns on the Council's investments (approved at Council 19 February 2013).

### **Risk Implications**

There is a significant financial and legal risk to the Council if action is not taken to reduce the use of bed and breakfast, which is explained above in the report.

The acquisition of the properties may be slow if there is insufficient property for sale on the open market, which will mean the reduction in the use of bed and breakfast will take longer.

There is a risk of purchases falling through and this has been built into the acquisition budget.

### **Equalities Implications**

Increasing the stock of emergency accommodation with good quality self contained units will improve the service to all housing applicants and is a significantly better offer than bed and breakfast. Where possible a property will be bought that has the potential for disabled access to limit any negative impacts.

### **Employment Issues**

The additional responsibilities of managing and maintaining the additional properties will be met by existing staff resources.

### **Sustainability Issues**

Where possible properties will be purchased with good energy efficiency ratings and where appropriate the ratings will be improved on acquisition. This has been built into the acquisition costs.

### **Consultation**

The Scrutiny Committee has been consulted on this report and their comments will be reported to the Executive.

## **8.0 BACKGROUND PAPERS**

25 June 2013 Report to Executive

Appraisal spreadsheets.