

Report to: East Area Parliament – 15th December 2004
 Cowley Area Committee – 5th January 2005
 Central South and West Area Committee - 11th January 2005
 Executive Board - 7th February 2005

ENDING THE CURRENT USE OF HRA HOMELESSNESS “HOSTELS”

<p><i>Report of: Strategic Director, Housing, Health and Communities</i></p> <p><i>Report Author: Graham Stratford Acting Business Manager Housing Services T: 01865 252447 E: gstratford@oxford.gov.uk</i></p> <p><i>Lead Member Responsible: Councillor Turner</i></p> <p><i>Overview and Scrutiny Committee Responsibility: Housing Overview & Scrutiny Finance Overview & Scrutiny</i></p> <p><i>Key Decision: YES</i></p>	<p>WARDS AFFECTED</p> <p>ALL</p>
<p>SUMMARY AND RECOMMENDATIONS</p> <p>This report contains an Appendix for the Executive Board only which appears in the Confidential part of this agenda the appendix contains details of remodelling costs and asset values for properties, the subject of this report. The appendix is confidential because it contains terms for the disposal of property.</p> <p>The Housing Services Business Unit currently uses 12 acquired properties of various sizes as short-term temporary accommodation for persons to whom the Council has a homelessness duty. These properties are generally referred to as homelessness hostels. Floating support for residents is provided by the Council's Temporary Accommodation Managers and other agencies. The properties form part of the Housing Revenue Account asset base, and should not be confused with the numerous direct access hostels in the city.</p> <p>Capital funding is in place for improvement works to two of the properties, with work due to start in late October 2004, subject to planning permission being granted.</p> <p>The remaining ten properties are in need of substantial work to bring</p>	

them up to the standard of accommodation that Housing Services is committed to providing for our customers.

Other forms of temporary accommodation, mainly from the Private Leasing Scheme, are available in sufficient quantity to allow a reassessment of the Council's need to continue using the hostels for their current purpose. Housing Services are confident that, should the decision to discontinue the current use of the hostels be taken, the temporary accommodation service to our customers would not be adversely affected.

The properties form part of the HRA asset base, and disposal could assist in meeting the financial pressures on the HRA in relation to delivering the Decent Homes Standard by 2010.

The recommendations in this report support the Council's vision in that they are intended to lead to improvements in the areas where we live and work, contribute to the provision of affordable housing, and will help maintain the financial stability of the authority.

The recommendations in this report have no staffing implications.

Financial implications in terms of income loss from disposal of the hostels are shown in Section 6 of this report. Potential costs of refurbishment, and potential receipts from disposal, are shown in the confidential Appendix.

The Executive Board is RECOMMENDED to:

- i) recommend to full Council:-
 - (a) that the properties referred to in paragraph 1 be disposed of in such a way as to maximise receipts;
 - (b) that if any disposals are to be made, the receipts be ring fenced for use in bringing existing Council owned stock up to the Decent Homes Standard.
- ii) authorise the Housing Services Acting Business Manager to end the use of the properties listed in this report as temporary accommodation, subject to Council's decision in regard of disposal of the properties.
- iii) note that a further report will need to be submitted to the Board on the terms of disposals pursuant to Contract Procedure Rule 17.05.

Background

1. Housing Services currently use the properties listed below as temporary accommodation, largely for short term placements whilst claims of homelessness are investigated. The properties are, for the most part, shared facility accommodation: that is to say, the individual rooms have locking doors but some or all cooking and bathing facilities are shared by residents. Such accommodation, though useful in some instances, is generally not satisfactory for occupation by families. Management problems can also arise where such properties are used to house vulnerable single person households. Although such properties are outside the scope of the Decent Homes Standard, officers believe that all our customers, whether in temporary or settled accommodation, have a right to a reasonable standard of accommodation, suited to their needs.

The properties concerned are:

23 Cardigan Street
31 Dene Road
35 Hurst Street
188 Iffley Road
190 Iffley Road
244 Iffley Road
246 Iffley Road
53 St Mary's Road
64 Southmoor Road
55 Bullingdon Road

2. The Private Sector Lease Scheme (PSL) introduced in 2002 has allowed Housing Services to procure sufficient leased properties to meet demand from homeless applicants. The accommodation which has been sourced through this route is of a high standard, and the scheme is cost effective. The majority of PSL properties provide self-contained accommodation for customers, although a number of shared facility units have been acquired for use by customers who may benefit from the greater social interaction such properties provide.
3. Given the demands on the HRA capital programme caused by the need to meet the Decent Homes Standard by 2010, a review of the HRA asset base has been taking place. Officers have investigated the financial and practical consequences of retaining the asset base in its current form, and have been tasked to develop strategies for various types of property.
4. In relation to the homelessness hostels, it is the view of those officers involved in the review that these properties are surplus to requirements for their current use.

Financial Information

5. Estimated costs for remodelling the properties are shown in the

confidential Appendix. Members should however bear in mind that these are initial costings based on basic level inspections and comparisons with other, similar projects. They are not fully costed development proposals. There may also be planning considerations which could have an impact on the feasibility of such works. It should also be noted that costs for returning the smaller properties to single household occupation as part of the general needs stock would be lower than for refurbishment as multi-unit self-contained temporary accommodation.

6. The properties are currently a source of income for the General Fund. With full occupancy, at current numbers of available rooms, the total income for 2003/04 would have been £144,953.39. Actual income for that year, taking into account void periods, arrears, and decreased income in cases where families occupy more than one room (second and subsequent rooms attract a lower rental) was £114,015.91. Members should also note that the conversion of these properties to self contained units would reduce the total number of units available for letting, and therefore reduce income available for collection.

Following the HRA budget review it is proposed that the rental income from these properties should accrue to the HRA, and this is reflected in the indicative budget for 2005/06.

The financial effects shown in the table below, assume that proposal is approved. The effects are shown for a whole year, based on the 2005/06 indicative budgets, and an estimate of the affect on subsidy. It is possible that the disposals would not all take place in the first financial year, but officers would aim for the quickest possible programme of disposals that could guarantee maximum receipts.

EFFECT ON GENERAL FUND	
Premises	(30,000)
Supplies & Services	(6,000)
Loss of Service Charge Income	20,700
Net Saving	15,300
EFFECT ON HRA	
Loss of Rental Income	112,400
Less Subsidy Paid to Gov't	(39,200)
Net Cost/ Loss of Income	73,200

There is not at this stage a request to vary the Budget. As mentioned above, the financial effects will be dependant on the phasing of any programme of disposals. Officers would seek the relevant approvals from Council for any potential change to the Budget brought about by disposals.

7. Currently, Housing Services receives Supporting People funding in relation to support work carried out by Temporary Accommodation

Managers in the Hostels and at the 100 Acres site. We are currently in the process of changing this contract to apply to a range of properties which does not include the hostels. The Supporting People team have agreed this in principle, and we await only the approval for specific properties. There is no reason to think that this will not be given, and the disposal of the hostels would therefore have no effect on this source of income.

8. Initial valuations of the properties concerned by City Council valuers are Shown in the confidential Appendix. The properties were valued based on current condition, and assuming open market disposal, and vacant possession. Members should be aware, however, that assumptions were made about future development of the properties that would depend on the appropriate planning permissions being granted, and that these valuations are at best a rough guide to the potential receipt from disposal.

Potential For Future Use As Social Housing

9. Housing Scrutiny Committee have expressed concern that any future use of these properties should include the highest possible proportion of social and affordable housing. Officers have therefore consulted with the housing association development partners and supported housing providers on the potential of these properties for general needs and supported housing use. Within the time available and given the nature of the use, it has not been possible to produce costed options for the properties or to consult planners on policy implications. However, on the basis of existing layout drawings and site visits, the housing providers have been able to indicate the housing potential of these properties as follows:-

General Needs Housing

10. The potential here is in converting from shared accommodation to self contained units, and the large Iffley Road properties would provide the biggest unit gain. Redevelopment of one of the sites would increase the number of units but this has not been discussed with Planning Policy. Affordable housing for single people and families with young children would be suitable in this location, as would key worker housing.

The capital costs of conversion would be high and would require Social Housing Grant funding. The development potential would need to be maximised by disposing of the larger properties as a package at low or nil cost to improve the value for money of any scheme and key worker uses would generate higher revenues for developers and housing association partners. However, it is unlikely that such a scheme would be attractive to the Housing Corporation because the current drive is to invest in schemes with low grant input which produce clearly defined outputs to meet a modern agenda (i.e. energy efficiency, standardised building methods, managed risk).

It would be possible to reduce grant input by developing some units for

sale and cross subsidising the social housing. However, this needs to be assessed against the benefits to the Council of maximising the capital receipt.

Supported Housing

11. Providers predominantly expressed strong interest in the smaller properties, either for supported housing uses or move-on accommodation with linked floating support. With regard to supported housing uses, providers were interested in relocating several existing supported housing projects with their associated revenue funding for clients support needs. The smaller properties and two of the larger properties were considered to be viable by providers for this use.

Whilst there is an identified need and interest in providing new additional supported projects, in the short-term it is unlikely that additional revenue funding could be secured by providers.

Additional move-on accommodation for vulnerable homeless persons has been identified as a priority in both the draft 5 Year Supporting People Commissioning Strategy and in Oxford's Homelessness Strategy Delivery Plan. Increasing the provision of move-on accommodation would free up high support units in other supported housing schemes, where people are receiving higher support than is appropriate for their needs. Move-on accommodation offers a flexible model of provision, linking in floating support where appropriate. This is another key theme of the 5 Year Supporting People Commissioning Strategy for reshaping housing related support services.

The smaller properties are usable in their present state but will require £10-30K capital investment in the near future. The Housing Corporation will not fund works of this nature and it is not possible to say at this juncture whether the Housing and Homeless Support Directorate will be making additional funds available in the future. Therefore, for use as either supported housing or move-on accommodation, leases would need to be provided at cost-rent to be viable for providers due to the investment required of providers with regards to undertaking repairs to the properties. Although this option is of benefit to the providers concerned, it produces no receipt for the Council.

12. It is evident from the foregoing paragraphs that a number of basic options are available.

- i) Disposal for maximum receipts on the open market to a third party. This may involve some additional social housing provision or planning gain through Section 106 agreements, but will not result in large scale increases in the available social housing stock in the city. This could, however, be offset by the benefits to the Housing Revenue Account and the Decent Homes programme, should the receipts be ring fenced for that purpose. Failure to invest the receipt in social housing in one

form or another (and Decent Homes work on current stock falls within this requirement) would lead to central government capital receipt pooling Regulations coming into effect, with subsequent loss of 75% of the receipt.

- ii) Disposal / leasing for maximum social / supported housing gain. This option has the benefit of increasing provision of social and supported housing in the city, but delivers no capital receipt to the Council. There is a risk that any projects involving redevelopment of the larger properties would take considerable time to deliver, and no guarantee that cross funding of social housing through development of units for private sale could actually deliver a viable scheme.
- iii) A mixed programme of disposal for maximum receipt and development of supported housing. The larger properties offer the best prospect of significant capital receipts. Smaller properties could be leased for supported housing schemes as outlined in paragraph 11. Other combinations of disposal, leasing, and retention are possible, and detailed proposals could be worked up if required.
- iv) Retention as temporary accommodation. Initial costings for this option are outlined in the confidential Appendix. This option involves a high cost to the capital programme, with some potential problems in gaining the relevant planning permissions required for remodelling some of the properties. Although, as noted in earlier paragraphs of this report, it is possible to provide sufficient temporary accommodation for the Housing Needs Service in other ways, investment in the current properties and a subsequent reduction in numbers of units procured through other routes remains an option. Ownership of a core portfolio of good quality temporary accommodation does provide some insulation against market fluctuations, and enhances the council's asset base. This option does not, of course, generate any receipt to offset Decent Homes aspirations if pursued wholesale. Retention of some elements of the stock as part of a mixed approach remains a possibility.

13. Members should be aware that, given the realities of the housing market in the city, it is possible that disposal of these assets could lead to a situation in which the Housing Needs Service would find it advantageous to lease back some of the properties for use as temporary accommodation following remodelling by the new owners. Although this may seem in some ways perverse, it could in fact represent a viable way of seeing these properties remodelled at no cost to the public purse, whilst enabling the realisation of much needed asset value for the HRA.

Legal Implications

14. The Council has the power to sell land under Section 123 of the Local

Government Act 1972.

15. Under the provisions of the Constitution, the Executive Board is required to consider proposals for disposal, where these exceed a consideration of £20,000. When disposal terms have been agreed a further report will be needed on those terms.
16. Because of the nature of the properties being sold, it is likely that the consent of the Secretary of State will be required. Consent will also be needed if the Council were to sell the properties at an undervalue. Should a disposal option be agreed it will be necessary to give delegated authority to the Business Manager to seek this consent.

Conclusion

14. These properties are a valuable asset of the Housing Revenue Account. The HRA has a sizeable funding gap in relation to achieving the Decent Homes Standard by 2010, as required by central government. Sale of these properties could make a substantial contribution to reducing that funding gap, should the Council decide to ring fence receipts for that purpose. The social housing use of these sites as temporary accommodation would be diminished by disposal, but sufficient temporary accommodation to meet the city's needs can be procured through other routes. Ring fencing capital receipts to the HRA capital programme would ensure that the value of the properties remained in social housing in the city. Redeveloping the properties in such a way as to maximise social housing provision could produce a small number of additional social housing units, but at the expense of any substantial financial contribution to the HRA, and faces difficulties in terms of planning consent and financial viability. The Executive Board has the opportunity to send a strong signal of its intent to provide decent homes for Council tenants in Oxford by approving disposal of these assets in such a way as to realise the maximum possible capital receipt, and ring fencing that receipt to the HRA capital programme.

THIS REPORT HAS BEEN SEEN AND APPROVED BY: Portfolio Holder for Strategic Housing: Councillor Turner. Finance and Asset Management Business Manager, Sarah Fogden, Strategic Director Housing, Health & Communities, Neil Gibson; Julie Thomlinson, Legal & Democratic Services

Background papers: None

AREA COMMITTEE MINUTES

East Area Parliament – 15 December 2004

149 ENDING THE CURRENT USE OF HOMELESSNESS HOSTELS

The Acting Housing Services Business Manager submitted a report (previously circulated and now appended) concerning proposals to dispose of some properties currently used as short-term temporary accommodation for persons to whom the Council had a homelessness duty. It was not financially viable to bring some of these properties up to the required standards so the proposal was to sell ten of those properties and use the capital receipts towards achieving the Decent Homes Standard for the remaining Council's housing stock.

Councillor Benjamin asked whether some of the smaller properties could be brought back into single household use. They were unlikely to be lost under the Right to Buy legislation because of high property values in the area.

Councillor Sareva commented that the Council was in desperate need of affordable and social housing and it seemed perverse to be depleting the Council's overall housing capacity. Graham Stratford acknowledged that it was possible (although not likely) that the same properties would be used to for emergency housing if they transferred to private landlords. However, he pointed out that the Council would still have a capital receipt and not have had to pay for bringing the properties up to the required standard. Cllr Sareva suggested that they should be converted into other affordable housing units so that there was no loss of Council housing stock. Councillor Benjamin referred to the situation in Rose Hill, where she believed that opportunities to provide social or affordable housing had not been maximised.

Peter Moss commented that the properties would only make a relatively modest return on the open market and it was likely there would be delays in obtaining planning permission. He questioned whether it was worth the effort. Graham Stratford explained that the intention was to obtain outline planning permission before marketing the properties in order to avoid such problems. His priority was to improve the permanent housing stock.

Bryan Ward-Perkins asked what guarantees could be given about the future use of the properties, to ensure the difficulties being experienced by neighbours did not recur or become worse. He asked whether neighbours would be consulted. Graham Stratford said he would look into whether it would be possible to control the future use of properties being sold. He commented that there were normally less problems with self-contained units

than with shared facilities, and the use of controlled entry systems and CCTV could be investigated. One option under consideration was the use of a security company to provide management out of office hours. There were no plans to consult neighbouring properties, and decisions had to be taken on a business footing. He agreed to provide Mr Ward-Perkins and other local residents with information on the future plans for 196 Iffley Road, which was being retained by the Council.

Councillor Simmons asked whether prudential borrowing could be used to improve properties, and was advised that this had been investigated but was not feasible.

Resolved to RECOMMEND the Executive Board that every effort be made to retain the Council's housing stock and modify it to suit current needs; however, if disposals were to go ahead the Area Parliament asked that: -

- (a) disposals should be on a leasehold basis and not freehold;
- (b) means of controlling future use of properties should be investigated;
- (c) any funds raised from the disposals should be put towards meeting the Decent Homes Standard;
- (d) options should be investigated for working with housing co-operatives on improving some of the smaller properties.

Cowley Area Committee – 5 January 2005

**138. HOMELESSNESS HOSTELS – ENDING CURRENT USE –
CONSULTATION ON DISPOSAL**

The Strategic Director, Housing, Health and Communities submitted a report (previously circulated now appended) which detailed the ending of the current use of HRA Homelessness Hostels.

The Committee agreed to support the proposals

Central South and West Area Committee – 11 January 2005

123. ENDING THE CURRENT USE HRA HOMELESSNESS HOSTELS

The Acting Business Services Manager submitted a report (previously circulated and now appended).

Resolved to support the proposal to dispose of the properties listed in paragraph 1 of the report.