



ADUR & WORTHING
COUNCILS

Executive Members for Customer
Services
17 September 2018

Decision to be taken on or after
25 September 2018

Key Decision: Yes

Ward(s) Affected: Tarring Ward

Acquisition of land in West Worthing

Report by the Head of Housing and Chief Financial Officer

Executive Summary

1. Purpose

- 1.1 To advise the Members of the opportunity to purchase the property known as the Downview pub, Station Parade, Tarring Rd, Worthing which has already been granted planning approval for conversion into a ground floor commercial unit and 13 residential units.
- 1.2 To seek approval for the release of the sum of £4.4 million from the capital budget for the acquisition of property to meet affordable housing needs.
- 1.3 To undertake the conversion works to provide affordable accommodation to defray the cost of households in emergency accommodation

2. Recommendations

- 2.1 The Executive Members are recommended to:
- 2.2 Note the opportunity to acquire the land in West Worthing with planning approval for conversion to commercial and residential accommodation.

- 2.3 Approve the release of £4.4million to fund the purchase cost, conversion works and associated fees, subject to the Officer decision to proceed with the purchase.
- 2.4 Undertake the conversion work to provide a minimum of 13 units of accommodation to meet the needs of households who would otherwise be in emergency accommodation.
- 2.5 Delegate authority to award all necessary associated contracts to the Head of Housing in consultation with the WBC Executive Member for Customer Services.
- 2.6 Note that a further report will be required for consideration by the Joint Strategic Committee to release a further sum of money from the capital budget on an invest-to-save basis to facilitate the purchase of further accommodation as the opportunity arises.

3. Context

- 3.1 Worthing Borough Council has identified capital budgets for the procurement of affordable permanent and temporary accommodation to meet housing needs. This is particularly acute when considering the requirement for accommodation to meet the needs of homeless households who need to be placed in expensive emergency accommodation which is charged at a nightly rate.
- 3.2 The purpose of the capital budget is to invest in housing schemes which create savings for the general fund revenue budget.
- 3.3 Since the capital budget was identified, opportunities to purchase accommodation have been much harder to source than anticipated. There is a lack of property that is suitable for this purpose and the Council has largely been unable to compete in the market as properties are being purchased quickly, at values significantly above the asking price, and the Council must demonstrate best value when purchasing property. This has been particularly acute across the Worthing Borough Council area.
- 3.4 The opportunity presented by the land in West Worthing provides a rare chance therefore to acquire a site within the Borough with planning approval for conversion to a residential site, having already been granted.

3.5 The current owner of the site has also agreed to a period of time, to come to an agreement to purchase the property, with a further set period in which to complete the sale. The end point for completion of the property will be 31st October 2018.

4. Issues for consideration

4.1 The proposal is to purchase the property which is subject to arms length due diligence and scrutiny. Professional external surveys are being undertaken including a development appraisal valuation, building and structural surveys and a quantity surveyor assessing the projected build costs underpinning the site value and will include the intellectual property rights to the planning documents, architects drawings and any other associated reports, studies and surveys.

4.2 The scheme has been tested through the Council's financial assessment tool to establish the savings which can be generated to the general fund revenue accounts. This shows that a full year saving on the emergency accommodation bill could be in the region of £90,000. This is based on a comparison of nightly rates for double, triple and quad room/household costs in nightly paid accommodation.

4.3 This is a long term investment to generate sustainable savings and the intention would be to hold the asset for at least twenty years. The financial implications at section 6 below show savings across a much longer period at fifty years as the longer the council holds the property the better the return is. The business case therefore includes an element of funding for replacement and cyclical repairs and maintenance costs.

4.4 The planning approval already granted includes a 2000m² A1 A2 B2 commercial use and 7 one bed, 2 two bed units (within the pub) and 4 x 2 bed houses in the rear car park area. The Councils' estates team is already looking at potential uses and clients for this space. This in turn will provide valuable income to offset the costs of the scheme and provide an even better return on the capital investment.

4.5 Other options considered included not buying the property (i.e the doing nothing option) with the resultant need to continue to fund expensive emergency accommodation. This would be contrary to the Councils' policy to seek ways to reduce the costs of emergency accommodation and would not be make good use of a budget identified for this specific purpose.

4.6 The accommodation will be managed internally by the Councils' Housing Needs Team and an element of funding for this has been included within the business case. It is likely that the Council's will need to employ a part time dedicated emergency and temporary accommodation officer who will oversee these tenancies, ensure the rent and service charges are collected, and deal with residents moving in and out of the accommodation. This will need to be a practical and hands on role.

4.7 The accommodation will be let to tenants on insecure tenancies provided under the Councils' homelessness duties and will thus will not create entitlements for tenants to the right to buy.

5. Engagement and Communication

5.1 Discussions have been undertaken with a range of Council officers, and the Executive Members for Adur and Worthing have been briefed and fully support the proposal.

6. Financial Implications

6.1 Worthing Borough Council has made available the following budgets for the acquisition and development of temporary accommodation which are to be released on an invest to save basis:

2018/19	£3,800,000
2019/20	£2,000,000

Financial regulations state that any scheme over £250,000 must be the subject of a formal report to the Executive Members outlining the options considered and the potential outcomes from the investment.

6.2 The overall cost of the proposed acquisition and development of the site will depend upon the final configuration of the units to be delivered on the site. The current planning approval would deliver seven 1-bed units, two 2-bed units, and four 2-bed houses. To purchase the land and subsequently develop the site in accordance with the current planning application would cost in the region of £3.3m.

6.3 This would deliver significant annual savings on the current cost of bed and breakfast as follows:

Annual costs	Purchase £	Bed and Breakfast £
Debt charges		
Interest	83,960	
Principal repayment	32,840	
Total borrowing costs	<u>116,800</u>	<u>0</u>
Maintenance	26,000	0
Annual buildings insurance	5,200	0
Staff	8,450	
Council Tax voids @ 5%	905	
Bed and Breakfast charges		251,332
Total costs	<u>157,355</u>	<u>251,332</u>
Less: Potential rental income	-89,259	-83,430
Net annual income	<u>68,097</u>	<u>167,902</u>
Annual saving		99,805

6.4 Over the next 50 years it is expected that significant sums will be saved:

	Net annual cost £	Net cost / income(-) over 50 years £	NPV over 50 years (cost (-) / income) £
Purchase Downview	68,097	2,980,014	-1,040,015
Current B&B arrangements	167,902	14,201,562	-7,597,803
Saving	<u>99,805</u>	<u>11,221,548</u>	
Averaged annual saving over 50 years		224,431	

6.5 It may be possible to increase the number of units to be delivered on the site by building a small block of 1-bed flats (8) rather the 4 2-bed houses. This will cost additional capital resources but potentially increase the saving delivered. This option is estimated to cost £4.4 m.

Comparison over 50 years:

	Net annual cost £	Net cost / income(-) over 50 years £	NPV over 50 years (cost (-) / income) £
Purchase Downview	106,820	5,152,700	-1,754,710
Current B&B arrangements	212,540	17,978,640	-9,538,2809
Annual saving	<u>105,720</u>	<u>12,825,940</u>	
Averaged annual saving over 50 years		256,520	

Given the potential additional savings that can be released if additional units are delivered on the site, budget of £4.4m is requested to be released. The delivery of the additional units will be dependent on the necessary planning consents being obtained.

7. Legal Implications

- 7.1 Section 124 Local Government Act 1972 provides the Council with the power to acquire land or property.
- 7.2 The Councils' Head of Housing has a delegation at para 3.1.18 of the Officer Scheme of Delegations to acquire land or property in connection with the Council's housing function for the purpose of providing emergency and temporary accommodation.
- 7.3 The Council's Head of Housing does not have the delegated authority to authorise the conversion and development work associated with this project which requires a decision of the Executive Members for Customer Services.
- 7.4 Paragraph B16 of the Financial Procedure Rules provides that Executive Member approval is required for the release of the budget for any capital project of more that £250,000.

Background Papers

None.

Officer Contact Details:-

Name: Cally Antill

Role: Head of Housing

Email: cally.antill@adur-worthing.gov.uk

Sarah Gobey

Chief Finance Officer

sarah.gobey@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

This proposal assists the council in reducing the impact of the cost of expensive nightly paid emergency housing accommodation.

2. Social

2.1 Social Value

This proposal will provide decent and affordable accommodation for those who have become homeless and to whom the councils owe a duty. This will have a positive impact on those individuals who often have less chances in life than others.

2.2 Equality Issues

This proposal does not have a specific effect on any specific group with protected characteristics

2.3 Community Safety Issues (Section 17)

There are no specific impacts on crime and disorder.

2.4 Human Rights Issues

This proposal assists with the right to respect for a home life by providing a disadvantaged group of people (ie homeless households) with a decent affordable home.

3. Environmental

The accommodation provided will be built to modern current standards under the building regulations for example the latest standards of insulation and will also reduce fuel poverty for the residents

4. Governance

The proposals in this report are fully in line with the Councils' Housing Strategy and with its Platform for our Places strategic document.