

CABINET

18 FEBRUARY 2016

THE OVERVIEW & SCRUTINY COMMITTEE

22 FEBRUARY 2016

COUNCIL

25 FEBRUARY 2016

PROPOSED PURCHASE OF MILFORD HOUSE AND GORDON WATSON
HOUSE, CHRISTCHURCH ROAD, WINCHESTER

REPORT OF HEAD OF ESTATES

Contact Officer: KEVIN WARREN Tel No: 01962 848528

RECENT REFERENCES:

NONE

EXECUTIVE SUMMARY:

Milford House and Gordon Watson House are currently managed by First Wessex as a supported housing project. In April 2014 First Wessex informed the Assistant Director (Chief Housing Officer) that they were considering options for the disposal of the property. Efforts were made to find other Housing providers willing to purchase the property, but following detailed investigations by two registered providers, it had not been possible for them to agree terms acceptable to First Wessex. While other parties might come forward to purchase the property, it was considered to be important to buy it and end the uncertainty over the future of the accommodation and to bring it fully back into use.

The Assistant Director (Chief Housing officer) has identified that it remains very important to provide the type of supported housing offered currently in the properties

and has noted that other providers are also considering the closure of similar accommodation elsewhere in the District.

The report details proposals for the purchase of the property and seeks approval to the terms.

This is an additional item to that shown in the February Forward Plan. It is necessary to take it as an urgent item due to the need to approve the purchase to secure the opportunity to acquire the property. The Chairman of The Overview and Scrutiny Committee has agreed to the matter being considered at this meeting.

RECOMMENDATIONS:

- 1 That subject to a) the approval of full Council to the revisions to the New Build Capital programme set out in Section 5 of the Report b) the delegated authority to the Head of Estates in Recommendation 2 below, the proposed purchase of the freehold of Milford House and Gordon Watson House be agreed on the terms (and subject to the conditions) detailed in the Report and Exempt Appendix B.
- 2 That the sources of funding as outlined in the Report and set out in detail in Exempt Appendix B be approved.
- 3 That the Head of Estates be given delegated authority, in consultation with the Portfolio Holder for Housing and the Assistant Director (Chief Housing Officer), to negotiate a lower purchase price if the Structural or M&E surveys indicate defects that have not already been taken account of in the valuation.
- 4 That a further report be submitted to the Cabinet (Housing) Committee in March 2016 to approve the management arrangements for the property.
- 5 That approval be given under Financial Procedure Rule 6.4 to the capital expenditure for the project, as set out in Exempt Appendix B.

TO THE OVERVIEW AND SCRUTINY COMMITTEE

- 6 That the Committee consider whether to exercise its rights to call in the decision for review.

TO COUNCIL

- 7 That the revisions to the New Build Capital programme set out in Section 5 of the Report be approved.

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REPORT OF HEAD OF ESTATES

DETAIL:

1 Introduction

- 1.1 Milford House and Gordon Watson House are currently a supported housing project in St Cross, Winchester, operated by First Wessex and providing 35 units of Stage 2 supported and “move on” accommodation to vulnerable adults threatened with homelessness. The extent of the property is shown outlined in black on the plan at Appendix A.
- 1.2 The project has for many years provided very positive support to the City Council’s Supported Housing Panel and has been a key contributor to addressing homelessness in the city.
- 1.3 However, the project has for many years relied on Supporting People funding to meet operating costs. The funding ended as part of the recent Supporting People reductions. As part of its strategic rationalisation, First Wessex has determined to close the project and has been in discussions with a number of providers regarding its disposal.
- 1.4 There has been interest from other housing providers and the City Council has met with interested parties to discuss how it could support and enable them in taking the project forward. This has included offers of grant and possible loans. However, all have since withdrawn from negotiations, largely as a result of the current uncertainty in the supported housing sector.

2 Future of Supported Housing

- 2.1 Recent Government announcements relating to welfare reform could have a very significant impact on the future of supported housing projects. Potential benefit changes include:

- Under 35 year olds only being entitled to Housing benefit up to the “shared room rate” local housing allowance
 - Housing Benefit for all social housing being limited to local housing allowance (many housing projects and most supported housing currently rely on benefit being paid above local housing allowance rates to cover enhanced management costs).
- 2.2 The changes are anticipated to take effect from April 2018. The sector is making strong representations about the potential impact on future projects and ministers recognise the issue and have said there will be mitigation to assist housing projects. However, until any exemptions or other mitigation is clarified, providers are understandably concerned about investing in supported housing.
- 2.3 However, whatever future welfare changes are introduced, the City Council will still have a duty to address homelessness. Without available projects, reliance on bed and breakfast would increase, which would be significantly more expensive than operating the Council’s own temporary accommodation. The City Council has an excellent track record in avoiding the use of expensive bed and breakfast, in part due to the role played by supported projects such as Milford House. Current expenditure on bed and breakfast (a general fund cost, not Housing Revenue Account) is nil, although many similar sized authorities have very large B&B budgets.
- 2.4 In particular, the loss of the Milford House/Gordon Watson project would result in an increase of vulnerable adults presenting themselves to the Council for assistance to prevent homelessness and equally importantly would result in other projects losing potential “move on” accommodation, an essential element of assisting residents in being able to sustain a long term tenancy.
- 3 Purchasing Milford House and Gordon Watson House
- 3.1 In the absence of an alternative housing provider who would be prepared to acquire and maintain the property as a supported housing project, there is a risk that it might be disposed of in the market for general development.
- 3.2 In its role as a housing provider, the City Council is well placed to purchase the property and take over the management of the project alongside other temporary accommodation/supported housing it already manages at Sussex St and Barnes House in Winchester, Lent Hill Court, Stanmore and Brittany House, Wickham.
- 3.3 When assuming a “worst case” of rents and management charges set in accordance with shared room rate local housing allowance, funding the scheme and maintaining viability can be achieved with the support of money collected for the provision of affordable housing under Section 106 agreements, and Right to Buy Allowances (see Financial Viability section).

- 3.4 It is understood that the staff employed by First Wessex work in other projects as well as Milford House and Gordon Watson House, and therefore they would not transfer to the Council under the Transfer of Undertakings (Protection of Employment) Regulations. First Wessex have been asked to confirm that this is the case prior to the acquisition of the properties.
- 3.5 Additional staffing, funded by management allowances, would be required, although it may be more appropriate to commission an external provider to manage the scheme. This report does not seek to recommend operating arrangements and a further report on this issue will be considered by Cabinet (Housing) Committee in March.
- 3.6 It is likely that the City Council will have a direct duty to assist some or all of the existing residents at the project, with the best option being that they remain in residence. Officers are discussing with First Wessex each case individually and would issue new licences/tenancy agreements where appropriate or facilitate alternative housing options.
- 3.7 Section 9 of the Housing Act 1985 gives the Council the power to provide housing accommodation by acquiring houses. Section 17 provides express power to acquire houses for this purpose.

4 Impact on the Housing Revenue Account

- 4.1 The City Council operates its temporary accommodation within the HRA and it is fully funded through licence fees and management charges.
- 4.2 It is proposed that the purchase of this property be funded through the HRA and from available Section 106 Agreement money and Right to Buy Allowances. Operating costs will be covered through licence fees and management charges. As detailed in the Financial Viability section, even when assuming a "worst case" regarding potential benefit changes, it is still possible to operate the scheme at no net operating cost to the HRA (other than property purchase costs).

5 Financial Viability and Resources

- 5.1 The most recent appraisals for the project, following other local partners removing themselves from the scheme, have been based on the worst case. However, using elements of S.106 contributions (£1m) and Right to Buy allowable debt retentions (£450,000) the project does produce a positive NPV in excess of £690,000 over a 30 years assessment with a loan payback period of 15 years.
- 5.2 In addition to the above elements, it is proposed that the Council uses the release of the original budget for the Greenhill Avenue scheme (£1,070,000) with the balance of £55,030 coming from savings in the HRA in 2015/16.

- 5.3 A full analysis of the costs and funding of the purchase is shown in Exempt Appendix B and approval is sought to this expenditure under Financial Procedure rule 6.4.
- 5.4 The purchase of Milford House was not considered as part of the HRA budget for 2016/17 approved by Cabinet (Housing) on 3 February and also by Cabinet on 10 February 2016 and the differences to the budget are forecast to be as follows:
- The forecast HRA working balance of £1,476,906 will reduce by the amount of 2015/16 savings proposed (£55,030) for the purchase and reinstatement. This will be more than recovered by the additional rent and service charge income from taking on the dwellings, estimated at up to £182,000 in year 1.
 - The new build programme budgets available will reduce by £1,070,000, representing the funding from the Greenhill Road project.
 - The HRA capital programme funding shown in CAB2761 (HSG) will need to be revised to take account of funds being applied for this purpose. However, it is considered that the funds remaining as S.106 contributions and from Right to Buy retained receipts is more than sufficient to meet the Council's other commitments until 2020/21.

6 Assessment of Property

- 6.1 The property comprises two separate dwellings which although attached have no internal access between them and are operated as separate buildings. The property is situated on the corner of Christchurch Road and Lansdowne Avenue and occupies a substantial plot of about 0.67 acres (0.27 hectares).
- 6.2 Milford House appears to have been constructed as a substantial detached villa in the 19th century and has been extended over the years since then. The main building is constructed with brick elevations under a pitched tiled roof, on ground and first floor levels. Milford House extends to approximately 588.79 sq m (6,338 sq ft) gross internal area (GIA). The accommodation comprises:
- Ground Floor: Entrance hall, reception room with office and WC, interview room, 2 large reception rooms, 2 shared kitchens, communal shower room, bathroom, wet room, WC room, laundry room, 3 small bedrooms and 3 large bedrooms.
 - First Floor: Communal kitchen, WC room, 2 bathrooms, 7 small bedrooms, 5 large bedrooms and 2 one bedroom studio flats.
- 6.3 Gordon Watson House is understood to date from 1983, built as an extension to Milford House, and is constructed on ground, first and second floors having brick elevations and under twin pitched tiled roofs with a section of flat roof between.

- 6.4 The accommodation is a mixture of self-contained studio flats and 1 bedroom flats. Due to the occupation of the property it has not been possible to inspect a 1 bedroom flat. The studio flats inspected comprised a hallway, shower room, kitchen and bedsit extending to 27.26 sq m (293 sq ft).
- 6.5 The property extends to about 631.48 sq m (6,797 sq ft) GIA and provides the following accommodation:
- Ground Floor: Entrance lobby, laundry room, 4 No. studio flats and 1 No. one bedroom flat.
 - First Floor: 4 No. studio flats and 1 No. one bedroom flat.
 - Second Floor: 4 No. studio flats and 1 No. one bedroom flat.
- 6.6 The Site includes substantial gardens mainly laid to lawn. On the north east section of the site, accessed from Christchurch Road, there is a surfaced car parking area, a bike shed and an area for commercial waste containers. The spaces are principally arranged on the north and south side of the car park with a central way running through the car park giving access to the spaces. 5 of the spaces adjoin Christchurch Road and are principally used for disabled parking.
- 6.7 Carter Jonas were engaged by the Council to carry out valuations of the property. These valuations were to establish
- The market value of the property with vacant possession
 - The market value of the property in its existing use
- 6.8 The valuation details are contained in Exempt Appendix A. First Wessex have disclosed that they were in receipt of Housing Association Grant in the sum of £396,126 and have indicated that they intend to transfer responsibility for the grant to the Council on the sale of the property. First Wessex have been asked to provide full details of the grant and any conditions attached to it to the Council, and the purchase price has been reduced to reflect liability for the grant.
- 6.9 Structural and M&E surveys have been ordered and the purchase price will be adjusted if the surveys identify any unexpected defects or costs associated with the buildings.
- 6.10 The property will be acquired subject to the agreements the existing occupants hold to occupy the accommodation. First Wessex have been asked to provide a detailed breakdown of the agreements under which the residents occupy the accommodation. It is likely that the tenure for some occupants will have to change to a form the Council is able to employ.

6.11 The terms proposed to First Wessex for the purchase of the properties are set out below, with the exception of price, which is detailed in Exempt Appendix B:

- 1) First Wessex convey to Winchester City Council the freehold interest of the property identified on the plan attached to title number HP588797 free from any restrictions or unusual outgoings, but subject to the existing occupation agreements/tenancies. Vacant possession will not therefore be required upon completion.
- 2) The property be sold subject to detailed structural and mechanical and electrical surveys and the purchase price will be adjusted to reflect any issues identified in these surveys which impact upon value.
- 3) Each party to bear their own legal costs
- 4) The sale to be subject to approval by Cabinet and Council and to the views of The Overview and Scrutiny Committee

OTHER CONSIDERATIONS:

7 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

7.1 Providing new homes is a key priority for the Council as it seeks to promote active communities: 'to support local people in accessing high quality and affordable housing which meet their needs'. It also facilitates the District's economic prosperity.

8 RESOURCE IMPLICATIONS:

8.1 The acquisition of the property will be managed by the Head of Estates and will involve external Valuation, Structural and M&E consultants. The Head of Legal & Democratic Services will undertake the conveyancing and a team from Housing will be responsible for arranging the management of the property, the transfer of the occupants to new occupational agreements, and the future maintenance of the buildings.

8.2 Appendix D shows the costs and funding of the scheme. Paragraph 5.4 above details the impact on the HRA revenue budget and capital programme for 2016/17.

9 RISK MANAGEMENT ISSUES

9.1 The risks associated with the future of supported housing projects is set out in the Report.

9.2 However, the risk to the City Council of losing 35 units of supported accommodation and the associated impact on homelessness and other projects cannot be ignored.

- 9.3 The recommendation to purchase this asset and take on direct responsibility for the project takes full account of the associated risks and the viability assessment assumes a “worst case” to reflect this.
- 9.4 Overall, it is considered the positive nature of the scheme, in financial viability terms, outweighs the potential risk involved in the purchase.

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A Title Plan

EXEMPT Appendix B Valuation and Purchase Price Information

Site Address: MILFORD HOUSE AND GORDON WATSON HOUSE, CHRISTCHURCH ROAD

Winchester City Council
Estates
DP:

Scale: 1:1250
Date: February 2016
Ref: HP588797

Map Ref: SU 4728

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