Committee:	**Cabinet**	**Agenda Item**
Date:	**17 February 2015**	10
Title:	**Temporary Accommodation**	
Portfolio Holders:	**Councillor Julie Redfern** **Councillor Robert Chambers**	Item for decision

Summary

1. To enable the Housing Service to continue to develop new housing, without impacting on the debt cap, it is being recommended that the designated temporary accommodation units currently held within the Housing Revenue Account (HRA), are transferred to the General Fund at the estimated open market value of £1,047,000

2. The Scrutiny Committee reviewed the budget reports on 10 February. Comments from the Committee are in a separate item on the agenda.

Recommendation

a) That Cabinet recommends to Full Council that it approves the transfer of the eight designated temporary accommodation units from the HRA to the General Fund at the estimated market value cost of £1,047,000 subject to Secretary of State Approval.

Financial Implications

3. The Reserves Strategy identifies that there is the scope for the council to utilise this sum in support of the HRA and the Strategy has been prepared on this basis.

Background Papers

None.

Impact

Communication/ Consultation	The top priority emerging from public consultation is that the Council should keep[ing] Council Tax as low as possible while maintaining or improving services and providing support to the vulnerable
Community Safety	No specific implications
Equalities	No specific implications
Health and Safety	No specific implications
Human Rights	No specific implications
Legal implications	This process will require Secretary of State approval.
Sustainability	No specific implications
Ward-specific impacts	No specific implications
Workforce/Workplace	No specific implications

Background

4. The Housing Service is continuing with a programme of refurbishment of sheltered units and development of potential sites for new housing.

5. In 2012 the HRA reforms meant that the council had to take out an £88.4m loan. The debt was taken out on the basis that the council does not start to repay the principal until 2017/18 so as to give the council the maximum opportunity to kick-start a development programme.

6. As part of the HRA reforms from 2012 the council had a debt cap imposed. This is a figure that sets out the maximum borrowing level, both external and internal, that the HRA must not exceed.

7. The loan structure has worked insofar as the council has made good progress in redesigning sheltered unit sites and delivering new housing, however it means that in 2015/16 and more so in 2016/17 the HRA is very close to the debt cap and cannot incur more borrowing either external or internal.

8. The Council is keen to progress with additional new builds however the debt cap could potentially stop this happening. As part of the work in developing the new Reserves Strategy it has been identified that there is scope to utilise approximately £1m of the reserves balance to support the work of the HRA. However as set out above the debt cap means the General Fund cannot simply loan the HRA any money.

9. The solution to this involves the Homelessness service which is a General Fund service. Where the HRA has dedicated temporary accommodation units these could be transferred, subject to Secretary of State Approval, to the General Fund at open market value.

10. The Housing Manual 2006/07 which offers guidance on the transfer of assets between the Housing Revenue Account and the General Fund, this transaction follows the recommended guidelines

11. In this case, as the property is still required for the purposes of Part II of the Housing Act 1985, i.e. for the provision of housing, the authority will need to seek a direction from the Secretary of State under section 74(3)(d) of the Local Government and Housing Act 1989 to take the property out of the HRA.

12. The Council has eight designated temporary accommodation units, four at Burnt Villas Takeley and four at the new Mead Court development in Stansted. The estimated market value for these eight units is £1.047m.

13. The General Fund would become the landlord and would receive the rent from the lettings of the property. This would give an annual income in the region of £50,000 which equates to a yield of about 4% per annum, after expenses including maintenance and utilities, which compares with about 0.3% per annum on our current government/bank/building society investments.

14. A reflection of the times is that it is normal for all of our designated temporary units to have 100% occupation (excluding changeover days). However the income budget will be based on a more prudent occupation level of 95%.

15. The capital sum generated will enable increased HRA investment in development schemes, which will in turn generate additional income for the HRA through affordable rents. This will offset any loss of rental income to the HRA from the temporary accommodation
16. The Council will determine the way in which the units are used on an annual basis. Should homelessness levels fall the units can be converted back to social housing and ownership transferred to the HRA at market value.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The Secretary of State refuses the transfer	1 (specific legislation exists to allow this to happen)	3 (the council would be unable to invest in the Housing Service until the principal starts to be repaid in 2017/18)	A well-presented case to the Secretary of State to obtain authorisation