



CABINET –27TH NOVEMBER 2019

SUBJECT: APPROPRIATION OF RESIDENTIAL PROPERTIES

REPORT BY: INTERIM CORPORATE DIRECTOR FOR COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 This report seeks Cabinet approval to appropriate two formally tied residential properties, currently held by Bereavement Services (General Fund), for Housing purposes to Caerphilly Homes (Housing Revenue Account). The properties are surplus to their original requirements and therefore tenancies and other operational matters will be managed by Caerphilly Homes.

2. SUMMARY

- 2.1 The properties known as Cemetery House, Abercarn, which is situated within the grounds of Abercarn Cemetery and 65 Cromwell Road, Risca were previously let as tied tenancies by Bereavement Services for members of their staff. Following the ending of the tied tenancies the tenants have held a secure tenancy under the Housing Act 1985 and Bereavement Services have certain duties and responsibilities as part of this contract.
- 2.2 Providing, managing and maintaining tenanted accommodation is not the primary role of Bereavement Services. Consequently they are highly reliant on other services to support them in this regard so it is proposed to transfer this responsibility by appropriating the assets for housing purposes to be held in the Housing Revenue Account. Caerphilly Homes have agreed, in principle, to the transfer of these properties to their stock at market value and would improve the properties to the Welsh Housing Quality Standard. However financial viability of the proposal is dependent on the success of applications to Welsh Government for Affordable Housing Grant assistance. In order to achieve funding for both the transfer and improvement costs it is anticipated that the transfer of the properties would be required to be completed by 29 November 2019. The report seeks urgent Cabinet approval for appropriating both properties from the General Fund to the Housing Revenue Account for housing purposes.

3. RECOMMENDATIONS

- 3.1 It is recommended that Cabinet approve the appropriation of the tenanted assets known as Cemetery House, Abercarn and 65, Cromwell Road, Risca from Bereavement Services to Housing, pursuant to S.122 of the Local Government Act 1972 and at an agreed market value.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The two residential properties are surplus to the operational requirements of Bereavement Services and the management of residential properties is outside of their operational remit. Caerphilly Homes have indicated a willingness to accept the two tenanted properties into the social housing stock and improve them to meet the Welsh Housing Quality Standard thereby increasing their stock of affordable homes for rent.

5. THE REPORT

- 5.1 Cemetery House, Abercarn is a three bedroom detached house, whilst 65 Cromwell Road, Risca is a three bedroom semi-detached property. Both properties have current tenants who have secure tenancies; Caerphilly Homes have accepted that they will remain tenants of those properties.
- 5.2 The properties were previously let as tied tenancies by Bereavement Services for members of their staff; however the tenants are no longer tied to employment with the Service. Following the ending of the tied tenancies, the tenants have since held secure tenancies under the Housing Act 1985 and Bereavement Services have retained certain duties and responsibilities in respect of maintenance of the premises and occupation as part of these contracts.
- 5.3 Providing, managing and maintaining tenanted accommodation is clearly not the primary role of Bereavement Services and they are reliant on other services, including Legal, Housing and Property Services to support them in this regard.
- 5.4 Since 2003 the two properties have been included in the Caerphilly Homes rent debit (non HRA) which collect the rent and water charge on behalf of Bereavement Services. The annual rent is journaled from the HRA to the relevant cost centre each year minus an admin fee. Annual Caerphilly Homes rent increases, in accordance with cabinet decisions, have been applied to these properties since 2003.
- 5.5 Bereavement Services are looking to divest themselves of the responsibility by transferring these tenanted assets, and the 'best fit' is considered to be Caerphilly Homes. Caerphilly Homes have agreed to consider the transfer of the properties into their social stock however, in addition to funding the transfers; they will be obligated to invest substantial sums in the two properties in carrying out improvements to ensure they meet the Welsh Housing Quality Standard. Due to the type of properties and extent of work involved to bring them up to the WHQ Standard the transfers are not considered to be a viable proposal for Caerphilly Homes unless it is successful in applying for Affordable Housing Grant funding to contribute to the transfer and improvement costs necessary to bring these properties up to an acceptable standard.
- 5.6 Affordable Housing Grant (AHG) is a grant programme which provides 58% revenue funding to Local Housing Authorities (LHAs) towards the costs of acquiring and improving new social housing. The grant is paid in the form of a revenue stream by annual instalments over a period of up to 29 years with the remainder of the cost required to be funded by Caerphilly Homes.
- 5.7 LHAs are able to submit affordable housing scheme applications to Welsh Government for approval subject to the schemes being included within a Local Authority's Programme Development Plan (PDP). In order for AHG to be paid to

LHAs affordable housing schemes must receive Welsh Government approval. The individual approval stages are listed below:

Stage 1 – Acquisition

This is a LHA's application to purchase land or property with AHG funding. It provides an indication of costs anticipated at tender stage. It seeks approval of acquisition costs and requests grant based on the purchase price.

Stage 2 – Pre Planning

This is a LHAs application to seek Welsh Government's view of estimated costs.

Stage 3 – Tender/Works

This is an LHAs application to build affordable homes on a specific site or rehabilitate an existing dwelling with AHG funding.

- 5.8 The proposed appropriation of these two properties was included in the LHAs latest PDP but AHG funding ends in March 2020 and the deadline for submitting claim forms for all stages is 29 November 2019. To benefit from grant funding it is anticipated that Caerphilly Homes would require full ownership by 29 November 2019 and to begin works on site before April 2020.
- 5.9 The appropriation of the properties would be under Section 122 of the Local Government Act 1972, and it has been agreed by Caerphilly Homes that they would be appropriated at full market value, taking into consideration property condition and the presence of secure sitting tenants. These valuations have been confirmed by an independent valuer at £72K in respect of Cemetery House, Abercarn and £54k in respect of 65 Cromwell Road, Risca.
- 5.10 In order to qualify for the AHG funding the properties need to be improved to Development Quality Requirements (DQR) Part 2 (Requirements for existing and rehabilitated dwellings built by housing associations), which is largely comparable to WHQS. Initial property condition surveys have been completed and costs for achievement of WHQS are estimated at:-
- Abercarn Cemetery House - £23,100.03;
 - 65 Cromwell Road, Risca - £29,021.44.

5.11 Conclusion

The two tenanted properties known as Cemetery House and 65 Cromwell Road are surplus to the operational requirements of Bereavement Services and the management of residential properties is outside of their operational remit. Should the proposed appropriation be approved by Cabinet then Caerphilly Homes, if successful in applying for Affordable Housing Grant, would utilise the properties as social housing and improve the properties to meet WHQS.

6. ASSUMPTIONS

- 6.1 No assumptions have been made.

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 *Caerphilly Homes Service Plan (2018-2023).*

Priority Object 2 – Increase the provision of new, affordable homes to meet identified needs, promoting “Lifetime Homes” principles for grant funded delivery and where appropriate supporting Welsh Government’s innovative Housing Programme.

7.2 *Corporate Plan 2018-2023.*

The proposal contributes towards or impacts the following Corporate Well-being Objectives:

Objective 2 - Enabling employment - Use investment in improving homes to increase the number of skilled, qualified workers by providing apprenticeship, training and work placements with our in-house workforce and building contractors.

Objective 3 - Address the availability, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people’s well-being.

Objective 6 - Support citizens to remain independent and improve their well-being.

Welsh Government Policies

7.3 *Improving Lives and Communities: Homes in Wales (Welsh Government, 2010),* which sets out the national context for improving homes and communities, including the energy efficiency of existing homes.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 The report contributes to the following Well-being Goals:

- A prosperous Wales*
- A resilient Wales*
- A healthier Wales*
- A more equal Wales*
- A Wales of cohesive communities*
- A globally responsible Wales*

8.2 The report is consistent with the five ways of working as defined within the sustainable development principle in the Act. The five ways of working of the sustainable development principle, listed in the Act are:

- Long Term – Housing is a long term asset and these proposed additional social rented homes will meet current and future needs.
- Prevention – The additional homes will assist in meeting housing need and prevent homelessness and poor health attributable to poor housing conditions.
- Integration –The proposal brings together a variety of stakeholders to deliver long term sustainable benefits for lives and communities.
- Collaboration – Bereavement Services and Caerphilly Homes are working in collaboration to ensure a sustainable future for the properties concerned.
- Involvement – There will be an opportunity for tenants to have an input into the

planning and design of proposed improvement works and into determining their future housing needs.

9. EQUALITIES IMPLICATIONS

- 9.1 An EqIA screening has been completed in accordance with the Council's Equalities Consultation and Monitoring Guidance and no potential for unlawful discrimination and for lower level or minor negative impact have been identified, therefore a full EqIA has not been carried out.
- 9.2 The current tenants of the two properties have been consulted on the proposals and their views taken into consideration in planning for the transfer and improvement of the properties should the appropriation be approved.

10. FINANCIAL IMPLICATIONS

- 10.1 The recent approval of AHG to part fund the purchase and improvement of these properties will be included in the next business plan due for submission to Welsh Government and does not require further borrowing to implement. The funding will be taken from the HRA capital receipts reserve where we have retained 25% of our Right To Buy (RTB) sales. The AHG funding stream over the next 29 years will in theory replenish 58% of the capital used. Since the abolition of RTB's in January 2019, there is no further opportunity to gain additional income in this way.
- 10.2 The properties have been valued by an independent valuer at £72K in respect of Abercarn Cemetery House and £54K in respect of 65 Cromwell Road.

11. PERSONNEL IMPLICATIONS

- 11.1 There are no personnel implications associated with this report.

12. CONSULTATIONS

- 12.1 Consultation responses have been reflected in this report.

13. STATUTORY POWER

- 13.1 Section 122 Local Government Act 1972.

14. URGENCY (CABINET ITEMS ONLY)

- 14.1 The decision will not be subject to call-in as the decision needs to be implemented urgently to ensure the Council can benefit from Affordable Housing Grant from Welsh Government to contribute towards the cost of the appropriation and improvement works, by completing the transfer no later than 22nd November. In accordance with the Overview and Scrutiny Procedure Rules within the Council's Constitution, the Mayor has agreed that the decision proposed is reasonable in all the circumstances and should be treated as urgent. The decision will be reported to the next meeting of the Council together with the reasons for urgency.

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