

## **MAIDSTONE BOROUGH COUNCIL**

### **RECORD OF DECISION OF THE CABINET**

Decision Made: 12 June 2013

#### **PROPERTY INVESTMENT**

##### **Issue for Decision**

To consider changes to the criteria for prudential borrowing in relation to property investment as previously agreed by Cabinet in September 2012

##### **Decision Made**

1. That agreement be given to broaden category b) for prudential borrowing for the purpose of property investment as approved previously by Cabinet in September 2012 as follows:
  - “b) Residential property including derelict and long term empty property, in order to restore and bring them back into use and property suitable for use as temporary accommodation, in order to reduce reliance upon bed and breakfast accommodation.”
2. That the inclusion within the assessment of the business case of the benefits gained from real terms cost reductions as well as the income generated directly by the investment property be agreed.

##### **Reasons for Decision**

In September last year the Cabinet agreed principles for property investment. These identified three categories of property investment for which prudential borrowing could be utilised to cover capital costs. These were:

- a) Additions to the Council’s commercial property portfolio;
- b) Derelict residential property in order to restore and bring them back into use; and
- c) For strategic investment such as to progress stalled development.

Two issues have arisen from the current pressures on the Council’s homelessness budget especially the pressures felt from the increased use of bed and breakfast accommodation costs due to increased demand.

Under category (b) above the key objective is to bring derelict property back into use thus increasing housing supply. This would have the effect of reducing homelessness and the related cost of temporary

accommodation provided by the Council. Agents have been appointed to identify suitable property and a number of derelict properties have been identified and the owners are being sought. In some cases negotiations are underway to agree a purchase price, however, it is noted that these properties require considerable works to bring them back into use. This means the business case for refurbishment may not be financially viable.

The investigations to date by Housing Services have not been entirely fruitless and have identified an option that was not previously considered in the categories set out in the original September 2012 report. This relates to property which, subject to some conversion and/or refurbishment, would be suitable to use as temporary accommodation for those people who the council has a duty to provide emergency housing. This is not derelict housing and does not come within the criteria under category (b) above for capital financing through prudential borrowing.

Cabinet were aware from monitoring and performance reports during 2012/13, that the number of households requiring housing assistance has increased considerably in the current economic climate. The return of derelict property into housing use would help to reduce the level of demand for temporary accommodation and thus the cost of homelessness. The acquisition of property that would provide alternative accommodation to the bed and breakfast arrangements used at present would have a direct impact on the cost of homelessness and the circumstances of those currently in temporary accommodation.

It was therefore proposed that Cabinet consider varying the criteria for prudential borrowing under category (b) above to include property that is not derelict, where the business case identifies this as a suitable alternative to temporary accommodation and enables the council to reduce the overall cost of the provision to homeless individuals and households.

Having agreed the variation of category (b) for prudential borrowing as set out above, the business case for such schemes could include not only the income generated by the proposal but the reduction in the budget for alternative provision as currently provided by the Council.

The Cabinet also considered a reference from the Audit Committee and, in general, concurred with the views expressed. However, Cabinet felt it was important to ensure flexibility and, therefore, did not think it appropriate to exclude the option of the management of the property being undertaken by the Council in the business case.

### **Alternatives considered and why rejected**

The Cabinet could have decided not to support the proposal but this would prevent the opportunity to provide better accommodation for homeless people and reduce revenue costs.

The Cabinet could have decided not to amend category (b) and consider the acquisition of such property as a one-off business case outside of the

current investment activity. This was not thought appropriate as it would reduce the speed at which such property could be brought forward and would divide the focus of Housing Services between two possible routes to achieve this objective.

### **Background Papers**

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: **21 June 2013**