

## ***Report to the Cabinet***

***Report reference: C-021-2009/10***  
***Date of meeting: 7 September 2009***



**Portfolio: Housing**

**Subject: Redevelopment Scheme – Marden Close, Chigwell Row**

**Responsible Officer: Alan Hall (01992 564004).**

**Democratic Services Officer: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) That, subject to appropriate terms being agreed with the City Parochial Foundation (CPF) and the Secretary of State's consent, the Council surrenders its lease for land at Marden Close, Chigwell Row;**
- (2) That competitive tenders be sought from the Council's five Preferred RSL (housing association) Partners to enter into a long lease with the CPF for the land at Marden Close (on similar terms, but with the period to be agreed with the CPF), and to convert the 20 existing bedsits into 10 self-contained one bedroom flats, to let on assured tenancies to non-elderly couples registered on the Council's Housing Register;**
- (3) That the selected housing association be required to submit a capital funding bid to the Homes and Communities Agency to assist with the capital costs;**
- (4) That the existing tenants of Marden Close be required to transfer to alternative suitable Council or housing association accommodation, with an option to return to the converted flats once completed;**
- (5) That the Council meets the reasonable removal costs of the existing tenants;**
- (6) That, if the highest tender received results in a positive net present value (NPV) valuation;**
  - (a) the Housing Portfolio Holder be authorised to accept the tender and approve the proposed refurbishment scheme without any further reference to the Cabinet; and**
  - (b) the resultant capital receipt be utilised as social housing grant, to be allocated to a housing association to assist with the cost of providing affordable housing at a development elsewhere in the District;**
- (7) That if the highest tender valuation received results in a negative NPV valuation, the Housing Portfolio Holder reports to the Cabinet in order to seek appropriate capital funding;**
- (8) That, if Chigwell Parish Council expresses an interest, Faversham Hall be leased to the Parish Council for a period of 99 years for letting to local community groups, subject to the lease being completed by 6 October 2009, unless there are**

**delays outside of the control of the District Council or Parish Council;**

**(9) That the lease includes the following key terms:**

**(a) the Parish Council would be charged the full market value of the premium and annual rental;**

**(b) the District Council would use the income received from the premium and annual rental (less the cost of insurances) to fund community development/activities on the Limes Farm Estate, Chigwell;**

**(c) the District Council would be responsible for insuring the Hall;**

**(d) existing fixtures, fittings and furniture in the Hall would be included within the lease;**

**(e) the District Council would be responsible for the maintenance and repair of the building's structure (including external decoration), and the Parish Council would be responsible for the maintenance and repair of all other matters (including internal decoration);**

**(f) the Parish Council would be prohibited from letting the Hall for parties and the playing of music after 9pm; and**

**(g) the District Council would retain the freehold of the building, including the retention of the first floor flat; and**

**(10) That, if Chigwell Parish Council does not express an interest in leasing Faversham Hall, or fails to complete the lease by 6 October 2009 (unless there are delays outside of the control of the District Council or Parish Council) the conversion of the Hall into 2 self contained flats be included within the tender arrangements and subsequent refurbishment scheme at Marden Close, with the Hall being leased to the selected housing association for the same period as the lease with the CPF for Marden Close.**

#### **Executive Summary:**

The Council currently leases land at Marden Close, Chigwell Row, from the City Parochial Foundation, on which 20 Council bedsits were built around 1960. The flats are of poor quality and are difficult to let. The report proposes a refurbishment scheme by a housing association to convert the bedsits into 10 self contained flats.

Chigwell Parish Council has been asked if it would like to lease Faversham Hall, adjacent to Marden Close, to let to community groups, with the District Council using the income to fund community development/activities on the Limes Farm Estate, Chigwell. If it is not interested, the report proposes that Faversham Hall be included within the proposed refurbishment scheme.

#### **Reasons for Proposed Decision:**

The recommendations would result in the provision of much better accommodation for couples registered on the Council's Housing Register. The Hall could benefit local community groups or could be converted into 2 flats.

### **Other Options for Action:**

To maintain the status quo.

The Council to undertake the refurbishment scheme itself.

Not to lease Faversham Hall to Chigwell Parish Council.

To lease Faversham Hall on different key terms.

Not to include Faversham Hall within the proposed refurbishment scheme.

### **Report:**

1. In November 1962, the former Chigwell Urban District Council leased an area of land at Marden Close, Chigwell Row from the City Parochial Foundation (CPF), for a period of 99 years from June 1959, for a rent of £160 per annum. As the successor authority, Epping Forest DC has taken over this lease, which expires in 2058.

2. Chigwell UDC built 20 bedsits on the land for occupation by older people. The bedsits have a combined living room and bedroom. EFDC has provided a visiting scheme management (warden) service and emergency alarm system for many years. The Council receives all of the rent.

3. For many years, the bedsits have provided poor quality accommodation for older people, and have been very difficult to let; indeed, most lettings have been to housing applicants from outside the District in lower priority bands of the Council's Housing Allocations Scheme. As a result, only 4 bedsits are currently occupied, with 16 bedsits (80%) vacant. Due to the dwindling numbers of residents, in 2008, on-site scheme management that provided daily visits was replaced by a mobile scheme management service visiting three times each week (with residents considered to be "at risk" being called daily by Careline).

4. In view of the properties' poor condition and the difficulty in letting, the Director of Housing has been considering a refurbishment scheme to convert the existing bedsits into self-contained accommodation. A feasibility study has established that 10 one-bedroom flats could be provided. Due to the relative low levels of need for sheltered housing in the area, in view of their generous size, the refurbished flats would be ideal for non-elderly couples (as opposed to single people).

### The City Parochial Foundation and Legal Issues

5. The CPF is an independent charitable foundation established in 1891, which aims to "enable and empower the poor of London to tackle poverty and its root causes, and to ensure that (its) funds reach those most in need". The CPF achieves this aim by funding charitable work and making grants and funding special initiatives.

6. The lease between EFDC and the CPF includes the following provisions relevant to a possible refurbishment:

- (a) the Council is responsible for all repairs;
- (b) the Council cannot erect any new building on the land, without consent; and
- (c) the Council cannot carry out any structural alterations without consent.

7. Discussions have been held with the CPF about the future of the buildings. They have been advised that the quality of the accommodation is poor and difficult to let, and that the Council (or a housing association – see below) would like to convert the buildings to provide decent, self contained accommodation for couples in housing need. The CPF has been very understanding and co-operative; indeed their Trustees undertook a site visit with the Director of Housing to view the condition. However the CPF has been concerned to safeguard its position and its long term interest in the land. In particular, it wants to minimise the opportunity for occupants to purchase any converted properties, or to enfranchise (to collectively buy the freehold interest of the building(s) with some or all of their co-lessees).

8. Discussions with the CPF have been protracted (but good natured), and has involved receipt of Counsel's opinion by both the Council and the CPF (which has been shared by both parties). However, the CPF has now agreed in principle to the bedsits being converted into one bedroom flats for general needs housing applicants, provided that this undertaken by a housing association, and not the Council. The reason for this is that if the self contained flats are occupied by non-elderly *Council* tenants, the tenants would have the right to buy (lease) the flats, and would then also have the right of enfranchisement, which could result in the CPF losing the freehold interest. However, if the resultant flats are occupied by non elderly *housing association* tenants, they would not have the right to acquire (which is similar to the right to buy, but for housing association tenants), since the right to acquire does not apply where the freeholder is not a housing association. They would therefore also not have the right of enfranchisement. Moreover, Counsel has advised that a subsequent lease between the CPF and a housing association could be drafted in such a way that could disallow the housing association itself from enfranchising.

9. Therefore, agreement has now been reached in principle, subject to satisfactory terms, to a refurbishment scheme that would be undertaken as follows:

(a) The remaining 4 residents would transfer to alternative Council accommodation (see below for more details), providing vacant possession of the 20 bedsits;

(b) The Council would select a housing association to undertake the conversion works and to become the new landlord (see below for more details);

(c) The housing association would apply for capital funding from the Homes and Communities Agency (HCA) to help meet the cost of the works;

(d) Subject to the outcome of a tendering exercise and the receipt of any HCA funding, either the Council will pay the housing association or the housing association will pay the Council a sum of money (see below for more details). This will be based on a cash flow valuation, which could either result in a positive or negative valuation, dependent on the cost of the conversion works;

(e) The Council would seek the Secretary of State's consent to surrender its lease in the land, in accordance with the requirements of the Housing Act 1985. Once received, the surrender would be executed;

(f) Simultaneously, the CPF would enter into a lease with the selected housing association, on similar terms to the current lease but for a longer term (the period is still to be agreed with the CPF), with a provision allowing permission for the 20 bedsits to be converted into 10 self-contained one bedroom flats;

(g) A break clause would be included in the new lease, to take effect from June 2058 (when the Council's existing lease expires);

(h) The CPF would either be paid an additional premium, or increased rent, by the selected housing association, in recognition of the grant of a longer lease period; and

(i) The selected housing association would undertake the conversion works. On completion, the self contained flats would be advertised to couples on the Council's Housing Register, through HomeOptions (the Council's Choice Based Lettings Scheme), and let on assured tenancies. The housing association would receive the rental income and be responsible for all repairs.

### Existing Residents

10. In order for the refurbishment to proceed, it will be necessary for the remaining four residents to move to alternative Council or housing association accommodation. Individual home visits have been made to the remaining tenants, to explain the proposals and to discuss their individual requirements for alternative accommodation. The residents have raised no objections to moving; two residents have requested the option to return to a refurbished one bedroom flat at Marden Close, once the conversion works have been completed.

11. It is proposed that the Council meets the residents' reasonable removal costs and, if requested, arrange the removal and packing process. If required, one of the Council's scheme managers will also provide advice, support and assistance with the removal process, which can be quite daunting for older people.

### Selecting the Housing Association

12. It is proposed that a competitive tendering exercise be undertaken amongst the Council's five Preferred RSL (housing association) Partners to select the housing association to enter into the proposed lease with the CPF and undertake the refurbishment works. The housing associations will carry out a valuation to calculate the net present value (NPV). NPV represents the value of income and expenditure received/incurred in later years as of today's date. As a simple example to demonstrate the effect of NPV, the NPV of £1 is the amount that needs to be invested now, in order to accumulate £1 over a given period at compound interest. The valuation will take into account the cost of the refurbishment, loan interest, management and maintenance on the expenditure side, and the rental income (based on "affordable rents"), private loan facility and any HCA grant on the income side.

### Financial Considerations

13. It is not known at this stage whether or not the most competitive valuation will be positive (resulting in a capital receipt for the Council) or negative (resulting in the Council having to make a capital payment to the housing association). However, if the valuation is negative, the capital cost to the Council of providing the required dowry to the housing association will still be significantly less than the capital cost if the Council undertook the refurbishment works itself.

14. If the tender/valuation is positive, it is suggested that the resultant capital receipt be utilised as social housing grant, to be allocated to a housing association to assist with the cost of providing affordable housing at a development elsewhere in the District

15. Although the Council will lose the rental income (currently £52.40 per week for a bedsit, which would increase to around £70 per week for a one bedroom flat – based on existing rents in the locality), it will not incur the cost of management and maintenance, nor the cost of loan repayments (if the Council borrowed finance to fund the capital works). It should also be borne in mind that, currently, the Council is only receiving £10,900 per annum from the four occupied bedsits. In addition, the Council's HRA has to pay Council Tax on the

empty properties, since they have been vacant for in excess of six months. This amounts to £960 per property per annum, totalling £15,360 for all 16 vacant properties.

### Faversham Hall

16. Adjacent to Marden Close, the Council owns Faversham Hall – a communal hall for use by the older residents of Marden Close, neighbouring Faversham Close and others living in the locality. However, due to the dwindling number of older residents, the Hall is now only used twice a week for a residents' coffee afternoons. It also provides a laundry, mainly for the use of the Marden Close residents, who have insufficient space in their bedsit kitchens. Above the Hall is a flat, occupied by the former Scheme Manager for Marden Close (who now works at Careline).

17. In view of the Hall's low usage, the Council's architect has established that, subject to planning permission, the Hall could be converted to provide two additional one bedroom flats, which could be incorporated within the refurbishment scheme, with a long lease being provided to the selected housing association and the former Scheme Manager's flat remaining in the Council's ownership.

18. However, informal discussions with some members of Chigwell Parish Council has raised the possibility of, instead of the District Council converting the Hall into flats, the Hall being leased to the Parish Council, to let the Hall to community groups. Therefore, the Parish Council has been consulted on its views about the proposed conversion scheme for Marden Close and whether or not it would want to have a lease of Faversham Hall.

19. It is proposed that, if the Parish Council accepts an offer to take on a lease for the Hall, the lease includes the key terms set out in the recommendations, in particular, that the Parish Council be charged the full market value of the premium and annual rental, but that the District Council uses the income received from the premium and annual rental (less the cost of insurances) to fund community development/activities on the Limes Farm Estate, Chigwell. It is also proposed that, since the Hall is located at the end of a cul-de-sac comprising properties occupied by older people, the Parish Council be prohibited from letting the Hall for parties and the playing of music after 9pm.

20. The District Council's Estates and Valuations Division has been asked to provide a valuation of the premium and annual rental, based on the proposed terms. It is hoped that the valuation will be available in time for the Cabinet meeting, in which case it will be reported orally.

21. A response will not be received from the Parish Council before the Cabinet meeting, since its next meeting is not until 9 September 2009. It is suggested that, if the Parish Council expresses an interest in leasing and letting the Hall on the proposed terms, that this option be pursued. However, if it is not interested, the conversion of the Hall into 2 flats be included within the refurbishment scheme of Marden Close.

22. In order to ensure that this issue is progressed expeditiously, if the Parish Council expresses an interest in leasing Faversham Hall, it is also suggested that a deadline of 6 October 2009 (around 6 weeks from the expiry of the Cabinet Call-In Period) be set for the lease to be completed, subject to any delays outside of the control of the Parish or District Council. This will enable the option to convert the hall into residential units to be able to be included within the proposed package of improvements works, if there are any undue delays with any proposed lease with the Parish Council.

### Consideration of Tenders

23. It is proposed that the outcome of the tenders from housing associations be reported

to the Housing Portfolio Holder. It is suggested that, if the highest tender (valuation) is positive, the Housing Portfolio Holder be authorised to accept the tender and approve the proposed refurbishment scheme without any further reference to the Cabinet. However, if the highest valuation is negative, it is suggested that the Housing Portfolio Holder report to the Cabinet to seek appropriate capital funding.

**Resource Implications:**

If the tendering exercise results in a positive valuation, the Council will receive a capital receipt. If a negative valuation results, a further report will be submitted to the Cabinet to seek the required capital funding.

The Council will lose the current rental income from the bedsits, amounting to around £10,900 per annum.

**Legal and Governance Implications:**

Section 32, Housing Act 1985.

**Safer, Cleaner and Greener Implications:**

The refurbishment scheme will result in much higher quality accommodation, with higher energy efficiency levels.

**Consultation Undertaken:**

The remaining 4 residents have been consulted – as set out in the report.

Chigwell Parish Council has been consulted on the proposal, and whether it would wish to lease Faversham Hall – as set out in the report.

The local ward member, Cllr Brian Sandler, has been consulted on all the proposals. His comments will be reported orally at the meeting.

**Background Papers:**

Housing Policy File H445

**Impact Assessments:**

The need for an Equalities Impact Assessment has been considered but deemed unnecessary.

The risk of the proposal is far less than if the Council undertook the refurbishment itself.