

# Southend-on-Sea Borough Council

## Report of Corporate Director for Corporate Services

to  
**Cabinet**  
on  
**5 January 2016**

**Agenda  
Item No.**

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### **Appropriation of Assets**

**Policy and Resources Scrutiny Committee**  
**Executive Councillors: Councillor Ron Woodley and Councillor David Norman**  
***A Part 1 Public Agenda Item***

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#### **1 Purpose of Report**

To move certain assets between the General Fund and the Housing Revenue Account, so as to better reflect their usage and therefore allow for the appropriate accounting.

To commence the process of land assembly in preparation for the proposed regeneration of Queensway

#### **2 Recommendation**

2.1 That under S122(1) of the Local Government Act 1972

2.1.1 75 Southchurch Avenue be appropriated from the General Fund to the HRA; and

2.1.2 The parking areas and garages on the Queensway site be appropriated from the HRA to the General Fund.

#### **3 Background**

3.1 As part of the council's continuous review of its assets, several properties have been identified where the council's reason for holding them has changed since the original acquisition, which requires that the properties need to be moved from one class of assets to another.

- 3.2 Where the purpose for holding a property is not related to the provision of housing under Part II of the Housing Act 1985, the property cannot be held within the Housing Revenue Account (“HRA”). If such a property is currently held within the HRA, usually as a result of being originally acquired under housing powers, it should be transferred (“appropriated”) to the General Fund. Likewise, where an asset is held within the General Fund, but effectively it is being used for housing purposes it should be accounted for within the HRA, being the landlord account.

#### **4 Statutory ability to appropriate**

- 4.1 Section 122(1) of the Local Government Act 1972 provides that a council “...may appropriate for any purpose for which the council are authorised ... to acquire land by agreement any land which belongs to the council and is no longer required for the purpose for which it is held immediately before the appropriation...”. This general power must be read subject to section 19(2) of the Housing Act 1985.
- 4.2 Section 19(2) of the Housing Act 1985 states that where a local authority have acquired or appropriated land for the purposes of Part II of the Housing Act 1985 “...*they shall not, without the consent of the Secretary of State, appropriate any part of the land consisting of a house or part of a house for any other purpose*”.
- 4.3 The definition of “house” for the purposes of section 19 Housing Act 1985 includes any yard, garden outhouses and appurtenances belonging to the house or usually enjoyed with it (section 56(1) Housing Act 1985).
- 4.4 The Government’s policy is that the HRA remains a ring-fenced account and should primarily be a landlord account, containing the income and expenditure arising from a housing authority’s landlord functions; and that the appropriations are equitable and fair to both tenants and council tax payers in the long run and provide a transparent apportionment of costs and income between the HRA and General Fund.
- 4.5 The General Fund property proposed for appropriation is currently void. Historically it has been accounted for within the General Fund as a result of its original purchase being in relation to site assembly for proposed economic development purposes. This property is no longer required for this General Fund purpose, so should now properly be accounted for within the HRA landlord account to be used for general needs housing. Future tenants of this property will be able to exercise the right to buy, and depending on the value, the property could potentially be subject to the Government’s proposal to force the sale of high value properties to fund Housing Association right to buy, when they become void. However there is a known housing need that can be addressed through the use of this property.
- 4.6 The Queensway garages and parking areas were originally constructed to provide facilities for tenants of the adjoining Council housing. However all but one of the garages is void, and therefore no longer used. The garages are available to both tenants and non-tenants, and therefore are not dedicated to

housing use. Further, somewhat confusingly, the community centre above the vacant garages is already accounted for within the General Fund. The parking areas, although used, are uncharged and are not designated for any particular tenant, although under the terms of their lease, right to buy leaseholders do have the ability to park there. It is clear, therefore, that the properties proposed for appropriation are no longer directly required for “housing (HRA)” purposes.

- 4.7 It is pertinent to appropriate the Queensway garage and parking areas now as part of the land assembly in preparation for the proposed redevelopment of the whole of the Queensway site.
- 4.8 The report to Cabinet on 22 September 2015 on the proposed regeneration of Queensway indicated the need for a wider land assembly prior to any future redevelopment. Given the scale of the redevelopment being considered, it will be beyond the means of the HRA to redevelop the site, given the inability of the HRA to borrow monies at any scale. Indeed given that it is proposed to create a mixed tenure development, much of the site would be inappropriate for the HRA to hold. It will therefore be necessary to assemble the whole site within the General Fund in order to facilitate any redevelopment. Whilst as indicated above the Council can under its own powers appropriate the garages and parking areas, specific approval by the Secretary of State for Communities under S19(2) of the Housing Act 1985 is needed to appropriate the 441 dwellings within the site boundary. The Queensway project is not however at an advanced enough stage to seek this permission yet.
- 4.9 Consideration will be given to a wider appropriation of assets between the General Fund and the HRA in a future report to Cabinet to ensure assets continue to be accounted for in the most appropriate fund.
- 4.10 Ownership of the assets does not change; the Council itself owns all the assets regardless of the power under which they are held. It is only the designation of these assets for a particular purpose which will change.

## **5 Accounting Arrangements**

- 5.1 The Capital Financing Requirement (CFR) represents the debt liability within the balance sheet adjusted for prior accounting regimes.
- 5.2 75 Southchurch Avenue has an existing use value as social housing of £97,500.
- 5.3 The Queensway garage and parking areas have a £1,415,573 transfer value, based on the information provided by an external valuation received October 2015.
- 5.4 The appropriation of assets affects the General Fund and HRA Capital Financing Requirements (CFRs), in this case the General Fund CFR will increase by £1,318,073, being the net value transferred, and the HRA CFR will decrease by the same amount. There will be no change to the Council’s overall CFR.

- 5.5 This change in CFR between the two funds will marginally alter the split of revenue interest between them. In addition the HRA will receive the rental income from 75 Southchurch Avenue once let. It is anticipated that it will be let at affordable rent.

## **6 Other Options**

- 6.1 Given that 75 Southchurch Avenue is now surplus to its original requirement, rather than appropriate it into the HRA and let it, there is the option to sell on the open market. The market value for freehold sale is estimated to be £250,000. This would generate a capital receipt for the General Fund.
- 6.2 There is however a known housing need for 75 Southchurch Avenue, that would be difficult for the Council to meet if this property is not let. It is suggested that this overrides the potential for a capital receipt.

## **7 Reason for the Recommendation**

- 7.1 The appropriation of the garages and parking areas on Queensway should be undertaken as the garages and parking areas are no longer required for the “housing HRA” purposes for which they are held and such appropriation assists in site rationalisation prior to any redevelopment of the site.
- 7.2 The appropriation of the surplus general fund property should be undertaken as the property is no longer required for the “general fund” purposes for which it is held and such appropriation assists in bringing it back into use as affordable council housing.

## **8 Corporate Implications**

- 8.1 **Contribution to Council's Vision & Critical Priorities**  
The recommendations in this report contribute directly to the Council's corporate priority to enable well-planned quality housing and developments that meet the needs and expectations of all of Southend's residents.
- 8.2 **Financial Implications**  
The proposed appropriation will result in the General Fund Capital Financing Requirement increasing by £1,318,073 and a corresponding decrease in the HRA CFR, and as a result there will be a marginal impact on the split of revenue interest between the two funds. In addition the future rental income and associated management and maintenance costs will fall to the HRA.
- 8.3 **Legal Implications**  
As set out in the report
- 8.4 **People Implications**  
There are no people implications arising from this report
- 8.5 **Property Implications**

This report will merely result in the transfer of assets between the General Fund and the HRA, along with the associated income and expenditure. There is no actual change in overall ownership of the assets

8.6 Consultation

There are no consultation implications arising from this report

8.7 Equalities Impact Assessment

There are no equalities implications arising from this report

8.8 Risk Assessment

There are no risk implications arising from this report

8.9 Value for Money

The proposals within this report are consistent with the Council's plans to continue to improve value for money within the services it offers.

8.10 Community Safety Implications

There are no community safety implications arising from this report

8.11 Environmental Impact

There are no environmental implications arising from this report

**9 Background Papers**

None

**10 Appendices**

**Appendix 1** Site plan of Queensway indicating garage and parking areas

**Appendix 2** Map of 75 Southchurch Avenue