

APPENDIX N

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 31 MARCH 2009

Title:

DISPOSAL OF HOUSING REVENUE ACCOUNT PROPERTY

[Portfolio Holder: Cllr Richard Gates]

[Wards Affected: Godalming Central and Ockford]

Note pursuant to Section 100B (5) of the Local Government Act 1972

The (Exempt) Annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Summary and purpose:

This report proposes the open market sale of two Housing Revenue Account dwelling houses in Godalming and seeks authority to dispose of the property. The proceeds arising from the sale would be applied towards meeting the Decent Homes Standard in the rest of the Council's housing stock.

How this report relates to the Council's Corporate Priorities

This report relates to two of the Council's Corporate Priorities namely: **Improving Lives** – Improving the quality of life for all, particularly the more vulnerable within our society; and **Subsidised affordable housing** – Working for more affordable housing to be built and managing council housing well.

Equality and Diversity implications:

It is well recognised that a decent home improves the quality of life for the occupants in terms of health and education. Properly maintained homes help improve the quality of life in the wider community.

Resource and legal implications:

The resource and legal implications relate to the disposal of two dwellings at – Ockford Ridge, Godalming. By disposing of these properties – which need major renovation – the Council will avoid the need for significant capital investment in these two properties, at a time when HRA capital resources are under increasing pressure. The Council will receive a capital receipt, which if used for the Decent Homes programme works – as is proposed, can be utilised at 100%. An indicative valuation is detailed in (Exempt) Annexe 2.

Background

1. In 2008, the Council approved an HRA Asset Management Strategy that set out the policy framework within which its housing-related assets would be managed. The HRA Asset Management Strategy signalled a more business like approach to decision making, recognising the need to both maximise resources and reduce liabilities.
2. The Strategy acknowledges that more capital resources are needed than are available to meet the Decent Homes Standard in the existing housing stock. One way to secure additional capital is the sale of property on the open market. This has to be set against the significant demand for affordable housing. Therefore the Council needs to make some difficult decisions about disposing of housing stock.
3. The HRA Asset Management Strategy suggests that when Council homes become vacant, if they are non-decent and disproportionately expensive to bring back into lettable condition, consideration should be given to disposal.

Proposal to Dispose of Two Council Owned Dwellings

4. The Council owns two properties – 106 and 189 Ockford Ridge, Godalming, which are vacant. See location plan at [Annexe 1](#).

189 Ockford Ridge, Godalming

5. This property is a very small one-bedroom house. On the ground floor it has a small kitchen and one living room. There is one bedroom and a bathroom on the first floor. The previous occupier had been a tenant of longstanding – having been a tenant since 1982. In that time the tenant requested few works.
6. Major renovation will be needed to bring this property back into lettable condition. The following issues and works have been identified:
 - The property need to be re-roofed.
 - Chimney to be taken down.
 - both kitchen and bathroom need to be replaced;
 - window replacement;
 - External doors to be replaced.
 - Ground floor slab replacement .
 - Re-pointing of the whole property.
 - New boiler and central heating system.
 - Partial rewire.
 - Redecoration
7. The costs of these works are estimated to be in the order of £30,000. There is scope to extend the property, subject to planning permission.
8. The Council has a large number of one-bedroom properties in its ownership. Small one-bedroom properties are not always easily lettable. The Council does not have sufficient capital resources to undertake major works to this property.

9. In the case of this property it is considered that the balance of advantage to the Council is in disposal. This will relieve the HRA of a capital liability; and produce a capital receipt all of which will be invested in the Decent Homes Standard works to other HRA homes.

106 Ockford Ridge, Godalming

10. This semi-detached house comprises a kitchen and living-room on the ground-floor and two bedrooms and bathroom on the first floor.
11. This property is relatively small and needs significant investment to bring the property back into lettable condition. The following issues and works have been identified:
- Severe damp penetration through the ground floor slab will require the replacement of the ground floor slab.
 - Wet rot affecting timbers and skirting board.
 - Rising damp – require plaster to be hacked off and replaced.
 - Flank wall will have to be taken down and rebuilt.
 - Repointing of external walls.
 - Replacement of the kitchen.
 - Replacement of the boiler and part replacement of the central heating system.
 - Window replacement;
 - Part rewire
 - Redecoration through out.

The estimated cost of these works is £35,000- £40,000.

12. There is a demand for two-bedroom properties in the Godalming area. However, this is a relatively small two-bedroom house. The Council does not have sufficient capital resources to undertake major works to this property without displacing other priority capital works.
13. It is considered that the balance of advantage to the Council is in disposal. This will relieve the HRA of a capital liability; and produce a capital receipt all of which will be invested in the Decent Homes Standard works to other HRA homes.

Resource and Legal Implications

14. A disposal of 'one-off' properties in such circumstances is covered by the General Consents relating to property disposals issued by the Department of Communities and Local Government. There are some restrictions under the General Consent viz:
- the property has got to be for the purchaser to live in or to put in good repair to sell to someone else for them to live in; and/or
 - simply sold at market value to a purchaser, provided he has not already bought a property from the Council on the same basis during the same financial year. It is under this category that the disposal will be made.

15. The financial implications are that the Council would avoid the cost of bringing this home up to the Decent Homes Standard and into a lettable condition for future occupiers.
16. The Council would receive a capital receipt. A guideline price is detailed in the (Exempt) Annexe 2 attached. However, if the Council wishes to retain the whole of the capital receipt, it is required by the Department for Communities and Local Government to resolve to reinvest the capital sum arising from the disposal in its retained housing to contribute towards meeting the Decent Homes Standard or for a specified regeneration project. Should the Council decide to use the capital receipt for other activities the Council would only be able to retain 50% of the resulting receipt and the balance would have to be paid to the Government. Given that the Council needs to invest in its own housing stock, it is recommended that the capital receipt be applied to the Decent Homes Standard, thereby allowing the Council to retain 100% of the receipt for these purposes.
17. The HRA will, of course, forego the rental income from these properties which currently amount to £8737 per annum – though 49% of the rental income has to be paid to the Government in Negative Housing Subsidy.

Conclusion

18. Despite there being a considerable housing need across the Borough for affordable housing, the Council as landlord has to make business decisions which reflect the HRA's financial difficulties. The disposal of these two properties, when sold, will give rise to a capital receipt to reinvest in Council housing and relieve the HRA of the need to make capital investment that it can ill afford.

Recommendations

It is recommended that:

1. the disposal of the two dwelling houses owned by the Council at 106 Ockford Ridge and 189 Ockford Ridge, Godalming on the open market be agreed, on terms to be negotiated by the Council's Estates and Valuation Manager; and
2. the capital receipt from the sale of these properties be applied to contribute toward achieving the Decent Homes Standard in the remaining Council housing stock, having particular regard to Ockford Ridge.

Background Papers (SDCS)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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