

APPENDIX H

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 3 NOVEMBER 2009

Title:

DISPOSAL OF HOUSING REVENUE ACCOUNT PROPERTY

[Portfolio Holder: Cllr Keith Webster]

[Wards Affected: Critchmere and Shottermill]

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

An 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 a Housing Revenue Account property in Haslemere 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:

The flats at Woolmer Hill Lodge all have access issues and a number of steps both to the flats and within them. The properties are not easily accessible for people who have difficulties with movement. The properties are not readily adaptable without significant expense.

Resource/Value for Money implications:

By disposing of this property – which needs major renovation – the Council will avoid the need for significant capital investment in this property, 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.

Legal Implications:

The Department of Communities and Local Government has issued General Consents allowing local authorities to dispose of property in certain circumstances. In this case, disposal is permitted under "The General Housing Consents 2005 Section 32 of the Housing Act 1985" (E3.1 and 2). There will be legal work and associated costs with the conveyancing process, which will be recovered from the capital receipt.

Introduction

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.

Woolmer Hill Lodge, Haslemere

4. Woolmer Hill Lodge, Haslemere (See location plan at Annexe 1) was built in 1930 and acquired by Waverley in 1977 under powers in the Housing Act 1957. For many years this property was used as temporary accommodation for homeless households. As the Council has changed its approach to dealing with homeless households and accessing better quality accommodation in the private sector, this property has been under-used in recent times. The Council recently achieved vacant possession of the whole of the property and it is now timely to consider the future use of the property.

Condition of the Building

5. The building was formerly a detached house. It was converted into flats in the 1970s. The property is now something of a warren of corridors and stairs – even within the flats. The layout does not optimise the available space. It now comprises: 2 x ground-floor bedsits; 1 x one-bedroom ground-floor flat; 1 x first-floor flat; and an unused cellar. Although a number of the flats/bedsits are described as 'ground-floor', there are a number of steps to access them and not suitable for people with physical disabilities.
6. This detached property was effectively built onto the side of a hill. The construction of the building is unconventional with a number of different construction types, the majority of the areas being solid wall made up of crushed brick/tile interleaved with stone (possibly Bargate). There is little or no binding to the construction with the external render providing the support to the walls. A significant number of repairs have been carried out to the building over the years.

7. The property needs a major renovation to bring it up to the Decent Homes Standard and make it fit for purpose. The following issues and works have been identified:
 - Damp proofing is poor and the property suffers from severe damp throughout. This is difficult to rectify due to the high ground and road levels relative to the property. All the flats have evidence of damp problems.
 - Both dry and wet rot are present and will affect the timber joists to the ground-floor above.
 - All the external render needs to be renewed
 - Insulation levels to the walls are low resulting with internal condensation problems. Insulation levels cannot be easily improved.
 - Where there is conventional brick work repointing is required
 - The roof structure needs to be strengthened
 - The gas central heating to all the flats needs to be replaced
 - If the Council were to retain the building, it would be desirable to reconfigure the property so as to have fewer larger flats and also address the access issues in respect of disabled access. This would necessitate structural changes to the building and associated capital costs.
8. It is estimated that the minimum cost of bringing this property up to the Decent Homes Standard and address the faults identified is in the region of £50,000.
9. Given the unconventional construction of this property, its condition and location, it is considered that the balance of advantage to the Council is in disposal.
10. This course of action would 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

11. 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.
12. 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.
13. 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 25% 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.

14. The HRA will, of course, forgo the potential rental income from these properties, which currently amount to £15,844 per annum – though 47% of the rental income is currently paid to the Government in Negative Housing Subsidy.

Conclusion

15. The Council has a number of competing priorities – the need for more affordable housing, the need to improve its own housing stock to meet the Decent Homes Standard, and the challenge of stewarding finite resources.
16. 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 this property 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.
17. The Government has recently issued a consultation paper on the future of the national Housing Revenue Account system. It is unlikely, at this stage, that any changes arising for the HRA system are not directly relevant to the decision to dispose of Woolmer Hill Lodge.

Recommendation

It is recommended that:

1. the Council disposes of Woolmer Hill Lodge, Haslemere, on the open market on terms to be negotiated by the Council's Estates and Valuation Manager and Deputy Chief Executive; and
2. the capital receipt from the sale of this property be applied to contribute toward achieving the Decent Homes Standard in the remaining Council housing stock.

Background Papers

Housing Revenue Account Asset Management Strategy 2008

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