

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 5 JANUARY 2010

Title:

DISPOSAL OF HOUSING REVENUE ACCOUNT PROPERTY

[Portfolio Holder: Councillor Keith Webster]

[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 a Housing Revenue Account dwelling house 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:

There are no implications directly arising from this report.

Resource and Value for Money Implications:

The resource and legal implications relate to the disposal of one property at 112 Ockford Ridge Godalming. 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

Disposals of HRA property are covered by General Consents laid down by the Department for Communities and Local Government. The legal implications relate to the conveyancing of the property.

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 112 Ockford Ridge, Godalming

4. The Council owns 112 Ockford Ridge, Godalming, which is vacant. See location plan at [Annexe 1](#).
5. This property is a very small two-bedroom house. On the ground floor the front door leads straight into a small kitchen. You have to pass through the kitchen to access the stairs and the one small living room. There are two small bedrooms and a very small bathroom on the first floor.
6. Major renovation will be needed to bring this property back into lettable condition. It fails the Decent Homes Standard on:
 - Health and Safety Rating System (HHSRS) garden path
 - windows;
 - external doors;
 - kitchen;
 - bathroom; and
 - external wall finish (pointing).
7. It is considered that the following works would need to be completed to bring the property into a lettable condition:
 - 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;
 - Plastering;
 - Redecoration;
 - Garden clearance.
8. The costs of these works are estimated to be in the order of £35,000.

9. The Council does not have sufficient capital resources to undertake major works to many properties like this and we need to carefully balance resources against needs.
10. There is a demand for two-bedroom properties in the Godalming area. However, this is a fairly 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.
11. 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.
12. Councillors on the Community Overview and Scrutiny Committee, along with the Housing Portfolio-holder, visited this property on 25th November 2009 as part of their in-depth review of the Decent Homes Standard. The four councillors agreed that disposal of this property would be a sensible course of action.

Resource and Legal Implications

13. 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.
14. 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.
15. 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.
16. The HRA will, of course, forgo the rental income from this property, which currently amount to £4699 per annum – though 47% of the rental income has to be paid to the Government in Negative Housing Subsidy.

Conclusion

17. 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, 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. 112 Ockford Ridge, Godalming, be disposed of on the open market on terms to be negotiated by the Council's Deputy Chief Executive and the Estates and Valuation Manager;
2. that 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

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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