

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 2 FEBRUARY 2016

Title:

DISPOSAL OF COUNCIL DWELLINGS AND CARRYING OUT MAJOR WORKS

[Portfolio Holder: Councillor Carole King]

**[Wards Affected: Cranleigh, Witley, Farnham, Farncombe and Godalming
Central]**

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

The annexe to this report refers to exempt information by virtue of which the public may be excluded during the item to which the report relates, as specified in Paragraph 3 of part I 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:

The purpose of this report is to seek approval to dispose of eight properties, each requiring major works in excess of the Asset Management Strategy viability threshold and with other risk factors and to seek approval for a budget to refurbish three properties.

How this report relates to the Council's Corporate Priorities:

This report relates to the Council's Corporate Priority of providing more affordable housing in the Borough for local people in housing need.

Financial Implications:

The sale of these properties would enable the Council to dispose of properties that are expensive to repair and therefore generate a potential capital receipt in the region of £1.4m. The HRA would lose out on circa £800k rental income, net of maintenance and major works costs, over the period of the next 30 years.

However, the capital receipt would be available to reinvest in new affordable homes and planned works to our existing houses. This would help regain some of the rental income with likely far reduced maintenance costs in the short term.

Legal Implications:

The freehold disposals of the properties will be dealt with as standard conveyancing transactions by the Council's Legal Services Team.

Background

1. The Council owns a number of properties across the Borough that require extensive refurbishment works to bring them up to Decent Homes standard, estimated to cost in excess of £1 million.
2. The major works required to these properties include repairing structural defects, treating damp floors and walls, replacing ceilings, re-plastering walls, replacing kitchens and bathrooms, upgrading central heating and electrical re-wiring and drainage remedial works to make them suitable for letting.
3. The major works to each property have been highlighted in the attached decision making model at (Exempt) Annexe 1. The model considers whether the refurbishment work is appropriate and cost effective and uses the following criteria:
 - i. Financial
 - ii. Other risk factors – e.g. listed building status, high level of day-to-day repairs (predominantly properties built before pre-1945), not on mains drainage
 - iii. Demand (Housing Need)
 - iv. Redevelopment potential
4. The options considered in conjunction with the Housing Development Team were:
 - i. Refurbish
 - ii. Refurbish and consider letting at a higher affordable rent level
 - iii. Renovate and configure to create an improved layout
 - iv. Redevelop
 - v. Extend to increase the number of affordable homes
 - vi. Offer to a Housing Association for continued use as affordable housing
 - vii. Sell on the open market.

Assessment Criteria - Detail

Financial

5. The properties listed in (Exempt) Annexe 1 require major works in excess of the Asset Management Strategy viability threshold. Column L shows the estimated long term cost over thirty years (including the immediate repairs, as shown in column S). These costs were considered in relation to the total income potential from each property, over 30 years. Column M indicates if the reinvestment would be financially feasible. Where costs equate to between 33% and 66%, other factors are taken into consideration. Where costs equate to more than 66% of income, disposal is recommended. Column M shows that this applies to eight properties.

Other risk factors

6. The 2015-2020 Asset Management Strategy sets out the other risk factors to take into account when considering disposals. These include properties

where the Council spends most on day-to-day repairs, listed buildings, properties not on mains drainage and those located outside the borough.

Demand

7. The Housing Options Team assessed the demand for each property, using data from the Housing Register. Column N shows that all the properties were assessed as being in high demand and meet a housing need.

Redevelopment Potential

8. Housing Development rated the development potential of each property under the following categories. Column O shows that four properties had some limited development potential. Further work was undertaken to develop proposals for these properties, but the alternative options failed to deliver value for money. The remaining properties were not considered to have development potential.

Budget

9. The sale of the eight properties is expected to generate a capital receipt in excess of £1,400,000 for investment in new affordable homes and stock improvement works. The cost of the refurbishment works will be funded by the 2016/17 Stock Remodelling Reserve. Refurbished properties that are currently vacant will be re-let at Affordable Rents of up to 80% of open market value to reduce the pay back period.

Conclusion

10. Taking into account these criteria, officers have concluded that the identified reinvestment for the first eight properties is not cost-effective and recommend they are disposed of. With regard to the remaining properties, where the required investment either falls below the Asset Management Strategy threshold or there are no additional risk factors, and demand for the properties is high, refurbishment is recommended at a budgeted cost of £163,000.

Recommendation

That the Executive recommends to the Council the following:

1. the disposal by open market sale of eight properties, as shown in (Exempt) Annexe 1, in accordance with the Asset Management Strategy, thus generating a capital receipt;
2. the funding of the major works to three properties as shown in (Exempt) Annexe 1, from the 2016/17 Stock Remodelling Reserve and/or the capital receipt from the disposal programme and the re-letting of the vacant properties for an Affordable Rent of up to 80% of open market value; and
3. the tendering of the refurbishment works for the three properties and the appointment of contractors.

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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