

CABINET – 16 SEPTEMBER 2009

DISPOSAL OF VACANT COUNCIL DWELLINGS

REPORT OF HEAD OF LANDLORD SERVICES

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RECENT REFERENCES:

CAB 1336 – Disposal of Vacant Council Dwellings - 15 November 2006  
CAB 1646 - The Housing Revenue Account Business Plan Update 2008/09 –  
26 March 2008  
PHD170 - Sale of Vacant Housing Revenue Account Dwellings - 6 August 2008  
CAB1720 – Disposal of Vacant Council Dwellings – 17 September 2008  
PHD 241 - Sale of Vacant Housing Revenue Account Dwellings (Draft)

EXECUTIVE SUMMARY:

Whilst the Council is on target to achieve the Winchester Decent Homes Standard by 2010, the current maintenance programme is under funded by £2.7 million. Essential investment in areas such as heating system replacement, kitchen and bathroom upgrades and the digital switchover relies heavily on the £1m projected receipts from asset sales. Whilst Government proposals for reform of housing finance are currently subject to consultation, no change is expected for the next four years and the asset sales policy remains the only option available to the Council in the short term to address the massive under funding of the Housing service and to provide much needed upgrading of tenants' homes. Four properties have been sold since April 2009 and this report recommends three further properties be added to the asset sales programme.

RECOMMENDATIONS:

That Cabinet approve:

1. The sale of 122 Alresford Road, Winchester, 101 Colebrook St, Winchester and 22 Jesty Road, New Alresford, based on the current valuations detailed in the exempt appendix.
2. That details of the consideration obtained on sales be included in the monitoring reports submitted to Cabinet when the capital programme is reviewed.

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##### DETAIL:

##### 1 Background

- 1.1 The Council has authority (CAB1336 refers) to offer for sale up to a maximum of ten vacant properties a year. In 2007/08, eight Council dwellings were disposed of generating £2.2 million for reinvestment in affordable housing. No properties were sold in the 2008/09 financial year, although since April 2009, three properties have been sold and a fourth is nearing completion, all of which will result in receipts to date of £842,000. 50% of this receipt will be used to support additional maintenance to existing housing stock with the remaining £421,000 being used to support the development of new affordable housing.
- 1.2 Decision Notice PHD241 proposed the sale of two further properties, 122 Alresford Road, Winchester and 22 Jesty Road, New Alresford. Seven Councillors objected to the decision notice, particularly in relation to the sale of the property in Alresford Road. Therefore, it has been referred to Cabinet for decision.
- 1.3 122 Alresford Road, Winchester – This property is a 3 bed end of terrace non estate house. Whilst only 20 years old, the property was subject to significant abuse by the former tenant, who left the property in very poor condition and with significant rent arrears. The Council is currently pursuing the individual to recover the former tenant debt. However, the likelihood of recovering any costs in the near future is very low. Void works to bring the property up to the minimum letting standard have been costed at £12,000 and include a new kitchen, an upgraded bathroom, various external safety works to the garden, replacing all doors and other miscellaneous repairs and clearance works.
- 1.4 23 Jesty Road, New Alresford – This is a 3 bed semi detached property on a corner plot and would require a minimum of £25,000 to bring it up to the Decent Homes standard. It is in a poor state of repair and requires complete refurbishment due to the previous tenant refusing access for improvement works. The property has been vacant for some months and has been considered in detail for two cases where specific tenants required major adaptations in order to allow them to remain in general needs accommodation. However, on both occasions, despite the property offering many benefits due to its design, the costs proved prohibitive due to the additional repair works required just to achieve the Decent Homes standard. Rather than offer it immediately for sale, the property has been retained whilst every effort was made to secure sufficient resources to keep it in the social housing stock, particularly as one three bed property was already being offered for sale in the area. However, this has not been possible and pressures on the 2009/10 Repairs Programme means that even if we could

identify some additional resource, other pressures would need to take priority over this property.

- 1.5 101 Colebrook St, Winchester – This is a 3 bed mid terraced property in the central conservation area. The cost of reinstatement works has yet to be assessed. The tenant is still in occupation but has given notice of their intention to vacate the property. The bathroom and kitchen are both in excess of 30 years old. However, whilst reinstatement costs are likely to be high, this property is recommended for inclusion in the sales programme under the “high value compared to rental income” criteria. It is an extremely desirable property with a large garden compared to neighbouring houses. It was not included in the original Decision Notice and has not been included in the Forward Plan as this opportunity has only recently arisen. However, it is considered appropriate to include the property within this report rather than prepare a separate Decision Notice. This additional proposed sale has been brought to the attention of the Chairman of Principal Scrutiny Committee and Members who would have been separately notified if the portfolio holder decision process had been used.
- 1.6 In the current market conditions, it is recommended that the properties be sold by private treaty and marketed on the basis of the valuations being the “guide price”. They will be marketed for a minimum period of four weeks before the successful bidder is accepted.
- 1.7 The properties are held in the HRA. The General Consents 2005 (Consent A) issued under the Housing Act 1985 Section 32 permit the disposal of the property at a price equal to its market value:
- a) to any individual who intends to use it as his only or principal home; or
  - b) to a builder/developer on their covenanting to carry out any substantial works of repair improvement or conversion required prior for onward sale into owner-occupation by an individual who intends to use it as his only or principal home;
  - c) There is also provision under this Consent for the sale of a vacant dwelling to any person regardless of the use to which the purchaser intends to put it. (Paragraph A5.1.1). No more than one dwelling may be acquired by a Purchaser (alone or with others) from an authority under the consent in this paragraph in any financial year.

## 2 Member Representations

- 2.1 Seven representations have been made in response to the Portfolio Holder Decision Notice PHD241. All highlighted concern with selling a relatively new property that with a little investment would be suitable for a family in housing need. Concern has also been raised about whether now is the right time to sell assets, with the market still depressed but with some signs of increasing values in the future.
- 2.2 Member concerns about disposing of properties when demand is high mirror those of officers and tenants. However, the current national housing finance

regime simply provides insufficient resources to allow the City Council to maintain properties in good condition and to fund additional requirements such as disabled adaptations and the demands of the digital switchover...Until an alternative source of finance can be identified, selling properties remains the only means available of funding the ongoing major repairs and renewals to the Council's housing stock.

- 2.3 The Government have completed a review of housing finance and a report on the proposals will be considered by Cabinet in October. However, even if the proposed changes provide additional resources, their implementation will be subject to primary legislation and is likely to take another three years, with the earliest implementation date currently projected as April 2012.

### 3 Justification for the Proposed Disposal

- 3.1 Whilst repair costs for the properties are well above the £8,400 minimum set as part of the policy, it is accepted that bringing the Alresford Road property back to a lettable standard could be achieved within the existing HRA budget. However, the main aim of the sales policy was not simply to reduce void costs, but more importantly to generate much needed capital receipts, a 100% of which could be reinvested in affordable housing and maintenance programmes. The Council is not currently in a position to consider "prudential borrowing" and so has a straight decision between selling assets to fund essential works, or leaving tenants in properties with outdated facilities and a significantly increased risk of boiler failure and/or loss of TV signal after the digital switchover. Waiting for a potential rise in prices simply results in delays in generating receipts and increases the above risks.

### 4 SUSTAINABLE COMMUNITY STRATEGY (RELEVANCE TO):

- 4.1 Achieving and maintaining council dwellings in accordance with the Decent Homes standard is a key priority within the Strategy.

### 5 RESOURCE IMPLICATIONS:

- 5.1 The key resource implications are contained in the detail of the report.

### 6 Risk Management Issues

- 6.1 The risks associated with these proposed sales have been fully assessed as part of developing the initial policy and in the main body of the report above. Clearly, the loss of much needed family accommodation (albeit for a temporary period which reinvestment in new affordable homes takes effect) cannot be ignored. However, the Council has placed very strict limits on the sales policy to minimise the impact of this. Right to Buy sales being at an all time low also helps to reduce the impact of the sales.
- 6.2 The main risks associated with this issue relate to the Council's ability to resource essential maintenance demands on the capital programme. If sales do not proceed, the Council has no immediate alternative source of funding to resource this work. Whilst it could be argued that tenants can continue to live with outdated kitchens or bathrooms, generating receipts through sales will

certainly reduce to risks described above associated with heating system failures or television signal problems.

7 TACT COMMENT

- 7.1 Whilst fully appreciating the Council's dilemma in relation to the current shortfall, TACT however remains opposed to the Council's asset sales policy in principle, but in the short term only is prepared to go along with it.
- 7.2 The Government is clearly listening to tenants as shown by the reports coming from the TSA (Tenants Services Authority).
- 7.3 It is clear from The Rt. Hon. John Healy MP, Minister for Housing and Planning that the time for change is now regarding the HRA, TACT do not necessarily agree with your time scale of 2012 at the earliest, but that remains to be seen.

BACKGROUND DOCUMENTS:

Operational and financial records held in the Landlord Services, Estates and Finance divisions

Appendix - Vacant Council Dwellings – Property Valuations EXEMPT