

DECISION TAKER: Cabinet Member for Housing and Asset Management–  
Councillor Kelsie Learney

REPORT TITLE: DISPOSAL OF COUNCIL DWELLING AT 16 TOWER STREET

7 MARCH 2022

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WARD: ST BARTHOLOMEW

## PURPOSE

To seek council approval to dispose of an empty HRA property in line with the disposal criteria as set out in the councils HRA Asset Management strategy approved at Cabinet in 8 December 2021.

Disposal of HRA assets is only considered in exceptional circumstances and should meet the criteria set out in the “Disposal Policy” approved as part of the Housing Revenue Account (HRA) Asset Management Strategy in December 2021.

The proposed property for disposal, 16 Tower Street is a 3 bedroomed house located in central Winchester and is the only council owed property in the street. The property is in a conservation area but is it not a listed building. The empty property is in need of significant works to bring it up to a decent standard to let. As a family home it has limited outside space with no green spaces for families to enjoy.

An Asset Management strategy options appraisal concluded that the best Value for Money option is to dispose of the property and use the funds gained to deliver additional units of new homes that are energy efficient.

## RECOMMENDATIONS:

That the Cabinet Member for Housing and Asset Management:

1. Approves the disposal of 16, Tower Street, in line with the approved councils HRA Asset Management strategy disposal criteria to support and enable the delivery of additional new units of affordable housing.

2. Delegate authority to the Corporate Head of Asset Management to dispose of the HRA asset at 16 Tower Street.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

#### 1.1 Tackling the Climate Emergency and Creating a Greener District

The formally declared climate emergency; set challenging targets of a carbon neutral Council by 2024 and carbon neutral District by 2030. The former will include a requirement for a carbon neutral housing stock. HRA Asset Management considerations can be divided into 2 clear areas

- Existing stock
- New build

Cabinet Report CAB3291 - Housing Development Strategy 2021 - 2030 sets out design expectations for future new build schemes.

Cabinet Report CAB3293 - Making homes carbon neutral sets out the approach for existing stock.

#### 1.2 Vibrant Local Economy - Provision of good quality affordable housing helps the district retain a diverse workforce and contributes to the local economy.

#### 1.3 Living Well: The provision of good quality housing is linked to and has a direct impact on wellbeing.

### 2 FINANCIAL IMPLICATIONS

#### 2.1 The council currently owns a 3 bed property 16 Tower Street. The original proposal was to undertake conversion works to create 2 flats, a one bed and a two bed.

#### 2.2 However, the anticipated cost of the conversion has increased significantly during the tendering process from an estimated £225,000 to £357,000 (based on the lowest tender of £295,540). This is largely as a result of the current impact of uncertainty and supply issues affecting the marketplace for small building work, but also connected to the cost of delivering the Association for Environment Conscious Building (AECB) standard energy efficient units.

#### 2.3 The increased tender prices and the current value of the property estimated at £410,000 does not significantly enhance the initial New Homes proposed conversion as the value of the completed new properties would only be £525,000. In addition, continuing the proposed development would require additional management resources and focus that could be better deployed to greater effect elsewhere.

#### 2.4 It is therefore considered that the best Value for Money option in the current circumstances is to dispose of the asset and utilise the proceeds to help

support the delivery of new energy efficient and fit for purpose housing units elsewhere.

- 2.5 The council has also spent some £40,000 on feasibility work and this will be written off to revenue. The property has been empty for 3 years with a rental income loss to date of £19,594.64. The reasons for this are set out in section 10 of the report.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 S123(1) of the Local Government Act 1972, provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. This is in addition to its powers under the general power of competence provided for in Section 1 of the Localism Act 2011, as well as its powers to dispose of land under Section 123 of the Local Government Act 1972 and Section 233 of the Town and Country Planning Act 1990.
- 3.2 In pursuing the proposed process the Council will observe its statutory duties, including in regard to the duty to obtain best consideration on the disposal of land, and duties to consult. It should be noted that by carrying out a CAB3268 competitive process the Council will be in a stronger position to demonstrate compliance with the duty to obtain best consideration. In the event that best consideration is not obtained then additional legal criteria are relevant, such as state aid and best value duty, and further legal advice is recommended.
- 3.3 It is understood that the proposed disposal is in accordance with the council's HRA Asset Management Strategy which sets out the focus of long term investment plans and key principles for managing housing assets. It seeks to ensure that the council makes best use of its stock to meet current and future housing need.

### 4 CONSULTATION AND COMMUNICATION

- 4.1 A presentation of the headline elements of the HRA Asset Management strategy which formalised the disposal criteria for HRA assets was given to Tenants and Council Together (TACT) on 22 July 2021. A copy of the presentation was also sent to the Chairs of the Housing Management and Repairs and Maintenance Service Delivery Tenant Groups.
- 4.2 The recommendations of CAB report - were presented to tenants at the September TACT Meeting. As part of the presentation tenants were presented with a scenario to debate the formalised disposal criteria.
- 4.3 CAB Report (CAB3264 - HRA Asset Management Strategy - 8.12.21) was presented and considered at Business and Housing Policy Committee on 30 November 2021 with TACT present and asked to comment at the meeting.

## 5 ENVIRONMENTAL CONSIDERATIONS

- 5.1 A key element of the HRA Asset Management Strategy is working towards achieving the council's carbon neutral targets both through the New Homes Delivery programme and by environmental improvements to its existing housing stock.
- 5.2 The HRA Asset Management strategy, along with the Housing Development Strategy, considers and sets out how the council makes best use of its new and existing assets to ensure council homes are energy efficient including the reduction and mitigation of nitrates.

## 6 PUBLIC SECTOR EQUILITY DUTY

- 6.1 An Equality Impact Assessment was carried out in 2020/21 as part of the implementation of the HRA Asset Management strategy..
- 6.2 Individual asset options appraisals to acquire or dispose of properties include an assessment of the benefits and disadvantages on different groups as part of that process. This proposed disposal meets the aims of the strategy and it is considered that no adverse effect on the councils public sector equality duty.

## 7 RISK MANAGEMENT

<b>.Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
Finance Best Value not achieved for redevelopment or disposal of assets.	Options appraisal process addresses this. Viability tests in place for redevelopment and disposals always at market value..	
Exposure to challenge An empty council home that is no longer fit for purpose.	To dispose of the property and use the funds gained to deliver modern and energy efficient additional units of affordable social housing to rent through the New Home delivery programme.	Meeting local housing need for smaller dwellings to let.
Innovation Missed opportunity to test impact of Passivehaus	Selecting other more appropriate properties for	Already in place with current Bramdean retrofit

retrofit	this purpose (Swedish timber home in Bramdean/Cheriton) and future voids	scheme
Reputation Loss of social housing to meet housing need	Capital receipt to support future new build schemes  Specific property would be difficult to let as a 3 bed with no outdoor space	Positive opportunity to meet housing need demand for smaller properties to let.  Meeting housing need demand for smaller properties to let.
Property Dwellings not being effectively utilised.  Decent homes standards not maintained.	Keystone property asset management reports are run regularly to inform works programme.  Monitoring by the HRA Asset Management Group.	

#### 7.1 OTHER KEY ISSUES

7.2 None

#### 8 SUPPORTING INFORMATION:

8.1 The HRA Asset Management Strategy is a key document that supports the management of property assets held by the HRA. The strategy takes count of existing demand for housing and seeks to ensure the council's existing stock makes a positive contribution to addressing housing need.

8.2 An officer Asset Management Group delivers the strategy focussing on key work streams to ensure that the council is making best use of its housing stock. This includes reaching decisions in respect of the Acquisitions and Disposal criteria with Member approval.

#### 9 Disposals and Acquisitions

9.1 As part of the HRA Asset Management Strategy, consideration is given to the future need to acquire assets, such as land or housing, and if existing assets

are no longer fit for purpose, to consider a range of options that could include realising value through disposal.

- 9.2 In terms of disposals, the abolition of the HRA debt cap means that the original reasons for developing a programme of asset disposals is no longer a factor, as maintenance and development programmes can be fully funded from prudential borrowing, effectively funded through future rental income. However, whilst any future disposals are likely to only be recommended in exceptional circumstances, some disposals may be required to ensure the council continues to make the most effective use of its housing assets.
- 9.3 Whilst disposal of assets is only likely to be considered in exceptional circumstances, some disposals will demonstrate best value for money and should be considered. In all circumstances, an options appraisal to consider alternative uses is completed. Should the appraisal outcome be a disposal recommended, it should comply with at least one of the following criteria:
- a) The asset has a negative NPV
  - b) The asset is considered as unsuitable for social housing; doesn't fit the future needs of the organisation
  - c) Carbon efficiency – The asset will not achieve EPC C rating or this can only be achieved with significant investment in retro fitting
  - d) Land that is not required for social housing purposes and/or which makes little or no positive contribution to the neighbourhood
- 9.4 This paper sets out the background and rationale behind the proposed recommendation to disposal of a council housing asset in line within the Asset Management Strategy disposal criteria, in order to make the most effective use of the councils housing stock and to provide best value for money.

## 10 Proposal to Dispose of 16 Tower Street

- 10.1 The property, 16 Tower Street is a 3 bedroomed house located in central Winchester and is the only council owed property in the street. The property is in a conservation area but is not a listed building. As a family home to let it has limited outside space with no green spaces for families to enjoy. There is no on street parking and is a permit only parking area.
- 10.2 The property became void in November 2018, and underwent a void inspection in February 2019, and was found to be in poor condition. There was general property neglect having been mistreated and evidence of serious wet rot on the ground floor. At the time of the void inspection the cost to bring the property up to a habitable standard including full decorations was estimated at over £33,000. This did not allow for the cost of a replacement kitchen that had been mistreated and may not be salvageable.

- 10.3 The property had a SAP Band E energy performance rating and would require void fabric retrofit improvements to include internal wall insulation, floor insulation, and window replacement with secondary glazing. Replacement mechanical and electrical future renewable work would also be required to bring the property up to the required SAP Band C energy performance rating.
- 10.4 It was clear at the time of the void process that significant investment would be required to bring the property up to a decent void standard and to achieve an EPC Band C rating to be able to re-let the property. As the property met two elements of the asset management disposal criteria it triggered an options appraisal to consider alternative uses for the property. At the time the favoured proposal was to undertake conversion works through the New Homes Delivery programme to convert the property into two flats as close to Passivhaus standard as possible. It would be the first pilot retrofit scheme and when completed a good example of a council carbon neutrality retrofit project.
- 10.5 A planning application was submitted in July 2020, for the proposal to convert and refurbish the property in to two flats. However, the planning decision was delayed to seek a satisfactory resolution between Natural England and the council as the statutory planning authority with regard to agreement on the impact of nitrates on the development, in particular the methodology concerning occupancy rates for the calculation of nitrates. Planning permission was granted in May 2021 but further delays to the project were caused through the pandemic restrictions and reductions in New Homes staffing resources.
- 10.6 The unforeseen delays resulted in significant increased tender costs for the conversion project from the original cost of £225,000 in February 2021 to £357,000 as at January 2022. A valuation of Tower Street was revisited in January this year and is valued by Carter Jonas' at £410,000. Therefore, the current value estimate of Tower Street would not be significantly enhanced by the proposed conversion as the value of the completed properties would only be £525,000.
- 10.7 The increased tender costs triggered an Asset Management options appraisal on 11 February 2022, to consider and reassess the best value money option of the conversion project. The 3 tender prices submitted had significantly increased from the original submission (s from just under £300,000 to £404,000, the proposed conversion value of the two completed properties is confirmed at £525,000. The options appraisal concluded that the best Value for Money option is the proposal to dispose of 16 Tower Street at £410,000 and to use the funds gained to deliver additional units of new homes that are energy efficient.

## 11 OTHER OPTIONS CONSIDERED AND REJECTED

- 11.1 The option of progressing the redevelopment option at a cost which is outside of the usual viability tests has been considered. This would provide an opportunity to assess the impact of "Passivehaus retrofit". However, this has



been rejected as not the best “value for money” option and not making the best use of the councils housing stock. Consideration was also given to the potential of leasing the redeveloped property to the housing company proposed to be established later this year which would allow it to be let at a higher rent. However, this would still not have met the viability test in light of the cost of redevelopment.

- 11.2 Bringing the property back up to standard to let through the normal void process is rejected with a recent estimate of void costs at £40,000 and as the property had previously been hard to let. There is also the likelihood of further deterioration and associated costs as the property has been empty for 3 years.
- 11.3 To delay the disposal option and test the market again in 6 months to see if tender costs for the conversion reduce is rejected due to the financial and reputational risks attached of leaving a social housing property empty with no guarantee that tender costs will reduce.

11.4 BACKGROUND DOCUMENTS:

Previous Cabinet/Committee Reports or Cabinet Member Decisions:

CAB3264 - HRA Asset Management Strategy – 8 December 2021

Other Background Documents:

None

APPENDICES:

None