

REPORT TITLE: PROPERTY DISPOSALS , 27 EASTGATE STREET

13 DECEMBER 2023

REPORT OF CABINET MEMBER: Cllr Martin Tod

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WARD(S): ST MICHAEL

PURPOSE

The property 27 Eastgate street is a general fund property held for investment purposes. Following a review of the alternative uses of the property and its estimated value it is recommended that the best return for the council will be achieved by disposal of 27 Eastgate street . The property has been used as temporary accommodation for single homeless people when leased to the Housing revenue account . When taking into account investment needs to continue that use and the return that continued use would generate it would not meet or exceed the return that could be achieved by disposal. Moreover, the nature of the property is not considered as suitable to meet the needs for temporary accommodation and has not been included in the forthcoming review of homeless demand and temporary accommodation. Disposal of the property will enable external investment and achieve the Council plan outcome of Homes for all.

Consequently, Cabinet approval to the freehold disposal of as surplus residential asset at 27 Eastgate Street, Winchester is recommended.

RECOMMENDATIONS:

That Cabinet approve the sale of 27 Eastgate Street by private treaty or auction and approve retaining the freehold interest in the adjoining open ground that is currently used for car parking.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 *Tackling the Climate Emergency and Creating a Greener District*
- 1.2 Disposal of the property will inevitably lead to investment and improvement of the home which in turn will improve its energy rating and thus reduce carbon emissions.
- 1.3 *Vibrant Local Economy*
- 1.4 Disposal will inevitably lead to investment in the property that will have a multiplier effect in the local economy.
- 1.5 *Living Well*
- 1.6 No specific implications to this aspect of the Council plan.
- 1.7 *Your Services, Your Voice*
- 1.8 No specific implications to this aspect of the Council plan

2 FINANCIAL IMPLICATIONS

- 2.1 Since being vacated by housing tenants, the property has been vacant for nearly a year and is subject to non-recoverable expenditure including e.g. council tax. It is currently held in the council's General Fund as an investment property (for income and/or capital appreciation). A capital receipt in the region of £675,000 is anticipated.
- 2.2 As noted in the council's Capital Investment Strategy (CAB3389 refers), it is essential to regularly review the performance of the council's property portfolio and make active decisions on retention, disposal or rental/leasing options to best support council objectives. This has become increasingly important as part of TC25 challenge where increased income or reduced costs can positively impact the council's future forecast deficit.
- 2.3 When a capital asset is sold the proceeds can either be spent on new assets or to reduce debt (capital financing requirement) from prior year unfinanced capital expenditure; i.e. it cannot be used for general revenue expenditure. When applied to reduce capital financing requirement, it reduces the council's annual Minimum Revenue Provision (equivalent to principal repayment), with an increasing saving over time, and increases the council's cash and investment balances which results in increased investment income and/or a reduced cost of external borrowing.
- 2.4 Were the receipt to be applied to reduce the capital financing requirement in respect of the Winchester Sport and Leisure Park (WSLP) then, depending on prevailing interest rates, estimated revenue savings of between an average of

£41,000 per annum (at 3.5%) and £55,000 per annum (at 5.5%) can be made. This equates to a total potential saving of between £1.6m and £2.1m over the 38 year remaining estimated life of WSLP including between £0.9m and £1.4m of interest.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The residential property will be sold with freehold title. The Council will retain the adjacent open ground for potential future use in the CWR development. In the interim, the land may be let on Licence for car parking. Appendix 3 includes the parking area to be retained , appendix 2 photo of the property and appendix 1 plan of the property.
- 3.2 The Constitution permits delegated authority to the Corporate Head of Asset Management to dispose of non-contentious assets up to £1million, but subject to Cabinet approval being given 'in principle'. This is a non-contentious disposal, but it still requires formal Cabinet approval

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 This is the proposed disposal of an end of terrace surplus residential asset with no alternative use or benefit to the Council to realise the best return for the Council.

6 CONSULTATION AND COMMUNICATION

- 6.1 There has been no external consultation concerning this proposal. There has been internal consultation within the Council to ensure there is not a viable alternative use for the property. .

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The expectation is that the property will be improved by the purchaser in terms of energy performance. Disposal will reduce the Council's carbon footprint.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 The property will be offered for sale on the open market for all interested parties to bid.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None

10 RISK MANAGEMENT

10.1 Anticipated risks are limited to a sale failing to complete.

Risk	Mitigation	Opportunities
Financial Exposure Not achieving the market value for the property.	Demand is expected to be high for this property. If the top bidder falls away, there will be under bidders to treat with.	Capital receipt can be used to finance capital expenditure or to reduce ongoing costs associated with prior year unfinanced capital expenditure.
Exposure to challenge The council will be challenged that it has not followed policy or not achieved best consideration for its asset.	Follow S123 disposal procedures	
Reputation The property is vacant and dilapidated. It is starting to look neglected and suggest the council is not managing its assets effectively.	Disposal will transfer ownership and management responsibility.	Disposal to a new owner should prompt investment to bring the property to a better state, giving an overall improvement to the site.
Achievement of outcome	The process will be managed by the Estates and Legal team who are used to handling disposal of assets.	
Property	The property is insured against fire etc and is inspected regularly.	Disposal reduces the council's exposure to property risks by transferring these to a new owner.

11 SUPPORTING INFORMATION:

11.1 This asset is held in the General Fund and was let to the housing service. It was used as a house in multiple occupation for single homeless people. Following assessment of fire risks it was established that the property would require investment to address fire risks if it were to continue in that use. The property was decanted and has been vacant since 2021 There are no alternative viable uses identified in the council and therefore it is declared surplus to requirements and is recommended for disposal.

- 11.2 Two similar properties in Eastgate Street, previously owned by the HRA, have been sold by WCC in identical scenarios where the HRA no longer had a need for them and proceeds were better invested into alternative provision.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Retain the property and let for general fund housing purposes. This is not recommended due to the net rent that could be generated not representing the best return for the Council. Moreover, there are more economic opportunities open to the Council to meet that demand.

- 12.2 CWR team and Jigsaw were approached for use by them as operational premises or to be developed as part of CWR. The house is end of terrace so not suitable for either. However, the proposal is to retain the freehold of the adjacent open ground for potential use as public access or signage in the CWR development.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None

Other Background Documents:-

None.

APPENDICES:

Photos and site plan