



To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart  
Report by: Director of Customer & Community Services  
Relevant scrutiny committee: Community Services Scrutiny Committee 11/10/2012  
Wards affected: Market

## **DISPOSAL OF HRA PROPERTY AT 7 SEVERN PLACE, CAMBRIDGE Not a Key Decision**

### **1. Executive Summary**

The Executive Councillor for Housing is asked to approve the principle of the market disposal of the housing property at 7 Severn Place. The sale is facilitated by the Council having vacant possession of the dwelling, following relocation (by agreement) of the existing tenant.

### **2. Recommendations**

The Executive Councillor is recommended:

- 2.1 To approve the principle of the disposal of the HRA asset at 7 Severn Place and the reinvestment of the associated capital receipt in the provision of new additional affordable housing, subject to agreement of the terms of the sale by the Executive Councillor for Strategy & Resources.

### **3. Background**

- 3.1 This report recommends the sale of a council dwelling which is geographically dispersed from other housing stock owned by the Housing Revenue Account and will require additional investment to maintain it at the decent homes standard. This is balanced against the circumstances of the disposal of the property, estimated to yield a capital receipt in the region of £400,000, which could enable the creation of two additional units of social housing to meet existing housing need.
- 3.2 The request is made in line with Council's Housing Strategy's key objective of increasing the supply of affordable housing as any such

receipts are earmarked for reinvestment in additional affordable housing.

- 3.3 The property at 7 Severn Place is a 3-bedroom dwelling currently owned and managed within the Housing Revenue Account. A valuation of the property was undertaken for the Council by Januarys Chartered Surveyors on 28 May 2012. The estimated the value of the property was between £275,000 and £300,000, based on market comparables.
- 3.4 The property is in need of some immediate repairs, including a flat roof repair, a new boiler and bathroom, all of which will incur expenditure in addition to the standard schedule of maintenance as outlined in the finance section of this report.
- 3.5 There are 3 other private residential dwellings in Severn Place, surrounded by a mix of commercial units, a multi-storey car park and shopping complex.
- 3.6 The Council was approached in February 2011 by a property developer, the Unex Group Holdings Ltd, with a request to purchase 7 Severn Place. The Unex Group are proposing to re-develop their existing site, which is opposite 1,3, 5 & 7 Severn Place, and are looking at the possibility of acquiring these properties and incorporating the land on which number 7 and the adjacent houses sit into their development.
- 3.7 The Council's initial response was that the property was tenanted and that a sale would only take place if the tenant so chose, via the right to buy process. The Council's responsibility is to maintain the balance between meeting the needs of the individual tenant and making an appropriate asset management decision in the best interest of the wider group of stakeholders. The Council was also aware of the need to mitigate the risk that the Council could be seen to be forcing the resident from their home for financial gain.
- 3.8 In June 2011, the developer contacted the Council again, re-stating their offer, confirming that subject to their also being able to acquire the 3 freehold properties in Severn Place and obtain the appropriate planning permissions, they would be prepared to offer £400,000 for the freehold for 7 Severn Place.
- 3.9 In July 2011, the developer informed the Council of their intention to approach the tenant of number 7 Severn Place, with a view to the tenant enacting their right to buy and immediately selling on the property to the Unex Group. However, under these circumstances, the

tenant would be required, under the right of first refusal legislation, to give the Council first option to repurchase before being permitted to sell the property on.

- 3.10 If a right to buy transaction were to take place, the Council might be required to pool a proportion of the capital receipt received in respect of the right to buy sale of the property under the revised capital receipts pooling arrangements, depending upon the number of sales that have taken place in the year. In these circumstances, any tenant would be required to repay all discount received as part of the right to buy process as a result of selling on the property within the first year.
- 3.11 The former tenant in 7 Severn Place had been in occupation since May 2008. Once aware that the developer was going to contact the tenant directly, officers took the decision to appraise the tenant of the proposal made by the Unex Group. Initial discussions with the occupants indicated that they were willing to be relocated, and this has subsequently taken place, with the household transferring to become a tenant of a registered provider in the city. The tenant was happy to move, citing the following conditions; (i) that alternative accommodation be provided within the catchment area for a specific school and (ii) that the new property should have off-road parking.
- 3.12 The tenant was given priority to bid for properties on the housing register and was successful in bidding for a property that met the desired criteria. This property is managed by the Cambridge Housing Society.
- 3.13 If the sale is approved to take place, it has been agreed, that the Unex Group will meet the cost of fees in respect of the sale of the property; legal costs, surveyors fees and disbursements (land registry costs) and also the relocation costs of the tenant.
- 3.14 In view of the willingness of the tenant to move, the maintenance required on the property, and the potential to finance two affordable homes from the proceeds of the sale, it is proposed that the property be sold in line with the Council's Housing Strategy and the HRA Business Plan and Asset Management Plan.

Target Start date	<b>October 2012</b>
Target completion date	<b>March 2013</b>

## 4. Implications

### (a) Financial Implications

- 4.1 A valuation of the property was undertaken for the Council by Januarys Chartered Surveyors. They estimated the value of the property, based on market comparables, as between £275,000 and £300,000. In consideration of the Councils improvements over recent years, they recommend a value of £300,000. January's conclude that the conditional offer of £400,000 made by the Unex Group is an acceptable purchase price.
- 4.2 The costs associated with the transfer of the tenant and the sale would be borne by the purchaser, Unex Group Holdings Ltd: These costs relate to legal costs (£1,500), surveyors fees (£1,720), relocation and administration costs (£3,280) and disbursements (e.g. land registry costs). There is a small risk that the legal fees may be greater than £1,500, but all other costs will be covered resulting in a net capital receipt of £400,000.
- 4.3 The revenue implications of the sale of the property are as follows:

Income /Expenditure	Definition	Annual Impact	30-Year Impact
Rent Income	48 weeks @ £67.73	(£3,251.04)	(£97,531.20)
Management	2010/11 cost per property	£453.63	£13,608.90
Maintenance	Pro rata last 5 years spend	£780.40	£23,412.00
Major Repairs	Codeman Investment Need		£30,637.60
Major Repairs	Flat roof repair, boiler and bathroom replacement		£4,000.00
Net Impact	Net loss of revenue		(£25,872.70)

Although there is an adverse revenue impact associated with this disposal, the anticipated benefit of the capital receipt in terms of the potential to fund replacement of the existing dwelling and an additional unit of affordable housing is considered to outweigh the revenue impact in the longer term.

### (b) Staffing Implications

- 4.4 It is anticipated that this project can be carried out within existing staffing resources and there will be no additional impact.

(c) **Equal Opportunities Implications**

4.5 An EQIA was undertaken by City Homes, and confirmed there were no adverse implications associated with the sale of this property.

(d) **Environmental Implications**

4.6 There is no direct environmental impact resulting from this sale.

(e) **Procurement**

4.7 Due to the value of the work to obtain an independent valuation of the property, a direct approach to a single supplier was adopted. No other procurement is required.

(f) **Consultation and Communication**

4.8 The existing tenant of 7 Severn Place has been consulted as described in section 3 above.

(g) **Community Safety**

4.9 There are no direct community safety implications associated with the relocation of the tenant or disposal of the property at 7 Severn Place.

## **5. Background Papers**

These background papers were used in the preparation of this report:

Valuation Report by Januarys Chartered Surveyors dated 28 May 2012.  
Equalities Impact Assessment.

## **6. Appendices**

There are no appendices provided with this report.

## **7. Inspection of Papers**

To inspect the background papers or if you have a query on the report please contact:

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