



## Cambridge City Council

### **Project Appraisal and Scrutiny Committee Recommendation**

**Project Name: Disposal of 13 Shelly Row, 20 Beche Road and 2 Grafton Street**

**To:** Executive Councillor for Housing

**Report by:** Director of Customer and Community Service

**Scrutiny committee:**

**Wards affected:** Castle, Market, Petersfield

### **Recommendation/s**

#### **Financial recommendations**

The Executive Councillor is asked to approve:

The open market disposal of 3 properties in their current condition (as set out in paragraph 2.1 Option 2), with a view to utilising the resulting capital receipt, along with right to buy receipts to finance new build properties to let as part of the Cambridge Social Rent Programme. The capital receipt may be used to provide the top up funding required for schemes with existing approval, or could be used to fund new schemes as they are brought forward.

## **1 Summary**

### **1.1 The proposal**

The HRA Asset Acquisition & Disposal Policy was introduced in June 2013. The objectives of the policy are:

- To increase the supply of additional suitable affordable housing owned and managed by the Housing Revenue Account, recognising the increasing demand on the housing register, whilst

providing opportunity to re-balance the mix of housing owned by the authority.

- To facilitate the acquisition of property / assets that will assist in the delivery of identified and potential new build opportunities.
- To facilitate the disposal of property / assets that are no longer meeting the service or business need and where the receipt could be better utilised elsewhere.
- To provide a framework to assess the viability and value for money of acquiring or disposing of a specific property asset, delivering the flexibility to be able to act within limited timescales, as opportunities arise.

Within the criteria laid out in the policy, consideration is being given to the options for either the improvement, or open market disposal, of three void housing properties where their current condition indicates that significant investment is required prior to re-let.

The report proposes disposal of the properties, recognising that the initial loss of family housing can be replaced by making use of the capital receipts that will be received from the sale of the dwellings to fund new build housing in the city.

To demonstrate how the capital receipt might be utilised, financial appraisals have been carried to measure the number of new build homes which could be built with the capital receipt, combined only with the use of retained right to buy receipts. On this basis, 30% of each new home deliverable would be funded using right to buy receipts and 70% using the capital receipt from the sale of the properties in this report.

The three properties are:

13 Shelly Row – 2 Bed House  
20 Beche Road – 4 Bed House  
2 Grafton Street - 3 Bed House

Target Dates:

Start of Disposal Process	2	July 2015
Completion of Disposal Process		October 2015

In respect of 13 Shelly Row, in addition to a significant level of investment need, the property is considered to be of poor design and layout, with access to the property making maintenance difficult. The valuers opinion is that a purchaser would potentially strip out and re-design the dwelling to maximise it's potential.

In respect of 20 Beche Road, there is a very significant level of investment required in the dwelling, and the property is not located adjacent to other housing managed by the authority.

In respect of 2 Grafton Street, in addition to higher than average void investment requirements, the location of the property detracts from the authorities' ability to appropriately manage the dwelling, and management issues have been identified in the past.

**1.2 Anticipated Proposal Cost / Income**

Details of the estimated capital receipt arising from the sale of these properties are included in the confidential Appendix B to this report as this information is commercially sensitive.

Disposal cost funded from:

Funding:	Amount:	Details:
Reserves	£	
Repairs & Renewals	£	
Developer Contributions	£	
Climate Change Fund	£	
Other	£14,800	Legal and Estate Agents Fees – to be funded from capital receipt

**1.3 Procurement process**

The properties to be disposed of will be sold on the open market. Property Services recommend that all three properties are placed with a single Estate Agent. Procurement will therefore be subject to request for quotation to three suppliers in order to comply with procurement requirements.

Conveyancing will be carried out by the Council’s Legal Team.

**2 Project Appraisal & Procurement Report**

**2.1 Proposal Background**

The tables included in the confidential appendix B to this report set out the business case options for each property following a financial assessment of the proposals.

Option 1 – to refurbish the properties to Decent Homes standard and retain them for re-letting at target social rents.

Property	Number of years to payback investment
13 Shelly Row	8
20 Beche Road	13
2 Grafton Street	4

Option 2 – to dispose of the properties in their current condition on the basis that the resulting capital receipt, along with right to buy receipts, will be used to finance new build properties. In all cases, the cost of the Decent Homes works which would otherwise be required, has been assumed as a saving. It is also assumed that the new build properties would be let at Cambridge Social Rent Programme rent levels (local housing allowance levels).

Property valuations have been carried out by Pocock and Shaw Chartered Surveyors.

Assuming that the capital receipt from the disposal of each dwelling is combined only with retained right to buy receipts, the disposal of these properties would facilitate the delivery of the following number of new build homes:

Property	Number of new build properties (2 bed houses)	Number of years to payback proposal
13 Shelly Row	2.30	0
20 Beche Road	3.84	0
2 Grafton Street	3.47	0
	9.61	

The market value of these properties is high and the capital receipt that can be achieved, along with the use of right to buy receipts, would fund the new build of a net additional 6.61 properties, thus increasing the total stock of properties available to let to those in housing need.

Although 2 bedroom properties have been used to present this business case, in reality all new build sites will deliver of a balance of accommodation in varying sizes, dependent upon identified need.

Option 3 – re-investment as per option 2, but having refurbished the properties to a high standard prior to offering them for sale on the open market in order to maximise the capital receipt at the point of sale.

Property	Number of new build properties (2 bed houses)	Number of years to payback proposal
13 Shelly Row	2.61	0
20 Beche Road	3.84	0
2 Grafton Street	3.47	0
	9.92	

It is evident that in the case of 13 Shelly Row there would be marginal benefit in carrying out refurbishment work prior to sale, but as the potential increase in the number of new build homes that may be deliverable is only 0.31, it is not considered that the risks associated with carrying out the work will provide sufficient benefit to recommend this option. There is always the risk of identifying a far greater cost of the refurbishment works required once work has begun.

In respect of 20 Beche Road, the cost of carrying out the refurbishment work is anticipated to be reflected directly in the market value achievable, but with no uplift (profit) anticipated.

In the case of 2 Grafton Street, the property valuation has advised that potential purchasers will be attracted to the property in its current state in order to improve it to their own design. Pocock and Shaw have not provided an estimate of the value of refurbishment works or a valuation of the property following such works.

## **2.2 Aims & objectives**

### ***Tackling the housing crisis***

This proposal is in line with the key objective in the Council's Housing Strategy to increase the supply of social housing as any such receipts are earmarked for reinvestment in additional social housing.

## **2.3 Major issues for stakeholders & other departments**

There are no major issues arising from the sale of these properties

## **2.4 Summarise key risks associated with the project**

Disposals: the property valuation has been carried out based upon current trends within the private housing market. Should this change, the level of capital receipt currently assumed may not be achievable.

## **2.5 Financial implications**

- a. Appraisal prepared on the following price base: 2015/16
- b. Specific grant funding conditions - none
- c. The income and costs included in this report are based upon the disposal of these properties only. In assessing the financial viability of the proposal, it has been assumed that the resulting capital receipt will be used to fund additional new build properties in order to show the opportunities available to the Council should the disposals be approved.

d. Disposal of these properties could assist in providing the top up funding required to enable appropriate use of right to buy receipts in the financing of existing new build projects in the capital programme, ensuring that RTB resources are utilised by the deadlines required by government. Alternatively, the capital receipt could be re-invested in new schemes as they come forward for approval. The capital receipts will increase the authority’s capacity to deliver new build housing.

**2.6 Net revenue implications (costs or savings)**

<b>Revenue</b>	<b>£</b>	<b>Comments</b>
Rental income reduction	19,180	Reduction by 3 properties
Management and Maintenance	(1,410)	Reduction by 3 properties
Maintenance	(2,250)	Reduction by 3 properties
Major Repairs	(3,750)	Reduction by 3 properties
<b>Net Revenue Impact</b>	<b>11,770</b>	<b>Cost/(Saving)</b>

This cost would ultimately be more than offset by the increased net income received from the additional new build properties once they have been delivered.

**2.7 VAT implications**

There are no adverse VAT implications.

**2.8 Other implications**

Equality and Diversity - An Equality Impact Assessment (EqIA) has been undertaken that has identified potential issues with the disposal of family-sized units of accommodation. An action plan has been put in place to ensure these issues are addressed. The EqIA is available as a background paper.

Environmental - There are no specific environmental implications.

Procurement – There will need to be a request for quotation prepared and issued to appoint an agent to sell the properties if it is deemed appropriate that a single agent can act for all 3 dwellings.

Consultation and Communication – All 3 properties are currently void, so there is no direct consultation required with occupants.

Community Safety – There are no specific community safety implications in relation to the sale of the properties, but there is a risk in leaving the properties empty for any considerable period of time.

**2.9 Staff required to deliver the proposal**

<b>Service</b>	<b>Skills</b>	<b>Total Hours</b>
Legal	Conveyancing	
Property Services	Co-ordination and Management	5

**2.10 Background Papers (Confidential due to commercial sensitivity)**

- Property valuation 13 Shelly Row
- Property valuation 20 Beche Road
- Property valuation 2 Grafton Street

**2.11 Appendices**

Appendix A - A confidential appendix is attached which details the financial assumptions made as part of the business case.

**2.12 Inspection of papers**

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