

Housing Review Board

Report to:
Date of Meeting: 8 September 2016
Public Document: No
Exemption: Para 3 Schedule 12A Information relating to the finance or business affairs of any particular person



Agenda item: 17

Subject: **Disposal of two council houses and land with planning permission for a two bedroom house at Normandy Close, Exmouth**

Purpose of report: This report seeks support to change a previous decision made by the Housing Review Board on the 6 March 2014 that proposed to appoint suitable contractor(s) to construct an additional house, demolish and rebuild and refurbish no's. 24 & 26 Normandy Close. Instead it is now recommended that the Council dispose of 24 & 26 Normandy Close along with planning permission for an additional dwelling that adjoins these properties.

Recommendation: To approve the request to change a previous decision that enables Officers to proceed to dispose of 24 & 26 Normandy Close, with planning permission to construct an additional dwelling on the open market. Receipts from the sale to contribute towards the delivery of suitable property to add to the Council's housing stock.

Reason for recommendation: The development is now not considered to be good value for money.

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Financial implications: The financial implications are included in the report. The sale will not be a Right To Buy and therefore not subject to pooling. Clarification is being sought from the DCLG as to whether the receipt can be spent on any capital expenditure or whether there are any restrictions.

Legal implications:

- 1. The Report (para. 1.7) states that the existing planning permission "is due to expire" on 13 December 2016 (which presumably means that any reserved matters have to be cleared by the LPA and a material site start made by that date) and that "we will seek to re-apply" if we cannot complete a sale of the land before then. However, the change of ownership can have no bearing at all on the matter and the ability to implement the permission is a totally unconnected factor. Further, it seems unlikely in the extreme that any buyer could plausibly be in a position to complete a purchase, arrange contractors and start sufficient works on site to "save" the permission within just 16 weeks from now, so the decision as to whether to reapply cannot really be deferred for very long at all (not least because the Report states – Annex 2 has not been attached to the copy passed to me – the sales valuation as confirming the existence of such permission to enhance likely selling price).**

- 2. The Report does not make clear what, going forward, a buyer will be expected to do with the existing houses 24 and 26 and how far we will – as Housing Service - regulate this (such as by putting the buyer under positive timescale and quality obligations and/or use restrictions) . Is the buyer to be given a free hand, or are we hoping to ensure that replacement social housing units are provided in the process? If the latter, are the demolished/refurbished houses to be offered to us for tenant nomination or something similar? In either of these respects, we will need a documentary commitment and this needs to be stressed for the very point of pricing and marketing, to avoid later “confusion”.**
- 3. The Report also does not explain what the buyer will be required to do to stabilise and protect unsullied enjoyment of the remainder of the terrace of which 24 and 26 form part – presumably quite extensive measures and guarantees must be ensured for the benefit of the occupants of those attached houses (whether or not they are still tenants of ours)?**
- 4. In a similar vein, to what extent will the sale of these three house plots into the private sector have upon external communal facilities shared by the existing terrace and possibly beyond that – such as parking courts, accessways, bin storage community lawns, communal television? Rearrangement of any such facilities may need to be explored in order to make the new/ refurbished private sector houses mortgageable (in terms of control of management and service charges for a start).**
- 5. Also not apparent in the Report is the measure of control it is intended the selling process should establish for the Housing Service over the brand new housing unit that is envisaged? Presumably we will want the selling document to oblige the buyer to tie the design, location and access arrangements to what is covered in the existing planning permission, so that if the buyer wants to make changes it has to come to us for separate consent (i.e. as seller – i.e. as Housing Authority with a real discretion, not as LPA with differing and limited freedoms because of central governmental powers)? But do we not want control beyond that – perhaps in the nature of positive timescale and quality obligations and long-term use restrictions?**
- 6. Will any aspects of the envisaged property development activities require brand new rights to be given by EDDC over any of our adjoining land (such as offsite service connections, new service installation routes, visibility splays, that kind of thing)?**
- 7. The intention stated in paragraph 2.1 of the Report needs reconsideration in our view. Especially as this is hardly a routine disposal for the Council and the General Disposal Order procedures would appear to have no application,, the “best consideration” requirements of s123 LGA are invariably best safeguarded not by the standard local estate agent “private treaty” marketing which the Report infers but by competitive tendering or even an auction. This is much more common and offers the Council enhanced protection in cases where, as here, there is a clear property development flavour.**
- 8. Legal Services are unable to comment on the efficacy of the all-important statement made in paragraph 2.2 of the Report”.**

Equalities impact: Low Impact

Risk: Medium Risk

Links to background information: • none

Link to Council Plan: Encouraging communities to be outstanding.

NOT FOR PUBLICATION

1. Background

- 1.1 A report was originally presented to the Housing Review Board (HRB) on the 21 June 2012, HRB agreed to support the recommendation, namely 'To dispose of 24 & 26 Normandy Close on the open market and use the receipts to enable further council housing to be constructed in Exmouth'.
- 1.2 A further report was presented to HRB on the 6th March 2014 (Annex 1) seeking support to construct an additional house, demolish and rebuild and refurbish no's. 24 & 26 Normandy Close. HRB supported this approach.
- 1.3 Due to a number of factors it has not been possible to commence this development opportunity. These factors include other reactive works that unfortunately were considered a higher priority. To further compound matters, the amount of Right to Buy receipts that can be used for this project has reduced to circa £30,000. When reported in March 2014 it was hoped that circa £88,000 could be secured. RTB receipts can only be used for additional social housing and not for refurbishing works.
- 1.4 Another contributing factor is last year's Summer Budget. The amount of rent the Council can charge is to be reduced year on year for four years from April 2016. This has had a significant impact on the Housing Revenue Account and its ability to financially support this or other similar projects.
- 1.5 Furthermore, the indicative development costs have increased since last reporting to the HRB. We have sought an update on approximate build costs. These have increased from circa £250,000 to £281,000. Adding this to other costs and VAT suggests a project cost of circa £335,000. This figure could rise as other unknowns are discovered.
- 1.6 Based on these increased costs and the inability to use the amount of RTB receipts originally proposed, combined with decreasing rent levels, it is considered that the project does not represent good value for money.
- 1.7 Planning permission is due to expire on the 13th December 2016. If planning permission expires before a sale is concluded we will seek to re-apply. This would cost about £385 and may require external support.
- 1.8 An updated sales valuation is attached to this report (Annex 2). It suggests a guide price of £ 250,000, but to consider offers in the region of £230,000. This assumes planning permission is still valid. Additional valuation advice suggests that if the planning permission expires then, with a positive statement from planning, a figure of around £220 / 225,000 may be achievable. At the time of writing this report a decision from planning about whether a positive planning statement can be made had not been established.

1.9 Due to structural concerns, an opinion has been sought from a Structural Engineer. Initial advice is that the properties should not be accessed internally until a risk assessment has been undertaken. This is likely to cost £375 and has been actioned due to health and safety concerns for Council employees entering the properties.

2. Proposal

2.1 If the recommendations made are supported, an Estate Agent will be employed to sell the properties and land as previously mentioned in this report. Costs attributed from this transaction will be met by the HRA. These will include estate agents fees of 1.5% of the selling price, legal fees of about £750 and potentially a planning fee of £385.

2.2 If supported, the receipts generated from the sale will be used to secure further suitable housing to add to the Council's housing stock. It will also enable the council to maximise the use of RTB receipts.