

HIGH PEAK BOROUGH COUNCIL

Report to the Corporate Select Committee

4th December 2017

TITLE:	Housing Revenue Account - Long-term Vacant Properties
EXECUTIVE COUNCILLORS:	Cllr Emily Thrane – Executive Councillor for Finance & Corporate Services Julie McCabe – Executive Councillor for Housing & Communities
CONTACT OFFICER:	Paul Hare – Assets Manager
WARDS INVOLVED:	Non-Specific

Appendices Attached

None

1. Reason for the Report

- 1.1 The purpose of the report is to consider the future use of a number of long-term vacant Housing Revenue Account (HRA) properties.

2. Recommendations

- 2.1 It is recommended that the Corporate Select Committee request that the Executive:
- Approve the refurbishment and subsequent re-letting of the following properties:
 - 23 Torr Top Street, New Mills; and
 - 127 Padfield Main Road, Padfield
 - Approve the disposal of the following properties:
 - 17 Meal Street & 26 Church View, New Mills

3. Executive Summary

- 3.1 A number of HRA properties had been identified as being in a poor state of repair and without significant investment were unable to be made available for new tenants. These properties have been vacant for a significant length of time. The properties are:

- Torr Top Street (see plan attached at Appendix A)
- 127 Padfield Main Road (see plan attached at Appendix B)
- 17 Meal Street / 26 Church View /32 High Street, New Mills (see plan attached at Appendix C)

3.2 The estimated cost of the improvements to bring the properties up to decent homes standard is £176,000.

3.3 A financial evaluation has been undertaken which takes into predicted cash flows over a 30-year period consistent with the timeframe of the HRA business plan. These cash flows have then been discounted to calculate if and how the proposals would contribute to the HRA business plan, in terms of:

- The net contribution over the 30 year period, expressed at current values (Net Present Value)
- The point at which they would begin to make a net positive contribution to the HRA (Payback Period)
- No allowance has been made for the management as it is assumed that the four additional properties could be managed within the exiting resources

3.4 A number of scenarios have been worked through including an assessment of the sensitivity of the forecasts. The conclusion of the analysis is that the refurbishment of the properties would result in a positive contribution to the HRA Business Plan with the payback being within the 30-year period. This financial assessment is based solely on rental income and property costs.

3.5 The housing management team have reviewed the subject properties on their suitability for re-letting purposes. The conclusion of this review is that the Torr Top Street and Padfield Main Road properties would present no difficulties in letting. Based on this assessment the HRA Business Plan Working Group, which considered this report on 1st November, concluded that the Council should retain and refurbish these two properties. The group agreed that given the complexities associated with the layout of the properties at Meal Street and Church View, New Mills and the potential difficulties it letting the properties that disposal should be explored.

4. How this Report Links to Corporate Priorities

4.1 Providing a fit for purpose housing stock that meets the need of tenants is a Council priority.

5. Options and Analysis

5.1 The options that have been considered are as follows:

- Refurbishment of the properties and retention in the Council's housing stock;

- Transfer of the properties to another social housing provider;
- Sale of the properties

5.2 These are evaluated in the report

6. Implications

6.1 Community Safety - (Crime and Disorder Act 1998)

None

6.2 Workforce

None

6.3 Equality and Diversity/Equality Impact Assessment

This report has been prepared in accordance with the Council's Equality and Diversity policies.

6.4 Financial Considerations

The refurbishment of the two properties as recommended in the report will incur a cost of £102,000. This will be met from the HRA Capital Programme. It is anticipated that the sale proceeds from the other two properties will result in a capital receipt which will partially offset this cost.

6.5 Legal

The use of receipts arising from the disposal of council housing assets is covered by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended). Receipts from sales of vacant land, disposals of vacant properties at market value and disposals of vacant stock at a discount to non-secure tenants can be retained, provided that they are spent on affordable housing, regeneration or the paying off of HRA debt.

6.6 Sustainability

None

6.7 External Consultation

None

6.8 Risk Assessment

Sensitivity analysis has been undertaken as part of the evaluation in the report

ANDREW P STOKES
Executive Director (Transformation) & Chief Finance Officer

**Web Links and
Background Papers**

Location

Contact details

Various background working papers

Buxton Town Hall

Paul Hare
Assets Manager

7. Background and Introduction

- 7.1 Following the vacation by former Council tenants, a number of properties had been identified as being in a poor state of repair and without significant investment were unable to be made available for new tenants. These properties have been vacant for a significant length of time.
- 7.2 In order to identify the future options for these properties, their condition and the cost of refurbishment has been investigated in some detail. Their suitability for potential future tenancies has also been assessed.
- 7.3 This report details the outcome of these assessments and recommends a way forward.

8 Description of the Properties

23 Torr Top Street (see plan attached at Appendix A)

- 8.1 The property is a stone built end of terrace house arranged over three levels and located within the New Mills Conservation Area. The accommodation comprises a lounge entered directly from Torr Top Street, dining area and adjoining kitchen. Upstairs there is a large double and a single bedroom together with bathroom and WC. There is another staircase from the dining area to the lower ground floor with utility space and large basement. This also provides external access onto St Alban Street.
- 8.2 There is a very small entrance yard at the front of the building but no other external space. Car parking is restricted in the area. The building is suffering from woodworm to floor joists and floorboards to the ground floor with other damp and rotten.
- 8.3 Until 2014, the property had been occupied. A new central heating system was installed in 2010 and there have historic roof leaks and issues with the soil pipe and rainwater goods.
- 8.4 In addition the property configuration may have to be altered to improve the bathroom but this will result in the loss of a small bedroom.

127 Padfield Main Road (see plan attached at Appendix B)

- 8.5 This property is a stone built semi-detached house on two floors with externally accessed cellar to the rear. It has an unusual configuration on the ground floor with non-building regulation compliant access to the two first floor bedrooms. There is a small open area to the rear, but no garage or garden space.
- 8.6 Although structurally sound, the building is not habitable requiring complete overhaul to replace rotting timbers, electrics and heating, relocation of staircase, new bathroom and kitchen, replastering of walls and ceilings together with full redecoration.

8.7 There is evidence of saturation of the roof timbers and evidence of timber infestation which will require further surveys.

8.8 Until December 2014, the property was occupied. A new central heating system was installed in August 2014.

17 Meal Street / 26 Church View / 32 High Street, New Mills (see plan attached at Appendix C)

8.8 These three properties are unusual in that they comprise five storeys with three separate addresses and accesses.

8.9 17 Meal Street is on the ground floor over two floors and this property is located below ground level on one side.

8.10 Above this and accessed just below street level is a single storey property 26 Church View.

8.11 On the top two floors is the property 32 High Street which has been sold on a long lease and which the council retains the responsibility for the roof and external repairs which can be recovered as a recharge.

8.12 Meal Street has been empty for ten years and as well as total refurbishment, it requires damp proofing.

8.13 Church View sits above Meal Street and was vacated by the last tenant in November 2015. 32 High Street was purchased on a long lease by the tenant under the right to buy in 1988; although the Council retains the freehold (the tenant of 32 High Street pays a £10 annual ground rent).

8.14 Whilst there are three separate dwellings, the building construction is vertically integrated and includes an external maintenance liability to the freeholder. In these circumstances, sale of the individual units would not be practical and disposal as a single lot would be a more marketable proposition offering greater flexibility to any purchaser.

8.15 Meal Street is now virtually a shell and has severe damp problems both at floor level and throughout its full height due to the fact that it is set into the hillside.

8.16 The leaseholder of High Street has been made aware that the Council may be considering a sale, but that any sale of the Council's interest would be subject to his lease which would not be affected. However the presence of the leaseholder will have a negative impact on the sale value of the properties.

9 Available Options

9.1 The options available are as follows:

- Refurbishment of the properties and retention in the Council's housing stock;
- Transfer of the properties to another social housing provider;
- Sale of the properties

10 Refurbishment of the Properties

10.1 The properties identified are in a poor state of repair and have been assessed in terms of costs and suitability in order to determine future options.

10.2 The estimated costs for the improvements to bring the properties up to decent homes standard are as follows:

Property	Refurbishment Costs
	£
23 Torr Top Street	50,600
127 Padfield Main Road	51,400
26 Church View/32 High Street/17 Meal Street	74,000
Total Refurbishment Cost	176,000

10.3 The costs for on-going decent homes investment over the course of the next thirty years have been included in a financial evaluation. The calculation does not include any contribution to the HRA running costs.

10.4 The financial evaluation takes predicted cash flows over a 30-year period consistent with the timeframe of the HRA business plan. To match these 2017/18 price based cash flows to the 30-year time line inflation factors have been applied. The resultant cash flows have then been discounted to calculate if and how the proposals would contribute to the HRA business plan, in terms of:

- The net contribution over the 30 year period, expressed at current values (Net Present Value)
- the point at which they would begin to make a net positive contribution to the HRA (Payback Period)
- No allowance has been made for the management as it is assumed that the four additional properties could be managed within the existing resources

10.5 A number of scenarios have been worked through the model the outcomes are shown in the table below:

	Sensitivity (Risk)		
	Standard (Predicted)	High	Low
Rent Increases	3%	1%	3%
Maintenance p/w	£10	£20	£10
Interest / Inflation	3.5%	6%	1%
Payback period (years)			
23 Torr Top Street	22	>30	16
127 Padfield Main Road	22	>30	16
Flat Block	22	>30	16
Business Plan life contribution (£)			
23 Torr Top Street	19,000	(21,870)	62,930
127 Padfield Main Road	23,390	(18,910)	69,710
Flat Block	37,960	(42,330)	123,760

- 10.6 The sensitivity of the forecasts from the key changes in assumptions is shown in the table below:

If annual rent increase reduced by 1 percentage point.		
	payback period	lifetime contribution (£)
23 Torr Top Street	+ 3 years	(10,140)
127 Padfield Main Road	+ 3 years	(10,680)
Flat Block	+ 3 years	(19,950)
If annual inflation increased by 1 percentage point.		
23 Torr Top Street	+ 4 years	(12,040)
127 Padfield Main Road	+ 3 years	(12,700)
Flat Block	+ 4 years	(23,460)

- 10.7 This financial assessment is based solely on rental income and property costs.
- 10.8 The housing management team have reviewed the subject properties on their suitability for re-letting purposes:

23 Torr Top Street, New Mills - Once refurbished this property would be highly lettable. It is suggested that the existing bathroom is swapped for the smaller bedroom as part of these works and then the property will will have 2 double bedrooms.

17 Meal Street, New Mills & 26 Church View, New Mills - If these properties were able to be brought up to the required standard they could be let to

couples as they'd be attracted by the additional bedrooms and both are right in the middle of New Mills and not obviously social dwellings. However they would not be the easiest of properties to let.

127 Padfield Main Road, Padfield – This property is a large 3 bedroomed house in a very desirable village and there are only 3 or 4 social housing dwellings in the whole place. Given the size and location it is anticipated that there would be no difficulties in letting it.

11 Transfer to an Alternative Provider

11.1 Social housing providers have been approached about these properties via the Council's Regeneration Officer. There appears to be no appetite to take on these properties.

12 Sale of the Properties

12.1 The potential for sale has not been explored in any detail at this stage until the potential for refurbishment and re-letting has been considered.

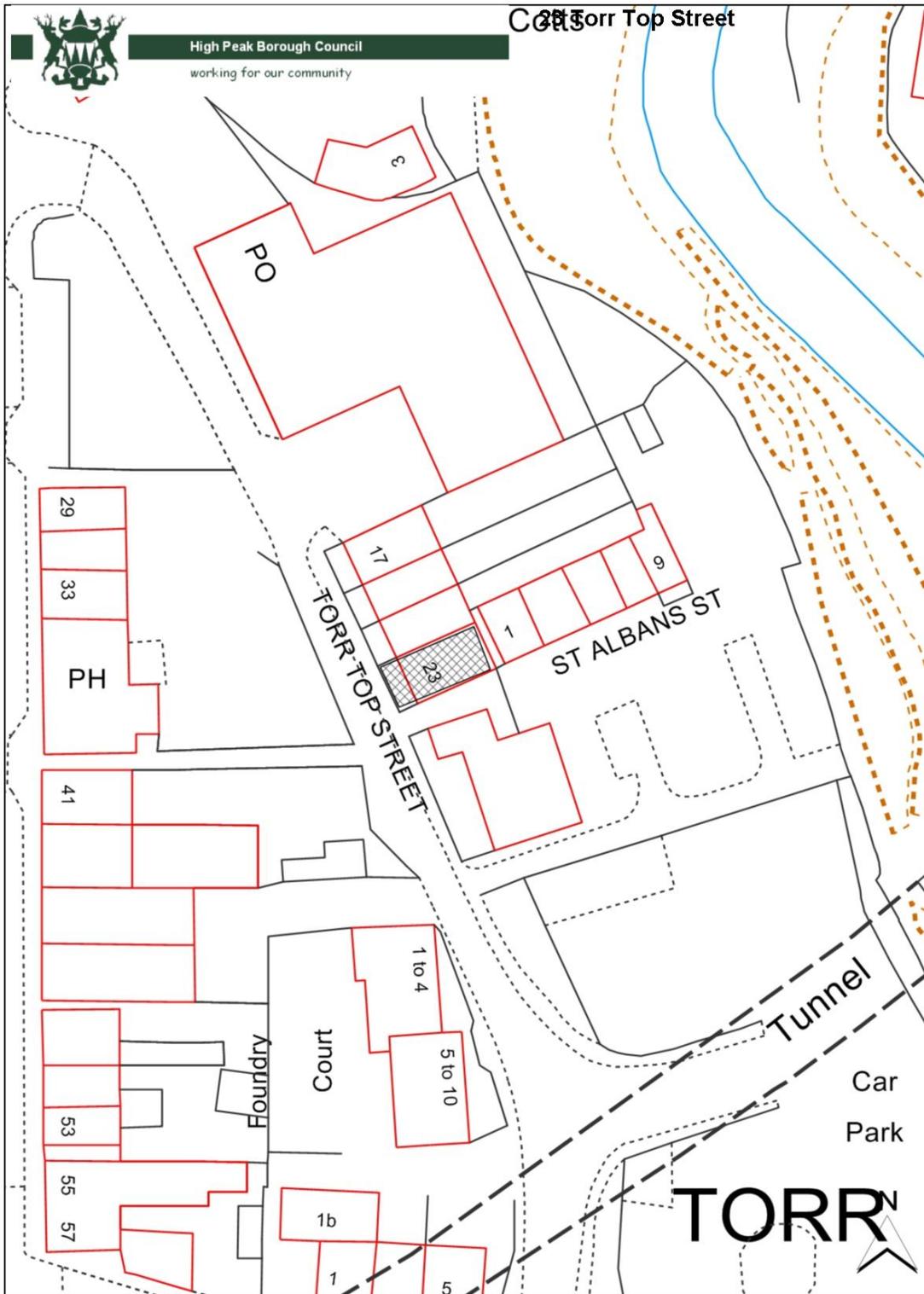
12.2 If the properties were to be disposed of, there would potentially be a capital receipt that could contribute towards providing a new housing provision. The use of receipts arising from the disposal of council housing assets is covered by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended). Receipts from sales of vacant land, disposals of vacant properties at market value and disposals of vacant stock at a discount to non-secure tenants can be retained, provided that they are spent on affordable housing, regeneration or the paying off of HRA debt.

4 Recommendation by the HRA Business Plan Working Group

4.5 The HRA Business Plan Working Group's considered this report at its meeting on the 1st November. The view of the group was that the Council should retain the following two properties:

- 23 Torr Top Street, New Mills; and
- 127 Padfield Main Road, Padfield

4.6 The group agreed that given the complexities associated with the layout of the properties at Meal Street and Church View, New Mills and the potential difficulties it letting the properties, that disposal should be explored.



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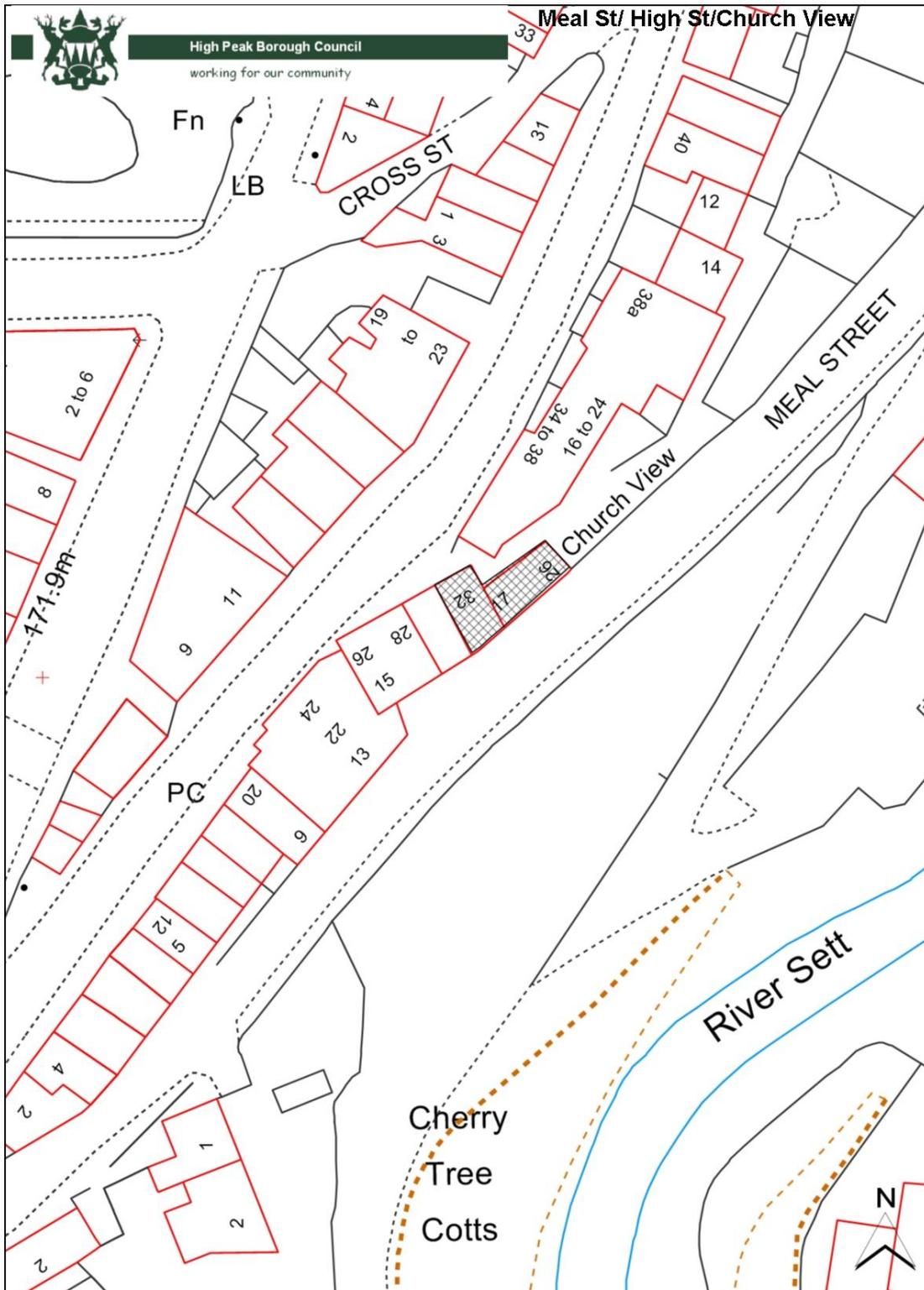


High Peak Borough Council
working for our community

Torr Top Street

TORR 

APPENDIX C



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