

BABERGH DISTRICT COUNCIL

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| From: Head of Housing | Report Number: N78 |
| To: Strategy Committee | Date of meeting: 21 November 2013 |

JOINT HOUSING BOARD – VIABILITY ASSESSMENTS

1. Purpose of Report

- 1.1 To advise Strategy Committee of the outcome of Viability Assessments assessed by the Joint Housing Board (JHB) for particular properties in Babergh, and to seek approval to the disposal of these properties as a result of the assessments.

2. Recommendations

- 2.1 That approval be given to the sale of the two properties referred to in the table in paragraph 9 of this report.
- 2.2 That the Corporate Manager – Asset Utilisation be authorised to dispose of these properties in whichever way will realise best value for the asset based both on internal officer opinion and external advice.
- 2.3 That the disposals referred to above be subject to:-
- (a) Appropriate terms and conditions in order to protect the interests of the Council, as agreed with the Corporate Manager – Legal in consultation with the Strategic Director (Place).
- (b) A consideration to be agreed by the Council's appointed Valuer.

The Committee is able to resolve this matter.

3. Financial Implications

The sale of these properties should realise approximately £290,000 into the Babergh Housing Revenue Account.

4. Risk Management

The key identified risk is:

| Risk Description | Likelihood | Impact | Mitigation Measures |
|--|------------|----------|---|
| Properties are sold at too low a price | Low | Marginal | District Valuer advice (and other estate agent advice in some cases) is taken to ensure that the value of these properties is established prior to disposal |

5. Consultations

This report is submitted by the Joint Housing Board, thus ensuring that our tenant representatives have shared in the decision-making process.

6. Equality Analysis

There are no equality impacts associated with this report.

7. Shared Service/Partnership Implications

As the report is submitted by the Joint Housing Board, then this is a demonstration of partnership working through the application of a jointly adopted Viability Assessment module.

8. Key Information

8.1 From time to time some housing assets, whether land, houses or garages, require a review of their current use to establish whether better use can be made of them, or whether they should be disposed to provide a capital receipt for investment.

8.2 In order to facilitate this process an Asset Management Group (AMG) of key stakeholders has been set up. This Group reports its findings to the Joint Housing Board, who in turn make recommendations to Strategy Committee (and Executive Committee at MSDC).

8.3 A Viability Assessment Model has also been developed which, taking into account all the factors affecting a particular asset, can be used to advise on the best option going forward e.g.

- Construction type
- Future planned maintenance costs
- Current rental demand
- Value and yield
- Energy rating
- Development potential

8.4 At the meeting of the AMG on the 21st August a number of properties in Babergh and Mid Suffolk were reviewed through the model, and then reported to the JHB on the 19 September 2013. The results for the two properties in Babergh are given below.

9. Viability Assessments

| Address | Recommendation(s) | Key Issues |
|--|---|---|
| 6 Hall Road, Brent Eleigh (BDC) | <ul style="list-style-type: none">• Sell (through local estate agent) | <ul style="list-style-type: none">• Solid external walls• No external insulation• Poor condition• High improvement costs (approx. £46K)• Very low demand• Poor location• Poor development potential |
| 26 Manor Road, Sudbury (BDC) – Shop with accommodation above | <ul style="list-style-type: none">• Sell to current leaseholders (subject to a reserve price at the highest valuation received) | <ul style="list-style-type: none">• Unusual property within a social housing portfolio• Currently leased• Insurance and external repairs liabilities• Poor development potential• High sale value of freehold due to interest from occupier |

It is estimated that the sale of these properties will realise approximately £290,000.

10. Conclusion

The Viability Model demonstrates that when a series of key factors affecting the long term sustainability of property (or other asset) are evaluated there can sometimes be a negative outcome. In such cases there can be better opportunities to dispose of these properties and put the capital receipt to better use within the Housing Revenue Account e.g. by building new homes. The assessments above fall into this category.

11. Appendices

None.

12. Background Documents

- 12.1 Housing Asset Management Group – Terms of Reference
- 12.2 Individual Viability Assessments for each property
- 12.3 Minutes of meeting of the Joint Housing Board on 19th September 2013

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