

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Cabinet Member for Safe and Attractive Neighbourhoods.</b>
2.	<b>Date:</b>	<b>20th September, 2010</b>
3.	<b>Title:</b>	<b>34 &amp; 36 Becknoll Road, Brampton</b>
4.	<b>Directorate:</b>	<b>Neighbourhoods and Adult Services</b>

### 5. Summary

34 and 36 Becknoll Road, Brampton are Council owned vacant properties in need of substantial investment.

The future of the properties was previously considered by the Cabinet Member for Housing and Neighbourhoods, following a report presented on 15 March, Minute No: J152 refers, when the properties were approved for retention and investment.

However, during preparation of the work programme to both properties, additional structural defects have been identified. Consequently, the estimated cost of investment in both properties has risen substantially and to a degree which it is felt warrants reconsideration of the future of both properties and consequently Minute No: J152.

The revised investment costs are detailed within the report. The cost of repairs and improvements to bring the properties to a lettable standard significantly exceeds the investment threshold of £20,000 for individual properties.

In accordance with Minute No 304, Cabinet Member for Neighbourhoods 21.05.07, properties exceeding the investment threshold will be referred to the Cabinet Member for consideration. The investment threshold was re-affirmed by the Cabinet Member on 15 February 2009, Minute J138 refers.

This report presents the further options considered and recommends that both properties are now approved for demolition for the reasons stated and the cleared site approved for disposal.

### 6. Recommendations

**That the Cabinet Member:**

- **Considers the contents of the report and reconsiders Minute J152 and the future of the properties for the reasons stated.**
- **Sets aside Minute No: J152 and supports Option 4 to demolish 34 & 36 Becknoll Road, Brampton.**
- **Approves the disposal of the cleared site.**

## **7. Proposals and Details**

34 and 36 Becknoll Road, Brampton are adjoining semi-detached Council owned vacant homes; both of which are in need of substantial investment.

The future use of both properties has been previously considered; Cabinet Member for Housing and Neighbourhoods, 15 March 2001, Minute J152 refers. Both properties were subsequently approved for retention and investment, based upon a projected investment need of £43,000 per property.

However, in preparing to undertake works to the properties, further structural defects have been identified, resulting from ground movement, which could not have been predicted. A subsequent intrusive survey commissioned by the Neighbourhood Investment Service has revealed the presence of a geographical fault line and fissure in the bedrock below both properties, which has left the ground unstable. Whilst this could be remedied, the projected cost of investment has increased from £43,000 to £51,000 per property, which no guarantee that further ground movement can be ruled out. Such costs are immediate investment costs to resolve structural defects and achieve the Decent Homes Standard. The projected future investment requirements of both properties have not been identified at this stage.

In view on the increased costs of investment, it is felt that Minute J152 should be revisited and a further option appraisal undertaken to guide investment recommendations.

### **7.2 Option Appraisal**

A number of options have been considered for the future use of both properties. These are detailed below.

#### **Option 1- Retain and Invest**

The Council would retain 34 & 36 Becknoll Road, repair both to achieve the Decent Homes standard and re-let. The Council would continue to benefit from the asset value, the annual rental income stream generated and the availability of homes to satisfy local affordable housing demand.

However, both properties require significantly higher investment than the vast majority of vacant homes, to bring them to a Decent Homes standard, as detailed below:-

#### **34 Becknoll Road**

Structural Works	£28,500
Decent Homes works	£19,260
Void repairs (non-Decent Homes)	£ 3,457
Total	£51,217

### **36 Becknoll Road**

Structural Works	£27,000
Decent Homes works	£16,014
Void repairs (non-Decent Homes)	£ 7,526
Total	£50,540

The properties are suffering from significant structural defects, due to the ground conditions upon which they sit. Whilst this could be remedied, there is the potential risk that further ground movement will occur, resulting in further investment cost. The structural survey notes that any remediation works cannot guarantee that the property will not suffer from structural failure in the future.

Whilst there is currently waiting list demand for properties of this type within this locality, there is also a healthy supply of affordable housing in Brampton and a steady turnover of stock.

In view of the immediate costs of investment and the risks and uncertainties with regard to future investment costs, this option is not recommended.

#### **Option 2 - Disposal to an RP (Registered Social Landlord)**

This option would transfer the properties to a Registered Provider (Registered Provider is the new name for Registered Social Landlords) whilst retaining nomination rights. However the RP would benefit from the property asset value and future net rental income stream.

Whilst the Council would potentially benefit from a capital receipt, due to the condition of the properties, it is likely that the disposal would be on the basis of a significantly discounted value and/or subject to a dowry payment by the Council to the RP, due to the major structural and internal repair costs attached.

In the present economic climate it is doubtful that a RP would be interested in acquiring miscellaneous properties where they have no other asset base and potentially may find this an unattractive offer. Indeed, some RP's are actively considering rationalising their asset base, to focus upon areas where they have a significant stock presence.

This option is not recommended for either property for the reasons stated above.

#### **Option 3 - Open Market Sale**

The Asset Management Service, EDS has estimated the market value of the properties in their current condition to be in the region of £27,000. However, the capital receipt obtained is dependant upon market conditions at the time of sale and can fluctuate.

Disposal of the properties would generate a capital receipt to the Council and transfer investment liabilities to the new owner.

However, sale of the properties in their present condition, coming with significant investment liabilities and in an area of relatively low market values, may not be in the Councils interests. The private sector housing stock in this area of Brampton requires significant investment and the quality of private rented accommodation is also relatively poor. One of the aims of the Brampton Masterplan is to stimulate opportunities for new housing development and diversification of housing choice, quality and tenure. Sale of the properties in their current condition could result in an additional private sector decency issue compounding the current housing market situation rather than adding to its revival. However, the disposal of a cleared site for development would present an opportunity to achieve masterplan aspirations.

For the reasons stated, this option is not recommended.

#### **Option 4 – Demolition and disposal of the site**

This option would see the demolition of the properties due to the presence of severe structural defects and the immediate and potential ongoing costs of remediation. The cost of demolition has been estimated at £12,000 - £15,000.

A similar site at Wath Road, Brampton where two other properties were demolished for similar reasons some years ago, has recently been sold by the Council and acquired by a private sector purchaser for redevelopment.

The Asset Management Service, EDS has estimated the market value of the cleared site to be in the region of £41,000, compared to £27,000 if the properties were sold as they stand.

The costs of demolition are significantly less than the costs of investment. Disposing of a cleared site also generates a higher capital receipt potential and presents an opportunity for a new housing offer to be introduced in support of masterplan aspirations and local housing needs and aspirations.

This option is the recommended option, for the reasons stated.

#### **7.3 Ward Member Consultation**

34 & 36 Becknoll Road sit within the Hooper Ward. Ward Members have been consulted about the options presented. Cllr Hamilton, Cllr Hodgkiss and Cllr Steele support Option 4 to demolish and dispose of the site. Cllr Steele has asked that appropriate measures were put in place post-demolition to ensure the site was kept free of fly-tipping. As with all cleared sites within the Neighbourhood Investment Programme, site maintenance will be arranged with 2010 Ltd in the interim.

#### **8. Finance**

With regard to Option 4, the £15,000 costs of demolition will be met from the £400k One-Off Properties Budget within the 2010/11 Housing Investment Programme.

At the moment, there are commitments against this budget of £182,605.66. As such, there are sufficient uncommitted resources available to support the costs of demolition. Costs associated with the disposal of the cleared site will be netted from the resultant capital receipt.

## **9. Risks and Uncertainties**

Delays in investment decision making will negatively impact upon void performance indicators measuring empty homes relet times and income recovery performance.

At a time of fiscal constraint and growing pressures upon capital investment budgets, the effective management of empty homes is paramount, in both financial and service delivery terms.

The presence of empty homes produce a negative perception of neighbourhoods and a negative reaction from customers, particularly at a time of increasing demand for affordable homes.

The recovery in the housing market is still fragile and there is no guarantee of a successful sale, should land assets be presented to the market for disposal. However, the recent successful disposal of a similar land asset by the Council, at Wath Road, Brampton, suggest an active market interest in acquiring such land for investment.

## **10. Policy and Performance Agenda Implications**

Timely decision making with regard to investment in empty homes will contribute towards empty homes performance indicators, void rent loss performance and support increasing demand.

This proposal is making effective use of assets and managing them to best effect. It contributes to the sustainable neighbourhood's agenda by addressing identified housing issues and will help deliver better choice and quality of housing to the community.

The proposal contributes towards our key corporate strategic themes of:-

- Rotherham Proud
- Rotherham Safe
- Rotherham Alive
- Fairness
- Sustainable Development

These key themes are reflected within the Individual Well-being and Healthy Communities outcome framework, as follows:

- Improved Quality of Life – by creating opportunities for an improved quality of life, by dealing with empty homes and stimulating investment in the built environment (Objective 6)

- Economic well-being – providing affordable high quality housing options, to meet identified needs and create sustainable neighbourhoods
- Safe – by creating neighbourhoods that are safe, clean, green and well maintained with well-designed, good quality homes and access to local facilities.

The key investment themes within the LIP are:-

- New homes – supporting delivery of housing opportunities in the Borough to meet current and future needs and aspirations.
- Economic recovery – delivering investment activity which supports the recovery and stimulates local economic growth, sustaining businesses and jobs and training opportunities.
- Renewal – continuing the transformation of the Borough.
- Affordable housing – to meet the current and future needs of the Boroughs citizens.
- Sustainable communities – ensuring that our communities are safe and healthy and benefit from the range of essential services and provision that they need.

These key investment themes align with the Councils Corporate Priorities of:-

- Making sure that no community is left behind.
- Helping to create safe and healthy communities.
- Ensuring care and protection are available for those people who need it most.
- Providing quality education, ensuring people have the opportunity to improve their skills, learn and get a job.
- Improving the environment.

## **11. Background Papers and Consultation**

Valuation advice has been received from the Valuation Service, Asset Management.

A structural survey report on 34 and 36 Becknoll Road, Brampton is held by the Neighbourhood Investment Service.

Consultation has been undertaken with Hooper Ward Members as detailed in Section 7.3 above.

- Cabinet Member for Housing and Neighbourhoods, 15<sup>th</sup> March, Minute No: J152
- Cabinet Member for Neighbourhoods, 20.5.07, Minute No:304
- Cabinet Member for Housing and Neighbourhoods, 15.2.10, Minute No: J138.

### **Contact Name:**

Sharon Pedersen, Property Investment Coordinator, Neighbourhood Investment Service, extension 34972, [sharon.pedersen@rotherham.gov.uk](mailto:sharon.pedersen@rotherham.gov.uk)