

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Cabinet Member for Safe and Attractive Neighbourhoods</b>
2.	<b>Date:</b>	<b>24 January 2011</b>
3.	<b>Title:</b>	<b>11 Eldon Road, Eastwood</b>
4.	<b>Directorate :</b>	<b>Neighbourhoods and Adult Services</b>

### 5. Summary

11 Eldon Road, Eastwood is a vacant Council owned mid-terraced property in need of substantial investment.

The cost of repairs and improvements to bring the property to a lettable standard 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<sup>th</sup> February 2009, Minute J138 refers.

This report presents the options considered for the future of the property and recommends that the property is sold.

### 6. Recommendations

**That the Cabinet Member:**

- **Approves the disposal of 11 Eldon Road, Eastwood.**

## **7. Proposals and Details**

11 Eldon Road, Eastwood is a void mid terraced Council owned property in Eastwood. The three private rented occupied adjoining properties in the terrace are in private ownership.

The property was previously acquired for the purposes of selective demolition as part of the Eastwood Village Regeneration Programme. However, despite protracted negotiations with the owner of the adjoining properties in the terrace, both by the Council and its Registered Provider partner, Chevin Housing Association, agreement was not reached to acquire the adjoining properties to enable demolition to proceed. With regard to the future treatment of this terrace, it was felt that a CPO process on the adjoining properties would prove to be costly and potentially ineffective. As such, the focus of activity has now turned towards working with the owner of the adjoining properties to improve housing standards, supported by proactive intervention from the Private Sector Enforcement Team within Housing and Neighbourhood Services. This approach is leading to a general improvement in the properties.

11 Eldon Road, Eastwood is no longer being considered for demolition. As such, a number of options have been considered for the future of this property, as detailed below.

The property requires significant levels of investment to bring it to a Decent Homes standard. The estimated cost to rectify identified structural repairs, implement Decent Homes Investment and repair to a lettable standard is £23,000. The Neighbourhood Investment Service holds a detailed investment cost analysis for the property. Such costs are immediate investment costs to achieve the Decent Homes Standard. The projected future investment requirement of the property has not been identified at this stage.

The total cost of work to bring the property up to a lettable standard exceeds the agreed 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. As such, an option appraisal has been undertaken to guide investment recommendations.

### **7.1 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 11 Eldon Road, undertake repairs 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 a home to satisfy local affordable housing demand.

However, the property requires significantly higher investment than the vast majority of vacant homes, to bring it to a Decent Homes standard. The property is an ageing miscellaneous (previously acquired) property, not situated within a purpose built estate and is surrounded by private sector properties. The Council do not own any other property in the street. The dispersed nature of the property presents a comparatively higher management cost and there is an increased likelihood of continuing capital investment needs moving forward, due to its age and construction. The property offers comparatively poor space standards and as such is unlikely to meet future affordable housing needs and aspirations in the long term within this locality. There is currently a low waiting list demand for 2/3 bed miscellaneous terraced homes in the area.

This option is not recommended for the reasons stated above.

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

This option would transfer the property 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, it is likely that the disposal would be based on a significantly discounted value and/or subject to a dowry payment by the Council to the RP, due to the structural and internal repair costs attached.

This option has been explored with Chevin Housing Association and they have stated that in the present economic climate, they would not be interested in acquiring miscellaneous terraced properties and find this an unattractive offer. Indeed, some of the RP's in Rotherham are actively considering rationalising their asset base, to focus upon areas where they have a significant stock presence.

This option is not recommended for the reasons stated above.

### **Option 3 – Demolition**

Demolition has not been considered for the property due to the nature of it's construction, whilst technically feasible, the costs of demolition and remediation to retained properties would far exceed the projected costs of retention and investment. In addition, the area is not identified for future clearance activity.

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

#### **Option 4 - Open Market Sale**

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

Specific sale conditions relating to repair requirements would be explored in order to ensure that the property was brought up to a decent standard by the new owner and not left in disrepair. Further pro-active enforcement action would also be employed to ensure that investment was delivered.

The Asset Management Service, EDS has estimated the market value of the properties as £25,000 in its current condition.

The capital receipt obtained is dependant upon market conditions at the time of sale and can fluctuate. The Council's Asset Management Service has indicated that there will be market interest in purchasing property of this type should it be placed for sale.

This option is the recommended option.

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

Ward Members have been consulted about the options presented above and support the option of disposal.

Ward Members were asked if they had any objections to the disposal of 11 Eldon Road, Councillor Kirk responded with an email to say go ahead with the disposal, whilst Councillor Dodson verbally agreed with the disposal and requested that the rest of the site in private ownership be cleared up of all the abandoned vehicles and building materials, which is currently being followed up actively by the Private Sector Enforcement Team.

#### **8. Finance**

The property acquisition was as part of the regeneration work in Eastwood and was acquired using HIP funding. If the authority states that the receipt is to be used for the provision of affordable housing or regeneration then 100% of the receipt can be retained but approval from the Cabinet must then be sought before the receipt can be used to fund Housing capital expenditure.

#### **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 properties be presented to the market for disposal. However, the recent successful disposal of similar properties by the Council, such as 40 Josephine Road, Holmes suggest an active market interest in acquiring such properties 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 affordable 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.

- Cabinet Member for Neighbourhoods, 20.5.07, Minute No:304
- Cabinet Member for Housing and Neighbourhoods, 15.2.10, Minute No: J138.
- Cabinet Member for Housing & Neighbourhoods, 15.2.10, Minute No:136
- Cabinet Member for Housing & Neighbourhoods, 14.12.09, Minute No:102
- Ward Members consulted on the 29<sup>th</sup> September 2010 via email and have all agreed that the property should be disposed on the open market.

### **Contact Name:**

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