

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date:	3rd September 2012
3.	Title:	51 Middle Avenue, Rawmarsh
4.	Directorate:	Neighbourhoods and Adult Services

5. Summary

51 Middle Avenue is a vacant council owned three bedroom house in need of substantial investment.

The cost of repairs and improvements required to bring the property to a lettable standard exceeds the investment threshold of £45,000 for individual properties.

In accordance with Minute No 6, Cabinet Member for Safe and Attractive Neighbourhoods 28.05.12, properties exceeding the investment threshold will be referred to the Cabinet Member for consideration.

This report details the options considered and recommends that investment works are undertaken and the property is retained.

5. Recommendations

That the Cabinet Member approves:

- **Option 1- Retain and Invest**

7. Proposals and Details

51 Middle Avenue is a traditionally constructed end terraced house located within the Rawmarsh area.

A structural assessment has been undertaken which has identified progressive structural defects associated with the property as a result of poor property foundations, mining damage and tree root damage.

The survey recommends tree removal, underpinning and masonry reinforcement works to resolve defects and prevent further structural movement.

An assessment has been undertaken of repair needs to bring the property to a lettable standard. The total cost of work required is as follows:

- Structural works- £38k (Costs provided by the Building Structures team following a structural survey which identified the works required)
- Void repair works- £15k (Costs based on a Programme Surveyor inspection which identified that full decent homes works are required)
- Total- £53k

7.1 Option Appraisal

The cost of work to bring the property back into use exceeds the investment threshold of £45,000 on individual properties. As such, an option appraisal has been undertaken to guide investment recommendations.

7.1.1 Option 1- Retain and Invest

The property would be retained in Council ownership, structural works and void repairs would be undertaken and the property would be re-let. The Council would benefit from the asset value, the annual rental income stream generated and continue to provide much needed affordable housing.

The demand for three bedroom houses in this locality is high and there is a low turnover of this property type. Only 10 three bedroom properties have become available for re-letting since January 2011. The last property that became vacant was advertised on 12th October 2011 and received 67 general requests. The successful applicant had been on the general waiting list since August 2004.

However this property requires significantly higher investment than the vast majority of vacant homes, to bring it to a lettable standard.

There are sufficient financial resources within 2012/13 One Off Properties and Internal Refurbishment Budgets to undertake the required works if the property is retained.

This option is recommended.

7.1.2 Option 2 - Disposal to a Registered Provider

This option would transfer the property to a Registered Provider (RP), with the property being renovated and re-let as an affordable unit at the RP's cost. The Council would retain nomination rights for the property. However, the RP would benefit from the property asset value and the future net rental income stream. Whilst the Council would benefit from a capital receipt; due to the condition of the property and the investment burden transferring to the RP, it is likely that the disposal would be on the basis of a significantly discounted value.

This option does not provide best value to the council and is therefore not recommended.

7.1.3 Option 3 - Open Market Sale

Disposal on the open market would generate a capital receipt to the Council which would support the Medium Term Capital Programme. Disposal would also transfer investment liabilities to the new owner. However, specific sale conditions would need to be attached in order to ensure that the property is brought up to a decent standard by the new owner.

This option is not recommended.

7.1.4 Option 4 – Demolition

The property is attached to two council owned houses. Therefore, we would have to undertake party wall works or re-house the tenants of the adjacent properties to enable them to be demolished. We would lose three affordable housing units and the costs associated with party wall works would be extremely high.

A structural assessment has been undertaken within the adjacent dwellings which identified slight structural defects with a minimal investment requirement to resolve slight cracking to the walls and works are not required immediately.

This option is not recommended.

7.2 Value for Money Comparison

Appendix 1 shows that it would take approximately 19 years to recover the investment costs from the estimated rental income.

In value for money terms, investing £53,000 to bring a property back into use as an affordable home compares well with the cost of other options for delivering affordable housing.

For example,

- The cost to the Council of delivering a similar type new build Council home is approximately £128k based on previous build costs.

- Based upon a sample of new affordable homes built in partnership with RP's on Council land, the cost to the Council based upon discounted land disposal values to facilitate development, was £21,000 and the council do not benefit from the asset value and rental income generated

7.3 Ward Member Consultation

The properties are within Ward 10 Rawmarsh. The Ward Members have been consulted about the options. Councillors Wright, Hamilton and Whelbourn are highly supportive of the retention of the property due to affordable housing need within the area.

7.4 Recommendation

The property is located within a sustainable location with demonstrated high demand and a low turnover of this property type.

A property valuation has not been undertaken due to the fees associated (approximately £600). However it is estimated that we would receive less than £40k (based on the sale of a property with a similar level of defects in 2011 including associated disposal fees).

Therefore, the capital receipt generated would not support the costs of replacement with a three bedroom house through new build (estimated at £128k) or acquisition (a property on Middle Avenue is currently being marketed at £80k which may then require further works to bring to a lettable standard).

Retention of the property will generate a future net rental income stream and address high housing demand within this locality.

Having considered the options detailed above, it is recommended that the property is retained and works are carried out to enable it to be re-let.

8. Finance

Resources are available within the 2012/13 HIP One Off Properties and Internal Refurbishment Budgets to undertake investment if the property is retained.

Subject to approval works will be arranged immediately with approximately £53k to be charged to the 2012/13 HIP Programme.

The estimated rental income is £64 per week which totals £3077 per annum. Based on this level of income it would take approximately 19 years to recover the investment costs.

9. Risks and Uncertainties

Delays in investment decision making will negatively impact upon performance indicators measuring empty homes relet times, rent loss on empty homes and Decent Homes targets.

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 future tenant of the property may submit their right to buy however a proportion of the investment costs would be added to the valuation and recovered from the sale of the property.

10. Policy and Performance Agenda Implications

Timely decision making with regard to investment in empty homes will contribute towards improved empty homes relet, void rent loss performance and Decent Homes performance indicators.

This proposal will support our vision for Rotherham by helping to create safe and healthy communities through the provision of decent affordable housing to meet need, choice and demand.

11. Background Papers and Consultation

- Cabinet Member for Neighbourhoods, 20th May 2007, Minute No:304
- Cabinet Member for Neighbourhoods, 28th July 2008, Minute No:49
- Cabinet Member for Housing and Neighbourhoods, 15.2.10, Minute No: J138.
- Cabinet Member for Safe and Attractive Neighbourhoods, 28.05.12. Minute No:6

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