



Report to: Cabinet Meeting: 4 June 2024

Portfolio Holder: Councillor Lee Brazier, Housing

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Report Summary	
<b>Type of Report</b>	Open report (with exempt appendix), key decision
<b>Report Title</b>	220-224 London Road, Balderton - Options Appraisal
<b>Purpose of Report</b>	To present the options appraisal for 220-224 London Road following ongoing challenges with property condition and cost to remediate.
<b>Report Recommendations</b>	That Cabinet: a) approve the proposal as set out in Option 3 – the sale of the properties; b) approve the progression of the sale in line with the Acquisitions & Disposals Policy; and c) approve the reinvestment of the capital receipt in provision of new homes.
<b>Alternative Options Considered</b>	Retain the properties and invest to bring the homes up to standard.
<b>Reason for Recommendations</b>	To ensure both value for money and ensuring that homes are decent, warm and safe. The capital from disposal of these homes will be reinvested in new homes.  The proposal links to Objective 2 of the Community Plan, to increase the supply, choice and standard of housing.

## 1.0 Background

1.1 The three properties identified in this report are Victorian terrace houses converted from agricultural barns:

- 220 London Road - 3-bedroom house – Occupied – tenancy commenced 1994
- 222 London Road – 3 bedroom - Vacant
- 224 London Road - 2 bedroom – Vacant (rehoused following Stage 2 complaint)

- 1.2 The Council responded to complaints about continued problems with damp penetration to 224 London Road in August 2022. There have been problems on and off with damp issues at the property for some time and a more detailed analysis of repairs can be found in section 2.1.1 to 2.1.7 below.
- 1.3 A new damp proof course and pointing was carried out in 2019 but did not remedy the damp completely as it appeared in the kitchen again. Damp was also visible in the living room as well.

The tenant of 222 London Road had also reported and confirmed that there was damp in the kitchen and bathroom and with mould in the upstairs bedrooms.

- 1.4 A visual condition inspection of 222 and external inspection of 220 and 224 London Road was undertaken in November 2022. The findings of these inspections can be found in **Appendices 1A – 1C**.
- 1.5 At present the condition of the properties would not meet the Decent Homes Standard; specifically, it is a category 1 hazard under the Housing Health and Ratings System (HHSRS) as there is damp and mould growth which is a threat to health. There is also some concern around the thermal integrity of the property which may fail the HHSRS standard. So, the option to do nothing is not feasible.
- 1.6 The roofs for all 3 properties were in 2022/23 roof renewal programme, along with kitchen replacements for 2 of the 3 properties and these works have been placed on hold pending the outcome from this report.
- 1.7 The table below gives a summary of the repair jobs raised against the 3 properties in the last 5 years. On average you would expect between 3-4 jobs per property per year. It appears 220 has rarely contacted or engaged with us and this is concerning given the problems reported in the other two properties. Repairs for 222 London Road are low this year as it has been void for most of the year.

Property London Rd	Job Nos				
	2018	2019	2020	2021	2022
220	1	1	2		1
222	3	14	9	24	1
224	4	8	11	22	7

- 1.8 The inspections have identified significant works required including tanking of the foundations and the external of the property to address the road being higher than the properties and hitting above the existing damp proof course and the raised water course in this area.
- 1.9 This proposal has been discussed at length at Council Land and Planning Group and at the meeting of 07 March 2023, CLAP supported the recommendation contained in this report to dispose of the properties subject to revising costings.

## **2.0 Proposal/Details of Options Considered**

### **2.1 Option 1 - Complete Works**

- 2.1.1 This option would require extensive works (including drainage) to be completed for all three properties. An internal visual and external survey was carried out for all three properties to determine approximate costs.
- 2.1.2 Estimated costings originally obtained in December 2022 were adjusted in November 2023 to include additional roof works, tanking and renewal of all ground floors and these estimates may increase once tendering has commenced, the total costs are £337,450 including estimates for decant and council tax costs whilst empty. These costings can be found in **Appendix 2**.
- 2.1.3 The costings include external insulation at the rear elevation as the most cost effective; otherwise, the stairs would need to be removed and repositioned to enable internal insulation. The current PVCU windows and doors are due for renewal alongside the roof as part of the Council's investment programme.
- 2.1.4 Extensive works will also be required to the roof structure to enable the new roof to be watertight. This is one of the main areas for water penetration into the property. We will also need to also install fire breaks between each roof space.
- 2.1.5 Renewal of the kitchen and decorations are necessary because of the intrusive work required; the kitchens would need to be removed again (as it has already been for both 220 and 224 London Rd) and is very unlikely to survive another refitting. It is assumed this would be the same for 222 London Rd.
- 2.1.6 Given the extensive nature of the works to be undertaken, the last remaining tenanted property would need to be decanted and moved to alternative accommodation for the duration of the works. Estimate time for completion of works including tendering for works would be between 8-9 months.

### **2.2 Option 2 – Rebuild**

- 2.2.1 Option 2 focuses on the possibility of demolishing the 3 terrace houses and rebuilding new. This option was explored by Kevin Shutt (Housing Development Manager). In his opinion, it would not be economically viable to develop this site as “the net gain would be nil, and the return would be negative”.
- 2.2.2 The properties are currently on a main street scene, and they fit in with the surrounding properties which in the main are 2 story houses. Planning would require a development in this location to be in fitting with the current street scene so they would only allow the like for like replacement of terraced type cottages or flats that look like cottages.
- 2.2.3 The new car parking standards which came into effect April 2022 would require 2 no side-by-side car parking spaces per property up to 2 beds and 3 spaces per property for larger houses i.e. 3 beds 3 spaces. Tandem parking is not approved or recommended.

- 2.2.4 The redevelopment of the site could not meet the current standards for car parking unless we built smaller and less properties. For example, 2 x 1 bed flats with off street parking and the correct size outdoor amenity space however, to achieve these three houses would need to be demolished.
- 2.2.5 The costs of demolishing three properties as standing and re-building as 2 x 1 bed flats (allowing for 3 off-street car parking spaces 1 per unit plus 1 visitor as the new parking standards) they would have re-development costs of approximately £470,000:
- £15,000 site investigations and Planning
  - £50,000 demolition and making good of gable end to private property
  - £25,000 relocation allowance of existing tenants,
  - £380,000 (£190,000 new build costs per flat)
  - **£470,000** total redevelopment costs estimated.
- 2.2.6 The 2 x 1 bed flats would generate an annual income of approximately £10,600 per year. Payback period would be around 45 years with standard attendance costs added in. The business plan payback period is a maximum of 30 years on the investment. As the re-development would not provide additional housing units it would not be eligible for grant funding.

### **2.3 Option 3 Sale**

- 2.3.1 Under the Acquisitions and Disposal policy 2021 the properties meet the following key criteria:
- 2.1 (e) The property is deemed to be an underperforming asset with either under-utilisation of space at low capacity or that the financial cost to retain property is too significant, the income generation possibilities are too low with a greater return/ cost saving being achievable through disposal of the property.
- 2.3.2 A professional valuation was commissioned with CWH Surveyor to carry out the valuation survey on 11 January 2024. The valuation is assessed as unencumbered Freehold title with full vacant possession on three properties. The portfolio consists of small group 3 x terraced houses. The valuations for all 3 properties can be found in the full Valuation Report in the exempt Appendix.
- 2.3.3 If the properties are disposed of then 2 x 'Home Loss' payments of £8,100 (as from 1/10/23) would be payable in addition to disturbance payment for moving which would be applicable for all options.
- 2.3.4 Any capital receipts from the sale of 220 -224 London Road would be used to supplement the Council House Development Programme.

### **2.4 Consideration of Options**

- 2.4.1 The estimated costs to bring the current properties up to a decent standard is £326,450 and this investment would continue to provide 2x2 bed and 1 x 3 bed terraced houses with an annual income of approximately £13,985 in 2023/24. This income would change dependant on rent settlement figure, year on year.

- 2.4.2 There is a risk that given the build type and age, carrying out these works may not fully irradiate the problem and there could be further major works expenditure within a relatively short space of time.
- 2.4.3 The rebuild option has been disregarded as it is not economically viable and would require substantial capital investment for well below average returns. There are likely to be far better sites available to invest in for the Council’s new build programme.
- 2.4.5 On this basis, the recommended option is sale, as this saves investment into poor performing homes and when sold, provides a significant capital receipt of £270,400 after costs.

**2.5 Lettings Implications**

- 2.5.1 These properties are general needs family accommodation in an area of strong demand, the property types are high demand, low availability.
- 2.5.2 The council currently has stock of 15 two bedroom and 127 three-bedroom properties in Balderton and a further 67 two bedroom and 789 three-bedroom properties in Newark. To put stock levels in context please see table below for a breakdown of property type availability in 2021/22 in Balderton and Newark.

Area	Property Type	Number of Lettings	Bid numbers
Balderton	2 Bed House	0	
	3 Bed House	4	Ranging from 102 to 132 bids
Newark	2 Bed House	8	Including 7 new builds, ranging from 108 to 131 bids
	3 Bed House	19	Ranging from 80 to 149 bid

- 2.5.3 For London Road there is only bid data for number 222 London Rd (as other 2 tenancy pre 2006 data held). For 222, there were 58 bids in July 2022 when it was available for letting.

**3.0 Implications**

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

**Financial Implications (FIN23-24/5074)**

- 3.1 The costs associated with the proposals have been summarised below, including decant costs.

3.2 The table below outlines costs and income as a comparison between the 3 options.

	Revenue Costs	Works costs	Total Costs	Rent Income / Capital Receipt
<b>Option 1</b>	£8,000 Decant Costs (£2,000 each way per property x 2) £3,000 Council Tax	£326,450	£337,450	£13,985 gross per year
<b>Option 2</b>	£16,200 home loss £4,000 Decant costs	£470,000	£489,600	£10,600 gross per year
<b>Option 3</b>	£16,200 home loss £4,000 Decant costs	£0	£19,600	£290,000 one-off receipt (excluding any repayment).

3.3 The Investment Programme budget is for investment in existing properties, but some of the improvements yet due for renewal, so would be carried out ahead of time. It should be noted that the rental incomes are gross i.e before taking into consideration debt costs and annual management and repairs costs.

3.4 A financial appraisal has been conducted and the summary can be found in the table below. Full details of the appraisal are set out below.

#### Financial Appraisal Summary - London Road

##### Scheme/Property Name

	NPV	Payback Period (yrs)	ANRR	Purchase Price
Option 1 - Complete Works	-£211,469	31.29	2.22%	£0
Option 2 - Rebuild	-£417,753	45.66	0.71%	£0
Option 3 - Sale	£173,157	1.00	3.34%	£0

Rates	
NPV/IRR	5.00%
Cost inflation rate	3.00%
Property inflation	2.00%
Rent increase rate	5.00%

Notes -

Net Present Value (NPV) is calculated using a standard 5% discount rate

The payback period is the years required for the net expenditure to reach zero

Average Net Rate of Return (ANRR) is the average annual return as a percentage of the original investment

#### **Background Papers and Published Documents**

None