

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Housing Portfolio Holder then 4<sup>th</sup> September 2006  
Leader and Cabinet 14<sup>th</sup> September 2006

**AUTHOR/S:** Head of Housing Strategic Services

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### 74-76 FROG END, SHEPRETH

#### Purpose

1. To consider the outcome of an options appraisal carried out in respect of two Council owned properties at 74-76 Frog End, Shepreth.

#### Effect on Corporate Objectives

2. Quality, Accessible Services	The Council is committed to ensuring that high quality housing services are provided to its tenants and to meeting the Decent Homes Standard (DHS). The current structural condition of this pair of semi-detached properties means that they will not meet the Decent Homes standard without considerable investment. Both refurbishment and redevelopment options could enable much needed affordable housing to be made available to help meet current and future housing needs.
Village Life	
Sustainability	
Partnership	The Council has investigated with its partner Registered Social Landlord (RSLs) available options for both the retention of the existing units and also the redevelopment of the site.

#### Background

3. These two properties are a pair of semi detached three bedroom houses that have require both internal refurbishment and major structural and site clearance works. It is estimated that it would cost in the region of £100,000 for each property to be brought up to the DHS.
4. Both properties are currently vacant, as the tenants have been relocated to alternative accommodation with an option to return to one of the properties if they are refurbished or to a new property if the site is redeveloped.
5. The properties occupy a large plot which has potential for redevelopment that could increase the supply of homes in the village. Further new build homes will achieve higher standards eg in terms of energy efficiency and amenities than refurbished older Council properties. A site plan is attached as an Appendix to this report for reference purposes.

#### Considerations

6. The full refurbishment programme for the Council's traditionally built housing stock is ongoing but costs have been reduced significantly from previous years due to the specification being brought in line with the DHS which is effectively a lower standard than that adopted in previous years. The average cost of a full refurbishment is now around £25-£30,000 per unit compared to £40-£50,000 per unit 2 years ago. This is

considered to provide value for money eg relative to the costs of providing a new affordable home which in terms of grant requirements is in the region of £35,000 to £60,000 for a rented unit and £10-£25,000 for a shared ownership home.

7. The estimated cost of refurbishment of the Frog End properties at £100,000 per unit is therefore considered not to offer best value for money and other options have, therefore, been investigated as part of an options appraisal for this site.

### **Options**

8. The following options have been explored as part of the options appraisal all of which would enable the Council to meet the DHS:

#### **a) Refurbishment of the existing properties**

9. The advantage of this option are that the existing tenants could be offered the opportunity of returning to their former homes or being permanently relocated. If the latter choice is exercised then the refurbished properties could be let to other families in housing need.
10. However, in view of the estimated cost of the refurbishment this it is not considered to be an economically viable option for the Council unless the units were re-designated as shared ownership units in order that the costs involved could be recovered eg assuming a valuation of at least £200,000 for each refurbished property and sale of 50% initial shares the refurbishment costs could be fully recovered.
11. Expressions of interest in the refurbishment option have been invited from our RSL partners and 2 have indicated that they could do so although to achieve 2 units of rented accommodation the properties would need to be transferred at nil cost. A capital receipt could only be realised if either one or both of the units were to be re-designated as shared ownership units. In this scenario a capital receipt of between £40,000 and £80,000 could be achieved.
12. However, the major disadvantage of this option is that the supply of affordable housing could not be increased through maximising the potential of the particularly large site occupied by the existing 2 properties.

#### **b) Sale on the open market as 2 individual units**

13. This option would enable the Council to realise a capital receipt but in order to avoid the capital receipts pooling requirements they would have to be sold to a developer/individual who intends to carry out the necessary repairs and then offer for sale to prospective purchasers would occupy as their principal or only home.
14. The disadvantages of this option are that 75% of any capital receipts may need to be pooled if a qualifying purchaser cannot be found and the loss of affordable housing for the village of Shepreth and the potential impact on local housing needs both now and in the future.
15. The former tenants of the existing properties would have to be permanently relocated either by being granted a permanent tenancy of the property they have relocated to or another suitable Council property through the Council's Lettings Policy.

c) Sale on the open market for general redevelopment purposes

16. This option would enable the Council to realise a capital receipt which would not be subject to capital receipts pooling requirements. However, such monies would need to be ring fenced for housing purposes.
17. This option would also enable some affordable housing to be provided to meet current and future housing needs. Under the Council's Local Plan (and the emerging LDF) 50% of any additional housing provided on the site should be affordable given the level of housing need in Shepreth as demonstrated by the most recent village housing needs survey and Housing Register statistics. Further the existing 2 units of affordable housing should be compensated for within any new scheme as part of the planning obligation for affordable housing. The table below illustrates the potential planning requirements:

Total No of Units	No of Affordable Units	No of Open Market Units
2	2	
3	2	1
4	3	1
5	3	2
6	4	2
7	4	3
8	4	4

18. The needs of the former tenants of the existing properties could be taken into account in any scheme design in the event that they express a wish to return to a new property. Alternatively they can be permanently relocated either by being granted a permanent tenancy of the property they have relocated to or another suitable Council property through the Council's Lettings Policy.
19. As can be seen from the table above the site will prove to be relatively unattractive to private developers unless higher numbers of units can be achieved. This will be reflected in both the level of interest from private developers and also the land value.
20. A higher density scheme is not likely to be supported locally particularly given the existing character of this part of the village and the potential impact on both street scene and traffic flows.

d) Sale on the open market for redevelopment as an affordable housing scheme

21. The advantages of this option are that it would enable an increase in the supply of affordable housing within the village. Also, depending on which RSL is selected and the nature of the scheme proposed, the Council could realise a (small) capital receipt.
22. The needs of the former tenants of the existing properties could be taken into account in any scheme design in the event that they express a wish to return to a new property. Alternatively they can be permanently relocated either by being granted a permanent tenancy of the property they have relocated to or another suitable Council property through the Council's Lettings Policy.

23. Further, both the size and number of units to be provided could be influenced by the Council and could reflect identified housing needs and other local requirements/issues. For example there would be less pressure on an RSL to maximise number of units on the site in the same way as a private developer who is motivated by profit. That said the density and nature of any proposed scheme would need to accord with planning policy and would still need to be financially viable from an RSL perspective.
24. Expressions of interest in the site have been sought from the Council's RSL development partners and 5 responses have been received. Some indicative schemes have been suggested ranging from a minimum of 4 to a maximum of 6 units. A number of unit types and tenure scenarios have been offered.
25. If redevelopment were the preferred option it is suggested that Officers short list 2 RSLs to work up more detailed proposals in consultation with the Local Member, Parish Council and Planning Officers. The short list would be based on professional judgements around indicative tenure mix, grant requirements and value for money.

The final selection could include the following criteria:

- local support
  - value for money
  - best fit with identified housing need in terms of unit types and tenure mix
  - ability to deliver with or without grant
  - terms of disposal
  - deliverability
26. Following consideration of the available options it is suggested that the Local Members, Parish Council and the relocated former tenants be consulted on these with redevelopment as the preferred option with a view to taking a report to Cabinet in October/November this year. Further, 2 short-listed RSLs be asked to work up more detailed proposals as part of this consultation exercise.

### **Financial Implications**

27. The estimated cost of the refurbishment option is £200,000. Only if these were re-designated as shared ownership units could this prove a potentially financially viable option.
28. The sale of the units on the open market could generate a capital receipt but the amount receivable will be dependent on the number of open market sales that could be achieved. Our independent Valuer has indicated that the site would have an unrestricted open market valuation of between £300k and £400k depending on the number and size of units built on the site. However, the site valuation for affordable housing purposes is around £60k. The actual value of the site with the associated planning obligations for affordable housing is likely to be much closer to the £60k than the £300 to £400k valuation.
29. If the existing properties were sold on the open market our Valuer has estimated that they would achieve around £90-£100k each. However, unless the properties are sold to an individual or developer for onward sale once refurbished to a purchaser who intends to occupy as their principal or only home then any monies received could be subject to capital receipts pooling requirements. In 2006/07 75% of the full obligation of 75% of net receipts could be caught by these rules if the properties were not sold to a qualifying purchaser.

## **Legal Implications**

30. The General Housing Consents 2005 – Section 32 of the Housing Act 2005 enables the Council to dispose of vacant properties held for housing purposes at full open market value to:
- any individual(s) who intends to use it as his only or principal home or,
  - where substantial works of repair, improvement or conversion are required to any individual(s) who intends to carry out necessary works and then dispose of the property to a person(s) who intend to occupy it as their principal or only home.
31. The General Housing Consents 2005 – Section 25 Local Government Act 1988 covers disposal of properties to a Registered Social Landlord (RSL) at less than best consideration for refurbishment purposes provided it remains as affordable housing accommodation once works are completed.
32. The General Housing Consents 2005: Section 25 of the Local Government Act 1988 for the Disposal of Land to Registered Social Landlords 2005 enables local authorities to provide financial assistance or any gratuitous benefit to RSL's including disposing of land for development as housing accommodation. This general consent is subject to the following conditions:
- a) that any housing accommodation on the land when the disposal is completed is vacant and will be demolished after the disposal without being used again as housing accommodation and,
  - b) the disposal by the local authority is by transfer of the leasehold, assignment of a lease with an unexpired term of 99 years or more and
  - c) that the development of housing accommodation on the land will be normally completed not later than 3 years after the disposal and,
  - d) that any housing accommodation to be provided will be let on a periodic tenancy or a shared ownership lease or on a lease for the elderly or hostel or will be occupied mainly or wholly by persons who, on account of mental illness or disability, are receiving supervision or guidance from a local social services authority and,
  - e) the local authority is not entitled to manage or maintain any housing accommodation to be provided on the land and,
  - f) any right reserved for the local authority to nominate tenants for housing accommodation on the land shall not, in respect of vacancies which arise after the initial letting of the accommodation, exceed 75% of vacancies (to exclude those arising by virtue of internal transfers).
33. Also it should be noted that the aggregate value of the financial assistance or gratuitous benefits provided by a local authority in any given year under this consent shall not exceed £10m.

## **Staffing Implications**

34. None.

## **Risk Management Implications**

35. The Council has set a target of 2006 to meet the DHS in respect of its housing stock and, in any event, needs to ensure that this national target of 2010 is met in line with

the stock retention strategy signed off by GO-East in 2005. A financially viable solution to the investment needs of the properties at 74-76 Frog End, Shepreth, therefore, needs to be identified in order to help achieve these local and national targets.

### **Consultations**

36. To date only the affected tenants and the Local Member have been advised of the progress with the options appraisal.
37. A full consultation exercise is to be conducted during September/October involving the Local Member, affected tenants and the Parish Council ahead of consideration of any preferred option by Cabinet.

### **Conclusions/Summary**

38. A pair of semi detached three bedroom houses at 74-76 Frog End require both internal refurbishment and major structural and site clearance works that will cost in the region of £100,000 each to be brought up to the DHS. This is not considered value for money and is not financially viable unless both units are re-designated for shared ownership
39. The advantage of this option are that the existing tenants could be offered the opportunity of returning to their former homes or being permanently relocated. If the latter choice is exercised then the refurbished properties could be let to other families in housing need.
40. Expressions of interest in the refurbishment option have been invited from our RSL partners and 2 respondents have indicated that they could do so a capital receipt could only be realised if either one or both of the units were to be re-designated as shared ownership units. In this scenario a capital receipt of between £40,000 and £80,000 could be achieved.
41. The sale on the open market as 2 individual units option would enable the Council to realise a capital receipt but in order to avoid the capital receipts pooling requirements they would have to be sold to a developer/individual who intends to carry out the necessary repairs and then offer for sale to prospective purchasers would occupy as their principal or only home.
42. This sale of the site for general redevelopment purposes would enable the Council to realise a capital receipt which would not be subject to capital receipts pooling requirements. However, such monies would need to be ring fenced for housing purposes.
43. This option would also enable some affordable housing to be provided to meet current and future housing needs.
44. However, the site will prove to be relatively unattractive to private developers unless higher numbers of units can be achieved. This will be reflected in both the level of interest from private developers and also in the land value.
45. A higher density scheme is not likely to be supported locally particularly given the existing character of this part of the village and the potential impact on both street scene and traffic flows.

46. A disposal for redevelopment as an affordable housing scheme would enable an increase in the supply of affordable housing within the village. Also, depending on which RSL is selected and the nature of the scheme proposed, the Council could realise a (small) capital receipt.
47. Further, both the size and number of units to be provided could be influenced by the Council and could reflect identified housing needs and other local requirements/issues.
48. Expressions of interest in the site have been sought from the Council's RSL development partners and 5 responses have been received. Some indicative schemes have been suggested ranging from a minimum of 4 to a maximum of 6 units. A number of unit types and tenure scenarios have been offered.
49. If redevelopment were the preferred option it is suggested that Officers short list 2 RSLs to work up more detailed proposals in consultation with the Local Member, Parish Council and Planning Officers. The short list would be based on professional judgements around indicative tenure mix, grant requirements and value for money.

The final selection could include the following criteria:

- local support
  - value for money
  - best fit with identified housing need in terms of unit types and tenure mix
  - ability to deliver with or without grant
  - terms of disposal
  - deliverability
50. As part of any redevelopment proposal the needs of the former tenants of the existing properties could be taken into account in any scheme design in the event that they express a wish to return to a new property. Alternatively they can be permanently relocated either by being granted a permanent tenancy of the property they have relocated to or another suitable Council property through the Council's Lettings Policy.
  51. Following consideration of the available options it is suggested that the Local Members, Parish Council and the relocated former tenants be consulted on these with redevelopment as the preferred option with a view to taking a report to Cabinet in October/November this year. Further, 2 short-listed RSLs be asked to work up more detailed proposals as part of this consultation exercise.

### **Recommendations**

52. To authorise Officers to conduct a local consultation exercise on the outcome of the options appraisal ahead of consideration of a preferred option by Cabinet in October/November 2006.
53. To invite 2 shortlisted RSL partners to develop more detailed proposals on redevelopment options to inform the local consultation process.

54. To agree that, subject to local views on the redevelopment option, the following criteria be used to select an RSL partner:

- local support
- value for money
- best fit with identified housing need in terms of unit types and tenure mix
- ability to deliver with or without grant
- terms of disposal
- deliverability

**Background Papers:** the following background papers were used in the preparation of this report:

None.

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