

APPENDIX A

General Fund Investment Programme for Equity Share Properties

Purpose

1. This report sets out a proposal invest in the refurbishment of the General Fund (GF) Equity Share bungalows to enable the Council to generate a return on their resale.
2. This is not a key decision.

Recommendations

3. It is recommended that Cabinet recommends to Full Council the option outlined in paragraphs 13 to 16.

Reasons for Recommendations

4. There is a demand for this type of property but the current practice to sell on without refurbishment is leading to delays in sales and a poor return for the Council.

Background

5. The equity share properties which now belong to the General Fund are properties that the Council is obliged to buy back in accordance with the lease. There are currently 212 properties.
6. The properties were transferred into the General Fund with permission of the CLG to ensure the Council could continue, with the rise in property prices, to meet their legal obligation to buy the properties back. To achieve this the Council enabled the General Fund to borrow from the Housing Revenue Account (HRA). This debt has to be repaid.
7. Approximately 10-12 bungalows are returned each year. The purchase price is at the current market value. The valuation reflects the fact that they are leasehold equity share properties for older people and their condition.
8. The properties, after any essential rechargeable repairs are undertaken, are sold on the open market through an estate agent.

Considerations

9. Council has previously given permission to Ermine Street Housing to buy back and refurbish these equity share bungalows and let them at market rent. This was found not to work with the business model.
10. Instead a property was refurbished and sold on at a higher price. On the basis of this experience it was felt that a proposal needed to come back to Council to consider establishing a programme to fully refurbish properties that could be sold on and generate a surplus.

11. There is a demand for this type of property as it is an attractive investment for older people seeking to downsize that is effectively discounted by 25% through the equity that remains with the Council.
12. As no refurbishment works are currently undertaken sales can, however, take longer as older people are put off purchasing a property that requires upgrading works. In addition there is currently no scope to generate a return on the resale and occasionally offers are made below the price that the Council bought them back for.

Options

13. Building on the experience of Ermine Street it is proposed therefore that all future Shared Equity properties bought back by the Council are fully refurbished before their resale. It is estimated to start the project off and allow time for resale and completion a budget of £200,000 is required.
14. The proposed works will encompass decoration, heating upgrades, new kitchens, and new bathrooms with upgraded showers, cleaning, new carpets and garden/fencing works. Not all properties will require all measures.
15. The Property Services section of the Housing Department shall undertake the modernisation work to empty properties through the Response Contracts Team who are equipped to undertake the work.
16. The programme will be managed by the Head of Housing and Property Services with a quarterly reconciliation undertaken with the Finance Department.
17. The Council may continue to sell all of the properties without the refurbishment programme but this would not generate any return for the Council.

Implications

Financial

18. The investment made is expected to be around £10,000 on average. The current cost of fees is around £2,600 per property.
19. The uplift in the sale price net of costs is estimated to be around £20,000 to £60,000 property.
20. With an average turnover of 12 properties this would equate to an indicative return on an investment of £120,000 of between £240,000 to £720,000 at current prices.

Risk Management

21. An individual investment and return assessment tool will be developed and applied to each property before the investment is committed for that particular home.
22. Surpluses will be recorded and reforecast if required. If demand falls or prices fall then the refurbishment spend could be suspended at any time during the year to avoid losses.

Legal

23. Legal advice and guidance will be obtained before any implementation of the proposed project.

Effect on Strategic Aims

Aim 2 – Partnerships

24. Move to a commercial approach to service delivery

Aim 3 - Wellbeing

25. Ensure that South Cambridgeshire continues to offer an outstanding quality of life for our residents.

Background Papers

None

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