



Mayor and Cabinet

Disposal of Three HRA Assets

Date: 10 July 2024

Key decision: Yes

Class: Part 1

Ward(s) affected: Perry Vale, Lee Green and Sydenham

Contributors: Gillian Douglas, Executive Director of Housing; Patrick Dubeck, Director of Inclusive Regeneration; Kplom Lotsu – Head of Property, Estates and Capital Programmes

Outline and recommendations

To seek approval for three HRA properties to be declared surplus to requirements based on their condition and seek authority for their disposal in order that any capital receipt obtained from such disposal can be ringfenced to the HRA capital budget to augment the funding available for acquisitions through 'buy backs' of council properties lost through Right to Buy policy and for capital investment in the existing stock.

Timeline of engagement and decision-making

- Council directorates have been consulted in accordance with the council's Asset Disposal Process. All directorates have confirmed that they do not have a viable use for the properties.
- Local Ward Councillors have been informed in accordance with the Council's Constitution.

1. Summary

- 1.1 Three properties within the HRA housing stock have been void / empty for a number of years because they are not cost effective for families in housing need due, primarily, to their condition.
- 1.2 The report sets out the reasons why the properties are not suitable for retaining by the Council, either for social rent, as temporary or specialist accommodation, or as a regeneration or commercial opportunity. It also sets out the financial impact of retaining and refurbishing the properties.
- 1.3 It concludes that due to the unviable nature of refurbishment or repurposing of the assets for Council use that, the properties should be declared surplus to requirements of the Council and therefore be disposed of to generate capital receipt.
- 1.4 It notes further that if disposal is approved, the proceeds from the sales will be ringfenced to the HRA capital budget to augment the funding available for acquisitions through 'buy backs' of council properties lost through Right to Buy policy and for capital investment in the existing stock.

2. Recommendations

It is recommended that Mayor and Cabinet:

- 2.1 Declare the follow void housing properties surplus to the Council's requirements.
 - Property A – Perry Vale Ward
 - Property B – Lee Green Ward
 - Property C – Sydenham Ward
- 2.2 In the event that the agreed terms for disposal are not covered by a General Consent issued under the Housing Act 1985, recommend that Council authorises the Executive Director for Housing to seek authority to dispose of the three sites from the Secretary of State for the Department for Levelling Up, Housing and Communities.
- 2.3 Subject to that authority being obtained and specific consent from the Secretary of State being obtained (if necessary), delegates authority to the Executive Director for Corporate Resources in consultation with the Executive Director for Housing and Executive Director for Place to agree the most appropriate method of disposal, and to dispose of the sites.
- 2.4 Agree to the ringfencing of any capital receipt to be reinvested in current housing stock or to acquire new suitable stock for the portfolio.

3. Policy Context

- 3.1 The Council's Corporate Strategy (2022-2026) outlines the Council's vision to deliver for residents over the next four years. Building on Lewisham's historic values of fairness, equality and putting our community at the heart of everything we do, the Council will create deliverable policies underpinned by a desire to promote vibrant communities, champion local diversity and promote social, economic and environmental sustainability.
- 3.2 This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy \(2022-2026\)](#):
- Cleaner and Greener
 - A Strong Local Economy
 - Quality Housing
 - Children and Young People
 - Safer Communities
 - Open Lewisham
 - Health and Wellbeing
- 3.3 In particular, this report is closely aligned to priority 'Quality Housing' because the 3 properties in question have been unoccupied since 2018 and it is proposed to invest the capital receipts in other council housing stock and the acquisition of more suitable housing units.

4. Background

- 4.1 Three properties within the HRA housing stock have been void / empty for a number of years because they are not cost effective for families in housing need due, primarily, to their condition.
- 4.2 The following is a brief description of each of the properties.
- 4.2.1 Property A – Perry Vale Ward
- 4.2.1.1 Built in 1899, this is a 2-storey terraced semi-detached house in Bellingham. The property is a brick wall construction with a replacement slate roof. Internally, the accommodation comprises 3 bedrooms, a bathroom and separate WC. Ground and upper floors are suspended timber, with a solid concrete slab forming the foundation of the two-storey rear addition.
- 4.2.1.2 Currently the property is in poor condition internally and externally rendering it uninhabitable. This is because the first floor has evidence of dry rot and insect attack to the timbers of the skirting in the bedrooms.

There is also evidence of water damage through the roof and the presence of supporting props is suggestive of structural issues with the building. A condition survey in 2019 estimated the renovation and repurposing cost to return the building into two self-contained flats at approximately £300k.

4.2.2 Property B – Lee Green Ward

4.2.2.1 This is a 4/5-bedroom mid terrace property located in Lee Green. The property is in very poor condition and has been extensively stripped out as part of an earlier remodelling attempt. A refurbishment and improvement survey of the building in 2020 provided an indicative cost of £150k to return the building into some form of purposeful use which meets the council’s current housing needs.

4.2.3 Property C – Sydenham Ward

4.2.3.1 Built in 1899, this is a 3-storey semi-detached house in Sydenham. The property is a brick wall construction with a replacement slate roof. Internally, the accommodation comprises 6 bedrooms, a bathroom and separate WC. Ground and upper floors are of suspended timber construction, and windows are predominantly single-glazed timber framed units making the house highly inefficient to heat.

4.2.3.2 In 2019, a refurbishment and repurposing survey to create 4 self-contained flats over three floors which will better suite the current housing need, estimated the cost at approximately £500k.

4.2.4 Officers have assessed that the cost of running the properties creates an affordability issue for residents on low income and would create an impossible burden on households who are already struggling to cope with the high cost of living and high energy costs. For illustrative purpose, the EPCs for these properties and associated utility costs is set out in Appendix 1. The Council’s new build programme aspires to deliver EPC B ratings for all new homes. This is typically the benchmark set for achieving net zero carbon ambitions. All social housing properties must have an EPC rating of at least ‘C’ by 2030. An EPC rated B property would reduce energy consumption costs by approximately 20 and 35 % as compared to EPC rated D and E properties respectively.

4.2.5 The lost income, in rent, due to the current prevailing status of the properties being unlettable is provided in the table below:

Property	Current Rent p/w	Void start date	Lost Rent
Property A – Perry Vale Ward	£175.77	19.09.2018	43,738
Property B – Lee Green Ward	£175.56	16.12.2019	34,675
Property C – Sydenham Ward	£218.74	18.06.2018	56,729
Total void loss to date			£135,143

4.3 As noted above, all three properties have been empty for a number of years

due, in part, to their unviable use as social housing because of their higher than average running cost and also due to their need for significant capital investment to return them to any form of purposeful use.

4.4 Since April 2023, officers have been exploring other non-social housing options for the three properties because of their current unviable use and significant capital requirements if retained for social housing. This is in line with the Council's asset review and process, the details of which are set out below.

4.5 Asset Review and Disposal Process

4.5.1 The process requires consultation with other directorates as part of the business case/options appraisal when declaring a General Fund or Housing Revenue Account (HRA) asset surplus to operational requirements and subsequently disposing of it. In relation to these assets, the following divisions / services were engaged in the alternative use options appraisal process in 2023.

- Housing, Resident Engagement and Services
- Housing, Quality and Investment
- Housing Strategy
- Inclusive Regeneration

4.5.2 The potential options in relation to the 3 properties considered were:

- Retain - refurbish and let at social rent or for temporary accommodation; or for Children and Adult Social Care use as residential or supported accommodation.
- Disposal
- Redevelopment (options would include self-delivery, Joint Venture private rented sector scheme, Temporary Accommodation, Supported Living)

4.5.3 Some key points from the engagement with services on options for the sites are set out below:

4.5.3.1 Each of the consultees concluded that the properties were not suitable to be retained for use by the Council for social rent nor temporary accommodation, nor as a regeneration or commercial opportunity.

4.5.3.2 Each of the 3 properties are either uneconomical to repair and/or uneconomical to live in. The considerable time required to plan, commission and deliver refurbishment works would add to the already high void losses.

4.5.3.3 None of the properties are suitable for regeneration on the basis of their location, type and required investment to bring them up to a habitable standard. There are no plans for strategic regeneration in the vicinity of any of the properties, to which these properties could be linked. Further, the Director of Inclusive Regeneration confirmed there is no viable commercial opportunity (including the availability of grant funding

required) to bring the homes up to lettable standard within the HRA which will not require higher levels of rent.

- 4.6 The proposal therefore is to dispose of the 3 houses as they are not suitable for letting for council tenancy or temporary accommodation because they are either uneconomical to repair or uneconomical to live in.
- 4.7 Whilst the 3 properties are not deemed suitable for council use, their disposal will enable them to be put to good use as accommodation for households in the private sector, therefore benefiting the borough overall and achieving the objective of reducing empty homes in the borough.
- 4.8 Further, the loss of 3 x 3-bed plus homes in the Perry Vale, Lee Green and Sydenham wards is compensated for by the completion and planned delivery of over 300 good quality and energy efficient homes in those wards through the Building for Lewisham programme (see breakdown below). The Housing Acquisition Programme also has a target to purchase up to 300 properties across the borough for temporary accommodation with 80 properties already acquired or in the pipeline.

Ward	New homes in pre-construction, onsite or completed
Perry Vale	112
Lee Green	64
Sydenham	125
Total	301

- 4.9 The Council has a net zero carbon ambition for all housing stock in the borough, however, it is acknowledged that the HRA does not have the capacity to deliver retrofit on the scale required and therefore disposal of some stock into the private market is more likely to leverage the investment that improves the sustainability of some of our stock.
- 4.10 Generally, the council prioritises retaining, over disposing of council housing assets however the continued void status of these assets is not sustainable in the long run. There is therefore a pressing need to act given the level of rent monies being lost and the risk of further deterioration whilst they stand empty, which risks reducing their real value over time.
- 4.11 In summary, the three HRA properties at Perry Vale, Lee Green and Sydenham have been void for a number of years due to their unviable use to meet current housing need. Their condition also means that they require significant capital investment to return them to any purposeful use which meets current housing need. It is therefore recommended that Mayor and Cabinet agree for them to be declared surplus to requirements and Secretary of State consent sought for all three properties to be disposed of and the receipt ringfenced for further housing provision.

5. Financial implications

- 5.1 The financial implications are contained within the Part 2 report.

6. Legal implications

- 6.1 The Council is a local housing authority and is proposing to dispose of the housing properties described in this report. Section 32(1) of the Housing Act 1985 permits the Council to dispose of housing land provided that Secretary of State consent is obtained. Some disposals or transfers of housing land are covered by what is known as “General Consents”, in which case the Secretary of State’s consent has already been given and individual applications to the Secretary of State are not required. Provided the disposal is for a consideration received is equal to the market value of the property, and on the basis that no secure, introductory or demoted tenants are impacted because the properties are empty, there is currently a general consent available for the Council to rely on and it will not have to apply to the secretary of state for specific consent. If the Council decides to dispose of the properties for less than market value then it would need to seek the Secretary of State’s specific consent and this report makes a recommendation that full Council approves the making of such an application should the need arise.
- 6.2 Any proceeds from the disposals must be accounted for in the Housing Revenue Account (Local Government and Housing Act 1989).
- 6.3 The threshold for the disposal being classified as a Key Decision in relation to disposals or acquisitions is £1.5m. As such, the disposals collectively require a key decision.
- 6.4 If approved, it is Council policy that all negotiations must be conducted by, or under the supervision of an appropriately qualified officer or adviser, i.e. the Executive Director for Corporate Resources and the Director of Law and Corporate Governance. All legal documents entered into pursuant to the recommendations in this report must be approved by Legal Services on behalf of the Director of Law and Corporate Governance.

7. Equalities implications

- 7.1 There are no immediate equalities implications associated with the recommendations of this report.

8. Climate change and environmental implications

- 8.1 There are no immediate climate change and environmental implications associated with the recommendations of this report. However, given the Council does not currently have a viable use the buildings, disposing of them will make it more likely for a private interest to leverage in the necessary investment that helps improve their sustainability in the long run and supports the Council’s net-zero ambition.

9. Crime and disorder implications

- 9.1 There are no immediate crime and disorder implications associated with the recommendations of this report.

10. Health and wellbeing implications

- 10.1 None specific to this report.

11. Background papers

- 11.1 None

12. Report author and contact

- 4.1 If there are any queries on this report please contact Kplom Lotsu, Head of Property, Estates and Capital Programmes Email: kplom.lotsu@lewisham.gov.uk
- 4.2 Comments for and on behalf of Executive Director for Corporate Resources Tony Riordan, tony.riordan@lewisham.gov.uk
- 4.3 Comments for and on behalf of the Director of Law and Corporate Governance Melanie Dawson, melanie.dawson@lewisham.gov.uk