

Report to Overview and Scrutiny Committee

Date of meeting: 2 February 2021

Portfolio: Housing and Property- Councillor H Whitbread

Subject: Disposal of HRA Assets

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Recommendations/Decisions Required:

To comment on the new policy on the disposal of small land sites and individual properties. (all receipts will be ringfenced for HRA functions)

Executive Summary:

EFDC owns approximately 12,000 assets including properties and garages. In addition to these the Council owns other assets such as parcels of land, pathways, un-adopted roads, alleyways and grassed areas on residential estates. In order to make best use of our HRA assets there are circumstances where a disposal would be of benefit to the Council and would lead to a net overall benefit. An example of this could be a one-off property which requires structure works which are not cost effective to carry out. Or small pieces of land which add little or no value to the council.

To ensure that the sale of land or assets meets the highest standards of Governance, a policy has been written to set out the framework in which these disposals will take place.

Reasons for Proposed Decision:

This report sets out to introduce our policy on the Disposal of HRA Assets. Such a policy is viewed as good practice and will fit with our Asset Management Strategy which will be available for approval by this Cabinet in the new financial year.

Report

Parcels of land below 80 square metres

EFDC receive applications for the purchase of land from different sources, these could be groups of tenants, individuals or local businesses. The Council will consider applications to purchase parcels of land from adjacent owners, however, the Council also reserves the right to consider applications from other parties where there are no management or other issues that would cause inconvenience to the Council, if the land was to be sold and the disposal was economically favourable. Each application will be given due consideration before a decision is made.

Single Dwellings

There may be situations where it is considered a good use of Council assets to proactively dispose of assets, this policy applies to the sale of single dwellings only.

The criteria for the disposal of a single dwelling is:

- Where there is significant structural damage which makes the property not economically viable;
- Where the cost of increasing the SAP rating would result in a cost which would be far beyond any income, we would receive; and
- The market value is substantial and liquidating the asset will help us to provide more homes and improve communities.

In cases where a property may not be economically viable, a financial appraisal will be carried out over the period of the business plan. The aim of this will be to understand the Net Present Value of the property and the Internal Rate of Return. This will be carried out by either an internal or external professional who has had the necessary training to do so.

Valuations

Where land is sold, the value of land will be fully assessed, and a valuation be obtained from a qualified RICS valuer, this could be undertaken by either an internal or external professional. Land may be marketed or auctioned to obtain best consideration. Any valuation will be based on commercial use and not the proposed use.

Legal Framework

In general, the Council is required to achieve the 'best consideration reasonably obtainable' when it is disposing of land. Section 123 imposes a duty on the Council to achieve a particular outcome (namely the best price reasonably obtainable): it is not a duty to conduct a process (e.g. to have regard to factors). If the disposal is under the 1972 Act, there is neither express power to include covenants on a disposal, nor a prohibition.

Allocation of funds

The recycling of capital receipts in ringfence for the purpose of the disposal of asset and land is restricted to be used for capital projects, specifically house building or the purchase of property. However, in certain circumstances the receipts can be used for other capital projects within the HRA which bring benefits such as cost savings. Any projects such as these will be subject to approval by the Portfolio Holder.

Resource Implications:

The work will be carried out by our in-house Land and Estate Team

Legal and Governance Implications:

Section 122 of the Local Government Act 1972.

Safer, Cleaner and Greener Implications:

Better use of our assets creating places where people want to live.

Consultation Undertaken:

Housing and Property colleagues were consulted and agree with the contents of the policy

Background Papers:

Minute No: E/H/004/2002-3

Minute No: H/034/2005-06

Minute No: HSG-029-2009/10

Minute No: 116

Risk Management:

Should the policy not be approved there would be a risk that the Council would not have the ability to make 'best use' of Housing Stock.'