

**Report of Chief Officer Property and Contracts**

**Report to Director of Resources and Housing**

**Date: 6<sup>th</sup> March 2018**

**Subject: Request to Dispose of Property and adjacent land: Cottage 1 Ellar Ghyll, Bradford Road, Otley, Leeds, LS21 3DN**

Are specific electoral wards affected? If relevant, name(s) of ward(s): Otley and Yeadon	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. Cottage 1 Ellar Ghyll is one of two stone built semi detached properties located on the A6308 (Bradford Road) Otley, Leeds which is a busy main road and the properties are situated between Arch Building Supplies builders yard and Brotherton scrap yard.
2. Both Cottages have been rented by related family members up until March 2016 when Cottage number 1 became void following the death of the occupant.
3. Cottage 1 requires significant major investment to bring the property up to a Decent Homes Standard and has been identified as having potential structural issues. There is a difficulty re-letting this property due to its location giving rise to safety concerns particularly with anyone with young children. The property has been shown to potential tenants who have turned it down due to safety concerns for their family, noise nuisance and the proximity of industrial premises to the dwelling.
4. An option appraisal has been conducted on the property to determine a preferred course of action.

**Recommendations**

5. It is requested that the Director of Resources and Housing approves the recommendation for Cottage 1 Ellar Ghyll, Bradford Road, Otley, Leeds, LS21 3DN and identified adjacent land to the rear of the property to be taken out of charge and declared surplus to departmental requirements and for City Development to take the

property forward for disposal. Terms and conditions to be agreed by the Chief Officer of City Development. The Director of Resources and Housing is further requested to commit to purchasing a replacement property in the Otley area at the earliest opportunity to ensure there is no overall net loss of stock.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to seek the approval from the Director of Resources and Housing to declare Cottage 1, Ellar Ghyll, Bradford Road as surplus to departmental requirements together with the adjacent plot of land which has a gill running through it. The investment needed to bring this property up to a Decent Homes Standard is not considered to be spending money wisely given the location and issues discussed in this report. Investing in the refurbishment of the property would not address and the ongoing safety concerns in letting this property for social housing purposes.

## **2 Background information**

- 2.1 Cottage 1 Ellar Ghyll is a vacant semi detached non estate miscellaneous council owned house. It is located on the A6038 approximately 1.6 miles from the centre of Otley. It is a short distance from the A65 leading to Menston village.
- 2.2 The location of the property is shown at appendix 1. The pair of semi detached properties (Cottage 1 and 2 Ellar Ghyll) sit between Brotherton Scrap Yard and Arch Building Supplies. The Council's public recycling centre is located close by. The area to the rear of the property is established woodland sloping steeply towards the properties and separated by a beck which both gardens back onto. Cottage 1 has a shared access to the front with the scrap yard business.
- 2.3 The properties are constructed from traditional stone and built around 1918 with a more recently added extension (kitchen and first floor bathroom). It is thought that the property was originally one dwelling and has, at some point in the past, been separated to create two homes.
- 2.4 Both properties have been occupied by related family members for in excess of 30 years until the death of the occupant of Cottage 1 when the property then became empty in March 2016.
- 2.5 The property has been surveyed with a view to re-letting the dwelling however at this point extensive renovation works were identified as required to bring the property up to the Decent Homes Standard. The costs for this work are estimated to be in excess of £30,000. There are potentially additional issues in regard to the structural integrity of the property which would need further investigation as there is some structural cracking to all elevations of the building.

## **3 Main issues**

- 3.1 An option appraisal has been undertaken to determine the future for this property. Two options have been considered the first being to renovate the property to Decent Homes Standard and the second to dispose.
- 3.2 Commercial Asset Management were asked to consider if the property would be of interest to another housing organisation to lease long term and for them to take on refurbishment of the premises. However there was no interest in the property given its current condition and level of investment needed, its location and proximity to industrial businesses.

3.3 The appraisal is in two parts. The first considers the financial impact of each option on the Housing Revenue Account (HRA) including:

- The initial capital cost – the ‘up front’ cost of carrying out any major repairs and improvement works
- The return on investment (ROI) over a 30 year period – the net income (or cost) of the option, taking into account the initial capital outlay, recurring costs (e.g. annual maintenance costs) and any income generated (e.g. from rents).
- The Net Present Value (NPV) over a 30 year period – the NPV is the present day value of the future income stream generated by an option, less the cost of the carrying out that option, and taking into account the effect of inflation on that income stream. It is a financial measure of the ‘profitability’ of an option and;
- The payback period – the number of years taken for the option under consideration to recoup its initial capital cost, or to break even (N.B. some options may never ‘pay back’ as they either do not generate capital receipt or ongoing income stream).

3.4 The second part of the option appraisal considers the ‘softer’ factors and rationale for the preferred option. This is clearly a much more subjective part of the option appraisal process than the financial assessment outlined above, and is intended to pick up on the less tangible aspects of each option.

3.5 The option appraisal has considered three options outlined below.

- Repair to decency standard
- Disposal

### Financial Assessment

3.6 A summary of the financials for each option is shown in the table below:

Option	Initial Capital Cost	ROI (30 Year)	NPV (30 year)	Payback Period
1. Repair to decency standard and allow for potential structural repairs	£49,500	£68,647	£-1,227	16 years

2. Dispose	None	£28,247	£98,114	Not applicable as receipt generated on sale of property
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Please refer to Appendix 2 (option appraisal spreadsheet) for further information on the costs.

3.7 **Option 1** shows the effect of funding the initial repairs costs of £49,500 and ongoing maintenance costs totalling £39,105 over 30 years from the HRA with a rental income generating £157,252.21. This option assumes that:

- The property is let for the full year
- The full Year 1 rent would be £3,581.83 (£68.88 x 52). This is assuming the works are completed in new financial year 2018/19 and full rent is achieved in 2019/20.
- The rent follows government policy – decreasing by 1% per annum until 2019/20 and then increases by an assumed 2.5<sup>1</sup>% per annum
- The maintenance costs are as for an average property (£891 p.a. per property) and inflated at 2.5% p.a.

3.8 **Option 2** shows the effect of disposing the property which will generate a capital receipt for the Council (minus auction costs and professional fees) to the estimated value of £150,000 plus additional value for the adjacent land. There are savings on maintenance costs over the 30 year period which would be £39,117. Payback is immediate due to generation of a capital receipt on sale of the asset. Ward Members have requested that the council commit to purchasing a more suitable replacement council dwelling within the Otley area thus ensuring there is no overall net loss of housing stock.

## 4 Corporate considerations

### 4.1 Consultation and engagement

4.1.1 Consultation with the Housing Office and Lettings team has been undertaken who are supportive of the disposal.

4.1.2 Commercial Asset Management have been consulted and have no use for the property and unable to identify any interest from other housing providers.

4.1.3 There has been detailed consultation with Ward Members including a site visit to the property in January 2018. Ward Members, whilst they appreciated the level of

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<sup>1</sup> There is no clarity from government yet on rental policy post 2020. The CBA assumes rents will rise at 2.5% p.a., which is in line with previous rental policy of increases of CPI+1%.

work needed to the property and its location not being ideal for a family, expressed concern at the loss of a unit of stock from this popular Ward. They requested that the Director of Resources and Housing commit to purchasing a more suitable replacement property within the Otley area to ensure there was no net loss in housing stock. It has been agreed that this can be achieved and is therefore included as a recommendation of this report.

- 4.1.4 The adjoining Council tenant at no 2 Ellar Ghyll has been consulted back in July 2016 and supported the proposal to dispose of the property. They were supportive of a direct approach to the owner of the Brotherton Scrap Yard to determine their interest in the property.
- 4.1.5 The owner of Brotherton Scrap Yard has expressed a keen interest in the purchasing of the property given its proximity to their business for potential use by a family member. Further consultation will be required as part of the conveyancing arrangements given the shared access across the front of No. 1 Ellar Ghyll to the Brotherton Scrap Yard.
- 4.1.6 The report has been considered at Housing Leeds Delegated Decision Panel and the Chief Officer of Housing Management and Chief Officer of Property and Contracts support the recommendation to dispose of this property and identified adjacent land.

## **4.2 Equality and diversity / cohesion and integration**

An equality, diversity, cohesion and integration screening document has been completed for the preferred option of disposing of the property and is attached at Appendix 3. This concludes that there is no requirement to carry out a full impact assessment as there is no impact on specific groups and is unsuitable for adaption given the differing floor levels within the property.

## **4.3 Council policies and best council plan**

- 4.3.1 Both options have been assessed in terms of their contributions towards the Best Council Plan and Breakthrough Projects.
- 4.3.2 Option 1 to repair the property keeps the dwelling in Council ownership however its suitability for social renting purposes is not ideal given its location and it does not meet the lifetime homes standard given the limitations of building configuration. It is not considered that investing in this property is spending money wisely given the extent of works required.
- 4.3.3 Option 2 to dispose of the property would generate a capital receipt for the Council. A replacement property could then be sought in the Otley area that is in a more suitable location and this would also assist in consolidating stock in that area. This therefore helps to support the Council priority of housing growth and high standards in all sectors.

## **4.4 Resources and value for money**

- 4.4.1 The option appraisal contains a robust assessment of the financial impacts of each option. Option 2 appears to be the most beneficial financially relinquishing

the council of maintenance liability and disposing of a property that is deemed unsuitable as family accommodation for social renting. Option 1 however does retain the asset for Housing Leeds and begins to generate income again in year 16. The cost for repairing the void property would have to be met by the Voids budget (capital repairs element).

#### **4.5 Legal Implications, access to information and call In**

- 4.5.1 The report does not contain any exempt or confidential information. Please note that the valuation figure used is only for guidance in carrying out the option appraisal and may be subject to change depending on market conditions at the time of disposal.
- 4.5.2 There are potential legal implications arising from this report the detail of which will be referred to the Council's Legal Section as part of the disposal process. This is in regard to the shared vehicle access to Brotherton Scrap Yard across the front of no. 1 Ellar Ghyll and the adjacent land to the rear of the property which the Council would not want to retain ownership of following disposal of the cottage.
- 4.5.3 Terms and conditions of sale would be determined by City Development prior to the property being marketed and the Council would seek to ensure development of the property was carried out within a specified timeframe in line with the Empty Homes Strategy.

#### **4.6 Risk management**

- 4.6.1 The main risk associated with the renovation option is the ongoing management concerns about the safety aspect of this location and its low desirability in terms of the property's proximity to a busy main road and industrial premises. The level of investment needed to bring the property up to a Decent Homes Standard is not considered to be a wise investment given these concerns. Further expense has not been incurred in terms of a full structural survey at this stage but initial inspections of the property indicate strongly that there is evidence of subsidence and quite recently in one elevation. Also there is damp present throughout the property.
- 4.6.2 It is further recommended that the land to the rear of the property and garden be included in the proposed disposal. This is a steep wooded area with a gill running through it. If the property was sold in isolation of this land it would result in the council continuing to have responsibility for the land that would effectively be landlocked by the sale of the property. The land also carries with it riparian responsibilities.
- 4.6.3 As already identified there is a shared vehicle access with the cottage and entrance to Brotherton Scrap Yard which the council currently owns. This will need to be considered as part of the sale of the property as the Council would not wish to retain ownership or maintenance responsibility of this after the sale of the property.

### **5 Conclusions**

- 5.1 The option appraisal has considered two options for the property at Cottage 1 Ellar Ghyll, Bradford Road Otley. Option 2 to declare the property and identified adjacent land surplus to departmental requirements and for City Development to take this forward for disposal is the recommended option. Whilst this results in an interim loss of an asset for Housing Leeds it generates a reasonable capital receipt which will be reinvested to purchase another property to bring into the Council's stock within the area of Otley thus resulting in no overall net loss of dwellings. The property is not considered suitable for family accommodation for social renting purposes given its non-residential setting, geographical features surrounding the site and significant investment required to renovate the property and address the potential structural issues.

## **6 Recommendations**

It is requested that the Director of Resources and Housing approves the recommendation for Cottage 1 Ellar Ghyll, Bradford Road, Otley, Leeds, LS21 3DN and identified adjacent land to the rear of the property to be taken out of charge and declared surplus to departmental requirements and for City Development to take the property forward for disposal. Terms and conditions to be agreed by the Chief Officer of City Development. The Director of Resources and Housing is further requested to commit to purchasing a replacement property in the Otley area at the earliest opportunity to ensure there is no overall net loss of stock.

## **7 Background documents<sup>2</sup>**

- 7.1 Appendix 1 – location plan
- 7.2 Appendix 2 – cost benefit analysis sheets
- 7.3 Appendix 3 – EDCI screening document

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<sup>2</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.