

## Overview and Scrutiny Committee – 9 March 2023

### Officer Response: Conservative Group Call-in by Cllr Lee Chamberlain of Decision List 42 (22-23) - Key Decision 3432, Disposal of Surplus or Underperforming assets

Reasons for the “Call in” are detailed below:

<b>Reason for call-in</b>
<b>The reasons for disposal and the method of disposal are not sufficiently substantiated, as well appearing to offer poor value for money.</b>
<b>Officer response</b>
<p>The subject properties are in poor condition, so requiring extensive repair and modernisation before they can be brought back into beneficial use.</p> <p>The Council’s HRA and Housing Gateway were consulted about the properties’ availability but the high cost of acquisition and refurbishment, relative to projected rental returns, did not meet their Business Model requirements.</p> <p>The Council is currently incurring significant holding costs, including but not limited to security, Council tax, insurance and basic utilities. There is also an ‘opportunity cost’ of vacant buildings that are producing no return on their underlying asset value.</p> <p>Therefore, a decision should be taken to release these surplus properties for sale, to raise capital receipts for direct service delivery and/or offset Council borrowings.</p>

<b>Reason for call-in</b>
<b>To substantiate how these properties are surplus to requirements or underperforming differently from other void properties which the authority routinely brings back into use?</b>
<b>Officer response</b>
<p>The properties are surplus to requirements for the reasons given above.</p> <p>The Housing Revenue Account and HGL did not have any interest in acquiring the properties and, as there are no other viable uses to which they can be put by the Council, they are deemed surplus to operational needs.</p>

<b>Reason for call-in</b>
<b>Explain why as a housing authority with a shortage of homes and slow delivery of new homes LBE are not putting these homes back into use for rental?</b>
<b>Officer response</b>

The Housing Revenue Account and HGL expressed no interest in acquiring these properties at the values involved.

In the context of housing provision and strategy, it would be more appropriate and financially beneficial for HRA/HGL to buy properties in the open market that better suit their needs and achieve the requisite business model returns.

**Reason for call-in**

**Set out why these properties are not being included in the housing stock for renovation. How are they surplus or underperforming? This is surprising given it is the basis upon which disposal is being justified.**

**Officer response**

The cost of renovating these properties, when added to a relatively high base value, means that they do not meet the financial returns required by HRA/HGL Business Models.

Accordingly, as there are no other calls to re-use them, they are considered surplus to the Council's needs.

**Reason for call-in**

**Why this type of income stream is preferred, given that revenue income is generally of more use to the Council than capital income?**

**Officer response**

As explained above, neither HGL or the Housing Revenue Account wished to acquire the subject properties and letting by the General Fund would not be viable. Therefore, selling the properties for a capital receipt is the only available option.

**Reason for call-in**

**Why this sale process was selected for disposal, as sale through auctions generally realises lower returns than private sale?**

**Officer response**

Officers do not accept the premise of this question, as sale by auction is a well-established method of disposal for dilapidated houses such as these, providing certainty, cost effectiveness and exposure to a wide range of potential buyers.

The sale process also provides a significant degree of control on the price achieved, as the Council will set a 'reserve' below which the property will not be sold.

The Council's costs are borne by successful bidders, via a buyer's premium secured through special conditions of sale, so it is also a cost-effective method of disposal.

Sale by auction therefore offers certainty and entirely satisfactory financial outcomes, so is considered the most appropriate disposal route for the subject properties.

In summary, the auction method of sale was chosen for its combination of benefits, as outlined in the original report and the call-in responses.

**Reason for call-in**

**Why a quick method for generating funds, rather than delivering best value for money, was chosen for disposal? If the intention is to use disposals to plug a financial shortfall it should be made clear.**

**Officer response**

As stated above, the auction method of sale was chosen for its various benefits, that are well suited to the type of properties in question and the target audience.

Speed and certainty of transaction is just one benefit of the chosen disposal method, and not the sole or primary reason as implied by the question.

**Reason for call-in**

**No background business case as to the actual property values is provided. There is no indication as to how and when these properties came into LBE ownership, and at what price.**

**Officer response**

The subject properties have all been owned by the Council for a long time (pre-dating Land Registry data) so it was not possible to provide such information in the report.

A valuation will be recorded on the property file, prior to setting of the final reserve prices, stating that the value if achieved delivers "Best Consideration".

**Proposal:**

**Councillor Chamberlain has asked that the decision is referred back to the decision maker.**