

Wiltshire Council

Cabinet member decision

21 January 2021

Subject: Acquisition of property in Christie Miller Road Salisbury

Cabinet Member: Cllr Philip Whitehead Leader of the Council

Key Decision: Y

Executive Summary

This report seeks consideration of the Council's acquisition of 47 Christie Miller Road. The Department of Environment, Food and Agricultural Affairs (DEFRA) has offered to transfer 47 Christie Miller Road to the Council for a nominal sum subject to a number of conditions. This report proposes the Council taking ownership of the property and a model of future use which would comply with the conditions required by DEFRA.

Proposal(s)

It is recommended,

1. That the Council acquires 47 Christie Miller Road for a nominal sum
2. That the Council undertakes the necessary work to bring the property into a habitable state.
3. That the property is offered for sale on a shared ownership basis with a maximum of 75% equity available for purchase
4. That the property is offered for shared ownership sale on a cascade basis starting with households who live within Christie Miller Road cascading out to a wider area if no purchasers come forward.

Reason for Proposal(s)

The proposals aim at bringing 47 Christie Miller road back into use as affordable housing, whilst maintaining an element of control on future occupation to a household who will choose to live in the property and respecting the impact the property has had on the local community.

Terence Herbert ; Chief Executive

Wiltshire Council

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Purpose of Report

1. The report seeks consideration of proposals to bring a property back into use as affordable housing whilst addressing the requirements of DEFRA and respecting the impact the property has had on the local community.

Relevance to the Council's Business Plan

2. The proposals will directly contribute to the Business Plan
 - a. growing the economy
 - b. creating strong communities and

Background

3. The property 47 Christie Miller road was a central point in the Salisbury Novichok poisoning incident. The property has been totally decontaminated and stripped back to bare brick work. The Council undertook works to make the property structurally sound and wind and water tight on the basis that the costs of those works would be reimbursed to the Council if the Council did not acquire the property from the owner. This was agreed to ensure necessary work was undertaken and that some sense of normality could be returned to the local community.
4. Council officers have assessed the state of the property and the works that would be necessary to bring the property back into use. It is estimated that there are £ 68k of works net of fees to bring the property to a habitable standard.
5. DEFRA on behalf of the owner have offered the property to the Council for a nominal sum but have the following requirements; the future use of the property will be overseen and managed by Wiltshire Council, by way of a tenancy, lease or a shared ownership lease, and to ensure the Council retains a degree of control over the use of the property the following provisions would be included in the shared ownership lease, the Council would have a right of first refusal if tenant wants to sell their interest in the property and the maximum equity that can be purchased by the tenant is limited to 75%.

Main Considerations for the Council

6. The Council has confirmation from DEFRA that if 47 Christie Miller road is transferred to the Council for a nominal sum, HMG will be responsible for agreeing appropriate compensation with the current owner. The Council has already received confirmation that the property is totally decontaminated.
7. If the Council takes ownership of the property it will be contained within the Council's housing revenue account (HRA). That ring fenced account would then finance the cost of the works to bring the property up to a habitable standard. The shared ownership model would be such that a percentage of the equity of the property will be sold and a rent of 2.75% is charged on the unsold equity. As long as the value of the equity purchased meets the costs of works of the property the HRA will not initially face a loss. The property will be valued independently at time of sale but in house valuations suggest that there is sufficient value in the property to cover the costs of works plus fees that are proposed. If the initial equity purchase does not cover the cost of works the difference between the rent charged and debt finance may be an initial loss to the HRA until the rent covers the debt costs. The rent on unsold equity will increase by CPI plus 1%.
8. In line with national shared ownership eligibility the property will only be offered to households with a household income of £ 80k or less and a first time buyer or a one time home owner who cannot afford to buy a home (for example due to relationship breakdown).
9. It is recommended that the property is offered for sale on a shared ownership basis on a cascade model. In the first instance it would be offered to households living in Christie Miller road then if no eligible households came forward to purchase the area would be expanded until a purchaser was found. The intention is to respect the impact that the Salisbury Incident had on the community.

Overview and Scrutiny Engagement

10. The chairman of Environment Select Committee has been consulted on the proposals.

Safeguarding Implications

11. There are no safeguarding implications stemming from this report.

Public Health Implications

12. There are no public health implications stemming from this report

Procurement Implications

13. Procurement of works to the property will be undertaken in line with the Council's standing orders.

Equalities Impact of the Proposal

14. There are no equality impacts stemming from this report.

Environmental and Climate Change Considerations

15. The refurbishment of the property will aim to achieve the highest Energy performance rating.

Risks that may arise if the proposed decision and related work is not taken

16. The property may remain in its current condition and would not be brought back into use for affordable housing.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

17. The estimated costs of works to bring the property back into use may be inadequate. This risk is mitigated in that there is headroom between the estimated costs of works and the 50% equity value of the property based on current in house valuations. Moreover, the HRA can cover costs until rent on unsold equity exceeds the debt costs.

Financial Implications

18. It is proposed that the Government will recompense the current owner for the full cost of 47 Christie Miller Road. Ownership would then be transferred to Wiltshire Council for a nominal fee at which point it would be transferred into the HRA.
19. The estimated cost of bringing the property back up to a habitable standard is £68k. This cost would be met by the HRA and funded initially via the Refurbishment of Council Stock capital budget, in which there are adequate funds available. These costs would then be standing costs until such time that they are recovered when the property is sold.
20. The property has been independently valued, and it is estimated that a sale price can be achieved on a shared equity basis which should leave enough headroom to recover any costs incurred based on current estimates.
21. One of the Defra conditions states that the Council holds a minimum equity share in the property of 25%. If the property is then sold on a shared ownership basis the maximum equity any purchaser can hold under the scheme would be 75%. Of course, in the unlikely event that the property is sold at the minimum estimated value and a purchaser then opts to hold the minimum share of 25% then it will mean that not all of the costs of refurbishment will be recovered at point of sale and that any difference would be recovered via rents over time. At the lowest estimated value, the minimum percentage share that a purchaser would have to hold for full recovery of costs at point of sale would be 45%.
22. If sold on a shared ownership basis then the HRA would charge rents at the affordable rent level at a rate of 2.75% on the balance of unsold equity to increase by CPI + 1% each year.

Legal Implications

23. Legal Services agreed with DEFRA that the legal structure of this transaction will be as simple as possible. Therefore, it has been agreed that the legal transfer of ownership will proceed straight to transfer with no contract for sale.
24. The property is sold subject to all or any liability for existing environmental contamination with no liability on the owner. The legal transfer document from the owner to the Council does not contain any indemnities in favour of the Council in respect of the condition of the property or for any environmental contamination.
25. Legal Services understands that the Council is relying on the letter from DEFRA dated 26 February 2019 confirming that the decontamination work to the property were completed (“the Completion of Works Letter”).
26. The Completion of Works Letter does not contain any legal indemnity in favour of the Council from DEFRA in respect of any future issues that may arise as a result of the Salisbury incident.

Workforce Implications

27. There are no workforce implications stemming from this report.

Options Considered

28. The options available are those that would comply with the DEFRA requirements that the Council would retain some form of control over the future use of the property. The Council could decide not to take ownership but that may lead to an adverse impact on the local community and thus has not been recommended.
29. The Council could take the property into its Housing revenue account and offer it as affordable rented accommodation. In such a scenario the property would be offered to the household with the highest housing need but they may not be sensitive to the history or impact on the local community from the property and thus that has not been recommended.

Conclusions

30. It is recommended that the Council acquires the property from the owner for a nominal sum and it is brought back into use on a shared ownership basis being offered to households in the vicinity on a cascade basis.

Simon Hendey (Director - Housing and Commercial)

Report Author: Simon Hendey, Director - Housing and Commercial,
simon.hendey@wiltshire.gov.uk,

Date of report

(Make sure above includes name, title and contact details of report author)

Appendices

None

Background Papers

None.