

# Corporate Policy and Resources Committee

2nd May 2025

<b>Title</b>	<i>Freehold disposal of Ashford Cemetery Lodge</i>
<b>Purpose of the report</b>	Seek approval to dispose of a Council owned residential property to Knowle Green Estates Ltd
<b>Report Author</b>	Sian Bowen, Principal Asset Manager
<b>Ward(s) Affected</b>	Ashford
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	Community, Addressing Housing Need & Resilience
<b>Recommendations</b>	<b>Corporate Policy and Resources Committee is asked to:</b>  1) Agree to the disposal of Ashford Cemetery Lodge to Knowle Green Estates Ltd (KGE) for the provision of affordable housing at a sale price of £273,611  2) Delegate authority to the Group Head of Corporate Governance to complete any necessary documentation in connection with the disposal on the terms set out in this report.
<b>Reason for Recommendation</b>	Ashford Cemetery Lodge has recently been fully refurbished at a cost of c.£188,000 of which £80,000, came from S.106 funding. The sale will allow the property to be used for affordable housing.

## Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"><li>Ashford Cemetery Lodge is the former Cemetery Manager's house and has not been used for residential purposes for many years due to the poor internal condition.</li><li>The property has recently been refurbished costing c. £188,000 funded from S.106 funding and the Council's 2024/25 Capital Programme.</li><li>The property now provides good quality accommodation</li></ul>	<ul style="list-style-type: none"><li>Following the refurbishment the property is now ready for occupation as a family home.</li><li>The Council does not currently own and let individual residential properties for affordable housing use, instead KGE deals with this provision on the Council's behalf.</li></ul>

offering up to 4 bedrooms for affordable housing accommodation.	
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> <li>The proposal is to sell the freehold of this property to KGE, at cost, for use as affordable housing.</li> </ul>	<ul style="list-style-type: none"> <li>Seek confirmation from KGE Board that they agree to the purchase from Council</li> <li>Following KGE board approval, progress the sale to KGE</li> <li>Once the sale has been completed, this will allow KGE to work with the Council's housing team to identify a suitable family to take occupation of Ashford Cemetery Lodge.</li> </ul>

## 1. Key issues

- 1.1 Ashford Cemetery Lodge forms part of Ashford Cemetery, being the former cemetery manager's accommodation. The property was recently refurbished by the Council at a cost of c.£188,000 having previously been in poor and uninhabitable condition.
3. The refurbishment cost was funded by S.106 funding (£80k) and the remainder an approved Council Capital Programme (funded from transferred revenue budget) forming part of the 2024/25 Capital works programme. As S.106 funding has been used this directs the property to be used for affordable housing, hence the property is not deemed suitable for market sale, unless the S.106 funding is repaid.

## 2. Current position

- 2.1 Refurbishment works have been extensive and included an internal reconfiguration from what was originally a dated 3-bedroom house with downstairs bathroom. The house now offers up to 4 bedrooms with both an upstairs and downstairs bathroom.
- 2.2 The accommodation consists of 2 rooms plus a bathroom at first floor level and 3 further rooms plus a kitchen and bathroom on the ground floor. Refurbishment includes two new bathrooms, a newly fitted kitchen and driveway providing off road parking. The refurbishment focused on sustainability through installation new roof, new insulation (roof voids, floors & walls), new double glazed uPVC windows & doors, solar panels. An electric boiler was installed as a low carbon heating option to replace the existing gas boiler.
- 2.3 If the property was offered on the open market for either sale or rent it would probably only be considered suitable as a 2-bedroom house, due to 2 of the rooms that could be used as bedrooms being located on the ground floor. The

value of the refurbished property in January 2025 was £550k (see appendix 1), based on only 2 upstairs bedrooms and was last valued for Council purposes in March 2023 at £400,000.

- 2.4 Whilst the £200k investment into the property exceeds the current market value when added to the March 2023 valuation of £400,000, the property was refurbished to address the Council's housing needs i.e. with the intention to provide up to a 4-bed house for affordable housing purposes rather than market sale. This is reflective of S.106 funds being used to meet the balance of refurbishment costs.
- 2.5 Whilst the property was valued at £400,000, Council policy allows the property to be disposed of to KGE for the original cost, rather than the latest book value or current market value. The original cost of the property was £82,771.73 and dates back to 2010. The cost of the refurbishment, being £187,840, has been added to the original cost, as has an allowance of £3,000 for legal fees, which brings the value for the disposal to £273,611.
- 2.6 The Council has a substantial demand for affordable housing. At present, 96 families on the Housing Register need a property of this size, 63 of the families are in Band B (Urgent Need to Move). Affordable properties of 4-bedroom size are rarely available, which means that families stay on the register for a long period of time.
- 2.7 On the basis that availability of 4 bed properties is rare, the preferred use of this accommodation would be as a general needs affordable settled home, rather than a Temporary Accommodation (TA). Using the property as a settled home rather than TA, would also provide maintenance cost savings, as TA's often attract higher maintenance requirements due to a higher turnover of occupation.
- 2.8 Whilst the property could be sold on the open market, a sale could not be below market value, this would create potential issues both financially and operationally as set out below:

- a) S.106 funds would need to be offset from the disposal and repaid. Once all costs of improvement are deducted the net receipt would be less than the March 2023 £400k valuation, which would not achieve best value. This is based on:

Sale price of	£550,000
less S.106 costs	£ 80,000
Refurb cost from capital	£108,000
Disposal Fees (letting & legal)	<u>£ 10,750</u>
Net Receipt	£351,250

- b) Loss of management control which could adversely impact the cemetery use in respect of noise levels and other anti-social behaviour and the Council would have no ability to address this if the property is independently owned.

- 2.9 Having run financial viability analysis the sale of the property to KGE is viable, based on the Local Housing Allowance rental of £1,975 per calendar month. The transfer of this dwelling to KGE would also provide other benefits to the Council i.e. additional affordable housing accommodation and revenue budget savings (c. £12,000 pa) for the Council in respect of temporary accommodation costs incurred.

### **3. Options**

- 3.1 Option 1 – To address the issues set out in section 2.6 of this report, **it is recommended** that the Council agree a freehold sale to KGE to allow the property to be used for the preferred general needs housing, which would be let on an Assured Shorthold tenancy basis. KGE would demand a monthly rental in line with Local Housing allowance rates.
- 3.2 Option 2 - Consider a disposal of the property on the open market. This option is not recommended as it would not support the Council's corporate plan priorities to deliver affordable housing provision and would not achieve best value, as referenced in section 2.6a of this report.
- 3.3 Option 3 – the Council could look to let the property directly; however, this would take a different approach than other residential property which has been to pass the function of letting and management to KGE.
- 3.4 Option 4 – dispose of the property to a Registered Provider of Housing. It is not anticipated this would achieve any greater benefit in terms of meeting housing need than the grant of a long lease to KGE. It is also likely the Council would realise a greater financial loss than that set out in section 2.6a of this report as the value of the property for an RP is likely to be based on the monthly rental income of £1,975 which is anticipated to produce a lower value than the £550,000 referred to above as the market value.

### **4. Financial implications**

- 4.1 A disposal at £273,611 would transfer the property to KGE at neither a capital profit nor a loss for the Council. Financial modelling shows a purchase at this price is viable for KGE. The disposal would remove responsibility of management and maintenance of the asset for the Council. As stated above if the asset is used to house families from the Housing Register it would then save the Council on its Revenue Budget approximately £12k per annum.

### **5. Risk Management**

- 5.1 Now completion of the refurbishment is completed, whilst not occupied the property may be subject to risk of vandalism or trespass, hence the sooner a family can take occupation the sooner this risk is mitigated.
- 5.1 The following warranties are in place for the works undertaken:-

No.	Description	Warranty Commencement Date	Warrant Period	Remarks
1	General building refurbishment works	15/03/2025	12months	Contract rectification period
2	Cavity & wall insulation	14/06/2024	25 years	Product warranty
3	Solar panels	28/06/2024	10 years	Product warranty
4	Windows & doors	22/07/2024	10 years	Product warranty
5	Lamona	30/08/2024	3 years	Product warranty
6	Refrigerator	30/08/2024	2 years	Product warranty

## **6. Procurement comments**

6.1 There are no procurement implications with the recommended option.

## **7. Legal comments**

7.1 Further to sections 120-123 of the Local Government Act 1972 (LGA) the Council has the power to acquire and dispose of property for the purpose of any of its functions.

7.2 Under section 123(2) of the LGA a disposal requires the consent of the Secretary of State if the disposal is for a consideration less than the best that can be reasonably obtained. Under LGA there are General Consents whereby Secretary of State consent is not required. A General Disposal Consent can be relied upon provided that: -

7.2.1 the purpose for which the property is to be disposed is likely to contribute to one (or more) of the three specified well-being objects;  
and

7.2.2 the property may be worth less than £2 million.

The General Disposal Consent circumstances are satisfied as the disposal of the property is for the purpose of affordable housing and an independent market valuation has been obtained confirming the value does not exceed £2 million.

7.3 The Subsidy Control Act 2022 has been considered, and the disposal would not constitute a subsidy.

## **8. Other considerations**

8.1 There are no other considerations to note

## **9. Equality and Diversity**

9.1 There are no direct implications

## **10 Sustainability/Climate Change Implications**

- 10.1 The refurbishment focused on sustainability through installation new roof, new insulation (roof voids, floors & walls), new double glazed uPVC windows & doors, solar panels. Electric boiler was installed as low carbon heating option to replace existing gas boiler.

## **11 Timetable for implementation**

- 11.1 If the Council and KGE Board both approve the 250-year lease disposal, the respective legal teams will agree the lease and once finalised the property can be let for a family to move into asap.

## **12 Contact**

- 12.1 Sian Bowen s.bowen@spelthorne.gov.uk

**Background papers:** None

**Appendix 1 – External valuation Report**