

 <b>Brent</b>	<p style="text-align: center;"><b>Cabinet</b> January 16 2017</p> <p style="text-align: center;"><b>Report from the Strategic Director of Resources</b></p>
For Action	Ward: Wembley Central
<b>Head Lease Purchase of Lodge and Manor Court, Wembley Central</b>	

***Appendix 1 is below the line and not for publication** as it contains the following category of exempt information as specified in Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"*

## 1.0 **Summary**

- 1.1 The proposed purchase of the head lease in relation to two large residential blocks within the Housing Revenue Account (HRA) known as Manor Court (40 units) and Lodge Court (38 units) located in Wembley Central, on either side of Wembley Central Station. See appendix 2.
- 1.2 The Council owns a sub-lease for the blocks for a fixed period. The remaining term of the sub-lease is 49 years. The Council will be required to return ownership of the blocks to the head lessee with vacant possession when the sub-lease comes to an end, which will mean re-housing the secure tenants in alternative accommodation.
- 1.3 The Council pays an annual ground rent payment to the head lessee under the sub-lease. The Council's rent liability increases at every rent review cycle (every 25 years). The rental income the Council receives from letting the units is unlikely to cover the cost of future ground rent payments.
- 1.4 The purchase of the head lease would provide the Council with ownership of the blocks for approximately 119 years (an additional 70 years). Under a head lease, the Council would only be required to pay a peppercorn rent (nil ground rent) which would reduce the Council's operational costs.
- 1.5 An opportunity has arisen for the Council to acquire the head lease under negotiated agreement.

- 1.6 The proposal to purchase the head lease is in line with the Council's Residential Leasehold Property Strategy, approved by Cabinet in September 2013, which supports a strategic approach to managing the Council's residential leasehold portfolio through advance acquisitions.

## 2.0 Recommendations

- 2.1 That Cabinet gives approval for officers to negotiate with Holaw (401) Ltd for their head lease, on a without prejudice and subject to lease basis. The purchase of the head lease would remove the rent liability the Council currently has under its sub-lease and extend the Council's ownership in the blocks by an additional 70 years.
- 2.2 That Cabinet delegate authority to the Director of Resources to approve the final terms of the purchase.

## 3.0 Detail

- 3.1 The Council owns a long leasehold interest in Manor Court and Lodge Court, which are residential blocks situated within the Wembley Central development (previously known as Central Square Shopping Centre which was constructed in the 1960s).
- 3.2 Lodge and Manor Court are held within the HRA and consist of a total of 78 units of 1 and 2 bedroom flats and includes 36 allocated parking spaces; 65 units are let to secure Council tenants and 13 units have been sold off under the right to buy scheme (RTB). The current schedule of accommodation is as follows:

Table 1: Schedule of accommodation

Accommodation	Total units	Sold under RTB	Net units
<b>Manor Court</b>			
Bed 1:	10	1	9
Bed 2:	30	5	25
Sub Total	<b>40</b>	<b>6</b>	34
<b>Lodge Court</b>			
Bed 1:	12	2	10
Bed 2:	26	5	21
Sub Total	<b>38</b>	<b>7</b>	31
<b>Total Resi.</b>	<b>78</b>	<b>13</b>	<b>65</b>
Car park spaces			36

- 3.3 The blocks are held by the Council under a long lease from Holaw (401) Ltd who are understood to be a financial vehicle. The table below sets out the leasing arrangements in relation to the blocks. Network Rail owns the freehold and the Council's sub-lease sits underneath a number of superior interests.

Table 2: Superior Interests

<b>Ownership Hierarchy</b>	<b>Legal Interests</b>
1.Freehold Wembley Central	Network Rail Infrastructure Ltd
2.Head lease Wembley Central  150 years, expires December 2135 Peppercorn rent	Sowcrest Ltd (St Mowden Properties Plc)
3.Head lease of Lodge and Manor Crt 150 years, expires December 2135 Peppercorn rent	Holaw (401) Ltd
4.Sub-lease of Lodge and Manor Crt 99 years, expires September 2065 Annual ground rent to Holaw (401) Ltd	London Borough of Brent (65 units)
5.Sub-lease from Brent Council to RTB tenants Expires September 2065 Peppercorn rent	Privately owned (13 units)

3.4 At the expiry of the Council's lease in 49 years' time in September 2065, the Council will be required to yield up the units with vacant possession to Holaw (401) Ltd and the Council may also be liable for dilapidation costs.

3.5 This would also mean that the remaining secure Council tenants would lose their legal interest in their homes and they would be required to be rehoused by the Council. This would mean securing 65 alternative housing units.

3.6 Holaw (401) Ltd have expressed an interest to sell the head lease to the Council through their representative Lambert Smith Hampton.

#### 4.0 **Financial Implications**

4.1 The detail of the financial implications are contained in appendix 1 which is not for publication as it contains the following category of exempt information as specified in Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"

#### 5.0 **Legal Implications**

5.1 A long leasehold interest can be a wasting asset because the term will diminish over time. The purchase of the head lease would help preserve the market value of the Council's interest in the blocks, particularly if a lease extension of the head lease can be secured

- 5.2 Section 120 of the Local Government Act 1972 provides authority for the Council to acquire land by agreement for the purpose of exercising any of its functions. This Act therefore enables the Council to acquire the long lease from the superior landlord and therefore comply with its statutory duty under the Housing Act 1996 and the requirement to allocate accommodation to those identified as qualifying persons.
- 5.3 Section 8 of the Housing Act 1985 confers upon the Council an obligation to assess all current and future housing needs for affordable housing and the approach reflected in this report ensures that the Council is able to comply with this duty in relation to Lodge Court and Manor Court, the end result of which will ensure that the housing stock in relation to the available units within these block does not deplete.
- 5.4 The Leasehold Reform Housing and Urban Development Act 1993 (LHUDA 1993) provides a statutory right for a qualifying tenant to extend its lease for an additional term of 90 years plus the remaining term of the lease, at a peppercorn rent. The LHUDA 1993 provides that a premium must be paid. An examination of the leases will be required to ascertain whether this LHUDA 1993 will apply in this situation.
- 5.5 The LHUDA 1993 does however provide that a person can be among those constituting a qualifying tenant of two or more flats at the same time, whether the tenant of those flats is under one lease or under two or more separate leases.
- 6.0 **Diversity Implications**
- 6.1 None at the present time. Re-housing of secure Council tenants under lease expiry scenario may give rise to diversity implications depending on the re-housing options available at the time.
- 7.0 **Staffing/Accommodation Implications**
- 7.1 There will be a requirement for external surveyor for valuation purposes.

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