



Cabinet
13 November 2017

**Report from the Strategic Director of
Resources**

Wards affected:
Fryent, Stonebridge, Queens Park,
Wembley Central

Disposal of Vacant Residential Properties

Not for Publication:

Appendix 1 is not for publication as it contains the following category of exempt information as specified in Schedule 12A of the Local Government Act 1972, namely: Paragraph 3 - "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"

1.0 Purpose of the Report

- 1.1 The purpose of this report is to seek the authority of Cabinet to dispose of surplus vacant residential properties, being;
- 8 Coniston Gardens, London NW9 OBD;
 - 67 Woodheyes Road, London NW10 9DE;
 - 20 Claremont Road, London W9 3DZ;
 - Property X (address shown in appendix 1 to safeguard personal data of the owner);
 - 3 Kent Road, Milton Keynes MK14 6BA;
 - 18 Alliance Close, London HA0 2NG.
- 1.2 The properties are presently non-operational and non-income producing. The properties are incurring hold costs and are likely to deteriorate physically and in capital value over time. The properties are considered surplus to requirement following a thorough review of the available options by officers.
- 1.3 The properties will be disposed at the best value that could be currently obtained in the market. The disposals would generate capital receipts to support wider corporate objectives.

2.0 Recommendations

That Members:

- 2.1 Approve the disposal of surplus properties at 8 Coniston Gardens and 67 Woodheyas Road to I4B Holdings Limited (I4B) – the Council’s wholly owned company, at market value (which has been determined by an independent Chartered Surveyor) plus the Council’s costs, for use under the Private Rented Sector programme (PRS).
- 2.2 Approve the disposal of Property X, which is owned by an Adult Social Care user, in the open market for a capital receipt in order that the Council may exercise its duty under the Care Act and deputyship order granted by the Court of Protection. The property will be sold at an arms-length transaction on the open market to ensure that no conflict of interest arises and that best consideration is obtained for the service user. Approval is also sought for all subsequent disposals under the Care Act, which is a statutory function, to be carried out under delegated authority of the Strategic Director of Resources.
- 2.3 Approve the disposal of surplus property at 20 Claremont Road at market value for a capital receipt, following a thorough review of options by officers to bring the property back into use. The property will be offered to I4B at market value, which has been determined by an independent Chartered Surveyor, for use within I4B’s programmes, or will be sold on the open market.
- 2.4 Delegate authority to the Strategic Director of Resources to approve the method of disposal and agree the final terms for properties within this report, including for 3 Kent Road and 18 Alliance Close.
- 2.5 Consent to an application to the Secretary of State for the disposal of 3 Kent Road and 67 Woodheyas Road.
- 2.6 Consent to an application to the Secretary of State for Education for the disposal of 8 Coniston Gardens.

3.0 Detail

- 3.1 8 Coniston Gardens, London NW9 OBD
- 3.2 The property is a semi-detached 3 bedroom former caretaker’s house of the Oliver Goldsmith Primary School. The property is owned freehold in the General Fund. Up until April 2016, the property had been managed by the school and had been vacant for approximately 9 years. Several options had been considered by the school to bring back the property into use for educational purposes but no viable option was ultimately identified. The property was declared surplus to requirement by the school and the Council’s Children and Young People’s Department in April 2016 following consultation and assessment of options by the Property Department.
- 3.3 In April 2016 approval was obtained under delegated authority to release the surplus property from education to general needs in accordance with Local Government Act 1972 i.e. appropriation of an education asset to a housing asset to meet the pressing housing needs of the borough.

- 3.4 On 14th October 2016, following a review of the options, delegated authority was given to use the property under the PRS programme. As this approval was prior to the formation of the Council's wholly owned company, I4B, the property is now required to be formerly sold to the company for use under the PRS programme.
- 3.5 Under the PRS scheme the Council is able to discharge its homelessness duties through securing suitable, available accommodation for households under section 193 of the Housing Act 1996 (following acceptance of the household as statutorily homeless). An offer of suitable private rented property can be made to prevent homelessness under the Act.
- 3.6 Disposal to I4B will be at market value, which has been assessed by an independent Chartered Surveyor, as shown in appendix 1, plus the Council's costs.
- 3.7 67 Woodheyes Road, London NW10 9DE
- 3.8 The property is a mid-terrace 2 bedroom property. The property is owned freehold and held within the General Fund. The property was compulsorily acquired by the Council's Empty Property Team in February 2016.
- 3.9 On 14th October 2016, following a review of the options, delegated authority was given to use the property under the PRS programme. As this approval was prior to the formation of the Council's wholly owned company, I4B, the property is now required to be formerly sold to the company for use under the PRS programme.
- 3.10 Should a compensation claim come forward by the previous owner, I4B will be required to reimburse the Council of costs associated with the compensation payable under the compulsory purchase order legislation. This will include loss and disturbance payments and reasonable legal and professional fees.
- 3.11 Disposal to I4B, if financially viable will be at market value. The financial viability has not yet been determined due to the complexities of the individual case.
- 3.12 Property X
- 3.13 The property is owned by an Adult Social Care service user (the client) who was admitted to a residential home approximately two years ago under Section 21 National Assistance Act 1948, which places a duty on local authorities to provide residential accommodation for persons who by reason of age, illness, disability or any other circumstances are in need of care and attention which is not otherwise available to them.
- 3.14 At present the client has to pay in full his residential care fees. He is not entitled to any financial support at present due to his capital being more than £23,250. The proceeds of the property, along with the client's current capital, will be used to fund his residential care fees.

- 3.15 Any care commissioned after 1st April 2015 would have been done under the Care act 2014 ("Care Act"). Also any care commissioned under the National Assistance Act 1948, which persisted after 1st April 2015 will now be under the Care Act.
- 3.16 The Council has the legal power as Deputy to deal with the property as if it were the proprietor under an order from the Court of Protection. This gives the Council the power to sell as long as the Council is satisfied that it is in the best interest of the client.
- 3.17 The property will be sold via an arms-length transaction on the open market which will ensure that the best price is achieved for the client and to ensure no conflict arises in respect of the deputyship order granted by the Court of Protection.
- 3.18 20 Claremont road, London W9 3DZ
- 3.19 The subject property is a five bedroom mid-terraced house arranged over three floors. The property is an ex-mental health hostel. The property is owned freehold and held within the general fund. The property was handed back to the Property Department in December 2015 because it was identified as surplus to requirement by the Adult Social Care Department.
- 3.20 The property was marketed for letting in May 2016 for a suitably experienced provider to convert the property and operate and manage under a leasing scheme. However, while a number of bids came forward they were dismissed because bidders' proposals did not meet any identified needs, or the Council's minimum financial criteria.
- 3.21 A number of alternative options have been reviewed, as shown below:
- Market letting through either I4B or First Wave Housing;
 - Supported Housing for Young People;
 - Temporary accommodation;
 - Social Housing under Housing Revenue Account;
 - NAIL programme (New accommodation for independent living);
 - Private Rented Sector Programme (I4B);
 - Accommodation for Children and Young People Services
- 3.22 However, the property is in need of internal decoration and modernisation at a cost of circa £100k to £150k, which has rendered many alternative options uneconomical. The options were also reviewed in the context of the empirical evidence available, such as supply and demand data and potential to generate savings, to validate or dismiss the options. In consultation with Council departments, the options above were considered and dismissed.
- 3.23 Furthermore, the Council's Property and Asset Strategy emphasises the need for assets to contribute towards regeneration and housing priorities while delivering a financial return. Disposal should be considered when the asset no longer makes a positive contribution to the current delivery of Council services or when a disposal would generate a significantly higher financial return than the

existing usage.

- 3.24 Because of the size of the initial capital investment required to bring the property back into use, both the market rent and social rent produce extremely low yields. Disposal is therefore the preferred option and will be at market value, as shown in appendix 1, for a substantial capital receipt.
- 3.25 The option of refurbishing the property prior to disposal has been considered. However, there is no way of knowing whether the final price achieved in the market is as a result of the refurbishment works. The price achieved will depend on a number of variables, such as the state of the market and demand and not just on the condition of the property. And therefore the recommendation is to take the property to the market in its current un-refurbished condition.
- 3.26 I4B have considered purchasing the property for the PRS programme, however, the property as a single dwelling does not meet the financial criteria for the programme. Therefore, I4B assessed the benefit of converting the property into 2 self-contained flats for the purpose of market letting. However due to the market value of the property and costs of conversion (£200k as assessed by an external surveyor), it would only achieve a 3.00% gross yield, which is far below the I4B's investment criteria. Conversion costs would have included the following works: re-plumbing, re-wiring, kitchens, bathrooms, fireproofing and soundproofing.
- 3.27 3 Kent Road, Stanton Bury, Milton Keynes MK14 6BA
- 3.28 The property is 3 bedroom end of terrace property held within the Housing Revenue Account, and owned freehold. It is one of a small number of properties which was managed by Milton Keynes Council under a long standing historical arrangement with Brent. The property had become void and was uneconomical to bring back into a lettable standard due to the high cost of repairs, and was therefore handed back by Milton Keynes Council to Brent in December 2015.
- 3.29 The property is being considered for the I4B programme in the first instance, but a full assessment needs to take place. If the property is not considered suitable for retention then the property will be sold on the open market for a capital receipt.
- 3.30 18 Alliance Close, London HA0 2NG
- 3.31 This property is a 2 bedroom flat which was let and managed by the Central and North West London NHS Foundation Trust (CNWL). The property is owned leasehold and is held within the General Fund. The property is no longer fit for purpose for the CNWL client group and has been handed back to the Council's Property Department.
- 3.32 The property is being considered for the I4B programme in the first instance, but a full assessment needs to take place. If the property is not considered suitable for retention then the property will be sold on the open market for a capital receipt.

4.0 Financial Implications

- 4.1 The estimated capital receipts are shown in appendix 1. It should be noted that the final sale value of individual assets which are sold on the open market will be subject to a number of factors including market conditions.
- 4.2 Costs associated with the disposals will be funded from the capital receipts.
- 4.3 The Council's general policy is that receipts arising from the disposal of land and properties are used to support the overall capital programme. However, all properties are assessed as to whether they meet I4B investment criteria first as the Council prefers to retain assets where appropriate.

5.0 Legal Implications

- 5.1 Local authorities are generally under a duty to comply with Section 123(2) of the Local Government Act 1972 which requires that "Except with the consent of the Secretary of State a Council shall not dispose of land under this section, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained." Disposal at market value, which has been determined by an independent Chartered Surveyor, will satisfy the best consideration requirement.
- 5.2 Where 67 Woodheyes has been acquired under section 17 of the Housing Act 1985, Secretary of State's consent will be required for a disposal under Section 32 of the Housing Act 1985.
- 5.3 The Secretary of State's consent will be required prior to the disposal of 3 Kent Road in accordance with section 32 of the Housing Act 1985.
- 5.4 A section 77 application would need to be made when disposing of Education land.

6.0 Diversity Implications

- 6.1 There are none. The land and properties are vacant and are not open to the public.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 There will be officer time incurred in the disposal of the properties (Property Department and Legal Department). Depending upon the precise method of disposal in each case, there could be external fees to pay to agents or auctioneers, which are capitalised costs.

Background Papers

Confidential Appendix 1: Appraisal and Valuation

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