

	<p style="text-align: center;">Executive 21 May 2012</p> <p style="text-align: center;">Joint Report from the Director of Regeneration and Major Projects and The Chief Executive of Brent Housing Partnership</p>
<p style="text-align: right;">Wards Affected: Queen's Park</p>	
<p>Disposal of 45a Milman Road</p>	

Appendix 2 is not for publication as it contains the following category(ies) of exempt information as specified in the Local Government Act 1972, namely: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 This report seeks Executive approval to proceed with the disposal of the Council's long leasehold interest in the dilapidated and vacant residential housing revenue account dwelling at 45a Milman Road, London NW6 6EG.

2.0 RECOMMENDATIONS

- 2.1 That Members approve the disposal of the Council's long leasehold interest of the subject property on the open market for a capital receipt.
- 2.2 That Members approve the Assistant Director of Regeneration & Major Projects (Property & Asset Management) to agree the terms of the disposal, and to agree and approve any offers received in conjunction with the Director of Finance and Corporate Services.
- 2.3 That members approve the Assistant Director of Regeneration & Major Projects (Property & Asset Management) to agree the most appropriate disposal route, which may include disposal to a special purchaser by private treaty (providing the price finally agreed is at least equal to the best price achievable on the open market) and to instruct the legal department in the matter of the disposal.

3.0 DETAIL

- 3.1 Number 45 Milman Road is a semi-detached Victorian house that has been converted into two flats. The first floor flat, 45b Milman Road, is under private ownership. The Council owned flat, 45a Milman Road, is a ground floor one bedroom flat with a rear garden. The subject property has a floor area of approximately 184 square meters in total. The Council owns the flat in long leasehold form with a 985 years head lease remaining. The annual ground rent payable by the Council to the landlord (freeholder) is a peppercorn rent (i.e. nil rent). The property is located in a prestigious part of Queens Park and has good views over the park. The property is located in a conservation area.
- 3.2 The property, which is a housing revenue account dwelling, is managed by Brent Housing Partnership (BHP) and was being let to a secure Council tenant (general needs). The property has been void since 29th January 2012 and in its current dilapidated condition fails the Decent Homes Standard. BHP were in the process of refurbishing the property in order for it to be re-let but the works were put on hold following a review of the options with the Council. The current planning use class of the property is for a residential home, but despite the housing need across the borough for social housing, the property is disproportionately expensive to bring back to a lettable condition for future occupiers.
- 3.3 The property is currently in shell condition, without a bathroom and kitchen, and a considerable amount of plastering works and electrical installations is required. The initial estimated cost to undertake the works necessary to bring the property back into beneficial use is circa £35k-£40k. In addition, the Council also has ongoing repair liabilities under its head lease to contribute towards the repairs for the building and common parts.
- 3.4 The date the flat was last occupied and the rent it could potentially achieve is shown in Table 1 below.

Table 1 45a Milman Road

Site Address	Status	Size	Weekly Rent	Potential Annual Rent
45a Milman Road	Void since Jan 2012	1 bedroom ground floor flat & rear garden	£123.83 gross	£6,439.16 gross

- 3.5 The current options are as follows:

Option 1 – Do nothing

In its current condition, the property is incapable of beneficial use and represents a liability in terms of ongoing maintenance and security of circa £5,000-£10,000 per annum whilst void.

Option 2 – Reinstate the property for use as social rented accommodation

The repair and refurbishment of the property would be at an estimated cost of £35k-£40k. In addition, the Council would retain ongoing maintenance and repair liability for the building and common parts in accordance with the

obligations under its head lease. As stated in table 1, the annual rental income under this option is circa £6,439.

Option 3 – Dispose of the Council's leasehold interest in the property on the open market

The property has been surveyed and valued by the Council's RICS qualified surveyor and her opinion of value is set out in appendix 2. The opportunity cost under this option will be the loss of annual rents of circa £6,439 to the housing revenue account and a loss of one social housing unit. Under this option BHP would instruct the contractors to make good the works that had already begun in order to tidy up the property for sale (this would not represent a full reinstatement and refurbishment of the property and the property would be put to market more or less in its current structural and repair condition).

- 3.6 Doing nothing is not a viable option because it does not contribute to the Council's aims and objectives. If the property is retained for social housing purposes, the net present value of the expected operating cash flow over a twenty year period is significantly less than the capital receipt that could be realised from the disposal of the property on the open market. No cost effective alternative or more valuable use has been identified for the property. By disposing of the property on the open market the Council will generate a capital receipt to support the overall capital programme and be relieved of future maintenance liability and ongoing responsibility for repairs under its head lease. Disposal of the property is also likely to bring the derelict property back into use and thereby have a positive impact on the perceptions of local residents and victims of crime in the local area.
- 3.7 As the Council owns the flat in long leasehold form with a 985 years head lease remaining, no decrease in value will be attributable to the length of the unexpired term of the lease. A formal report on the title is yet to be obtained but initial investigation into the title has not revealed any anomalies, restrictive covenants, encumbrances or other interests that may affect sale price achievable on disposal, which will be with vacant possession. A due diligence exercise will be carried out to ensure that all issues have been considered before placing the property on the market.
- 3.8 The housing market is said to be broadly stable with little overall movement in prices expected for the remainder of the year. Disposal in the current market is therefore considered to meet overall value for money considerations. Mortgage rationing, which has been in force since early 2008, is expected to become even more stringent later this year. Therefore, sale via auctioneer, marketing agent (sealed bids tender), or to a special purchaser by private treaty would represent the preferred disposal routes to maximise the potential for meeting the sales target. Disposal to a special purchaser, who by virtue of his or her freehold or leasehold interests in the building, may be willing to pay a premium on the market value, will be at a price reflecting current market value but may also include an additional latent marriage value. It is understood that In July 2011 the Council was offered a sum for its leasehold interest by the freeholder who also appears to own the first floor flat above. More recent communication from the freeholder's solicitor has also been received indicating that the freeholder is still interested in purchasing the Council's leasehold interest.

Value for money considerations will be taken into account and balanced against a timely disposal when considering the disposal route.

3.9 The recommendation in this report is for the Council to dispose of its leasehold interest in the property without full reinstatement or refurbishment, on the open market for a capital receipt. The reasons for the recommendation are as follows:

- I. Doing nothing is not a viable option because the property is void and will continue to deteriorate if left vacant. Despite any reasonable precautions by BHP, there is the risk from squatting and potential ongoing maintenance and security liability. The do nothing option has no strategic fit.
- II. Taking into consideration the costs of bringing the property up to a lettable standard, the potential level of rental income achievable is not sufficient to justify the Council retaining the property as social housing accommodation.
- III. As the costs of bringing the property up to a lettable standard far outweighs the benefits of ownership through the rental income, disposal of the property to a Registered Provider to retain the property within the overall social housing stock is not considered to be a viable option.
- IV. Disposal of the property is in line with the corporate objectives set out in the Council's Strategic Asset Management Plan and the emerging Property and Asset Management Strategy.
- V. Disposal of the property in its current condition provides the Council with a gross capital receipt as set out in appendix 2 to support the overall capital programme. There is a loss of a relatively small potential rental income to the housing revenue account in return for a significant capital receipt.

3.10 The Executive is therefore asked to give its approval to dispose of the property. Any delay in the sale of the property could lead to squatting and a further deterioration in the condition of the property, which may lead to an actual reduction in the potential capital receipt realisable on future sale. Disposal on the open market will satisfy the best consideration requirement and an early disposal is recommended in order to maximise the potential of meeting the sales target.

4.0 FINANCIAL IMPLICATIONS

4.1 The estimated gross capital receipt is given in appendix 2.

4.2 The annual rent loss is circa £6,439. However, in order to bring the properties up to a lettable standard, the repair and conversion works would be in the region of £35k-£40k making such action economically unviable.

4.3 Transaction costs for the disposal are to be covered by the capital receipt on disposal. This is estimated to be in the region of 1.5% of sale price, including legal costs estimated to be in the region of £3,000.

- 4.4 The disposal will remove completely all of the Council's ongoing maintenance liabilities under its head lease and site security liabilities at circa £5,000-£10,000 per annum.
- 4.5 The Council's general policy is that receipts arising from the disposal of land and properties are used to support the overall capital programme. The forecast receipt arising from 45a Milman Road was not included in the Council's Disposals Programme at the time of budget setting and as such does not form part of the resources identified to support the whole capital programme approved by the Council on 28 February 2011. As such if members approve the disposal of the property there would be a forecast reduction in the level of Unsupported Borrowing required to fund the Capital Programme with an associated reduction in pressure on the revenue account to meet borrowing costs centrally.
- 4.6 The HRA self financing settlement left the Council with a level of debt that could be supported over 30 years from the dwellings remaining in the HRA. That settlement included this dwelling. Therefore, the debt that would have been associated with this dwelling is to be written off in the HRA from the capital receipt to keep the HRA in line with the settlement. The sum to be written off is estimated to be around £20k.
- 4.7 Members should note that the Local Authority (Capital Finance and Accounting) (England) Regulations 2003 states that capital receipts a local authority derives from the disposal of an interest in other housing land (non Right to Buy) must be "pooled" at a rate of 50%. However, the regulations also state that a local authority can treat such receipts as reduced by an amount up to the value of its available Capital Allowance at the time the specified amount is calculated. For the purposes of these regulations the Capital Allowance is a provision that reflects the authority's past and current forecast investment in regeneration schemes and the provision of affordable housing. Currently the Council is maintaining a capital allowance significantly in excess of the forecast capital receipt and there will be no requirement to pool any of the derived income if Members elect to dispose of this property.

5.0 LEGAL IMPLICATIONS

- 5.1 Under Section 123 of the Local Government Act 1972 the Council has a general power to dispose of properties including by way of the sale of the freehold or the grant of a lease. The essential condition is that the Council obtains (unless it is a lease for 7 years or less) the best consideration that is reasonably obtainable.
- 5.2 Disposal on the open market either via auctioneer, marketing agent (sealed bids tender) or to a special purchaser by way of private treaty will satisfy the best consideration requirement.
- 5.3 Where the Council intends to dispose of housing land it requires the consent of the Secretary of State for Communities and Local Government. The General Consent 2005 issued under the Housing Act 1985 sets out a number of categories of disposal which have deemed consent.

- 5.4 However a successful bidder at an auction or tender may be an organisation which would not fall within the categories of purchaser which are covered by a deemed consent.
- 5.5 Therefore auction or tender conditions have to state that the disposal is conditional upon the Secretary of State giving consent to the disposal of the dwelling. A deemed consent will automatically apply if the successful bidder is an individual or individuals who have not previously purchased a vacant dwelling from the Council in the current financial year.
- 5.6 If the purchaser does not fall within the scope of a deemed consent the Council would make an application for a special consent.

6.0 DIVERSITY IMPLICATIONS

- 6.1 Impact Needs Requirement Assessment completed. There are no implications directly arising from this proposal as the property is currently void and in dilapidated condition.

7.0 STAFFING/ACCOMMODATION IMPLICATIONS

- 7.1 There is a loss of potential social housing stock although significant expenditure is necessary to bring the property up to lettable standard.

8.0 ADDITIONAL INFORMATION

Appendix 1: Location plan

Appendix 2: Opinion of value [below the line]

Contact Officers

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Appendix 1: Location plan

EXECUTIVE COMMITTEE

45A Milman Road, London, NW6 6EG



Plan for information purposes only.
Premises shown cross-hatched black.

NORTH



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