

	<p align="center"><b>Officer Key Decision</b> 20 August 2024</p>
	<p align="center"><b>Report from the Corporate Director of Neighbourhoods and Regeneration</b></p>
	<p align="center"><b>Cabinet Member for Regeneration, Planning &amp; Growth</b></p>
<p align="center"><b>Disposal of 23 Shared Ownership Homes at Grand Union</b></p>	

<b>Wards Affected:</b>	Alperton
<b>Key or Non-Key Decision:</b>	Key Decision
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Part Exempt – Appendices 1 and 2 are exempt as they contain the following category of exempt information as specified in Paragraph 3, 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)”
<b>No. of Appendices:</b>	Two Appendix 1: Offer Details (exempt) Appendix 2: Heads of Term (exempt)
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Zak Rezig, Senior Development Manager 020 8937 1589 <a href="mailto:Zak.Rezig@brent.gov.uk">Zak.Rezig@brent.gov.uk</a>

## 1. Executive Summary

- 1.1. The purpose of this report is to provide an overview of the 23 shared ownership homes that form part of the acquired Grand Union (Block D) site and seek authority to dispose of these homes to Sovereign Network Group (SNG)

## 2. Recommendation(s)

- 2.1. This report recommends approval by the Council for the proposed disposal to SNG of the 23 shared ownership homes at Block D, Grand Union (the Property) in accordance with the Council’s Constitution;
- 2.2. To note that Heads of Terms will need to be agreed with relevant third parties in respect of the proposed disposal of the Property and authorise officers to

negotiate and agree such Heads of Terms as may be necessary with the relevant third parties in relation to the same (which may include agreeing terms in respect of any variation which may need to be negotiated and agreed with regard to existing deeds).

### **3. Detail**

#### **3.1. Contribution to Borough Plan Priorities & Strategic Context**

3.1.1 The proceeds of the disposal will be a capital receipt and they will be recycled to fund new and future capital projects such as repairs and/or housing properties acquisitions through our Housing Revenue Account (HRA) contributing directly to the borough plan priorities such as the homelessness strategy as well as the Health and Wellbeing Strategy.

#### **3.2 Background**

3.2.1 In July 2022, the Council's Cabinet approved the purchase of 115 homes of which 92 were Social Housing for London Affordable Rent and 23 for Shared Ownership. These homes were Phase One of the Grand Union development by St George (Berkeley Group). The Council took handover of the 92 homes for London Affordable Rent in December 2021, however the acquisition of the Shared Ownership units was completed in phases. Twenty-two were completed in October 2022 and the final remaining unit in May 2023.

3.2.2 The purpose of this acquisition was to unlock the 92 homes for London Affordable Rent, rather than the Council having ambitions to move into the Shared Ownership market. It is recognised by the Council that whilst there is an established leasehold team, the knowledge, experience and the capacity of the Council to effectively sell and manage processes such as staircasing is minimal. This is particularly important when comparing to well-established peers in the sector who have dedicated sales teams and a clear brand for marketing shared ownership homes as well as incentives to buy.

3.2.3 In December 2022, the Council commissioned marketing company Site Sales to sell the homes as a package on the market to Registered Providers. Registered Providers invited to bid included: Clarion, Guinness, Heylo, HSPG, Keep Homes, Legal and General, MTVH, Network, Newlon, Notting Hill Genesis, OHGO, Octavia, Origin, Peabody, PA Housing, Sage, St Arthur Homes.

3.2.4 Most of the providers who responded stated the package of homes was too small to meet their organisation's acquisition criteria, however, the Council received interest and offers from HSPG, Heylo and Keep Homes (Appendix 1 classified as exempt)

3.2.5 In July 2023 Cabinet noted and approved the recommendation to proceed with the disposal of the 23 units by accepting the preferred option, offer 3 stated in Appendix 1.

3.2.6 At negotiation stage with Keep Homes and building up to the completion on the units, Keep Homes had to restructure its organisation and failed to provide the

needed financial reassurances to secure St George's (Berkeley Group). approval as the free holder and subsequently conclude on the deal.

- 3.2.7 After the transaction with Keep Homes aborted and the 23 Shared Ownership units lying empty, the Council explored the possibility of amending the S106 agreement to be able to allocate the units to key workers for two years on a temporary basis until a more suitable and permanent option was sought which would likely be to try and re-sell as shared ownership or midmarket sale which would have been challenging.

### **Release of the 23 Shared Ownership homes to Sovereign Network Group ("SNG")**

- 3.2.8 In June 2024 SNG have been in touch through Site sales enquiring about the purchase of the 23 Shared Ownership units at Grand Union. SNG have previously reported that they have had a contractor that went into administration, and this has affected a couple of their schemes that were due to be completed before the end of March 2025.
- 3.2.9 To ensure that SNG still meets its delivery targets and fulfil its programme it has been highlighted that its key for SNG to complete on any sale transaction by no later than 6 September 2024.
- 3.2.10 For the Council it was felt that the short time scale for completion by mid-August was too tight, and a new date was agreed with SNG for the transaction to complete by no later than the 06 September 2024.
- 3.2.11 SNG then issued on the 12 July 2024 its Head of Terms (Appendix 2 classified as exempt) confirming the various discussed items that included the offer and the requirement to complete by the 6 September 2024 (Appendix 2).
- 3.2.12 As previously the offer was assessed against the two key criteria for the Council when considering affordable housing opportunities, the financial requirements of the Council and meeting housing demand. This includes comparing the offer against the cost incurred to the Council for the initial purchase.
- 3.2.13 Using this criteria it was evident that SNG's offer was considered the most viable when compared to the rest of the offers received in the past (Appendix 2).

## **4 Stakeholder and ward member consultation and engagement**

- 4.1 None undertaken as cabinet authority sought and received previously in July 2023.

## **5 Financial Considerations**

- 5.1 Details of the Head of Terms offer received for the homes and associated costs are included in Appendix 2 (classified as exempt).
- 5.2 The proceeds of the disposal will be a capital receipt. As the properties were held in the Housing Revenue Account (HRA), the capital receipt will be earmarked for the HRA to fund new capital expenditure such as acquiring new homes or

undertaking major repairs on the existing stock. It could also be used for the repayment of debt if that is deemed more strategically beneficial for the HRA business plan.

- 5.3 While the report recommends an outright disposal of the units, the Council also considered the alternative option of managing the shared ownership homes internally within the HRA. The estimated financial outcomes of the two options showed the Council will achieve a positive financial return on its investment in these properties for both options; £906k return over 60-year period for outright sale and £1.135m for shared ownership, a difference of £230k. The outright sale, however, in addition to the returns achieved also helps to mitigate against the risk of the Council struggling to sell the shared ownership units in future as this activity would have been a novel operational activity for the Council with an uncertain outcome.

## **6 Legal Considerations**

- 6.1 As the 23 Shared Ownership units are in the HRA the provisions of the Housing Act 1985 apply. This means that the sale falls under the General Consent 2013 which allows a local authority to dispose of HRA land for a consideration equal to its market value. "Dispose" includes a transfer of long leasehold interests and "land" includes buildings on land.
- 6.2 Written valuation evidence must be kept evidencing that the sale was at market value.
- 6.3 Only the Corporate Director, Finance and Resources or the Director of Property and Assets may acquire or dispose of an interest in land or buildings.
- 6.4 The restrictions placed upon such acquisitions or disposals are set out in paragraphs 11.2 and 11.3 of the constitution. The Corporate Director, Finance and Resources or the Director of Property and Assets shall refer all other acquisitions and disposals including matters where the disposal or acquisition value are over and above the restrictions set out in paragraphs 11.2 and 11.3 of the constitution but below the amounts set out in paragraph 13 of the constitution to the cabinet member with delegated authority or to the cabinet.
- 6.5 Cabinet authorised the sale of the 23 Shared Ownership units in its decision on 17 July 2023.

## **7 Equity, Diversity & Inclusion (EDI) Considerations**

- 7.1 No equality implications have been identified for the purpose of this report.

## **8 Climate Change and Environmental Considerations**

- 8.1 None identified.

## **9 Human Resources / Property Considerations**

- 9.1 None identified.

## 10 Communication Considerations

10.1 N/A

### Related document(s) for reference:

Cabinet Report 17 July 2023 - Release of 23 Shared Ownership Homes

**Report sign off:**

***Alice Lester***

Corporate Director Neighbourhoods and Regeneration