

 <p>Brent</p>	<p>Executive 19 August 2013</p> <p>Report from the Director of Regeneration and Growth and the Chief Executive of Brent Housing Partnership</p>
<p>For Action</p>	<p>Wards affected: Queens Park</p>
<p>Disposal of 24a Linden Avenue</p>	

*Appendix 2 is not for publication

1.0 SUMMARY

- 1.1 This report seeks Executive approval to proceed with the disposal of the Council's long leasehold interest in the vacant residential Housing Revenue Account (HRA) dwelling at 24a Linden Avenue NW10 5RE for a capital receipt, which is to be ring-fenced to meet future enfranchisement costs.

2.0 RECOMMENDATIONS

- 2.1 That Members approve the disposal of the Council's long leasehold interest in the subject property on the open market for a capital receipt.
- 2.2 That Members approve the Operational Director of Property and Projects, Regeneration and Growth, to agree the terms of the disposal and the most appropriate disposal route.
- 2.3 That Members agree to ring fence the net capital receipt to the enfranchisement pot, which needs to be maintained at a sufficient level to enable the Council to fund the purchase of the freehold or new extended lease term interests in suitable properties within the residential leasehold portfolio where the fixed term leases are coming to an end, as set out further in paragraphs 4.4 to 4.5.

3.0 DETAIL

- 3.1 The property is a 2 bedroom first floor vacant flat in a mid-terrace Victorian house in Kensal Rise. The Council owns the property in long leasehold form, with approximately 60 years remaining on the lease (lease runs from 25 December 1974 for 99 years). The annual ground rent payable by the Council to the freeholder is £25 per annum.
- 3.2 The property is located in a prestigious part of Kensal Rise and in close proximity to Kensal Rise station. The property does not have the benefit of a garden and is not listed or in a conservation area.
- 3.3 The property, which is a HRA residential dwelling, is managed by Brent Housing Partnership (BHP) and was being let to a secure tenant (general needs). The property has been unoccupied since 29 October 2012 and is in an average state of repair.

Preferred option

Option 1 – Dispose of the Council's leasehold interest in the property on the open market for a capital receipt

- 3.4 The property is one of approximately 197 properties within the Council's residential leasehold portfolio. The disposal proceeds will increase the resources available to the Council for reinvestment in larger family homes thereby helping the Council meet its housing objectives and housing need priorities.
- 3.5 While there is a loss of one 2 bedroom dwelling, the disposal proceeds will assist the Council to retain larger 3 and 4 bedroom family homes, which are coming to the end of their fixed term leases, through the process of leasehold enfranchisement (the compulsory purchase of the freehold interest outright or a new extended lease term under the Leasehold Reform Acts (the 1967 Act and the 1993 Act).
- 3.6 There are various improvements and works required to the property and disposal will increase management efficiencies for BHP in this case.
- 3.7 The recommendation is for the property to be placed on sale at public auction in the first instance. The proposed marketing strategy is shown in appendix 3. The estimated market value is shown in appendix 2.

Discounted options

Option 2 – Re-let the property

- 3.8 The property would achieve a gross rental income of circa £5,553 per annum. However, disposal of the property aligns more closely with the overall objectives of the Council's enfranchisement programme and HRA Strategy, in particular with regard to stock rationalisation/optimisation aims.

- 3.9 The Council is likely to incur expenditure in responsive repairs, given the age and repair obligations under the lease. Re-letting the property is therefore not considered the best value solution or optimum use.
- 3.10 A lease is a wasting asset and the unexpired term of the lease is already fairly short. Disposal of the property at a later time therefore would deter many purchasers and severely limit the market and price achievable.

Option 3 – Do nothing

- 3.11 The do nothing option has no strategic fit and does not contribute to the Council's aims and objectives. The property is currently vacant and not generating an income.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The estimated gross capital receipt is given in appendix 2.
- 4.2 The annual rent loss is circa £5,553 to the HRA.
- 4.3 Transaction costs for the disposal, estimated to be in the region of 1.5% of sale price, are to be covered by the capital receipt on disposal.
- 4.4 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, in this instance the recommendation is for the net capital receipt to be used to replenish the enfranchisement pot.
- 4.5 The Council's Capital Programme does not make any budgetary provision for expenditure on the enfranchisement of leases beyond reflecting the individual purchases in year as approval is obtained from the Executive Committee to the extent that this expenditure can be funded from the Enfranchisement Pot. As such, in order to progress a strategy for leasehold enfranchisement enabling the retention of larger 3 and 4 bedroom family homes within the portfolio that are coming to the end of their leases, it will be necessary to maintain the Enfranchisement Pot at a sufficient level through gain on disposal of vacant enfranchisement properties or inclusion of capital receipts arising from the compulsory disposal of the Council's freehold interests or lease extensions so that there is sufficient funding available for future enfranchisement. The amount in the Enfranchisement Pot is currently £346,368.
- 4.6 This property is not included within the Capital Disposals Programme and as such the recommendations to this report will not impact on existing funding forecasts for the overall Capital Programme. However it should be noted that approval of the ringfencing of this receipt to the enfranchisement pot will result in the potential capital receipt per Appendix 2 being foregone to the funding of the overall Capital Programme which could provide an additional receipt reducing the requirement to undertake an equivalent level of unsupported borrowing.

- 4.7 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.
- 4.8 Members should note that the Local Authority (Capital Finance and Accounting) (England) Regulations 2003 as amended by SI 2012/711 which replaced almost all the provisions on pooling by replacing former regulations 12 to 21 states that: Any receipt arising from the sale of housing assets that are not dwellings and any receipt arising from non-RTB sales of dwellings (unless they are deemed to be treated as RTB sales) are also exempt from pooling. However, if they are used for purposes other than:
- (a) Repayment of housing debt;
 - (b) Affordable housing (as defined in paragraph 3.2.1 of the Limits on indebtedness Determination 2012 as amended); or
 - (c) Regeneration projects (as defined in paragraph 3.2.3 of the Limits on Indebtedness Determination 2012 as amended);
- then the authority's HRA Capital Financing Requirement will reduce by the level of the receipt so used.
- 4.9 In the determination the provision of affordable housing means the provision of dwellings to meet the housing needs, as identified by the local housing authority, of persons on low incomes, whether provided by the authority or a private registered provider of social housing. The overall objective of ringfencing this capital receipt to the enfranchisement pot to facilitate the retention of 3 and 4 bedroom family homes within the portfolio that are coming to the end of their leases is considered to meet this definition.

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 at market value 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 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 As per main body of the report.

8.0 ADDITIONAL INFORMATION

Appendix 1: Site plan

Appendix 2: Valuation [below the line]

Appendix 3: Proposed marketing strategy

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Appendix 1: 24a Linden Avenue, site plan

EXECUTIVE COMMITTEE

24A Linden Avenue, London, NW10 5RE



Premises shown heavily
outlined black.

Plan for information purposes only.

NORTH



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Appendix 3: Marketing Strategy

- 9.0 The property has been surveyed and valued by the Council's RICS qualified surveyor and his opinion of value is set out in appendix 2. Officers have also obtained valuation and agency advice to establish the likely realisation value achievable.
- 9.1 Disposal in the current market is considered to meet overall value for money considerations. Kensal Rise is considered to be an up and coming area and the property is minutes away from Kensal Rise Station and there is likely to be a great deal of interest in the property.
- 9.2 The property will be sold with vacant possession and in its current condition. Improvements are required to the property, however, it is not considered that completing the works would enhance price and the agents support this view.
- 9.3 The Council has the option of extended its lease for an additional 90 years under the Leasehold Reform, Housing and Urban Development Act 1993 prior to disposal, but Officers do not consider there will be any net additional value achievable because the costs are likely to be proportionate to any increase in market value. The agents who have inspected the property have confirmed this view.
- 9.4 No special purchaser has yet been identified. The private owner on the ground floor has not expressed an interest in buying the Council's flat. Sale by private treaty is therefore not currently being considered.
- 9.5 The property has a lease of under 80 years and therefore likely to attract a greater number of cash buyers because mortgage availability on leases with shorter terms is more limited and will therefore likely to preclude some buyers who rely on a mortgage. Disposal via tender through estate agent is therefore being discounted at this stage.
- 9.6 Open market sale via public auction is therefore considered to represent the preferred disposal route considering the type of property, tenure and length of term of the Council's lease.
- 9.7 The marketing agent will be responsible for marketing through the main advertising avenues and the Council will advertise the property on its web site as well as informing the people registered on its database to maximise interest.
- 9.8 An informal tender process will be undertaken to select the marketing agent in accordance with the Council's procurement rules. The scoring criteria will predominantly be based on fee levels and estimated price (the likely realisation value achievable). The Council will be seeking a commission based fee structure to encourage high level performance. Given the estimated market value, fee levels are not expected to exceed

OJEU threshold, therefore an OJEU would not need to be issued to invite expressions of interest or tenders from advisers or agents.

- 9.9 At auction, the property will only be sold if it achieves the minimum reserve price, which will be set in line with the market value shown in appendix 2. If the property does not achieve the minimum reserve price then Officers will review the Council's position with respect to the disposal route and may seek a sale through private treaty or tender as an alternative. Private treaty would only be undertaken where the price finally agreed is at least equal to the best price achievable on the open market.