



Executive
18 July 2011

**Joint Report from the Director of
Regeneration and Major Projects and
The Chief Executive of Brent
Housing Partnership**

Wards Affected:
Brondesbury Park

Disposal of 58 and 86 The Avenue

1.0 SUMMARY

1.1 This report seeks Executive approval for the open market disposal of two Council owned residential properties situated at 58 The Avenue, Brondesbury, London, NW6 7NP, and 86 The Avenue.

2.0 RECOMMENDATIONS

2.1 That Members approve the open market disposal of the Council's freehold interest of the buildings comprising dilapidated and vacant residential units 58 The Avenue, Brondesbury, London, NW6 7NP, and 86 The Avenue, Brondesbury, London NW6 7NN.

2.2 That Members agree the Assistant Director of Regeneration & Major Projects (Property & Asset Management) to instruct marketing agents so as to ensure that the best price is achieved on sale of the freehold and to instruct Legal in the matter of the disposal.

3.0 DETAIL

3.1 Number 58 The Avenue, Brondesbury, London NW6 7NP is a 3 storey building comprising three flats (flats 58A, 58B, and 58C). The property is managed by Brent Housing Partnership (BHP) and was being let to secure Council tenants.

3.2 The current layout of the building has not been converted so that each dwelling is independent of others. Thus, this property would be considered a House in Multiple Occupation (HMO) if fully occupied.

3.3 Flats 58B and 58C have been left void for a number of years because the property is a HMO and the intention had been to convert the building into self contained flats once flat 58A became void. The dates each flat was last occupied and the rent they could potentially achieve is shown in Table 1 below.

Table 1 Number 58 The Avenue

Site Address	Status	Size	Weekly Rent	Annual Loss of Rent
58A The Avenue	Void since April 2011	3 double Bedrooms	£123.83 Gross	£6,439.16
58B The Avenue	Void since August 2005	4 double Bedrooms	£129.37 Gross	£6,727.24
58C The Avenue	Void since January 2000	2 double Bedrooms	£114.40 Gross	£5,948.80

3.4 The void report considered three main options available in relation to 58 The Avenue:

Option 1 – Maintain the status quo/do nothing and assume the opportunity cost of the annual loss of rents estimated at £19,115.

Option 2 – Authorise capital funding to repair and convert the property into self contained flats for use as social rented accommodation at an estimated cost of between £200k and £240k.

Option 3 – Dispose of the Council's freehold interest of the building in present condition on the open market which will achieve a significant capital receipt but will result in loss of social housing stock. BHP had the property surveyed and valued by an independent estate agent in July 2009. The valuation report confirms that at the time of the survey the building, if sold as a large family house, would expect to realise in the region of £1,000,000 on the open market.

3.5 Number 86 The Avenue, Brondesbury, London NW6 7NN is a 3 storey, 6 bedroom house. This property has recently become void on 2nd May 2010. The previous secure Council tenant had resided in the property since 1982 and refused all works part of the Decent Homes Programme. As a result, the property is in poor condition.

3.6 The date the property was last occupied and the rent it could achieve is shown below.

Table 2 Number 86 The Avenue

Site Address	Status	Size	Weekly Rent	Annual Loss of Rent
86 The Avenue	Void since May 2010	5 double Bedrooms and 1 single Bedroom	£137.55 Gross	£7,152.60

3.7 The main options available for 86 The Avenue are as follows:

Option 1 – Maintain the status quo/do nothing and assume the opportunity cost of the annual loss of rents estimated at £7,152.

Option 2 – Repair and refurbish the property to a standard where it can be let as social rented accommodation. The cost of all required works to bring the property up to standard where it could be let is estimated at £40,780.

Option 3 – Dispose of the Council’s freehold interest of the building in present condition on the open market which will achieve a significant capital receipt but will result in a loss of social housing stock. The property has not yet been valued but it is expected to achieve a similar value to 58 The Avenue in its present condition, which is in the region of £1,000,000 on the open market.

3.8 The recommendation in this report is for the Council to dispose of its freehold interest in 58 and 86, The Avenue in their current condition 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 properties are void and will continue to deteriorate if left vacant. Despite any reasonable precautions/actions by BHP, there is also the risk from squatting and potential ongoing maintenance liability.
- II. Taking into consideration the costs of bringing the properties up to a lettable standard, the potential level of rental income achievable is not sufficient to justify the Council retaining the properties as social housing stock.
- III. As the costs of bringing the properties up to a lettable standard far outweighs the benefits of ownership through the rental income, disposal of the properties to a Registered Provider to retain the properties within the social housing stock is not considered to be a viable option.

- IV. Disposal of the properties is in line with the corporate objectives set out in the Council's Strategic Asset Management Plan.
- V. Disposal of the properties in their current condition provides the Council with a significant capital receipt of approximately £2,000,000 to support the overall capital programme. There is a loss of a relatively small potential rental income to the revenue account in return for a significant capital receipt.

3.9 The Executive is therefore asked to give its approval to dispose of the properties. Any delay in the sale of the properties could lead to a further deterioration in the condition of the properties, which may lead to an actual reduction in the potential capital receipt realisable. An early disposal is therefore recommended.

4.0 FINANCIAL IMPLICATIONS

4.1 It is anticipated a price for the freehold in the region of £2,000,000 is likely to be realised on the open market for both dwellings together.

4.2 The global annual rent loss is expected to be in the region of £26,267. However, in order to bring the properties up to a lettable standard, the repair and conversion works are approximately £280,078.

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. The forecast receipts arising on 58 and 86, The Avenue were not included in the Council's Disposals Programme at the time of budget setting and as such do 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 these properties 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.

4.4 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 these properties.

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 obtain (unless it is a lease for 7 years or less) the best consideration that is reasonably obtainable.
- 5.2 Disposals on the open market, either by way of auction or by way of appointing a marketing agent, 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 will make an application for a special consent.

6.0 DIVERSITY IMPLICATIONS

- 6.1 Impact Needs Requirement Assessment completed.

7.0 STAFFING/ACCOMMODATION IMPLICATIONS

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

8.0 Background Papers

None

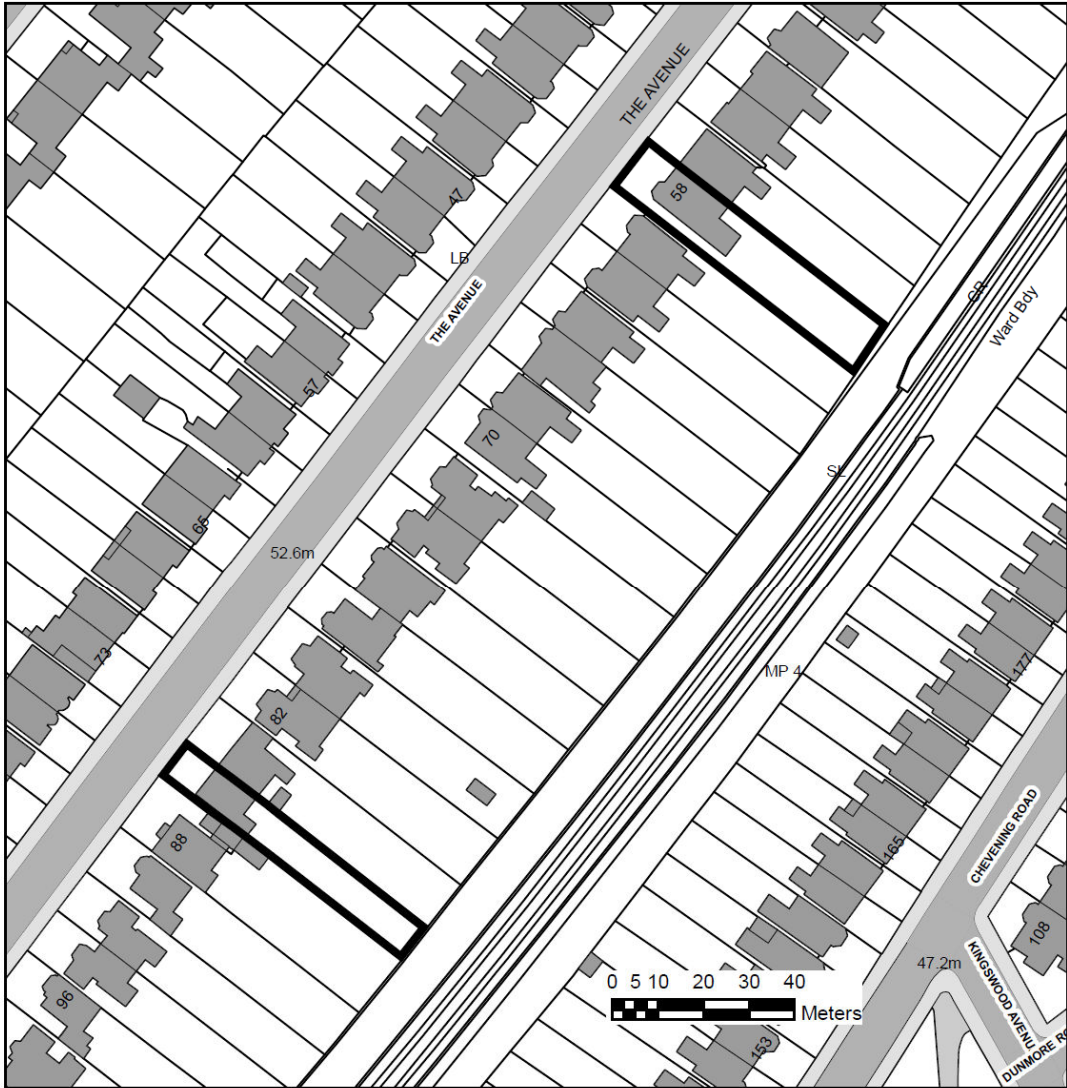
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Appendix 1 Site Map

EXECUTIVE COMMITTEE Disposal of the Council's freehold interest in property at 58 and 86 The Avenue, Brondesbury.



**Premises shown
heavily outlined black.**
Plan for information purposes only.

NORTH



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