

MUNICIPAL YEAR 2011/2012 REPORT NO. 87

MEETING TITLE AND DATE:

Cabinet – 14 September 2011

REPORT OF:

The Interim Assistant Director of
Property
Finance Resources and Customer
Services

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Agenda: Part 1 **Item:** 18

Subject: Asset Management – Potential disposal of Council owned properties by the end of December 2013

Wards: All

Cabinet Members consulted: Cllrs Doug Taylor, Achilleas Georgiou and Andrew Stafford

1. EXECUTIVE SUMMARY

- 1.1. This report complements a report, also on this Agenda, concerning the potential to release premises and sites within the Housing Revenue Account for demolition and disposal, prior to March 2012, to optimise HRA self financing regulations. The HRA properties for disposal are listed in Part A of Appendix 1.
- 1.2. Further properties that seem suitable for disposal by the end of December 2013 are listed in Part B of Appendix 1. Investigations regarding each property are underway and the list is subject to review.
- 1.3. This report seeks authority to delegate decisions, as stated in Paragraph 2.
- 1.4. An update to the Reports of December 15th 2010 and 27 April 2011 is provided, advising on progress of the disposal programme.

2. RECOMMENDATIONS

That Cabinet:

- 2.1. Authorises the disposal of properties property shown at Appendix 1 and delegates to the relevant Cabinet Member (in conjunction with the Cabinet Member for Finance Resources and Customer Services and the relevant Director) the final agreement of terms for individual disposals:
 - 2.1.1. Providing the property is shown in Appendix 1.

- 2.1.2. Or, in the unlikely event that alternative property is identified (not shown in Appendix 1) which is introduced to the programme, such alternative property must have previously been subject to an Urgent Decision and for which such transaction and reasons for the urgent action is reported at the next Cabinet Meeting.
- 2.1.3. Recognises the advantages to the HRA business finance model as set out in clause 8.1.6. if the HRA property sales can be achieved by 31 March 2012 and authorises urgency powers, as necessary, to those Cabinet Members as described in 2.1 above to facilitate the final agreement of terms given the short time period available to officers to optimise the HRA position once the due diligence and marketing periods commence.
- 2.1.4. Notes that:
Investigations are taking place regarding the potential of each property shown at Appendix 1, and that as the results of investigations become more apparent, the list of properties may be reviewed and changed as appropriate. Additional Legal and Property Resources will be required to enable the disposal site to be achieved within timescales.
- 2.1.5. Notes that:
Future reports will list further properties to be added to the Disposal Programme.

3. BACKGROUND

- 3.1. The drive for increased funds includes an ongoing study of all freehold and leasehold properties owned by the Council.
- 3.2. Properties that seem suitable for disposal by 31 December 2013 have been grouped into the list shown as Appendix 1. Investigations continue and include:
- 3.2.1. Evaluating the need for the Council to own such property.
- 3.2.2. Due diligence checks regarding covenants, planning issues, rent reviews etc.
- 3.2.3. Ascertaining the net income loss, if any, resulting from a disposal. Net income is calculated by deducting from gross income such costs as repair, maintenance and management.
- 3.2.4. Consideration of the rent received by the Council against the net proceeds of disposal (rate of return).

- 3.2.5. Consideration of the best time to sell e.g. sale proceeds may be maximised by selling the property after the completion of a rent review or after planning permission has been obtained.
- 3.2.6. Consideration of the Council's liability for immediate and future repairs.
- 3.2.7. Opportunities such as assembling larger sites with adjoining owners and/or partner organisations.
- 3.2.8. Opportunities to sell a capital asset and replace it with a cheaper alternative.
- 3.3. All disposals will be in accordance with the Council's Property Procedure Rules, as revised by the Council decision dated 6 April 2011. Most will be sold by auction or tender.
- 3.4. This is a key decision in the Forward Plan as the values for the programme will exceed £250,000 and implications are borough-wide.
- 3.5. The review of the sheltered housing portfolio is reported elsewhere on the agenda.

4. CURRENTLY APPROVED PROGRAMME

- 4.1. The previously approved disposal programme for sales before April 2013, in respect of 26 sites, is progressing well. £1.6M has been received from three sites recently sold at auction. It is anticipated that a further 5 sites will be sold (conditionally or unconditionally) this year. A further £4-5M is expected in this financial year. Another sale should provide a £1.2M stage payment and a further five sites should be put to the market. These may be subject to conditional bids where deposit monies may be received, but final receipts due next financial year.
- 4.2. 24 Cyprus Road has been withdrawn to be returned to service use for Schools and Children Services. Two sites have now been deferred until later in the cycle, pending their better incorporation into wider redevelopments.

5. PROPOSED PROGRAMME

In respect of Part A of Appendix 1:-

- 5.1. It is probable that ref(2) 96 Natal Road can be disposed of on a long leasehold basis to a Housing Association, subject to appropriate due diligence and compliance with Property Procedure Rules.
- 5.2. The other HRA properties identified at 1-7 of Appendix 1 have been identified by the housing team, with Enfield Homes as either difficult to

let properties or in need of repair or hostel accommodation that the Housing Dept has assessed these as impractical to adapt for family housing purposes. Authority is sought from this Meeting to dispose of these properties, in order to endeavour to achieve sales by 31 March 2012. This deadline has been set to achieve the Housing Self Financing advantages indicated in the Financial comments of this Report and in the Small Sites Report elsewhere on this Agenda, which also refers to the hostel sites.

In respect of Part B of Appendix 1:-

5.3. The rationale for listing the properties as identified is as follows –

(8) The Business Innovation Centre is included in the Disposal List as an investment opportunity, the receipt from which can be reinvested by the Council in alternative premises for supporting employment businesses.

(9) The Arnos Family Centre is surplus to service requirements.

(10) The Boundary House car park is included because of the opportunity to combine this with the adjoining privately owned Boundary Public house site, which is currently being marketed privately.

(11)-(14) The Court House, (11) Drill Hall (12) and Old Park Ridings properties(13)(14), all have leasehold interests that can be terminated within the next 12 months to create a redevelopment opportunity sensitive to the Conservation Area . Additionally an approval from this Cabinet would authorise the actions to facilitate a decant of a residential property (13) within the overall site.

(15) Britannia House in Baker Street (north of the Civic Centre) is an office complex let to the Enfield Carers Centre Charity on the ground floor, supported by Housing Health and Adult Social Care team. (HHASC). There are long leasehold flats above the offices and the income received by the Council overall can be offered as an investment opportunity for the market. HHASC would wish to ensure that the costs to the Carers Centre Charity do not increase following the sale.

(16) 58-60 Silver Street is currently occupied by the local Mental Health Trust as partner to HHASC and there are shared staffing services in this and other Mental Health Trust buildings. Any sale would be subject to the appropriate and cost effective reprovion of accommodation for the HHASC and Mental Health Trust services. The sale option to achieve the savings assumed for the New Ways of Working team will be subject to further analysis.

5.4. The sites included in Appendix 1, with the particular needs for realising HRA disposals by 31 March 2012, will necessitate the provision of additional resources within the Legal conveyancing and Property disposal teams to support the programme.

6. ALTERNATIVE OPTIONS CONSIDERED

- 6.1. Continuing to own the existing property estate and not dispose of property. Such a strategy will not deliver the much needed capital receipts.
- 6.2. Borrowing more money is considered to be a less favourable option than disposing of property.

7. REASONS FOR RECOMMENDATIONS

- 7.1. Property disposal is necessary to enable the Council to achieve its objectives.

8. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

8.1. Financial Implications

- 8.1.1. Appendix 1 of the report contains a list of proposed disposals. Each disposal will be evaluated using the criteria outlined in paragraph 3.2 to determine whether the disposal offers value for money – a detailed financial evaluation will be included in the subsequent decision reports seeking authority to proceed with each disposal. This detailed financial evaluation will be approved by the appropriate Cabinet Member and the Director of Finance, Resources & Customer Services.
- 8.1.2. The net capital receipts arising from the disposals will be used either to fund the existing capital programme or provide funding for reinvestment. The use of receipts to meet existing planned General Fund capital expenditure will avoid annual borrowing and repayment costs of approx. 7.5% of capital expenditure.
- 8.1.3. Up to 4% of the capital receipt arising from a General Fund disposal can be used to meet costs that are directly incurred in achieving the disposal. Where the disposal cost exceeds 4%, funding for the additional costs will need to be identified.
- 8.1.4. The costs of HRA disposals are not capped at 4%. However HRA receipts are subject to pooling regulations. Under these regulations, 50% of non Right to Buy receipts have to be paid over to central government unless the council can demonstrate that it has spent an equivalent amount on qualifying affordable housing or regeneration schemes, in which case the full receipt can be retained.
- 8.1.5. It is proposed that the receipts arising from the HRA disposals set out in Appendix 1 will be used to support regeneration

projects or small refurbishment projects designed to increase the amount of affordable housing available in the Borough.

8.1.6 The disposal of 7 HRA properties (all of which are currently void or in the process of being emptied) prior to 31st March 2012 will reduce Enfield's HRA Business valuation as it moves into the Government's new self-financing arrangements. This means that the Council's debt repayment to Central Government will reduce by approximately £143,000. In order for the Council to obtain the reduction in the HRA debt repayment, the properties must be disposed off by 31st March 2012.

8.2. Legal Implications

8.2.1. In accordance with the Council's Property Procedure Rules the inclusion of property on the disposals programme requires approval either by the appropriate Cabinet member or by Cabinet itself.

8.2.2. All disposals should be made on a competitive basis, as required by the Property Procedure Rules. This will demonstrate that the Council are achieving the best price reasonably obtainable for each property, as required by Section 123 of the Local Government Act 1972.

8.3. Property Implications

8.3.1. As stated in this report.

9. KEY RISKS

9.1. The issues set out in 3.2 highlight variances that could impact on the disposal programme. The further risk of sufficiently resourcing the public consultation and communication together with responding to expectations of the public whilst optimising the respective marketing prospects, need to be addressed on an individual basis.

9.2. Property values may decline.

9.3. The additional sites now included in Appendix 1 with the particular needs for realising HRA disposals by 31 March 2012 may necessitate the provision of additional resources within the legal conveyancing and property disposal teams to support the programme.

10. IMPACT ON COUNCIL PRIORITIES

10.1. Fairness for All

The release of surplus property or the prospective disposal of sites to alternative providers is intended to generate receipts to protect

essential services. Equality impact assessments will be completed for individual property disposals if deemed appropriate.

10.2. Growth and Sustainability

Several properties listed for disposal should attract investment and funding, such as business or residential development.

New construction would be expected to achieve enhanced green technology solutions.

10.3. Strong Communities

The generation of capital receipts from property disposals will help the Council's objectives to deliver strong communities.

11. PERFORMANCE MANAGEMENT IMPLICATIONS

The overall rationalisation should optimise the use of council accommodation.

12. HEALTH AND SAFETY IMPLICATIONS

12.1. The review has had regard to the likely future cost of retaining and sustaining those premises that are not efficient to run and to optimise use of those premises where cost effective management controls can best support the health and well being of employees and visitors.

Background Papers

Cabinet – Asset Management report 15 December 2010

Cabinet –Asset Management report 27 April 2011

APPENDIX 1

Disposal Programme Properties targeted for Disposal between September 2011 and March 2012

PART A

HRA Account	Address			Legal interest	Fund
1	17 Kingston Road	London	N9	Freehold	HRA
2	96 Natal Road	London	N11 2	Freehold	HRA
3	19 Bath Road	London	N9	Freehold	HRA
4	Oakthorpe Court	Tile Kiln Lane	N13 6BY	Freehold	HRA
5	Cornerways	41 Latymer Way	N9 9PG	Freehold	HRA
6	196-198	Green Lanes	N13	Freehold	HRA
7	23	Church Street	N9	Freehold	HRA

PART B

Properties targeted for Disposal between September 2011 and December 2013

General Fund	Address			Legal interest	Fund
8	Business Innovation Centre	1 Electric Avenue Innova Business park	EN3 7XU	Freehold	General Fund
9	Arnos Family centre	321 Bowes Road	N11 1BA	Freehold	General Fund
10	Boundary House car park /plus HRA land	1 High Street	EN3 4EJ	Freehold	General Fund/HRA
11	Court House site	Windmill Hill/Old Park Avenue	EN1	Freehold	General Fund
12	Drill hall	Old Park Avenue	EN1	Freehold	General Fund
13	No. 2	Old Park Avenue	EN1	Freehold	General Fund
14	No.3	Old Park Avenue		Freehold	General Fund
15	Brittania House	Baker Street	EN1	Freehold	General Fund
16	58-60 Silver Street	Silver Street	EN1	Freehold	General Fund Subject to reprovion

Notes

All sites are assumed to be with vacant possession, except Brittania House and the BIC