

Report for: Cabinet

Date of Meeting:	18 March 2021
Subject:	Property Disposal Programme 2021-2022
Key Decision:	Yes – because the proposals affects more than two wards
Responsible Officer:	Paul Walker - Corporate Director Community
Portfolio Holder:	Cllr Keith Ferry – Deputy Leader and Portfolio Holder for Business, Property & Leisure
Exempt:	No, except for Appendix 1 which is exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972 - information relating to the financial or business affairs of any particular person.
Decision subject to Call-in:	Yes
Wards affected:	Greenhill, Harrow Weald, Headstone South, Marlborough, Stanmore Park, Kenton West, Rayners Lane.
Enclosures:	Appendix 1 – Exempt Appendix 2 – OS Plans

Section 1 – Summary and Recommendations

This report sets out proposals for the disposal of Council properties as detailed in the recommendations below.

Recommendations:

That:

- 1) The properties detailed in this report under numbers 1 to 8 be declared surplus and their disposal be approved;
- 2) The financial implications and estimated sale prices as set out in confidential Appendix 1 be noted;
- 3) The Corporate Director of Community, following consultation with the Portfolio Holder (PH) for Business, Property and Leisure, be authorised to take all appropriate action to dispose of the Council's freehold interest, where appropriate in the properties detailed under numbers 1 - 8 for the best consideration reasonably obtainable and to consider the reviewed options for property number 9 in respect of bringing this forward for future development and to progress the preferred option.,
- 4) That Officers are tasked with with reviewing the options to bringing forward Belmont Community Centre and Kingshill Car Park,property number 9 for development, retaining the community centre.

Reason: (For recommendations)

The eleven disposals recommended would release assets which are surplus to Council requirements and that either require significant expenditure to repair, renovate, or develop and have no value or have little value or beneficial use from retention per se.

Section 2 – Report

Introductory paragraph

This report sets out the proposed Corporate Disposals Programme 2021/22. It contains details of properties and sites that have been reviewed and are considered surplus to Council requirements.

Corporate Estate are charged with challenging the use of all Council owned property assets, whether freehold or leasehold, operational or commercial, with assets reviewed being reported to the Corporate Strategic Board (CSB).

The review process has identified property assets where the Council receives a minimal income from the property in its current use or where disposal will allow a property to be taken forward for development allowing the Council to benefit from this commercial potential. These disposals are balanced out by the property investments that the Council has made since 2016 and which are targeted towards delivering a yield of 7.5%. The Council is the freeholder of these property assets.

The potential poor economic climate due to Covid-19 coupled with the uncertainty from Brexit, may affect property market. There is a strong possibility that some of these properties may fail to sell for both these reasons and for reasons outside the Council's control. In order to enable proper preparations to be carried out for each disposal, the programme will be planned to aim to secure the best consideration possible.

Current situation

These assets have been reviewed and are considered as surplus to the Council's requirements in line with the asset management strategy. In addition, the properties produce nil and/or minimal income at present and a successful disposal is likely to generate a capital receipt as key source of funding for the Council.

Methods of disposal

Disposals are generally achieved by one of the three ways, which will be dependent on the individual property:

- i). In-house through Corporate Estate. This is suitable for sales to existing tenants, or marketing by a formal or informal tender process.
- ii). Consultants may be used where particular experience in the market is sought and/or the Council wish to sell to a particular purchaser, for example, a developer who can deliver a preferred scheme, following competitive market testing.
- ii). Auctioneers firms are sometimes used where no particular purchaser is required, where speed and/or certainty of sell is necessary or in the case of a specialist or unusual property for which demand is difficult to gauge.

All external firms being instructed in respect of disposals will be subject to compliance with procurement requirements for best value.

Options considered

The properties and sites are:-

- 1). **42-44 Canning Road, Wealdstone, HA3 7SP**

A pair of two storey semi-detached houses built approximately 1900 at the corner of Canning Road and George Gange Way. Number 42 has a two-storey rear extension while number 44 has a single storey rear extension. The properties are of brick construction with pebble dashed, rendered walls, a tie bar and pitched roof with slate roof tiles.

The site area is – 498.61m² (Ground Floor – 95m² - estimated using GIS
First Floor – 87m² - estimated using GIS)

The Council is the freeholder, subject to a lease of 29 years from 3 July 2003 at a peppercorn rent to Chiltern Hundreds Housing Association, expiry date is 2 July 2032.

Options Considered

Option 1- Retain the Property

The Council can retain the freehold investment and continue existing arrangements with Chiltern Hundreds Housing Association however the Council will receive no rent until 2032 due to the terms of the lease.

Option 2 - Sell the Property

By selling the properties the Council will receive a capital receipt now. It is believed that there would be a strong interest from specific areas of the investment market which would give rise to a capital receipt for the Council and the sale of the freehold interest would not materially affect the occupational tenants nor preclude the possibility of future Council nomination rights through the term of Chiltern Hundreds Housing Association's ground lease. It is possible that the Chiltern Hundreds Housing Association could be a bidding party.

Recommendation

Option 2 is recommended as it will deliver a capital receipt.

2). 47 - 51, Masons Avenue Harrow, HA3 5AN

Three terraced houses built approximately in 1900. End of row post-war terraced houses with No 47 at the end of the row to the left with vacant land to the side. The 3 terrace houses are of solid brick construction with slate roofs (Nos. 47 and 51) - No.49 has a new tiled roof. Each house comprises 2 reception rooms and kitchen on the ground floor and 3 bedrooms and combined bathroom/wc on the first floor.

The properties have a site area of 0.014 acre/0.056 hectare

The properties are held freehold and subject to a contracted out lease to Chiltern Hundreds Housing Association for a period of 29 years from 3rd July 2003 until 07/2032 at peppercorn.

Options Considered

Option 1- Retain the Property

The Council can retain the freehold investment and continue existing arrangements with Chiltern Hundreds Housing Association however the Council will receive no rent until 2032 due to the terms of the lease.

Option 2 - Sell the Property

By selling the properties the Council will receive a capital receipt now. It is believed that there would be a strong interest from specific areas of the investment market which would give rise to a capital receipt for the Council and the sale of the freehold interest would not materially affect the occupational tenants nor preclude the possibility of future Council nomination rights through the term of Chiltern Hundreds Housing Association's ground lease.

Recommendation

Option 2 is recommended as it will deliver a capital receipt.

3). 48 Headstone Road HA1 1PE

End of row terraced 2 storey brick/tile property with open space.

The property is held freehold subject to a fixed term lease on peppercorn rent with Chiltern Hundreds Housing Association until July 2032. The property is known to have suffered from subsidence.

Site area 65.27sq m.

The adjacent strip of land is currently amenity land and would be retained by the Council. There may be the potential to develop this area in years to come.

Options Considered

Option 1- Retain the Property

The Council can retain the freehold investment and continue existing arrangements with Chiltern Hundreds Housing Association however the Council will receive no rent until 2032 due to the terms of the lease.

Option 2 - Sell the Property

By selling the property the Council will receive a capital receipt now. It is believed that there would be a strong interest from specific areas of the investment market which would give rise to a capital receipt for the Council and the sale of the freehold interest would not materially affect the occupational tenants nor preclude the possibility of future Council nomination rights through the term of Chiltern Hundreds Housing Association's ground lease. The freehold of the property would be sold subject to and with the

benefit of the lease. It is possible that the Chiltern Hundreds Housing Association could be a bidding party.

Recommendation

Option 2 is recommended as it will deliver a capital receipt.

4). Flats 1 - 6, Sapphire Court, 427 Pinner Road, North Harrow, HA1 4HN

Three-storey block, with 6 flats on ground, first and second floors. Brick elevation, mansard roof incorporating the second floor. Located adjacent to the community run North Harrow Library and business centre with 6 rear car parking spaces. Set primarily within a residential area with nearby commercial and retail businesses.

The site area is approximately 375m² (0.093 acres).

Freehold subject to six 125 year leases, one for each flat from 14th June 1987 at £75pa each for the first 25 years, £150pa for the next 25 years, £300pa for the next 25 years, £600pa for the fourth 25 years and £1,200pa for the residue. The current income received is £900pa.

Options Considered

Option 1- Retain the Property

The Council can retain the freehold investment and continue existing arrangements with, 6 fixed term residential leases until June 2112 at current ground rent of £900pa rising to £7,200pa in 2087.

Option 2 - Sell the Property

This property is surplus to Council requirements and the freehold interest will be attractive to the investment market raising a capital receipt for the Council. The sale of the freehold interest would not materially affect the residential leases.

The Council will need to follow the procedures set out in Section 5B of the Landlord and Tenant Act 1987, which relates specifically to the disposal of freehold ground rents at auction. Essentially, Section 5B dictates that freehold sellers must offer the Right of First Refusal to qualifying tenants before placing the freehold in an auction. The notice must be served four to six months before the date of the auction.

Recommendation

Option 2 is recommended as it will deliver a capital receipt.

5). North Lodge, Grimsdyke (Old Redding, Harrow Weald, HA3 6SF)

This is a Grade II listed cottage set in the open space close to Grimsdyke Mansion Hotel. The property is located in a largely wooded area adjacent to open space comprising parts of Harrow Weald Common and Grimsdyke Open Space. Access is via the roadway from Old Redding which leads primarily to Grimsdyke Hotel but bears off east towards a cluster of residential properties.

North Lodge is an ornate two storey, detached, double fronted dwelling house. The property is vacant. It's a cottage style property built 1874 with brick construction with rough cast and timber mock Tudor first floor front façade. The first floor rooms are partially in the roof space and have sloping ceilings. The roof is tiled with dormer windows. There is no gas supply. The property has very small rooms but a superb location. The property is in a poor condition and in need of refurbishment and conservation.

Option 1- Retain the Property

This property is currently vacant and is completely unmodernised. It will require considerably capital investment to bring it up to a modern habitable standard, such investment is not deemed to be a good use of Council resources as it will not result in a significant property income to support the capital borrowing..

Option 2 - Sell the Property

This is a unique property which will be attractive to the market and a disposal would enable a capital receipt to be generated.

Recommendation

Option 2 is recommended as it will deliver a significant capital receipt.

6). Building r/o Stanmore Hill (11 Stanmore Hill, Stanmore, HA7 3DP)

Annex/extension/storage built behind and adjoining main building (No 11) with an entrance to a 1st floor flat. Surrounding area - car park and site entrances to offices, commercial and retail shops with nearby residential properties. It is believed that it forms part of an area of land acquired for the service road.

Site Area 19m² (206 sq. ft.) approx.

Freehold subject to a licence agreement at £1,000pa with a mutual rolling break clause.

Options Considered

Option 1- Retain the Property

The Council can retain the freehold investment and continue existing arrangements with a licence agreement.

Option 2 - Sell the Property

This property is surplus to Council requirements and its sale will deliver a capital receipt for the Council.

Recommendation

Option 2 is recommended as it will deliver a capital receipt.

7). 274 Rayners Lane (Former public convenience adjoining 295, Rayners Lane, South Harrow, HA2 9TS)

Former public convenience at Rayners Lane, comprising of a two-story brick construction, under a pitched tiled roof. The property has eaves sloping down to a standard height to the rear of the ground floor. The public toilet has been decommissioned from public use and planning permission has been granted to convert it into offices to add to the attractiveness of the property.

Site area approx.0.06ha (0.148 acres).

Options Considered

Option 1- Retain the Property and let

This building is surplus to the Council's operational requirements and has planning permission for conversion into offices. The Council has the option in using Capital to complete the refurbishment and letting the offices to generate an income.

Option 2 - Sell the Property

The sale of this surplus property provides an opportunity to generate a capital receipt and enable redevelopment of a disused property to take place by a third party.

Recommendation

Option 2 is recommended as it will deliver a capital receipt and is not subject to the risk inherent should the Council undertake the development.

8). Land Rear of Church Road, Stanmore, Harrow (Land Rear of 23/33 Church Road, Stanmore, HA7 4AR)

This is a piece of open land that is used as a service road and for parking. The Council granted a licence in perpetuity of the land to the owners of Compton House, 29-33 Church Road, Stanmore in 2001 at no rent. However the Council retained ongoing responsibility for repair and maintenance of the surfaced car parking and the part of the service road demised by the licence.

The Licence restricts the use of the land to car parking for the occupiers and visitors of Compton House. The Council can only terminate the Licence if the Council re-provides the car parking close by and on similar terms.

There is no potential to generate revenue from the site while the repairing liability will remain an increasingly onerous liability.

The existing licensee has expressed an interest in purchasing the freehold interest.

Highways confirm that they have no intention of adopting the service road and do not have any objection to the sale of the land, part of which forms part of the service road.

Site area approximately 0.0637 ha (0.157acres) approx.

Options considered

Option 1 – Retain the Property

There is no potential to generate revenue from the site whilst the repairing liability will remain an increasingly onerous liability.

Option 2 – Sell the Property

Dispose of the land at best consideration on appropriate contractual terms, including an overage provision if considered suitable.

Recommendation

Option 2 is recommended to curtail any future potential repairing liability. The sale will result in a capital receipt with the possibility of a further capital receipt in the event of future development.

9). Kingshill Drive Car Park & Belmont Assembly Hall, (Kingshill Drive, Harrow, HA3 8QT)

On the north corner of Kenton Lane and Kingshill Drive is Belmont Assembly Hall which is a concrete panel, single storey building with a pitched asbestos roof that was constructed in the 1940s. The premises are leased to the Belmont Community Association and used as a Community Hall with a children's day nursery.

To the rear of the building is a surface level, pay and display car park comprising 25 spaces (including one disabled space). There is parking for approximately 25 cars behind Belmont Community Centre with access from Kingshill Drive.

In conjunction with the Belmont Community Centre the land could be redeveloped to provide a three-storey building of primarily residential use, with community hall and nursery school retaining the ground floor – potential for up

to 20 x 2 bed flats. Planning policy will require the community centre to remain in any new development.

To note, the Belmont Community Centre is used as a polling centre during elections.

Site approx. 0.061ha (0.152 acres).

Freehold – subject to lease to Belmont Community Association. The association are currently holding over on their lease and pay a rental of £13,469 pa plus a fee from the nursery for using the land adjacent of £3,000 pa

Options considered

Option 1 – Retain the both Properties as is

The Council would then continue to receive and income from the car park and the rent for Belmont Community Hall. However, the car park is not well used and does not generate significant income and the Assembly Hall while generating a reasonable rent has little scope for increase due to the age and construction of the building. Furthermore, the building is old and would benefit from re-provisioning.

Option 2 – Dispose of one or other of the Properties

Either property on its own, while capable of development is not of sufficient size to deliver a worthwhile scheme and so sale of one or other of the sites will deliver a proportionately smaller capital receipt to its potential as a combined site.

Option 3 – The Council to task officers to bring forward options for redevelopment, to include the retention of the community centre, for review by the Corporate Director Community in consultation with the Portfolio Holder.

This option will allow the identification of the best way to secure the redevelopment of the site and the re-provision of the community centre.

Recommendation

Option 3 is recommended as it will bring forward a site which is suitable for redevelopment while ensuring that the community centre remains in a more modern facility.

Why a change is needed

The proposed disposals meet the asset management strategy. Effective management of the disposals is essential in order to generate the resources

required. Some of the properties, if retained, will require on-going running costs including building insurance, standing charges for utilities, security costs, repair and maintenance by the Council, and therefore the disposal can reduce the revenue burden.

Implications of the Recommendation

Considerations

- 1) The proposal supports the Council's priorities and is in line with aspiration of the Council.
- 2) Disposal will contribute towards delivery of capital targets over the financial year.
- 3) The proposal will result in a capital receipt and will remove the Council's expenditure and liabilities in future years.
- 4) Capital receipt will assist the Council to safeguard frontline services to residents, particularly following Covid-19 pandemic.

Ward Councillors' comments

This report concerns matters which effect the whole borough as it deals with revenue/capital generation, so ward councillor comments are not considered to be appropriate.

Performance Issues

The disposals are unlikely to have a significant impact on service delivery and performance.

Risk Management Implications

Risk included on the Corporate or Directorate risk register? No but will be monitored via the Directorate's monthly revenue monitoring processes.

Separate risk register in place? No

The relevant risks contained in the register are attached/summarised below.

No

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
1. There will be a financial risk to the Council if the disposals are not completed to meet the MTFs requirement of £2m.	<ul style="list-style-type: none"> ▪ Select the best disposal method to ensure the disposal is completed within the financial year. ▪ Monitor the market to select the optimum time period for marketing the properties. 	
2. There will be a financial risk to the Council if the disposals can not completed within the proposed fiscal timescales or fail to sell.	<ul style="list-style-type: none"> ▪ Select the best disposal method to ensure the disposal is completed within the financial year. ▪ Monitor the market to select the optimum time period for marketing the properties. ▪ 	Green
3. The anticipated capital receipts may not be achievable if there is an economic downturn due to further lockdown measures due Covid-19 Pandemic.	<ul style="list-style-type: none"> ▪ Select the best disposal method to ensure the disposal is completed within the financial year. ▪ Monitor the market to select the optimum time period for marketing the properties. ▪ Contact interested parties to see if sales can be arranged. 	Green
4. Retaining North Lodge would expose the Council to further repair costs due to its dilapidated condition.	<ul style="list-style-type: none"> ▪ Ensure disposal as quickly as possible. 	Green
5. Retaining the freehold interest for the car park rear of 23/33 Church Road, Stanmore, would expose the Council to further repairing liability in the future and there is no opportunity to generate an income.	<ul style="list-style-type: none"> ▪ Ensure disposal as quickly as possible. 	Green

Procurement Implications

Any purchase or sale of a property, interest in land, transaction in land and or lease transaction is out of scope of the Contract Procedure Rules remembering that at all times that we must seek to obtain the best possible consideration and/or value from the sale or acquisition.

To that end there are no procurement implications in this report.

Legal Implications

Section 123(1) of the Local Government Act 1972, provides the Council with the power to dispose of land and property, provided such disposition is made for the best consideration reasonably obtainable. The Secretary of State's consent to make a disposal is not required where the Council obtains such consideration.

Financial Implications

In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. This capital flexibilities tool remains in place until the end of the financial year 2021/22. In addition, the government announced a 3-year extension from 2022/23 onwards of the existing flexibility for local authorities to use capital receipts to fund transformation projects that produce long term savings or reduce the costs of service delivery. Qualifying expenditure is that which is incurred on any project that is designed to generate on going revenue savings in the delivery of public services and / or to transform service delivery to reduce costs and / or transform service delivery in a way to reduce cost or demand for future years.

This report recommends a number of assets for disposal which will generate a capital receipt as detailed in Appendix 1 which can be applied under capital flexibilities. The 2021/22 Budget includes a sum of £2m to be applied under capital flexibilities and the first call on the capital receipts generated through this report will be required to support the budget.

There is a revenue income of £24k being generated from rent or Pay and Display parking from these assets. The loss of income will be managed within the Council's overall budget.

Equalities implications / Public Sector Equality Duty

There are no equalities implications from the recommendations in this report.

Council Priorities

The Council's priorities are set out below

- 1. Improving the environment and addressing climate change**

2. **Tackling poverty and inequality**
3. **Building homes and infrastructure**
4. **Addressing health and social care inequality**
5. **Thriving economy**

The decisions in this report will lead towards better housing by releasing property assets either capable of conversion to housing or in need of refurbishment and/or sites which have potential for redevelopment which can be better sourced by the private sector. Furthermore, releasing surplus property assets not appropriate for adaption for Council use to the private sector for a capital receipt offers opportunities to the local property market whilst reducing significant back log maintenance.

Section 3 - Statutory Officer Clearance

Statutory Officer: Jessie Mann

Signed on behalf of the Chief Financial Officer

Date: 2 March 2021

Statutory Officer: Matthew Dineen

Signed on behalf of the Monitoring Officer

Date: 2 March 2021

Chief Officer: Paul Walker

Signed by the Corporate Director

Date: 8 March 2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 10 February 2021

Head of Internal Audit: Susan Dixson

Signed by the Head of Internal Audit

Date: 25 February 2021

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: NO - *There is no requirement to carry out an equalities impact assessment for the property proposals, the subject of this report, because the impact of implementing the proposals has either been cleared by the service provider in the case of closing down a service or is consistent with Corporate Estates existing strategy for the disposal of land and buildings which has been subject to an equalities impact assessment and which identified no adverse equality impact issues.*

Section 4 - Contact Details and Background Papers

Contact: Belinda Prichard, Head of Corporate Estate,
Community Directorate, Corporate Estate. Tel: 0208 420 9330
E-mail: Belinda.Prichard@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee

NO