



Report for: Cabinet

Date of Meeting: 27 July 2023

Subject: Disposal of two freehold council interests:
105 Eastcote Lane, HA2 8RN and 2
Hermitage Cottages, HA7 3JW

Key Decision: Yes

Responsible Officer: Dipti Patel – Corporate Director, Place

Portfolio Holder: Cllr Norman Stevenson - Portfolio Holder for
Business, Employment and Property;

Cllr David Ashton - Portfolio Holder for
Finance and Human Resources.

Exempt: Part exempt - Appendix A contains
information relating to the financial or
business affairs of the Council – Paragraph
3, Schedule 12A Local Government Act
1972

**Decision subject to
Call-in:** Yes

Wards affected: Roxeth, Stanmore.

Enclosures: Appendix A

Section 1 – Summary and Recommendations

This report recommends the sale of the following two General Fund freehold interests at:

- 105 Eastcote Lane, HA2 8RN; and
- 2 Hermitage Cottages, HA7 3JW.

The two properties have been identified as being surplus to the Council's service needs. The costs of bringing the properties back into use are significant. They are no longer economically viable and there is no alternative use identified at a lesser cost. The proceeds from the sales of these properties will contribute to the capital receipt requirement in the three year MTFs and Capital Programme. A full open marketing exercise will be undertaken to ensure best value is achieved and the council complies with its fiduciary duties.

Recommendations:

Cabinet is requested to:

- 1) Declare that the two properties are surplus to the Council's requirements.
- 2) Delegate authority to the Corporate Director of Place, in consultation with the Portfolio Holder for Business, Employment and Property, to market the properties, negotiate terms and approve the final terms of the disposals, and to enter into the contract and any associated documentation in connection with the disposals, subject to the sale of each property being on the basis of best consideration reasonably obtainable.
- 3) Delegate authority to the Corporate Director of Place, in consultation with the Portfolio Holder for Business, Employment and Property, to procure specialist agents to market the properties where required.

Reason (for recommendations): The disposals are recommended as the properties are deemed surplus to the Council's service needs. Their sale will reduce the ongoing revenue cost burden as well as providing a capital receipt.

Section 2 – Report

1. Introductory paragraph

- 1.1 The new Corporate Property Strategy (also being discussed at Cabinet in July 2023) provides much needed strategic direction, providing a platform for decision making, both to retain buildings, and when

required, to release buildings through a targeted disposal programme. The Council needs to modernise its buildings to ensure they are fit for purpose and energy efficient. We cannot afford to invest in all our buildings, and we will need to reduce the size of our estate, ensuring we retain buildings in the right locations, which are efficient to run, to deliver crucial services to residents. To achieve this, we will release costly and inefficient buildings and use the savings and receipts to reduce the burden of our taxpayers and invest in our existing estate.

- 1.2 In identifying a first set of potential disposals, priority has been given to:
- Vacant, non-income producing assets
 - Assets which have the potential for more intensive use/redevelopment through the planning system, and therefore the recycling of capital receipts from sales of underperforming assets into existing but better performing assets.

2. Ward Councillors' comments

- 2.1 To date, two ward councillors from Stanmore and one ward councillor from Roxeth have responded supporting the disposals.

3. Options considered

Option 1: Do Nothing.

- 3.1 The properties are currently vacant and will continue to deteriorate. In addition, the Council is incurring holding costs in terms of security and outgoings and the opportunity cost.

Option 2: Refurbish and utilise for service delivery

- 105 Eastcote Lane
- 3.2 A former 3 bed Adult social care house, this property has been vacant for at least two years and requires complete modernisation. Set back from two adjoining terraces (which have been sold off under right to buy), the house is located on a long narrow plot. To the side of the house is a drive leading to a parking area to the rear with two small parking 'plots' which have been sold to the adjoining terraced houses, so the strip of land contains a permanent right of way. This area, however, is overgrown and fly tipped.
- 3.3 The property would require capital expenditure to bring it up to modern standards, but has potential for additional development (for example, roof and rear extensions, subject to planning/permitted development confirmation), which the council is unlikely to realise.
- 2 Hermitage Cottages
- 3.4 An attractive two bed semi-detached 'gingerbread' style cottage (with large garden) set in the grounds of the adjoining Bentley Wood High

School. The property has been vacant for several years after the previous occupant left. The property requires complete modernisation including installing central heating. The adjoining property has been sold freehold under right to buy. The house is accessed through a gate along a relatively long, private gated drive. The house requires a significant amount of capital expenditure to bring it up to modern standards.

- 3.5 There are other residential properties which are likely to come forward in the near future which are more suitable for Temporary Accommodation – a recent example is a former caretaker’s house (which became available due retirement) which required minimal works and has now re-housed a homeless family.

Option 3: Dispose of the properties on the open market

- 3.6 Sell the properties on the open market through private treaty or auction. The Council will procure marketing advice from property agents to ensure the properties are sold in the most appropriate way for the market conditions and types of asset. The proceeds from the sales of these properties will contribute to the capital receipt identified in the Medium-Term Financial Strategy (MTFS) for 23/24. Proceeding with this option will form a vital part of the future capital investment in the borough including reinvesting the capital proceeds in new, fit for purpose accommodation. This is considered the most cost-effective approach and is the recommended option.
- 3.7 Whilst Option 3 is recommended, this is on the basis that a sale represents the best consideration reasonably obtainable. A decision will be taken on a site-by-site basis.

4. Risks

4.1 Risks included on corporate or directorate risk register? **No**

4.2 Separate risk register in place? **No**

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

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

Risk Description	Mitigations	RAG Status
If the recommendation(s) of the report are not agreed, anticipated revenue savings and capital receipts (to be re-invested in the Council’s estate) that are identified	<ul style="list-style-type: none"> ▪ Agreement to the report’s proposed recommendation(s) will mitigate this risk 	GREEN

Risk Description	Mitigations	RAG Status
for the MTFS for 23/24 would not materialise		
Sales will not complete due to proposed buyers failing to proceed with the purchase.	<ul style="list-style-type: none"> ▪ Undertaking due diligence on the buyer prior to seeking authority to dispose and ensuring that provisional Heads of Terms are agreed. ▪ Maintaining competitive tension throughout and/or securing buyer 'tie-in' through non-refundable deposits etc. 	AMBER
Reduction in receipts owing to a downturn in market conditions/values	<ul style="list-style-type: none"> ▪ Acceleration of the programme so that where anticipated receipts are significantly below expectations, alternative options are considered 	AMBER
Delay in a disposal owing to an unforeseen serious defect with the asset or title such that it cannot be resolved within the financial period.	<ul style="list-style-type: none"> ▪ Commence pre-marketing due-diligence, including legal searches as soon as possible. 	AMBER

5. Procurement Implications

- 5.1 The disposal programme will largely be delivered by existing Council resources in Corporate Estates, working closely with Legal and Finance. However, some activities will need to be provided by external property consultants including the preparation of due diligence and marketing packs in order to meet the desired timescale. Any external property consultants will be procured in accordance with the Council's Contract Procedure Rules.

6. Legal Implications

- 6.1 Pursuant to S.123 of the Local Government Act 1972 the Council has the power to dispose of land in any manner it wishes, subject to certain provisions. The Council has the statutory duty to obtain the best price reasonably obtainable subject to certain exemptions.
- 6.2 When considering the duty under section 123, what is reasonably obtainable in any particular case depends entirely on the facts of the transaction. Case law has determined that whilst there is no absolute requirement to market the land or obtain an independent valuation, if valuation evidence is obtained, it should be up to date and that there

should not have been any material and significant changes in circumstances since it was obtained. In addition, obtaining proper professional advice throughout the process on how to maximise its receipts is a material consideration and the Council should limit itself to taking account of those elements of a transaction which are of commercial or monetary value and should disregard irrelevant factors such as “job creation” when assessing whether it is obtaining the best consideration reasonably obtainable. The deliverability or credibility of a bid are commercial factors which are relevant to an assessment.

- 6.3 A report on title will be commissioned in relation to each asset to ascertain whether there are any impediments to the disposal of the asset.
- 6.4 The proposal is to dispose of the freehold title of the sites. If it is intended for the site to be developed and the Council disposes of the freehold title, it will no longer have control over its use as landowner. Any future development will be subject to planning permission, as required. Consideration will be given to whether an overage clause would be appropriate in the sale contract. Overage is a means by which a seller can receive additional funds after the sale has been completed if an agreed event takes place, for instance the value of the property increases within a set period of time.

7. Financial Implications

- 7.1 The 2023/24 MTFS assumes revenue savings from the application of capital receipts to fund the Capital Programme as well as transformational costs under Capital Receipts Flexibility Scheme. These are summarised in the table below.

	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Applying capital receipts to fund the Capital Programme	-1,700	-1,300	-1,300
Capital Receipts Flexibilities	-1,250	0	1,250

- 7.2 The Council is currently holding a number of accrued capital receipts (£4.5m) and will receive a further sum estimated at £15.4m from the sale of properties at Leefe Robinson Mews (formerly known as Haslam House) and Pinnora Mews (formerly known as Waxwell Lane Car Park). The capital receipts in hand and those due will be used to fund short life assets in the Capital Programme and will realise revenue savings against the capital financing budget over the three years of the MTFS.
- 7.3 In 2016 the government announced the Capital Receipts Flexibility Scheme to support local authorities to deliver more efficient and sustainable services by allowing them to spend up to 100% of their fixed assets receipts on the revenue costs of reform projects. The

flexibility has been extended on numerous occasions and is currently in place until 31 March 2025.

- 7.4 The 2023/24 MTFs assumes that the cost of Regeneration Team of £1.250m is funded under the Scheme because the nature of this spend meets the capital flexibility criteria. This sum is re-instated in 2025/26 when the Scheme is currently intended to end. Therefore, the first call on the capital receipts generated through this report will be used to support this.
- 7.5 These properties are currently vacant, so there is no loss of rental income from the disposal. The proposed disposals will also reduce the on-going revenue cost burden in General Fund such as council tax of around £12k per annum.

8. Equalities implications / Public Sector Equality Duty

- 8.1 The properties will be openly marketed. All opportunities to promote equality are addressed through an open marketing process (e.g. signboards, information on the LB Harrow website, agents' websites etc). Moreover, the proceeds will be reinvested in the Council's capital programme which includes programmes and schemes which will improve the prospects for people across the Borough. Whilst the sites were historically used for specific service users, the properties are not considered suitable for continued use and it is considered that it would be better both financially and practicable to sell the assets and invest in other buildings or uses.

9. Council Priorities

A place where those in need are supported

- 9.1 Sales receipts will contribute to our capital programme which will help create better spaces for our most vulnerable residents.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
4 July 2023

Statutory Officer: Amanpreet Lally
Signed on behalf of the Monitoring Officer
4 July 2023

Chief Officer: Dipti Patel
Signed by the Corporate Director
4 July 2023

Head of Procurement: Nimesh Metha

Signed by the Head of Procurement

3 July 2023

Head of Internal Audit: Neale Burns

Signed on behalf of the Interim Head of Internal Audit

29 June 2023

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: Yes

EqIA carried out: No

As the properties will be openly marketed, this minimises any potential for discrimination or negative impact and all opportunities to promote equality are addressed through an open marketing process (e.g. signboards, information on the website, agents etc.).

Section 4 - Contact Details and Background Papers

Contact: Sophie Linton, Estates Manager,

Sophie.Linton@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO