

CABINET

11 December 2018

Title: Sale of Council-Owned Shared Ownership Properties at Leys Estate (Phase 2)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: Village	Key Decision: Yes
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Accountable Director: Robert Overall, Director of My Place	
Accountable Strategic Leadership Director: Claire Symonds, Chief Operating Officer	
Summary: <p>By Minute 84 (27 January 2015), the Cabinet approved a range of proposals relating to the Council's Borough-wide Estate Renewal Programme, which included Phase 2 of The Leys Estate.</p> <p>The Leys Phase 2 has 34 shared ownership properties that are currently being marketed for sale by Currell, an independent property marketing agency. While officers were seeking to complete the sale of these properties, it came to light that the previous reports to Cabinet had not sought specific approval for the properties to be sold once they had been built – as shared ownership properties, the Council's Land Disposal Rules in the Constitution require Cabinet approval for their sale.</p> <p>In order to progress the sales, the Cabinet is asked to authorise the Chief Operating Officer to approve the final terms in respect of the shared ownership arrangements for the 34 units at Leys Phase 2 and enter into all the necessary agreements.</p> <p>There will be a future report to the Cabinet on the lettings policies that are applied to Council-owned shared ownership properties.</p>	
Recommendation(s): <p>The Cabinet is recommended to authorise the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services and the Director of Law and Governance, to approve the final terms in respect of the shared ownership arrangements for the 34 units at Leys Phase 2 and enter into all the necessary agreements.</p>	

Reason(s)

The approval is sought so that the sale of the 34 units can progress. It seems that when the scheme was approved in 2015 – approval was not sought or given to dispose of these shared ownership properties.

1. Introduction and Background

- 1.1 The Cabinet report titled “Estate Renewal Programme 2015-2021” outlined the delivery of estate renewal and infill site projects and contained details about the delivery of Leys phase 2 (Minute 84, 27 January 2015 refers).
- 1.2 The report highlighted the need for an agreed strategy for the marketing, sales and management of the Shared Ownership units. However, there was no explicit approval sort or given for the shared ownership units to be sold.
- 1.3 Currell, an independent estate agency with experience of marketing shared ownership units has been facilitating the sale of these shared ownership properties and conveyancing undertaken by B&D legal service team.

2. Proposal and Issues

- 2.1 It is proposed that the Cabinet approve the sale of the 34 shared ownership properties so that the legal department can complete the sale of the properties.
- 2.2 The approval if given will allow B&D legal department to progress with the sale of the of the 34 shared ownership units. Buyers will be allowed to purchase between 25%-75% of the property at the initial purchase and then after to subsequently have the option to staircase up to 100%
- 2.3 The disposal of these 34 shared ownership units would produce capital receipts that would support the Council’s Capital Investment Programme.

3. Options Appraisal

- 3.1 The table below summarises the standard options appraisal assessment framework that has been used to assess this matter.
- 3.2 Option 2 is preferred as this will enable legal to complete the sale of these properties.

Option	Description	Conclusion
Option 1	Refuse request to sell the shared ownership properties	This option is not recommended as it will not produce capital receipts. Also, the Council will not be able to progress and complete the sale of these shared ownership properties.
Option 2	Approve the sale of the shared ownership units	This option is recommended as it will enable legal to complete the sale of the 34 shared ownership homes that are now ready to be sold.

4. Consultation

- 4.1 Ward Members and other Members and Senior Officers have been consulted on the proposed disposal.

5. Financial Implications

Implications completed by Katherine Heffernan, Group Manager for Service Finance

- 5.1 Early indications of the sale of the 34 shared ownership units with an option to staircase to the full 100% show a potential take up ranging from 25% to 75% with the option to full 100% ownership at a later date.
- 5.2 The costs of construction and incidentals (professional expenses, marketing etc) for the 34 units amount to £8.67m and the market value of the properties has been estimated at £12.91m resulting in a net surplus of c£4.24m, an average return of 49%.
- 5.3 The cashflow from the sale of these properties as well as the rental income stream from the remaining unsold element of 2.75% (increasing by CPI plus 1 every year) will enable repayment of the capital borrowing and its associated interest costs over the term of the borrowing.

6. Legal Implications

Implications completed by: Ann Towndrow, Locum Property Solicitor

- 6.1 The Council has the power to sell the residential units but must do so in compliance with statute and the Council's own land disposal rules. The Council's Constitution, Part 4, Chapter 4 sets out the Land Acquisition and Disposal Rules. In accordance with paragraphs 2.1 to 2.2, all strategic decisions about the use, acquisition and disposal of land and property assets is within the remit of the Cabinet and must be approved by it.
- 6.2 The Council's disposal powers are contained in s123 of the Local Government Act 1972. Under s123, the Council may dispose of land in any manner it wishes (including the sale of freehold and leasehold land) for the best consideration reasonably obtainable unless ministerial consent is obtained or the sale is to further local wellbeing.
- 6.3 In addition, s1 of the Localism Act 2011 provides local authorities with a general power of competence, the application of which must be carefully considered and appropriate to the relevant circumstances. S1 of the Localism Act allows the Council to "do anything that individuals generally may do".
- 6.4 An independent valuation should, therefore, be obtained and this has been done by Currell New Homes. For each respective plot sale, terms have been approved and prices agreed which reflect best consideration. Therefore, the condition is fulfilled and the Council is at liberty to proceed with the proposed disposal.

7. Other Implications

- 7.1 **Risk Management** – There is the risk of not completing the sale of the shared ownership units if there is further delay in getting approval to dispose of the council assets
- 7.2 **Contractual Issues** – The sale of the shared ownership units cannot proceed without cabinet approval to dispose of a proportion of these properties.
- 7.3 **Crime and Disorder Issues** - The shared ownership properties are currently ready for occupation the longer they remain empty the more they could be subject to vandalism and illegal occupation.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None