

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:	2177
Author:	Emma Wilcock
Department:	Development
Contact:	Emma Wilcock (Job Title: Estates Surveyor, Email: emma.wilcock@nottinghamcity.gov.uk, Phone: 01158763077)
Subject:	Sale of Houses in Multiple Occupation (HMO) Properties to Nottingham City Homes
Total Value:	£588,500 (Type: Capital)
Decision Being Taken:	<ol style="list-style-type: none">1. To allow the sale of 3 HMO properties, at a combined value of £535,000 and comprising 7 self contained flats, to Nottingham City Homes (NCH).2. To delegate authority to the Head of Service - Property Development to agree the amount of reimbursement to NCH should the costs of purchase and essential works exceed that of market value upon completion of works, up to a maximum of £53,500
Reasons for the Decision(s)	<p>Nottingham City Council's (NCC) HMOs form part of the corporate/non standard stock; stock which, it was decided, would be sold upon vacancy to make savings against extensive repair costs. The three properties subject to this decision were to be removed from the Housing Revenue Account (HRA) stock via sale to the private sector, being earmarked for disposal instead of retention under the more specific scheme relating to HMOs.</p> <p>NCC and NCH are looking to expand the range of housing tenures and products they can provide, part of which will be the establishment of a private market subsidiary of NCH. These properties will be let via this subsidiary. Approval is being requested in order to sell the properties directly to NCH and to agree to the process of reimbursement, up to a maximum of 10% purchase price, should the cost of purchase and essential works exceed the market value of the end product.</p>
Briefing notes documents:	LA Consents v1.1.docx

Other Options Considered: To repair and retain the properties for social rent: This option has already been deemed non cost effective (refer background papers). This option has been rejected.
To sell at auction: This option is feasible, however it would prevent NCC from capitalising on having a proven delivery partner and management organisation take over 3 complex properties in potentially sensitive locales, as well as have 3 high standard lets entering the private market and competing with the current offer. This option has been rejected.

Background Papers: Sale of Houses in Multiple Occupation to NCH private sector subsidiary (attached).

Unpublished background papers: Sale of Houses in Multiple Occupation to NCH v.4.0.docx

Published Works: Delegate Decision 1301 - Retention & Disposal of HMOs
<http://open.nottinghamcity.gov.uk/comm/download2.asp?dltype=inline&filename=1389/DD1301.pdf>
Corporate Properties Disposal:
[http://committee.nottinghamcity.gov.uk/Data/Executive%20Board/20091020/Agenda/\\$hsgrevasset%20-%2040265.doc.pdf](http://committee.nottinghamcity.gov.uk/Data/Executive%20Board/20091020/Agenda/$hsgrevasset%20-%2040265.doc.pdf)
NCH Subsidiaries: <http://committee.nottinghamcity.gov.uk/documents/s21677/DD1914.pdf>

Affected Wards: Arboretum, Dunkirk and Lenton, Mapperley

Colleague / Councillor Interests: None.

Exempt Information:

Description of what is exempt: Addresses and individual valuations, commercial information re: other valuations

An appendix (or appendices) to this decision is exempt from publication under the following paragraph(s) of Schedule 12A of the Local Government Act 1972

3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because it contains details relating to the proposed method of sale and subsequent sale price for the properties mentioned in this document, the disclosure of which will prejudice the Council's position in negotiations and final capital receipt of later sales.

Documents exempt from publication:

10.08.2015 Options note - Consents (2).docx, HMO to NCH Exempt Appendix.xlsx

Consultations:

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications:

n/a

Equality:

EIA not required. Reasons: This decision concerns 3 properties only, therefore it does not comparatively advantage or disadvantage any person on the basis of race, ethnicity, gender, age, sexual orientation, disability or faith. The decision does not relate to new or changing policies, services or functions, therefore an equality impact assessment is not needed.

Decision Type:

Portfolio Holder

Subject to Call In:

No

The call-in procedure does not apply to the proposed decision because the delay likely to be caused by the call in process would seriously prejudice the Council's or the public's interests. The Chair of the Overview and Scrutiny Committee (or Vice-Chair) in his/her absence has been consulted and agreed both that the decision proposed is reasonable in all circumstances and that it should be treated as a matter of urgency.

Person Consulted: Councillor Brian Parubutt

Consultation Date: 03/08/2015

A delay in implementation would have a significant impact on other schemes undertaken by Housing Property departments.

Advice Sought:

Legal, Finance, Other: Emma Wilcock(emma.wilcock@nottinghamcity.gov.uk)

Legal Advice:

The Council have the power to make these disposals by virtue of the General Housing Consent 2013 but, as they are to a body in which the Council owns an interest, they will need to be within the first 5 disposals under the consent in the financial year. The only other obligation which will need to be satisfied is that the disposals will need to be for market value. In all other regards the proposals within the report raise no significant legal issues. Advice provided by Malcolm Townroe (Legal Services Manager) on 03/07/2015.

Finance Advice:

The decision concerns 3 Council houses of multiple occupancy which are due to be sold to Nottingham City Homes instead of disposed of at auction as is usual practice. The sale will generate a capital receipt of £535,000 for the Housing Revenue Account.

NCH will purchase the properties for £535,000 and renovate them to an agreed standard. If the overall cost of the properties and the renovation is greater than the new market value of the properties then NCH will be refunded up to a maximum of £53,500. This cost would be a reduction in the total capital receipt available to finance the HRA capital programme. Advice provided by Julie Dorrington (Finance Analyst (Housing)) on 14/07/2015.

Other Advice:

If the subject properties of this report were to be sold at auction it is expected that they would achieve market value as has been estimated by an Independent Surveyor; Nottingham City Homes are to acquire the 999 year leasehold interests in the subject properties at the independent surveyors assessment of market value.

The Council, as standard, include a covenant on sale of such properties, requiring that they be refurbished and reoccupied within an appropriate timeframe. The sale of these properties to Nottingham City Homes will include a similar covenant; Property Services have reviewed an itemised Schedule of Works produced by Nottingham City Homes and have agreed the extent of work to be considered in the calculation of the grant subsidy contribution to City Homes which has been recommended by Housing Strategy.

To ensure that the purpose of the contribution is fulfilled, Property Services recommend that Housing Strategy implement a system to monitor the ongoing condition of the properties through inspection before each new letting throughout the lease term thus ensuring that the quality of accommodation offered remains better than Decent Homes standard and above the minimum standard of private rented accommodation in the respective areas of the properties.

As the nature of the works is to be in excess of the level of works which a typical investor would undertake it is likely that the purchase prices plus cost of works will be greater than the end value of the properties in their new improved condition, ready to let. Based on current values and cost estimates, it is likely that the HRA will be required to contribute the full 10% subsidy.

Advice provided by Emma Wilcock (Estates Surveyor) on 12/06/2015.

Signatures

Jane Urquhart (Portfolio Holder for Planning and Housing)

SIGNED and Dated: 22/09/2015

David Bishop (Deputy CE, CD for Development and Growth)

SIGNED and Dated: 18/09/2015