

# Nottingham City Council Delegated Decision



**Nottingham**  
**City Council**

Reference Number:

3103

Author:

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Department:

Development and Growth

Contact:

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Subject:

Disposal of Housing Revenue Account (HRA) Assets

Key Decision (decision valued at more than £1million):

Yes

Total Value:

Exempt - see Exempt Appendix 1 (Type: Capital)

Decision Being Taken:

- 1) To approve the disposal of the identified HRA assets to Nottingham City Homes Enterprise Ltd (NCHE)
- 2) To delegate authority to the Director Strategic Assets & Property to agree the terms for disposal
- 3) To approve the loan facility to NCHE set out in Exempt Appendix 4
- 4) To delegate authority to the Director of Finance to approve loan phased drawdowns
- 5) To approve the additional relocation budget set out in Exempt Appendix 4

**Reasons for the Decision(s)**

**1.1 This report outlines proposals to dispose of 32 residential properties in the Arboretum area to Nottingham City Homes Enterprise Ltd (NCHE) for a capital receipt reflecting market value. The value of the lease will be established independently in the context of the regeneration objectives of the project. NCHE Ltd will then refurbish and, where appropriate, reconfigure the properties for market rent accommodation for professional or family occupancy.**

**The objectives of the property disposals are to bring about the transformation of the Arboretum area away from an area characterised by housing in multiple occupation (HMO's) whilst also ensuring the most efficient use of Council assets.**

**The purchase of the properties by NCHE Ltd will be subject to the approval of a loan facility from NCC.**

**1.1 The recommendations outlined in this report are considered a viable and economically efficient method of managing these properties, whilst meeting the desired environmental and neighbourhood improvements.**

**1.2 A high-level appraisal has demonstrated that it is economically more efficient for NCC to dispose of the properties rather than retain them for investment by the HRA. Disposal of these properties to an established partner organisation, NCH E Ltd, will reduce the financial pressure on the HRA and will ensure the regeneration objectives of the programme are protected in the longer term. To support this approach, disposal will be by way of a 999-year lease, allowing NCC to retain a legal interest in the properties and ensure agreed proposals are implemented, through covenants.**

**1.3 Via the loan facility, NCHE Ltd will have sufficient capital investment to improve the properties, which will raise standards across the neighbourhood, supporting the development of an emerging housing offer of high quality market rent homes in the Arboretum area.**

**Briefing notes documents:**

**Background - Disposal of HRA Assets.docx**

**Other Options Considered:**

- 1) Disposal of all 32 properties to a private sector partner: This would encourage private sector investment and stimulate market conditions. Whilst these are positive advantages, NCC would not retain the degree of control offered by a subsidiary partner organisation, and as such this option was rejected**
- 2) A previous Council decision in 2014 agreed to dispose of 28 of units in the Arboretum, whilst retaining and improving, through the proceeds of the sale, the remaining 22 units for social rent. Whilst continuation of this arrangement was considered, it is felt more economically advantageous to dispose of the entire remaining Council stock to NCH E Ltd. Additionally, the impact obtained from disposing of all remaining properties is considered appropriate to ensure regeneration objectives are met through stimulating market conditions and so this option was rejected.**

**Background Papers:**

**Published Works:**

**07/02/14 DDM: Retention & Disposal of HMOs ref: 1301  
20/10/09 Exec Board Report: Disposal of HRA Assets**

**Affected Wards:**

**Arboretum**

**Colleague / Councillor Interests:**

**Any Information Exempt from publication:**

**Yes**

**Exempt Information:**

**Description of what is exempt:**

**Proposed method of sale, subsequent sale price and relocation incentives.**

**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, subsequent sale price and relocation incentives, which will prejudice the Council's position in negotiations.**

**Documents exempt from publication:**

**Exempt Appendix 3 - Property Schedule.docx, Exempt Appendix 2 - Financial Position.docx, Exempt Appendix 1 - BC Assumptions.docx, Exempt Appendix 6 - RBC.docx, Exempt Appendix 4 - Finance Comments.docx, Exempt Appendix 5 - BBC.docx**

**Consultations:**

**Date: 15/02/2018  
Other City Council Bodies:Leadership Group - 15/02/18**

The report has also been considered by Finance, Legal, Property and NCH who all contributed to it.

Date: 30/11/2017

Other: Cllr Jane Urquhart

Portfolio Holder for Planning and Housing has previously been consulted on the project proposals

Date: 09/02/2018

Chief Finance Officer: Laura Pattman

Project proposals were discussed as part of a wider discussion around corporate loans to wholly owned subsidiaries

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications:

It is intended that through the sale of the 32 identified properties and subsequent investment from NCHE Ltd the result will be environmental and neighbourhood improvements. NCHE will work with their partners in the area to help reduce ASB and to raise neighbourhood standards.

Equality:

EIA not required. Reasons: No significant impact regarding 6 equality strands, therefore an EIA deemed unnecessary.

Relates to Council Property Assets:

Yes

Decision Type:

Leader's Key Decision

Subject to Call In:

Yes

Call In Expiry date:

16/03/2018

Advice Sought:

Legal, Finance

**Legal Advice:**

Any proposal to transfer assets between the Council and NCH E Ltd, whether it be by way of lease or freehold transfer, will have to be made in accordance with an appropriate consent under The General Consents 2013, which are issued under the provisions of s32 Housing Act 1985 and other enabling legislation.

If the transfers are to be by way of a leasehold disposal then the Council's Legal Team will ensure that the lease to NCH E Ltd includes all appropriate covenants and restrictions. Once any lease is complete, it will be the responsibility of the Council to ensure that any covenants are properly policed and enforced where considered appropriate.

The proposed loan to NCH E Ltd will need to be subject to appropriate due diligence and, as alluded to in the report, on terms which will ensure that it is State Aid compliant.

Advice provided by Malcolm Townroe (Director of Legal and Governance) on 24/11/2017. Advice provided by Malcolm Townroe (Director of Legal and Governance) on 19/02/2018.

**Finance Advice:**

This advice is exempt from publication and is contained within an exempt appendix. Advice provided by Theresa Channell (Head of Corporate Finance) on 20/02/2018

**Property Advice:**

Property will work with colleagues in Regeneration and Housing Strategy to ensure that terms agreed with NCH E Ltd for the sale of the properties reflect the Council's aspirations for both the properties to be sold and the wider area.

It is proposed that independent valuations will be commissioned to establish the market value of the properties to be sold. The valuations will reflect the existing condition of the property and any covenants that are to be included in the lease in respect of the configuration of the property following refurbishment as these covenants will, in some circumstances reduce the end value of the property.

The use of an independent valuer will ensure the sale process is transparent and that terms can be agreed in a timely manner.

Delegated authority to dispose of the properties in the identified phases will be based on the final treatment of the properties proposed, the market valuations and satisfying the Councils objectives for the area.

Advice provided by Rodney Alan Martin (Property Development Manager) on 16/02/2018.

**Signatures:**

Jon Collins (Leader of the Council)
SIGNED and Dated: 09/03/2018
David Bishop (Deputy CE, CD for Development and Growth)
SIGNED and Dated: 07/03/2018