

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

3350

Author:

Ceri Davies

Department:

Development and Growth

Contact:

Ceri Davies

(Job Title: Housing Strategy Specialist, Email: ceri.davies@nottinghamcity.gov.uk, Phone: 01158763530)

Subject:

Purchase of ex Right To Buy flat

Total Value:

Exempt (Type: Capital)

Decision Being Taken:

- 1. To buyback the leasehold interest on a 1 bed flat located in a NCC owned HMO (s.257, house subdivided into flats).**
- 2. To offer the repurchased flat, along with a bedsit and freehold of the building, to the market as a package.**

Reasons for the Decision(s)

The property in question is one of three that were created following the subdivision of a large, 3 storey Victorian house in the 1990s. NCC own the freehold and the bedsit, with the 1 bedroom flat and 3 bedroom maisonette being sold leasehold through the RTB.

Portfolio holder approval was given to dispose of the freehold and bedsit interest in the property (1301 - Retention and Disposal of HMOs. Approved 07/02/2014), as the repair and maintenance costs were unviable against the rental income over a 30 year period.

The bedsit and freehold were offered to the existing leaseholders, however there was no realistic interest or purchase option for either of them to achieve this. Since then the 1 bedroom flat has been the subject of repossession proceedings by the mortgage lender which has led to it being available for purchase.

The bedsit is particularly small and has been vacant for several years. It would only generate a small rental income, there are also difficulties in establishing tenancies in this type of property as well as sustaining them. In contrast, the 30 year repair costs to the building would be substantial and even if consistently let, the rental income from current NCC's interest would not meet the outgoing over the same period.

The current lease on the 1 bed flat has less than 60 years remaining on it which does not make it an appealing proposition to the market, however we can sell the freehold interest which would provide immediate uplift against compared to the existing arrangements.

Creating a package of the entire ground floor interest in the building would enable further uplift in comparison to the value of the individual components and enable us to sell the bedsit and freehold interest, which on their own would not be attractive to the market. (see appendix 1).

Overall, it is anticipated that this sale would generate a net gain to the HRA (see appendix 1) taking into account rent loss, purchase expenditure, capital receipt and repair savings.

The property cannot be purchased under the HRA property acquisition scheme as this is blended with RTB replacement funding which can only be used to buy homes that will be used (let) as affordable housing by the local authority.

Other Options Considered:

Not to purchase the property - The property is currently subject to a short remaining lease term and the subject of repossession proceedings, both of which present a good value option to the council as freeholder compared other purchasers. Without the purchase and onward sale as a package it is unlikely that NCC would be able to dispose of the freehold and bedsit, both of which are unviable. This option has been rejected.

To extend the lease on the repurchased property and sell on - this would add immediate uplift to the value of that property, but would not enable to the disposal of the entire interest in the property, which is the overall aim. This option has been rejected.

Background Papers:

Published Works:

<http://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?Id=1712>

Affected Wards:

Mapperley

**Colleague / Councillor
Interests:**

**Any Information Exempt
from publication:**

Yes

Exempt Information:

**Description of what is
exempt:**

The property details and financial information.

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, as per

it contains information relating to the financial or business affairs of particular individuals (namely the authority holding the information and any prospective purchaser) and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**Documents exempt from
publication:**

13.12.2018 Appendix 1 - Purchase of ex RTB flat.docx

Consultations:

Those not consulted are not directly affected by the decision.

**Crime and Disorder
Implications:**

n/a

Equality:

EIA not required. Reasons: Decision relates to a single property purchase, it does not have a impact of any individuals or groups on the basis of protected characteristics.

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 Parbutt

Consultation Date: 14/12/2018

The council is buying from mortgagees in possession and time is of the essence.

Advice Sought:

Legal, Finance, Property

Legal Advice:

From the information provided in the report and following discussion with the author of the report, the proposed purchase does not appear to raise any substantive legal issues of concern. The proposed transaction will be subject to normal property legal due diligence and agreement of formal legal documentation between the parties. Advice provided by Mick Suggett (Team leader: Conveyancing) on 07/12/2018.

Finance Advice:

The property currently has an unoccupied bedsit annexe which is void and has been marked for disposal.

By purchasing the ground floor flat, a package including this, the annex and the freehold can be disposed of, which should make it more attractive to the potential purchasers. The resulting disposal will result in a capital receipt, which will fund the cost of acquisition (amounts contained in exempt appendix) and remove the liability to the council for the structural maintenance of the property.

If the assembled package is not purchased, then the flat could be used for a council tenant and the resulting rental income would repay any management, repairs and debt costs. Advice provided by Julie Dorrington (Senior Accountant (Housing Revenue Account)) on 13/12/2018.

Property Advice:

Property Plus have been consulted in regard to this acquisition and support the HRA's rationale and business case. Property officers will ensure that the appropriate method and terms of sale are implemented in regard to the onward sale of the premises and freehold interest. Advice provided by Jeremy Bryce (Surveyor) on 07/12/2018.

Signatures

Linda Woodings as Portfolio Holder (Portfolio Holder Planning, Housing and Heritage)

SIGNED and Dated: 17/12/2018

Chris Henning (Corporate Director for Development and Growth)

SIGNED and Dated: 14/12/2018