

To: City Executive Board

Date: 13th April 2011

Item No: 9

Report of: Head of Corporate Assets

Title of Report: Disposal of Grantham House, Cranham Street, Jericho

Summary and Recommendations

Purpose of report: This Report arises from a decision by the Executive Board on 5th November 2007, which approved the disposal of Grantham House (as shown edged black on the attached plan at Appendix 1).

Following the marketing of the property this report makes a recommendation to approve a sale at the best achievable price.

Key decision: No

Executive Lead Member: Councillor Ed Turner

Report Approved by: David Edwards, Executive Director Regeneration and Housing

Finance and Legal : Nigel Kennedy
Lindsay Cane

Policy Frameworks: More housing, better housing for all.
Improve the local quality of life.

Recommendation(s): that City Executive Board is asked to:

Approve the freehold disposal of Grantham House at a consideration as detailed in the Confidential Appendix attached to this report. In the event that the purchase does not proceed at this level, to authorise the Head of Corporate Assets to select an alternative purchaser by reference to other bids received in descending order, at open market value.

Appendices

1. Plan of site
2. Risk Register
3. Not for Publication Appendix - List of offers

Background

1. At its meeting on 5th November 2007, the Executive Board approved in principle the disposal of Grantham House, as shown on the plan attached as Appendix 1.
2. Through a competitive process, Kemp and Kemp were instructed to act on behalf of the Council in the disposal of the property in the Spring of 2010 and formal marketing commenced in November. Soft market testing had ensured that the market was fully aware of the potential opportunity and had informed the quoting price of £2,750,000. The property was widely marketed; three viewing days were arranged with further viewings on demand.
3. The marketing was brought to a head by way of best bids on 26th January 2011 and 12 parties put forward proposals.
4. The top six bidders were invited for interviews (the panel being Head of Corporate Assets, Major Projects and Disposals Manager and representatives from Kemp and Kemp). The interview particularly focused on deliverability, funding, track record, quality of design proposed, end users and future management arrangements. As a result of the interviews a number of parties rebid. That detail is attached in the Not for Publication Appendix 3 and reflects the final position of bidders.
5. The building currently provides 20 self contained flats which have been used under Class C3 (residential) of the Use Classes Order. Any refurbishment of these units would not require planning consent and therefore there would be no planning trigger for affordable housing. There are also in addition 16 flats which are not self contained (bathrooms are shared). The conversion of these into self contained flats would require consent, but would only trigger a requirement for affordable housing if this created 10 or more dwellings. The proposals to refurbish the building generally assume less than 10 units and therefore there would be no planning requirement to provide affordable housing in respect of the overall refurbishment of the property.
6. Counsel's opinion was sought on the requirement for planning consent and this was provided to bidders as part of the marketing process.
7. The offer recommended is not subject to planning consent and is made on the basis of a cash purchase. It is the highest offer and is well researched. The level of the recommended bid is annotated "Bidder A" on the schedule attached as Not for Publication Appendix 3.

8. It is recognised that the property is situated in a sensitive location and as part of the disposal officers are seeking to ensure that the proposed refurbishment is to a high standard, the resultant property will be let to appropriate individuals and will be a well managed investment. It is envisaged that the majority of units will be let, although some sales could be carried out in the future. In order to achieve this the purchaser has agreed to attach a specification and management/letting plan to the lease. It is proposed that the property will be sold on the basis of a 125 year lease and the freehold will not be transferred until the property is refurbished and the majority of units are let.
9. A further option, involving the demolition of the existing property was considered, on the basis of the cleared site then being sold for development with the normal planning requirement for 50% affordable housing. This would substantially reduce the capital receipt, as detailed in the confidential appendix. This would lead to a significant shortfall in funding for improvement works to Council properties. The programme of improvement works would need to be scaled back, or money borrowed to finance capital works with cuts necessary to revenue spending. It is estimated that such a scheme would provide in the order of 12 affordable homes. Under such circumstances it would be necessary to remarket the property as this would be proposing an entirely different proposition to that marketed.
10. The demise of HCA funding for the provision of social rented affordable housing has reduced the ability of registered providers to bid competitively against the market. HCA has advised that grant is unlikely to be made available except on the basis of the new affordable rent model with rents based on 80% of market rents, except in very limited circumstances. The possible exceptions would be unlikely to apply in this instance.
11. The Corporate Assets department has reviewed the options relating to affordable housing (which is not required for a refurbishment of the existing building in a manner that does not require planning consent).
12. The provision of affordable housing in the existing building would be unsatisfactory. It would not be possible to provide larger units than 1 or 2 beds due to the linear nature of the property. This would not address the area of greatest housing need (i.e. family units).
13. A demolition and redevelopment would severely restrict the capital receipt and would only provide a small number of affordable units due to the layout of the site and the current density.
14. The recommended offer produces a surplus which will be applied to housing and regeneration.

Equalities Implications

15. No affordable housing will be created as a result of this transaction. Investment in the HRA capital programme will substantially improve the properties of Council tenants, who have incomes significantly below the Oxford average.

Risk Implications

16. A risk register is attached as Appendix 2.

Sustainability and Climate Change Implications

17. The City Council is not requiring demolition and redevelopment of the site and the proposed purchaser will refurbish the property which will have a lower carbon impact than demolition and rebuilding.

Legal Implications

18. The consent of the Secretary of State will be required in authorising the sale as this is an HRA property, as it is to a party who is not intending to use it for owner occupation and as such falls outside of the issued General Consent under S32 of the Housing Act 1985.
19. To enable the Council to exercise a level of control over the specification of the refurbishment and the implementation of an agreed letting and management policy at the site, the transaction has been structured in a way that grants the purchaser only a leasehold interest in the property for an initial period, this becoming a freehold interest only when the specified conditions are met. Any on-going influence the Council might hold from that point would clearly be much reduced, but consideration will be given to the possibility of the Council seeking to impose an appropriate restrictive covenant over the site.

Financial Implications

20. The HRA capital programme for the period 2011/12 – 2014/15 has been approved at some £31.7m. Part of this programme is to be financed by capital receipts, a material part of which will be derived from the sale of surplus sheltered housing blocks, the largest of which is Grantham House. The annual capital programme provides for improvements and replacements in relation to major components including bathrooms, kitchens, heating systems, roofs, windows, external doors and the like. The Decent Homes Programme of course applies to all Council properties in Oxford, including those in Jericho.
21. Ordinarily, under the provisions of the Local Authority's Capital Finance Regulations 2004 there is a requirement to set aside 75% of Right to Buy receipts and 50% of other capital receipts, of which Grantham House would fall to be one of the latter. The requirement to pool 50% on

other receipts is eliminated if the receipt is used on affordable housing or regeneration. The current capital budget is predicated on the fact that 100% of the previously anticipated estimated receipt at £3 million, will be used to finance the decent homes programme, and therefore regeneration. Any receipt above £3m could be used either to defray existing costs, support regeneration or, support the construction of new affordable housing. The Administration have indicated their preference is for the latter.

22. Ward Members have strongly pressed for reinvestment in social housing in Jericho, and the Administration has indicated this will be a priority if a scheme comes forward in a timely fashion and can deliver affordable housing providing good value for money. The Jericho and Osney ward members will be consulted at an early stage of any proposals for the spending of monies over and above a receipt of £3m.
23. It can be anticipated that by the Council using any capital received over and above the £3m required to support the HRA Capital Programme in the form of social housing grant will leverage more affordable units than the option as detailed in paragraph 9 above. More detail in this respect is included within the Not for Publication Appendix.

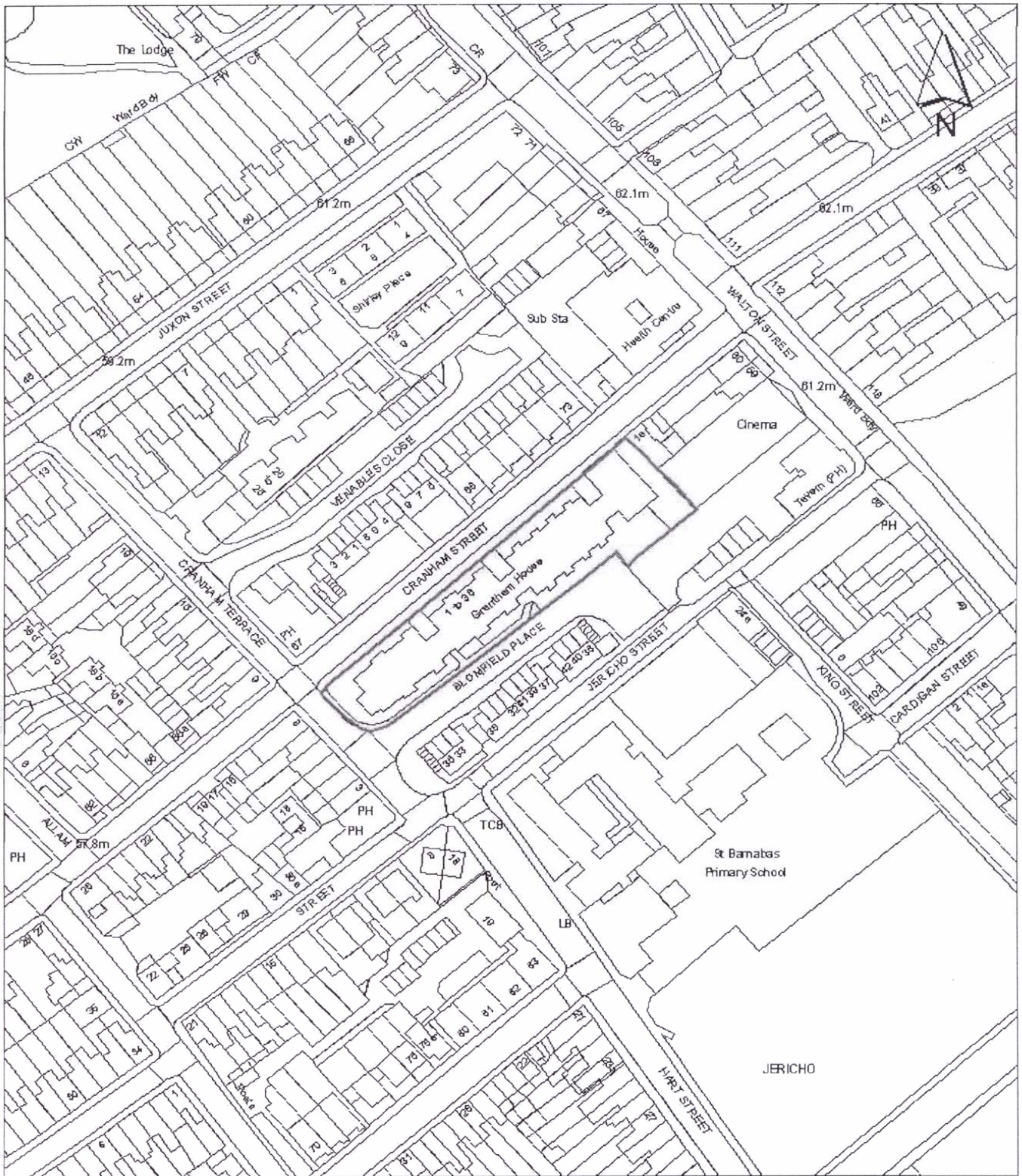
Conclusion


24. Following an extremely competitive bidding process, the sale of Grantham House to the highest bidder is recommended at the level as set out in the Not for Publication Appendix 3.
25. The disposal of Grantham House to the highest bidder will release significant funding for the ongoing HRA capital programme, investing in council properties. It will also release a significant additional receipt to fund social housing (around 20 units). Failure to follow this option and instead remarketing for affordable housing provision as outlined in Paragraph 9 will lead to a very substantial funding shortfall on the HRA capital programme, and would lead to fewer units of affordable housing.

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List of background papers: Executive Board Report -
Version number: 6



<p>Title; Grantham House</p>	 <p>OXFORD CITY COUNCIL</p>
<p>Scale. 1:1,250</p>	
<p>Reproduced from the Ordnance Survey Mapping with the permission of Her Majesty's Stationery Office. © Crown Copyright. Unauthorised reproduction infringes Crown Copyright and may lead to prosecution or civil proceedings. Licence: LA100019348</p> <p style="text-align: right;">Property & Facilities Management</p>	

Appendix 2 Risk Register – Grantham House

Risk Score **Impact Score:** 1 = Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic
Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

No.	Risk Description Link to Corporate Objectives	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness				Current Risk		
		I	P			I	P		Q	Q	Q	Q	I	P	
1.	Bidder seeks to renegotiate terms.	3	3	Information In respect of title or other items comes to light during legal process	Mitigating Control: Full contact with purchaser and legal team throughout sales process	2	2	Action: Reduce the option to renegotiate. Action Owner: Jane Winfield Mitigating Control: Consistent contact and control notes Control Owner: Jane Winfield	Outcome Required: No reduction in purchase consideration. Milestone Date: 1 st June 2011	1	2	3	4		
2.	Reputational risk from lack of affordable housing.	2	4	Potential negative press.	Mitigating Control: CEB to clarify surplus from capital receipt for housing and regeneration.	2	2	Action Owner: Jane Winfield. Mitigating control: Press release prepared Control Owner: Jane Winfield	Outcome Required: Highest price possible paid. Milestone Date: 13 th April 2011						

