

AGENDA ITEM: 4

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Meeting	Cabinet Resources Committee
Date	28 June 2006
Subject	Sale of Site C (Land at Sterling Avenue, Edgware) to Family Housing Association
Report of	The Leader of the Council
Summary	To report urgency action taken by the Director of Resources in consultation with the Leader.

Officer Contributors	Dave Stephens, Strategic Property Advisor
Status (public or exempt)	Public – with a separate exempt report.
Wards affected	Edgware
Enclosures	None
For decision by	The Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information:
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1 RECOMMENDATIONS

- 1.1 That the action taken by the Director of Resources under delegated powers in consultation with the Leader be noted.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet Resources Committee 29.3.05 – agreed the freehold sale of sites A, B and C on the Stonegrove/Spur Road housing estate to Family Housing Association conditional upon:

- i. the outcome of the Ground 10a procedures;
- ii. any required consent of the ODPM;
- iii. the grant of planning permission; and
- iv. the receipt of independent valuation advice that the terms satisfy best consideration requirements;

that the final terms of disposal be approved by the Cabinet Members for Resources; Performance, Partnerships and Best Value; and Regeneration and Development under delegated powers.

- 2.2 Leaders Delegated Powers Report 13.6.05 – approved the sale of Site C to Family Housing Association upon the basis set out in the report and subject to the grant of planning permission and ODPM consent.
- 2.3 Delegated Powers report dated 11.4.06 - That the terms of sale of Site C (Land at Sterling Avenue, Edgware) as set out in the Leaders Delegated Powers report of 13 June 2005 be varied as set out in that report and that the delegated powers decision be reported back to the next meeting of Cabinet Resources Committee.

3 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan commits the Council to providing homes in balanced communities by regeneration of the priority housing estates at Stonegrove/Spur Road, Grahame Park, West Hendon and Dollis Valley.

4 RISK MANAGEMENT ISSUES

- 4.1 The development scheme is important as a first stage to realising the regeneration of the rest of the Stonegrove and Spur Road housing estates. It secures a significant Housing Corporation grant to facilitate the development. There was a high risk of this being lost if the scheme did not proceed.

5 FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 Set out in the exempt report is the residual valuation prepared by Family Housing Association. Based upon the proposed 100% affordable housing scheme of 62 units (45 for rent, 8 equity share and 9 shared ownership) to which the Council

would be having 100% of the initial nominations, the residual valuation generated a relatively low land value – as set out in the exempt report.

- 5.2 It was previously agreed that the Council would transfer the site at nil value. The final residual valuation figures were to be agreed before the contract was signed with the Council being paid the resultant land value, if any, on completion of the development. This arrangement meant that if the project produced a negative value then that was a risk for Family Housing Association to absorb.
- 5.3 Following further discussions Family Housing Association confirmed that the figures shown in its residual valuation were correct save that there would be a further cost deduction to reflect their financial commitment to a Section 106 Agreement which requires a contribution towards the re-provision of a community facility. The Section 106 Agreement includes other financial commitments by Family Housing Association but the Association will have to meet these costs from its own resources. Thus, the final residual land value based upon the Family HA scheme and its method of works procurement and funding is as set out in the exempt report and will no longer be what is usually regarded as an ‘open book transaction’.
- 5.4 The residual land value provided by Family HA does not reflect the open market value of the site. Donaldsons, a firm of valuers, has valued the site at £1.583m assuming a mixed scheme of sale and affordable housing. The Family Housing Association scheme is 100% affordable housing for which the Council will be granted 100% nomination rights for the first 20 years and 75% nomination rights for the next 60 years. The Family HA residual value reflects the nature of the development and its funding. However, because the Family HA figures clearly do not reflect market value it was necessary to seek the consent of the Office of the Deputy Prime Minister to the transaction. A copy of the letter of consent is annexed to the exempt report.

6. LEGAL ISSUES

- 6.1 None.

7. CONSTITUTIONAL POWERS

- 7.1 Constitution – Part3 Responsibility for Functions – Section 3.6 Functions delegated to the Cabinet Resources committee – All matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.
- 7.2 Constitution – Rules for the disposal of land and real property – On any disposal of property, proper regard will be had to the professional advice from a qualified valuer at all relevant stages in the process and where the Director of Resources or designated officer, the Cabinet Member for Resources or the relevant body deems it appropriate, independent valuation advice shall be obtained.

8. BACKGROUND INFORMATION

BACKGROUND

- 8.1 Because of the time constraints imposed upon the Council for the issuing of planning permissions, it was originally intended that the contract for the sale of Site C to Family Housing Association would be conditional upon the grant of a planning permission. This arrangement would have given Family HA sufficient interest in the land to enable it to sign a Section 106 Agreement prior to the grant of the planning permission.
- 8.2 The negotiations did not proceed as expected. Family HA applied for planning permission some time prior to the contracts being agreed with the result that, to meet the planning time constraints, it became necessary to exchange contracts on 11 April so that the Section 106 Agreement could be signed and the planning permission granted at the same time.
- 8.3 Because of the need to have the contracts exchanged to facilitate the grant of the planning permission, the variation to the residual valuation figure had to be dealt with as a matter of urgency by the Director of Resources in consultation with the Leader. A copy of the report is appended to the exempt report. It will be noted that in addition to the variation of the sum to be paid it was also agreed that the payment would be made upon completion of the land sale rather than waiting until the development is completed and thus it is no longer an open book transaction but a sale at an agreed sum albeit less than market value but with the approval of the Office of the Deputy Prime Minister.

FUTURE DEVELOPMENT

- 8.4 It is important to note that the development on Site C is intended to provide new residential accommodation to cater for the decanting of residents from the adjacent Powis, Goldsmith and Collinson Courts. The site of these three blocks of flats will then be available to contribute, both in terms of land and financially, towards the regeneration of the rest of the housing estates.

9. LIST OF BACKGROUND PAPERS

- 9.1 None.

Legal: DVP

Chief Finance Officer: SE