

## **CABINET**

**7 JUNE 2011**

### **DISPOSAL OF 231/233 BEECHINGS WAY AND CONVERSION OF 89 BEECHINGS WAY INTO A FLAT**

Portfolio Holders: Councillor Alan Jarrett, Finance  
Councillor Howard Doe, Housing and Community Services

Report from: Deborah Upton, Assistant Director, Housing and Corporate Services

Author: Noel Filmer, Valuation & Asset Management Manager

#### **Summary**

This report requests that Cabinet:

1. agrees that 231 and 233 Beechings Way, Gillingham can be declared surplus and;
2. recommends to Full Council that a budget of £45,000 is made available to convert 89 Beechings Way, Gillingham into a flat,

so that 89 Beechings Way can be converted into an affordable housing unit and the other properties can be disposed of.

#### **1. Budget and Policy Framework**

- 1.1. As 231 and 233 Beechings Way will be sold as one lot and their combined value is over £100,000, but below £1,000,000 their disposal is a matter for Cabinet.
- 1.2 The approval of the (capital) budget to convert 89 Beechings Way into flat is a matter for Full Council.

#### **2. Background**

- 2.1 The council owns in excess of 1,000 property assets and, next to staff, property is the council's largest single cost. Effective management is therefore essential, if the council is to fulfill its core objectives and provide good quality, value for money services.

2.2 To ensure that the council's property assets contribute to its priorities, outcomes, objectives and key actions, as set out within the Council Plan, all properties are considered in the context of rationalisation.

2.3 This report brings forward proposals for the disposal of properties, which are considered to be surplus to requirements, plus the conversion of an existing Council property into a flat.

### **3.1 231/233 Beechings Way**

3.1.1 The council owns the freehold of 231 Beechings Way (a ground floor lock up shop) and 233 Beechings Way, a 2 bedroom flat, which is alongside and above the shop. The shop is let to a commercial tenant and the flat is let separately on a non-secure tenancy. The properties are shown edged black on the attached plan. The combined gross rent for the properties is around £8,200 per annum.

3.1.2 Due to the fact the two units are integrally linked and not capable of vertical separation it is not possible to dispose of the freehold of the shop without the flat. However, since the flat is let on a non-secure tenancy the opportunity exists to dispose of both units as a single freehold.

3.1.3 Whilst the disposal of 233 Beechings Way will result in the loss of one housing unit from the council's housing stock, the loss of this unit could be compensated for by converting 89 Beechings way into a ground floor flat at an estimated cost of £45,000.

### **3.2 89 Beechings Way**

3.2.1 The council owns the freehold of 89 Beechings Way (a ground floor lock up office) with council flats above and adjoining it. The premises were once a shop, but have since been converted to offices for council use. The premises (both as a shop and an office) have always been extremely difficult to let and apart from when they were used for council uses, have remained empty for many years. There is no longer a use for this property as Council offices.

3.2.2 It is not possible to dispose of the freehold of the premises, as there are flats above. However subject to planning permission being granted (planning officers have confirmed that there is no objection to the principle of conversion to residential use), it is considered that the premises could be converted into one two bedroom flat to compensate for the loss of the flat at 233 Beechings Way.

## **4. Advice and analysis**

4.1 The council could retain 231 and 233 Beechings Way and continue to generate a small rental income. It could also keep trying to let 89 Beechings Way, but it seems unlikely that a suitable tenant will be found in the near future and as a result, the council will have to

continue spending money managing this void property. Alternatively, the council could convert 89 Beechings Way into a flat and then dispose of 231 and 233 Beechings Way.

## 5. Risk Management

Risk	Description	Action to avoid or mitigate risk
Empty properties are expensive and difficult to manage.	Empty properties become a target of antisocial behaviour/vandalism/squatters pending disposal.	Convert 89 Beechings Way into a flat and let this. Then dispose of 231/233 Beechings Way.

## 6. Consultation

- 6.1. Consultation has taken place with the service directorates and no objections to these proposals have been received.

## 7 Financial and legal implications

- 7.1 The council has a duty under s123 of the Local Government Act 1972 to obtain best consideration, when it disposes of interests in property, unless consent is obtained from the Secretary of State, or one of the general consents applies. Whilst the sale of 231/233 Beechings Way, will lead to a small decrease in rental income, it is considered that the capital receipt will more than compensate for this loss.
- 7.2 Specifically, 233 Beechings Way is currently held as part of the Housing Revenue Account and therefore any disposal of this must comply with s32 of the Housing Act 1985. A disposal of this property requires the consent of the Secretary of State under this section. The Secretary of State has given a general consent for disposals in certain circumstances (The General Housing Consents 2005). Whether the disposal falls within the terms of any general consent or whether it will require specific consent will depend upon the identity of the prospective purchaser and the exact terms of the disposal, therefore it is best if the council obtains a specific consent.
- 7.3 Under current financial rules on capital receipts pooling, the council is required to pass 50% of the proceeds from the sale of non right to buy Housing Revenue Account assets to the government unless the value of the receipt is less than or equal to what is known as the notional Capital Allowance. After pooling, capital receipts can be used for any kind of capital expenditure and are not time limited.
- 7.4 The Capital Allowance scheme allows local authorities to add to a notional 'pot' for specified types of capital expenditure, those being on affordable housing and regeneration. The value of the pot may be

drawn upon to reduce certain capital receipts before calculating the poolable amount. The Capital Allowance 'pot' falls each time it is applied to reduce a receipt. At 31 March 2010 the balance of the 'pot' stood at just over £9.4 million and clearly this will exceed the value of the receipt from the sale of 233 Beechings Way and therefore the total value received will be available to the council. Officers will aim to maximise retention of all HRA capital receipts under the Capital Allowance scheme.

- 7.5 The capital funding required for the conversion works to 89 Beechings Way (£45,000) will be met from the future sale proceeds of 231 and 233 Beechings Way.

## **8. Recommendations**

- 8.1 That Cabinet recommends to Full Council that it makes an addition to the capital programme of £45,000 to pay for the cost of conversion once planning consent has been obtained for the conversion of 89 Beechings Way into a flat.
- 8.2 That Cabinet delegates authority to the Assistant Director of Housing and Corporate Services, in consultation with the Portfolio Holder for Finance, to declare surplus 231 and 233 Beechings Way, once 89 Beechings Way has been converted into a flat and then sell 231 and 233 Beechings Way at best consideration.

## **9. Suggested reasons for decision(s)**

- 9.1 Cabinet is requested to delegate authority to the Assistant Director of Housing and Corporate Services to declare surplus 231/233 Beechings Way and recommend that the conversion cost of 89 Beechings Way be funded in order to reduce revenue costs, reuse a void property, realise capital receipts and gain investment in the Medway area, without a reduction in affordable housing.

### **Lead officer contact:**

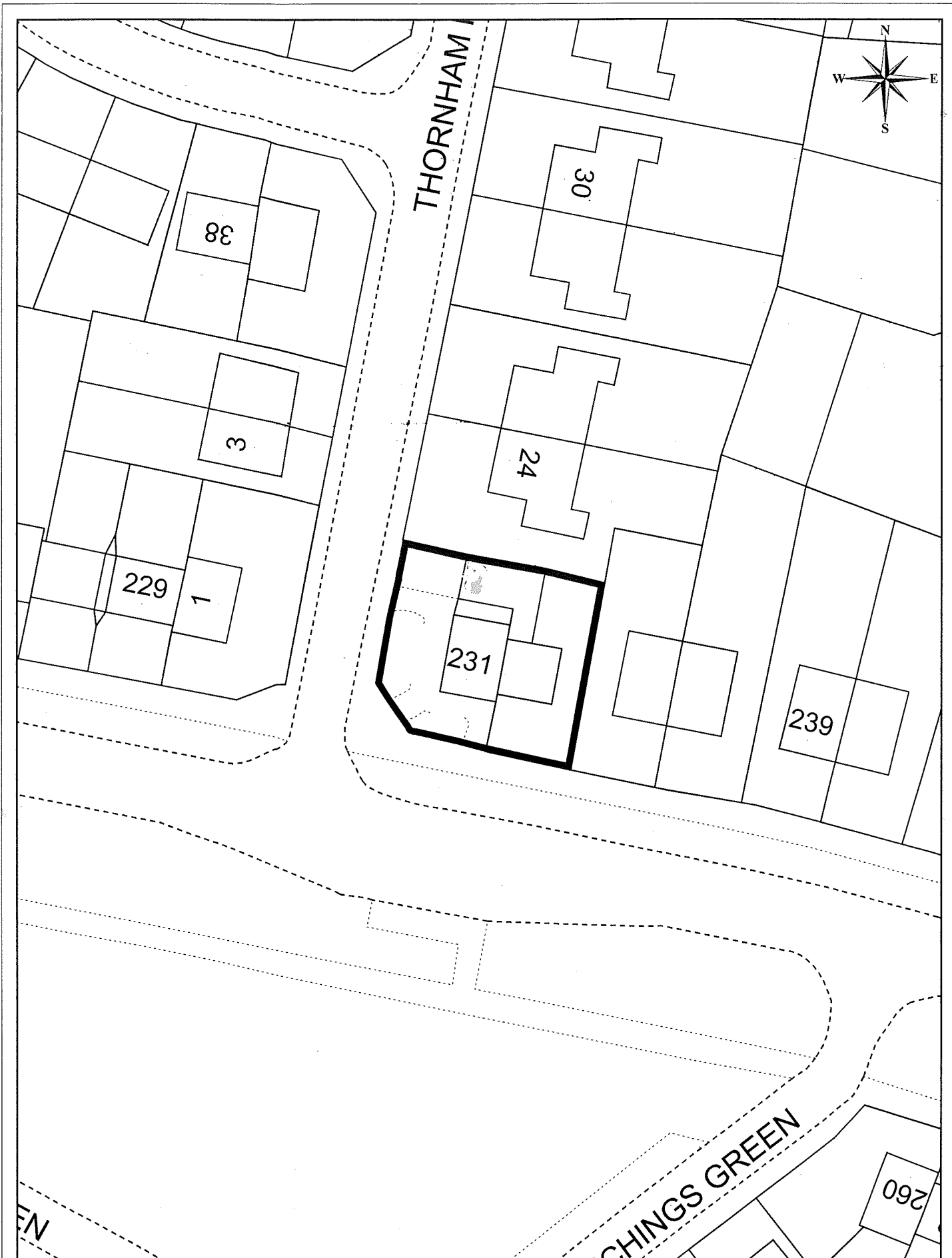
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### **Background Papers:**

Corporate Property Strategy, approved by Cabinet on 4 April 2006



**231 - 233 Beechings Way**



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Scale: NTS 05/10/10

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