

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA**REPORT TO TMO BOARD****7 JUNE 2007****THE BOROUGH VALUER****ANNUAL REPORT 2006/2007**

This report reviews activity in the HRA Commercial Portfolio and the Council's Right To Buy Scheme for the year 2006/07.

FOR INFORMATION**1. INTRODUCTION**

- 1.1 The Borough Valuer manages the HRA commercial property portfolio on behalf of the TMO and co-ordinates the administration of the Right To Buy scheme. This report details activity carried out during the year 2006/07.

2. COMMERCIAL PROPERTY

- 2.1 There are currently 176 of the Council's commercial properties that are vested in the Housing Revenue Account. These properties include retail shops, artist's studios, car parks, storage, telecommunication sites and voluntary organisation offices. The portfolio provides a valuable source of income for the HRA and supports the Council's Neighbourhood Shopping Policy and Arts Strategy.
- 2.2 The Neighbourhood Shopping Policy seeks to provide convenience shops for local residents. The policy is implemented by including in the lease a user clause which restricts use to a certain trade.
- 2.3 The portfolio comprises 30 purpose built artist studios which are let to fine artists and sculptors, supporting the long history of the Borough being home to the figurative arts. The London County Council (General Powers) Act 1949 gives the legislative framework to provide and maintain artist studios within the Borough.

- 2.4 The Council's commercial leases are subject to leases that generally range from 1 year to 20 years, with the average new lease granted being 15 years. The leases provide for a review of the rent every three or five years. The rents agreed are market rents and reflect the state of the property market for that type of asset in its specific location.
- 2.5 There are 10 properties currently vacant and available to let, of which 6 are under offer. The only available properties are 1a Hazelwood Tower, 3 Hansard Mews and the former car parks at Holmefield House and Acklam Road Barrier Block.
- 2.6 HRA Rental Income
- 2.6.1 The rent roll for the HRA commercial portfolio at 1 April 2006 was £1,897,721. However, during any year properties will become vacant, others will be let, there will also be rent reviews and lease renewals, all which generally increase the rent roll and amount of income.
- 2.6.2 During 2006/07, the Borough Valuer let 6 properties, settled 20 rent reviews and 9 lease renewals. These transactions are set out in Appendix A, B and C.
- 2.6.3 These settlements have meant that HRA income during 2006/07 rose from £1,847,159 to £2,132,861, an increase of £285,702 (15.5%). The income budget was set at £1,900,000.
- 2.7 Property Management
- 2.7.1 Credit control is a vital aspect of estate management and to maintain a low level of arrears and bad debt, close monitoring and immediate action is essential, especially as the majority of the tenants are sole proprietors, with modest assets and turnover. 3 properties (399 King's Road, 11 Golborne Road and 2 Knights House Studio) were repossessed during the year.
- 2.7.2 The debt outstanding at the beginning of the financial year was £314,816.03, this was reduced to £290,465.55 by the end of the year. A collection rate of 101%. It should be noted that invoices are raised mainly on the quarter days of 24 June, 29 September, 25 December and on 25 March. The last quarter invoices being raised only 7 days before the end of the current financial year. This means that there will always be debt carried forward to the new financial year.
- 2.7.3 The TMO retain responsibility for the repair and maintenance of the commercial stock. The Borough Valuer regularly inspects the

properties and informs the TMO, who carry out the repairs, of disrepair which is the Council's responsibility under the terms of the lease. During 2006/07 £40,835 was spent. Together with schedules of work served upon lessees, this has helped to maintain the fabric of the commercial estate.

3. RIGHT TO BUY

3.1 The table below outlines the level of activity of the scheme. The two previous years are included for comparison purposes.

Year	2004/2005	2005/2006	2006/2007
Applications received	101	104	81
Offers made	84	113	86
Completed sales	54	17	15
Applications withdrawn	134	88	95
Average number of days to complete	598	598	462
Net Capital Receipts	£8,068,990	£2,723,481	£2,391,290
Budget estimate	£7,000,000	£3,000,000	£1,500,000
Offers made outside 12 week deadline	31 (37%)	28 (24%)	10 (12%)
Average price of flats sold (net of discount)	£149,425	£160,205	£159,419

3.2 Volume of Applications

3.2.1 The number of applications received in 2004/2005, 2005/2006 and 2006/07 has settled back to historic levels of around 100 per year. Although interest in the scheme continues, substantial increases in property values are putting the cost of purchasing out of the financial reach of many tenants. This is reflected in the small number of actual completed sales in the last two financial years.

3.2.2 The average number of days for the 15 Right to Buy sales to complete in 2006/2007 decreased by 136 days. A number of points need to be considered in regard to the completions in 2006/07;

- 4 of the 15 completions were Right to Buy applications made before 18 January 2005. Section 184 of the Housing Act 2004 enabled the Council to substantially reduce the overall time during which Right to Buy transactions could proceed. This new legislation only covered Right to Buy applications made after 18 January 2005.
- 4 completions also involved appeals to the District Valuer for redeterminations of value. This action effectively suspends in time the Right to Buy until the District Valuer issues its redetermination and a Section 128 notice (revised letter of offer) is issued by the Council. Unlike the Council, the District Valuer is not under any time constraints in which to issue its determination. This extra amount of time extends the whole process.

3.3 Level of Sales

3.3.1 The number of completions during the financial year 2006/2007 was 15. This was a decrease of two on the previous year.

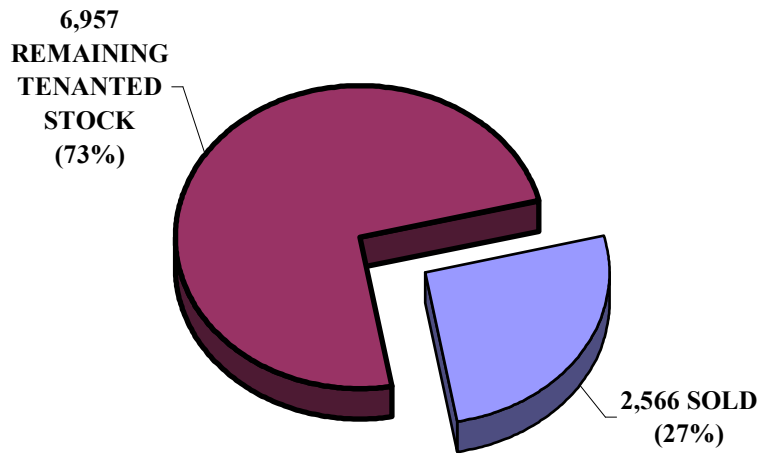
3.3.2 Under the Rent To Mortgage scheme a tenant had the right to purchase a part share of their home. Although this scheme was abolished on 18 July 2005, a small number of applications were still in the system at the commencement of this financial year. The number of Rent To Mortgage completions in 2006/2007 was 3, and this was two less than the previous year.

3.3.3 As at 31 March 2007 there were 69 live Right to Buy applications at various stages of the process of which 16 were in solicitors hands.

3.3.4 Based on experience gained from previous years, it is anticipated that there will be approximately 12 sales in 2007/2008 which would generate approximately £1.5 million in Net Capital Receipts.

3.4 Overall Position

3.4.1 The total number of properties sold since the introduction of the Right To Buy scheme in 1980 is 2,306. In addition there have been 260 discretionary sales prior to the scheme being introduced.



4. The TMO Board is invited to NOTE the contents of this report.

FOR INFORMATION

**I. D. M. DOOLAN
BOROUGH VALUER**

APPENDIX A

NEW LETTINGS 2006/07						
ADDRESS	USES	FORMER RENTAL PER ANNUM	CURRENT RENTAL PER ANNUM	PAYABLE FROM	NEXT REVIEW	
11 Golborne Road	Internet and telephony facilities / Coffee shop and sandwich bar	£8,750	£15,000	26/08/06	26/05/09	
423 Kings Road	Plumbers	£18,850	£27,000	25/03/06	25/03/09	
1 Knights House Studios	Artists Studio	£6,200	£7,000	20/12/05	16/03/09	
4 Stamford Bridge Studios	Artists Studio	£4,000	£6,500	11/04/06	10/04/09	
1 Stamford Bridge Studios	Artists Studio	£4,275	£6,504	14/11/06		
5 Chelsea Farm House Studios	Artists Studio	£6,300	£7,200	20/02/07		
ANNUAL TOTAL		£48,375	£69,204			

APPENDIX B

RENT REVIEW SETTLEMENTS - 2006/07						
ADDRESS	USES	FORMER RENTAL PER ANNUM	CURRENT RENT PER ANNUM	PAYABLE FROM	NEXT REVIEW	
99 Fulham Road	Restaurant	£48,500	£59,125	25/03/03	25/03/08	
101a Fulham Road	Newsagent	£12,500	£15,500	01/05/04	01/05/07	
91 Fulham Road	Retail Trade within Class A1	£173,000	£216,150	25/12/05	25/12/10	
97 Fulham Road	Retail Trade within Class A1	£69,000	£75,700	25/12/05	25/12/10	
425 Kings Road	Plumbing Merchants	£24,600	£26,700	25/03/06	25/03/09	
427 Kings Road	Sale of new and second hand bicycles	£28,150	£30,600	25/03/06	25/03/09	
8 Trellick Tower	Residential Flat	£4,373	£4,670	01/04/06	01/04/07	
1 Stamford Bridge Studios	Artists Studio	£4,094	£4,275	01/04/06	01/04/07	
2 Stamford Bridge Studios	Artists Studio	£4,094	£4,275	01/04/06	01/04/07	
2 Curran Studios	Artists Studio	£4,094	£4,275	01/04/06	01/04/07	
1 Fleming Close Studios	Artists Studio	£5,079	£5,303	01/04/06	01/04/07	

RENT REVIEW SETTLEMENTS 2006/07

ADDRESS	USES	FORMER RENTAL PER ANNUM	CURRENT RENTAL PER ANNUM	PAYABLE FROM	NEXT REVIEW
3 Chelsea Farm House Studios	Artists Studio	£4,094	£4,275	01/04/06	01/04/07
4 Chelsea Farm House Studios	Artists Studio	£4,094	£4,275	01/04/06	01/04/07
3 Knights House Studios	Artists Studio	£6,141	£6,412	01/04/06	01/04/07
Dixon House Radio Base Station	Mobile phone base station	£10,000	£14,000	25/03/01	25/03/06
Greaves Tower	Broadcast Aerial for BBC	£3,435	£5,900	01/01/06	01/01/09
Greaves Tower	Broadcast Aerial for BBC	£588	£822	01/01/06	01/01/09
Adair Tower	Mobile phone base station	£10,000	£14,500	24/06/02	24/06/07
Elm Park House (Roof Aerial)	Mobile phone base station	£10,636	£15,500	25/09/03	25/09/06
Marley House	Mobile phone base station	£15,000	£17,500	25/12/04	25/12/07
ANNUAL TOTAL		£441,472	£529,757		

APPENDIX C

LEASE RENEWAL SETTLEMENTS 2006/07						
ADDRESS	USES	FORMER RENTAL PER ANNUM	CURRENT RENTAL PER ANNUM	PAYABLE FROM	NEXT REVIEW	
Grenfell Tower	Radio Mast	£10,250	£11,750	01/08/06	01/08/09	
4 Worlds End Place	Dentist	£8,600	£9,500	25/03/06	25/03/09	
429 Kings Road	Convenience Store	£23,000	£29,000	25/12/05	25/12/10	
9 Fleming Close Studios	Artists Studio	£5,600	£5,600	18/02/05	17/02/08	
419 Kings Road	Newsagent and Tobacconist	£18,270	£22,300	24/06/04	24/06/09	
6 Chelsea Farm House Studios	Artists Studio	£6,000	£6,700	01/10/06		
Bays 4 & 5 Trellick Tower	Office and Advice Centre	£9,000	£9,000	14/06/06		
2 Fleming Close Studios	Artists Studio	£8,100	£9,500	26/08/06		
1A Hazelwood Tower	Cobbler	£5,250	£5,650	24/06/06		
ANNUAL TOTAL		£94,070	£109,000			