

Item No. 16.	Classification: Open	Date: 22 March 2011	Meeting name: Cabinet
Report title:		Site of 525-539 Old Kent Road SE1 5EW	
Ward or groups affected:		South Bermondsey	
Cabinet Member:		Councillor Richard Livingstone, Cabinet Member for Finance, Resources and Community Safety	

FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, FINANCE, RESOURCES AND COMMUNITY SAFETY

1. This report asks Cabinet to agree to the disposal of its freehold interest of the site of the old Esso petrol station on the Old Kent Road to the Muslim Association of Nigeria so that they can construct a new mosque, replacing their current premises further west along the Old Kent Road.
2. The site is currently overgrown and an eyesore. The sale of this land will generate a significant capital receipt for the authority. It would also allow the Muslim Association of Nigeria to move from their current premises that creates some significant pressure on car parking on the neighbouring housing estate.
3. As cabinet member, I am asking that cabinet, after due consideration of the report outlined below, approve the following recommendations.

RECOMMENDATIONS

That Cabinet agrees:

4. The council dispose of its freehold interest in the Site known as 525-539 Old Kent Road SE1 5EW (“the Site”) to the Muslim Association of Nigeria (UK) (“the Association”) for the consideration reported in the closed version of this report, subject to the Association obtaining a satisfactory planning consent to construct premises for religious worship purposes.
5. To note the agreement between the council and Esso Petroleum in relation to the disposal of the Site and the division of the proceeds of sale as set out in paragraphs 10 and 11 of this report.
6. To delegate authority to the Head of Property to agree the detailed terms and appropriate mechanics to effect the transaction.

BACKGROUND INFORMATION

7. The site is shown edged red on the plan at Appendix A. It comprises an area of 1,740m² or thereabouts. It is vacant land fronting the Old Kent Road at its junction with Marlborough Close and is opposite a retail park that includes Comet, Halfords and McDonalds. At the turn of the twentieth century, the site accommodated public baths but these were demolished between the First and Second World Wars. The land remained unused until the early 1960s when a

petrol filling station was constructed thereon. This use continued until 2008 when the station was demolished and the land has been vacant since.

8. The council holds the freehold interest of the site. The interest is however subject to a lease in favour of Esso Petroleum. That lease does not expire until 2061 and has no provision for early termination. The rent payable is fixed until expiry.
9. The Muslim Association of Nigeria (UK) currently have premises further north at 365 Old Kent Road. This is the former Duke of Kent Public House. This provides inadequate capacity at times resulting in worshippers being accommodated in the street. This is unsatisfactory for not only the worshippers concerned but for neighbouring occupiers too. Should the Association acquire and provide new worship premises on the subject site they will close the existing premises and provide a wider range of facilities and services from the new property.

KEY ISSUES FOR CONSIDERATION

10. Esso no longer consider the site a viable trading option and the length and terms of their lease limits the value of the site to them. Likewise, the existence of the lease limits the value of the site to the council. Therefore, for both parties to maximise the value of their interests it was agreed that the site would be marketed on the basis of the sale of the freehold with vacant possession and if a sale resulted the consideration would be divided equally. Esso and the council will ultimately merge their interests enabling both to share in the 'marriage value' arising. See paragraph 16 of the closed report.
11. Having reached agreement in principle regarding the division of proceeds Esso marketed the site by way of an informal tender. The result of the tender exercise is set out in paragraph 9 of the closed report. Having analysed the bids Esso and the council agree the bid from The Muslim Association of Nigeria (UK) best satisfies the parties' aspirations.
12. The bid from the Association is subject to them securing a planning consent for a religious worship building and car parking on the site. This will delay full receipt of payment for the site but enables both Esso and the council to maximise the value of their interests. Furthermore, the Head of Property is satisfied that the bid set out in the closed report represents the best consideration that can reasonably be obtained.
13. The site is designated in both the Southwark Plan and the Core Strategy for regeneration (the half fronting Old Kent Road) and industrial (the rear half fronting the industrial park). Advice from Planning suggests that subject to detail, a religious worship use for the site can be recommended in principle. Since Old Kent Road is a trunk road (maintained by TfL and not the Council) careful consideration must be given to traffic access and egress matters as part of any planning application.
14. All three parties are in discussion as to what mechanism is appropriate to effect the sale in the event of a planning consent. One possibility is for the Association to purchase Esso's lease and then the council's freehold. Another option discussed is for the Association to simultaneously purchase Esso and the council's interest. As this issue remains unresolved it is recommended the Head

of Property be given delegated authority to determine the appropriate mechanism and relevant details of the proposed transaction.

15. As part of the transfer, Esso will carry out environmental remediation to a standard certified as fit for the proposed use.

Policy implications

16. The proposal will produce a significant capital receipt that will be available to supplement the capital programme.
17. The site is currently overgrown and a visual eyesore; its regeneration will improve the environment and visual appearance of this part of Old Kent Road.

Community impact statement

18. The proposal will result in the present over subscribed facility at 325 Old Kent Road being relocated to a larger site that will be better able to accommodate their use. This will benefit both the Association and the neighbours of the existing facility.

Resource implications

19. These are set out in closed report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

20. The Cabinet is advised that the provisions of Section 123 of the Local Government Act 1972 provide that except with the consent of the Secretary of State, a Council shall not dispose of non housing land, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained. It is noted at paragraph 17 of the closed report that the Site is held in the Commercial Property Holding Account, so is not held for housing purposes. It is further noted at paragraph 10 of this report that the Head of Property is satisfied that the sum that the council will receive for the Site is the best consideration that can reasonably be obtained. Cabinet may therefore approve the recommendations set out in paragraphs 4-6 of this report.

Finance Director

21. These are set out in the closed report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Correspondence file	Property Services 160 Tooley Street SE1	Patrick McGreal 0207 5255626

APPENDIX

No.	Title
Appendix A	Land ownership plan

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone Cabinet Member Finance, Resources and Community Safety		
Lead Officer	Eleanor Kelly, Deputy Chief Executive		
Report Author	Patrick McGreal Property Services		
Version	Final		
Dated	9 March 2011		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Communities, Law & Governance	Yes	Yes	
Finance Director	Yes	In closed version	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional/Community Council/Scrutiny Team	9 March 2011		