

<b>Item No.</b> 16.	<b>Classification:</b> Open	<b>Date:</b> 18 October 2011	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		65 Grosvenor Park, SE5 – Disposal of Freehold interest	
<b>Wards affected:</b>		Camberwell Green	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance, Resources and Community Safety	

## **FOREWORD - COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY**

This report proposes the sale of the council's freehold interest in 65 Grosvenor Park, SE5 with the capital receipts being earmarked for the housing investment programme.

The property is currently empty, and is at risk of deterioration and being squatted. Furthermore, it is in a state of deterioration that would require substantial investment to bring up to a lettable condition.

The sale of this property is consistent with both the council's void strategy agreed in March 2009 (as part of the report on Capital Income Generation for the Housing Investment Programme and Hidden Homes) and the May 2011 void disposal strategy.

## **RECOMMENDATIONS**

That the cabinet authorises

1. The head of property to dispose of the council's freehold interest in 65 Grosvenor Park, SE5 (the "Property"), for a sum that equates to the market value of the property.
2. The earmarking of the capital receipts for the purposes of funding the housing investment programme.

## **BACKGROUND**

3. On 17 March 2009 the then executive received a report from officers entitled 'Capital income generation for the Housing Investment Programme and Hidden Homes'. Amongst the recommendations of this report the executive noted the funding gap to meet its investment needs for its housing stock, to deliver a Southwark Decent Homes Standard for all tenanted homes. Further to this the executive noted the considerations for different funding options which were identified in the April 2008 executive report (Southwark's Decent Homes Standard), and agreed the disposal of empty homes (voids) – in line with paragraphs 16-25 of the March 2009 report.
4. Executive further resolved on the 17 March 2010 'that 100% of the receipts generated from the additional disposal of voids and land proposed by this report are

used to fund both the housing investment programme to deliver Southwark's Decent Homes Standard and to deliver new housing through a Hidden Homes strategy and potentially some new build'.

5. The Property has been identified as suitable for disposal as it meets the value requirements of the amended criteria set out in the 31 May 2011 cabinet decision which reviewed the void strategy, i.e. it is considered that the property has a value in excess of £300,000. The policy threshold before this decision was £400,000.
6. The property comprises a four storey Victorian mid terrace house. Internally the property is in a poor condition and requires comprehensive refurbishment. The property is identified in the attached ordnance survey extracts at Appendix 1.
7. The Property is held in the Housing Fund (HF).
8. Authority to sell is delegated to the head of property in individual cases where the sale price is below a set council threshold. The sale price of the property could exceed this limit and cabinet approval is therefore required.
9. The property has been declared surplus to the council's requirements by the deputy chief executive on 29 September 2011.

#### **KEY ISSUES FOR CONSIDERATION**

10. In accordance with the principles and policy of good asset management laid down by government, together with local authority regulations, councils are required to dispose of surplus property assets subject to best consideration and/or market value requirements. The sale of the property will comply with these requirements and the property will not be sold for less than best consideration as determined by the head of property.
11. The property is likely to be offered for sale at auction, the earliest being November 2011. However, if the head of property considers that another method of sale will yield a higher capital receipt, then he may use an alternative means of sale.
12. The sale of the property to owner occupiers, developers and/or investors should ensure that they are quickly brought back into beneficial use.
13. This report recommends that the receipt from the sale of the property be earmarked for the housing investment programme.

#### **Policy implications**

14. The disposal of the property will generate a substantial capital receipt, which will be used to provide capital funding in support of the council's key priorities. This includes the provision, refurbishment and redevelopment of affordable housing. This assists the council in meeting its commitment to regeneration and sustainability in housing as demonstrated through the 2009-2016 Southwark Housing Strategy.

15. The disposal of the property is consistent with the recommendations contained within the report considered by executive on the 17 March 2009 entitled 'Capital Income Generation for the Housing Investment Programme and Hidden Homes'. This policy was further endorsed by the 31 May 2011 cabinet report which noted the progress made to date and resolved to continue and extend the void strategy.

#### **Effect of proposed changes on those affected**

16. The sale of a property within the housing fund stock will have a negative impact on the number of council properties available to let. However, this will be offset by gains through the Hidden Homes programme and investment to retained stock, especially where decent homes have not yet been delivered.
17. Increased investment into Southwark's stock to provide warm, dry and safe homes will have a positive impact on disadvantaged and minority communities, who are statistically more likely to be council tenants than the general population as a whole.

#### **Community impact statement**

18. As this individual property sale is considered to be non-contentious, consultation is thought not to be appropriate.
19. The proposed sale of the property will have little or no impact on the immediate community.

#### **Resource implications**

20. This report recommends the disposal of the property on the open market for a sum that equates to the market value. The property has been declared surplus to the council's housing requirements.
21. The HF rent budget for 2011/12 allows for stock loss through void sales and we have requested that CLG take these into account in setting our self-financing debt level for 2012/13 onward. There is a loss of rental income for this property in 2011/12. There are no current recurring costs.
22. As the property is being disposed of under the void strategy, set out in the report to executive on 17 March 2009 and endorsed and extended at cabinet on 31 May 2011, the impact of loss of rental potential and on subsidy has been considered within the cumulative impact on the housing revenue account of this strategy.
23. Disposals expenditure would include reasonable incidental management and legal charges which would be reimbursed from receipts, as well as sales and marketing costs as a percentage of the value of the receipt which is standard.
24. There are no other risks or costs involved.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law & Governance**

25. As the property falls within the council's housing portfolio, the disposal can only proceed in accordance with Section 32 of the Housing Act 1985 for which purposes the consent of the Secretary of State for the Department of Communities and Local Government is required.
27. A number of general consents have been issued in the General Housing consents 2005. Consent A5.1.1 of the general consent for the disposal of Part II dwelling-houses states that a local authority may, subject to the provisions of that consent, dispose of one vacant house or vacant flat or vacant converted house to any individual for a consideration equal to its market value, provided that the purchaser (alone or with others) has not, under the consent in the paragraph A5.1.1 acquired another dwelling-house from the authority previously in the same financial year.
28. The report confirms that the property is vacant. The head of property will need to ensure that the disposal price achieved for the property is equal to its market value.
29. In order to comply with Consent A5.1.1 the council will also need to ensure that the purchaser of the property confirms in the agreement for sale that they have not (alone or with others) purchased another property from the council in the same financial year.
30. The report indicates in paragraph 9 that the deputy chief executive has declared the property surplus to the council's requirements.
26. Provided that the council complies with the provisions of Consent A.5.1.1 in the disposal of the property, then the council has met its statutory obligations in relation to the disposal of land held for housing purposes.

### **Finance Director**

27. This report seeks approval to the disposal of the freehold interest in 65 Grosvenor Park in line with the council's void strategy as explained in the report, and requests that the receipt be earmarked for funding of the housing investment programme.
28. Paragraph 11 confirms that the property will not be disposed of for less than best consideration. Paragraph 23 confirms that allowable expenditure connected with this disposal will be reimbursed from the capital receipt.
29. Paragraphs 21 and 22 explain that the impact of this disposal on the housing revenue account has been considered as part of the overall void strategy impact assessment.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
65 Grosvenor Park, SE5	Tom Kemp Development Team, Property Division, 160 Tooley Street, SE1 2TZ	Tom Kemp on 020 7525 5620

## APPENDICES

No.	Title
Appendix 1	OS plans, indicating the Property - highlighted in bold

## AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Cabinet Member for Finance, Resources and Community Safety		
Lead Officer	Eleanor Kelly, Deputy Chief Executive		
Report Author	Tom Kemp, Surveyor		
Version	Final		
Dated	6 October 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	Yes	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional Support Services			6 October 2011