

<b>Item No.</b> 13.	<b>Classification:</b> Open	<b>Date:</b> 16 April 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Manor Place Depot, Occupation Rd, Walworth, London SE17 3BE – Disposal of Freehold interest	
<b>Wards affected:</b>		Newington	
<b>From:</b>		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

This report asks cabinet to approve the sale of the council's freehold interest in the old Manor Place Depot in Walworth. The council first decided that it would sell this site when it agreed to build the new waste management facilities at the Old Kent Road in 2004.

The preferred bidder intends to develop the land mainly for residential use, but with some commercial development of the railway arches. The developer is proposing that 35 percent of the residential units are policy-compliant affordable housing, helping in the council's aim of having more affordable housing built in the area. The listed buildings on the site will be retained for a mixture of residential, commercial and community use.

The receipt will contribute significantly to the council's ten-year capital programme for general fund projects. Those projects include the building of the new Elephant and Castle Leisure Centre and are likely to also to include the rebuilding of Walworth Town Hall following last month's disastrous fire, as part of the next capital programme refresh.

## **RECOMMENDATIONS**

That the cabinet authorises

1. The head of property to dispose of the council's freehold interest in Manor Place Depot, Occupation Rd, SE17 (the "Property"), on the terms outlined in the closed version of this report.
2. The resulting capital receipt to be recycled into the council's capital programme.
3. The head of property to agree any minor variations to the terms of the sale, with the purchaser, which may arise prior to completion of the transaction or alternatively to agree terms with any of the under bidders subject to best consideration requirements if in the unlikely event the original offer fails to progress to completion.

## **BACKGROUND INFORMATION**

4. The council are the freeholders of the Property highlighted and edged in black on the attached Ordnance Survey extract at Appendix 1. The site has been in operational use as the councils refuse transfer station as well as a number of ancillary and related uses for 100 years. Following the completion and commissioning of the new integrated waste management facility, located on the Old Kent Road, the property is now no longer required and is surplus to the council's requirements.
5. On the 18 May 2004 the council's executive first authorised the property for disposal following a report on the provision of new waste management facilities on the Old Kent Road.
6. The property is designated as a site in the Southwark Core Strategy as Proposals Site 49P; a predominantly residential development site, with some other commercial and community uses located in the railway arches that bisect the site.
7. Part of the property comprises 33 Manor Place which is a grade II listed building and was originally constructed as public bathing pools and wash house. These were built in 1898 and were closed in 1978 after which the council utilised the space as offices and storage. Since 2007 part of the building has been leased to a Buddhist Group. The letting is outside the 1954 Landlord and Tenant Act.
8. Most of the site is currently empty or subject to temporary uses. Completion of the sale will not occur until the council has fully vacated the site. In particular the fuel tanks that supply council vehicles are still being used until alternative suppliers have been secured. The fleet services offices are currently operational but they are to be relocated to alternative accommodation in the near future.
9. Following a tender process in July 2012 the council appointed Deloitte Real Estate (DRE) to market for sale the property by informal tender. In conjunction with the council's property team the appointed agents prepared a comprehensive pack of background information and specialist reports related to the property to help inform potential bidders. This was then made available in an online data room. Also included was a planning statement prepared by SNR Denton and agreed with the council's development management team.
10. The property was marketed for just over six weeks from the 29 September 2012. Over 200 enquiries were received by the council's agents during the marketing period. The informal tender exercise generated eleven bids from eight bidders. Following the close of bids the top four bidders were all interviewed by a panel comprising DRE and council officers from the development control and property teams in an attempt to further analyse their submissions and to establish them all on like for like basis.
11. The property is held in the council's general fund.

12. Authority to sell is delegated to the head of property in individual cases where the sale price is below £500,000 or less under Part 3P of the council's constitution. The sale price of this property will exceed this limit and cabinet approval is therefore required.

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

13. 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 requirements. The head of property confirms that the sale of the property will comply with these requirements and the price achieved equates to its current market value.
14. The property has been properly marketed for sale by informal tender. After making an assessment of the planning risk associated with each of the shortlisted bidders and considering the effect of rebasing these bids to Net Present Value (NPV), the highest bidder has been identified, thus discharging the council's statutory duty to achieve best consideration. The details of which are contained in the closed version of this report.
15. The council has a duty under Section 123 of the Local Government Act 1972 to obtain the best consideration for the property.
16. The preferred bidder proposes a residential led, mixed use redevelopment of the site assuming planning permission for 256 new build units and the provision of new B1 space within a number of the railway arches located on the site.
17. Part of the property, 33 Manor Place is heritage listed. Any changes to this building will require listed building consent.
18. The property is located within the area covered by the Elephant and Castle opportunity area supplementary planning document (SPD) which was adopted by Cabinet on 20 March 2012. The SPD sets out the vision for the Elephant and Castle opportunity area. It provides a framework which will guide development over the next 15 years, ensuring that regeneration is coordinated and sustainable. The SPD is part of the Council's framework of planning documents. It is a material planning consideration in deciding planning applications in the opportunity area. Any planning application arising as a result of this proposed transaction will have to comply with the requirements of the SPD.
19. The preferred bid offers the chance of a substantial early receipt to the council with little risk of delay. The precise details of this offer are outlined in the closed report
20. The empty site and deteriorating buildings thereon are having a negative effect on the immediate neighbourhood. The redevelopment of the property will have significant regenerative benefits for the local community including the provision of new housing across a range of tenures. The sale of the property should ensure that it is quickly brought back into beneficial use.

21. The property will be offered with full vacant possession prior to completion of the sale. The council does not own any interest in any of the bidder bodies.
22. The substantial capital receipt that will be generated as a result of the sale of the property is needed as a contribution to the council's Capital Programme and to replenish resources that were committed to enable the new waste management facility to be established.

### **Policy implications**

23. 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.
24. The environmental improvements arising from the redevelopment or refurbishment of the buildings on this site will assist the council in meeting its cleaner, greener and safer agenda. All new dwellings arising from the redevelopment will have to meet code level 4 of the code for sustainable homes.

### **Community impact statement**

25. The decision has been judged to have no or little impact on local people and communities. However, the large capital receipt realised as a result of the transaction will be applied in pursuance of the council's corporate objectives, achieving its stated budget principles and working together with communities towards a 'fairer future for all'.
26. Some local residents have indicated their interest and concern for the future use of the property and have met with council officers and ward councillors.
27. Any planning application seeking to redevelop or change the use of any part of the Property will have to conform to the requirements of the local development framework and will be subject to the statutory consultation process.
28. Any redevelopment of this currently deteriorating and largely empty site will likely have a positive benefit on the wider community.

### **Resource implications**

29. This proposal will generate a large capital receipt, much of which is expected in the financial year 2013/14.
30. The buyers will also make a contribution towards the council's administration costs.
31. There will be a small loss of income to the council generated by the a number of the current users of the site e.g. receipts from film crews, the metropolitan police for parking vehicles and the Buddhist group for their occupation of 33 Manor Place. This reduction has been accounted for in the 2013/14 budget.
32. Disposal expenditure includes reasonable incidental management and legal charges which would be reimbursed from receipts, as well as sales and marketing costs.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

### Director of Legal Services

33. Section 1 of the Localism Act 2011 grants councils a general power of competence whereby a local authority has power to do anything that individuals generally may do. However, that power does not enable a local authority to do anything which it is unable to do by virtue of a pre-commencement limitation. Disposal of land and buildings by a council are limited by a number of different Statutes, the relevant one here being s.123 of the Local Government Act 1972.
34. Property held in the general fund can only be disposed by the council in accordance with Section 123 of the Local Government Act 1972. This states that, except with the consent of the Secretary of State, a council shall not dispose of land under that section, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained.
35. The information set out in the closed report indicates that the consideration to be obtained for the Property is the best that can reasonably be obtained.
36. If the cabinet is satisfied that the consideration is the best that can reasonably be obtained and that the transaction represents value for money, they may proceed with the approval of the recommendation.

### Strategic Director of Finance and Corporate Services (FC13/008)

37. This report recommends that the cabinet authorises the head of property to dispose of the council's freehold interest in, Manor Place Depot, Occupation Rd, Walworth, London SE17 that the resulting capital receipt be recycled into the council's capital programme. .
38. The strategic director of finance and corporate services notes the resource implications contained within the report. Revenue savings from this disposal have already been achieved and identified in the 2012/13 budget. Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## APPENDICES

No.	Title
Appendix 1	Ordinance Survey plans, indicating the property - highlighted in bold

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety		
<b>Lead Officer</b>	Eleanor Kelly, Chief Executive		
<b>Report Author</b>	Paul Davies, Principal Surveyor		
<b>Version</b>	Final		
<b>Dated</b>	4 April 2013		
<b>Key Decision?</b>	Yes		
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>			
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>	
Director of Legal Services	Yes	Yes	
Strategic Director of Finance and Corporate Services	Yes	Yes	
<b>Cabinet Member</b>	Yes	Yes	
<b>Date final report sent to Constitutional Team</b>	4 April 2013		