

Item No. 15.	Classification: Open	Date: 16 April 2013	Meeting Name: Cabinet
Report title:		Disposal of land at 236 & 240 Lordship Lane SE22	
Ward:		Village	
Cabinet Member:		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 236 and 240 Lordship Lane. These properties are two of a trio of prefab bungalows built shortly after World War II. Both of these buildings are vacant and no longer usable for human habitation due to their poor state of repair and the presence of high levels of asbestos. The sites are also infested with Japanese Knotweed.

The sale of this land will enable the land to be used more efficiently for homes: the preferred bidder proposes to replace the two bungalows with seven new homes.

The sale of these properties will contribute capital funding to the council's Housing Improvement Programme to make every Southwark council home Warm, Dry and Safe.

RECOMMENDATIONS

That the cabinet

1. Approves the disposal of the council's freehold interest in land at 236 and 240 Lordship Lane SE22 ("the Land") for a residential development on the following terms and conditions:
 - a) Authorises the head of property to agree any variations to these terms that may be necessary to achieve the successful disposal of 236 & 240 Lordship Lane SE22
 - b) In the unlikely event that this recommended disposal does not proceed to exchange of contract, the cabinet authorises the head of property to agree the terms of a disposal with any one of the under bidders set out in the closed report and/or any other third party, subject to best consideration or market value requirements.
 - c) Authorise that the capital receipt from the sale of the property is recycled into the Housing Investment Programme.

BACKGROUND INFORMATION

2. 236 and 240 Lordship Lane SE22 is an irregular - shaped parcel of land that approximates to 842 sq. metres (0.0842 hectares). The land includes two single - storey, disused pre-fabricated bungalows built circa 1940s/ 1950s as outlined in

bold on the ordnance survey plan attached at Appendix 1.

3. 240 Lordship Lane was vacated in October 2004 and 236 Lordship Lane was vacated in November 2011, having been used for residential purposes. Both parcels of land were held within the Housing Revenue Account but declared surplus to requirements by director of regeneration on the 17 April 2012. It was necessary for 236 Lordship Lane to be vacated and declared surplus to requirements in order to optimise the residential use that could be delivered on the whole of the land.
4. The council commenced tentative negotiations with the adjoining owner and occupier at 238 Lordship Lane in February 2012 with a view to finding a sustainable, long-term solution to the mutual benefit of the council and adjoining owner. A proposal to amalgamate the three parcels of land at 236, 238 and 240 Lordship Lane to optimise residential use and improve the overall streetscape of this part of Lordship Lane was rejected by the adjoining owner and occupier of 238 Lordship Lane. The council carried out a due diligence exercise after April 2012 before the land could be brought forward for marketing.
5. The council then commenced its marketing campaign in November 2012 using a variety of media to attract interested parties with a proven track record. An advert was placed in the professional property press, a marketing board was erected on-site and the land was advertised on the council's web-site.
6. The council prepared a tender bundle, which included a number of legal documents, local searches as well as an asbestos report and Japanese Knotweed survey that was distributed to all interested parties from November 2012.
7. The survey of pre-fabricated bungalows showed it contained high levels of asbestos which would require removal under controlled and safe conditions by the preferred bidder. The bungalows are no longer capable of human habitation and will be demolished following the grant of planning consent for the proposed scheme.
8. The presence of Japanese Knotweed had been detected on the land and was being treated by the local housing office before the land was declared surplus to requirements in April 2012. The council subsequently commissioned a consultant to report on the extent and level of residual infestation with treatment plan. The land was chemically treated in the autumn 2012 and the report has been passed onto the preferred bidder.
9. The council received 15 financial bids before or on the deadline of Friday, 18 January 2013 at 12 noon.
10. These ranged from property developers, architectural organisations and others with good track records in urban development or design. From the bids that were received three bidders were short-listed. A detailed comparative analysis of the short-listed parties was undertaken internally.
11. The shortlisted parties were asked to submit detailed information on their proposals for the land, financial offers including full terms and conditions, overage arrangements and funding information based on a residential development. The shortlisted parties had all received preliminary advice from planning officers or were guided by architects and planning consultants with

experience of planning policy matters prior to submission of financial bids to ensure that they were policy compliant and deliverable. All three short-listed parties have a similar track record with adequate levels of experience of property development or design and it is expected that, broadly, the preferred bidder's design proposals are policy compliant and deliverable.

KEY ISSUES FOR CONSIDERATION

12. The preferred bidder's financial consideration is exclusive of the Mayoral Community Infrastructure Levy (CIL) that came into force in April 2012. The financial consideration does not include S106 payment as the proposed scheme is below the threshold for including affordable housing on the land. The council is currently consulting on its draft CIL, charging schedule with adoption expected in late 2013. It is expected that planning consent for the proposed scheme will be obtained well in advance of the introduction of the council's CIL and therefore the preferred bidder will not be obligated to pay the council's CIL. In the event that council's CIL has been implemented by the time of grant of planning consent, the financial consideration will reduce by an amount specified in the planning consent.
13. The preferred bidder has confirmed that they are fully funded and has provided documentary evidence to show that it can adequately finance the purchase and proposed development.
14. It is therefore considered that the preferred bidder's financial consideration represents best consideration or market value that could reasonably be obtained based on the deliverability of a policy compliant scheme.
15. It is expected that it will take approximately three to four weeks from instructing lawyers to finalise exchange of contracts after cabinet approval. A planning consent on the land could be obtained by summer 2013 with completion of contract shortly thereafter with the capital receipt estimated to be received before the expiry of financial year ending 31 March 2014.

Policy and legal Implications

16. The council's land is held for housing purposes and the provisions of section 32 of the Housing Act 1985 govern the terms of any disposal. The consent of the Secretary of State is required for disposals of housing land, but the Department of Communities and Local Government has issued the General Housing Consents 2012 which set out the circumstances in which disposals of housing land can proceed without specific consent needing to be obtained. The new general consents came into force in May 2012 revoking the previous consents dating from 2005, and it should be noted that disposals of vacant land (i.e land for development which are either vacant or buildings on the land will be demolished) are no longer subject to a requirement to obtain best consideration.
17. The disposal of this land 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.

Sustainability

18. The proposed development should achieve a high level of sustainability to help mitigate its impact on the surrounding environment through the planning process. The land is vacant and the disused, prefabricated bungalows are currently susceptible to anti-social behaviour. The redevelopment of the land will be beneficial to the surrounding neighbourhood through improving the streetscape and the immediate area.

Community impact statement

19. The disposal of the land will have a positive impact on the local community and borough as a whole. It will enable the redevelopment of land that is currently vacant with poorly constructed bungalows into policy compliant, high quality, sustainable dwellings built to a modern standard.
20. It is considered that the disposal will have no affect on the council's agenda for: age, disability, faith or religion, gender, race and ethnicity and sexual orientation.

Consultation.

21. The council initially consulted with the adjoining owner and occupier of the prefabricated bungalow at 238 Lordship Lane SE22 in January 2012 with a view to acquiring it, or amalgamating it with the council's land as part of a joint redevelopment initiative led by the council. The adjoining owner declined a joint marketing initiative and the council decided to dispose of its land independently.
22. There is no further consultation planned by the development & disposals team to take place in future with the owner and occupier of 238 Lordship Lane SE22 or nearby residents with regard to the proposed scheme. It is expected, however, that the preferred bidder will engage with the adjoining owner and occupier of 238 Lordship Lane to acquire the land, or accommodate the occupier in the proposed scheme, and then redevelop 238 Lordship Lane independently in a similar architectural style as the proposed scheme at 236 and 240 Lordship Lane SE22. The adjoining owner and nearby residents will have the opportunity along with the wider community to consult the council through the planning department and any negative impacts of development can be managed in this way.

Financial & resource implications

23. Disposal of this land will also relieve the council of its ongoing liability to invest in and maintain the disused, pre-fabricated bungalows and land. The development & disposal team has adequate resources to secure the disposal of the land.
24. There are no direct staffing implications arising from the proposed disposal strategy. The marketing costs and officer time to effect the recommendations will be contained within existing budgeted revenue resources.
25. The council's reasonable surveying and legal costs will be met by the preferred bidder.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

26. 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. Section 32 of the Housing Act 1985 is a pre-commencement statute which imposes limitations on the council's power of disposal.
27. As the property is held 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.
28. A number of general consents have been issued by the General Housing Consents 2012. Consent A3.2 of the general consent for the disposal of Land held for the purposes of Part II of the Housing Act 1985 – 2012 states that a local authority may dispose of vacant land. For the purposes of the consent "land" includes (inter alia) buildings and other structures, any estate, interest or right over land." Disposal" includes a conveyance on a freehold interest. "Vacant" means land on which (a) no houses have been built or (b) where houses have been built, such houses are no longer capable of human habitation and are due to be demolished. The report indicates in paragraph 7 that is the case.
29. The report indicates in paragraph 3 that a surplus declaration has been obtained from the director of regeneration.
30. If cabinet is satisfied that the transaction represents value for money, they may proceed with the approval of the recommendation.

Strategic Director of Finance and Corporate Services (FC13/016)

31. This report recommends the disposal of the council's freehold interest in 236 & 240 Lordship Lane to the preferred bidder and for the consideration specified in the closed report.
32. The strategic director of finance and corporate services notes that the offer by the preferred bidder represents the best consideration that could reasonably be obtained and the capital receipts generated by this transaction will be reinvested in the Housing Investment Programme.
33. The strategic director of finance and corporate services notes a contribution by the preferred bidder, of 0.5% of the purchase price towards council's legal and surveying fees, as well as other resource implications contained within the report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Ordinance Survey Plan showing the location and extent of the land at 236 and 240 Lordship Lane SE22

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety		
Lead Officer	Eleanor Kelly, Chief Executive		
Report Author	Paul Davies, Principal Disposal Surveyor		
Version	Final		
Dated	5 April 2013		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
	Officer Title	Comments Sought	Comments Included
	Director of Legal Services	Yes	Yes
	Strategic Director of Finance and Corporate Services	Yes	Yes
	Cabinet Member	Yes	Yes
	Date final report sent to Constitutional/Community Council/Scrutiny Team		5 April 2013