

Item No. 22.	Classification: Open	Date: 20 October 2015	Meeting Name: Cabinet
Report title:		66 and 68 Ambergate Street, SE17 3RX – Disposal of Freehold interest	
Wards affected:		Newington	
Cabinet Member		Councillor Fiona Colley, Finance, Modernisation and Performance	

FOREWORD - COUNCILLOR FIONA COLLEY CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

This report proposes the sale of the council's freehold interest in 66 and 68 Ambergate Street, SE17 with the capital receipts being earmarked for the Housing Investment Programme. It also proposes that responsibility for ensuring that the council receives best consideration for these properties is delegated to the head of property, in accordance with council policy.

The properties are currently empty, and are both at risk of deterioration and being squatted. 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 (reviewed in July 2014).

RECOMMENDATIONS

That the Cabinet authorises

1. The Head of Property to dispose of the council's freehold interest in 66 and 68 Ambergate Street, SE17 3RX (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. The subject property consists of a two storey Victorian terrace house arranged as two self contained units. Unit 66 Ambergate Street consists of a ground floor two bedroom maisonette with a private rear garden, whilst unit 68 Ambergate consists of a first floor two bedroom maisonette with a private roof terrace. Both units are in a fair condition internally and would benefit from general updating throughout. The Properties are identified in red outline on the attached Ordnance Survey extracts, at appendix 1.
4. The property is held in the Housing Revenue Account (HRA).
5. The property was formally held on a lease by the council which satisfied the criteria for enfranchisement. The lease was granted for a term of 99 years from 24 June 1912, which was due to expire on the 23 June 2011. However the expiry date of the lease was

extended as a result of a formal Notice to acquire the freehold, which was served by the council on the 7 February 2011.

6. Funding for the acquisition and associated costs was approved by the Investment Property Group (IPG), from annual budgets set aside for leasehold/freehold acquisition matters.
7. Cabinet approval for the acquisition was obtained on the 17 April 2012 and was required as the price agreed exceeded the limit where individual cases are delegated to the Head of Property.
8. After a lengthy period of negotiations between the valuation surveyors appointed by the council and the then freeholder, along with the legal process, the freehold interest was acquired by the council on the 1 June 2012.
9. Authority to sell is delegated to the head of property in individual cases where the sale price is below a set council threshold of £750,000. It is considered that the sale price of the property will exceed this limit and cabinet approval is therefore required. In addition at its meeting on 17 April 2012, the cabinet also resolved that once full vacant possession of the property had been achieved that the head of property be authorised to market the property for sale but that the sale be brought back to the cabinet for approval and further recommendation.
10. The property has been declared surplus to the council's requirements by the director of regeneration.

KEY ISSUES FOR CONSIDERATION

11. 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.
12. The property will be marketed for sale via auction with a yet to be appointed firm of auctioneers. However, if the head of property considers that another method of sale will yield a higher capital receipt, then he may revert to an alternative means of sale.
13. The sale of the property to owner occupiers, developers and/or investors should ensure that it is quickly brought back into beneficial use.
14. This report recommends that the receipt from the sale of the property be earmarked for the Housing Investment Programme.

Policy implications

15. The disposal of the property will generate a substantial capital receipt, which will be used to provide capital funding for the Housing Investment Programme 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.

16. 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. A subsequent Cabinet report dated 22 July 2014 reviewed the void strategy with increased property value thresholds, to reflect significant increases in London house prices.

Effect of proposed changes on those affected

17. The sale of property within the HRA 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.
18. Increased investment into Southwark's stock via the Housing Investment Programme 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

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

Resource implications

21. This report recommends the disposal of the property on the open market for a sum that equates to its market value. The property has been declared surplus to the council's housing requirement.
22. The HRA rent budget for 2015/16 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 these properties in 2016/17. There are no current recurring costs.
23. 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 and 22 July 2014, 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.
24. 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.
25. There are no other risks or costs involved.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

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 that imposes limitations on the council's power to dispose of property.
27. 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.
28. A number of general consents have been issued in the General Housing Consents 2013. Consent A3.1.1 of the General Consent for the Disposal of Land held for the purposes of Part II of the Housing Act 1985 - 2013 (which the Property is held under) states that a local authority may, subject to the provisions of that consent, dispose of land (which is defined in the Consent to include dwelling houses) for a consideration equal to its market value. Consent A 3.1.1 does not apply if the land is subject to a secure, introductory or demoted tenancy; is a disposal of a reversionary interest or is a disposal to a body in which the local authority owns an interest.
29. The report confirms that the property is vacant, that it is to be sold with vacant possession and that the Property is to be sold at auction, so the exceptions to Consent A3.1.1 do not apply. Disposal of the property at auction should ensure that it is sold at a price which is equal to its market value.
30. The report indicates in paragraph 10 that the director of regeneration has declared the Property surplus to the council's requirements.
31. If cabinet is satisfied that the requirements of the General Consent will be satisfied by the sale of the Property at auction the cabinet may proceed with the approval of the recommendation.

Strategic Director of Finance and Governance (FC15/024)

32. The strategic director of finance and governance notes the recommendation to approve the sale of the council's freehold interest in 66 and 68 Ambergate Street, SE17, with the capital receipts being earmarked for the Housing Investment Programme. This forms part of the council's void strategy. It is understood that the council will endeavour to obtain the market value of the property on the open market. The strategic director of finance and governance also appreciates that there are no rental income currently received as the properties are empty; and that there will be reasonable costs and charges as normally related to the sale of properties.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Cabinet Report Acquisition of freehold interest – 66 and 68 Ambergate Street, SE17 3RX 17 April 2012 (Item 13)	Jason Guthrie Development Team, Property Division, 160 Tooley Street, SE1 2QH	Jason Guthrie on 020 7525 5681
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=3822&Ver=4		

APPENDICES

No.	Title
Appendix 1	OS plans, indicating the property - highlighted

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Cabinet Member for Finance, Modernisation and Performance	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Jason Guthrie, Graduate Surveyor	
Version	Final	
Dated	8 October 2015	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Support Services	8 October 2015	