

Item No. 18.	Classification: Open	Date: 21 March 2017	Meeting Name: Cabinet
Report title:		57 Elliotts Row, SE11, 9 Faunce Street, SE17, 24 Woodwarde Road SE22 – Disposal of Freehold interests	
Wards affected:		Cathedrals, Newington and Village	
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 three properties which are anticipated to have a value of more than £750,000 each. If not sold the properties would require expenditure of more than £90,000 each to bring them to a lettable standard.

The capital receipts from these sales are earmarked for the housing investment programme to help finance the building of new council homes and upgrades to existing council homes.

The sale of all three properties would be consistent with the council's void strategy agreed in March 2009.

RECOMMENDATIONS

That the cabinet authorises

1. The head of property to dispose of the council's freehold interest in 57 Elliotts Row SE11, 9 Faunce Street SE17, 24 Woodwarde Road SE22 (the "Properties"), for a sum that equates to the market value of the individual properties.
2. The earmarking of the capital receipts for the purposes of funding the Housing Investment Programme.

BACKGROUND INFORMATION

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. In July 2014 cabinet reviewed the voids policy and revised the criteria for disposal. Specifically to increase the threshold for disposal of void properties valued at £300,000 to £500,000. With the additional proviso that such properties be backed by one further category.
6. The properties have been identified as suitable for disposal as they meet the value requirements of the amended criteria, i.e. it is considered that the properties each have a value in excess of £750,000.
7. 57 Elliotts Row, SE11 is a mid-terraced three storey Victorian house, 9 Faunce Street SE17 is similarly arranged, 24 Woodward Road, SE22 is a semi detached Edwardian two storey house currently arranged as two self contained flats. All three properties require comprehensive refurbishment internally and externally and have been identified as being 'uneconomic to repair.' The works costs have been estimated by a quantity surveyor to be upwards of £93,000 per property. The properties are identified in bold outline on the attached Ordnance Survey extracts at Appendix 1.
8. The properties are currently empty and are at further risk of deterioration and trespass.
9. The properties are held in the housing revenue account (HRA).
10. Authority to sell is delegated to the head of property in individual cases where the sale price is below £750,000. The sale price of the Properties will exceed this limit and cabinet approval is therefore required.
11. The properties have been declared surplus to the council's requirements by the director of regeneration on the 18 October 2016, except for 57 Elliotts Row, SE11 which was similarly declared surplus on the 19 August 2016.

KEY ISSUES FOR CONSIDERATION

12. 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 Properties will comply with these requirements.
13. It is considered that due to the current condition and associated structural problems found at the properties, a sale by auction to be the most appropriate method of sale in this instance. The auction route is also quick and transparent. Prior to the auction for each of the Properties a suitable reserve price representing market value will be agreed by the head of property in consultation with the auctioneer. A sale will only proceed if the reserve price is met or exceeded.

14. The sale of the properties to owner occupiers, developers and/or investors should ensure that they are quickly brought back into beneficial use.
15. This report recommends that the receipts from the sale of the properties be earmarked for the housing investment programme.
16. The Housing and Planning Act 2016 contains sections setting out the Government's intention to require local authorities to remit sums to them equivalent to the value of sales of higher-value void properties. The Department of Communities and Local Government (DCLG) intend to estimate this figure in advance and therefore local authorities could, if they were able, finance this by other means than void property sales. To all practical terms however, the sums involved are likely to be so great that only void sales could meaningfully realise them. It is the government's intention to part-fund the extension of right-to-buy to housing association tenants by this route.
17. Whilst an indicative matrix of trigger points by bed-size and region beyond which the definition of "higher value" was published during the 2015 general election campaign, councils were anticipating the publication of regulations setting out the formal operation of the process during autumn/winter 2016. However, in late November 2016 DCLG indicated that since the voluntary right-to-buy extension has been supplanted as a policy priority by the need to prepare for the United Kingdom's exit from the European Union, the policy has been formally postponed to some future date. The sale of the Properties recommended for disposal will therefore not be subject to the requirements of the Housing and Planning Act 2016.

Policy implications

18. The disposal of the Properties 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 current Southwark Housing Strategy adopted in 2015.
19. The disposal of the Properties 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. More recently in July 2014 Cabinet revised the value threshold for disposal and introduced the need for an additional criteria to trigger a disposal.

Effect of proposed changes on those affected

20. The sale of properties 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.

21. 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

22. As these individual property sales are considered to be non-contentious, consultation is thought not to be appropriate.
23. The proposed sale of the properties will have little or no impact on the immediate Community.

Resource implications

24. This report recommends the disposal of the Properties on the open market for a sum that equates to the individual market values of the properties. The Properties have been declared surplus to the council's housing requirement.
25. The HRA rent budget for 2016/17 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 2017/18 onward. There is a loss of rental income for these properties in 2016/17. There are no current recurring costs.
26. As these properties are 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.
27. 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.
28. There are no other risks or costs involved.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

29. 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 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.
30. As the properties fall within the Council's Housing Portfolio, the disposals 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.

31. A number of General Consents have been issued in the General Housing Consents 2013.
32. 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 enables a local authority to dispose of land for a consideration equal to its market value subject to exceptions in paragraph A3.1.2. The exceptions in paragraph A3.1.2 are disposals to a body owned or partly owned by the local authority, disposals that fall into a separate consent for reversionary interests in houses and flats and disposals that would result in a local authority tenant becoming the tenant of a private landlord.
33. The report also confirms in paragraph 11 that the properties were declared surplus to the council's requirements on the 18 October 2016, except for 57 Elliotts Row, SE22 which was declared surplus on the 19 August 2016.

Strategic Director of Finance and Governance (FC16/029)

34. This report is requesting cabinet to authorise the head of property to dispose of three properties on the open market as detailed in the report.
35. The strategic director of finance and governance notes that the properties have been declared surplus and the capital receipts generated from the disposal will be recycled into the council's housing investment programme.
36. The financial implication section also explains that the loss of rental income from the disposal has been considered as part of the housing revenue account budget setting process.
37. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	OS plans, 57 Elliotts Row, SE11 - highlighted in bold
Appendix 2	OS plans, 9 Faunce Street, SE17, - highlighted in bold
Appendix 3	OS plans, 24 Woodward Road, SE22 - highlighted in bold

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Modernisation and Performance		
Lead Officer	Eleanor Kelly, Chief Executive		
Report Author	Paul Davies, Principal Surveyor		
Version	Final		
Dated	9 March 2017		
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 Team		9 March 2017	