

Item No. 19.	Classification: Open	Date: 18 September 2018	Meeting Name: Cabinet
Report title:		Proposed Acquisition of Freehold Interest in land in the Old Kent Road opportunity area	
Ward(s) or groups affected:		Old Kent Road	
Cabinet Member:		Councillor Victoria Mills, Cabinet Member for Finance, Performance & Brexit	

FOREWORD – COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE & BREXIT

An opportunity has arisen to purchase three sites in the Old Kent Road area. In the context of the opportunity area, the Council has looked for opportunities to both strengthen its asset base and the incomes derived from it but also to secure assets which provide longer term regeneration potential. This includes their potential to provide new homes, school places, leisure and green space and workspace.

The council's property portfolio provides a vital source of income which supports our highly valued public services in this period of decreasing government funding. In the last financial year, this income was in excess of £13.5 million, contributing to both the housing revenue account and the general fund.

Having considered the income stream and yield as well as longer term potential to contribute towards the regeneration of the Old Kent Road opportunity area, including our commitments set out in the Old Kent Road Area Action Plan to deliver additional school places, green space and leisure and community facilities, I am recommending that cabinet approves the acquisition.

RECOMMENDATIONS

- 1 That cabinet approve the acquisition of the freehold interests in three sites in the Old Kent Road opportunity area, subject to completing due diligence and the agreement of Final Heads of Terms.
- 2 That cabinet delegate to the strategic director of place and wellbeing, advised by and in consultation with the strategic director of finance and governance and head of property, authority to:
 - a) Note the outcome of the due diligence process and proceed with the acquisition, provided that the findings do not undermine the purpose of the acquisition.
 - b) Negotiate terms and enter into binding contracts for the purchase of the freehold interests in the proposed acquisition land and thereafter to complete the purchase;
 - c) Agree the financing structure adopted to fund the acquisition of the assets.

BACKGROUND INFORMATION

- 3 Rent from commercial property assets is a crucial funding source for council services. The council's five year Asset Management Plan, agreed in December 2016, provides a framework for the management of the council's commercial properties. Commercial property assets generated in excess of £11 million in 2016/17, with approximately 65% of this income benefiting the Housing Revenue Account and the remainder being received into the General Fund.
- 4 In some cases the council's freehold ownership provides strategic, regeneration and new homes opportunities where it is viable to do so. In December 2017 the council published the revised draft area action plan for the Old Kent Road which sets out an ambitious vision for regeneration over a period of 20 years or so. The plan envisages growth of around 20,000 new homes and a significant uplift in jobs. In the context of the opportunity area, officers have looked for opportunities to both strengthen the asset base and incomes derived from it and also secure assets which provide longer term regeneration potential. This includes their potential to provide new homes, school places and workspace.

KEY ISSUES FOR CONSIDERATION

- 5 An opportunity has been identified to acquire three sites in the Old Kent Road opportunity area, the acquisition of which will result in the benefit improvement and development of the area.

Sale process

- 6 The council has approached the vendors "off-market". Notwithstanding the fact that the sites have not been actively marketed, officers are aware of at least two other potential purchasers looking to assemble the land. Provisional offers have been submitted on behalf of the council but conditional upon the formal consent of the council's cabinet. Offers on two of the sites have been accepted. The council is awaiting a response to its offer on the third site. The offers have been made on the basis of the income that the sites currently produce and longer term redevelopment opportunities.

Rationale for investment

- 7 The rationale for the council to invest is as follows:
 - An established income stream;
 - A reasonable yield;
 - Opportunities for longer term redevelopment for a mix of uses including opportunities for a new school, new homes and employment, in accordance with the emerging area action plan for the Old Kent Road opportunity area.
- 8 As with any investment there is risk. However the interest from developers in obtaining sites in the Old Kent Road opportunity area following the announcement of the Bakerloo Line extension is driving land values upwards. In acquiring this land there is future investment and strategic potential in an attractive and regenerating location, in the Old Kent Road opportunity area.

Community impact statement

- 9 In preparing the Old Kent Road area action plan (AAP), the council has completed an equalities analysis for the Old Kent Road opportunity area. Any reuse or redevelopment of the proposed acquisition land will occur in the context of the emerging framework for the Old Kent Road and will need to comply with policies in the AAP. In formulating the recommendations of this report the potential impact on the community has been taken into account, including people identified as having protected characteristics. No specific equality implications have been identified in relation to this report.

Financial Implications

- 10 See closed report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

- 11 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 120 of the Local Government Act 1972 is a pre-commencement statute which imposes limitations.
- 12 Section 120 (1) of the Local Government Act 1972 (The Act”) enables a principal council to acquire by agreement any land, whether situated inside or outside their area , for the purposes of:-
- (a) any of their functions under that or any other enactment, or
 - (b) the benefit, improvement or development of their area.
- 13 The report indicates in paragraph 5 that the acquisitions will result in the benefit, improvement and development of the area.
- 14 Section 120 (2) of the Act states that a principal council may acquire by agreement any land for any purpose for which they are authorised by that or any other enactment to acquire land, notwithstanding that the land is not immediately required for that purpose; and, until it is required for the purpose for which it was acquired any land acquired under that subsection may be used for the purpose of any of the council's functions.

Strategic Director of Finance and Governance

- 15 See closed report.

BACKGROUND DOCUMENTS

Background paper	Held at	Contact
Asset Management Plan for the Commercial Property Estate	160 Tooley Street	
Link: Copy and paste into your browser:		
http://moderngov.southwark.gov.uk/documents/s65510/Report%20Asset%20Management%20Plan%20for%20the%20Commercial%20Property%20Estate.pdf		
Draft Old Kent Road area action plan	160 Tooley Street	
Link: Copy and paste into your browser:		
http://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/development-plan/area-action-plans?chapter=2		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Victoria Mills, Cabinet Member for Finance, Performance & Brexit		
Lead Officer	Professor Kevin Fenton, Strategic Director of Place and Wellbeing		
Report Author	Tim Cutts, Senior Regeneration Manager, Regeneration Old Kent Road		
Version	Final		
Dated	7 September 2018		
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			7 September 2018