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| Item No. | Classification: Open | Date: 02/12/03 | MEETING NAME: Executive |
| Report title: | | Disposal of properties at auction | |
| Ward(s) or groups affected: | | Village, East Dulwich, East Walworth, Livesey | |
| From: | | Strategic Director of Regeneration | |

RECOMMENDATION(S)

1. That the Executive authorise the Strategic Director of Regeneration to dispose of the Council's interest in various properties at auction, as detailed in the schedule attached in appendix B (the "Properties").
2. That the Executive authorise the Strategic Director of Regeneration to set the level of reserve below which each property will not be sold.
3. That the Executive authorise that the capital receipt from the sale of the Properties is recycled and used in accordance with the provisions of the Capital Finance Regulations for the purposes of the schemes identified in the schedule attached in appendix B.
4. That the Executive authorise the recovery from the purchaser of the Council's professional fees amounting to 2% of the purchase price for each property.

BACKGROUND INFORMATION

5. The Properties are held by various departments, see schedule attached. In all cases substantial capital investment is required to bring them back into beneficial use.
6. Authority to sell is delegated to the Development & Regeneration Business Unit Manager in individual cases where sale prices are below £250,000. It is considered that the sale price of each property identified in this report will exceed this limit and therefore specific authority is required.
7. The Director of Housing has already declared, where appropriate, properties surplus to requirements. The other properties have also been declared surplus by the relevant Director. All are identified in bold in the attached Ordnance survey extracts within Appendix C.

KEY ISSUES FOR CONSIDERATION

8. The disposal of the Properties will ensure they are bought back into beneficial use through private developers or owner/occupiers, relieving the Council from its obligation to do so. In addition it will alleviate the Council of the costs of security whilst generating a substantial capital receipt.
9. In order to comply with the Capital Finance Regulations, whereby the Council is permitted to recycle 100% of the capital receipt, it is necessary to specify the scheme for which the money is to be used. If the scheme is not specified then the normal capital controls apply and 75% of the receipt will be set aside for debt redemption leaving only 25% available to fund capital projects. Where specified a suitable scheme has been identified and is detailed in the attached schedule.
10. The disposal of properties held for housing purposes is permitted by virtue of Section 32 of the Housing Act 1985, subject to the consent of the First Secretary of State of the Office of the Deputy Prime Minister, where necessary. The disposal of the non-housing properties is permitted in accordance with the provisions of section 123 of the Local Government Act 1972 ("the 1972 Act").

Policy implications

11. Where specified the disposal of the Properties will generate a substantial capital receipt, which will be recycled to provide funding for the provision, refurbishment or redevelopment of affordable housing. This assists the Council meet its commitment to regeneration and sustainability in housing as demonstrated through the 1998-2005 Southwark Housing Strategy.

Agenda 21

12. The approval to dispose of the properties will have no agenda 21 implications.

Effect of proposed changes on those affected

13. There are no direct implications of the report's recommendations on the Council's Managing Diversity and Equal Opportunities Policy.

Resource implications

14. A minimum capital receipt will be generated from the sale of each of the properties, which will equate to the reserve price to be set.
15. Where identified 100% of the capital receipt from these disposals will be recycled for nominated schemes. In the case of 1B Ilderton Road, Capital Finance Regulations dictate that 75% of the receipt attributable to the residential element will be set aside to contribute to the Council's loan debt, with 25% made available to finance the Council's capital expenditure programme. The proportion attributable to the commercial element will have 50% set aside and 50% useable.
16. The Council's professional fees amounting to 2% of the purchase price for each property will be recovered from the purchaser.

Budget issues

17. None for the purposes of this report.

Staffing issues

18. The disposal of the Properties will be dealt with by the Development and Regeneration business unit within the Council's Property Division. There are no further resource implications resulting from the above recommendations.

Consultation

19. This report relates to the disposal of Council owned property requiring repair and refurbishment or major capital expenditure. This matter is not considered to be contentious and therefore consultation is not appropriate in this instance.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Borough Solicitor & Secretary

20. The Executive is recommended to authorise the Strategic Director of Regeneration to;

- a. Dispose of the Council's Freehold interest in the properties listed in the Schedule attached to Appendix B to this report ("the Properties");
 - b. Authorise the Strategic Director of Regeneration to set the level of reserve below which each of the Properties will not be sold;
 - c. Authorise that the Capital Receipt on the sale of each of the Properties, be recycled and used in accordance with the provisions of the Capital Finance Regulations for the purposes of the schemes identified in the Schedule attached to Appendix B to this report and
 - d. Authorise the recovery from the purchaser of each of the Properties of the Council's professional fees amounting to 2% of the purchase price obtained for each of the Properties.
21. The Executive will note from paragraph 7 of this report that the Properties, 28 Peckham Road and 221 Lordship Lane have been declared surplus to operational requirements ("the Non-Housing Properties") and the Director of Housing has declared the remainder of the Properties ("the Housing Properties") surplus to operational requirements.
- 22 The Executive is advised, in respect of the Non-Housing Properties, that Section 123 (1) of the Local Government Act 1972 ("the 1972 Act") provides that a Council may dispose of land held by them in any manner they wish and Section 123(2) of the 1972 Act provides that except with the consent of the Secretary of State, the Council shall not dispose of land under this Section otherwise than by way of a short tenancy, at a consideration for less than the best that can reasonably be obtained.

The Executive is advised, in respect of the Housing Properties, that as they are held by the Council as housing land, the disposal shall proceed in accordance with Section 32 of the Housing Act 1985. ("the 1985 Act"). The First Secretary of State of the Office of the Deputy Prime Minister ("ODPM") issued a number of General Consents for the disposal of housing land without obtaining consent under Section 32 of the 1985 Act.

Under General Consent A5.1.1 the disposal of vacant housing land, either one house or flat or a vacant converted house, is permitted to any person for a consideration equal to its market value, provided that the purchaser (alone or with others) has not under the same Consent acquired another dwelling house from the Council previously in the same financial year. As the identity of the purchasers will not be known until after the Auction, it is not certain that a disposal will fall under this Consent. If it does not then the Consent of the ODPM in accordance with Section 32 of the 1985 Act will need to be obtained prior to

completion of the sale of the Housing Properties.

23. In respect of the Non-Housing Properties, the Executive is advised that provided that the level of reserve to be set represents the best consideration for the purposes of the 1972 Act, the Executive may approve the recommendations set out in paragraphs 1-4 of this report.

In respect of the Housing Properties, the Executive is advised that provided that the level of reserve set represents market value in accordance with Section 32 of the 1985 Act and that the proposed disposals fall within General Consent A5.1.1 or that the specific consent of the ODPM is obtained (whichever applies), the Executive may approve the recommendations set out in paragraphs 1-4 of this report.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|------------------------|---|------------------------------|
| | | |
| | | |
| Property Division file | Property Division. Chiltern House Portland St | Paul Davies 020 7525 5529 |
| | | |
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APPENDIX A
AUDIT TRAIL

| | | |
|---|--|--------------------------|
| Lead Officer | <i>Paul Evans – Strategic Director of Regeneration</i> | |
| Report Author | <i>Paul Davies – Property Division</i> | |
| Version | <i>Final</i> | |
| Dated | <i>18/11/03</i> | |
| Key Decision? | Yes | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER | | |
| Officer Title | Comments Sought | Comments included |
| Borough Solicitor & Secretary | Yes | Yes |
| Chief Finance Officer | No | No |
| Director of Housing | Yes | No |
| Executive Member | Yes | No |
| Date final report sent to Constitutional Support Services | 19 th Nov 03 | |

APPENDIX B

SCHEDULE OF PROPERTIES TO BE INCLUDED IN AUCTION

APPENDIX C

ORDNANCE SURVEY EXTRACTS

| ADDRESS | TYPE | DECLARED SURPLUS | CAPITAL RECYCLING |
|--------------------------|--|--|--|
| 221 Lordship Lane, SE22. | Vacant Freehold property formerly used as an advice centre and ancillary offices. | Southwark Strategic Services declared this surplus to requirements on the 11 th October 2002 | None specified, but under the terms of the Capital Finance Regulations 100% of the receipt is useable. |
| 1B Ilderton Road, SE16 | Vacant Freehold property with Ground Floor retail accommodation and self contained flat above. | The Director of Housing declared this surplus on the 15 th September 2003 | Not applicable. The sale of this property will generate a capital receipt. Under Capital Finance Regulations 75% of the receipt attributable to the residential element will be set aside to contribute to the Council's loan debt, with 25% made available to finance the Council's capital expenditure programme. The proportion attributable to the commercial element will have 50% set aside and 50% useable. |
| 6 Trafalgar Avenue, SE15 | Vacant Freehold terraced House. | Former Shortlife property declared surplus by Housing and approved for disposal by Ratification Committee on 03 July 2000. Subsequent report authorising capital recycling approved by Executive 2002. | The capital receipt generated will be used to part fund a new development of affordable homes at Underhill Road by Hexagon Housing Association. |
| 69 Burbage Road, SE24 | Vacant Leasehold house with assignable rights to enfranchise | Approved by Housing Committee on the 13 June 1990 and extended by the Housing and Land investment committee on 11 November 1991 | The capital receipt generated will be used to fund part of the refurbishment of the East Dulwich Estate. In the event that this project does not proceed then the receipt will be allocated to another scheme for the purposes of social housing. |
| 72 Burbage Road, SE24 | Vacant Leasehold house with assignable rights to enfranchise | Approved by Housing Committee on the 13 June 1990 and extended by the Housing and Land investment committee on 11 November 1991 | The capital receipt generated will be used to fund part of the refurbishment of the East Dulwich Estate. In the event that this project does not proceed then the receipt will be allocated to another scheme for the purposes of social housing. |
| 100 Burbage Road, SE24 | Vacant Leasehold house with assignable rights to enfranchise | Approved by Housing Committee on the 13 June 1990 and extended by the Housing and Land investment committee on 11 November 1991 | The capital receipt generated will be used to fund part of the refurbishment of the East Dulwich Estate. In the event that this project does not proceed then the receipt will be allocated to another scheme for the purposes of social housing. |

