

<b>Item No.</b> 17.	<b>Classification:</b> Open	<b>Date:</b> 18 January 2022	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Barnwell House, St Giles Road, Camberwell, London SE5 7RP – Disposal of Freehold Interest	
<b>Wards affected:</b>		St Giles	
<b>From:</b>		Councillor Helen Dennis, Climate Emergency and Sustainable Development	

## **FOREWORD - COUNCILLOR HELEN DENNIS CABINET MEMBER FOR CLIMATE EMERGENCY AND SUSTAINABLE DEVELOPMENT**

This report proposes the sale of the council's freehold interest in Barnwell House, St Giles Road, Camberwell, London SE5 7RP to Peabody, who currently let out the 22 properties there at social rent. Peabody have had a long lease on this property, which is situated in a conservation area, since 1985, and would like to acquire the freehold in order to continue providing these properties for their tenants. This decision will allow current arrangements to continue and will generate a capital receipt for the council, which can be used among other things to support the delivery of new homes and community infrastructure. A covenant has been agreed that will protect a proportion of existing units as socially rented accommodation, and ensure that any future redevelopment delivers socially rented homes. It also proposes that responsibility for ensuring that the council receives best consideration for this property is delegated to the Head of Property, in accordance with council policy.

## **RECOMMENDATIONS**

That the Cabinet authorises

1. The Head of Property to agree terms to dispose of the council's freehold interest in Barnwell House, St Giles Road, Camberwell, London SE5 7RP to Peabody as outlined within the closed report.
2. The earmarking of the capital receipts for the purposes of funding the Council's Capital Programme.
3. The Head of Property to carry out any further negotiations with the purchaser which may be required prior to completion of the transaction.

## **BACKGROUND INFORMATION**

4. Barnwell House comprises a post war collection of 3 and 4 storey buildings situated on the corner of St Giles Road and Brunswick Villas, opposite Brunswick Park, SE5. The Property benefits from generous and well-kept amenity space as well as a residents car park. The Property is identified in bold outline on the attached Ordnance Survey extract, at Appendix 1

5. This residential block contains 22 two and three bedroom flats let by Peabody on secure and assured tenancies. These flats are let at social rents as set out in a schedule detailed in the closed report.
6. Barnwell House was originally constructed and occupied as 'married staff accommodation' for the Metropolitan Police in the early 1950's. The Property then passed to the Council in the 1980's who in turn granted a long lease to Peabody who have managed and maintained it continuously since then. Externally the buildings appear to be in a reasonable condition given their age and specification. However internally and based on a sample inspection of flats these differ substantially in condition with some requiring complete redecoration and renewal of kitchen and bathroom fittings.
7. The Property has been let on a 35 year lease to Peabody since 1985 and is currently subject to a lease extension on the same terms ending on the 31 March 2022.
8. Peabody has a long history of providing homes for those in need within the borough, throughout London and far beyond. Its relationship with Southwark Council is strong and productive. Peabody draws upon 150 years of history and expertise. As well as a housing provider they also deliver an extensive range of community programmes.
9. The rent payable under the lease to the council is set out in a prescribed form and comprises the sum of all rents received by the tenant from the sub tenants minus various allowances including charges for repairs, maintenance and management.
10. A summary of the rent received by the Council during the period <sup>t</sup> April 2015 to 31 March 2020 is set out in a schedule in the closed report. The rent for the remaining period of occupation is yet to be agreed between the parties.
11. The Property is held in the council's general Fund.
12. A valuation of the Property was commissioned by the council's property team in 2019 to inform negotiations. The latest update to that valuation carried out by the Council's property consultants Lambert Smith Hampton (LSH) was produced in January 2020. An executive summary of this is included in the closed report. A further update has not been sought from since then.
13. Authority to sell is delegated to the Head of Property in individual cases where the sale price is below a set council threshold. The sale price of the Property will significantly exceed this £750,000 limit and cabinet approval is therefore required in this instance.
14. The Property has been declared surplus to the council's requirements by the Director of Planning and Growth.

## **KEY ISSUES FOR CONSIDERATION**

15. 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 freehold in Barnwell House, St Giles Road on the terms outlined in the closed report will comply with these requirements.
16. The subject property has not been openly marketed however an independent valuation by external valuers which supports the agreed terms has been obtained.
17. Peabody throughout the negotiations has consistently maintained that they have no current plans to redevelop the Property. Appropriate sales overage and clawback provisions have been negotiated between the parties and will form part of the sales contract to protect the council's position in the unlikely event that Peabody sells on the Property or decides to redevelop it in the future.
18. A covenant has also been agreed that will protect a significant proportion of the existing units as socially rented accommodation until such time as the Property may one day be redeveloped.
19. During the course of negotiations a number of other options were examined, appraised and dismissed including the grant of a long lease and the possible reservation of rights by the council to build on top of the existing structures. The course of action outlined and recommended in this report was developed in consultation with the Strategic Director of Housing and Modernisation as well as ward Councillors.
20. The terms of the proposed transfer of the freehold interest to Peabody has been scrutinised and appraised by the councils Asset Investment Board. This board comprises officers, cabinet members and external consultants when required. It was initially constituted to provide the necessary governance, direction and oversight in investment processes. This was the first time the board had considered a potential disposal of a council asset.
21. Each party will be responsible for their own professional fees incurred in this matter.

### **Policy framework implications**

22. The disposal of the Property will generate a substantial capital receipt, which will be used to provide capital funding in support of the council's key priorities. This includes facilitating and supporting Southwark's ambitious new council homes programme in relation to the provision of non-residential elements such as new schools, community facilities and affordable workspace.
23. The Head of Property advises that the recommended terms represent best

consideration reasonably obtainable for this transaction. This therefore meets the council's statutory duties under Section 123 of the Local Government Act 1972.

## **Community, equalities (including socio-economic) and health impacts**

### **Community impact statement**

24. The Equality Act 2010 requires the council in the exercise of its functions to have due regard to the need to :
  - a. Eliminate discrimination;
  - b. Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
  - c. Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
  
25. Relevant protected characteristics for the purposes of the Equality Act are :
  - a. Age
  - b. Civil partnership or marriage
  - c. Disability
  - d. Gender reassignment
  - e. Pregnancy and maternity
  - f. Race
  - g. Religion or belief
  - h. Sex or sexual orientation.
  
26. In order to discharge its public sector equality duty, in considering the recommendations of this report the Cabinet must have due regard to the possible effects of them on any groups sharing a protected characteristic. This is an ongoing obligation.
  
27. The decision is believed to have minimal impact on the residents of Barnwell House as well as local people and communities. However, the capital receipt to be realised as a result of the transaction will assist with delivery of the council's corporate objectives, achieving its stated budget principles and working together with communities towards a 'fairer future for all'.
  
28. Peabody has recently (October 2021) undertaken a resident consultation exercise at Barnwell House. There were no responses or replies to this. This also included an online consultation session in October where no residents attended.

### **Equalities (including socio-economic) impact statement**

29. An equality and health impact analysis of the proposed decision has been undertaken

### **Health impact statement**

30. There are no Health impacts arising as a result of the decisions recommended by this report.

### **Climate change implications**

31. There are no climate change impacts arising as a result of the decisions recommended by this report.

### **Resource implications**

32. The disposal of this property will bring in a capital receipt to fund council's capital programme. This ambitious programme includes supporting and enabling Southwark's new council homes programme in the provision of non-residential elements such as educational facilities, community infrastructure and affordable work space .
33. The Properties have been declared surplus to the council's requirement by the Director of Planning and Growth.
34. Disposals expenditure would include reasonable incidental management and legal charges which would be reimbursed from receipts.
35. There will a loss of rental income as a result of this disposal which will be contained within the overall property services budgets. The transfer of the freehold will not be completed until all outstanding rent, as mentioned in closed version of the report, has paid to the council.
36. There are no other risks or costs involved.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

#### **Director of Law and Governance**

37. Section 1, Localism Act 2011 grants councils a general power of competence whereby a local authority has the 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 statute which imposes limitations on the Council's power of disposal.
38. Section 123, Local Government Act 1972 states that except with the consent of the Secretary of State, a council shall not dispose of land under that section otherwise than by way of a short tenancy for a consideration less than the best that can be reasonably be obtained.
39. The report confirms that external professional advice has been obtained concerning the market value for the site and that this represents best consideration. Cabinet may therefore proceed with the approval of the recommendation

## **Strategic Director of Finance and Governance (CE21/053)**

40. This report is requesting Cabinet to authorise the Head of Property to agree terms to dispose of the council's freehold interest in Barnwell House, St Giles Road, Camberwell, London SE5 7RP to Peabody as outlined within the closed report and to carry out any further negotiations with the purchaser which may be required prior to completion of the transaction.
41. This report is also requesting Cabinet to authorise earmarking of the capital receipts for the purposes of funding the Council's Capital Programme.
42. The Strategic Director of Finance and Governance notes that the property has been declared surplus by the Director of Planning and Growth. It is also noted that professional advice is being sought from Lambert Smith Hampton to assess the market value of the property. The capital receipts generated from the disposal will be recycled into the capital programme to fund projects in line with council priorities.
43. The Strategic Director of Finance and Governance also notes that there will be loss of income (as set out in the closed report) as a result of this disposal which will be contained within the overall property services budgets and notes that the transfer of the freehold will not be completed until all outstanding rent, as mentioned in closed report, has paid to the council.
44. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

### **VAT implications from Corporate Finance**

45. The disposal of a General Fund categorised property asset at Barnwell House, SE15 2DW will generate capital receipts due to the council (in excess of £750,000), which will be exempt from VAT (no VAT payable) as the property is residential accommodation.

## **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
None		

## APPENDICES

No.	Title
Appendix 1	OS plan, indicating the property - highlighted in bold

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Helen Dennis, Climate Emergency and Sustainable Development		
<b>Lead Officer</b>	Eleanor Kelly, Chief Executive		
<b>Report Author</b>	Paul Davies, Principal Surveyor		
<b>Version</b>	Final		
<b>Dated</b>	6 January 2022		
<b>Key Decision?</b>	Yes		
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>			
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>	
Director of Law and Governance	Yes	Yes	
Departmental Finance Manager	Yes	Yes	
<b>Cabinet Member</b>	Yes	Yes	
<b>Date final report sent to Constitutional Team</b>			6 January 2022