

Item No. 7.	Classification: Open	Date: 21 September 2010	Meeting Name: Cabinet
Report title:		5 Trossachs Road, SE22 and 7 Hayles Street, SE11 – Disposal of Freehold interests	
Ward(s) or groups affected:		Village and Cathedrals	
Cabinet Member:		Cabinet Member for Finance and Resources	

FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE AND RESOURCES

1. This report proposes the disposal of two residential street properties. In both cases, I am advised that the cost of bringing these units back into use as council housing is prohibitive - over £100,000 in each case. The receipts from these properties (over £400,000 for each) will be usable in the Housing Investment Programme to contribute towards the council's commitment to make every council home warm, dry and safe.
2. I have fully considered the report from officers. I put forward the following recommendations:

RECOMMENDATIONS

That the Cabinet authorises

3. The Head of Property to dispose of the council's freehold interests in 5 Trossachs Road, SE22 and 7 Hayles Street, SE11 (the "Properties"), either by auction or an alternative method of sale, for a consideration not less than the best that can reasonably be obtained.
4. The Head of Property to set the levels of reserve, below which the properties will not be sold, prior to any sale at auction; or, in the event of an alternative method of sale, set the minimum prices at sums that equate to the best consideration that can reasonably be obtained.
5. The capital receipts from the sale of the Properties to be recycled and used in accordance with the provisions of the capital finance regulations for the purposes of the Housing Investment Programme as identified in the Finance Director's concurrent report below.

BACKGROUND INFORMATION

6. On the 17 March 2009 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.

7. The properties have been identified as suitable for disposal, as they meet the requirements of the criteria set out in the 17 March 2009 Executive report: i.e. each has a value in excess of £400,000.
8. 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'.
9. In the case of 5 Trossachs Road, the property comprises an unoccupied two and three storey Victorian linked semi-detached property, currently arranged as two self-contained flats. It is in a dilapidated condition, internally and externally, and requires substantial investment to make it properly habitable. 7 Hayles Street is an end-of-terrace Victorian property currently arranged as a two self-contained flats. The properties are identified in red outline on the attached Ordnance Survey extracts, at appendix A.
10. It is considered that the preferred and most appropriate course of action, if the properties were to be retained, would be to de-convert them into single family units. It is estimated that de-conversion would cost £150-£180,000 for each property and would take six months on site.
11. Both properties are currently empty, at risk of further deterioration and being squatted.
12. The properties are held in the Housing Revenue Account (HRA).
13. Authority to sell is delegated to the Head of Property in individual cases where sale prices are below £500,000. The sale prices of these properties should exceed this limit and Cabinet approval is therefore required.
14. The properties have been declared surplus to the council's requirements by the Director of Regeneration and Neighbourhoods.

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 requirements. The sale of these properties will comply with these requirements.
16. The properties are likely to be offered for sale at auction, the earliest date being 26 October 2010. However, if the Head of Property considers that another method of sale will yield a higher capital receipt, then he may use alternative means of sale.
17. The sale of the properties to owner occupiers, developers and/or investors should ensure that they are quickly brought back into beneficial use.

18. The council has sufficient unused Capital Allowance (an approved sum representing the cost of our programme of affordable housing and regeneration) to retain 100% of the (non-Right to Buy) receipts generated by this disposal. Earmarking to fund particular schemes is proposed in the Finance Director's concurrent report below.

Policy implications

19. The disposal of these properties will generate substantial capital receipts, 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 2009-2016 Southwark Housing Strategy.
20. The disposal of these 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'.

Effect of proposed changes on those affected

21. 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.
22. Increased investment into Southwark's stock to meet the higher Decent Homes standard 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

23. As these individual property sales are considered to be non-contentious, consultation is thought not to be appropriate.

Resource implications

24. The minimum capital receipts generated from the sales will equate to the reserve prices, to be set prior to auction; or, in the event of alternative methods of sale, sums that equate to the best consideration that can reasonably be obtained.
25. In the event that the Properties are offered for sale at auction, the council's professional fees amounting to 2% of the purchase price for each property will be recovered from the purchasers in the form of a buyer's premium.
26. The sale of the Properties will be dealt with by the council's Property Division.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

27. As the properties fall within the council's Housing portfolio, the disposal can only proceed in accordance with Section 32 of the Housing Act 1985 (as amended), for which purposes the consent of the Secretary of State for Communities and Local Government is required.
28. However, a number of General Consents have been issued in the General Housing Consents 2005. Consent A5.1.1 states that a local authority may, subject to the provisions of that consent, dispose of one vacant house or vacant flat or vacant converted house to any individual for a consideration equal to its market value, provided that the purchaser (alone or with others) has not, under consent A.5.1.1 acquired another dwelling-house from the authority previously in the same financial year.
29. The Cabinet is advised that – provided that the Head of Property is satisfied that the disposal will be made in accordance with the requirements of Consent A.5.1.1, and further, in the event of a sale at auction, ensures that the auction contract is made explicit that, in the event that the purchaser does not qualify under the terms of the above consent, the contract can be rescinded by the council – the recommendations may be approved.

Finance Director

30. This report recommends the disposal of the two indicated HRA properties (paragraph 3) at auction, or by an alternative method of sale. The receipts from their disposal will be recycled, in accordance with the Capital Finance Regulations, into funding both the Housing Investment Programme to deliver Southwark's Decent Homes Standard, to deliver new housing through a Hidden Homes strategy, and potentially some new build.
31. There is no current or prospective loss of rental income, as both properties are currently void.
32. The Finance Director expects that the auction reserve prices, and/or the selling prices, will be close to the current market value estimates for the two properties, and that reasonable management, legal and marketing expenses that might have been incurred may be recovered using the formula set out in paragraph 25.
28. The Finance Director also takes note that the properties have been declared surplus to the council's housing requirements as per paragraph 14.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
5 Trossachs Road, SE22 and 7 Hayles Street, SE11	Development Team, Property Division, 160 Tooley Street, SE1 2TZ	Paul Davies on 020 7525 7221

APPENDICES

No.	Title
Appendix A	OS plans, indicating the properties

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Cabinet Member for Finance and Resources	
Lead Officer	Richard Rawes, Strategic Director of Regeneration and Neighbourhoods	
Report Author	Steve Platts, Head of Property & Paul Davies – Principal Surveyor	
Version	Final	
Dated	9 September 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		9 September 2010