

Item No. 16.	Classification: Open	Date: 19 July 2011	Meeting Name: Cabinet
Report title:		42 Sharsted Street, London SE17 – Disposal of Freehold interest	
Wards affected:		Newington	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

This report proposes the sale of the council's freehold interest in 42 Sharsted Street, SE17, with the capital receipt being earmarked for the Housing Investment Programme. 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.

The property is currently empty, and is both at risk of deterioration and being squatted. The sale of this property is consistent with both the council's void strategy agreed in March 2009 (as part of the report on Capital Income Generation for the Housing Investment Programme and Hidden Homes) and the May 2011 void disposal Strategy.

RECOMMENDATIONS

That the Cabinet authorises

1. The Head of Property to dispose of the council's freehold interest in 42 Sharsted Street, SE17 (the "Property"), for a sum that equates to the best consideration that can reasonably be obtained.
2. The earmarking of the capital receipt 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. The Property has been identified as suitable for disposal, as it meets the value requirements of the amended criteria set out in the 31 May 2011 Cabinet decision which reviewed the void strategy. i.e. it is considered that it has a value in excess of £300,000.
6. The Property comprises an unoccupied three storey Victorian terraced house. It is in a fair condition, internally and externally but would benefit from some updating of the kitchen and bathroom. The Property is identified in red outline on the attached Ordnance Survey extract, at appendix 1.
7. The Property is currently empty, and at risk of deterioration and being squatted.
8. The Property is held in the Housing Revenue Account (HRA).
9. 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 exceed this limit and Cabinet approval is therefore required.
10. The Property has been declared surplus to the council's requirements by the Strategic Director of Regeneration and Neighbourhoods.

KEY ISSUES FOR CONSIDERATION

11. 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 the Property will comply with these requirements.
12. The Property is currently being marketed through Daniel Cobb who are a long established Kennington based firm of estate agents. The Property will be actively marketed for a minimum of twenty eight days before any bids will be considered by the council. Depending on the level of interest informal tender may be used to identify the highest bidder. However, if the Head of Property considers that another method of sale will yield a higher capital receipt, then he may revert to an alternative means of sale.
13. The sale of the Property to owner occupiers, developers and/or investors should ensure that it is quickly brought back into beneficial use.
14. This report recommends that the receipt from the sale of the Property be earmarked for the Housing Investment Programme.

Policy implications

15. 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 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.
16. The disposal of the Property 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.

Effect of proposed changes on those affected

17. 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.
18. 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

19. As this individual property sale is considered to be non-contentious, consultation is thought not to be appropriate.
20. The proposed sale of this individual property will have little or no impact on the immediate Community.

Resource implications

21. This report recommends the disposal of the Property on the open market for a sum that equates to the best consideration that can reasonably be obtained. The Property has been declared surplus to the council's housing requirement.
22. The HRA rent budget for 2011/12 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 2012/13 onward. The loss of rental income for this property in 2011/12 is £5,336. There are no current recurring costs.
23. As the Property is 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, 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.

24. 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.
25. There are no other risks or costs involved.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

26. As the property falls within the council's housing portfolio, the disposal 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.
27. A number of general consents have been issued in the General Housing consents 2005. Consent A5.1.1 of the general consent for the disposal of Part II dwelling-houses 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 the consent in the paragraph A5.1.1 acquired another dwelling-house from the authority previously in the same financial year.
28. The report confirms that the property is vacant. The Head of Property will need to ensure that the disposal price is equal to its market value.
29. In order to comply with Consent A5.1.1 the council will also need to ensure that the purchaser confirms in the agreement for sale that they have not (alone or with others) purchased another property from the council in the same financial year.
30. The report indicates in paragraph 12 that the Strategic Director of Regeneration and Neighbourhoods has declared the Property surplus to the council's requirements.
31. Cabinet may proceed with the approval of the recommendation.

Finance Director

32. The Finance Director supports the disposal of this property at best consideration and notes that the capital receipt is to be earmarked for the Housing Investment Programme. The impact of this disposal on the Housing Revenue Account has been considered as part of the overall void strategy impact assessment.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
42 Sharsted Street, SE17	Paul Davies Development Team, Property Division, 160 Tooley Street, SE1 2QH	Paul Davies on 020 7525 5529

APPENDICES

No.	Title
Appendix 1	OS plans, indicating the property

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Cabinet Member for Finance, Resources and Community Safety	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Paul Davies, Principal Surveyor	
Version	Final	
Dated	8 July 2011	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law and Governance	Yes	Yes
Departmental Finance Manager	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Support Services	8 July 2011	