

<b>Item No.</b> 17.	<b>Classification:</b> Open	<b>Date:</b> 20 September 2011	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		22 Champion Grove, SE5 and 11 Desenfans Road, SE21 – Disposal of Freehold interest	
<b>Wards affected:</b>		South Camberwell and Village	
<b>From:</b>		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 22 Champion Grove, SE5 and 11 Desenfans Road, SE21 with the capital receipts being earmarked for the Housing Investment Programme. It also proposes that responsibility for ensuring that the council receives best consideration for these properties is delegated to the head of property, in accordance with council policy.

The properties are currently empty, and are 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 22 Champion Grove, SE5 and 11 Desenfans Road, SE21 (the "Properties"), for a sum that in each case equates to the market value of the property.
2. The earmarking of the capital receipts 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 Properties have been identified as suitable for disposal as they meet 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 each of the properties has a value in excess of £300,000.
6. 22 Champion Grove comprises a three storey Victorian end of terrace house. It is currently arranged as two self contained units. It is in a fair condition internally and externally but would benefit from some updating of the kitchen and bathroom. 11 Desenfans Road is a two storey semi detached Edwardian house. It is in a similar condition to Champion Grove. The Properties are identified in outline on the attached Ordnance Survey extracts at Appendix 1.
7. 22 Champion Grove is currently protected by 'live in' guardians, without which it would be at further risk of deterioration and becoming squatted.
8. The Properties are held in the Housing Fund (HF).
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 Properties will exceed this limit and cabinet approval is therefore required.
10. The Properties have 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, council's are required to dispose of surplus property assets subject to best consideration and/or market value requirements. The sale of the Properties will comply with these requirements.
12. 22 Champion Grove is currently being marketed through Roy Brookes who are a long established Southwark 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. 11 Desenfans Road will shortly be marketed in a similar way with a yet to be appointed Dulwich based firm of estate agents.
13. The sale of the Properties to owner occupiers, developers and/or investors should ensure that they are quickly brought back into beneficial use.
14. This report recommends that the receipt from the sale of the Properties be earmarked for the Housing Investment Programme.

## **Policy implications**

15. The disposal of the Properties 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 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'. 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 HF 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 these individual property sales are considered to be non-contentious, consultation is thought not to be appropriate.
20. The proposed sale of these individual properties will have little or no impact on the immediate community.

## **Resource implications**

21. This report recommends the disposal of the Properties on the open market for a sum that equates to the market value of the properties. The Properties have been declared surplus to the council's housing requirement.
22. The HF 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. There is a loss of rental income for these properties in 2011/12. There are no current recurring costs.
23. As these Properties are 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 Properties all fall 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 properties are vacant. The head of property will need to ensure that the disposal price for each of the Properties is equal to its market value and the report sets out at paragraph 12 how this will be done.
29. In order to comply with Consent A5.1.1 the council will also need to ensure that the purchaser of each of the Properties 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. It is not considered likely that any one purchaser would be interested in purchasing more than one of the Properties.
30. The report indicates in paragraph 10 that the strategic director of regeneration and neighbourhoods declared the Properties surplus to the council's requirements.
31. If cabinet is satisfied that the requirements of the general consent have been satisfied cabinet may proceed with the approval of the recommendation

### **Departmental Finance Manager**

32. This report proposes that cabinet approve the sale of the council's freehold interests in 22 Champson Grove SE5 and 11 Desenfans Road SE21, with the capital receipts being earmarked for the Housing Investment Programme. This forms part of the council's void strategy as per paragraph 23. It is understood that the council will endeavour to obtain best consideration in the open market for these properties. The finance director also appreciates that there are no rental income currently received as the properties are empty; and that there will be reasonable costs and charges as normally related to the sale of properties.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
22 Champion Grove, SE5 and 11 Desenfans Road, SE21	Paul Davies Development Team, Property Division, 160 Tooley Street, SE1 2QH	Paul Davies on 020 7525 5529

## APPENDICES

No.	Title
Appendix 1	OS plans, the property - highlighted in bold: Champion Grove
Appendix 2	OS plans, the property - highlighted in bold: Desenfans Road

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Cabinet Member for Finance, Resources and Community Safety	
<b>Lead Officer</b>	Eleanor Kelly, Deputy Chief Executive	
<b>Report Author</b>	Paul Davies, Principal Surveyor	
<b>Version</b>	Final	
<b>Dated</b>	9 September 2011	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, 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>		9 September 2011