

Item No. 11.	Classification: Open	Date: 22 November 2011	Meeting Name: Cabinet
Report title:		Disposal of 1-11 (odd) Pytchley Road, East Dulwich, SE22 8DG	
Wards affected:		South Camberwell	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

This report recommends the sale of 1-11 Pytchley Road, an empty three-storey property of 6 flats on the edge of the East Dulwich Estate. The property is currently bricked up and boarded off to prevent squatting. Cabinet agreed on 31 May to dispose of this site.

The proceeds of the sale will go to the housing investment programme to help make every council home warm, dry and safe. In doing so, it will replenish the resources from that programme used to refurbish the East Dulwich Estate. It will also ensure that the site is brought back into use and remove a local eyesore.

RECOMMENDATIONS

That the cabinet authorises

1. The head of property to dispose of the council's freehold interest in 1-11 Pytchley Road, SE22 8DG ("the Property"), on the terms outlined in the closed version of this report.
2. The capital receipt to replenish the housing investment programme from which the East Dulwich Estate refurbishment programme was forward funded.
3. The head of property to agree the precise terms of the sale, with the purchaser, and to be able to agree terms with any of the under bidders subject to best consideration requirements in the unlikely event the original offer fails to progress to completion.

BACKGROUND INFORMATION

4. Following consideration of a report dated the 31 May 2011 entitled 'East Dulwich Estate Regeneration Scheme Update and Proposals for Revision', cabinet resolved that 'in principle' agreement be given to the disposal of the property to a third party and the detailed terms to be considered at a later date. The report gives a comprehensive history of the funding arrangements underlying the refurbishment of the estate.
5. The property is a broadly square site on which currently stands a derelict three

storey block arranged as six residential units. The entire block is empty, bricked up and fenced off. The Property is identified in bold outline on the attached Ordnance Survey extract, at appendix 1.

6. Following the cabinet decision on the 31 May, the property has been marketed for sale by the council's property team. Following the preparation of both a brochure together with a relevant sales pack and after undertaking adequate due diligence, advertisements were placed in the Estates Gazette on the 9 July and 30 July. A sales board was also erected at the Property during the period of marketing.
7. A list of property contacts including, developers, architects, investors, registered providers and housebuilders were all sent a brochure detailing the development opportunity arising from the proposed sale. These marketing actions generated a healthy response by those that sought further information and the sales pack that detailed the informal tender process.
8. The informal tender exercise generated eighteen bids from ten bidders. The majority of the bids were received by the bid date of the 23 September 2011. These are detailed in the spreadsheet contained in the closed version of this report.
9. The Property is held in the housing revenue account (HRA).
10. Housing regeneration initiatives had originally planned to submit a planning application on the site in conjunction with other sites on the estates. The removal of this peripheral site from the scheme is not considered to have an impact on the other developments moving forward.
11. The Property was declared surplus to the council's requirements by the then strategic director of regeneration and neighbourhoods on 05/07/2011.

KEY ISSUES FOR CONSIDERATION

12. 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 head of property confirms that the sale of the Property will comply with these requirements and the price achieved equates to its current market value.
13. The Property has been properly marketed for sale by Informal tender and the highest bidder has been identified, thus complying with the council's statutory duty to achieve best consideration. The details are contained in the closed version of this report.
14. The sale of the property to a third party developer and/or investor should ensure that it is quickly brought back into beneficial use.
15. The capital receipt that will be generated as a result of the sale of the property is needed as a contribution to the costs of the estate refurbishment. These costs rose as the project progressed from an initial total capital cost of £25.1m to £30.9m. Cabinet have approved that this additional resourcing will be met by the sale of additional voids and the sale of the Property.

Policy implications

16. 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.
17. The disposal of the Property is consistent with the recommendations contained within the report considered by cabinet on the 31 May 2011 entitled 'East Dulwich Estate Regeneration Scheme Update and Proposals for Revision'.

Effect of proposed changes on those affected

18. 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 made through investment to retained stock.
19. 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.
20. The units in the property have been vacant and derelict for a number of years and therefore have not been available to let and no tenants will be displaced as a result of the sale.

Community impact statement

21. The East Dulwich Estate Regeneration Project Team (EDERPT) has been central to the delivery of the estate regeneration. Consultation and regular communication with the group has been ongoing throughout the delivery of the overall regeneration project.
22. Any refurbishment or redevelopment of this currently derelict and empty block will likely have a positive benefit on the wider community.

Resource implications

23. The derelict block contains 6 former HRA flats on the site, which were deleted from subsidy and rent listings in 2007/08 pending sale. The sale, therefore, has no impact on the subsidy or rent budgets, nor on future HRA self-financing debt.
24. The purchaser has agreed to pay the council a contribution towards its surveyors and legal costs. This is based upon 0.5% of the purchase price.
25. Disposals expenditure would include reasonable incidental management and legal charges which would be reimbursed from receipts, as well as sales and marketing costs.
26. The recommended transaction is subject to the grant of planning consent and the

completion is expected to take in the region of 9-12 months placing the receipt into the next financial year 2012/2013.

27. There are no other risks or costs involved.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

28. Cabinet is advised that the Property falls within the council's housing portfolio and any disposal must 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. However a number of General Consents have been issued by the Secretary of State under the General Consent for the Disposal of Part II Land 2005 ("General Housing Consents") for the disposal of housing land.
29. General Consent E3.1 of the General Housing Consents enables a local authority to dispose of any land held for the purposes of Part II for the best consideration that can reasonably be obtained, provided that any dwelling-house included in the disposal;
- (a) Is vacant;
 - (b) Will not be used as housing accommodation and
 - (c) Will be demolished.
30. Cabinet is advised that the disposal of the Property will fall within General Consent E3.1 and that the council have power to dispose of the council's freehold interest in the Property.

Finance Director

31. This report recommends that cabinet authorises: the head of property to dispose of the council's freehold interest in 1-11 Pytchley Road, SE22 8DG; the capital receipt to be used to replenish the Housing Investment Programme; the head of property to agree the precise terms of the sale with the purchaser; and for the head of property to be able to agree terms with any of the under bidders subject to best consideration requirements in the unlikely event the original offer fails to progress to completion.
32. Paragraph 15 details the intention for the capital receipt to replenish the housing investment programme, from which the East Dulwich estate refurbishment programme was forward funded.
33. Paragraphs 12 and 13 confirm that this disposal represents best consideration. Paragraph 23 confirms that this sale will have no impact on HRA rent and subsidy. Paragraph 24 confirms that the purchaser will pay 0.5% of the purchase price as a contribution to the council's surveying and legal fees, and the costs of effecting the recommendations will be contained within existing budgeted resources.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
1- 11 Pytchley Road, SE22	Tim Surry Development Team, Property Division, 160 Tooley Street, SE1 2QH	Tim Surry 020 7525 5378

APPENDICES

No.	Title
Appendix 1	OS plans, indicating the property - outlined in bold

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Cabinet Member for Finance, Resources and Community Safety	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Tim Surry, Property Services	
Version	Final	
Dated	11 November 2011	
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	11 November 2011	