

Item No. 14.	Classification: Open	Date: 20 March 2012	Meeting Name: Cabinet
Report title:		Disposal of 143 Barry Road, SE22 and 19 Oakhurst Grove, SE22	
Wards affected:		Peckham Rye and East Dulwich	
From:		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 143 Barry Road, SE22, and 19 Oakhurst Grove, SE22, with the capital receipts being earmarked for the housing investment programme to contribute towards making every council home Warm, Dry and Safe.

Both properties are currently empty, and are at risk of deterioration and being squatted. Furthermore, the Barry Road address is in a considerable state of deterioration that would require substantial investment to bring up to a lettable condition.

The sale of both properties 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.

RECOMMENDATION

That the cabinet authorises

1. The head of property to dispose of the council's freehold interest in 143 Barry Road, SE22 and 19 Oakhurst Grove, SE22 (the "Properties"), for a sum that in each case equates to the market value of the property.

BACKGROUND INFORMATION

2. 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.
3. 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'.

4. 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.
5. 143 Barry Road is a two storey semi detached Victorian house. It requires substantial investment to make it habitable and has some serious disrepair issues. 19 Oakhurst Grove comprises a three storey Victorian semi detached house. It is currently arranged as two self contained units. It is in a fair condition internally and externally but would benefit from refurbishment and updating. The properties are identified in bold outline on the attached Ordnance Survey extracts at Appendices A & B.
6. Both properties are currently empty and are at further risk of deterioration and becoming squatted.
7. The properties are held in the housing fund (HF).
8. 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.
9. The properties have been declared surplus to the council's requirements by the director of regeneration.

KEY ISSUES FOR CONSIDERATION

10. 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 properties will comply with these requirements.
11. 19 Oakhurst Grove is currently being marketed through Winkworth, who are a long established Southwark based firm of estate agents. The property will be actively marketed for a minimum of forty two 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. It is considered that due to the structural problems found at 143 Barry Road then a sale by auction to be the most appropriate method of sale in this instance.
12. The sale of the properties to owner occupiers, developers and/or investors should ensure that they are quickly brought back into beneficial use.
13. This report recommends that the receipt from the sale of the properties be earmarked for the housing investment programme.

Policy implications

14. 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 as well as making every home warm, dry and safe. This assists the council in meeting its commitment to regeneration and sustainability in housing as demonstrated through the 2009-2016 Southwark Housing Strategy.
15. 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

16. 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.
17. 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

18. As these individual property sales are considered to be non-contentious, consultation is thought not to be appropriate.
19. The proposed sale of these individual properties will have little or no impact on the immediate community.

Resource implications

20. 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.
21. The HF rent budget for 2011/12 allows for stock loss through void sales and we have requested that DCLG 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.
22. 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.

23. 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.
24. There are no other risks or costs involved.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

25. 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 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 to enable the council to dispose of the properties either by private treaty or at auction:-
 - (1) Under Consent A3.1 a local authority may dispose of a vacant dwelling-house to an individual, who intends to use it as his only or principal home, for a consideration equal to its market value.
 - (2) Under Consent A3.2 a local authority may dispose of a vacant dwelling-house to any person for a consideration equal to its market value, where the dwelling-house is in need of substantial works of repair, improvement or conversion and that person enters into a covenant to carry out those works and then to dispose of the dwelling-house or any dwelling-house created from it to an individual who intends to use it or any dwelling-house created from it as his only or principal home.
 - (3) Under Consent A5.1.1 of the general consent for the disposal of Part II dwelling-houses, 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 11 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. In order to comply with Consent A3.2 the council will need to ensure that a covenant by the buyer is included in the Transfer to carry out the works and to dispose of the property.
30. The report indicates in paragraph 9 that the Director of Regeneration has declared the properties surplus to the council's requirements.

31. This decision is reserved to cabinet under Part 3C, paragraph 13 of the council's constitution.

Finance Director

32. This report recommends that the head of property dispose of the council's freehold interest in 143 Barry Road, SE22 and 19 Oakhurst Grove, SE22 for consideration that in each case would equate to best value for these properties i.e. the value as considered they are worth on the open market.
33. Both properties are Housing Fund properties and have been declared surplus. Reasonable management, legal charges as well as sales and marketing expenses will be refunded from the receipts, and the loss of rental income has been factored in via the void strategy.
34. The finance director notes that the executive resolved on the 17 March 2010 'that 100% of the receipts generated from the additional disposal of voids and land 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'.
35. Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
143 Barry Road, SE22 and 19 Oakhurst Grove, SE22	Paul Davies Development Team, Property Division, 160 Tooley Street, SE1 2TZ	Paul Davies on 020 7525 5529

APPENDICES

No.	Title
Appendix A	OS plans, indicating 143 Barry Road, SE22
Appendix B	OS plans, indicating 19 Oakhurst Grove, SE22

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	9 March 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law and Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		9 March 2012