

Item No. 15.	Classification: Open	Date: 19 March 2013	Meeting Name: Cabinet
Report title:		31 Shawbury Road, SE22, 92 Lorrimore Road, SE17 and 41 Hayles Street, SE11 – Disposal of Freehold interests	
Wards affected:		East Dulwich, Newington and Cathedrals	
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 three properties:

- 31 Shawbury Road in East Dulwich
- 92 Lorrimore Road in Walworth
- 41 Hayles Street in Elephant and Castle

The capital receipts from these sales are earmarked for the housing investment programme to contribute towards making every council home Warm, Dry and Safe.

The sale of all three properties would be consistent with the council's void strategy agreed in March 2009.

RECOMMENDATIONS

That the cabinet authorises

1. The head of property to dispose of the council's freehold interest in 31 Shawbury Road, SE22, 92 Lorrimore Road, SE17 and 41 Hayles Street, SE11 (the "Properties"), for a sum that equates to the market value of the individual properties.
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 the property has a value in excess of £300,000.
6. Four three bed houses have been sold by the council under the prevailing void policy during the current financial year i.e. 2012/2013. The disposal of the properties outlined in this report will 'fall' within the next financial year i.e. 2013/2014.
7. 31 Shawbury Road comprises a two storey Victorian end of terrace house. 92 Lorrimore Road is a mid terraced four storey Victorian house. 41 Hayles Street is a three storey mid terraced Victorian house. All three properties suffer from subsidence and require comprehensive refurbishment internally. The properties are identified in bold outline on the attached Ordnance Survey extract at Appendix 1.
8. The properties are currently empty and are at further risk of deterioration and becoming squatted.
9. The properties are held in the housing revenue account (HRA).
10. Authority to sell is delegated to the head of property in individual cases where the sale price is below £500,000. The sale price of the Properties will exceed this limit and cabinet approval is therefore required.
11. The properties have been declared surplus to the council's requirements by the director of regeneration.

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 and/or market value requirements. The sale of the Properties will comply with these requirements.
13. It is considered that due to the structural problems found at the properties, a sale by auction to be the most appropriate method of sale in this instance. The auction route is also quick and transparent. Prior to the auction for each of the Properties a suitable reserve price representing market value will be agreed by the head of property in consultation with the auctioneer. A sale will only proceed if the reserve price is met or exceeded.
14. The sale of the properties to owner occupiers, developers and/or investors should ensure that they are quickly brought back into beneficial use.

15. This report recommends that the receipts from the sale of the properties be earmarked for the Housing Investment Programme.

Policy implications

16. 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.
17. 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 the void strategy.
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 through the Hidden Homes programme and investment to retained stock, especially where decent homes have not yet been delivered.

Community impact statement

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. As these individual property sales are considered to be non-contentious, consultation is thought not to be appropriate.
21. The proposed sale of the properties will likely have a positive impact on the immediate community, as they are subsequently refurbished and improved.

Resource implications

22. This report recommends the disposal of the properties on the open market for a sum that equates to the individual market values of the properties. The Properties have been declared surplus to the council's housing requirement.
23. There is a loss of rental income for these properties in 2013/14 but the HRA rent budget for 2013/14 allows for stock loss through void sales. There are no current recurring costs.
24. As these Properties are being disposed of under the void strategy, set out in the report to executive on 17 March 2009 and endorsed 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.
25. 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.

26. There are no other risks or costs involved.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

27. Section 1 of the Localism Act 2011 grants councils a general power of competence whereby a local authority has power to do anything that individuals generally may do. However that power does not enable a local authority to do anything which it is unable to do by virtue of a pre-commencement limitation. Section 32 of the Housing Act 1985 is a pre-commencement statute that imposes limitations on the council's power to dispose of property.
28. As the properties are within the council's housing portfolio the disposals 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.
29. A number of general consents have been issued in the General Housing Consents 2012.
30. Consent A 3.1.1 states that "A local authority may, subject to paragraph 3.1.2, dispose of land for a consideration equal to its market value." "Land" includes buildings.
31. The exclusions in paragraph 3.1.2 apply to:
- a) A disposal of land which is subject to a tenancy to occupy from the local authority to a landlord who is not another local authority; or
 - b) A disposal of land to a body in which the local authority owns an interest except:
 - i) Where the local authority has no housing revenue account; or
 - ii) In the case of a local authority with a housing revenue account, the first five disposals in a financial year.
32. Neither of the exclusions apply to the properties being disposed of the subject of this report.
33. The report indicates that the properties are all held in the councils Housing portfolio and that surplus declarations have been obtained for them all.
34. If the cabinet is satisfied that the consideration that will be obtained for the properties represents market value, then there are sufficient powers for the properties to be disposed of.

Strategic Director of Finance and Corporate Services (FC 13/007)

35. This report proposes that cabinet approve the sale of the council's freehold interests in 31 Shawbury Road, SE22, 92 Lorrimore Road, SE17 and 41 Hayles Street, SE11, with the capital receipts being earmarked for the Housing Investment Programme. This forms part of the council's void strategy as per paragraph 24.
36. The strategic director for finance and corporate services understands that the council will endeavour to obtain market value for these properties. No rental income is currently received as the properties are empty and so there are no implications to rent collection rates in the housing revenue account.
37. Reasonable costs associated with the disposal will be met from receipts and officer time to implement this decision will be contained within current resources.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	OS plans, indicating 31 Shawbury Road, SE22 in bold
Appendix 2	OS plans, indicating 92 Lorrimore Road, SE17 in bold
Appendix 3	OS plans, indicating 41 Hayles Street, SE11 in bold

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Cabinet Member for Finance, Resources and Community Safety	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Paul Davies, Principal Surveyor	
Version	Final	
Dated	7 March 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	7 March 2013	