

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 14 May 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Disposal of the Site Comprising 184-188 Southampton Way, 5a Havil Street and Part of the Beacon House Estate, London SE5	
<b>Ward(s) or groups affected:</b>		Brunswick Park	
<b>Cabinet Member:</b>		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 the council's freehold interest in the L-shaped plot of land around but excluding Beacon House, Southampton Way SE5. Most of this land was previously industrial, and declared surplus to requirements in 2007. Last year, following consultation with the residents of Beacon House, some land previously used for residents' car parking was added to the package of land.

Following marketing, the proposal is to sell this land for best consideration. The scheme will have a proportion of new affordable homes built at social target rents. As this land is partly held under the council's commercial portfolio and partly under its housing portfolio, the capital receipt will benefit both the council's general capital programme and contribute towards making every council home Warm, Dry and Safe.

## **RECOMMENDATIONS**

That cabinet

1. Approves the disposal of the council's freehold interest in 184-188 Southampton Way, 5a Havil Street and part of Beacon House Estate ("the site") for residential purposes on the following terms and conditions:
  - a) Legal interest - building lease convertible to freehold transferred upon practical completion of proposed development
  - b) That the disposal is subject to obtaining planning consent for either of the two proposed schemes where the council can share in any profits from either of the proposed schemes
  - c) That the disposal is subject to the council providing vacant possession of the land
  - d) Fees - the purchaser has agreed to pay a contribution towards the council's reasonable legal and surveying fees.
2. Authorises the head of property to agree any variations to these terms or vary the extent of the boundary that may be necessary to achieve the successful regeneration of land comprising Southampton Way, Havil Street and part of the Beacon House Estate.
3. In the unlikely event that this recommended sale does not proceed to exchange of contracts, the cabinet authorises the head of property to agree the terms of a

sale with any one or combination of the under bidders set out in the closed report and/or any other third party.

4. Authorise that as approximately 16% of the capital receipt from the sale of the site is housing land that this is recycled into the housing investment programme.

## **BACKGROUND INFORMATION**

5. The combined vacant site comprising Southampton Way, Havil Street and part of Beacon House Estate approximates to 1,576 sq. metres (0.1576 hectares) in total. The site is outlined in bold on the ordinance survey plan attached at Appendix 1.
6. Southampton Way and Havil Street have been vacant since 2007 when the council demolished industrial buildings due to anti-social behaviour and health & safety grounds. The vacant, commercial part of the site is held within the Commercial Property Holding Account (CPHA). The site originally formed part of a council led initiative to comprehensively redevelop the Beacon House Estate and Sedgmoor Place hostel but it was considered unviable due to time and cost constraints in obtaining vacant possession of the Beacon House and Sedgmoor Place hostel.
7. It was decided that rather than proceed with a scheme that combines all three individual sites, the vacant, commercial part of the site should be considered separately. Beacon House is now being retained and refurbished to comply with Warm, Dry & Safe and the Sedgmoor Place hostel is due to be relocated in the next few years.
8. The part of the Beacon House Estate that forms part of the proposed development was occupied for car parking by the residents of Beacon House and held within the Housing Revenue Account (HRA). This part of the site was declared surplus to requirements on 15 November 2012 by the director of regeneration following consultation with residents on the Beacon House Estate from June to September 2012.
9. The site for disposal involves the amalgamation of the vacant, commercial site at Southampton Way and Havil Street and part of the Beacon House Estate to increase developability and hence potential for more housing. This proposal will involve the loss of some of the site designated for car parking on the Beacon House Estate.
10. Residents have been fully consulted and the feedback was favourable with no objections towards this proposal, and there are still adequate parking facilities on the Beacon House Estate for the existing car users. The extent of consultation with the residents of the Beacon House Estate is expanded upon further in paragraphs 24 to 27 of this report.
11. The council commenced its marketing campaign in November 2012 following its due diligence using a variety of media to attract interested parties with a proven track record. An advert was placed in the professional property press and two marketing boards were erected strategically on the Southampton Way and Havil Street frontages. The deadline for receipt of all financial bids was Friday, 8 February 2013 at 12 noon.

12. The bidders were asked to submit detailed information on their proposals for the land, financial offers including full terms and conditions, overage arrangements, schedule of tenure products, funding information and design principles based on a wholly residential development. The preferred bidder satisfactorily submitted all this information. It is believed that the preferred bidder's design proposals are policy compliant and deliverable in the circumstances.
13. The next section outlines some of the key issues for consideration although how the offers were analysed and how this led to the recommendations is outlined in the closed report.

#### **KEY ISSUES FOR CONSIDERATION**

14. The financial offer is exclusive of the Mayoral Community Infrastructure Levy (CIL) that came into force in April 2012, S106 contributions and the proposed council's CIL. The council is currently consulting on its draft CIL, charging schedule with adoption expected in late 2013. It is expected that planning consent will be obtained well after the introduction of the council's CIL.
15. The planning charges in the table in the closed report may be subject to increase or decrease if there are changes to sizes of core layouts, tenure or design constraints as a requirement of planning consent being obtained for the proposed scheme.
16. The preferred bidder has provided documentary evidence to show that they are adequately funded and able to finance the purchase and development.
17. It is therefore considered that the financial offer represents best consideration in terms of S123 of the Local Government Act 1972 that can reasonably be obtained for the CPHA controlled vacant, commercial part of the site and for the HRA controlled Beacon House Estate land based on a deliverable, policy compliant scheme.
18. It is expected that it will take approximately three to four months from instructing lawyers to finalise heads of terms and exchange of contracts after cabinet approval. A planning consent on the land could be obtained by Spring 2014 with completion of contract shortly thereafter with the capital receipt estimated to be received before the expiry of financial year ending 31 March 2014.

#### **Policy and legal implications**

19. Part of the site is held for housing purposes and the provisions of section 32 of the Housing Act 1985 govern the terms of any disposal. The consent of the Secretary of State is required for disposals of housing land, but the Department of Communities and Local Government has issued the General Housing consents 2012 which set out the circumstances in which disposals of housing land can proceed without specific consent needing to be obtained. The new general consents came into force in May 2012 revoking the previous consents dating from 2005, and it should be noted that disposals of vacant sites (i.e sites for development which are either vacant or buildings on the site will be demolished) are no longer subject to a requirement to obtain best consideration.
20. The freehold site 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.

### **Sustainability**

21. The proposed development should achieve a high level of sustainability to help mitigate its impact on the surrounding environment through the planning process. The site is vacant, levelled, cleared and secured but it is susceptible to anti-social behaviour although it is being monitored externally on a regular basis by the council. The redevelopment of the site will be beneficial to the surrounding neighbourhood through improving the streetscape and the immediate area.

### **Community impact statement**

22. The disposal of the freehold site will have a positive impact on the local community; improve the existing streetscape and borough as a whole. It will enable the freehold site to be redeveloped into a policy compliant, high quality, sustainable scheme built to a modern standard.
23. It is considered that the disposal will have no affect on the council's agenda for: age, disability, faith/religion, gender, race and ethnicity and sexual orientation.

### **Consultation**

24. The council initially consulted with the residents of the Beacon House Estate over the potential loss of part of the site designated for car parking at a drop-in session held at Harris Street Neighbourhood Housing Office in June 2012. All Beacon House residents, including 1 leaseholder and 9 tenants were invited to attend and engage with the council on its proposals to realign the existing Beacon House Estate boundary. Its effect would be to amalgamate part of the Beacon House Estate with the vacant, commercial part of the site to increase the overall developability, and hence, potential for more housing, and resultant loss of some of the site designated for car parking on the Beacon House Estate.
25. Two residents from the Beacon House Estate attended the drop-in session in June 2012 and the loss of some of the site designated for car parking proved uncontroversial with no objections towards the council's proposal to amalgamate the vacant, commercial part of the site and part of the Beacon House Estate for a proposed residential scheme. It is considered that there are still adequate parking facilities on the Beacon House Estate for the existing car users.
26. On the 26 September 2012, the council advised all Beacon House residents in writing that it would proceed with a realignment of the existing boundary between the vacant, commercial part of the site and part of the Beacon House Estate which would mean a loss of some of the site designated for car parking on the Estate and that temporary timber hoarding would be erected on 19 October 2012 to establish the new boundary. The installation of the hoarding commenced on 19 October 2012.
27. The residents of Beacon House Estate or nearby residents will have a further opportunity along with the wider community to consult through the planning process and any negative impacts of the proposed development can be addressed in this way.

## **Financial & resource implications**

28. Disposal of the site comprising Southampton Way, Havil Street and part of the Beacon House Estate will relieve the council of its ongoing liability to invest in and maintain the land. The development & disposal team has adequate resources to secure the disposal of the site.
29. There are no direct staffing implications arising from the proposed disposal strategy. The marketing costs and officer time to effect the recommendations will be contained within existing budgeted revenue resources.
30. A contribution towards the council's reasonable surveying and legal costs will be met by the preferred bidder.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

31. 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 123 of the Local Government Act 1972 and Section 32 of the Housing Act 1985 are both pre-commencement statutes which impose limitations on the council's power of disposal.
32. Part of the Property is held in the council's commercial property holding account. The disposal of that part must proceed in accordance with Section 123 of the Local Government Act 1972. Section 123 states that except with the consent of the Secretary of State, a council shall not dispose of land under that section otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained. The report indicates in paragraph 17 that the consideration for this part represents the best consideration that can reasonably be obtained.
33. Part of the property is held within the council's housing portfolio. The disposal of that part 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.
34. A number of general consents have been issued by the General Housing Consents 2012. Consent A3.2 of the general consent for the disposal of Land held for the purposes of Part II of the Housing Act 1985 – 2012 states that a local authority may dispose of vacant land. For the purposes of that consent "land" includes (inter alia) buildings and other structures, any estate, interest or right over land." Disposal" includes a conveyance of a freehold interest or the grant of a lease for a term of at least 99 years. "Vacant" means land on which (a) no houses have been built or (b) where houses have been built, such houses are no longer capable of human habitation and are due to be demolished.
35. The proposed disposal is by way of a building lease allowing for the freehold to be transferred upon practical completion of the development. The land held within the housing portfolio is car park land.

36. The report also indicates in paragraph 8 that a declaration of surplus has been provided by the director of regeneration on 15 November 2012.
37. Section 105 of the Housing Act 1985 imposes a requirement on the part of a local authority to consult on matters of housing management. A landlord authority shall maintain such arrangements as it considers appropriate to enable those of its secure tenants who are likely to be substantially affected by a matter of housing management, which includes matters relating to the provision of amenities. Details of the consultation undertaken are set out in paragraphs 24-27 of this report.
38. Cabinet may proceed with the approval of the recommendations.

**Strategic Director of Finance and Corporate Services (FC13/023)**

39. This report recommends that the cabinet authorises the head of property to dispose of the council's freehold interest in 184-188 Southampton Way, 5a Havil Street and part of the Beacon House Estate that the resulting capital receipt be recycled into the council's capital programme.
40. The strategic director of finance and corporate services notes the resource implications contained within the report and that the council will be relieved of future maintenance liabilities for this land. Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
None		

**APPENDICES**

No.	Title
Appendix 1	Ordinance Survey Plan showing the location and extent of Southampton Way, Havil Street and part of Beacon House Estate being disposed of.

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead Officer</b>	Eleanor Kelly, Chief Executive	
<b>Report Author</b>	Marcus Mayne, Principal Surveyor	
<b>Version</b>	Final	
<b>Dated</b>	29 April 2013	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Strategy	Yes	Yes
Cabinet Member	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		29 April 2013