

<b>Item No.</b> 26.	<b>Classification:</b> Open	<b>Date:</b> 20 October 2015	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Former Southwark Park Nursing Home, 94 – 116 Southwark Park Road SE16 – Disposal of Long Leasehold Interest	
<b>Wards or groups affected:</b>		South Bermondsey and Grange	
<b>From:</b>		Councillor Fiona Colley, Finance, Modernisation and Performance	

**FOREWORD - COUNCILLOR FIONA COLLEY CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE**

This report proposes the sale of the council's long leasehold interest in 94 – 116 Southwark Park Road London SE16 with the capital receipts being earmarked for the General Fund. It also proposes that responsibility for ensuring that the council receives best consideration for this property is delegated to the Head of Property, in accordance with council policy.

The property is currently empty, and at risk of deterioration and being squatted. The sale of this property will ensure that new, well provided and managed extra care facilities will be delivered.

**RECOMMENDATIONS**

That the Cabinet authorises

1. The Head of Property to agree terms to dispose of 94 -116 Southwark Park Road London SE16 to DV4 Limited SPV (Delancey) by way of a 999 year ground lease at a peppercorn rent and subject to a premium as outlined within the closed report.
2. The earmarking of the capital receipts for the purposes of funding the Capital Programme.
3. The sale is subject to a provision to obtain satisfactory planning consent for an extra care facility providing a minimum of 56 units.

**BACKGROUND INFORMATION**

4. The Property comprises the former Southwark Park Nursing Home (Welch House). The Property is identified in bold outline on the attached Ordnance Survey extracts, at appendix 1.
5. The Property is held in the council's general Fund.
6. The Property was formally held on a long lease by Southwark Park Nursing Homes Ltd. The terms of the lease required the tenant to maintain an occupied care home and to maintain nomination rights to the council. The tenant failed in their duty and after serving a S146 (termination notice) and subsequent negotiations the council agreed to purchase the tenants interest for an agreed sum.

7. The lease surrender took place in April 2015
8. Funding for the acquisition and associated costs was approved by the Investment Property Group (IPG), from annual budgets set aside for leasehold/freehold acquisition matters.
9. Following completion of the surrender the Council entered into negotiations with DV4 Limited SPV (Delancey) to structure terms to purchase the site with the intention of Delancey applying for planning consent to build an Extra care facility and upon completion to grant an assignment of the lease to United St Saviours to run an extra care facility for a minimum of 50 years, without change of use.
10. The proposed sale of a long lease to DV4 Limited SPV (Delancey) is in conjunction with their proposed development of 185 Park St SE1 which has a resolution from Planning Committee for consent subject to the negotiation of a section 106 Agreement and will be a requirement within the legal agreement and S106 affordable housing obligations affordable obligations to that development subject to a satisfactory planning consent being obtained
11. The 185 Park St SE1 legal agreement requires that 94 -116 Southwark Park Road site is to be completed prior to completion of the Park St development. Further, the Agreement limits the contribution from United St Saviours to a maximum of £5,000,000 assuming that they and Delancey decide to proceed with the underlease. It is understood that negotiations are continuing between the parties concerning this.
12. 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 Property will exceed this limit and Cabinet approval is therefore required.
13. The Properties have been declared surplus to the council's requirements by the Strategic Director of Regeneration and Neighbourhoods.

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

14. 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 94–116 Southwark Park Road SE1 by way of Long leasehold interest will comply with these requirements.
15. The subject property has not been openly marketed however an independent valuation by External Valuers which supports the agreed terms has been obtained and is appended to the closed report.
16. The sale of the Property by this method will ensure that the site is brought back into beneficial use quickly and will provide modern well run extra care units without direct cost to the council.
17. DV4 Limited SPV will in the Agreement for Lease be obliged to pay the council's reasonable professional costs

## **Policy implications**

18. 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. In addition it will provide additional care facilities linked to the Council's polices in relation to Older Persons...
19. The Head of Property advises that the recommended terms represent best consideration reasonably obtainable for this transaction. This therefore meets the council's statutory duties under Section 123 of the Local Government Act 1972.

## **Community Impact Statement**

20. The proposed sale will contribute to the provision of elderly care in the borough.

## **Resource implications**

21. Disposals expenditure would include reasonable incidental management and legal charges which would be reimbursed from receipts, as well as any sales and marketing costs as a percentage of the value of the receipt which is standard.
22. There are no other risks or costs involved.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law and Democracy**

23. Section 1, Localism Act 2011 grants councils a general power of competence whereby a local authority has the 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 statute which imposes limitations on the Council's power of disposal.
24. Section 123, Local Government Act 1972 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 be reasonably be obtained.
25. The report confirms that external professional advice has been obtained concerning the market value for the site and the amount agreed is at the top end of the range of values indicated. Cabinet may therefore proceed with the approval of the recommendation

### **Departmental Finance Director**

26. This report proposes that Cabinet approve the sale of long leasehold interest freehold interest in 94 – 116 Southwark Park Road, SE16, with the capital receipts being earmarked for the General Fund.. It is understood that the Council has sought to obtain to obtain best consideration in the open market for this property. The Finance Director also appreciates that there are no rental income currently received as the property is empty; and that there will be reasonable costs and charges as normally related to the sale of this property.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## APPENDICES

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

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Fiona Colley, Finance, Modernisation and Performance	
<b>Lead Officer</b>	Eleanor Kelly, Chief Executive	
<b>Report Author</b>	Jeremy Pilgrim Head of Property	
<b>Version</b>	Final	
<b>Dated</b>	9 October 2015	
<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 Law and Democracy	Yes	Yes
Departmental Finance Manager	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Support Services</b>	9 October 2015	