

Item No. 21.	Classification: Open	Date: 19 July 2016	Meeting Name: Cabinet
Report title:		Sale of 42 Harper Road, London, SE1 6AD	
Ward or groups affected:		Chaucer	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

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

This report recommends the sale of the council's freehold interest in 42 Harper Road to the current leaseholder. The existing lease has a further 20 years to run and currently pays us only a very small annual ground rent.

The proceeds of this sale will help fund our housing investment programme - building new council homes and installing new kitchens and bathrooms in existing homes.

RECOMMENDATIONS

That Cabinet agrees:

1. The sale of the freehold interest in 42 Harper Road, London, SE1 6AD, (The Property) on the principal terms set out in the closed report.
2. The Director of Regeneration be delegated authority to agree the detailed terms of the transfer.

BACKGROUND INFORMATION

3. The Property is located on the south corner of Harper Road and Falmouth Road within the Chaucer Ward of the Borough. A location plan is attached in appendix 1 and shows the extent of The Property edged red.
4. The freehold interest in The Property is held by the Council within the Housing Revenue Account. The interest is subject to a 99 year lease in favour of Urbanicity LLP (the parent company of the Proposed Purchaser). The lease currently has approximately 20 years to expiry.
5. The Property is a 1930s brick building with pitched roof behind a parapet wall. It was purpose built as part of the adjoining housing block, Bramwell House. The ground floor and basement was built as a public house and the upper two floors as ancillary residential units. It is currently vacant and appears to have been so for some time.
6. The Proposed Purchaser has negotiated terms to acquire the Council's freehold interest. This will subject to planning approval result in the property being converted into homes for market sale.

7. The terms agreed with the proposed purchaser are set out in the closed version of this report.

KEY ISSUES FOR CONSIDERATION

8. The Property is currently let on a long lease at a nominal rent. This sale will release the latent value in the form of a substantial capital sum, which can be used to deliver Council's housing investment objectives. It is confirmed that the price agreed with the proposed purchaser represents market value and therefore best consideration.
9. The Property is located on the edge of the Elephant and Castle opportunity area and specifically in the Rockingham character area. The vision for the Elephant and Castle opportunity area targets the delivery of 4,000 new homes by working with the local community, registered providers and private developers.
10. There are three public houses on Harper Road, including The Property – The Rising Sun (about 200m from The Property) is currently trading. There is also the former King William IV at 16 Harper Road that is currently called the LE K-VO Lounge and is undergoing refurbishment with the aim of re-opening this summer. It is about a 100m away from The Property.
11. The Proposed Purchaser has expressed the intention to retain viable commercial use on the ground floor in order to contribute positively to the vitality of the area. Should a use under the use class A4, which public houses fall under, not be considered viable, taking into account similar uses on the road, other commercial uses that would positively contribute to the streetscape and the liveliness of the environment will be provided.
12. The redevelopment of The Property will be in line with the Council's existing planning policies.
13. The Property was declared surplus to operational requirements on 25 May 2016.
14. The capital receipt expected from the sale can be re-invested in existing Council homes as part of the warm, dry, safe project to contribute towards the provision of quality affordable homes.
15. Owing to the size of the property its conversion is unlikely to result in ten or more units of housing being formed so additional social housing is not likely to be secured through the planning process.
16. The proposed ground floor commercial use will contribute towards the achievement of the Council's fairer future promises by contributing towards active frontage on Harper Road and specifically the revitalisation of the neighbourhood.
17. The environmental improvements arising from the redevelopment of the Site will assist the Council in meeting its cleaner, greener and safer agenda. Any new dwellings arising from the redevelopment will be designed to meet latest energy efficiency building regulations.

Rationale for recommendations

18. To bring an unused building into beneficial use and improve the local street scene.
19. To provide a small number additional housing units for sale.
20. To realise a substantial capital receipt to invest in the Council's Warm Safe and Dry programme whilst only foregoing a nominal rental payment.

Community impact statement

21. The capital receipt to be received as a result of the transaction will assist with delivery of the council's corporate objectives. It will help achieve its stated budget principles of delivering value for money and creating a 'fairer future for all' by promoting social and economic equality in an economically vibrant borough.
22. It is not considered that the sale will have any adverse effect on any of the protected characteristics under the equalities legislation or the Council's ability to promote diversity and equality of opportunities.
23. The buyer will be required to consult local residents, businesses & stakeholders as part of the planning application process.
24. Redevelopment of The Property is likely to have a positive effect on the local environment and streetscape.

Resource implications

25. The negotiations have been carried out by officers within Property Services and the proposed purchaser will pay a reasonable sum for the time expended in dealing with the matter. Since only a nominal rent is payable under the lease there will be no significant loss of income arising as a consequence of the proposed sale.
26. Officers from Legal Services will be involved in drafting and agreeing the final contract. Their time working on the case will also be reimbursed by the prospective purchaser.

Financial implications

27. Details of the capital receipt payable to the council on completion of the sale are set out in the closed report.
28. The Capital receipt is expected to be received in this financial year.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

29. 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 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 which

imposes limitations on the council's powers of disposal.

30. As the property falls 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.
31. A number of General consents have been issued in the General Housing consents 2013.
32. Consent A3.1.1 of the General Consent for the Disposal of Land held for the purposes of Part II of the Housing Act 1985-2013 enables a local authority to dispose of land for a consideration equal to its market value subject to exceptions in paragraph A3.1.2. The exceptions in paragraph A3.1.2 are disposals to a body owned or partly owned by the local authority, disposals that fall into a separate consent for reversionary interests in houses and flats and deposits that would result in a local authority tenant becoming the tenant of a private landlord; none of these exceptions apply here.
33. The report confirms in paragraph 8 that the price agreed with the prospective purchaser represents market value.
34. The report also confirms in paragraph 15 that the property was declared surplus to the council's requirements on 25 May 2016.
35. Cabinet may proceed with the approval of the recommendation.

Strategic Director of Finance and Governance (FC16/008)

36. This report is seeking cabinet to agree the sale of the freehold interest in 42 Harper Road, London, SE1 6AD, (The Property) on the principal terms set out in the closed report and delegate to the Director of Regeneration to agree the detailed terms of the transfer.
37. It is noted that the freehold interest of the property is currently held within the Housing Revenue Account and it has been declared surplus to operational requirements
38. The strategic director of finance and governance notes that this sale will generate capital receipts which will be recycled into the council's Housing Investment Programme in funding council priorities.
39. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Location Plan

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Modernisation and Performance	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Bunmi Olafare, Senior Surveyor	
Version	Final	
Dated	7 July 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
	Officer Title	Comments Sought
		Comments Included
	Director of Law and Democracy	Yes
	Strategic Director of Finance and Governance	Yes
Cabinet Member	Yes	
Date final report sent to Constitutional Team		7 July 2016