

Item No. 19.	Classification: Open	Date: 17 September 2019	Meeting name: Cabinet
Report title:		593 Old Kent Road – acquisition of site to deliver new Council housing	
Ward:		Old Kent Road	
Cabinet Members:		Councillor Victoria Mills, Finance, Performance and Brexit	

FOREWORD – COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE & BREXIT

Southwark Council has the ambitious target of building 11,000 new council homes by 2043. Whilst our current pipeline of new homes is heavily focused on building on existing council land it will not be possible to meet our promise without the acquisition of more land.

An opportunity has arisen on the Old Kent Road to make an acquisition that underlines our commitment to our council home programme and to building a strategic land bank for council house delivery. Our vision for any new housing is that it is of the highest quality in terms of design, architecture, materials, public realm and build quality and this site will be no exception.

As well as new homes, any future development will need to include replacement business and commercial space. This could potentially include much needed affordable business space as well as the new shops that will help form a revitalised high street for Old Kent Road. The revenue from this will provide a much needed income stream for the Council.

RECOMMENDATIONS

That Cabinet:

1. Authorises pursuant to s120 of the Local Government Act 1972 and s9 of the Housing Act 1985, that the council acquires the freehold interest in the property shown edged red on the plan at Appendix A.
2. Authorises the principal purchase terms set out in full in paragraph 4 of the closed version of this report and substantially in paragraph 19 of this report.
3. Delegates to the director of regeneration authority to agree the detailed terms of the acquisition.

BACKGROUND INFORMATION

4. 593 Old Kent Road is shown edged red on the plan at Appendix A to this report. It comprises a 1980's, single storey retail warehouse unit with associated surface parking spaces. It has a site area of 2,800m² (0.7 acres). It currently is let to and trades as B and M Retail Ltd.

5. The property is situated within the Old Kent Road Action Area that aspires to transform the area with substantial new housing, an improved public realm, employment opportunities and enhanced transport infrastructure including an extension to the Bakerloo Underground Line.
6. The opportunity to purchase the property has arisen and the council submitted a bid subject to Cabinet approval that has been accepted by the vendor. Contracts have been exchanged subject to approval by Cabinet.
7. The Old Kent Road Area Action Plan identifies the area for long term redevelopment and this site presents an opportunity for a strategic purchase of an income producing asset where there are long term opportunities including residential development.
8. Southwark's housing strategy to 2043 pledges to use every tool at the council's disposal to increase the supply of all kinds of homes across the borough and to build 11,000 new council homes by 2043.
9. The council plan commits the council to build or start on site an additional 1,000 council homes meaning that by 2022 the council will have built or started on site 2,500 new council homes towards the target of 11,000.

KEY ISSUES FOR CONSIDERATION

10. The inclusion of the property within the Old Kent Road Opportunity Area means it offers scope to deliver a mixed use scheme in pursuit of the Council Plan undertaking. Discussions have taken place with planning officers and these suggest the site may accommodate around 110 new homes. It will also need to provide replacement business space in the order of 13,595sq ft. Cabinet should bear in mind these outputs are indicative and in no way fetter the Planning Committee's ability to determine any application it receives on its own merits.
11. Assuming the property is acquired, a decision can subsequently be taken as to how the property is redeveloped Any housing developed as part of the scheme could be a mix of 50% Council rent and 50% for market sale to assist funding subject to the design of the scheme.
12. The property is to be acquired subject to a lease that expires in October 2025. This means the council cannot obtain possession before then. Bringing new schemes forward inevitably takes time in design, planning and commissioning terms so the existence of the lease is not an issue. Indeed it means the property will yield an income and should remain occupied whilst plans for the site are formulated and taken forward ready to build.
13. In the light of the planning status, the property's location and its strategic benefit it is appropriate that the council seek to acquire the property. The council has already acquired 595 Old Kent Road, the PC World site adjacent to the property.
14. Section 120 of the Local Government Act 1972 enables the council to acquire land for any of the council's functions under the Local Government Act or any other enactment, or for the benefit, improvement or development of their area.

15. Section 9 of the Housing Act 1985 provides that a local housing authority may provide housing accommodation by erecting houses or by converting buildings into houses or by acquiring houses. The Housing Act therefore gives the council power to build houses itself on land acquired for that purpose.
16. Terms for the purchase of the property have been agreed with the vendor and contracts exchanged subject to Cabinet approval and these are set out in the next paragraph. If further detailed issues arise over the contract it is recommended that authority be delegated to the Director of Regeneration to agree such matters in consultation with the Strategic Director of Finance and Governance.

Principal purchase terms

17.
 - a) The council pays the consideration set out in the closed version of this report
 - b) On exchange of contracts the council paid a fully refundable deposit of 1% of the purchase price as set out in the closed version of this report. Therefore in the event that the purchase is not agreed by Cabinet the contract falls away and the deposit is returned.
 - c) On completion, the property to be subject to the lease referred to in paragraph 13.
 - d) The parties to meet their own costs of the transfer.

Commentary on principal purchase terms

18.
 - a)-b) Refer to closed version of report.
 - c) See paragraph 13.
 - d) A standard provision.

Rationale for recommendations

19.
 - a) To assist the council making strategic purchases of sites for its long term use.
 - b) To further a commitment within the new Council Plan.
 - c) To enhance the council's asset base.

Community impact statement

20. The new Council Plan was the subject of extensive community consultation. The recommendations herein further the delivery of the *A Place to Belong* commitment set out in the Plan.
21. The Equality Act 2010 requires the council in the exercise of its functions to have due regard to the need to:
 - a) eliminate discrimination;

- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
22. Relevant protected characteristics for the purposes of the Equality Act are:
- Age
 - Civil partnership
 - Disability
 - Gender reassignment
 - Pregnancy and maternity
 - Race
 - Religion or belief
 - Sex and sexual orientation.
23. In considering the recommendations herein the Cabinet must have due regard to the possible effects them on any groups sharing a protected characteristic in order to discharge its public sector equality duty. This is an ongoing obligation.
24. If the recommendations set out are approved, the council will purchase a retail building that will ultimately be demolished and redeveloped for mixed use. When the time comes to terminate the lease of the retail unit to enable the scheme to proceed, it will be necessary for regard to had to any possible effects on groups with a protected characteristic arising from the action.

Financial implications

25. The acquisition of the property will incur substantial capital expenditure and this is considered in detail in the closed version of the report.
26. As set out in paragraph 13 the property will generate an income between acquisition and termination of the lease that exists. This income will more than cover the council's holding costs for the property.
27. Submitting the bid for the property and processing the legal documentation necessary to complete the purchase, has and will incur revenue costs but these will be met from existing budgets.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

28. As set out in this report the property will be acquired pursuant to s120 of the Local Government Act 1972 which gives the council power to acquire land by agreement for the purposes of (a) any of the council's functions under the Local Government Act or (b) the benefit, improvement or development of the area. The report sets out at paragraph 16 how these requirements are met.
29. Section 9 of the Housing Act 1985 states that a local housing authority may provide housing accommodation by erecting houses or converting buildings into houses on land acquired by them for the purposes of the Housing Act.

30. Section 120(2) of the Local Government Act 1972 further provides that where land is acquired for a purpose and it is not immediately required for that purpose, it may be used for the purpose of any of the council's functions until it is required for the purpose for which it was acquired. This provision would authorise an "investment" use as envisaged by this report.
31. Taken together these provisions give the council adequate legal powers to acquire the property for housing and to use it for investment purposes in the interim period prior to construction of housing.

Strategic Director of Finance & Governance

32. Set out in closed version of the report.

BACKGROUND DOCUMENTS

Background Papers	Contact
Council Plan 2018/9 – 2021/22	
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s78763/Report%20Council%20Plan.pdf	

APPENDICES

Appendix	Title
Appendix A	Plan of 593 Old Kent Road

AUDIT TRAIL

Cabinet Member	Councillor Victoria Mills, Finance, Performance and Brexit	
Lead Officer	Kevin Fenton; Strategic Director Place and Wellbeing	
Report Author	Marcus Mayne, Principal: Regeneration South.	
Version	Final	
Dated	6 September 2018	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	In closed version
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		6 September 2019