

Item No. 21.	Classification: Open	Date: 14 July 2020	Meeting Name: Cabinet
Report title:		23 Urlwin Street SE5 and 48 Hayles Street SE11 – Disposal of freehold interests	
Wards affected:		Camberwell Green and St George	
From:		Councillor Victoria Mills, Finance, Performance and Brexit	

FOREWORD - COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT

This report proposes the sale of the council's freehold interest in two properties which are anticipated to have a value well in excess of £750,000 each.

Both properties are currently empty and at risk of deterioration. They also require substantial investment and modernisation. It is therefore recommended that we dispose of the properties. The proceeds from these sales will fund the housing investment programme and help finance the building of new council homes and improvements to existing council homes.

The Council's Housing Investment Programme has a substantial funding gap of £88m over future years. Some capital receipts, such as those expected from the sale of these properties, are needed if the programme's ambitions are to be met. The sale of these two properties is consistent with the council's current void strategy agreed in March 2009 and amended in 2014 to ensure thresholds and criteria for disposal were robust.

RECOMMENDATIONS

1. That the cabinet authorises the Head of Property to dispose of the Council's freehold interest in 23 Urlwin Street SE5, and 48 Hayles Street SE11 (the "Properties"), for a sum that equates to the market value of the individual properties.

BACKGROUND

2. 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.
3. Executive further resolved on 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'.

4. In July 2014 Cabinet reviewed the voids policy and revised the criteria for disposal, specifically to increase the threshold for disposal of void properties valued at £300,000 to £500,000, with the additional proviso that such properties be backed by one further category.
5. The Properties have been identified as suitable for disposal as they meet the value requirements of the amended criteria, i.e. it is considered that the properties each have a value in excess of £750,000.
6. 23 Urlwin Street, SE5 is an end of terrace four storey, Grade 2 listed, Victorian house situated in the Grosvenor Park conservation area. 48 Hayles Street SE11 comprises a three storey Victorian house situated in the West Square conservation area. Both properties require comprehensive refurbishment internally and externally and have been identified as being 'uneconomic to repair.' The works costs have been estimated by a quantity surveyor to be around £40,000 and £70,000 respectively. It is considered that these are very conservative estimates and do not fully take into account some of the structural and room layout issues to be rectified.
7. The Properties are identified in bold outline on the attached Ordnance Survey extracts at Appendix 1.
8. The Properties are currently empty and are at further risk of deterioration and trespass. 48 Hayles Street has recently been subject to illegal occupation and anti social behaviour which resulted in damage to the property.
9. These Victorian street properties, whilst potentially attractive and relatively spacious, are notoriously harder and more expensive to manage and maintain compared to other segments of the housing portfolio. In addition heating these properties can be very costly compared to the new stock that is currently being built and planned.
10. The Properties are held in the Housing Revenue Account (HRA).
11. Authority to sell is delegated to the Head of Property in individual cases where the sale price is below £750,000. The sale price of the Properties will exceed this limit and Cabinet approval is therefore required.
12. The Properties have been declared surplus to the council's requirements by the Director of Regeneration on 2 July 2020 following a recommendation by the council's void panel.

KEY ISSUES FOR CONSIDERATION

13. 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.
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

17. 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 assists the council in meeting its commitment to increasing the supply of quality new homes that people can genuinely afford as outlined in the Southwark Housing Strategy 2020.
18. 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 and extend the void strategy. More recently in July 2014 Cabinet revised the value threshold for disposal and introduced the need for an additional criteria to trigger a disposal. The properties recommended for disposal meet or exceed the relevant criteria

Effect of proposed changes on those affected

19. 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 the delivery of new homes and investment to retained stock, especially where decent homes have not yet been delivered.
20. 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.

Community impact statement

21. The Equality Act 2010 requires the council in the exercise of its functions to have due regard to the need to:
 1. Eliminate discrimination
 2. Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 3. 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:
 - a. Age
 - b. Civil partnership or marriage
 - c. Disability
 - d. Gender reassignment
 - e. Pregnancy and maternity
 - f. Race
 - g. Religion or belief
 - h. Sex or sexual orientation
23. In order to discharge its public sector equality duty, in considering the recommendations of this report the Cabinet must have due regard to the possible effects of them on any groups sharing a protected characteristic. This is an ongoing obligation.

Resource implications

24. 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.
25. As these Properties are being disposed of under the void strategy, set out in the report to Executive on 17 March 2009 and endorsed and extended at Cabinet on 31 May 2011 and 22 July 2014, the impact of loss of rental potential has been considered within the cumulative impact on the Housing Revenue Account of this strategy.
26. Disposal costs, which comprise reasonable incidental management and legal charges as well as sales and marketing costs, will be met from the sale receipts
27. There are no other risks or costs involved.

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 power of disposal.
30. As the properties fall 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.
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 disposals that would result in a local authority tenant becoming the tenant of a private landlord.
33. The report also confirms in paragraph 12 that the properties were declared surplus to the Council's requirements on 2 July 2020

Strategic Director of Finance and Governance (H&M 20/036)

34. This report is requesting Cabinet to authorise the Head of Property to dispose of two properties on the open market as detailed in the report.
35. The Strategic Director of Finance and Governance notes that the properties have been declared surplus due to being uneconomic to repair and the capital receipts generated from

the disposal will be used to support the council's housing investment programme.

36. The financial implications section also explains that the loss of rental income from the disposal has been considered as part of the Housing Revenue Account budget setting process.
37. 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	OS plans, 23 Urlwin Street, SE5 - highlighted in bold
Appendix 2	OS plans, 48 Hayles Street, SE11 - highlighted in bold

AUDIT TRAIL

Cabinet Member	Councillor Victoria Mills, Cabinet Member for Finance, Performance and Brexit	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Paul Davies, Principal Surveyor	
Version	Final	
Dated	2 July 2020	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	2 July 2020	