1. **SUMMARY**

1.1 This report provides details of a number of properties – it recommends that they be declared surplus to operational requirements and sold in the open market.

2. **DECISIONS REQUIRED**

Cabinet is recommended to:-

(a) Formally declare the following properties surplus to operational requirements and authorise the Corporate Director, Development and Renewal to arrange their marketing and sale

- Cheviot House, 227 - 233 Commercial Road, London, E1 2BU
- Limehouse Library, 638 Commercial Road, London, E14 7HS
- 225-279 Cambridge Heath Road (the “LEB” building)
- 13 Pierhead, 69 Wapping High St, London, E1W 2YF

(b) Authorise the execution of the necessary documents to implement the recommendation in (a) above

(c) Instruct officers to explore opportunities for additional land/buildings that could be considered surplus and to report back to a future Cabinet meeting.
3. **REASONS FOR THE DECISIONS**

3.1 There are a number of buildings which the Council no longer requires for operational purposes. Their proposed sale will enable them to be brought back into use, raise capital receipts for new investment and save revenue by reducing running costs.

4. **ALTERNATIVE OPTIONS**

4.1 The Council could retain some or all of these buildings, but the buildings are surplus to operational requirements, as set out in the report, and this course is not recommended. Options for the type of disposal are addressed in the body of the report.

5. **BACKGROUND**

5.1 The Council has a number of buildings that are vacant or may soon become vacant. Good asset management requires that they should either be reused, retained and managed or sold.

6. **BODY OF REPORT**

6.1 In February 2009, Cabinet considered the Council’s Asset Management Plan and agreed, amongst other things, that sales of a number of properties be deferred due to market conditions. This position needs to be reviewed, not least because the current financial position means the Council needs to reduce the number of properties it owns to reduce revenue costs and also raise funds for the capital programme.

6.2 Whilst the property market remains depressed compared to recently inflated levels, there is evidence of continued demand for property in Tower Hamlets. It is therefore felt reasonable to progress disposals in the current market subject to a number of safeguards. Firstly, in the event of offers being considered too low and there being a business case to retain property for sale at a later date, then individual sales may be reviewed. Secondly, any sales will contain adequate safeguards to capture increases in future development values through “overage” in the event of developers achieving either high planning densities or values, than those envisaged at the point offers were made.

6.3 The Council has a number of properties that are surplus or will be surplus once they are vacated. There are also a number of properties that have previously been declared surplus and an update is provided for information.

It is considered that these initial decisions are phase 1 of a three phase process. The second phase (recommended by this report) will be to undertake a further search of less obvious opportunities with a view to reporting back a further report back to Cabinet.

6.4 A separate report at a future meeting will consider a revised approach to asset strategy – this focuses on better use of operational property by
encouraging co-location of services. This will reduce running costs and will also inevitably lead to additional surplus property. This is the third phase and will be longer term.

6.5 It is suggested that if this approach is adopted then Cabinet will be asked to consider a comprehensive medium term (say three year) programme of asset sales annually.

6.6 Where properties may have a commercial use, it is suggested that offers are also sought on a rental basis; the Council can then compare the financial benefits of taking rent (i.e. revenue) rather than a capital receipt. This also has the potential to create what would be a stock of investment properties that could be sold at a later date.

Previously declared surplus properties

6.7 Properties at Underwood Road, Woodstock Terrace and 2 Jubilee Street were declared surplus in 2008 following the office accommodation programme. Underwood Road is currently being marketed for sale. Woodstock Terrace is being temporarily used as a decant building for the Ian Mikardo school as part of the Building School for the Future programme. The property will be vacated next year and will be sold.

6.8 2 Jubilee Street is currently being held as a site for a possible new Centre for Independent Living for Adults Health and Well-Being. In the event of this proposal not proceeding, or an alternative location being found, this building will be sold.

Properties to be declared surplus (General Fund)

6.9 Details of the potential revenue savings from these sales in contained in the Comments of the Chief Financial Officer below.

6.10 Cheviot House: Cheviot House is an eight storey building which presently houses a One Stop Shop at ground floor with Tower Hamlets Homes occupying the third floor on a temporary basis. There are current plans for the One Stop Shop to co-locate with the new Idea Store at Watney Market Cheviot House can then be sold. The building will not be sold until the current One Stop Shop has been relocated to ensure there is no interruption in the service.

6.11 Limehouse Library: Limehouse Library was closed in 2006 following the opening of the Chrisp Street Idea Store. It appears the property was declared surplus in 2004, but the sale did not proceed. The building is Grade II listed and a key part of any terms of disposal will be to ensure it is restored and brought back into beneficial use. It is recommended that this property be declared surplus to operational requirements and that as a condition of sale, the purchaser is required to restore the building.

6.12 LEB Building, Cambridge Heath Road: This building is a five storey office block that is currently vacant that was vacated as part of the Council’s office
accommodation strategy. It is recommended that this building be declared surplus to operational requirements.

Properties to be declared surplus (Housing Revenue Account)

6.13 **13 Pierhead, Wapping:** This is a three storey Georgian, Grade II Listed house that is currently vacant. The scope for refurbishment for residential use has been explored by Tower Hamlets Homes and found to be unviable. It is therefore proposed the property be sold in the open market with the capital receipt received being available for housing or regeneration purposes.

6.14 In all cases, and in line with the Council’s disposal procedures:

(a) The Council has canvassed all internal departments and there is no current or future operational use.

(b) Planning briefs or planning permission will be prepared prior to sale to maximise value and reduce risk.

(c) The buildings will be offered for sale in the open market to ensure the widest possible exposure.

(d) The buildings will be sold on long leases for a premium but where appropriate offers on a rental basis will also be invited. In the case of historic buildings in poor repair (e.g. Limehouse Library) conditions will be attached to ensure works are undertaken to a high standard and the building brought back into use.

6.15 The opportunities identified in this report have the scope to raise an estimated £15m of general fund capital receipts. A break down of values is contained in a report in Part II of these papers.

7. **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

7.1 This report seeks Cabinet approval to declare Cheviot House, Limehouse Library, 225-279 Cambridge Heath Road and 13 Pierhead, Wapping – all sites owned by the Council - surplus to requirements and to authorise the Corporate Director, Development & Renewal to arrange their marketing and sale.

7.2 **Cheviot House** - The appendix to this report indicates that, assuming proposals for the new One Stop Shop and Idea Store at Watney Market proceed, this building will be vacant and available for sale in 2012/13 with a receipt being generated in 2013/14. Cheviot House is held under General Fund powers and, as such, any receipt would be 100% usable.

7.3 **Limehouse Library** – This property was closed in 2006 following the opening of Chrisp Street Ideas Store. The report indicates that the property was declared surplus in 2004 but the sale did not proceed. The building is Grade II listed and a key part of any sale would be to ensure that it is restored and brought back into use. It is estimated that this receipt would be realised in 2012/13.
Again, because the property is held under General Fund powers the receipt would be 100% usable.

7.4 Running costs for Cheviot House and Limehouse Library are £95,000 and £67,000 respectively per annum. Once the properties are disposed of then revenue savings of those amounts would be realisable.

7.5 13 Pierhead, Wapping – This is a three-storey Georgian House that is currently vacant. The property is not viable for refurbishment for residential use. It is therefore proposed that the property be sold on the open market. It is anticipated that, if a disposal is agreed, this would be realised during 2011/12. The property is held under Housing powers and, provided the receipt is used for regeneration purposes, 100% is usable.

7.6 The report also seeks Cabinet approval for officers to investigate options for disposing of other potential surplus land/buildings. Paragraph 6.16 of the report indicates that the opportunities identified within the report could have the scope to raise an estimated £15.000m of capital resources.

7.7 As reported elsewhere on this agenda, funding for capital investment is likely to be severely restricted over the next few years, while the Borough’s population will continue to increase. Government capital grants to local authorities are expected to reduce by 45% over the next four years, and investment in local priorities will be increasingly dependent upon the sale of surplus assets.

7.8 Income from sale of assets can be applied to capital investment, although receipts from the sale of HRA properties are subject to a 75% top-slice by Government unless applied to other housing and regeneration schemes.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

8.1 It is open to Cabinet to agree the proposed disposals, as they are capable of being carried out within the Council’s statutory functions.

8.2 Under section 123 of the Local Government Act 1972, a local authority may dispose of surplus land in any manner they wish provided the disposal is for the best consideration reasonably obtainable.

8.3 The Council also has powers by virtue of the General Housing Consents 2005 to dispose of land held for housing purposes for the best consideration reasonably obtainable.

8.4 It will be for officers to ensure that any disposal made in accordance with recommendation 2(a) is for the best consideration reasonably obtainable.

8. ONE TOWER HAMLETS CONSIDERATIONS
9.1 The sale of these properties will raise capital receipts which will be available to support the Council’s overall capital programme which supports all service areas to deliver on the Community Plan objectives, as reflected in the Strategic Plan.

9. **SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

10.1 Any new developments will be to higher environmental standards. The sale of these properties will reduce the Council’s CO2 emissions.

10. **RISK MANAGEMENT IMPLICATIONS**

11.1 The principal risk relates to market conditions – these will be minimised through the effective management of the sales processes and ensuring adequate safeguards to protect the Council’s interests.

11. **CRIME AND DISORDER REDUCTION IMPLICATIONS**

12.1 None

12. **EFFICIENCY STATEMENT**

13.1 Where an asset has been identified as surplus to requirements, the Council has the option to retain the asset for future use, and in the meantime to pay any costs associated with maintaining and securing the asset, or to sell the asset for a capital receipt. The Council will receive a capital receipt from the sale of the land.

13. **APPENDICES**

13.1 There is an exempt appendix to this report.
Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report

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<tr>
<th>Brief description of “background papers”</th>
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