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| <b>Committee/Meeting:</b><br>Cabinet   | <b>Date:</b><br>3 August<br>2011 | <b>Classification:</b><br>Unrestricted                                     | <b>Report No:</b><br>(CAB 029/112) |
| <b>Report of:</b><br>Corporate Director,<br>Redevelopment and Renewal<br><br><b>Originating officer(s)</b> Toks Osibogun, Head of<br>Valuation & Estates |                                  | <b>Title:</b><br>Disposals Report Update<br><br><b>Wards Affected: All</b> |                                    |

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| <b>Lead Member</b>          | Alibor Choudhury      |
| <b>Community Plan Theme</b> | A Great Place to Live |
| <b>Strategic Priority</b>   |                       |

## 1. **SUMMARY**

- 1.1 This report outlines the current position on agreed asset disposals and sets out some information about possible "Phase II" properties.

## 2. **DECISIONS REQUIRED**

Cabinet is recommended to:-

- (a) Note the current position on Phase I disposals.
- (b) Agree to declare 31 Turner Street and the Sutton Street depot surplus to requirements and authorise their sale.

## 3. **REASONS FOR THE DECISIONS**

- 3.1 To enable the sale of a number of vacant properties in order to generate capital receipts for new investment.

## 4. **ALTERNATIVE OPTIONS**

- 4.1 It is considered that in order for the Council to generate capital receipts for new investments as well as revenue savings as part of its Better Asset Management Programme, it considered essential that the Council continues to seek to deliver its asset disposal programme.

## **5. BACKGROUND**

- 5.1 Cabinet has recently agreed to the sale of a number of vacant properties – this will generate some revenue savings as part of the Better Asset Management Programme and also raise capital receipts for new investment. An update on the disposals programme is attached as appendix 1.

Officers have also investigated other initial opportunities and the following are recommended as being declared surplus and sold

- 5.2 31 Turner Street

This is a 4 storey industrial property (shown edged in black on the attached plan) in respect of which the lease has expired. Additionally, the property is in need of significant wants of repair for which the tenant is liable. The lessee, despite being provided with several opportunities to enter into a lease with the Council, has repeatedly failed to agree terms with the Council and has steadfastly refused to sign a new lease or address the wants of repair to the property. The cost of the repairs to the building are currently estimated to be in the order of £90,000 approximately.

Having been informed that failure to sign a suitable agreement with the Council in respect of their occupation, an attempt to take possession of the property was aborted as officers were of the opinion that there were people inhabiting the property.

Officers consider it too risky to allow the position to continue and attempts to regain possession will be pursued through the courts. Upon regaining possession, giving the outstanding repairs required to be undertaken to the property, it is considered preferable to declare the property surplus to requirements with a view to selling it on the open market. Once the Council has regained possession of the site, an options appraisal will be undertaken to determine its future use which could include, potentially, a mixed use or residential scheme.

- 5.3 Sutton Street Depot

Sutton Street Depot, shown edged black on the attached plan, is currently used by a range of CLC services as a base for vehicles and street-based staff as well as for storage and workshop facilities. The site is situated within the Commercial Road Conservation Area .

The Depot neither provides a suitable locality base for the future nor is it of an adequate size to consolidate depot operations for vehicles.

In light of the limited suitability for service localisation and depot rationalisation, it is proposed to wind down operations at this site and make it available for alternative uses. Services currently located at the site will either be located within locality hubs where this is appropriate or on other sites already operated by services to harness economies of scale.

Once operations have been wound down at the site, it is considered the property will no longer be required for operational purposes.

Accordingly, officers would recommend this property is declared surplus to operational requirements and authorised for disposal once the services have been relocated by CLC. In view of the site constraints and advice from planning colleagues, there would be a preference for the site to remain in employment use and a presumption against its use for housing development.

## **6. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 6.1 This report seeks Cabinet approval to declare 31 Turner Street and the Sutton Street depot – sites owned by the Council - surplus to requirements and to authorise arrangements to be made for their marketing and sale.
- 6.2 31 Turner Street – This site is held for industrial purposes and it is proposed that the Council will seek to regain possession from the current leaseholder prior to marketing the site. The property requires significant repairs (estimated at approximately £90,000) to be undertaken and officers consider disposal of the surplus asset to be the most cost effective course of action. As part of the repossession proceedings all costs and liabilities due to the Council should be sought. The property is held under General Fund powers and, as such, any receipt would be 100% usable.
- 6.3 Sutton Street Depot – This property is currently utilised as a base for various council vehicles as well as offering storage and workshop facilities (paragraph 5.3). Prior to finalising any disposal arrangements of the depot site alternative arrangements must be determined for service provision. This must include an appraisal of any revenue or capital financing implications. Depending upon the alternative arrangements that are put into place, it is possible that revenue savings may be realisable as a result of this review of service provision. Again, because the property is held under General Fund powers the receipt would be 100% usable.
- 6.4 The report also updates Members on the progress in respect of various properties where disposal has previously been agreed by Cabinet. These are shown in Appendix 1. All the sites listed are at various stages of disposal apart from the property at 22-28 Underwood Road which was sold at the very end of the 2010-11 financial year. A gross receipt of £2.75 million was generated which after offsetting the various costs of disposal will be available towards the funding of the capital programme.
- 6.5 As highlighted in previous reports to Members, 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.

- 6.6 The proposed property disposals detailed in this report would generate substantial capital resources if ultimately realised. However, no commitments should be entered into in relation to the use of these potential resources until binding contracts are entered into and the receipts are guaranteed.

## **7. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

- 7.1 Members need to have regard to the power in section 123 of the Local Government Act 1972 for the Council to dispose of land. This requires any disposal to achieve the best consideration reasonably obtainable unless the Secretary of State consents to the disposal.
- 7.2 This means that the Council must openly market the site to establish a competitive value. A sale by auction would demonstrate that best consideration had been achieved. If bids are sought then these will need to be assessed against the valuation and tender criteria that have been identified prior to bids being sought.
- 7.4 If the sale is not to be for best consideration then consent to the disposal must be obtained. Depending on the terms of the sale this could be by one of the General Consents or where no general consent exists for the particular terms of sale by a specific consent from the Secretary of State

## **8. ONE TOWER HAMLETS CONSIDERATIONS**

- 8.1. 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**

- 9.1 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**

- 10.1 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**

- 11.1 There are none specific arising from this report.

**12. EFFICIENCY STATEMENT**

12.1 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**

Appendix 1 – Phase I Asset Disposals: Position Statement

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**Local Government Act, 1972 Section 100D (As amended)  
List of “Background Papers” used in the preparation of this report**

| Brief description of “background papers” | Name and telephone number of holder and address where open to inspection. |
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| None                                     | N/A   |