

<b>Committee/Meeting:</b>  <b>Cabinet</b>	<b>Date:</b> 6 <sup>th</sup> April 2011	<b>Classification:</b>  Unrestricted	<b>Report No:</b>
<b>Report of:</b>  <b>Corporate Director: Development &amp; Renewal</b>  <b>Originating officer(s) Jackie Odunoye</b> Services Head Strategy, Regeneration & Sustainability		<b>Title:</b> <b>Disposal of 63a Sewardstone Road (The Stables)</b>  <b>Wards Affected: Bethnal Green North</b>	

<b>Lead Member</b>	Cllr Rabina Khan
<b>Community Plan Theme</b>	A Great Place to Live
<b>Strategic Priority</b>	Value for Money (Disposal)

## 1. SUMMARY

- 1.1 **63a Sewardstone Road**, also known as Stables is currently registered in the ownership of the Council. The Stables is situated adjacent to accommodation currently being managed by Grand Union Co-operative (GUC), a registered provider working in the borough. 63a Sewardstone Road has been unused for some time, which has resulted in its current state of disrepair.
- 1.2 A decision was taken by the Council in 2001 to dispose of Sewardstone Road to GUC for a nominal sum of £1 (see Appendix 1 & 2 attached). The original decision to dispose of the property for a nominal sum was arrived at on the basis that GUC would use 63a Sewardstone Road as office accommodation, and nominations would be provided to the council from a number of other properties made available through refurbishments resulting from the sale.
- 1.3 This report seeks to review the original 2001 decision to dispose of the property for a nominal sum. The review is required due to the length of time since the previous decision was agreed, the significant adverse changes in the prevailing economic climate since the original decision, the reduction in funding from central government, and various other policy changes.
- 1.4 Given also that 63a Sewardstone Road is in a very poor state of disrepair (a virtual shell only remains), and would cost the Council significant funds to renovate (some £13,500 having already been spent by GUC to ensure the property remains weathertight), it is recommended that agreement is given to dispose of the property as a market sale. It is proposed that Grand Union

Housing Co-operative will be re-imbursed for their costs to date from the sale of the property.

## **2        DECISION REQUIRED**

**The Mayor is recommended to:**

- 2.1 Agree to declare the property known as **63a Sewardstone Road**, The Stables surplus to the Council's operational requirements;
- 2.2 Agree to dispose of **63a Sewardstone Road**, The Stables on the open market by auction, and to use the resources generated from the open market sales for further affordable housing or regeneration schemes within the borough.
- 2.3 Authorise officers to proceed with the disposal, and to delegate decisions on the details of the disposal to the Corporate Director of Development & Renewal in consultation with the Assistant Chief Executive (Legal Services)
- 2.4 Authorise the Assistant Chief Executive (Legal Services) to enter into all necessary documents to implement the recommendations of this report.
- 2.5 Agree to reimburse GUC the £13,500 they have spent on maintaining the property since 2001

## **3        REASONS FOR THE DECISIONS**

- 3.1 The 2001 decision to dispose of the property to a local registered housing provider (GUC) a nominal sum of £1, in exchange for nominations to tenancies in the co-op was a common decision for the period. However, councils are now entering into more sophisticated land deals for example providing profit share and overage, as these provide much better value. In the current adverse economic climate the Council need to ensure that there is appropriate use of its resources and that the disposal achieves a measure of value for money. The latest financial settlement from central government has placed significant pressures on the council and its financial arrangements.
- 3.2 The council's Housing Revenue Account (HRA) is also under similar pressure and although the review proposed by Government has not been concluded, the proposals outlined will ensure a self financed model for the HRA going forward. The proposals made in the Localism Bill now moving through Parliament also impact on HRA resources indirectly, as the new Affordable Rent model is likely to be unaffordable for the majority of Tower Hamlets tenants, the council will need to look at driving cost to tenants down yet maintaining the much needed development pipeline required to meet its strategic objectives. Part of that solution will be to maximise the use of its property assets which allow the council to maximise the use of its assets.

- 3.3 A combination of exceptional factors such as the property being squatted, the development of the ALMO, lengthy court delays in gaining possession, meant it had become impossible to implement the original disposal decision.
- 3.4 The loss of this unit from the pool of available council property should be balanced by the use of the open market sale receipt for provision of alternative affordable housing or regeneration initiatives to be carried out in the borough.
- 3.5 63A Sewardstone Road has been assessed as being too expensive to convert or repair within the current budget. It is not beneficial to the Council for this property to remain void because of the loss of rent, the costs arising from security and the dangers of vandalism and squatting. GUC has already spent £13,500 for the upkeep of this property.

#### **4 BACKGROUND**

- 4.1 The site or property identified for disposal has been the subject of a previous committee report in 2001 where there was a decision to dispose of the site at nil value to Grand Union Housing Co-operative. Since that time the Disposal Consents which give authority for sales at undervalue have changed and the Council does not have as much discretion.
- 4.2 Grand Union Co-operative officially approached the Council in January 1999 expressing their desire to acquire this property at less than market value and an offer of additional nomination rights to a Grand Union property. The Co-operative sought to convert the property into a fully accessible office for their members. Grand Union Co-operative confirmed that the property would not be used for profit and that the accessible offices would be of benefit to its residents and the wider local community.
- 4.3 A report was agreed by committee on 10<sup>th</sup> January 2001, agreeing to dispose of the property to Grand Union Co-op for a nominal sum provided the Council could acquire a nomination to the next 2/3 bed house / maisonette that became available. The report also stated that Grand Union would vacate their then existing office unit on 101a Bishops Way, and expand it into 101b Bishops Way to create a large family unit.
- 4.4 Approval of the Policy Implementation Committee was granted on 10<sup>th</sup> January 2001 to dispose of the property to Grand Union Co-operative at nil value.
- 4.5 Although there was a contract drafted, various changes in personnel within the Council and the development of the ALMO all contributed towards the delay of the actual disposal to GUC. However, it was then discovered that the property was illegally occupied which inevitably led to further lengthy delays as a result of the Council having to take court action to get possession.
- 4.6 More recent discussions with GUC indicate that they are still keen to acquire the site 63a Sewardstone road under the original agreement.

- 4.7 The property is not a listed building. However earlier records indicate that the Historic Buildings Officer wrote to the Council in an attempt to ensure that any redevelopment of this historically interesting building would be undertaken with considerable care.
- 4.8 GUC have never occupied the property so although they have spent moneys on its maintenance they have not derived any benefit from it.

## **5. OPTION FOR DISPOSAL**

- 5.1 The option of the Council continuing the original process of disposal to GUC for the nominal sum of £1 is no longer legally possible as the Disposal Consents have been changed since that original decision. The consents apply at the date of the disposal not at the date of the decision.
- 5.2 It is recommended that the council sells the property in the open market at auction, as the preferred option for disposal.
- 5.3 The property has already generated interest from two separate private individuals in recent months, as well as the long term interest shown by GUC. Property held in the HRA must be shown to achieve best value, and an open market sale will additionally provide transparency to the process of disposal.
- 5.4 The Service Head, Asset Management considers that the most appropriate method of disposal in this case will be by auction. . As part of the auction process, the auctioneers will be required to agree a reserve price with the Head of Valuation & Estates. This will ensure that the Council complies with its obligation to receive market value.

## **6. ALTERNATIVE OPTIONS**

There are a number of alternative options for disposal which are outlined below:-

- 6.1 The Council carries out improvement works on the property and brings it back into use or develops the plot. The council would incur considerable expenditure to bring back this property that has been classified as uneconomical void back into use as it would require refurbishment costs in the excess of £40K. Developing the asset into alternative accommodation would be even more expensive. These options place huge pressures to already constrained council housing budgets.
- 6.2 To sell a long leasehold interest in the property to Grand Union Co-operative based on market value taking into account their maintenance expenditure on the property, and nomination rights to their next 2/3 bedroom properties .

## **7 DISPOSAL CONDITIONS**

- 7.1 The property **63a Sewardstone Road** proposed for sale on the open market was previously used as stables and latterly as a workshop and in line with the council's Disposals Policy, it would be sold on a long lease, which will enable terms and conditions to be attached to the sale.
- 7.2 Local residents have expressed considerable concern over the length of time that the council has left this property empty and in a semi-derelict state, and over the possibility of future crime and anti-social behaviour if the property continues to remain empty. It is therefore proposed that a covenant be attached to each sale (whether market sale or sale to an RP) to require that the property is brought back into constructive use within 18 months of the sale. Failure to comply with the conditions attached to the sale requiring the property to be brought back into reasonable beneficial use would result in financial penalties to the purchaser and the potential of the property being re-possessed by the Council

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

- 8.1 It is recommended that the property be sold on the open market via means of auction. This will replace the previous nominal value disposal, approved by Cabinet in 2001.
- 8.2 Officers consider that it will not be cost effective for the Authority to renovate the property (paragraph 3.5), and that future costs of securing the site make disposal the preferred solution. Grand Union Housing Co-operative has already invested sums totalling approximately £13,500 to maintain and secure this property, and will be re-imbursed for these expenses from the sale proceeds.
- 8.3 This property is not held within the Housing Revenue Account for dwelling purposes, so any capital receipt accruing from its disposal will be 100% usable if used for regeneration purposes.

## **9. COMMENTS OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

- 9.1 The proposal before members is now to sell this property on the open market under 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. 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.

9.2 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

**10. ONE TOWER HAMLETS CONSIDERATIONS**

The equalities implications of the actions recommended here have been considered. The report explains why the economic repair of this property is not possible and suggests that the effects of the sale can be mitigated by ensuring that the sale receipts are ring-fenced to facilitate the construction of other new affordable housing units in the borough.

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

63a Sewardstone Road has had no major works to improve its condition for a very long time and are currently very poorly insulated and have deficient heating systems. Refurbishment of the properties, whether carried out by an RP or by a private purchaser, will bring them up to modern standards and contribute to a more sustainable neighbourhood.

**12 RISK MANAGEMENT IMPLICATIONS**

There is a risk of not being able to sell 63a Sewardstone Road (The Stables) in the current economic climate but this risk will be mitigated by close management of the disposal process.

If the unit remain empty there is ongoing risk of further squatting, vandalism and anti social behaviour. It is possible that even after the disposal the Stables, it may not be brought back into residential use in a reasonable time scale, but this will be mitigated by inserting clear requirements in the terms of the leasehold disposal.

**13. CRIME AND DISORDER REDUCTION IMPLICATIONS**

It is evident from a number of complaints from local residents that the presence of these semi-derelict properties contributes either to actual crime, evidenced by the number of instances of unauthorised occupation by squatters, or the fear of crime. Speedy action by the council to arrange for these houses to be refurbished by their new owners will assist in reducing the negative impact of these houses and will contribute to a regeneration of this part of the borough.

**14. EFFICIENCY STATEMENT**

The housing resource represented by this property is currently much under-utilised. The open market sale of this property will generate a receipt which can be used to contribute towards the provision of new affordable housing,

built to a modern standard and let to people on the Common Housing Register.