

Committee/Meeting: Cabinet	Date: 9 January 2012	Classification: Unrestricted	Report No: CAB 60/123
Report of: Corporate Directors: Communities, Localities & Culture Development & Renewal Originating officer(s) Ann Sutcliffe, Service Head-Strategic Property and Capital Delivery		Title: Disposals Programme Wards Affected: Mile End East	

Lead Member	Cllr Alibor Choudhury
Community Plan Theme	One Tower Hamlets
Strategic Priority	Work Efficiently and Effectively as one Council

1. SUMMARY

- 1.1 The Council owns a number of assets that are either currently vacant or due to become vacant shortly. These assets are an additional burden at a time of limited resources that the Council currently has for looking after their buildings and the provision of services.
- 1.2 The Council have reviewed the opportunities that are available through these buildings and sites, including bringing them back into use, developing them as council led projects and/or as part of a disposal programme.
- 1.3 This report sets out the options for one of these key sites (Southern Grove) along with a preferred direction of travel.

2. DECISIONS REQUIRED

The Mayor in Cabinet is recommended to:-

- (a) Note the contents of this report:
- (b) Agree to the disposal of part of Southern Grove;
- (c) Authorise officers to secure a planning brief for site at part of Southern Grove;
- (d) Following consultation with the Mayor and Lead Member for Resources, authorise the Director of Development and Renewal, in conjunction with the Assistant Chief Executive Legal Services, to

- accept the best tender return for the site on conclusion of the marketing exercise; and ,
- (e) Authorise officers to appoint external agents to support the marketing of the site.

3. REASONS FOR THE DECISIONS

- 3.1 It is important at a time of reducing funding and budgets in the public sector, to ensure that efficiencies are driven through the running and/or disposals of our assets to reduce revenue costs.
- 3.2 To continue to review and rationalise council assets, to reduce the Councils operational portfolio to the minimum.
- 3.3 That the site disposal will generate for the council significant capital receipts, for which can be directed to the Mayor's priorities on housing, education and infrastructure projects.
- 3.4 The development of the site will also, alongside the generation of a capital receipt, will bring forward social and affordable housing along with the potential for other community facilities.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The council has considered the option of developing the site directly, but the funding to deliver this as an option is not available.

5. BACKGROUND

- 5.1 The Council has a significant operational and commercial portfolio that it manages. The Council is currently reviewing its property portfolio and bringing forward a number of sites for direct development and/or disposal. The preferred option that is determined will be based on the availability of funding to develop, or to reduce the revenue running costs for the maintenance and security of vacant buildings by disposing of the properties.
- 5.2 This report focuses on a Council site that is currently vacant. The buildings on the site have stood empty for approximately five years, whilst still making a demand on a limited revenue budget to ensure the buildings remain secure and safe.
- 5.3 The report covers the following site at:
- Part of Southern Grove (North)

- 5.4 The Council through the disposal of the site intends to achieve the maximum capital receipt that can be realised. It is therefore proposed in line with the Asset Strategy, that the site at a minimum will be sold with a planning brief.

SOUTHERN GROVE

- 5.5 The site comprises a 0.6 ha (1.48 acre) site in Mile End, comprising of two buildings – a five storey former Council office building and a three storey Victorian building formerly used for the Council's Meals on Wheels service. Part of the site is located in Tower Hamlets Cemetery Conservation Area. The buildings have been vacant for approximately five years and the approximate running costs are £180,000 per annum.

- 5.6 The site has the potential to provide approximately 75 residential units.

6. DISPOSAL PROCESS

- 6.1 The success of the disposal will be determined on the basis of being able to undertake the pre-sale work, solid and targeted marketing to be undertaken, along with the completion of the draft lease, HoTs to be issued with the marketing details. This will help expedite the process of concluding contract closes with the successful bidder.

- 6.2 It is anticipated that up to 4% of the capital receipt value will be used to ensure the successful marketing of the sites. This will cover the appointment of an external marketing team, legal and property team support, and where necessary architectural / planning input.

7.0 COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1 This report seeks Cabinet approval to declare part of the Council owned site at Southern Grove surplus to requirements and to authorise arrangements to be made for its marketing and sale. It is proposed that the site will be marketed with a planning brief already in place in order to maximise the value of the site.

- 7.2 The site is held under General Fund powers and as such, any receipt would be 100% usable.

- 7.3 The site is currently unutilised and generates no income for the Authority. The Council is however incurring significant revenue costs (estimated at approximately £180,000 per annum) in holding this vacant property which will be avoided if the site is disposed of. This will contribute to savings targets for better asset management agreed as part of the authority's budget. .

- 7.4 The proposed property disposal would generate a substantial capital resource if ultimately realised. Although the property has previously been earmarked for disposal, no potential receipt has been assumed as a resource available to finance the capital programme. The Authority adopts a prudent approach to

the use of capital receipts and will only allocate them to schemes once they have been received and all contractual commitments met.

- 7.5 As highlighted in previous reports to Members, funding for capital investment is severely restricted over the next few years, while the Borough's population will continue to increase. Government capital grants to local authorities have reduced significantly, and investment in local priorities will be increasingly dependent upon the sale of surplus assets.
- 7.6 As indicated above (paragraph 5.4) it is recommended that the site is marketed with a planning brief already in place. Although this will delay the timing of the receipt, it will mean that the value of the site will be greater. It is intended that the costs of preparing the planning brief and other marketing costs will be met through the 'top-slicing' of 4% of the receipt value. These costs will initially have to be forward funded in advance of the capital receipt being generated, but because they will be offset against the capital receipt raised, are at risk if they are incurred but the sale does not proceed for any reason. In these circumstances they would need to be met from General Reserves.

8.0 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 8.1 The Council has the power by virtue of section 123 of the Local Government Act 1972 to dispose of land but this is subject to the need to get the best consideration reasonably obtainable unless the Secretary of State consents to the disposal.
- 8.2.1 The proposals in this report are that the Council will openly market the site using professional agents to establish a competitive value. Bids will need to be assessed against any evaluation criteria that have been identified in the invitation to bid prior to bids being sought.
- 8.3 If the Council is, as landowner, (rather than planning authority) going to require benefits from the land then specific legal advice will be required on the proposed transaction to ensure that it complies with the public procurement regulations as recent EU caselaw has ruled that where a public authority is to derive a benefit (other than the sale price) from a development it will be subject to the public procurement regime where the value is over £3.5 million. This would catch transactions where the Council were to receive social housing units in return for the transfer of a parcel of land. It will not catch obligations which are solely as a result of planning policy so the standard Section 106 agreements are not covered
- 8.4 In addition care must be taken in proposing any transaction where a restriction is to be imposed which may restrict competition. From 6th April 2011 the Competition Act 1998 applies to land agreements. This means that any proposed restriction e.g. a restrictive covenant governing the use of the site would need to be assessed by reference to the relevant market to

determine if the proposed restriction will have an appreciable effect on competition.

9.0 ONE TOWER HAMLETS CONSIDERATIONS

9.1. The sale and redevelopment of the sites identified in this report will raise capital receipts or allow for the development of new housing 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 as well as achieve Mayoral priorities to provide new low cost housing.

10.0 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.

11.0 RISK MANAGEMENT IMPLICATIONS

11.1 The key risks are as follows:

11.2 **Timing and marketing strategy** - the disposal and the marketing strategy to ensure maximum capital receipt may not be realised for the Council, if these are not managed well, or insufficient information exists at the time of marketing the properties, this may lead to values being suppressed.

Mitigation – ensure that full and complete property information is compiled. Ensure that a planning brief or planning permission is available on the high value sites. Professional marketing is undertaken with clear details and timeline for submitting bids.

11.3 **Market saturation** - the marketing of the site and others already declared surplus for disposal all happen at the same time, it could be viewed as saturating the market, which could drive down or suppress the values and/or level of interest.

Mitigation- ensure that the marketing of the sites is undertaken on a phased basis to ensure that market interest is maintained.

11.4 **Market Conditions** - market conditions regarding the value of the land – these will be minimised through the effective management of the sales process and ensuring adequate safeguards to protect the Council's interests.

Mitigation – ensure that there is transparency about the marketing process, evaluation of bids including ensure the best consideration is achieved on the site.

12.0 CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1 Vacant sites attract anti social behaviour, including vandalism and squatting. The Council expends funds ensuring that the buildings are secure however there are still attempts to enter the buildings and to vandalise.

12.2 The site disposal will also remove the unsightly empty buildings within the borough.

13.0 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

14. APPENDICES

14.1 Appendix 1 – site plan of part Southern Grove (North)

Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012

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
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