


<b>Commissioner Decision Report</b> 5 <sup>th</sup> August 2015	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Corporate Director, Development and Renewal	<b>Classification:</b> Unrestricted
<b>Disposal of strip of land adjacent to 309 – 317 Cambridge Heath Road</b>	

<b>Originating Officer(s)</b>	Service Head, Corporate Property & Capital Delivery
<b>Wards affected</b>	St Peter's
<b>Key Decision?</b>	No
<b>Community Plan Theme</b>	One Tower Hamlets

### Executive Summary

This report seeks Commissioners' agreement to the Council's proposal to dispose of a strip of land (with an area of approximately 93m<sup>2</sup>) to the adjoining owner as it is to form part of the redevelopment of a former office building into a 5-storey, 80-bedroom hotel. The proposed disposal is to a special purchaser wherein the value of the property lies. The strip of land serves no purpose to the Council, it cannot be developed in its own right and only holds value to the adjoining property owner and the Council.

The body of this report outlines the reasons for the proposed disposal.

There is an exempt report of the same title, which accompanies this unrestricted report.

### Recommendations:

The Commissioners are recommended to:

1. Agree that the Council may dispose of the freehold of the vacant strip of land adjoining 309 – 317 Cambridge Heath Road as shown outlined in red on the map attached as Appendix 1 to the freehold owners of 309 – 317 Cambridge Heath Road for the sum of £85,000.
2. Note that the sale will be to a special purchaser, via direct negotiation.

## **1. REASONS FOR THE DECISIONS**

- 1.1 Proceeding with this disposal will contribute to the continual review and rationalisation of Council assets and assist in achieving a reduction of the Council's non-operational portfolio.
- 1.2 The disposal of the site at Cambridge Heath Road will generate a capital receipt and discharge the Council's liability for health and safety and maintenance/upkeep. The land is held for general purposes. It is adjacent to the public highway but does not form part of an adopted road; as such it has not been maintained by Highways or any other Council department in the recent past.
- 1.3 In line with Financial Procedure CR10, and specifically paragraph 3.2 of the supporting Financial Procedure P4, the Service Head, Corporate Property & Capital Delivery, has determined that the most appropriate method of disposal in this case is sale to a special purchaser, via direct negotiation, (paragraph 3.3b of P4) as the sale is to an adjoining owner. The land is deemed to hold value only to the adjoining property owner and the Council. No formal marketing will be undertaken or required for this reason.

## **2. ALTERNATIVE OPTIONS**

- 2.1 The alternative is to retain the land and not dispose of it however, the proposed consented development would be affected as its density would be reduced. The land could not be utilised to deliver any core or strategic objectives for Council. Retaining the parcel will not release any obligations of the Council relating to its liability for health and safety, maintenance and upkeep.

## **3. DETAILS OF REPORT**

- 3.1 The Council owns a vacant strip of land adjoining 309 – 317 Cambridge Heath Road.
- 3.2 309 – 317 Cambridge Heath Road comprises a three storey, semi-detached former office building constructed in the 1970s. To the rear of the building, accessed via Nant Street and Paradise Row, is a small car park area.

- 3.3 Separating the parcel (containing the building) from the pavement and public highway, is a small, broadly rectangular, piece of land being the Council owned strip of land in question. It currently comprises numerous steps and raised garden formations all constructed of brick. From the Land Registry plans, the boundary of the area of land adjacent to the building is at an angle and does not run directly parallel to the building line. The area of the subject land has been calculated to be approximately 93 sq. m. The site area of the building is approximately 438 sq. m.
- 3.4 Planning permission (PA/12/00623) was granted in December 2012 (and expiring in December 2015) for the demolition of the existing three-storey building and the construction of a 5-storey 80-bedroom Travelodge hotel with ancillary facilities. However, the developer included the Council owned land in the application area. The developer has approached officers indicating they wish to purchase that strip of land, since late 2011.
- 3.5 In December 2013 the Council instructed Fluerets to undertake an independent valuation of the strip of land adjoining 309-317 Cambridge Heath Road, in the context of the wider parcel of land on which the developer hopes to implement the proposed consented development.
- 3.6 In February 2014 Fleurets reported back to the authority stating  
*"...we consider our opinion of the value of the freehold interest of the land to the front of 309/317 Cambridge Heath Road, assuming a purchase by the owner of 309/3417 Cambridge Heath Road, at today's date is in the region of £85,000 (eighty five thousand pounds)".*
- 3.7 As a result of the time that has passed since the valuation was completed, officers requested a refresh of the valuation in June 2015 and the same figure was returned.
- 3.8 In accordance with this valuation officers are proposing to dispose of the Council's freehold interest in the land via a private treaty sale for £85,000.
- 3.9 The Council's usual method of disposal is sale by informal tender in the open market. However, given the unique nature of the land in question, this case is more suited to sale via direct negotiation. This is because while the land has value for the company which owns the neighbouring site, it has little development opportunity on its own.
- 3.10 Based on the above, in line with the Council's Financial Regulations, the Service Head, Corporate Property & Capital Delivery has determined that sale by direct negotiation rather than in the open market, will ensure the Council

secures the best consideration reasonably obtainable as it is required to do so under section 123 of the Local Government Act 1972 (as amended).

3.11 A site plan is attached as appendix 1.

#### **4. COMMENTS OF THE CHIEF FINANCE OFFICER**

4.1 Following an approach by the owner of 309-317 Cambridge Heath Road, this report seeks approval to dispose of a strip of land that adjoins the property in order to facilitate the redevelopment of the site.

4.2 As indicated in the report (paragraphs 3.8 to 3.10), officers are of the view that private treaty sale is the most appropriate method of disposal, and an independent valuation has proposed that the site be disposed of for the sum of £85,000.

4.3 The premium received will be a capital receipt, fully useable by the Council for any purpose, either within the General Fund or Housing Revenue Account capital programmes.

4.4 The site generates no income for the Authority, and disposal will mean the Authority is no longer liable for any upkeep of the land.

4.5 Any costs that the Council incurs in relation to the sale can be met through the 'top-slicing' of up to 4% of the receipt value. These costs will initially have to be forward funded in advance of the capital receipt being generated, and 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 within existing budgets.

#### **5. LEGAL COMMENTS**

5.1 The Council has the power under section 123 of the Local Government Act 1972 (the "1972 Act") to dispose of land which it holds. Section 123(2) of the 1972 Act requires a disposal to be for a consideration not less than the best that can reasonably be obtained, unless the Secretary of State's consent is obtained (or the disposal is a tenancy of less than seven years). The proposal is the disposal of the freehold of this land. The Council obtained an independent valuation of the land that confirms the consideration which is being proposed is the best which can reasonably be obtained.

- 5.2 The Secretary of State for Communities and Local Government issued Directions dated 17 December 2014 pursuant to the powers under section 15(5) and (6) of the Local Government Act 1999 (the "Directions"). The Directions, at paragraph 4 (i) provide that the Council must "take the actions set out in Annex A...". Paragraph 5 of Annex A requires that the Council, until 31 March 2017 "*obtain the prior written agreement of the Commissioners before entering into any commitment to dispose of, or otherwise transfer to third parties, any real property other than existing single dwellings for the purposes of residential occupation.*" Accordingly the proposed transaction requires the prior written agreement of the Commissioners.
- 5.3 The Council is obliged under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". For the reasons set out above this land has limited use for the Council. Accordingly the Council will satisfy the best value duty by disposing of the land to the Developer and obtaining the recommended sale price.
- 5.4 When exercising its functions the Council has a duty under section 149 of the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination and advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not. In this instance the Council is exercising its function as freeholder. The financial consideration will be available to the Council for the exercise of its other functions.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1. The sale of the site identified in this report will raise a capital receipt 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 to achieve Mayoral priorities.

## **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 The sale of the site identified in this report will release the Authority from the obligation of its upkeep and generate a Capital Receipt for the full market value.

## **8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

8.1 There are no immediate environmental implications arising from this report.

## **9. RISK MANAGEMENT IMPLICATIONS**

9.1 The principal risk in retaining the site is that the Council is currently responsible for the upkeep of this strip of land which generates no income. The sale of the land will generate a Capital Receipt and will release the Authority from the liability of its upkeep.

## **10. CRIME AND DISORDER REDUCTION IMPLICATIONS**

10.1 There are no specific crime and disorder reduction implications attached to the sale of this strip of land due to its location and size as outlined in the body of the report.

## **11. SAFEGUARDING IMPLICATIONS**

11.1 There are no safeguarding implications arising for the proposals outlined in this report.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- Disposal of strip of land adjacent to 309 – 317 Cambridge Heath Road (exempt report)

#### **Appendices**

- Appendix A Site plan for land adjoining 309-317 Cambridge Heath Road

#### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

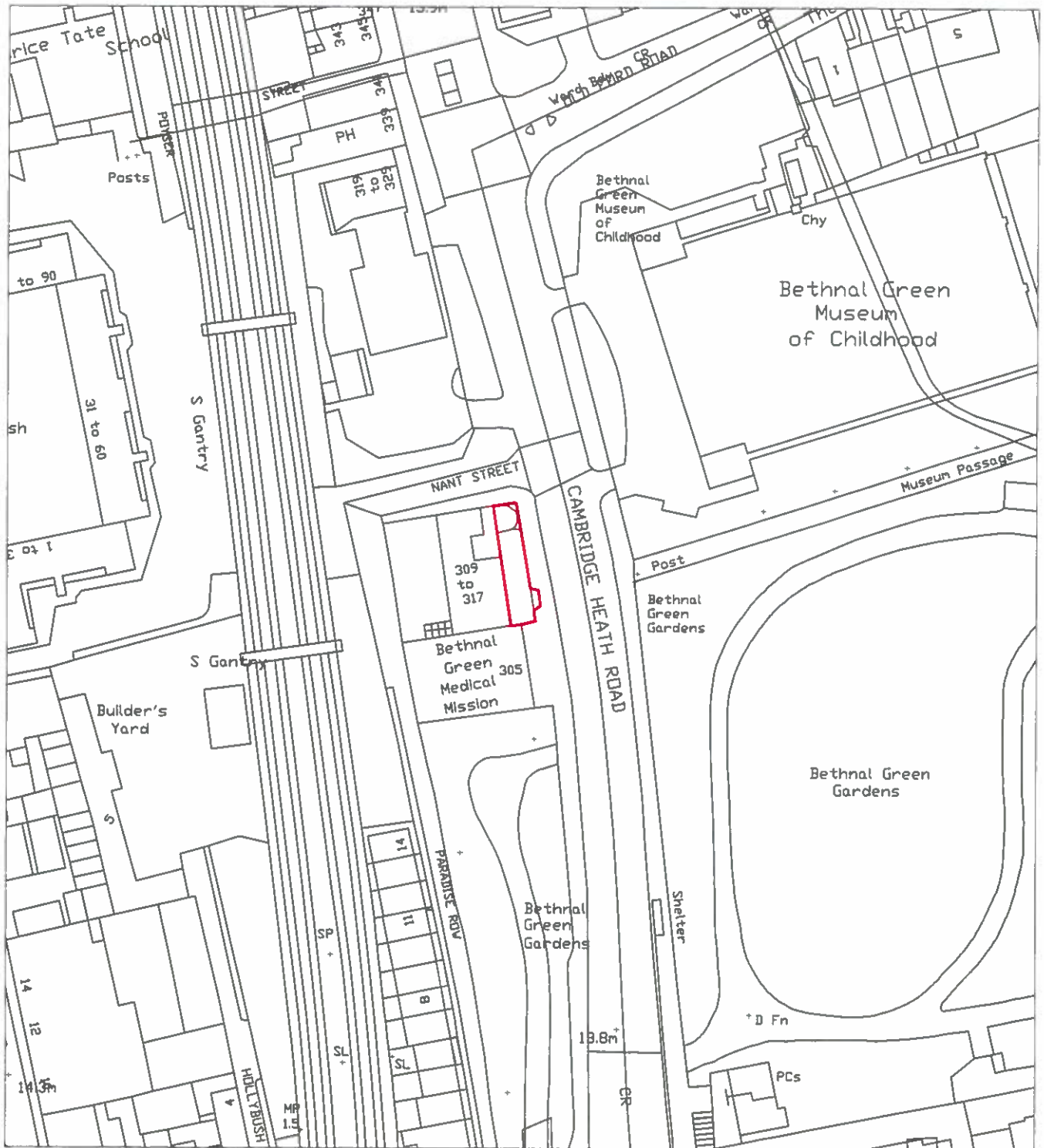
#### **Officer contact details for documents:**

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LBTH owned land adjoining development site at  
309 - 317 Cambridge Heath Road, E2

Site plan

Scale : 1/1000



## Asset Management