


Cabinet 8 September 2021	 TOWER HAMLETS
Report of: Ann Sutcliffe Corporate Director of Place	Classification: Part exempt
Disposal of 3-11 Vallance Road, E1 5HS	

Lead Member	Councillor Bustin, Cabinet Member for Planning and Social Inclusion
Originating Officer(s)	Stephen Shapiro, Interim Head of Asset Management Thomas Parsonage, Interim Asset Manager
Wards affected	Spitalfields and Banglatown
Key Decision?	Yes
Reason for Key Decision	Financial threshold
Forward Plan Notice Published	11 August 2021
Strategic Plan Priority / Outcome	All

Executive Summary

3 -11 Vallance Road (edged red on plan) is a terrace of derelict retail shops with office and residential upper floors located within close proximity to Whitechapel Overground Station. The site is held within the HRA and has been derelict since 1968 when the council was first served with a Dangerous Structures Notice by the Building Control department. Various attempts have been made to redevelop in the intervening 50 years and several feasibility studies have been completed including the most recent feasibility study involving neighbouring owners Transport for London (TFL) and Longwood Properties Limited.

A decision has been made to dispose of 3 -11 Vallance Road by way of Private Treaty. An 8-week marketing period by commercial agents Gerald Eve in line with the Council's disposal policy commenced on 23rd May 2021. Neighbouring landowner Longwood Properties have shown interest in the site. London Newcastle who are a developer and previously assisted with a feasibility study have taken a particular interest in the site.

The first round of bids concluded and the Council received 8 bids. Bidder A and bidder B have produced the two highest offers, with the highest bid being £3m. A second round of bidding between the two parties has commenced in order to

establish the best and final offer from each party. Offers are likely to be in excess of £3M.

Due to the level of offer received it is above officer Delegated Authority level which is currently £1M and therefore Cabinet authority is therefore required.

Recommendations:

The Cabinet is recommended to:

1. Declare that 3-11 Vallance Road is surplus to requirements
2. Note the bids received to date (Exempt Appendix A) and authorise the Corporate Director Place to accept the most advantageous offer for the disposal (freehold or long leasehold) for the site
3. Authorise the Divisional Director, Legal to enter into any legal agreements considered necessary to give effect to the recommendations in this report
4. To note the Equalities Impact Assessment.

1 REASONS FOR THE DECISIONS

- 1.1 The site has been derelict since 1968 when the Council was first served with a Dangerous Structures Notice by the Building Control department. Various attempts have been made to redevelop in the intervening 50 years and several feasibility studies have been completed including the most recent feasibility study involving neighbouring landowners TFL and Longwood Properties Limited.
- 1.2 Scaffolding inspections are currently carried out monthly to ensure the safety of the building and to flag any health and safety issues. The cost of managing and maintaining the scaffolding is draining resources as the building continues to deteriorate and become more of a health and safety concern.
- 1.3 When the site is disposed of it is envisaged that the buyer will re-develop the site into commercial, residential, or potentially mixed-use accommodation. This will provide the Council with a capital receipt and possibly provide new homes and/or employment space in the borough.
- 1.4 The site is currently being marketed for disposal. The council has received 8 offers and two offers have been received which are in excess of the other offers. Gerald Eve have reverted to both parties seeking best and final offers, however this may still require further clarification of the proposal. This is because the Council will require clarity on any overage provisions that are proposed, as well as resolving any outstanding title matters relating to Unit 11 Vallance Road which are summarised below.

1.4 a Unit 11 – The unit has a lease which has expired and tenant

benefits from 1954 Act rights to renew. The current occupation of the unit is not clear and therefore a S40 and hostile S25 Notice are due to be served. There are also reports of antisocial behaviour and loud music.

- 1.5 Reasons to declare the site surplus and market are due to the cost of maintaining a dilapidated building and the health and safety issues posed. High cost of scaffolding inspections and security. Limited funding for the individual or joint redevelopment of the site and planning constraints in the area.

2 ALTERNATIVE OPTIONS

- 2.1 Continue with further feasibility work and enter into another Cost Collaboration Agreement (CCA) with the neighbouring parties (TFL and Longwood Properties Limited). This will require more time and resources to reach the next stage of feasibility at a cost of approximately £300k.
- 2.2 Leave the site vacant and derelict which will continue to attract anti-social behaviour and represent a health a safety liability to the Council.
- 2.3 Re-develop 3-11 Vallance Road independently. This will require a large number of resources in order to re-develop the site independently and the result will be to only improve 1/3 of the overall area considering the adjacent landowners may leave their sites undeveloped.

3 DETAILS OF THE REPORT

- 3.1 The site has been widely marketed with strong levels of interest and bids received from a number of parties. Gerald Eve have reverted to the two highest bidders to seek best and final offers on an unconditional basis in order to establish the best returns for the Council. These offers may include an overage provision to top up the offer should certain planning achievements be met, but the proposal will not be solely based on this.
- 3.2 Due to the level of offers currently received this will comfortably exceed the Delegated Authority level, and approval is sought for the Corporate Director of Place to make the final decision on the sale level achieved depending on the total package of the offers.
- 3.3 Gerald Eve have confirmed that by marketing the property using private treaty this will ensure that the Council achieves best consideration as a result of the competitive bidding scenario.
- 3.4 Disposing of the site will remove the Council's liability of providing scaffolding checks and eliminate any health and safety liability for the building.

4 EQUALITIES IMPLICATIONS

- 4.1 There are no specific equalities implications arising from the decision to dispose of the site. The subsequent mixed-use development will result in the provision of new residential accommodation, including affordable units. This accommodation will therefore help to meet the demand in the borough from people on the housing waiting list in recognised housing priority need. The development will also include commercial space including retail and office accommodation which will create employment space in the borough.

5 OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

- 5.2 No other statutory implications have been identified.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 Disposal of the site at 3-11 Vallance Road will result in a revenue cost saving with the Council no longer required to provide scaffolding or security at the site. The asset sits within the Housing Revenue Account (HRA) and as a result the revenue saving will be for the HRA and not the General Fund.

- 6.2 This disposal will generate a HRA non-right to buy (RTB) capital receipts that can be used for any capital purpose.

- 6.3 However, if the non RTB capital receipts are used for any purpose other than affordable housing or regeneration, then the HRA Capital Financing Requirement must be reduced by the amount used, so that debt servicing costs are transferred from the HRA to the General Fund.

7 COMMENTS OF LEGAL SERVICES

- 7.1 The Council is a local housing authority under section 1 of the Housing Act 1985 (HA 85) and is proposing to dispose of the site. The site sits within the Housing Revenue Account (HRA). The Council has the power to dispose of properties held in the HRA under section 32(1), HA 85 provided that Secretary of State consent is obtained (s32(2), HA 85). The Council can apply to the Secretary of State for specific consent or can rely on one of the general consents if it can meet the required conditions. Under A.3.1.1 of The General

Housing Consents 2013 a local authority may (subject to restrictions that do not apply in this case) dispose of land for a consideration equal to its market value.

- 7.2 It should be noted that if the Council decides to dispose of the site for less than market value then a different consent regime is in place, and this would need to be complied with as a failure to do so will render a disposal void.
- 7.3 Section 1 of the Localism Act 2011 grants councils a general power of competence whereby a local authority has the power to do anything that individuals generally may. However, that power does not enable a local authority to do anything which it is unable to do by virtue of a pre-commencement limitation.
- 7.4 Section 123 of the Local Government Act 1972 is a pre-commencement statute that imposes limitations on the council's power to dispose of property. Section 123 of the Local Government Act 1972 provides that a council shall not (save where the consent of the Secretary of State has been obtained) dispose land for anything less than the best consideration that can reasonably be obtained. It is noted in this report that professional advice has been sought from Gerald Eve and that they are managing the bidding process. The report details that the competitive bidding process will ensure the Council receives best consideration and it is recommended at Gerald Eve endorse that the successful bid does represent best value for s123 purposes.
- 7.5 The Council also has an obligation under section 3 of the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty). The report details that disposal of the site will provide the Council with a saving as it will no longer required to provide scaffolding or security at the site.
- 7.6 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and those people who do not
 - Foster good relations between people who share those characteristics and people who do not
- 7.7 As stated it in the report it is envisaged that the site will deliver new residential accommodation, including affordable units which will benefit the borough. It is also noted that it is expect that any development would include retail and office accommodation which will create employment space in the borough.
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Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendix 1

- Site Plan

Exempt Appendices

Two appendices are listed as exempt in accordance with paragraph 3 of Schedule 12a of the Local Government Act 1972 in that it involves the likely disclosure of exempt information in relation to the financial and business affairs of any particular person (including the authority holding that information).

- First Round Bids
- Second Round Bids

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

- None

Officer contact details for documents:

N/A