

Item No.	Classification: Open	Date: July 29 2009	Meeting Name: Executive
Report title:		Disposal of four sites to Native Land: Off-site Affordable Housing for Bankside Section 106 Agreement	
Ward(s) or groups affected:		Chaucer, Grange, Newington, Cathedral	
From:		Strategic Director of Regeneration and Neighbourhoods	

RECOMMENDATION(S)

1. That the following properties, as shown edged red on the attached plans, be sold on terms reported on the closed agenda.
 - i. Alice Street Former Car Park Alice Street London SE1, as shown edged red on Plan 1 attached;
 - ii. Abbey Street (Former Children's Home) London SE1, as shown edged red on Plan 2 attached;
 - iii. Whitstable Road (Tower Bridge Road) London SE1, as shown edged red on Plan 3 attached;
 - iv. 113 Lorrimore Road London SE17, as shown edged red on Plan 4 attached.
2. That arrangements be made to put in place a licence of part of Abbey Street former children's home for community use on terms to be approved by the Head of Property such that this can be transferred to Native Land on completion.

BACKGROUND INFORMATION

3. Executive on May 2 2007 authorised the acquisition of 160 Tooley Street London SE1 as part of the Modernisation programme. This was supported by a business case envisaging the sale of surplus office premises vacated following relocation to Tooley Street. These offices include 113 Lorrimore Road SE17.
4. The office disposal programme also includes Cator Street Resource Centre. Proposals are now being considered to retain Cator Street for use by children's services and instead put forward the capital receipts from several other sites including Abbey Street and Whitstable Day Centres towards the Modernisation programme. This is subject to separate authorities. Depending on the outcome of this review the capital receipts attributable to Abbey Street and Whitstable may also support the Modernisation programme.
5. Alice Street former car park was declared surplus in 1998. It consists of 1020 sq.m. open area, mostly tarmacadamed and laid out for vehicle parking. A lengthy relationship with a development company in respect of this site has existed since 2001. The latest position is that the company has failed to fulfil its obligations and following legal advice on the council's position, the contract is to be rescinded. Further information on this matter is reported on the closed

agenda. The site is shown edged red on Plan 1 attached to this report and is considered suitable for residential development, subject to planning permission.

6. Abbey Street former children's home has ceased operational use and has now been vacated except for a small area used by a community group. The deputy director of children's services has confirmed that it is otherwise no longer required and is available for disposal and that the community group is likely to vacate the property in Autumn 2009. The property consists of a 2-storey purpose-built former children's home constructed around 1990 totalling 650 sq.m. GIA. The overall site area is 1170 sq.m. shown edged red on plan 2 attached to this report. It is considered suitable for residential development subject to planning permission.
7. Whitstable former children's nursery has ceased operational use and has now been vacated. The deputy director of children's services has confirmed that it is no longer required and is available for disposal. The property consists of a single-storey purpose-built former children's nursery constructed around 1980 totalling 466 sq.m. GIA. The overall site area is 1320 sq.m. shown edged red on Plan 3 attached to this report. It is considered suitable for residential development subject to planning permission.
8. 113 Lorrimore Road is a two-storey office built in the 1960s and recently vacated by Housing Management. Its internal area is 373 sq.m. GIA and the overall site area is 933 sq.m. shown edged red on Plan 4 attached to this report. It is considered suitable for residential redevelopment subject to planning permission.
9. The proposed buyers have secured planning consent to develop a major residential scheme at Bankside, adjacent to Tate Modern. Their planning consent requires the provision of affordable housing at alternative sites in the vicinity. The proposed buyers were offered the four sites dealt with in this report on the understanding that market value must be achieved, in other words no discount would be allowed for the fact that the sites would be developed entirely with affordable housing.
10. Officers have negotiated a total payment reported on the closed agenda. This is consistent with external valuations carried out for the sites.
11. In the unlikely event that the transaction does not complete, the properties can be marketed for sale. 113 Lorrimore Road has been marketed as part of the office disposals programme and could be re-offered to those who have already expressed interest.
12. Disposing of all four sites to one purchaser carries various benefits. The risk should be low as the purchaser has to deliver affordable housing in order not to be in breach of the conditions attaching to the consent for their nearby scheme, which is much more valuable to them than the cost of buying and developing these four sites. Disposal to one purchaser brings economies of officer time and legal costs
13. The proposed buyers are a development company active in the London area since 2003. They specialise in residential and mixed-use schemes and have completed a variety of projects including mixed-tenure sustainable housing. This has included many affordable homes. As well as the off-site provision, the purchasers will provide shared ownership apartments in the principal

development itself.

14. Part of Abbey Street centre is currently occupied by a community group on a casual basis. It is proposed to formalise this occupation by way of a licence agreement which can be taken over by the buyers upon completion. This group is understood to be vacating the property in Autumn 2009.
15. The head of property advises that this recommended disposal meets the council's duties under the Local Government Act 1972, Section 123, in that it represents the best consideration reasonably obtainable for these properties.

KEY ISSUES FOR CONSIDERATION

Policy implications

16. The proposal supports the agreed strategy of modernising council working practices by removing staff from buildings spread across the borough into one administrative office. It will thereby assist with the attainment of corporate priorities around performance management and customer focus.
17. The proposal will generate a capital receipt in support of the Modernisation agenda and the fit-out of 160 Tooley Street. It will also mitigate against future revenue expenditure on the buildings.
18. The buyers' proposals will make a substantial contribution to the Council's ambitious Affordable Housing Targets set by the GLA and will meet identified Housing needs particularly for larger family units.
19. The buyers are proposing to provide up to 87 units over these four sites, subject to Planning Consent, of which 75 % will be 2 bed or more units. The developments will be funded direct from Section 106 planning obligation in respect to their nearby development, to provide off-site affordable housing and consequently the Borough will be gaining a substantial number of affordable units without cost to the Council. This represents approximately two thirds of the affordable housing requirements attaching to the principal scheme and officers are in discussion regarding provision of the remainder.

Community Impact Statement

20. Relocation of council services to 160 Tooley Street will mean a more efficient, accessible and environmentally friendly working environment. The equality implications of this move have already been reported. The impact of closure of facilities at Abbey Street and Whitstable has already been considered and reported appropriately.

Resource implications

21. The proposal will generate a substantial capital receipt in support of the modernisation agenda, including the fit-out of 160 Tooley Street. This will be augmented by the receipts for Abbey Street and Whitstable if proposals to retain Cator Street are approved. The remainder of the capital receipt will support the capital programme.
22. Disposal of these properties will reduce the burden on outgoings, repairs,

maintenance, services etc.

23. Disposal of 113 Lorrimore Road will expedite the relocation of staff in line with the Modern Working Practices strategy and relinquish a building which is not ideal for office use and is also located remotely from most other council administrative offices.
24. The purchasers will contribute towards the council's administrative and legal costs in relation to this matter.

Consultation

25. No external or public consultation has been deemed necessary on these specific proposals. Separate arrangements have applied to the Modernisation programme and facilities formerly operated by children's services.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director for Communities, Law and Governance

26. Section 123 of the Local Government Act 1972 states that except with the consent of the Secretary of State, a council shall not dispose of land under that section, otherwise done by way of a short tenancy, for a consideration less than the best that can reasonably be obtained.
27. The report indicates in paragraph 17 that recommended disposal to Native Land meets the Council's duties under the Local Government Act 1972, Section 123, in that it represents the best consideration reasonably obtainable for these properties.
28. As the Alice Street former car park is subject to an agreement for lease, completion of the lease can only take place following rescission of that agreement. The executive will note the contents of paragraphs 5 and 12 of this report and should be aware of the risks to the Council of the rescission notice yet to be served on Angel property being rejected by them and the risk that if this happens then the Council will have to instigate litigation proceedings to end the Agreement for Lease. In this event the disposal of the Alice Street will not proceed until such time as rescission has been obtained.
29. In relation to recommendation 2, this matter is reserved to the Head of Property under Part 3P of Southwark's Constitution.
30. If the Executive is satisfied that the transaction represents value for money, they may proceed with the approval of the recommendation.

Finance Director

31. The disposal of 113 Lorrimore Road was agreed as part of the business case for the acquisition of 160 Tooley Street. Capital receipts from disposals of properties within the Tooley St business case will be used to fund the fit out and to contribute to the council's capital programme 2008-16. Savings in annual running costs of the building have been taken into account in the revenue funding of the office accommodation programme. Disposal proceeds

from the other properties will support the capital programme and potentially also the fit-out of Tooley Street depending upon the review of the business case for the possible retention of Cator Street Resource Centre.

REASONS FOR LATENESS

32. It was unfortunately not possible to agree the terms for the disposal until after the pre-agenda deadlines for this meeting.

REASONS FOR URGENCY

33. The proposed purchasers have stated that they must withdraw from the transaction if approvals cannot be secured by the end of July because of their timetable in delivering the Section 106 obligations and the scheme to which these are related.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Executive report, 2 May 2007	Southwark Property, Regeneration and Neighbourhoods, 160 Tooley Street SE1 2TZ	Christopher Rhodes Principal Surveyor 020 7525 5480

APPENDICES

No.	Title
Plan 1	Alice Street former car park
Plan 2	Abbey Street former children’s home
Plan 3	Whitstable former children’s nursery
Plan 4	113 Lorrimore Road former offices

AUDIT TRAIL

Lead Officer	Stephen Platts, Head of Property	
Report Author	Jeremy Pilgrim, Development Manager	
Version	Final	
Dated	July 23 2009	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director for Communities, Law and Governance	Yes	Yes
Finance Director	Yes	Yes
List other officers here		
Executive Member	Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team		