

## CABINET

16 APRIL 2013

<b>Title:</b> Disposal of 89 Axe Street, Barking	
<b>Report of the Cabinet Member for Finance</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> Abbey	<b>Key Decision:</b> Yes
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<b>Accountable Divisional Director:</b> Jonathan Bunt, Divisional Director of Finance	
<b>Accountable Director:</b> Graham Farrant, Chief Executive	
<b>Summary:</b> <p>The Council is the freeholder of 89 Axe Street, which is the cross hatched area identified by the arrow on the plan attached as <b>Appendix 1</b>. The property was originally residential, and was most recently used as a parking attendant's office. The property is now vacant and is considered surplus to the Council's requirements, and suitable for disposal.</p> <p>The property is being recommended for disposal to achieve the maximum capital receipt. A valuation and marketing strategy of the property has been undertaken by an external valuer to inform the likely capital receipt from the disposal of the property.</p> <p>The sale of the property will provide the Council with a capital receipt, and will ensure more efficient use of resources as a surplus property will be disposed of and the costs to the Council of owning the property will be saved. The disposal should bring a vacant property located in Barking town centre back into purposeful use.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to agree:</p> <ul style="list-style-type: none"><li>(i) The disposal of 89 Axe Street, Barking as set out in the report;</li><li>(ii) To authorise the Chief Executive, in consultation with the Head of Legal and Democratic Services, to negotiate terms for the disposal of the freehold interest in the property; and</li><li>(iii) That a further report be presented setting out the offers received in order for Cabinet to agree a successful purchaser of the property.</li></ul>	
<b>Reason(s)</b> <p>The proposal will assist the Council in achieving its Policy House Agenda for a "Better Future" and "make better use of our resources and assets".</p>	

## 1. Introduction and Background

- 1.1 The Council is the owner of 89 Axe Street, Barking IG11 7LZ shown on the plan at **Appendix 1** to this report. A photograph of the property is shown for Members information at **Appendix 2** to this report.
- 1.2 The property was originally constructed as a residential dwelling with three bedrooms and has most recently been used as an office for parking attendants. Officers have made enquiries with the Council's Planning Department, who have advised that the previous consent for office use has lapsed, and the property is now considered to have Planning consent as a residential dwelling.
- 1.3 The property is currently vacant and is surplus to the Council's operational requirements. The Council presently incurs a number of costs relating to the property including maintenance of the physical property and its grounds and boundaries, security, rates, and utilities.
- 1.4 Following a site visit with the Cabinet Portfolio holders, it was expressed that the Council's freehold interest in the property should be disposed of and that Cabinet authorisation to do so should be sought.
- 1.5 Cabinet Portfolio holders requested that Property Services obtained a District Valuer's valuation of 89 Axe Street. This has now been obtained, and the property has been valued at £250,000 (two hundred and fifty thousand pounds). The valuation has been undertaken based on the property's current planning use designation and may be used to inform the negotiations or evaluation of any bids received.
- 1.6 The Council's Housing and Environment department had expressed an interest in acquiring the property for the Housing Revenue Account. Following the District Valuer's valuation, the Housing and Environment department has now confirmed that their interest is withdrawn as it made the business case unviable for their intended purpose.
- 1.7 A neighbouring land owner has informally expressed an interest in the property, and it may be possible that a special interest party might be prepared to pay above the market value for the site. It is intended that all interested parties will be given the opportunity to consider the purchase of the site.
- 1.8 The Council may place a restrictive covenant upon the title, preventing a neighbouring land owner from combining the site with their existing property to deliver a larger development scheme that may be contrary to the preferences of the Council for this location.
- 1.9 Further to PAG of 29 November 2012, Property Services in consultation with Officers of Asset management agreed the 'Brief for the disposal of 89 Axe Street – Terms and Conditions'. This brief is attached as **Appendix 3**.

## **2. Proposal and Issues**

- 2.1 It is proposed that the Council's freehold interest of 89 Axe Street is sold to achieve the maximum capital receipt. The property will be placed on the open market, and the neighbouring land owner, and all parties that have registered an interest will be approached to ensure that special interest parties have been engaged.
- 2.2 If Cabinet wants to restrict the future use or development of the site, the property can be sold with LBBB having the benefit of a restrictive covenant. The covenant can restrict the future use of the property, including a prohibition against future development, or certain types of development on the site.
- 2.3 The disposal would bring a vacant property located in Barking Town Centre back into purposeful use.

## **3. Options Appraisal**

- 3.1 If Cabinet are not in favour of the proposal, the Council has the option to retain the property. The Council could market the property for a commercial letting; subject to planning consent. This option may provide the Council with a recurring income of £10,000 to £12,000 per annum.
- 3.2 There was also an option for appropriation of the property between the Council's General Fund and the Housing Revenue Account (HRA) who had expressed an interest in acquiring the property, but only subject to a second valuation from the District Valuer's Office. Following the District Valuer's valuation, the Housing and Environment Department confirmed that they will be withdrawing their interest.

## **4. Consultation**

- 4.1 The Council's Planning Department have been consulted with regard to the property's permitted use, as described earlier in the report.
- 4.2 The Cabinet Members for Finance, Housing, and Regeneration have been consulted as part of a review of the future options for the site.

## **5. Financial Implications**

Implications completed by Martin Henwood, Deputy Chief Financial Officer

- 5.1 The property is no longer of use to the Council's General Fund on an operational basis and is proposed for disposal.
- 5.2 Disposal of the property will create a capital receipt towards the current capital programme, and remove the current revenue costs. Additional capital receipts will enable the Council to reduce its level borrowing and related charges i.e. interest on borrowing.
- 5.3 Disposal costs, including the marketing strategy, will be included in the final business case options appraisal preceding an agreed sale. Disposal costs of up to 4% can be charged against the capital receipt.

- 5.4 The options appraisal undertaken after bids are received will establish the optimal overall value for money for the Council / taxpayer, consistent with best consideration requirements.

## **6. Legal Implications**

Implications completed by Evonne Obasuyi, Senior Lawyer

- 6.1 The report is seeking approval for the disposal of the property. The Council is required to obtain best consideration in the disposal of its assets.
- 6.2 The Council has the power to enter into the proposed transaction but must do so in compliance with law and the Council's acquisition and land disposal rules.
- 6.3 The Council's disposal powers are contained in section 123 of the Local Government Act 1972, and Section 1 of the Localism Act 2011 also provides local authorities with a general power of competence.
- 6.4 The Legal Practice should be consulted for advice as to how the land should be disposed of and assistance with the preparation and completion of the necessary legal agreements.

## **7. Other Implications**

- 7.1 **Contractual Issues** - The transaction is a disposal of property.
- 7.2 **Crime and Disorder Issues** - Vacant properties are considered vulnerable to vandalism, and illegal occupation.
- 7.3 **Property / Asset Issues** - The Council has the option to dispose of the property by way of sale of the freehold.

**Background Papers Used in the Preparation of the Report:** None.

### **List of appendices:**

**Appendix 1** - Location Plan

**Appendix 2** - Photograph of Property

**Appendix 3** - Brief for the Disposal of 89 Axe Street, Barking – Terms and Conditions