

CABINET

21 January 2014

Title: Disposal of 145 Halbutt Street, Dagenham	
Report of the Cabinet Member for Finance	
Open Report with Exempt Appendix (Appendix 3)	For Decision
Wards Affected: Parsloes	Key Decision: Yes
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Accountable Director: Jonathan Bunt, Chief Finance Officer	
Summary: The property at 145 Halbutt Street is a former school caretaker's house, adjacent to Valence School (St. George's Road site). The property has been vacant for two years and has fallen into a serious state of disrepair. The estimated cost of full repair and modernisation is considerable and, as a result, the property is considered to be surplus to the Council's requirements. It is therefore proposed that the property be sold as set out within this report.	
Recommendation(s) The Cabinet is recommended to agree to: (i) Dispose of the freehold interest of 145 Halbutt Street by means of public auction subject to a minimum (reserve) sale price; (ii) Delegate authority to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to determine the actual reserve sale price within the parameters as detailed in Appendix 3 to the report; (iii) Delegate authority to the Chief Executive, in consultation with the Head of Legal and Democratic Services, the Chief Finance Officer and the Cabinet Member for Finance, to agree the contract documents to fully implement and effect the disposal; and (iv) Authorise the Head of Legal and Democratic Services, or an authorised delegate on her behalf, to execute all of the legal agreements, contracts and other documents on behalf of the Council.	

Reason(s)

To assist in achieving the Council's priority to "Create thriving communities by maintaining and investing in high quality homes".

1. Introduction and Background

- 1.1 The property was previously the school caretaker's house of Valance School. The house is vacant, is no longer required as school accommodation and is surplus to requirements.
- 1.2 The property lies within a predominantly residential area close to Dagenham town centre. Appendices 1 and 2 show a site plan and photos of the premises.

2. Proposal and Issues

- 2.1 The property is a three-bedroom, two-storey property. The house is uninhabitable and cannot be re-occupied without major repair and modernisation works.
- 2.2 Following consultation with Housing and other Council Services and the Property Advisory Group (PAG), the conclusion has been reached that the Council has no strategic or operational requirements for this property and that the property should be sold allowing the proceeds to be reinvested in line with Council priorities.
- 2.3 Financial information regarding the estimated cost of any repair and modernisation works, the current valuation of the property and the proposed auction reserve price is included in Appendix 3, which is in the exempt section of the agenda due to the commercially sensitive nature of the information.

3. Options Appraisal

- 3.1 The following options have been identified and appraised in the context of bringing the property back into use or realising the development potential of the site.

Option	Description	Conclusion
Option 1	Do nothing	<ul style="list-style-type: none">• The Council does not hold a budget for the level of expenditure required• If repairs are not undertaken the property will further deteriorate and cause an increasing health hazard and may have to be demolished.
Option 2	Acquisition and repair by the Housing Revenue account	<ul style="list-style-type: none">• Acquisition and repair was considered by the HRA• It was concluded that this would not be a viable investment as the costs, including the cost of acquiring the property from the general fund, could not be recovered within a reasonable period and would not represent value for money.

Option 3	Sale by Estate Agency	<ul style="list-style-type: none"> It is considered that sale through an Estate Agency would be least likely to achieve the estimated value due to the narrow range of purchasers that may use local estate agents
Option 4 The preferred option	Sale by public auction	<ul style="list-style-type: none"> This is considered to be the most efficient way of marketing the property to a specialist market to achieve the best price for the Council.
Option 5	Demolition and redevelopment	<ul style="list-style-type: none"> The established use as a dwelling is likely to produce the highest price Demolition and redevelopment has therefore been discounted

3.2 Option 4 is the preferred option because sale by auction is most likely to attract high levels of interest for this type of property from builders and owner-occupiers. The main advantages of an auction sale are:

- A prompt sale of a property which does not look its best.
- Price driven by competitors “in the room”.
- Immediate binding contract with sale completion to follow within 28 days.
- Being well advertised and open to the public, such a form of sale would satisfy the Council’s “best value” obligations.
- A “reserve” or minimum price would ensure that the property is not sold for less than the valuation figure.

3.3 In the event that the reserve sale price is not achieved at the auction, the property will remain in the Council’s ownership and a further report will be presented to Cabinet on the future options for the site.

4. Financial Implications

Implications completed by: Kathy Freeman, Group Manager, Corporate Finance

- 4.1 The proposed minimum reserve price reflects the current condition of the property. The property cannot be re-occupied without major expenditure on essential repair works.
- 4.2 The Council has no further operational requirements for this property. Due to the level of remedial works required, it is not cost effective for the Council to retain the property. Therefore selling the property will be most cost effective for the Council.
- 4.3 The sale of the property will generate usable capital receipts. Property Services advise that the purchaser will be required to pay the Council’s costs of sale by way of a premium on top of the agreed price. Costs of the disposal will be netted off against the premium.
- 4.4 Capital receipts must be used only to fund capital expenditure and cannot be used for revenue purposes.

5. Legal Implications

Implications completed by: Jason Ofosu, Property Solicitor

- 5.1 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.
- 5.2 The Council has the power to enter into the proposed sale of the property but must do so in compliance with law and the Council's acquisition and land disposal rules.
- 5.3 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. Under section 123 of the Local Government Act 1972 the Council has the power to dispose of land in any manner that they wish which includes the sale of freehold land. One constraint is that the disposal must be for the best consideration reasonably obtainable unless there is ministerial consent or the transfer is to further local well being.
- 5.4 The freehold land is owned by the Council and there are no restrictions on the title preventing disposal of the land.
- 5.5 The Legal Practice should be consulted on the preparation and completion of the necessary legal agreements.

6. Other Implications

- 6.1 **Risk Management** - Apart from the risks of illegal occupation and vandalism to the property itself, this is a vacant property close to an established primary school and therefore presents a risk, albeit remote, to children attending Valence School (St. George's Road site). A sale should lead to the property being re-occupied.

The property has been formally valued at the price given in the private and confidential appendix which takes account of its present condition. Properties such as this generally sell well at auctions because they tend to attract cash buyers who are looking for a "project".

- 6.2 **Contractual Issues** - The sale would involve a transfer of the Council's legal title. The Legal Service would therefore be asked to prepare all the legal documentation for inspection by interested parties ahead of the property being offered by auction. Subject to the agreed reserve being exceeded, contracts will be deemed to have been exchanged at the fall of the auctioneer's hammer.
- 6.3 **Health Issues** – Public health is threatened by faeces, illegal dumping, asbestos, lead particles, hazardous waste discharge and airborne mould. Standing water in pools, hot tubs and discarded tyres breeds fleas and other insects. Overgrown and undeveloped landscapes harbour mice, rats, stray animals and other vermin. Some insects and vermin are vectors for disease. Examples of these include those organisms which vector human disease such as rats and fleas which carry the disease and ticks which carry Lyme Disease. Public health is indirectly threatened by infectious diseases when the property is used for illicit sex and drug use involving needle-sharing.

- 6.4 **Property / Asset Issues** - The proposals in the report would produce a capital receipt for the Council and ensure the renovation of an increasingly dilapidated property within a vibrant residential area.
- 6.5 **Town Planning Issues** - The sale will be subject to a title restriction limiting the use of the property to C3 residential only. It is most unlikely that a property of this kind would be used for any other purpose and planning permission would in any case be required for any change of use away from 100% residential.

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

List of appendices:

- **Appendix 1** - Site Plan
- **Appendix 2** - Photograph of Premises
- **Appendix 3** - Financial Information (exempt information)