

ITEM NO: 12

DECISION-MAKER:	CABINET
SUBJECT:	PURCHASE OF PROPERTY IN CONNECTION WITH THE ESTATE REGENERATION PROGRAMME
DATE OF DECISION:	19 TH APRIL 2010

REPORT OF: CABINET MEMBER FOR HOUSING & LOCAL SERVICES

AUTHOR:	Name:	Danielle Friedman	Tel:	023 8091 7646
	E-mail:	Danielle.friedman@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY

Confidential Appendices 1 & 2 contain information deemed to be exempt from general publication by virtue of Category 3 of paragraph 10.4 of the Council's Access to Information Procedure Rules as contained in the constitution.

The appendices include details of a proposed transaction which, if disclosed prior to entering into a contract, could put the Council at a commercial disadvantage in the future. In applying the public interest test it is not considered appropriate to make public offers made as this could lead to a revision of bids.

Therefore, publication of this information could be to the Council's financial detriment.

SUMMARY

The purchase of properties that will assist the regeneration of estates in Southampton with details of the proposed purchases contained in Confidential Appendix 2.

RECOMMENDATIONS:

- (i) To negotiate and acquire by agreement any legal interests in the properties listed at Confidential Appendix 2 and not held by the Council
- (ii) To delegate authority to Head of Property and Procurement to negotiate final terms and to undertake such ancillary action as necessary in order to exchange contracts for the purchase of the property with vacant possession.
- (iii) To authorise the Solicitor to the Council to enter into any legal documentation necessary in respect of the purchase and any ancillary action to facilitate the purchase.
- (iv) To hold the acquired properties within the Housing Revenue Account pending future estate regeneration.
- (v) To reduce the uncommitted provision in the 2012/2013 HRA capital programme for "Future Estate Regeneration schemes" by the sum specified in Confidential Appendix 1 and to add a scheme to the 2010/2011 HRA capital programme for the "Acquisition of properties" for the same value
- (vi) To approve, in accordance with Finance Procedure Rules, expenditure in 2010/2011 in the sum set out in the Confidential Appendix 1 for the acquisition of properties.

REASONS FOR REPORT RECOMMENDATIONS

1. This report seeks authority to acquire, where terms can be agreed, parcels of land which it would be desirable to incorporate within the potential regeneration sites now where Cabinet has given approval for consultation with residents to ensure these opportunities are not missed. These properties may be let out on a short term basis providing the Council with a fairly modest rental income pending site redevelopment, care would be taken not to enter into any letting agreements that would result in the tenants obtaining security of tenure.

CONSULTATION

2. Consultation and negotiation with the affected property owners has taken place. Wider consultation will be undertaken with residents in the area as actual scheme proposals are developed.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. **Not acquiring the properties now**
This would delay potential site redevelopment, and raise the costs of development if they were to be acquired in the future, especially if this could not be done through agreement. There also exists now the opportunity to acquire these properties through agreement which officers consider would be best taken.
4. **Not acquiring the properties at all**
This would not make the best potential of future estate regeneration.

DETAIL

5. This item was originally added to the Forward Plan as an Officer decision in the Resources Portfolio, however subsequent advice received on the financial aspects of the proposal mean that the decision now needs to go to Cabinet. The report has been drafted for a decision in April due to the risk that the site purchase may fall through if delayed further.
6. The acquisition of this property, which is currently privately owned, would help to facilitate estate regeneration.
7. Terms have been discussed with the current leaseholder at the affected properties and there is agreement to purchase the site. The business intends to relocate and have found alternative premises, but the certainty of that acquisition depends on the certainty and speed of the Council's acquisition of their property.
8. Once the properties have been acquired it is intended to let them out on a short term basis to avoid dereliction and securing the buildings for long periods of time. Any income generated is likely to be modest.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

9. It is legally possible to charge the acquisition of these properties to the HRA but there is no specific budget provision for this in the approved HRA capital programme for 2010/11. There is however, an uncommitted provision in 2012/13 of £500,000 for expenditure on future unspecified schemes.
10. The HRA budget report to Council in February advised that the HRA capital programme for 2010/11 required £3.1M of short term prudential borrowing and the overall programme to the end of 2012/13 had a resource shortfall of £2.471M. Actions to address this involved continuing negotiation with the HCA over grant funding for Estate Regeneration, further prudential borrowing or expenditure cuts.
11. The negotiations with the HCA have progressed well and there is now a higher level of confidence that grant funding will be received that would substantially, but not completely close the funding gap. That grant funding could be claimed in 2010/11, which would reduce the need for short term prudential borrowing.
12. The expected costs of acquiring the two properties in Northam can be contained within the 2012/13 uncommitted budget provision for further estate regeneration. With the expected availability of HCA grant in 2010/11 it would be possible to bring forward part of this budget provision into 2010/11 to fund the purchase without increasing the requirement for short term prudential borrowing. This action has no impact on the overall resource position to the end of 2012/13.
13. It is therefore proposed to bring forward some of the £500,000 budget provision from 2012/13 to 2010/11 in order to fund the acquisition of the properties. The sum involved is set out in Confidential Appendix 1.

Revenue

14. The revenue implications of the purchase will not be significant. There is likely to be modest income from letting out the acquired property / properties on a short term basis but there will also be ongoing maintenance costs etc. Both will be accounted for in the HRA. There is no additional capital financing cost as there is no overall increase in the level of HRA borrowing.

Property

15. Approval is being sought to acquire properties. The properties, as shown at Confidential Appendix 2, will be acquired and held within the Housing Revenue Account.
16. As detailed above, it is intended that the properties can be rented out on a short term basis to generate modest income.

Other

17. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

18. The Council has powers under the Housing Acts 1985 and 2004, Section 120 Local Government Act 1972, Section 2 Local Government Act 2000, Landlord and Tenant Legislation and the Planning and Compulsory Purchase and Compensation legislation to undertake estate regeneration proposals.
19. Section 17 Housing Act 1985 permits the purchase of the properties by the HRA for land acquisition planning purposes as the land is likely to be required for housing purposes within the next 10 years.

Other Legal Implications:

20. None

POLICY FRAMEWORK IMPLICATIONS

21. **Housing Strategy 2007 – 2011, Housing Revenue Account Business Plan 2007 - 2037**

The proposal contributes to the key priorities of 'Developing Balanced and Sustainable Communities', 'Promoting Neighbourhood Renewal' and 'Preventing Homelessness'.

Furthermore, these proposals will help deliver the new homes including affordable homes required in both the Housing Strategy 2007-2011 and as part of the Council's partnership with PUSH.

22. **Medium Term Plan**

The Medium Term and Corporate Improvement Plans also require 2000 new affordable homes to be provided in the city by 2012.

The regeneration of Southampton's Council estates will play an important part in delivering a number of corporate policy objectives for regeneration.

SUPPORTING DOCUMENTATION

Appendices

1.	Confidential Appendix 1
2.	Confidential Appendix 2 - Plan of the site

Documents In Members' Rooms

1.	N/A
----	-----

Background Documents

Title of Background Paper(s) Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

None.

Background documents available for inspection at: N/A

KEY DECISION Yes

WARDS/COMMUNITIES AFFECTED:	Bevois Ward
------------------------------------	-------------