

Report to: Lead Member for Resources and Climate Change

Date of meeting: 21 May 2024

By: Chief Operating Officer

Title: 117 South Coast Road, Peacehaven – Disposal of Freehold

Purpose: To declare the property surplus to the Council’s requirements and to agree to dispose of the asset in accordance with s123 of the Local Government Act 1972

RECOMMENDATIONS

The Lead Member for Resources and Climate Change is recommended to:

- 1) Declare 117 South Coast Road, Peacehaven, as shown on the Plan in Appendix 1, surplus to the Council’s requirements;
- 2) Approve the disposal of 117 South Coast Road, Peacehaven to Lewes District Council;
- 3) Delegate authority to the Chief Operating Officer to agree the terms of the sale to achieve the best consideration reasonably obtainable for the Site in accordance with s.123 of the Local Government Act 1972; and
- 4) Delegate authority to the Chief Operating Officer to take all actions necessary to give effect to the recommendations in this report.

1 Background

- 1.1 The County Council owns a two-storey terrace house off South Coast Road in Peacehaven. This asset is not used for any County Council operational use.
- 1.2 The Property comprises open plan lounge/dining area and separate kitchen on the ground floor, with family bathroom, two double bedrooms and a small box room on the first floor. It is in a reasonable decorative order internally. Externally, the rear elevation requires significant repointing works and is generally considered to require maintenance and repair works. There is a separate garage that is accessed via Piddinghoe Avenue to the rear of the property.
- 1.3 The extent of the property is shown in Appendix 1 (“the Property”). The house, including front and rear gardens are shown edged in red. The garage to the rear is shown shaded green, with an area of hardstanding to the front of the garage shown shaded blue. Rights of way over the hardstanding are shown shaded brown, for which all garage owners share maintenance obligations.
- 1.4 The Council acquired the freehold of the Property in 1970 and there has been a licence agreement in place with Lewes District Council (“LDC”) since 1977. LDC use the property for social housing purposes. Lewes District Council are responsible for works that are, or may become, necessary in order to keep the property in a sound and tenable condition and which are considered financially viable. In return, the County Council receive an annual net income of on average £3,900 per year from Lewes District Council.

2 Supporting information

- 2.1 As part of the Council’s Asset Management Plan 2020-2025, officers are reviewing all non-operational assets, including the Property.

2.2 The licence granted by the Council to LDC in respect of the Property can be terminated upon six months' written notice. However, LDC have granted a secure tenancy in respect of the Property and it is currently occupied by a residential tenant. In practice, therefore, vacant possession is only likely to be possible in the event the secure tenancy is brought to an end, either by the residential tenant or LDC. It is, therefore, not considered viable to dispose of this Property on the open market, at this time due to the nature of the residents' tenancy arrangements.

2.3 The options available in respect of this Property, which is a non-operational asset, are as follows:

- Option 1 – The Council could make a request to LDC that the social housing tenant is relocated to another property and then terminate the licence agreement with LDC. Alternatively, if LDC refuse to do so, it would be necessary to wait until the residential tenant vacates the Property and then terminate the licence with LDC accordingly. In either scenario, this would enable the Council to gain vacant possession and sell the Property on the open market.
- Option 2 – Terminate the licence with LDC after gaining vacant possession (as above) and then use the Property for a County Council service.
- Option 3 – Seek to negotiate a lease between the Council and LDC in respect of the Property, giving them the ability to sub-let to a social housing tenant.
- Option 4 – Agree a sale of the freehold to LDC based on an independent Red Book valuation, making the special assumption that vacant possession has been gained at the valuation date. A 'special assumption' is defined in the Red Book as 'those things which are not true but have been assumed to be true e.g. vacant possession when the property is in fact occupied, or that planning consent has been obtained, or that building works are completed.

2.4 There are advantages and disadvantages to each of the four options above, and these are considered below:

- Option 1 (*Gain Vacant Possession and sell the Property on the open market*): There is a secure social tenancy in place, meaning that it could take months or years to gain vacant possession, by which time the Property will have continued to deteriorate. This is therefore not considered to be a viable or appropriate option.
- Option 2 (*Use the Property for a County Council service after gaining vacant possession*): As with Option 1, the Council has little control over timescales for vacant possession and the Property is in need of investment and maintenance. If and when vacant possession is gained, the County Council would then need to invest in improving and repairing the property. This is therefore not considered to be a viable or appropriate option.
- Option 3 (*Agree a lease with LDC to replace the existing Licence*): Granting LDC a lease with a long term (i.e. 25 years or more) may enable LDC to invest in the property. However, the rental income received by the County Council is likely to still be negligible.
- Option 4 (*Agree a sale of the freehold to LDC*): This will give the County Council a capital receipt and will enable LDC to undertake necessary improvement works to the property, while maintaining the secure social housing tenancy.

- 2.5 Following discussions with LDC, it is proposed, subject to Lead Member approval, to pursue Option 4.
- 2.6 If this option is approved, a joint valuation will be commissioned under the Royal Institution of Chartered Surveyors (“RICS”), in accordance with the ‘Red Book’. This will satisfy the requirement under Section 123 of the Local Government Act 1972 to ensure that the property is not disposed of for less than the best consideration that can reasonably be obtained. The valuation will provide an opinion of the Market Value of the property at the valuation date, on the special assumption that the property is available to sell with vacant possession on the open market. The reported value is to be the price at which the property will be sold to LDC.
- 2.7 The disposal of the Property will result in a capital receipt. Capital receipts are an important source of funding, and the Council seeks to maximise the levels of these resources which will be available to support the Council’s capital plans and reduce the need to borrow in accordance with the Council’s Capital Strategy.
- 2.8 The Local Member for Peacehaven has been informed about the sale of the Property to LDC and they had no objection to the proposal.
- 2.9 All directorates within the Council have been notified of the intention to dispose of the Property. It was noted that the Council has little control over when vacant possession can be gained and that there is a secure tenancy in place.

3 Conclusion and reasons for recommendations

- 3.1 The County Council’s preferred route is outlined in option 4 above. This will allow a disposal of the Property to LDC to enable them to invest in it and maintain it for social housing purposes.
- 3.2 For the reasons set out in the above report, in particular within paragraphs 2.4 and 2.7, the Lead Member for Resources and Climate Change is recommended to:
- 3.2.1 Declare 117 South Coast Road, Peacehaven, as shown on the Plan in Appendix 1, surplus to the Council’s requirements;
 - 3.2.2 Approve the disposal of 117 South Coast Road, Peacehaven to Lewes District Council;
 - 3.2.3 Delegate authority to the Chief Operating Officer to agree the terms of the sale to achieve the best consideration reasonably obtainable for the Site in accordance with s.123 of the Local Government Act 1972; and
 - 3.2.4 Delegate authority to the Chief Operating Officer to take all actions necessary to give effect to the recommendations in this report.

ROS PARKER

Chief Operating Officer

Contact Officer: Rebecca Lewis

Email: rebecca.lewis@eastsussex.gov.uk

LOCAL MEMBERS

Councillor Chris Collier – Peacehaven

BACKGROUND DOCUMENTS

None