

Business and Property Committee

Item No.....

Report title:	Disposal, Acquisition and Exploitation of Properties
Date of meeting:	14 March 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
Strategic impact Proposals in this report are aimed at supporting Norfolk County Council (NCC) priorities by exploiting properties surplus to operational requirements, pro-actively releasing property assets with latent value where the operational needs can be met from elsewhere and strategically acquiring property to drive economic growth and wellbeing in the County. One of the key strategic actions within the Asset Management Plan is a sharp focus on maximising income through adoption of a more commercial approach to property.	

Executive summary

As part of corporate management of property and a systematic approach to reviewing the use and future needs of property assets for service delivery there is a continued emphasis on minimising the extent of the property estate retained for operational purpose. However on occasion there will be the requirement to acquire or reuse a particular property to support a service to delivers its aims.

By adopting a “single estate” approach internally, and sharing property assets with public sector partners through the One Public Estate programme, the Council is aiming to reduce net annual property expenditure by £4.25 million over the next four years (2018/19 to 2021/22).

Consideration is also given to suitability of surplus property assets for use or redevelopment to meet specific service needs that could improve quality of services for users, address other policy areas and/or improve financial efficiency for the County Council, for example, facilitating the supply of assisted living accommodation and other housing solutions for people requiring care, undertaking re-development to support jobs and growth.

This means that as well as continuing with the rationalisation of the operational property estate to reduce the number of buildings used by the County Council, a more commercial approach is being adopted over the sale or redeployment of surplus property assets.

Recommendations:

Business and Property (B&P) Committee are asked to:

- (i) Review the previous decision to declare Emneth Canal, High Road to Collette Bridge (2027/015) surplus and either:**

(a) Confirm the site is surplus and instruct the Head of Property to dispose of the property at best consideration. In the event of a disposal receipt exceeding delegated limits the Head of Property in consultation with the Executive Director of Finance & Commercial Services and Chair of B&P Committee is authorised to accept the most advantageous offer and report the fact at a subsequent B&P Committee meeting.

Or

(b) Retain the site. In this eventuality the County Council will retain the liabilities and costs for maintaining this site.

(ii) Formally declare Part of Union Farm Land, Fakenham Road, Gressenhall surplus to County Council requirements and instruct the Head of Property to dispose of the property by way of sale of the freehold. In the event of a disposal receipt exceeding delegated limits the Head of Property in consultation with the Executive Director of Finance & Commercial Services and Chair of B&P Committee is authorised to accept the most advantageous offer and report the fact at a subsequent B&P Committee meeting.

(iii) Formally agree to the sale of their freehold interest in the Hethel Engineering Centre for £3,000,000 and assign the leasehold interest in the site to Hethel Innovation Ltd.

1.0 Introduction

- 1.1 The Council actively manages its property portfolio in accordance with the adopted Asset Management Plan. Property is held principally to support direct service delivery, support policy objectives, held for administrative purposes or to generate income. Property is acquired or disposed of as a reaction to changing service requirements, changing council policies or to improve the efficiency of the overall portfolio.
- 1.2 The County Council challenges the use of its property on an ongoing basis. In the event of a property asset becoming surplus to a particular service need there are internal officer processes to ascertain whether other service areas have an unmet need that could be addressed by re-using the property asset for that service. This may lead to a change of use of individual properties, for example, an office building may be reused for operational service delivery. Any proposals for retention are only agreed if supported by a robust business case showing the benefits to the County Council and are funded from approved budgets. This assessment will also consider whether a property could be offered at best consideration to public sector or third sector partners.
- 1.3 The above assessments are carried out by the Corporate Property Officer (the Head of Property) in consultation with the Corporate Property Strategy Group (CPSG). Once it is confirmed there is no further County Council requirement the Business and Property Committee is asked to formally declare property assets surplus or re-designate for alternative purposes.

- 1.4 The Corporate Property Officer reviews options for maximising income from surplus properties usually by open market sale to obtain the best consideration possible. These will range from selling immediately on the open market (to the bidder making the best offer overall), enhancing the value prior to sale, strategic retention for a longer term benefit through to direct development of the land and buildings and selling/letting the completed assets, in the expectation of enhanced income for the Council.
- 1.5 For properties to be sold immediately there is sometimes a need to consider selling directly to a specific purchaser instead of going to the open market. This may be justified where the third party is in a special purchaser situation and is willing to offer more than the assessed market value. Conversely this might be to a purchaser who is in a unique position of control for the unlocking of the full latent value of the Council owned site (ransom situation). A direct sale without going to market can also be justified if there are specific service benefits or a special partnership relationship which is of strategic value with service/community benefits.
- 1.6 In making recommendations for direct sale without going to market, or direct property development, the Corporate Property Officer will consider risks, opportunities, service objectives, financial requirements and community benefits.

2.0 Proposals

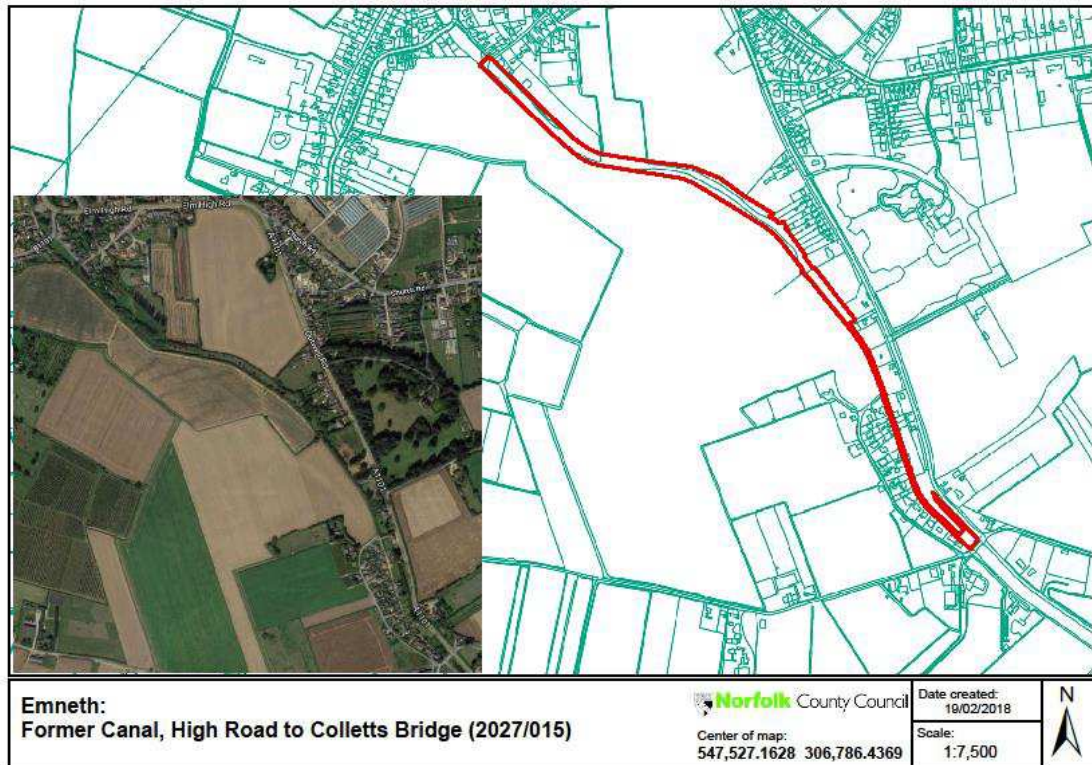
Emneth Canal, High Road to Collette Bridge (2027/015)

- 2.1 This property is owned by NCC and is a linear feature of approximately 19,722 m² (4.88 acres/1.97 hectares) in size previously used to deposit waste.
- 2.2 Policy and Resources committee, at their meeting on 31 May 2016, declared this site surplus to County Council use. This followed on from a review undertaken by the Head of Property in consultation with CPSG where it was confirmed that the site was unsuitable for use by other County Council services.
- 2.3 The Member for Marshland South Division has raised a concern regarding the possible loss of amenity if the site were sold and subsequently the Head of Property has become aware that the Member's views were not adequately reflected in the original committee report.
- 2.4 To ensure a robust decision and following on from consultation with the Director of Financial and Commercial Services the Head of Property is requesting Business and Property Committee review the original decision.
- 2.5 B&P Committee are asked to review the previous decision to declare Emneth Canal, High Road to Collette Bridge (2027/015) surplus and either:
 - (a) Confirm the site is surplus and instruct the Head of Property to dispose of the property at best consideration. In the event of a disposal receipt exceeding delegated limits the Head of Property in consultation with the

Executive Director of Finance & Commercial Services and Chair of B&P Committee is authorised to accept the most advantageous offer and report the fact at a subsequent B&P Committee meeting.

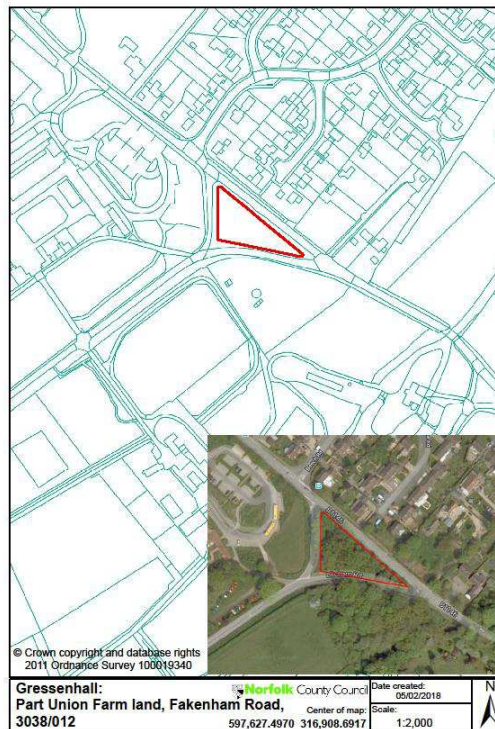
Or

- (b) Retain the site. In this eventuality the County Council will retain the liabilities and costs for maintaining this site.



Gressenhall – Part of Union Farm Land, Fakenham Road (3038/012)

- 2.6 This property was acquired by NCC as part of the Gressenhall workhouse and farm site though this triangle was created by virtue of a road diversion in 1777.
- 2.7 The site is approximately 1,509 m² (0.37acres/0.151 Hectares) in area.
- 2.8 The land is currently unused by NCC. Following a review by the Head of Property in consultation with CPSG it has been confirmed that the site is not required for NCC service use.
- 2.9 B&P Committee is asked to formally declare Part of Union Farm Land, Fakenham Road, Gressenhall surplus to County Council requirements and instruct the Head of Property to dispose of the property by way of sale of the freehold. In the event of a disposal receipt exceeding delegated limits the Head of Property in consultation with the Executive Director of Finance & Commercial Services and Chair of B&P Committee is authorised to accept the most advantageous offer and report the fact at a subsequent B&P Committee meeting.



Bracon Ash & Hethell/Wrenningham - Hethel Engineering Centre (7013/011)

- 2.10 Approximately half of the Hethel Engineering Centre building is owned by NCC with the other half owned by Hethel Innovation Limited (HIL), (areas edged red and blue respectively on the plan) The landscaping and part of the car parking areas are occupied on a long leasehold held by NCC from Lotus Cars Ltd (area edged green).
- 2.11 HIL is wholly owned by NCC and operates the whole of the Hethel Engineering Centre to deliver economic development outcomes leasing space to technology and manufacturing companies. HIL manages the centre and retains all rent received, and is responsible for operating and maintaining the centre from that revenue.
- 2.12 Following negotiations between the Executive Director of Community and Environmental Services and the Managing Director of HIL it is proposed to sell the NCC freehold property assets at full market value for £3,000,000 and assign the adjacent leasehold interests to HIL. This sale will generate a capital receipt for the Council and allow the Council to avoid any further contingent liabilities associated with holding the freehold and leasehold assets.
- 2.13 The Council's consultant, NPS, is providing expert valuation advice for the freehold sale. NPS are also advising on the lease assignment.
- 2.14 HIL's acquisition of the property will be funded by a loan from NCC at a commercial interest rate, which will generate a revenue income for the Council. The Council's Finance team have completed due diligence and assessed that HIL can service a debt of £3m. The transfer will effectively

convert a non-income generating property asset into a revenue stream with which to support front line service delivery.

- 2.15 B&P Committee is asked to formally agree to the sale of the freehold interest in the Hethel Engineering Centre for £3,000,000 and assign the leasehold interest in the site to Hethel Innovation Ltd.



3.0 Financial Implications

- 3.1 Decisions in this report will ultimately result in sale proceeds which will support funding of the Capital Programme or the repayment of debt. Other financial implications include:

- Reduction in property expenditure and financial efficiency through reduction in the number of sites and buildings retained.
- Generating revenue income/capital receipts from the exploitation of surplus property assets.
- Disposal and development costs to fund planning and assessment work. The cost of these will be funded from future receipts.

4.0 Issues, risks and innovation

- 4.1 For disposals and acquisitions in the usual way the legal implications are around the parties agreeing to the terms of the agreement for each acquisition and disposal and entering a contract.

5.0 Background

- 5.1 There are several strands forming the strategic background to these proposals, namely:

- The overall Council's priorities under the Norfolk Futures Strategy of:
 - Safer Children and Resilient Families.
 - Promoting Independence for Vulnerable Adults.
 - Smarter Information and Advice.
 - Towards a Housing Strategy.
 - Digital Norfolk.
 - Local Service Strategy.
 - Commercialisation.
- Norfolk County Council Asset Management Plan 2016-19.
- The adoption of an updated property savings plan, that calls for £4.25m of savings for the next four years.
- The Norfolk One Public Estate Programme that is supporting the joint strategic exploitation of the combined public sector property estate.
- The medium term financial strategy includes commercialisation of NCC property assets as a priority to help diversify the Council's funding.

- 5.2 Strategic asset management is focussed on:

- Releasing properties that are costly, not delivering services efficiently or in the wrong location.
- Exploiting the latent value of the property estate with an emphasis on using the retained estate more intensively or identifying opportunities to generate revenue income or increasing the capital value.
- Reducing future maintenance liabilities and reducing the overall carbon footprint.
- Directing spend on "core" property assets that are to be retained over the long term.

- 5.3 There are several key targets in the prioritised work plan in the Asset Management Plan that support these proposals:

- Ongoing implementation of the property savings plan.
- Reduce cost of retained property.
- Continued focus on property rationalisation.
- Ongoing implementation of a 3-year disposals programme, allied with seeking opportunities for development.
- Surplus Highways land – implement disposals of packages of land parcels no longer required for road schemes.

- Deliver strategy to promote surplus/fringe sites for housing.
- Working with partners to exploit opportunities at Scottow Enterprise Park.

Officer Contact

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