

Business and Property Committee

Item No.....

Report title:	Disposal, Acquisition and Exploitation of Properties
Date of meeting:	9 October 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 an individual 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 £4.25million 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, or 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) Formally declare the land at Jeffery Close, King’s Lynn surplus to County Council requirements and instruct the Head of Property to dispose of the**

land. 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.

- (ii) Formally declare the Land at Burlingham Barn, Lingwood and Burlingham surplus to County Council requirements and instruct the Head of Property to dispose of the property. 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) Agree to the acquisition of a lease with Norwich City Council for the Castle Museum and Art Gallery, Norwich for 25 years at a rent of a peppercorn (if demanded) and instruct the Head of Property to agree the final details of the lease in consultation with the Executive Director of Finance & Commercial Services and Chair of B&P Committee.
- (iv) Authorise the Executive Director of Finance & Commercial Services and Head of Property arrange for NCC to enter in to a lease with Swift TG Maintenance Limited for Hanger 3 at Scottow Enterprise Park.
- (v) Authorise the Executive Director of Finance & Commercial Services and Head of Property arrange for NCC to enter in to a lease with Swift Technology Group Limited for Hanger 2 at Scottow Enterprise Park and agree to the change of break clause provision to any time on 12 months-notice.
- (vi) To review its previous decision to declare Elm Road, Thetford surplus and either:
 - (a) Agree to retain the site in County Council ownership. In this eventuality the County Council will retain the liabilities and costs for maintaining this site until such time it can be let to a third party.
 - Or
 - (b) Confirm the site is surplus to County Council requirements and instruct the Head of Property to dispose of the property. 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.
- (vii) Instruct the Head of Property that in the event of no acceptable offer to dispose of the Trimmingham campsite. 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.

1.0 Introduction

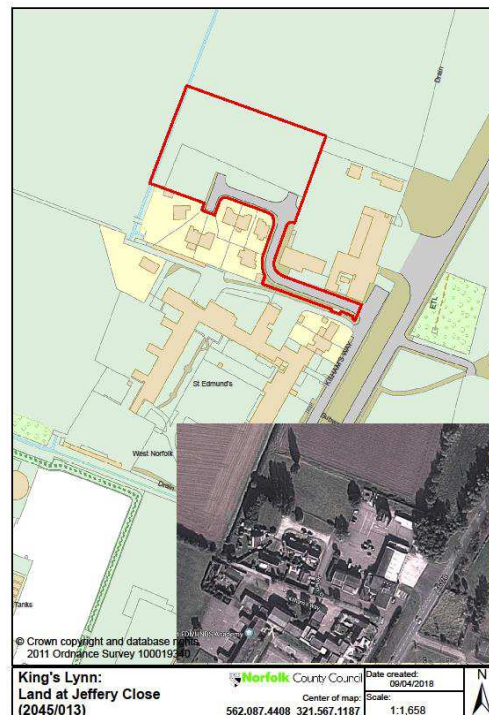
- 1.1 The Council actively manages its property portfolio in accordance with the adopted Asset Management Plan. Property is held principally to support direct service delivery, support policy objectives, held for administrative purposes or to generate income. Property is acquired or disposed of as a 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 an individual 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.

- 1.7 The recommendations for all disposals, acquisitions and exploitation of NCC property in this report follow detailed assessment by officers of the range of options available. The recommendation for each property is based on existing policies and strategies and judged to provide the best return to the council in financial terms and, where appropriate, taking account of community and economic benefits.

2.0 Proposals

King's Lynn - Land at Jeffery Close (2045/013)

- 2.1 This property was acquired as part of a larger acquisition. The Fire Station, access road and houses were built on part of the land obtained. The remaining area of land, edged red on plan, amounts to 0.76 hectares (1.88 acres).
- 2.2 In the intervening years the houses have been sold and the road remains un-adopted. The maintenance of the roadway and adjoining footpaths is split between NCC and owners of the houses on a 51/49% split.
- 2.3 Following a review by the Head of Property in consultation with CPSG it has been confirmed that the property is not required for NCC service use.
- 2.4 B&P Committee is asked to formally declare the land at Jeffery Close, King's Lynn surplus to County Council requirements and instruct the Head of Property to dispose of the land. 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.



Lingwood and Burlingham - Land at Burlingham Barn (Burlingham Estate), The Green, North Burlingham

- 2.5 The property (Field Nr 124), edged red on the plan, forms part of the County Farms estate, the site area is 0.22 hectares (0.54 acres).
- 2.6 This land is situated adjacent to the garden area of Burlingham Barn and has been managed as garden land let under an annual licence.
- 2.7 The current licensee has made enquiries about purchasing the land directly.

2.8 The County Farms team have reviewed the property and have confirmed that it is no longer required for operational purposes.

2.9 Following a review by the Head of Property in consultation with CPSG it has been confirmed that the property is not required for NCC service use.

2.10 B&P Committee is asked to formally declare the Land at Burlingham Barn, Lingwood and Burlingham surplus to County Council requirements and instruct the Head of Property to dispose of the property. 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.



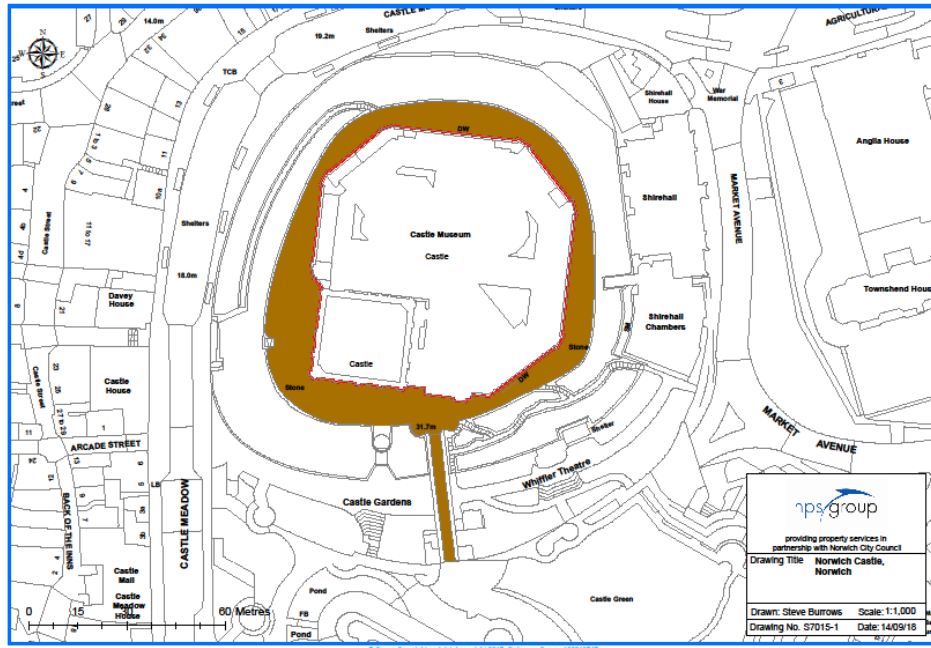
Norwich – Castle Museum and Art Gallery (4109/043)

2.11 Norwich Castle Museum & Art Gallery is one of 10 museums in the care of Norfolk Museums Service. Norwich Castle has been a museum since 1894. The site is owned by Norwich City Council.

2.12 The Museums Service is in the final stages of fundraising for a major £13.5m project to develop the Keep at Norwich Castle. The Norwich Castle Gateway to Medieval England project will recreate the Norman royal palace, create a permanent British Museum Gallery of the Medieval Period and make the 12th century building fully accessible for the first time in its history.

2.13 The major funder of the Norwich Castle Gateway to Medieval England project is the Heritage Lottery Fund. As part of the project funding, the Heritage Lottery Fund require a 25-year lease. This lease would sit alongside the Norfolk Joint Museums Agreement, the legal document which defines the governance of the Museums Service and has done so since 1974.

2.14 The lease would reflect and enshrine the current responsibilities which already sit with the County Council and the City Council in terms of management and maintenance of the historic site, i.e. the existing financial and operational responsibilities related to Norwich Castle would not change on either side.



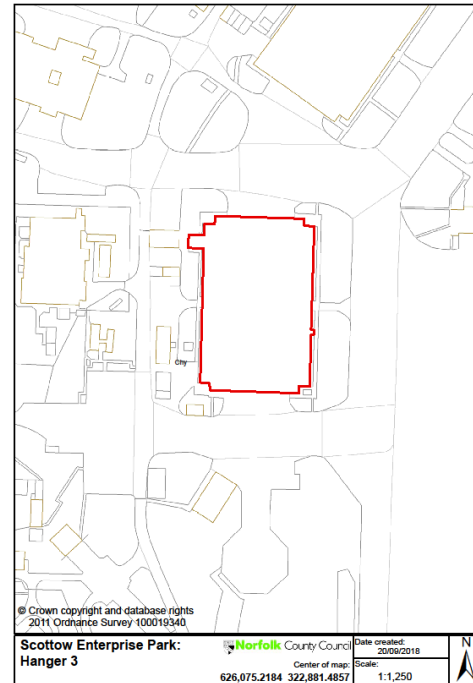
- 2.15 This project, and the proposed lease, will protect the historic fabric of Norwich Castle for future generations and will enable Norfolk Museums Service to continue to operate a first-class museums service at Norwich Castle for the people of Norfolk, supporting the visitor economy of the County and Norfolk's wider skills and learning programmes for children and young people.
- 2.16 The heads of terms for the new lease are:
- The term will be for 25 years.
 - The rent will be a peppercorn (if demanded).
 - Maintenance and repairs will be in accordance with the existing joint provision of museum services agreement (as amended).
- 2.17 B&P Committee is asked to agree to the acquisition of a lease with Norwich City Council for the Castle Museum and Art Gallery, Norwich for 25 years at a rent of a peppercorn (if demanded) and instruct the Head of Property to agree the final details of the lease in consultation with the Executive Director of Finance & Commercial Services and Chair of B&P Committee.

Scottow Enterprise Park (1084/013) - Hanger 3

- 2.18 Scottow Enterprise Park is owned freehold by the County Council. It is a large and diverse space, operating as an enterprise park providing a place where businesses can grow. It also provides a financial return to the County Council.
- 2.19 Hethel Innovation Ltd (a company wholly owned by Norfolk County Council) manages the Scottow Enterprise Park on behalf of the County Council under a formal management agreement. The agreement authorises the company to negotiate tenancy agreements subject to final approval by the County Council.
- 2.20 For granting of leases business cases are to be submitted by the company to the Executive Director of Finance and Head of Property. If the business case

is satisfactory the proposed tenancy agreement will be put forward to the Council's Business and Property Committee for a decision. Should the Committee accept the recommendation, the tenancy shall then be approved by the Council's Executive Director of Finance and Commercial Services and Head of Property.

2.21 Authorisation is being sought to grant a lease of Hangar 3 to Swift TG Maintenance Ltd. This company was formed in 2009 and provides scheduled and unscheduled maintenance and repairs to light aircraft. It is part of the Swift Technology Group Ltd, which operates from Hangar 2 at Scottow Enterprise Park, following expansion earlier in 2018. The group is principally based in Norwich and Swift TG Maintenance Ltd is relocating from York to be closer to the other group companies so that it can support their growth and, in turn, grow itself. The group anticipates the need to employ an additional 90-100 employees over the next two years.



2.22 Hethel Innovation Ltd have advised that Swift TG Maintenance Limited have a credible business plan and are a viable company.

2.23 The lease will be at an initial rent of £118,358 per annum on a 7-year lease (break option at any time after first anniversary) plus a contribution to site running costs at 10% of the annual rental figure. The rent will increase to £147,948 in year 3 and to £177,537 from year 4 onward.

2.24 NCC will spend £350,000 preparing the building for occupation, as it has been vacant for a long time and has poor utility connections. Swift will then fit the building out for their intended use, and it is proposed to grant them a 9-month rent-free concession to allow them to do this.

2.25 Hethel Innovation Ltd have obtained external expert advice on rental levels for properties at SEP, which were assessed at £3.00 per ft². However, a soft-start rent of £2.00 per ft² has been agreed for years 1 and 2, rising to £2.50 per ft² for year 3 and £3.00 per ft² thereafter up to the market value.

2.26 Hethel Innovation Limited advise that they have reviewed the company's business plan and consider that the company is able to meet the financial commitment arising from the lease. Due to the tenant break option at any point from the first anniversary, and the initial 9-month rent free period, there is a risk that the initial capital expenditure of £350,000 will not be recouped. However, NCC would need to incur this cost to ready the building for

beneficial occupation, whoever the tenant, so it is proposed to treat this investment as a sunk cost to get the property back into use.

- 2.27 The proposed lease will support business growth and wider economic development objectives
- 2.28 Based on the submitted business case, the Executive Director of Finance and Commercial Services and Head of Property are satisfied to recommend Business and Property Committee agree to the leasing of the building to Swift TG Maintenance Limited.
- 2.29 B&P Committee is asked to authorise the Executive Director of Finance & Commercial Services and Head of Property arrange for NCC to enter in to a lease with Swift TG Maintenance Limited for Hanger 3 at Scottow Enterprise Park.

Scottow Enterprise Park (1084/013) - Hanger 2

- 2.30 Business and Property Committee, at their meeting on 18 January 2018, received a report recommending the letting of hanger 2 to Swift Aircraft Limited (company number 05317138). The committee's resolution was as follows:

“AUTHORISED the Executive Director of Finance and Commercial Services Head of Property to arrange for NCC to enter in to a lease with Swift Aircraft Ltd for hanger 2 at Scottow Enterprise park.”

- 2.31 Subsequently the County Council has been informed by Hethel Innovation Ltd of two requested alterations:
- (i) The proposed tenant has requested that the lease be granted to its parent company, Swift Technology Group Limited (company number 06700944) as the building will be used by a number of group companies for activities benefiting the wider group.
 - (ii) The break clause to be brought forward to be exercisable at any time from the first anniversary, rather than any time from the second anniversary - thereby being on the same basis as for the lease for hanger 3. All other terms are as previously notified to committee.
- 2.32 The Head of Property and the Executive Director of Finance and Commercial Services have reviewed the proposed changes and are satisfied to recommend Business and Property Committee agree to the alterations.
- 2.33 B&P Committee is asked to authorise the Executive Director of Finance & Commercial Services and Head of Property arrange for NCC to enter in to a lease with Swift Technology Group Limited for Hanger 2 at Scottow Enterprise Park and agree to the change of break clause provision to any time on 12 months-notice.

Thetford - Elm Road (3099/022)

2.34 Business and Property Committee, at their meeting on 4 September 2018, received a report on this site and the draft minutes for the meeting record the debate. The committee resolved to:

“AGREE to formally declare Elm Road, Thetford surplus to County Council requirements and instructed the Head of Property to dispose of the property. 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 was authorised to accept the most beneficial offer and report the fact at a subsequent B&P Committee meeting.”

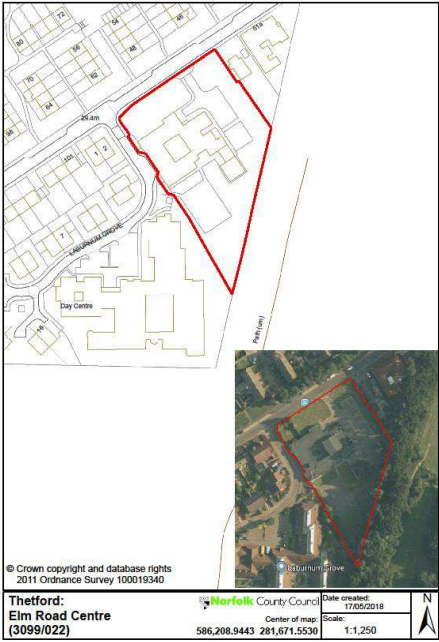
2.35 Subsequently there has been discussions on the future reuse of the site and ideas put forward. These ideas are still being worked up and as a result further information will be verbally reported at the meeting. It is, therefore, appropriate for the committee to review its decision.

2.36 Business and Property Committee are asked to review its previous decision to declare Elm Road, Thetford surplus and either:

(a) Agree to retain the site in County Council ownership. In this eventuality the County Council will retain the liabilities and costs for maintaining this site until such time it can be let to a third party.

Or

(b) Confirm the site is surplus to County Council requirements and instruct the Head of Property to dispose of the property. 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.



Trimingham - Campsite (1108/011)

2.37 This site is owned by Norfolk county Council and is approximately 1.5 hectares (3.7 acres) in area, edged red on plan, including the red hatched area which is let for 25 years (from 2015).

2.38 The site was previously used by Children’s Services. A review by the Head of Property in consultation with CPSG in December 2015 determined that the whole site was not required for NCC service use. Subsequently Policy and Resources

Committee at their 31 May 2016 meeting declared the site surplus for County Council use.

2.39 In the intervening period the Head of Property considered how the site could be exploited and subsequently sought tenders to lease out the site. Four tenders were submitted and B&P Committee resolved to accept a bid that offered a rent of £10,000 per annum plus 5% of turnover (less the base rent), for a 15-year term and the tenant being responsible for full repairs and insurance.

2.40 Subsequently the company concerned withdrew their offer. On examination the Head of Property determined the other bids, being substantially less than the recommended bid, did not provide the best return for the council.

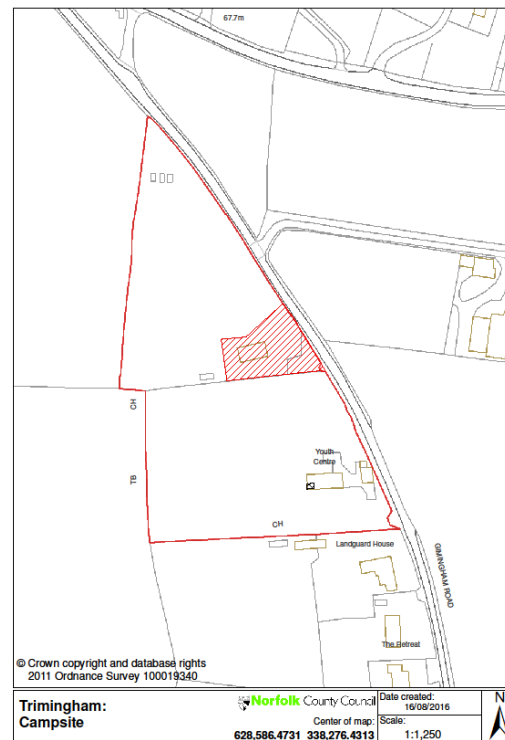
2.41 In considering any future disposals the council must have due regard to the provisions of the Local Government Act 1972 (section 123) concerning achieving best consideration.

2.42 NCC have received approaches from the local community around acquiring the site (lease / freehold purchase). Should these turn in to confirmed offers these will be considered and reported to the Chair of the B&P committee, prior to any final decision for the site being brought to auction.

2.43 In the event of no acceptable offers it is proposed to dispose of the site by way of public auction, however the County Council will delay doing so until at least February 2019 to allow time for local interested organisations to consider their options and be in a position to bid if they so wish. To this end the County Council will formally contact local organisations making them aware of the intention to sell.

2.44 A public auction will provide a transparent process and demonstrate best consideration. As part of the process the Council will seek a valuation to set a reserve price. The sale agreement will include an overage clause.

2.45 B&P Committee is asked to instruct the Head of Property that in the event of no acceptable offer to dispose of the Trimmingham campsite. 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.



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 savings of £4.25m over the next four years (2018/19 to 2021/22).
- 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.
- Continued focus on property rationalisation.
- Property commercialisation.
- Reduce cost of retained property.
- Ongoing implementation of a 5-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.

Officer Contact

If you have any questions about matters contained in this paper please get in touch with:

Officer Name:	Tel No:	Email address:
Simon Hughes	01603 222043	simon.hughes@norfolk.gov.uk



If you need this report in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.