

SURREY COUNTY COUNCIL



SURREY

DATE: 04 June 2024

REPORT OF CABINET MEMBER NATALIE BRAMHALL, CABINET MEMBER FOR PROPERTY, WASTE AND INFRASTRUCTURE.

LEAD OFFICER: KATIE STEWART, EXECUTIVE DIRECTOR, ENVIRONMENT INFRASTRUCTURE AND GROWTH.

SUBJECT: DISPOSAL OF THE COTTAGE, NORBURY PARK, MICKLEHAM.

ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ TACKLING HEALTH INEQUALITY/ ENABLING A GREENER FUTURE/ EMPOWERING COMMUNITIES

SUMMARY OF ISSUE:

This report seeks approval of the Cabinet Member for Property, Waste and Infrastructure of the freehold disposal of The Cottage, Norbury Park, Mickleham RH5, following an open market campaign. The asset is offered with full vacant possession, with the Council accepting, as requested, a surrender of the current headlease held over the asset by its subsidiary, Halsey Garton Residential Ltd.

A separate Part 2 Report contains information which is exempt from Access to Information Requirements by virtue of Schedule 12A Local Government Act 1972, paragraph 3, "Information relating to the financial or business affairs of any particular person (including the authority holding that information)".

RECOMMENDATIONS:

It is recommended that the Cabinet Member:

1. Formally declares the asset surplus to operational requirements (in consultation with the Leader and Deputy Leader).
2. Approves the sale of The Cottage, Norbury Park, Mickleham RH5 to the party, at the sale price and subject to the conditions, noted in the Part 2 report. The sale is conditional upon the simultaneous surrender of the headlease held over the asset by Halsey Garton Residential Ltd (HGR) which has been agreed by the HGR Board.
3. Notes HGR will not be seeking any value for their interest from the gross receipt, as there is no debt aligned to this asset but with both parties bearing their own costs and appointments of their own professional team.

4. Delegates authority to the Section 151 officer in consultation with the Director of Land and Property to finalise the transaction, and enter into all associated legal contracts.

Reasons for recommendations:

- Following an open marketing campaign of the vacant property known as The Cottage, Norbury Park, terms have been agreed to sell the freehold interest to the party, and at the price, noted in the Part 2 report.
- The asset was part of an early tranche of residential properties transferred by the County Council to HGR in August 2020, without a transfer premium paid for the headlease interest on this asset given its poor structural condition. Whilst the original intent had been for HGR to demolish and redevelop the asset for rental income alongside adjacent holdings, subsequent feasibility highlighted viability and planning challenges, and HGR have requested it be handed back and sold.
- The Cabinet Member is asked to formally declare the asset surplus to operational requirement under the Council's constitution (Article 6 Part 2).
- The property is not required for operational purposes and falls below the necessary requirements of [The Energy Efficiency \(Private Rented Property\) \(England and Wales\) Regulations 2015](#).

Executive Summary:

1. The property consists of a three bedroomed cottage that was transferred to HGR by the Council under a 40-year lease in August 2020. At the time of transfer the property was in a state of disrepair having not been lived in for many years.
2. The property has been openly marketed by residential marketing agents, Curchods, on a freehold and vacant possession basis subject to contract and survey. Following the marketing campaign, which included 14 viewings over a period of 3 weeks, four formal offers were received by parties noted in the Part 2 report.
3. Curchods recommended terms on the basis that the party was in the best financial position to proceed, and as a result of the agents being in receipt of evidence of funding and status enquiries.
4. HGR had undertaken a viability review and decided that holding onto the property, securing planning, undertaking major works or development, and then leasing it out was not in accordance with the emerging Company Strategy and have asked for their head leasehold interest to be surrendered without premium cost to the Council. There is no debt aligned to this asset.

5. Given the property's (i) rural location (ii) overall condition as well as (iii) further investment needed, it is not deemed appropriate to retain by the Council.

CONSULTATION:

The following have been consulted on the proposal within this report.

- HGR Board.
- Shareholder Investment Panel.
- Strategic Investment Board
- Property Panel

RISK MANAGEMENT AND IMPLICATIONS:

6. Risks identified at this stage and mitigating actions are set out below:

	Risk description	Mitigation
1	Purchaser withdraws from the purchase	The Council has ability to remarket site.
2	See Part 2 Report	See Part 2 Report
3	Mortgage-ability and funding	See Part 2 Report
4	Net Zero Carbon targets	The asset is unviable to refit for income generating purposes hence a sale proposed.
5	Survey	See Part 2 Report

7. Neither the Council nor HGR have the in-house expertise nor the risk appetite to further explore further extensive refurbishment works on this asset.

Financial and value for money implications:

8. The transaction arises from an open marketing campaign which secured four bids ranging from £650,000 to £775,000.
9. The revised bid of £737,500 remains confirmed as best value by the marketing agents, based on the identification of Asbestos, additional purchaser obligations for the access road (old London Road) and sewage treatment plant. It is recommended that a variance of up to £20,000 be approved to cover any subsequent renegotiation of the bid price arising from any further unforeseen Title or Survey issues during the final conveyance process.
10. The bid received fairly reflects the value of the asset on the basis of its current condition and potential, noting the purchaser is a cash buyer. The disposal will be subject to costs of sale including legal and agency fees which will be approximately 2% of the sale value.

11. The leasehold arrangements between the County Council and HGR will be surrendered simultaneous with completion without HGR seeking any value for their interest from the gross receipt.
12. See Part 2, Table 1 which shows the impact on the Council of the sale and the surrender of the leasehold arrangements.

Section 151 Officer commentary:

13. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to deliver financial efficiencies and reduce spending in order to achieve a balanced budget position each year.
14. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.
15. The capital receipt from this proposed disposal is included in the funding of the capital programme and revenue assumptions in the current Medium Term Financial Strategy (MTFS). As such, the Section 151 Officer supports the recommendation.

Legal implications – Monitoring Officer:

16. This paper seeks approval to dispose of the freehold interest in relation to a Council owned property asset, known as the Cottage, Norbury Park, Mickleham. The property is currently held by HGR by way of a leasehold interest which will need to be surrendered.
17. The Council has powers under legislation to pursue the proposals set out in this paper. Under Section 123 of the Local Government Act 1972, local authorities have the power to dispose of property in any manner they wish subject to the disposal being for the best consideration reasonably obtainable. The Council should ensure that the price for any disposal is "market value" to comply with Section 123 of the Act.
18. As this disposal is conditional upon the simultaneous surrender of the HGR leasehold interest over the asset, authority will also be required for the acquisition by the Council of the leasehold interest prior to the disposal.

19. Due regard to the Council's fiduciary duties to residents in respect of utilising public monies should be considered and the recommendations set out in this report should represent an appropriate use of the Council's resources.

Equalities and diversity:

20. A full EIA is not needed as this proposed disposal does not impact adversely on any specific parties, but a sale is seen as a benefit for the wider community given it will be brought back into full use by a locally based resident.

21. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/ Looked After Children	None arising from this report.
Safeguarding responsibilities for vulnerable children and adults	None arising from this report.
Environmental sustainability	None arising from this report.
Compliance against net-zero emissions target and future climate compatibility/resilience	A property disposal has no specific implications. Future refurbishment or development if pursued falls within Mole Valley DC planning and Net Zero Carbon policy frameworks otherwise supported by the Council
Public Health	None arising from this report.

What Happens Next:

22. Lawyers are already instructed subject to Cabinet Member approval to the proposal in this report. They will be instructed to proceed with the freehold sale to include a simultaneous surrender of the HGR headlease interest once all delegated approvals and signatories have been secured.

Contact Officer:

Name, Graham Glenn, Head of Acquisitions and Disposals.
Estates, Land Property, Tel: 07890 561245

Consulted:

HGR Board.
Shareholder Investment Panel.
Strategic Investment Board
Property Panel

Finance Team, SCC
Legal Team, SCC
Natalie Bramhall, County Cabinet Member, Property, Waste & Infrastructure, SCC
Katie Stewart, Executive Director, Environment, Infrastructure and Growth, SCC
Simon Crowther, Director, Land and Property, SCC

Annexes:

Property Details

Sources/background papers:

[The Energy Efficiency \(Private Rented Property\) \(England and Wales\) Regulations 2015 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukreg/2015/1112/1)
