

SURREY COUNTY COUNCIL



SURREY

DATE: 23 JULY 2024

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

LEAD OFFICER: SIMON CROWTHER, DIRECTOR OF LAND AND PROPERTY

SUBJECT: DISPOSAL OF THE COTTAGE, (OLD SWAINS FARM) SMALL HILLS ROAD, LEIGH, REIGATE RH2 8RQ

ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ EMPOWERING COMMUNITIES

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| SUMMARY OF ISSUE: |
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This report seeks approval of the Cabinet Member for Property, Waste, and Infrastructure to the freehold disposal of The Cottage (Old Swains Farm), Small Hills Road, Leigh, Reigate, RH2 8RQ, following an open market campaign. The asset is offered with full vacant possession with Surrey County Council (The Council) accepting, as part of the transaction, a part surrender of the current headlease held over the asset by Halsey Garton Residential Ltd (HGR).

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)".

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| RECOMMENDATIONS: |
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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 (Old Swains Farm), Small Hills Road, Leigh, Reigate, RH2 8RQ to the party, at the 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 HGR which has been agreed by the HGR Board.
3. Approves the HGR premium for the surrender of its interest from the gross receipt and notes there is debt aligned to this asset, 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 agreements.

Reasons for recommendations:

- Following an open marketing campaign of the vacant property known as The Cottage (Old Swains Farm), Small Hills Road, Leigh, Reigate, RH2 8RQ 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 Council to HGR in February 2021, with a premium paid by HGR to SCC for a head-leasehold interest. In accordance with the emerging Company Strategy to divest of certain assets, HGR have requested it be handed back to the Council and sold.
- The Cabinet Member is asked to formally declare the asset surplus to operational requirement under the Council's constitution.
- The property is not required for any operational purposes.

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 February 2021. At the time of transfer, the property was tenanted and in a state of disrepair. The property became vacant as of 29 June 2023.
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 twenty viewings over a period of 3 weeks, 8 formal offers were received by parties noted in the Part 2 report.
3. Curchods recommended the highest offer, also based on status and financial terms with notable underbidders as outlined in the Part 2 report.
4. HGR holds a 40-year lease at a peppercorn rent (expiring February 2061) over this asset but in accordance with the Company Strategy is now seeking to divest of certain assets rather than incur further capital expenditure. A premium will be paid to HGR from the gross capital receipt of sale to reflect its surrender value.
5. Given the property's (i) rural location (ii) overall condition as well as (iii) further investment needed, it is not deemed appropriate to be retained 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.

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| RISK MANAGEMENT AND IMPLICATIONS: |
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6. Risks identified at this stage and mitigating actions are set out below:

| | Risk description | Mitigation |
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| 1 | Purchaser withdraws from the purchase | The Council has ability to remarket the asset. |
| 2 | Void costs | HGR continue to manage the asset until its formal sale. See Part 2 report. |
| 3 | Mortgage-ability and funding | See Part 2 report. |
| 4 | Net Zero Carbon targets | The return on investment to refit the asset for income generating purposes was not acceptable to the HGR Board 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 explore further extensive refurbishment works on this asset.

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| Financial and value for money implications: |
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8. The transaction arises from an open marketing campaign which secured 8 bids.
9. The highest bid was confirmed as best value by the marketing agents with the Part 2 report outlining the range of underbidders. It is recommended that a variance (see Part 2 report) be approved to cover any subsequent renegotiation of the reported bid price arising from any unforeseen Title or Survey issues during the final conveyance process. If this offer is withdrawn, the underbidders would be re-approached, or the asset subsequently remarketed to secure a bid at the minimum acceptable level, outlined in the Part 2 report.
10. 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 Council and HGR will be surrendered simultaneous with completion.

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| Section 151 Officer commentary: |
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12. 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.

13. 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.
14. The capital receipt from this proposed disposal will contribute to the capital receipts funding assumed in the capital programme and revenue assumptions in the current Medium Term Financial Strategy (MTFS). As such, the Section 151 Officer supports the recommendation.

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| Legal implications – Monitoring Officer: |
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15. This paper seeks approval to dispose of the freehold interest in relation to a Council-owned property asset, known as The Cottage, (Old Swains Farm) Small Hills Road, Leigh, Reigate RH2 8RQ. The property is currently held by HGR by way of a leasehold interest which will need to be surrendered.
16. 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.
17. 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.
18. 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.
19. It is noted that this is a cash purchase. All relevant steps and necessary checks as to the source of funds should be carried out during the transaction in accordance with the Council’s Anti-Money Laundering procedures.

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| Equalities and diversity: |
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20. A full Equality Impact Assessment 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: |
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| Corporate Parenting/ Looked After Children | None arising from this report. |

| Area assessed: | Direct Implications: |
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| 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:

Natalie Bramhall, County Cabinet Member, Property, Waste & Infrastructure, SCC.
Katie Stewart, Executive Director, Environment, Infrastructure and Growth, SCC.
HGR Board.
Shareholder Investment Panel.
Strategic Investment Board
Property Panel
Finance and Property Legal Teams, SCC (Kara Burnett, Emily Kavanagh, Rachel Wigley)

Appendices:

Appendix 1 - Marketing details Cottage Swains Leigh

Sources/background papers: n/a

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