

SURREY COUNTY COUNCIL



SURREY

DATE: 24 September 2024

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

LEAD OFFICER: DIANE WILDING, DIRECTOR OF LAND AND PROPERTY

SUBJECT: DISPOSAL OF 16 BROOK HILL, OXTED, RH8 9LR

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

SUMMARY OF ISSUE:

This report seeks approval of the Cabinet Member for Property, Waste, and Infrastructure to the freehold disposal of 16 Brook Hill, Oxted, RH8 9LR 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 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)".

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 16 Brook Hill, Oxted, RH8 9LR 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, in conjunction with the Leader, the acquisition of the leasehold interest held by HGR over the property at the premium noted in the Part 2 report. The premium for the surrender of HGR's interest is payable by the Council from the gross receipt and it is noted 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 16 Brook Hill, Oxted RH8 9LR 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 August 2020 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 two bedroomed semi-detached house that was transferred to HGR by the Council under a 40-year lease in August 2020. At the time of transfer, the property was tenanted and in a state of disrepair. The property became vacant as of 20th February 2024. The house is notably adjacent a road bridge structure and below the embankment supporting the A25.
2. The property has been openly marketed by residential marketing agents, White & Sons, on a freehold and vacant possession basis subject to contract and survey. Following the marketing campaign, which included eleven viewings over a period of 3 weeks, 3 formal offers were received by parties noted in the Part 2 report.
3. White & Sons 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 August 2060) 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 (a) location and (b) overall condition it is not required for further purposes by the Council.

CONSULTATION:

6. 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:

7. 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 the asset.
2	Void costs	HGR continue to manage the asset until its formal sale.
3	Mortgage-ability and funding	The Purchasers have provided financial and status details to the agents
4	Net Zero Carbon targets	The asset has a valid EPC certificate. The Purchaser will take on responsibility for any works they may decide to undertake to improve its rating
5	Survey	The sale will remain subject to survey and contact

Financial and value for money implications:

8. The transaction arises from an open marketing campaign which secured 3 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. There are no revenue implications for SCC as the rental received is only a peppercorn, and HGR retain responsibility for all costs related to the assets until completion.

Section 151 Officer commentary:

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.

Legal implications – Monitoring Officer:

15. This paper seeks approval to dispose of the freehold interest in a Council-owned property asset, 16 Brook Hill, Oxted RH8 9LR. As the property is subject to a lease to HGR to be surrendered simultaneously on completion, approval is also sought for the acquisition of HGR’s leasehold interest.

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. 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.

18. It is noted that the Cabinet Member has been asked to formally declare this asset as surplus to operational requirements at recommendation 1. For any such declaration, all relevant government guidance and the Council’s internal processes must be followed.

Equalities and diversity:

19. 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.

20. 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.

Area assessed:	Direct Implications:
Compliance against net-zero emissions target and future climate compatibility/resilience	A property disposal has no specific implications. Future refurbishment or extensions, if pursued by the purchaser fall within Tandridge planning and Net Zero Carbon policy frameworks, otherwise supported by the Council
Public Health	None arising from this report.

What Happens Next:

21. 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.
Simon Crowther, Executive Director, Environment Property and Growth, SCC.
HGR Board.
Shareholder Investment Panel.
Strategic Investment Board
Property Panel
Finance and Property Legal Teams, SCC (Judith Shephard, Emily Kavanagh, Rachel Wigley)

Appendices:

Appendix 1 - Marketing details 16 Brook Hill, Oxted, RH8 9LR

Sources/background papers: n/a

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