

## SURREY COUNTY COUNCIL



SURREY

**DATE:** 29 OCTOBER 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 THE BUNGALOW DEVELOPMENT SITE, (ROSE BUNGALOW, 2 PARKVIEW BUNGALOW, 3 PARKVIEW BUNGALOW, NORBURY PARK, MICKLEHAM, DORKING, RH5 6DN)

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

<b>SUMMARY OF ISSUE:</b>
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This report seeks approval of the Cabinet Member for Property, Waste, and Infrastructure to the freehold disposal of The Bungalow Development Site, (comprising of Rose Bungalow, 2 Parkview Bungalow, 3 Parkview Bungalow and land at Norbury Park, Mickleham, Dorking, RH5 6DN) following an open market campaign. The asset is to be sold with full vacant possession and Surrey County Council (The Council) will accept, as part of the transaction, a surrender of the current head-leasehold interests held over the bungalows 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)".

<b>RECOMMENDATIONS:</b>
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It is recommended that the Cabinet Member:

1. Formally declares the assets forming the site surplus to operational requirements (in consultation with The Leader and Deputy Leader).
2. Approves the sale of The Bungalow Development Site, (Rose Bungalow, 2 Parkview Bungalow, 3 Parkview Bungalow and land at Norbury Park, Mickleham, Dorking, RH5 6DN) 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 interests held over part of the site by HGR which has been agreed by the HGR Board.

3. Approves payment of the HGR premium for the surrender of its interest from the gross receipt with both parties bearing their own costs on the appointments of their separate professional team.
4. Delegates authority to the Executive Director, Environment, Property and Growth in consultation with the Director of Land and Property to finalise the transaction and enter into all associated legal agreements.

<b>Reasons for recommendations:</b>
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- Following an open marketing campaign of the vacant property known as The Bungalow Development Site, (Rose Bungalow, 2 Parkview Bungalow, 3 Parkview Bungalow and lands at Norbury Park, Mickleham, Dorking, RH5 6DN) terms have been agreed to sell the freehold interest to the party, and at the price, noted in the Part 2 report.
- The three bungalows were part of an early tranche of residential properties transferred by the Council to HGR in August 2020, with a premium paid by HGR to the Council for a head-leasehold interest. HGR have requested it be handed back to the Council to enable its disposal.
- The Cabinet Member is asked to formally declare the asset surplus to operational requirement under the Council's constitution as the property is not required for any operational purpose.

<b>Executive Summary:</b>
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1. The property consists of three attached bungalows which were transferred to HGR by the Council under a 40-year lease in August 2020. At the time of transfer, two of the properties were vacant and one was tenanted and in a state of disrepair. All three bungalows are now vacant. The disposal site includes the bungalows and their gardens, with an additional parcel which accommodates the sewage treatment plant serving the premises.
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 4 weeks, 5 formal offers were received by parties noted in the Part 2 report.
3. Curchods recommended the highest unconditional offer, 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 the assets but has approached the Council to surrender their interest and enable a freehold disposal. A reverse premium will be paid to HGR from the gross capital receipt but limited only to reflect the value of 3 Parkview Bungalow.
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:**

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:

	<b>Risk description</b>	<b>Mitigation</b>
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 site offers a development opportunity which would pass all obligations to the purchaser and form part of planning submissions assessed by Mole Valley District Council
5	Survey	See Part 2 report.

**Financial and value for money implications:**

8. The transaction arises from an open marketing campaign which secured 5 bids.
9. The highest unconditional bid was confirmed as best value by the marketing agents with the Part 2 report outlining the range of bidders. 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.

**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 proposal in this report supports the wider strategy for asset rationalisations and the capital receipt supports the funding of the capital programme, as assumed in the Medium-Term Financial Strategy. Furthermore, there is no impact on revenue running costs for these buildings. As such, the Section 151 Officer supports the recommendation.

<b>Legal implications – Monitoring Officer</b>
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15. This paper seeks approval to dispose of the freehold interest of the property assets known as The Bungalow Development Site (forming Rose Bungalow, 2 Parkview Bungalow, 3 Parkview Bungalow) and land at Norbury Park, Mickleham, Dorking, RH5 6DN (the Property). The disposal of the Property is subject to the surrender of the leasehold interest currently held by HGR.
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 (the Act), 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 Property, 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 Cabinet Member should be satisfied that the recommendations and any associated expenditure set out in this report 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.

20. The Cabinet Member has been asked to formally declare the asset as surplus to operational requirements at recommendation 1. For any such declaration, any relevant statutory guidance and the Council's internal processes must be followed.

21. Legal advice should be sought at all relevant stages to ensure the Council meets its obligations.

**Equalities and diversity:**

22. 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 its development by a locally based resident.

23. 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.

<b>Area assessed:</b>	<b>Direct Implications:</b>
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 District Council planning and Net Zero Carbon policy frameworks otherwise supported by the Council
Public Health	None arising from this report.

**What Happens Next:**

24. 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 interests once all delegated approvals and signatories have been secured.

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**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.  
Diane Wilding, Director of Land and Property, SCC  
HGR Board.  
Shareholder Investment Panel.  
Strategic Investment Board  
Property Panel  
Property Legal Teams, SCC (Kara Burnett)  
Finance Team, SCC (Louise Lawson, Rachel Wigley)

**Appendices:**

Appendix 1 - Marketing details The Bungalow Development Site, (Rose Bungalow, 2 Parkview Bungalow, 3 Parkview Bungalow, Norbury Park, Mickleham, Dorking, RH5 6DN)

**Sources/background papers:** n/a

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