

SURREY COUNTY COUNCIL



DATE: 26 NOVEMBER 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 38 TELEGRAPH TRACK, CARSHALTON, SM5 4AZ.

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 in relation to the freehold disposal of 38 Telegraph Track, Carshalton, SM5 4AZ 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)".

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 in conjunction with the Leader of 38 Telegraph Track, Carshalton, SM5 4AZ. 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 consultation 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 as a debt aligned to this asset, with both parties bearing their own costs and appointments of their own professional team.

4. Delegates authority to the Executive Director for Environment, Property, and Growth 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 38 Telegraph Track, Carshalton, SM5 4AZ, 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 the Council for a head-leasehold interest. HGR Board has requested that 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 3-bedroom semi-detached house that was transferred to HGR by the Council under a forty-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 February 2024.
2. The property has been openly marketed by the Council’s marketing agents, Hamptons, on a freehold and vacant possession basis subject to contract and survey. Following the marketing campaign, which included fifteen viewings over a period of 4 weeks, bids are as noted in the part 2 report.
3. The Council’s marketing agents, Hamptons, recommended an offer, also based on status and financial terms of the bidder as outlined in the part 2 report.
4. HGR holds a forty-year lease at a peppercorn rent (expiring February 2061) over this asset. 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.

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 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.

	Risk description	Mitigation
4	Net Zero Carbon targets	See part 2 report.
5	Survey	See part 2 report.

Financial and value for money implications:
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7. The Shareholder and Investment Panel and Surrey Investment Board supported HGR's strategy to dispose of certain residential properties.
8. The transaction arises from an open marketing campaign.
9. The bid was confirmed as best value by the Council's marketing agents, Hamptons, please see the part 2 report. 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 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 1.5% of the sale value.
11. The leasehold arrangements between the Council and HGR will be surrendered simultaneous with completion.
12. There is minimal revenue implication to the Council as the asset was leased at a peppercorn rental.

Section 151 Officer commentary:
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13. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. The 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 2024/5 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 most of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, to ensure the stable provision of services in the medium term.
15. The proposal in this report supports the wider strategy for asset rationalisation and the capital receipt supports the funding of the capital programme, as assumed in the MTFs. There is minimum revenue impact. 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 a Council owned property asset, 38 Telegraph Track, Carshalton, SM5 4AZ. 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.
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 ("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.
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. 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.
20. Legal advice should be sought at all relevant stages to ensure the Council meets its objectives.

Equalities and diversity:

21. 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.
22. 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.
Public Health	None arising from this report.

What Happens Next:

23. 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, Land & Property.

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Consulted:

Natalie Bramhall, County Cabinet Member, Property, Waste & Infrastructure, SCC.

Simon Crowther, Executive Director, Environment, Property and Growth, SCC.

Diane Wilding, Director, Land & Property, SCC

HGR Board.

Shareholder & Investment Panel.

Strategic Investment Board

Property Panel

Finance Team, SCC (Louise Lawson, Rachel Wigley)

Property Legal Team, SCC (Judith Shephard)

Appendices:

Appendix 1 - Marketing Brochure

Appendix 2 - Refer to part 2 report

Sources/background papers: n/a

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