

**SALE OF FORMER DEPOT SITE MIDDLEFIELD LANE
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE
DIRECTION)**



Hinckley & Bosworth
Borough Council

A Borough to be proud of

WARDS AFFECTED: HINCKLEY DE MONTFORT

1. **PURPOSE OF REPORT**

- 1.1 To update members on the current position regarding the sale of the former Council Depot Site Middlefield Lane.

Members can view copies of the documents referred to below in the Members' Room or by contacting the report author.

2. **RECOMMENDATION**

- 2.1 That Council confirms it is happy to proceed with marketing the former Council Depot Site Middlefield lane for disposal as outlined in this report. A further report will be brought before Council to agree the sale on negotiated terms.

3. **BACKGROUND**

- 3.1 In December 2011 Council agreed to progress a project to relocate the Middlefield Lane Depot to new premises.
- 3.2 To fund this relocation and new development Members agreed to the sale of the Middlefield Lane site which was valued by Sturgis Shattock and partners on the 28 October 2010 at a value of £2,300,000.
- 3.3 In March 2012 a contract was agreed to purchase a suitable plot of land on the Harrowbrook Industrial Estate for the new works depot premises known as the Jubilee Building, which received planning consent on 29 May 2012.
- 3.4 A full design and build construction commenced on site in September 2012 and the contract was completed by Ashe Construction in March 2013.
- 3.5 As the current climate for residential housing is now showing signs of improvement and the Capital programme includes the receipt for the disposal of this site officers request that Members approve the marketing of this site in line with the Councils adopted disposal strategy.

Marketing Strategy

- 3.6 To dispose of the former Depot Site at Middlefield Lane Hinckley it is necessary to follow the guidance laid out in the Councils adopted Disposal Strategy.
- 3.7 In this instance the former Depot site was identified for disposal as the facility was in poor condition and performing inadequately both in its function and financially.
- 3.8 As a general principle, disposal with open marketing is the appropriate way to attract interest and secure best consideration. In this case it is proposed that the site move forward via Private Treaty with open marketing. After a reasonable period of exposure to the market, negotiations will be carried out with interested parties and a clear highest bidder may emerge.

- 3.9 In the event that two or more interested buyers are identified at similar prices it is possible to consider moving on to Informal Tender.

Advantages:

- allows a flexible approach;
- time pressures are seldom imposed on either the seller or buyer; and
- it is widely understood and accepted by the general public.

Disadvantage:

- the proceedings cannot always overcome suspicions of unfair dealings, and it is therefore a method to be used with caution.

- 3.10 Informal tendering is a process by which offers are invited but perhaps without a firm closing date. Unlike a formal tendering process (when tenders are submitted in sealed envelopes all of which are opened together) offers in the informal process are opened as they are received. Offerers may be invited to increase their bids, possibly having been told that that a higher bid has been received. Whilst the practice of informal tendering (which might also be described as extended auction) does frequently give rise to complaints, the Ombudsman accepts that such a procedure may sometimes be appropriate and may result in the Council obtaining a higher price for the land than if bidding was restricted to a single sealed tender. At the end of such an extended auction process all parties still expressing interest should be asked to submit a final bid by a specified date”.

Advantages:

- the most advantageous terms for the Council can be formulated even in very complex cases;
- the Council does not need to accept any tender if the offer is not satisfactory;
- as bids are not public, tenderers should put forward their best offer. (Though not necessarily going to achieve best price because in an auction situation people are sometimes prepared to bid more than they had envisaged, particularly when they see others prepared to bid at that level)
- most useful as a tool for resolving competing interest following private treaty marketing.

Disadvantages:

- lacks the certainty of the Formal Tender procedure, can be frustrating since post-tender negotiations can be protracted and may not be successful; and
- the requirement to negotiate raises some of the disadvantages of a sale by private treaty.

- 3.11 Formal tendering requires a great deal of preparation, as the tender document forms the contract for sale. A full appraisal of the transaction needs to be carried out, including a valuation which may be used to provide a guide price, in order to have a baseline against which to assess the tenders when they are returned.

Disadvantages:

- potential purchasers are often put off by the procedure whereby they commit themselves contractually upon making any financial offer; there is little room for discussion about the scheme itself, and this method is too robust and inflexible to take account of any conditional offers, e.g. subject to planning etc.

In view of the inflexibility and disadvantages of the formal tender procedure there should, in normal circumstance, be a presumption against this method for the disposal of property.

Preparation for Disposal

- 3.12 In preparation for disposal the Estates and Asset Management Service have
- instructed Sturgis Snow and Astill to update the valuation report produced in October 2010
 - Instructed a further valuation for the site from the District Valuer
 - Gained approval from the Secretary of State to demolish the former Depot buildings
 - Are awaiting tender prices to be returned to move towards demolition of the remaining structures on the site in January 2014
 - Received a detailed Ecological report for the site from George Burton Architecture & Ecology Ltd (Appendix B)
 - Received a detailed Site Investigation for the site from Solmek (Appendix C)

4.0 FINANCIAL IMPLICATIONS [IB]

4.1 At the Council meeting on the 20th December 2011 it was reported that the sale would realise an estimated gross capital receipt of £2,300,000. After allowing for site clearance costs of £100,000 the net receipt would be £2,200,000.

4.2 The receipt from the site will be used to fund the Leisure Centre Development. If the sale is not earmarked for the Leisure Centre Development additional financing to fund the development will be required. If the £2,200,000 was financed through borrowing the cost of borrowing chargeable to the General Fund annually for 35 years, is estimated to be £167,857. Additionally, Council approval would be required to increase the Prudential Borrowing Limit by £2,200,000.

4.3 The Middlefield Lane Depot site is on HRA Land. Under The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and the Localism Act 2011 the receipt can be used for regeneration purposes as long as it meets the following criteria:-

- (a) the land or building on the land is vacant, unused, ineffectively used, contaminated or derelict; and
- (b) the works or activities are carried out in order to secure that the land or the building will be brought into effective use.

HBBC's External Auditors (PWC) have agreed that the Leisure Centre Development on the Argents Mead site meets the above criteria.

5. LEGAL IMPLICATIONS [AB]

Contained within the body of the report.

6. CORPORATE PLAN IMPLICATIONS

7. RISK IMPLICATIONS

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
By not agreeing to the sale of the land, the Council would be exposed to serious risk of litigation and considerable costs, a much lower valuation (lower 'best value') and significant reputational damage.	Confirm agreement at this meeting	Council

8. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Future development of the land is in accordance with planning policy for residential development within Hinckley. In preparation of the land sale a planning application has been approved.

9. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers:

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