

Decision maker:	Chief finance officer
Decision date:	Friday, 9 February 2018
Title of report:	Disposal of Romney Huts 12, 13, 14 & 15 within the enterprise zone at Chapel Road
Report by:	Development manager

Classification

Open

Decision type

Non-key

Wards affected

Dinedor Hill;

Purpose and summary

To seek the approval of the chief finance officer for the disposal of Romney Huts 12, 13, 14 and 15 at Chapel Road on the Hereford enterprise zone in accordance with the Hereford enterprise zone (EZ) Land Disposal Policy.

Recommendation(s)

That:

- (a) **the council sells its freehold interest in Romney Huts 12, 13, 14 and 15 on land extending to approximately 0.375 acre at Chapel Road, Rotherwas to Rai Fashions.**

Alternative options

- 1 Not proceeding with the sale on the terms outlined above.

Advantages

None

Disadvantages

Would not comply with the approved disposals policy and would adversely impact the council's ability to achieve the outcomes expected of the enterprise zone.

Key considerations

- 2 Following the award of enterprise zone status in August 2011 approximately 50 hectares (120 acres) of council owned land was included, along with other privately owned land, in the designated EZ. The EZ status has resulted in the council and occupiers within the EZ benefiting from a number of government incentives such as significantly increased awareness and profile of the location and opportunity, business rates relief and retention, improved access to broadband etc. These factors have resulted in an increase in interest from local, national and international businesses in active and advanced negotiations with the council to acquire land within the EZ.
- 3 The site is located within the Chapel Road area on the eastern part of the EZ. The Romney Huts are Second World War corrugated iron sheds with only basic amenities and generally let on short term agreements at low rents reflecting the quality of accommodation. The subject site has three tenants occupying four units. The wider Chapel Road area is made up of land and buildings generally of a poor quality. Rai Fashions recently invested £325,000 in the purchase from a private owner of the long leasehold of the adjoining Building 703 plot for which the Council owns the freehold interest.
- 4 Rai Fashions are a Herefordshire based company with a number of shops throughout the county and West Midlands who see this site as a key part of their growth plans.
- 5 The purchase of this plot next door to Building 703 will give the company more room to allow a more comprehensive redevelopment of the overall site, allowing increased workspace and more efficient access, parking and storage. We understand a budget of between £300,000 and £500,000 has been set aside for this work depending on the scheme approved. If the council does not proceed with the disposal the business's redevelopment and expansion plans will be compromised or abandoned.
- 6 While Rai Fashions business is not one of the targeted key sectors they currently employ 74 people and would expect to employ a further 20 following the proposed renovation and expansion works. For these reasons the EZ Board have supported the proposed sale.
- 7 Due to the mixture of long leaseholds and short term tenancies in the area, the small scale nature of the plots and the general poor quality of the overall built environment, this deal represents the best opportunity to bring about redevelopment and regeneration of this particular part of the EZ. Clauses will be inserted into the sales contract to ensure that the agreed timetables are met and that the site does not remain in its current state. Failure to adhere to the agreed timetables would mean the land would revert back into Council ownership.
- 8 Given that this proposed sale, unlike previous EZ sales, involved the sale of assets that currently provide a rental income to the council, a separate independent valuation was undertaken. The proposed sale at £115,000 is slightly in excess of the independent valuation.
- 9 All the EZ land is being actively marketed, and is being sold according the EZ Land Disposal Policy which was approved by cabinet member on 7 January 2016.

- 10 This sale represents the nineteenth land sale to complete on the enterprise zone and the sixteenth by the council.
- 11 The plot is shown on the plan at appendix 1.
- 12 This sale has the full endorsement of the EZ executive board.
- 13 The site is being sold in its current condition and no other activity is anticipated to be required by the EZ to fulfil the sale.

Community impact

- 14 There is no adverse impact on the community in approving the disposal of this land on the terms outlined. The purchaser will be obtaining planning permission for the proposed building they intend to erect on the site. They are likely to be approved under the Local Development Order which has been subject to public consultation.
- 15 Failure to proceed with the sale will mean that the expansion plans of an existing EZ company would be constrained and the loss of a development opportunity and hence the new jobs potential that would bring.

Equality duty

- 16 Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 17 The development of the enterprise zone will support the council's commitment to equality by advancing equality of opportunity, with the potential of increased job opportunities.

Resource implications

- 18 The total plot area to be sold is 0.375 acre and the sale price is £115k, a price that exceeded the independent valuation. This exceeds the price achieved for bare development land and reflects the investment value due to the income generated from the existing buildings.
- 19 The current rental income from the existing Romney Huts (units 12-15) amounts to £13,300 p.a but in anticipation of the sale in accordance with the HEZ Disposal Policy the income has been removed from the income budget from 2018/19.
- 20 The capital receipt will form part of the council's capital receipt's target in 2018/19.

- 21 There will be legal costs and other administrative costs in relation to the preparation and completion of the sale which will be deducted from the overall receipt cost, up to a maximum of 4%. If disposal costs exceed this value they will need to be met from existing enterprise zone revenue budgets.

Legal implications

- 22 A principal council cannot dispose of its land for a consideration less than the best that can be reasonably obtained in the market, except with the express consent of the Secretary of State (section 123(1), Local Government Act 1972 (LGA 1972)). The council needs to be able to evidence that the best price has been obtained for the site and it will only be able to demonstrate that it achieved the best consideration possible by:

- marketing the property;
- obtaining an appropriate independent valuation; or
- both of the above.

The EZ plots are being actively and comprehensively marketed. A separate independent valuation exercise was carried out in this case to confirm a benchmark value.

- 23 The council's legal team will deal with the transaction.
- 24 Consideration will be given to the reservation of rights in the transfer documentation for running of services etc. for the benefit of remaining plots. The transferee should also indemnify the council against future breach of any existing covenants affecting the plot, as contained in the relevant registered title with the imposition of site specific further obligations and covenants as appropriate.

Risk management

- 25 There are no significant risks associated with this transaction. However if the sale is not approved then there will be a negative impact on both the EZ and the council in terms of limiting the ability of an existing local company to expand. Furthermore the ability for the council to deliver the projected jobs, investment etc. stated in the EZ bid document will be hampered, and at best delayed.

Risk / opportunity	Mitigation
MTFS capital receipts will be delayed if sale does not proceed.	Purchaser has confirmed funds and is pressing to proceed to completion.
Not approving will delay delivery of EZ and Council project outputs	Disposal is in accordance with policy

Consultees

26 EZ stakeholder group which includes local member.

Appendices

Appendix 1 - Map showing the plot

Background papers

None identified