

Decision maker:	Cabinet member contracts and assets
Decision date:	2 November 2015
Scrutiny committee call-in date:	5 November 2015
Date decision may be implemented:	6 November 2015
Title of report:	Disposal of former Records Office, Harold Street, Hereford to Hereford Cathedral School
Report by:	Head of corporate asset management

Classification

Open (with exempt appendix). The appendix is exempt by virtue of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information) of the Access to Information Procedure Rules set out in the consultation pursuant to Schedule 12A Local Government Act 1972, as amended.

Notice has been served in accordance with Part 2, Section 5 (Procedures Prior to Private Meetings) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (Regulations) 2012.

Key Decision

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates.

Wards Affected

Central

Purpose

To approve the sale of the former records office, Harold Street, Hereford to Hereford Cathedral School at open market value.

Recommendation(s)

THAT:

- (a) the sale of the former records office to Hereford Cathedral School at open market value be approved; and**
- (b) the director of resources be authorised to complete the sale.**

Alternative options

- 1 Retain property and refurbish for an internal user – no use has been identified for either a council or commissioning service.
- 2 Retain property and refurbish for commercial use – given the location and building configuration this option represents considerable work and requires a capital investment that is only likely to be realised in the very long term. This approach is also not in accordance with the current disposal policy.
- 3 Instruct selling agents to market the property on the open market – there is no guarantee that a higher value will be achieved and there is likely to be significant delay in disposal resulting in the council incurring greater costs than by the recommended disposal route.

Reasons for recommendations

- 4 This disposal route represents the most cost effective method for the council to realise the value of the asset.
- 5 The property is vacant and has been declared surplus to operational service delivery use.

Key considerations

- 6 The property, the original parts of which date from 1856 was vacated in August 2015 when the records and archive service moved to the new Hereford Archive and Record Centre (HARC) at Rotherwas. At that point the property was declared surplus to directorate operational requirement by the director for economy, communities and corporate.
- 7 The building on account of its age, design, construction and layout is expensive to maintain and is unsuitable for conversion and refurbishment to provide alternative office accommodation for an internal or commissioned user. It is thus surplus to corporate operational requirements and provides an opportunity to realise a capital receipt. The site has most value as a redevelopment opportunity for alternative commercial or residential use. An unconditional offer seeking early exchange of contracts has been made by Hereford Cathedral School. It has funding in place and is seeking a site for the development of a boarding house facility. Internal valuation advice suggested that the offer should be given serious consideration and an independent valuation has confirmed the offer is in line with that that might be expected from an open market sale.

- 8 The school wish to proceed quickly and in advance of making a formal planning application. This will remove uncertainty and a capital receipt will be realised in the current financial year. A sale direct to the school will mean a significant saving as no selling agents fees will be incurred and vacant property rates would be minimised.
- 9 Recent sales of other council owned surplus properties have floundered when placed on the open market with selling agents resulting in delays in receiving a capital receipt and additional running costs being incurred for security and vacant property rates.

Community impact

- 10 The proceeds of the sale would allow the council to reduce its borrowing debt and thus release resource to be redirected to more urgent corporate priorities.

Equality duty

- 12 There are no equality or human rights issues arising from this report.

Financial implications

- 13 The offer which is unconditional and confidential represents what might be achieved if the property was sold on the open market. This has been validated by the district valuer which reflects current use with the potential for residential development but without the benefit of a detailed planning consent. The unconditional offer passes all risk to the purchaser in respect of obtaining such a consent. The council may get a better financial offer that would be conditional on obtaining detailed planning permission, but this may delay the sale by up to 12 months in which case the council could incur further costs which are unquantifiable and could easily be greater than the additional gross receipt.
- 14 The council will make an approximate revenue saving of £42k pa on the average running costs of the building. Should this offer be accepted then significant costs of maintaining a vacant property, particularly in respect of vacant property rates, will be avoided (£25k pa).
- 15 These savings are already accounted for as part of the business case for the existing accommodation strategy and are built in to the ongoing revenue projections for the operation of HARC.

Legal implications

- 16 The property has been declared surplus to operational service use. Government policy is that local authorities should dispose of surplus land where possible however generally a principal Council cannot dispose of its land for a consideration less than the best that can be reasonably obtained in the market (S123(1) Local Government Act 1972.). (Sales at an undervalue are permitted with the express consent of the Secretary of State (Section 123(1) Local Government Act 1972) or if such a disposal is justified and falls within the criteria of the General Disposal Consent (England) 2003).
- 17 An offer has been received from Hereford Cathedral School to purchase the property and the sum offered has been validated by both Council Valuers and the District Valuer, as representing good value, possibly in excess of what could be obtained in

the open market. Advertising on the open market would give no guarantee of a higher offer or that any offer received would necessarily result in a concluded sale. Accepting the current offer from the Cathedral School, would avoid associated sale costs, and ongoing property costs. There are also no concerns regarding the financial credibility of the proposed purchaser. Given these facts, the Council can demonstrate that the current offer represents best consideration achievable.

- 18 The Council's Legal team will be able to prepare the sale documentation and include appropriate site specific covenants, indemnities and the reservation of rights, following an analysis of the title.

Risk management

- 19 If the sale is approved and quickly executed, then the council will benefit from an in-year capital receipt and be relieved of the considerable costs incurred in managing a vacant property.

Consultees

- 20 The local member is supportive of the recommendations.

Appendices

Appendix 1 – Site location plan.

Appendix 2 – Financial implications (exempt)

Background papers

- None identified.