

REPORT TO EXECUTIVE

PORTFOLIO AREA: GOVERNANCE & RESOURCES

Date of Meeting: 12 March 2012

Public Yes

Key Decision: No

Recorded in Forward Plan: No

Inside Policy Framework Yes

Title: ASSET REVIEW BUSINESS PLAN DISPOSAL PROGRAMME
WILLOWHOLME INDUSTRIAL ESTATE, CARLISLE

Report of: Director of Resources

Report reference: RD.94/11

Summary:

This Report seeks Executive approval to the release and disposal of part of Willowholme Estate in accordance with the proposals of the Asset Review Business Plan. The financial and commercially sensitive aspects of the disposal are considered in Part B of the Report.

Recommendations:

It is recommended that:-

1. The Executive approves the release and freehold disposal of part of Willowholme Estate, subject to final terms and conditions agreed by the Property Services Manager.

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1. BACKGROUND INFORMATION AND OPTIONS

1.1 Background & Context

The Asset Review Business Plan was approved by full Council on 11th January 2011 (Report reference: CE39/11 refers).

The plans objectives are to rationalise and consolidate the Property Portfolio, with a programme of disposals over four years, aimed at realising capital receipts of £24m. The capital receipts will be used to fund purchases and generate an additional £1m in revenue for the Council to support budgetary and efficiency savings and to help secure service delivery into the future.

The Business Plan programmes the disposal Willowholme Estate in the financial year 2011/12.

1.2 Policy & Statutory Considerations

The Council's policies and procedures on the release of assets are set out in the Asset Management Plan 2011-16. Surplus assets will be disposed of in accordance with the provisions of Section 123 of the Local Government Act 1972, which imposes a statutory duty on the Council to sell property for the best consideration reasonably obtainable.

The method of sale, to ensure best price is achieved, will be influenced by the type and nature of the property involved, market circumstances and conditions, and purchaser demand.

Sales will normally be conducted by one or a combination of the following routes:

- private treaty – with a special purchaser or on the open market;
- public auction;
- formal or informal tender;

Sales will be conducted in accordance with the Council's Property Disposal Procedures and the Code of Conduct for dealing with planning matters.

1.3 Willowholme Estate

The City Council own the freehold of the Estate which was developed in the late 1950's and early 1960's. It is situated on the western side of the City centre in close proximity to the confluence of the rivers Eden and Caldew adjoining the main west coast railway line. The Estate extends to 8.32 hectares (20.55 acres) or thereabouts and comprises 24 individual sites let out on ground leases.

The leases are mostly for a term of 99 years, from the early 1960's, and let on fixed nominal ground rents. There are a few younger leases, with more modern terms, let at market ground rents with periodic reviews. The total income from the Estate is modest and there is limited prospect of growing this into the future.

Permitted use within the ground leases are generally for employment activities comprising light industrial, general industrial or warehousing use. Some leases have more open user clause; others are quite restrictive often being expressed specifically in terms of a particular business use.

The whole of Willowholme Estate was severely affected by the floods which inundated the City in January 2005. Flood alleviation work has since been undertaken to defend the City and the Estate. The Environment Agency has reinforced flood defences and United Utilities have improved the surface water drainage system and upgraded the Willowholme Waste Water Treatment Works adjoining the Estate. The City Council has also undertaken improvement works to the Estate's infrastructure particularly the highways.

The part of the Estate identified for disposal is shown on the attached plan and comprises:-

- (i) Site 20 Stagecoach – the most substantial site with a prominent corner location occupied as a bus depot. This is let on modern rack rental terms and generates the most significant proportion of the Estate's income.
- (ii) The remainder of the Estate (excluding sites 19 and 24) – 21 separate leases let to a mixture of local and national businesses for industrial and commercial uses. Although in terms of land holding these sites comprise the majority of the Estate, in aggregate they only generate a limited amount of rental income for the Council, owing to the predominantly fixed ground rents and restrictive nature of the leases.

1.4 Disposal Process

Following representations and discussions with the businesses on the Estate the Council undertook in late 2010 to explore the possibility of an off market sale of the Estate to the sitting tenants provided this could be achieved through collective negotiations, best consideration could be achieved, and the whole of the Estate was sold.

To support the Council through this process external Agents were appointed to advise the Council on the disposal, provide valuation advice to ensure the requirement to achieve best price is met, and also undertake negotiations with the parties involved. Details of the valuation advice are set out in Part B of this Report. Pursuing a sale with the sitting tenants has certain advantages. It allows tenants to take ownership and complete control of their asset without being fettered by the restrictions imposed by leasing arrangements. From the Council's perspective it affords the opportunity to maximise the potential capital receipt and capture added value through a sale to a special purchaser.

Although extensive negotiations with the consortium of Willowholme business tenants were undertaken these have not resulted in a successful conclusion. A sale of the entire Estate could not be achieved, and the financial terms on offer were less than satisfactory to the Council, being at a figure considered less than best consideration. Subsequently the Estate, apart from Sites 19 & 24, has been offered for sale to a targeted audience with marketing to known interested parties and investors. Depending on the outcome, the next step if necessitated will be to market the Estate, or parts of it with exposure to the wider market at large through a sale conducted by private treaty, tender or auction process. Details of the offers which have been received to date and are under consideration are set out in Part B.

2. CONSULTATION

2.1 Consultation to Date.

The Asset Review Business Plan has been endorsed by full Council following an extensive period of consultation with stakeholders and Members. Ward Councillors have been informed and advised of the proposals to release the Industrial Estate and comments received have been reflected within this Report.

2.2 Consultation proposed.

No further consultation on the disposal of this part of the Estate is proposed. As part of the disposal process any sitting tenants, who are not purchasers, will be informed when a sale arises and given details of their new landlord.

3. RECOMMENDATIONS

It is recommended that:-

1. The Executive approves the release and freehold disposal of part of Willowholme Estate, subject to final terms and conditions agreed by the Property Services Manager.

4. REASONS FOR RECOMMENDATIONS

To more effectively manage the Council's assets by bringing forward the disposal of surplus property in pursuit of the strategic objectives set out in the Asset Review Business Plan adopted by Council.

5. IMPLICATIONS

- **Staffing/Resources** – the Disposal Programme is being managed in house using existing resources which have already been identified to deliver the Business Plan. As and where appropriate external agents and advisors have been engaged to advise the Council, undertake marketing, negotiations and handle sales.
- **Financial** – the financial implications of the Asset Management Plan was included in the 2011/12 budget process and approved the disposal and purchase of assets in order to generate additional revenue savings. The schedule of disposals for 2011/12 will see a reduction in rental income from the properties sold, and a £50,000 budget pressure was built into the 2011/12 budget in expectation of this.
- **Legal** – under Section 123 of the Local Government Act 1972, the Council may dispose of land held by it in any manner it wishes, save that it shall not dispose of land otherwise than by way of a short tenancy, for a consideration less than the best that can be reasonably obtained. This is subject to any restrictive covenants which bind the land and also subject to the proviso that it may not without the consent of the Secretary of State dispose of any land consisting or forming part of a public open space without first advertising its intention to do so and considering any representations received.

The relevant Government circular guidance on the matter (General Disposal Consent (England) 2003) sets out that it is Government policy that local authorities should dispose of surplus land wherever possible. Again, the disposals should be at the best reasonable consideration.

- **Corporate** – the Asset Review Business Plan has been identified as a corporate priority.
- **Risk Management** – there is always a risk that properties for sale whether by private treaty, auction or tender fail to reach their anticipated price or reserve, particularly in the current economic climate. If this arises it may lead to delay in the Disposal Programme or reduce capital receipts.
- **Environmental** – the disposals have no direct environmental impact.

- Crime and Disorder – no direct or significant impacts.
- Impact on Customers – where the disposal involves a direct impact on tenants or licensees they will be informed in the usual way. The significant impact on customers will be the Council's capacity to continue delivering otherwise threatened services as a result of the increased revenue which will be generated through the Asset Review Business Plan.
- Equality and Diversity – the disposals have no direct impact.

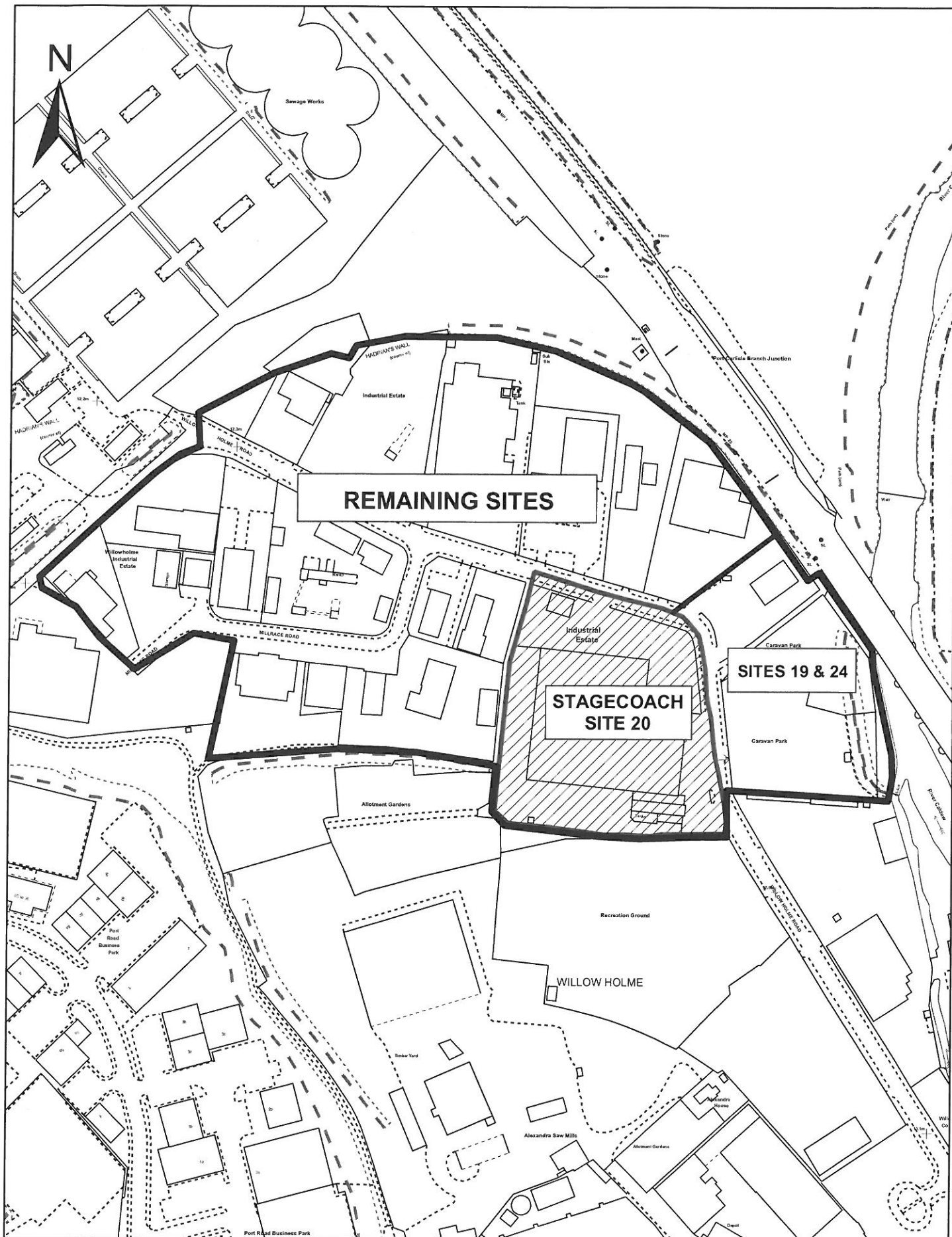
Impact assessments

Does the change have an impact on the following?

Equality Impact Screening	Impact Yes/No?	Is the impact positive or negative?
Does the policy/service impact on the following?		
Age	No	N/A
Disability	No	N/A
Race	No	N/A
Gender/ Transgender	No	N/A
Sexual Orientation	No	N/A
Religion or belief	No	N/A
Human Rights	No	N/A
Social exclusion	No	N/A
Health inequalities	No	N/A
Rurality	No	N/A

If you consider there is either no impact or no negative impact, please give reasons:

The disposals are part of the Asset Review Business Plan which is driven by the business and budgetary needs of the organisation.



Willowholme Industrial Estate Carlisle

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