

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet – 19 November 2018

Report Title

Disposal of the former St Ann's Building, St Leonard's Road, Rotherham

Is this a Key Decision and has it been included on the Forward Plan?

This is not a Key Decision but it has been included on the Forward Plan

Strategic Director Approving Submission of the Report

Paul Woodcock, Acting Strategic Director Regeneration and Environment

Report Author

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Ward(s) Affected

Rotherham East

Executive Summary

The purpose of this report is to seek approval to dispose of the former St Ann's Building, St Leonard's Road, Rotherham, S65 1PD.

Recommendations

1. That approval be given to the disposal of the former St Ann's Building, as shown edged in red at Appendix 1 by private treaty to the recommended purchaser as detailed at paragraph 2.7 3 of the exempt Finance Addendum Appendix 2.
2. That, in the event of the disposal not being completed (e.g. if the purchaser withdraws or time elapses), the site be disposed of on the open market, as set out in Option 2.
3. That the Acting Assistant Director of Planning, Regeneration and Transport be authorised to negotiate and agree the terms and conditions of the proposed disposal, with the Assistant Director of Legal Services negotiating and completing the necessary legal documentation.

List of Appendices Included

Appendix 1 Site Plan

Appendix 2 Exempt Financial Addendum

Background Papers

None

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

An exemption is sought for Appendix 2 under paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report Contains sensitive commercial information and the potential disposal of land and negotiation strategy.

It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information, as the Councils commercial interests could be prejudiced by disclosure of this commercial information.

Disposal of the former St Ann's Building, St Leonard's Road, Rotherham

1. Recommendations

- 1.1 That approval be given to the disposal of the former St Ann's Building, as shown edged in red at Appendix 1 by private treaty to the recommended purchaser as detailed at paragraph 2.7 3 of the exempt Finance Addendum Appendix 2.
- 1.2 That, in the event of the disposal not being completed (e.g. if the purchaser withdraws or time elapses), the site be disposed of on the open market, as set out in Option 2.
- 1.3 That the Acting Assistant Director of Planning, Regeneration and Transport be authorised to negotiate and agree the terms and conditions of the proposed disposal, with the Assistant Director of Legal Services negotiating and completing the necessary legal documentation.

2. Background

- 2.1 The Council own the former St Ann's Building which comprises of a traditional stone built school building, dating back to 1893, with later additional brick extensions. The asset also includes a small amount of grassed area fronting onto St Ann's Road. The asset is identified as edged red on the plan at Appendix 1. The site is approximately 0.3 acres in size with the building extending to 640 square meters (Gross Internal Area). The property is generally in a dilapidated state having been stripped back to bare brick and rafters.
- 2.2 The building was previously let to the Unity Centre Rotherham by way of an asset transfer lease although the property has remained vacant for some 15 years. Unity Centre Rotherham also occupies the neighbouring buildings under a separate asset transfer lease and runs a community centre.
- 2.3 Due to lack of progress with refurbishment of the property, the Council served notice on the tenant to terminate the lease of the St Ann's Building and regain possession. The lease was officially terminated on 19 September 2018.
- 2.4 In anticipation of the property coming back under the Council's responsibility, expressions of interest marketing was undertaken during the notice period. Interest for all disposal opportunities was sought, with the marketing period running from 15 June 2018 to 17 August 2018.

3. Key Issues

- 3.1 The property was advertised through traditional marketing channels for all disposal options to establish the best future use of the property, with a total of 3 proposals received. These proposals were considered by the Asset Management Board who recommended that the property be disposed as set out by way of private treaty as set out in the exempt Finance Addendum at Appendix 2. Further details of all bids are included in Appendix 2.
- 3.2 All interest bids received were subject to additional land to the rear of the site being included in the sale for use as car parking. In light of this, it is proposed that part of the car park to the rear of the building (highlighted blue on the plan at Appendix 1) be redistributed to the Council to make up part of the former St Ann's Building asset. This will involve agreeing a variation to the existing community asset transfer lease in place to Unity Centre Rotherham. Initial discussions with Unity Centre Rotherham have been positive and it is anticipated that an agreement can be made to satisfy all parties.

4. Options considered and recommended proposal

- 4.1 Option 1 – That Cabinet resolves to dispose of the former St Ann's Building by private treaty to the recommended purchaser as detailed within section 2.7 3) of the exempt Finance Addendum Appendix 2, subject to an independent valuation to verify that that best consideration has been reasonably obtained.
- 4.2 If the disposal is verified at less than best value; then the Council can still dispose of the property at less than best consideration, that can be reasonably obtained, so long as it does not exceed £2m and if the Council considers that it will help to secure the promotion or improvement of the economic, social or environmental wellbeing of its area.
- 4.3 Option 2 – That Cabinet resolves to dispose of the former St Ann's Building on the open market by way of informal tender. This option would involve further marketing of the site ensuring that best value is achieved. This provides any and all interested parties the opportunity to make further bids for the site.
- 4.4 It is recommended that Option 1 is pursued as this will ensure a timely disposal of the property, reducing the Council's holding costs and liability and allow the site to be brought back into use. It is also considered that the anticipated capital receipt will achieve best value for the site. Should the disposal not complete (e.g. if the purchaser withdraws or time elapses), it is recommended that the site is disposed of on the open market, as set out in Option 2.
- 4.5 As mentioned above in 3.2, additional parking spaces are required at the site. As such it is recommended that Cabinet approve the proposal to incorporate spaces from the existing asset transfer lease into the former St Ann's Building asset either by agreement or by termination and re-grant of the lease.

5. Consultation

5.1 Ward Members have been consulted and no objections have been made.

6. Timetable and Accountability for Implementing this Decision

6.1 Dependent on the outcomes of the negotiations the capital receipt is targeted in the financial year 2018 - 2019.

- Should option 1 be approved, it is anticipated that the disposal will be complete within 15 weeks. Contracts should be exchanged within 6 weeks of the heads of terms being agreed, with completion to be within 28 days of exchange of contracts.
- Should option 2 be approved an additional marketing period of between 6 and 8 weeks would be required.

7. Finance and Procurement Implications

7.1 The anticipated capital receipt from the proposed disposal of this asset is contained within the exempt financial addendum at Appendix 2.

7.2 This will contribute to the Council achieving a minimum £2m of capital receipts required as part of the Council's approved Budget for 2018/19.

7.3 It is anticipated that the cost of obtaining an independent valuation, for a private treaty disposal, will be in the region of £2,000 plus VAT. The valuation is for the Council's internal purposes only but the cost is usually met by the purchaser.

7.4 It is anticipated that the Council's legal and professional fees in dealing with the disposal will be met by the purchaser. These will amount to 2.5% (plus VAT, if required) plus the cost of any associated Council expense that the Council's legal team incur whilst acting on its behalf.

7.5 There will be holding costs for the Council whilst ever it continues to own the property. These costs are estimated at circa £20,000 per annum (including business rates) and will fall to the Council until the property is disposed of. Should option 2 be progressed the Council would incur holding costs for a period of up to 20 weeks. This could result in an additional cost to the Council of circa £6k.

7.6 There are no procurement implications.

8. Legal Implications

- 8.1 It should be recognised that the need for the Council to obtain a surrender of part of the car parking area from the current tenant of the Unity Centre is a technical risk to the recommended disposal as the buyer does not want to acquire the property without the additional parking. While this unknown has to an extent been de-risked by preliminary discussions with the tenant of the Unity Centre, it is recommended that the Council enters into a formal agreement as soon as possible to ensure that securing this element of the proposed transaction does not delay the proposed disposal.
- 8.2 It is likely that the tenant of the Unity Centre will expect that the Council will be responsible for their reasonable legal costs in connection with the surrender of part of the car park area and it is reasonable for the Council to do so. Accordingly these costs should be factored into the proposed disposal.

9. Human Resource Implications

- 9.1 There are no HR implications arising from this report.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 Potential benefits for vulnerable adults if option one is completed.

11. Equalities and Human Rights Implications

- 11.1 None

12. Implications for Partners and Other Directorates

- 12.1 None

13. Risks and Mitigation

- 13.1 Retaining this property would burden the Council with a vacant and derelict building. Buildings such as this are often targets for vandalism and as a result costly to run due to the need to secure them and carry out repeat maintenance for damage caused. Disposing of the property swiftly will remove the asset from the Council's books and see it rejuvenated, thus removing the risk of holding an ever deteriorating property. Disposal would also remove any holdings costs associated with the property (i.e. business rates and standing charges).
- 13.2 To reduce the holding costs of the property in the interim, it is intended that empty rates relief will be applied for allowing for a 3 month rate free period.

- 13.3 There is a risk that the disposal through Option 1 could not progress. To mitigate this Option 2 would be pursued and the site advertised for disposal on the open market. Should additional parking spaces not be added to the asset, there is the risk that the value of the site would be reduced and that the existing bids be withdrawn. To mitigate this risk, initial conversations have been had with the Tenant of the Unity Centre to make them aware of this likelihood – these have been positive.
- 13.4 Ultimately the Council have the right to terminate the asset transfer lease and so the risk is believed to be minimal. However this termination would require a 6 month notice period, delaying any disposal.
- 13.5 As talks to the Tenant have been positive, it is hoped that the issue can be resolved by way of agreement (surrender and renewal or lease variation).
- 13.6 To prevent any purchaser from buying the site and not progressing with their proposed development, it is intended that a 'buyback' clause be included within the contracts for sale. This would give the Council an option to re-purchase the site in the future ensuring that the asset is utilised rather than remaining vacant and derelict.

14. Accountable Officer(s)

Paul Woodcock, Acting Strategic Director, Regeneration and Environment.
Rory Hague, Estates Surveyor, Asset Management.

Approvals obtained on behalf of:-

	Named Officer	Date
Strategic Director of Finance and Customer Services	Julie Copley	24.09.2018
Assistant Director of Legal Services	Dermot Pearson	29.10.2018
Head of Procurement (if appropriate)	Joanne Kirk	18.09.2019
Assistant Director of Human Resources and Organisational Development (if appropriate)	John Crutchley	21.09.2018

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<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=>

Appendix 1 – Site Plan

