

BOROUGH OF KETTERING

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Report Originator	Mark Dickenson Head of Resources	<i>Fwd Plan Ref No:</i> A16/041	
Wards Affected	All	12 th April 2017	
Title	6 STATION ROAD, KETTERING (PROPERTY INVESTMENT STRATEGY)		

Portfolio Holder: Cllr L Thurland

1. PURPOSE OF REPORT

- 1.1 The Executive resolved at its meeting of 16th November 2016 that the preferred option for 6 Station Road was to market the property for sale/lease and that a report be brought back to the Executive Committee in due course.
- 1.2 This report considers the financial offers received following the marketing of both the Freehold and Leasehold so that members can consider if they wish to sell either the Freehold or Leasehold interest in 6 Station Road.

2. INFORMATION

- 2.1 The budget report elsewhere on this agenda, highlights the fact that in the medium term the Council will need to consider schemes that can contribute to it being more financially independent. Such considerations include looking at how the Council can maximise the income generation opportunities of its assets – both existing and potential.
- 2.2 6 Station Road is a three storey brick built property comprising of some 4,420 sq ft of internal space on 0.21 acres of freehold land owned by the Borough Council which is located at the northern end of Station Road between Clarendon House and Northampton House.
- 2.3 At the November 2016 Executive meeting it was reported that although the property could generate modest levels of rental income, these are unlikely to make a significant contribution to the income targets that the council will be looking for going into the future. None of the three redevelopment options were considered attractive from a commercial rate of return perspective. Even if it were possible to trim down the specification for the redevelopment, this would be unlikely to generate sufficient cost reductions to make an attractive rate of return.
- 2.4 Based on the modelling that the Council has undertaken the estimated rate of returns on investment are not sufficient to justify a significant capital expenditure on the asset. Such investment would also not be in line with the parameters that are contained within the draft Property Investment Strategy (elsewhere on the agenda).

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- 2.5 It was considered appropriate on this occasion to market the property for sale – which would allow the council to generate a capital receipt (that can be recycled into more attractive revenue generating schemes) whilst allowing a third party to bring the property / asset back into use. The Executive at the November meeting agreed that both the freehold and leasehold interest should be marketed on this occasion.

3. **MARKETING**

Sell the Asset

- 3.1 The Council marketed the freehold interest for £265,000. The Council received a good level of interest initially in the freehold. To ensure interest was credible the Council opted for bids to be received via a Formal Tender – whereby once a tender is accepted it constitutes a binding contract of sale. This approach enables a transaction to be completed quickly as it requires the prospective buyer to complete tender documentation ensuring those with a solid interest submit bids.
- 3.2 Following the formal tender process interest reduced significantly as was expected. The Council received three tender submissions of which one was a formal binding bid the offer price received was £375,000.
- 3.3 The bid of £375,000 is significantly in excess of the independent valuation and represents a good value for money bid.
- 3.4 Any receipts from the sale would be reinvested into the Council's property portfolio in accordance with the Council's 'Golden Rules'.

Lease the Asset

- 3.5 The expressions of interest shown in leasing 6 Station Road were significantly less than the expressions of interest in the freehold. The Council has received one offer for the lease hold interest. The offer was for a 7 year lease (and would be subject to RPI increases every three years).
- 3.6 Over the seven year period, prior to RPI increases this would result in total rent of £85,000 equivalent to an annual rent of around £12,000. The lessee has indicated an investment of between £50,000 and £75,000 would need to be made to bring the property into a useable condition. In reality the investment required to bring the asset back into use is likely to be significantly higher.
- 3.7 The lease option brings a greater degree of risk compared to selling the freehold, as the freehold sale can be agreed at a specific point in time for an agreed price – whereas the leasehold period would in this instance cover a seven period and

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is of course subject to the Council receiving the rental payments over a 7 year period.

- 3.8 The financial returns from selling the freehold could produce income of around £26,000 (assuming a return of 7%) compared to the lease hold option of £12,000. Over the proposed 7 year lease period the freehold option could generate additional income of around £100,000.

4 RECOMMENDED COURSE OF ACTION

- 4.1 The property has stood empty for some considerable time and it is important that it is brought back into use or redeveloped. Following the marketing exercise it is recommended that the Council sell the freehold interest for a sum of £375,000. This will allow the council to generate a capital receipt (that can be recycled into more attractive revenue generating schemes) whilst allowing a third party to bring the property / asset back into use.

5 POLICY IMPLICATIONS

- 5.1 Members have made their priorities for infrastructure and jobs led growth clear, these are the prerequisites of growth. Members have indicated they wish to use the growth agenda to leverage three key interrelated ambitions for the Borough; namely:
- A better offer for our town centres.
 - A better education and training offer.
 - A better employment offer – high grade, higher density jobs.
- 5.2 Bringing this building back into use – be it by a third party, would contribute towards the continued regeneration of Kettering Town Centre and potentially provide capital funds for other commercial investment projects.

6 FINANCIAL RESOURCE IMPLICATIONS

- 6.1 The estimated financial implications are outlined in the report.

7. LEGAL IMPLICATIONS

- 7.1 The Council is in the position of trustee on behalf of the community in relation to its ownership of land. When considering the sale of land the Council has a statutory duty under Section 123 of the Local Government Act 1972 to sell at the

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best price reasonably obtainable. A disposal for the purpose of the Act includes a sale of the freehold or the grant of a lease. In assessing any offers the provisions of S123 must be taken into account.

7.2 The Council has following a marketing exercise demonstrated compliance with S123.

8 RECOMMENDATIONS

That the Executive Committee;

- 8.1 Agree to sell the freehold interest at 6 Station Road for £375,000;
- 8.2 Grant delegated authority to the Head of Legal & Democratic Services to conclude the sale of 6 Station Road.

Background Papers:

Title 6 Station Road, Kettering

Date 15/10/2014 & 16/11/2016

Contact Officer:

Head of Resources & Head of
Democratic and Legal

Previous Minutes/Reports:

Ref:

Date: