

Asset Management

Cabinet	14 June 2018
Report Author	Director of Corporate Governance
Portfolio Holder	Cllr Ian Gregory, Portfolio Holder (Finance and Estates)
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	Garlinge, Bradstow, Margate Central, Cliftonville West, Birchington South

Executive Summary:

As outlined in the Strategic Asset Management Plan (SAMP) 2017 – 2021, the corporate portfolio is under review to ensure that the Council only retains assets that support corporate priorities and deliver value for money.

This report identifies assets that:-

- Are held on the investment portfolio but do not produce a good return of income;
- Are aging property on the investment portfolio that require repair and capital investment but, should this be completed, it will not improve the return on income;
- Are held on the investment portfolio but have been identified as a community asset transfer.

Cabinet are asked to consider each asset and make a decision on the recommended way forward.

Recommendation(s):

- (1) To progress the following property and land through the disposal framework to achieve a capital receipt:
 - Hartsdown Land and Property Plot 1
 - 40 Hawley Square, Margate
 - Land at Hartsdown (Margate Football Club)
 - Land, Zion Place, Margate
- (2) To progress the following property and land through the community asset transfer framework.
 - Alpha Road Land, Birchington
 - Birchington Memorial Ground, Birchington
- (3) To progress the following property as regulated by statute under the Localism Act 2011 through the community asset transfer framework.
 - The “Old Look Out”, Broadstairs.

CORPORATE IMPLICATIONS									
Financial and Value for Money	The capital programme is part-funded from capital receipts generated from the sale of assets. These disposals are required to enable the continued investment in council assets. The disposal of assets listed in this report will not only generate capital receipts but will also reduce ongoing maintenance costs and reduce the risk of incurring future capital expenditure.								
Legal	There are no specific legal implications with respect to these disposals. in general terms the Council is under a duty to get the best consideration reasonably obtainable. There are exceptions including community asset transfer where the council will be relying on the general disposal consent from central government								
Corporate	Review of assets forms part of the adopted policy and corporate aims. The Council should not retain assets unless they provide value for money or support the corporate aims and these assets have been identified as underperforming for the Council.								
Equality Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1" data-bbox="430 1238 1404 1478"> <thead> <tr> <th colspan="2">Please indicate which aim is relevant to the report.</th> </tr> </thead> <tbody> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td></td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td>X</td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </tbody> </table> <p>The freehold sales, with leasehold interests remaining will have no impact under the Equality Act 2010 and Public Sector Equality Duty.</p> <p>The transfers to benefit the community will support our commitment under these acts to continue to provide inclusive community facilities</p>	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it	X	Foster good relations between people who share a protected characteristic and people who do not share it.	
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Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,									
Advance equality of opportunity between people who share a protected characteristic and people who do not share it	X								
Foster good relations between people who share a protected characteristic and people who do not share it.									

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	X
Promoting inward investment and job creation	
Supporting neighbourhoods	X

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	X
Supporting the Workforce	
Promoting open communications	

Introduction and Background

- 1.1 Thanet Council is committed to a robust asset management strategy, to release underperforming land and property in order to achieve the corporate aims.
- 1.2 Additionally, the Medium Term Financial Strategy (MTFS) requires secure income and capital receipts.
- 1.3 To support these aims and strategies, there is an ongoing review of the corporate portfolio to identify assets that are not meeting the corporate objectives and therefore should be considered for disposal.
- 1.4 The property and land below have been fully appraised and are considered suitable for either obtaining a capital receipt or benefiting the community by way of community asset transfer.

2.0 Current Situation

2.1 Hartsdown Land and Property Plot 1 – Freehold Interest

The property (area shown on attached annex) includes a number of long leasehold interests, operational stores and a yard. The units are in a reasonable to poor condition and there are many protected rights over the land.

The Council retains the repairing obligations of the yard, the drainage, the operational buildings and licenced premises. The estate is aging and now requires reinvestment.

Held on the investment portfolio account this property and land should produce reasonable secure income. However, analysis of this income shows that the gross return on the rent is £0.73 per square foot of property.

A review of the operational buildings shows that the stores used on this estate are now surplus with the contents being cleared and moved to Dane Park Depot. The stores are becoming dilapidated and require substantial investment, they attract a reasonably substantial business rates bill.

Once the business rates and repairing obligations are taken into account, the net income reduces down to a loss. Retention of this estate therefore does not represent value for money and it is recommended this site is sold on the open market through the disposal framework.

The leasehold and licence tenancies would remain unaffected by the disposal although the units currently used by Operations Services would be offered with vacant possession. Contracts would include a clawback provision to capture any future uplift in any development value.

2.2 The Old Look Out, Broadstairs – Freehold interest.

A listed heritage building accounted for on the investment portfolio rent received is £5,965.00 ex Vat. There is a small vacant office which has been marketed for many months with little interest. All income is received on licence terms which mean that the Council retains the liability for the majority of repairs and maintenance as well as Capital works.

Broadstairs and Harbour seafront group have for some time supported the Council in maintaining the building. They take great interest in restoring and preserving the

property for the benefit of the community. In May 2017 they received recognition for their hard work being awarded the “Mayoress Cup” by the Mayor of Broadstairs.

Our review of this property concluded that this asset is not producing a good return on the investment portfolio that it now requires substantial investment and it would benefit from the local community management and maintenance.

On the 18th May 2018 Thanet Council received a Community Right to Bid application, which is being progressed as regulated by the Localism Act 2011. The application is likely to be successful, therefore it is recommended that this property is progressed for disposal as regulated by the Localism Act 2011 through the Community Asset Transfer framework.

2.3 40 Hawley Square – Freehold interest

An operational premises until recently used by the council to deliver front line services. These services are relocating to Cecil Street and therefore the property is now surplus to requirements. It is recommended that this property is disposed on the open market through the disposal framework.

2.4 Margate Football Club – Freehold interest.

Margate Football Club (MFC) have two leasehold interests in Hartsdown park, Margate. One contract expired 2011, rent passing £10,000 and the other expires 2023 rent passing £100.00 ex VAT. This leasehold interests have security of tenure, ie even though the contract has expired the tenants have the right to remain at the site unless the Landlord can prove one of the limited grounds for getting vacant possession.

The tenant has invested in a 3G pitch, and plans to make further investment having planning permission reference F/TH/12/0433 to build an 80 bed hotel, fitness club, and other supporting facilities to sustain the club. MFC will rely on sports funding opportunities to invest in and maintain the club, part of these funding obligations will ensure that the facilities continue to host community sports uses.

It is recognised that MFC need a longer interest in the land in order to secure funding to support the development and community facilities. The existing renewal terms would not give the club sufficient term to secure funding.

A long leasehold would require Cabinet approved and has been considered but long leases are effectively ground rents, the Landlord retains very little control over the leaseholder. This is because recovery is regulated not only by the contract but also by statute and most recovery action is limited to the financial impact the breach has on the Landlords reversionary value. Long leaseholds of this nature require extensive management and the income would be uncertain and not fit the investment strategy.

Therefore, noting that the site is regulated as sports and recreational use through planning and restrictive covenants, the recommended way to support investment in the facilities is to sell the freehold to the club.

The sale would require carefully drafted legal conditions to protect the council's interest including:-

- Restrictive covenant that land is to be used primarily for purposes of sport facilities with ancillary use to support the main use and;
- Public right of way on foot through part of the land to be maintained for public use and;
- A clawback agreement to capture any uplift in change of use should this be successful in the future if there is a change of use approved through the Planning Department.

The disposal would be by way of market value, as determined by a RICS registered valuer advising the council.

2.5 **Alpha Road Land & Birchington Memorial Ground – Freehold Interest**

Recreational land (including play facilities and pavilion in the memorial ground) to be retained for public amenity use but surplus to Thanet District Council requirements. It is recommended that these areas of land are progressed for transfer to Birchington Parish Council to continue to hold on trust for members of the public to use. Contracts would ensure restrictive covenants are placed on the land for continued public use.

2.6 **Land Zion Place, Margate – Freehold Interest**

Subject to a long leasehold ground lease of £500.00 per annum, lease expires 2070. Adjacent site already agreed for disposal, considered that this site to be packaged to sell freehold but with the leasehold interest unaffected.

3.0 **Options**

Cabinet could choose to retain some or all of the property and land, but should be aware that this will result in unplanned repairing and management costs, and risk destabilising the Medium Term Financial Strategy.

The preferred and recommended options are as documented at the top of this report.

Contact Officer:	Edwina Crowley, Interim Head of Asset Management
Reporting to:	Tim Howes, Director of Corporate Governance

Annex List

Annex 1	Plan Hartsdown Land and Property Plot 1, Margate
Annex 2	Plan The Old Lookout Building, Broadstairs
Annex 3	Plan 40 Hawley Square, Margate
Annex 4	Plan Margate Football Club, Margate
Annex 5	Plan Alpha Road Land, Birchington
Annex 6	Plan Birchington Memorial Ground
Annex 7	Land Zion Place, Margate

Background Papers

Title	Details of where to access a copy
Strategic Asset Management Plan	Thanet District Council Web site or contact estates@thanet.gov.uk.
Community Asset Transfer Policy 2018 - 2021	Thanet District Council Web site or contact estates@thanet.gov.uk

Corporate Consultation

Finance	Gary Whittaker, Interim Finance Manager
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer