



## CABINET REPORT

<b>Report Title</b>	<b>Rectory Farm Land Disposal</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	5 <sup>th</sup> February 2020
<b>Key Decision:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Service Area:</b>	Economy, Assets and Culture
<b>Accountable Cabinet Member:</b>	Cllr Tim Hadland, Regeneration and Enterprise
<b>Ward(s)</b>	Rectory Farm

### 1. Purpose

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- 1.1 This report seeks Cabinet approval for the disposal, by auction, of Rectory Farmhouse, Olden Road, Rectory Farm, Northampton NN3 5DD

### 2. Recommendations

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It is recommended that Cabinet:

- 2.1 Agree to Disposal of the Property, known as Rectory Farmhouse, by way of auction to achieve the best price reasonably obtainable for the area outlined in red on the plan at Annex 1;
- 2.2 Authorise the appointment of Auctioneers to dispose of the property in accordance with s.123 (1) of the Local Government Act 1972 (as amended).
- 2.3 That authority be delegated to the Economic Growth and Regeneration Manager, in consultation with the Borough Secretary, Chief Finance Officer and Cabinet Member for Regeneration and Enterprise to finalise the terms of the disposal;

### **3. Issues and Choices**

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#### **3.1. Report Background**

- 3.1.1 The land and buildings at Rectory Farmhouse were transferred to the Council on 1st April 1985 as part of the overall land transfer from Northampton Development Corporation (NDC).
- 3.1.2 The original farm buildings of the Barn (The Community Centre) and the Farmhouse date back to 1843.
- 3.1.3 After renovations the Barn opened as a Community Centre in February 1982, since its opening it has been used by community groups, clubs, and societies as a function and meeting room, and as a polling station.
- 3.1.4 The farmhouse has had a variety of uses within recent years including being used as part of the Community Centre; a pre-school (now relocated into the Barn) and a Police out-station.
- 3.1.5 Recently the Council have been in negotiation with The Billing Brook Academy around the sale of the site to be used as an Out-reach 6<sup>th</sup> Form Centre although this transfer was not able to be agreed.
- 3.1.6 It is currently in very poor condition with a large amount of capital expenditure needing to be invested in the property in order to bring it into a lettable state once again.
- 3.1.7 The building has been vacant since August 2018 with the Council responsible for the holding costs of the building which includes on-going security; Business Rates; utility bills as well as the management costs.
- 3.1.8 The site has a shared access with the adjacent Rectory Farm Community Centre which uses the Barn building. The access is shown as highlighted yellow on Appendix 1.
- 3.1.9 This site has previously used the area highlighted brown on Appendix 1 as a shared car park with the Community Centre. This area will solely be for the use of the Community Centre moving forwards with this site not having any rights over the car park area.
- 3.1.10 It is proposed to dispose of the Property by way or auction to reduce our current liabilities and to generate a capital receipt.
- 3.1.11 Selling at auction also allows the site to be marketed in a competitive bidding environment which allows any interested purchasers the opportunity to make the best bid that they are able. An auction is a transparent method of disposal if well-advertised, for any interested party to offer what they can afford and have certainty of outcome on the day.
- 3.1.12 This site has had an RICS registered market valuation to set the reserve price, the valuation is based on its existing use class, D1, but recognises that there may be a robust case presented to planning for residential use which may drive the sale price higher than the market valuation.

- 3.1.13 The auctioneer will ensure that the marketing is by way of direct marketing to those registered with them looking for sites, boards will go up on the site, brochures will be produced, and digital marketing will be on the commercial market web sites e.g. Rightmove. This will happen for a minimum of two months.
- 3.1.14 The professional estates team and external valuer therefore have taken into account the condition of the property, the audience we are trying to reach, and determined that the most appropriate market to achieve the highest sale price is the auction route.
- 3.1.15 The Council will be obligated to accept the highest bid made that is over the reserve price.
- 3.1.16 A Red Book valuation for the site will be undertaken to establish its value. The Council will place a reserve price at auction at the Red Book Valuation level to ensure that the site is not sold unless it at least meets this value.
- 3.1.17 If Cabinet agrees with the recommendation in this report the site will be taken to Auction in May, this gives ample time for the site to be thoroughly marketed ahead of the auction taking place.
- 3.1.18 The method of disposal listed in 3.1.10 to 3.1.13 will satisfy the Council's duty to obtain best consideration.

## **3.2 Issues**

- 3.2.1 As a condition of the land transfer from NDC, there is a "Claw-back" clause, which lasts for 50 years from the transfer date, at a write-down of 2% per annum. This means that 30% of the capital receipt must be repaid back to Homes England.
- 3.2.2 The Energy Performance Certificate on this building is Grade G and therefore we are unable to let it out without carrying out a significant amount of work in order to upgrade it.
- 3.2.3 Given the state of the property an estimate of £200,000 would need to be spent on the property to bring it into the Council's occupational use again.

## **3.3 Choices (Options)**

- 3.3.1 Refurbish the property and lease it out as an investment property or as an Operational premise. This would need considerable capital outlay to bring the property into use for a modest return. This approach is not recommended.
- 3.3.2 Grant a long lease and get an in-coming tenant to refurbish the property at their cost, part in lieu of market rent. This approach would offer only modest returns as the use after refurbishment is likely not to be the optimal use of the site. This approach is not recommended.
- 3.3.3 Obtain planning consent and redevelop the site. This approach requires significant officer time to work with architects to develop an appropriate scheme, ensure that it complies and is granted planning permission and then

manage the build out of the site. While offering potentially the highest returns to the Council for a small non-strategic site, such as this site, this approach is not recommended.

- 3.3.4 Dispose of the property with or without planning consent. A planning statement would be provided to bidders to demonstrate likely acceptable uses. This approach gives a quick return, with the Council able to get it into an Auction in May enabling a sale to be done quickly. It also involves only limited officer resource and given the scale of the site would be appropriate. This option is recommended.
- 3.3.5 Do nothing. The Council would continue to incur holding costs and would be preventing a development site from coming forwards. This approach is not recommended.

#### **4. Implications (including financial implications)**

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##### **4.1 Policy**

- 4.1.1 The disposal of this site is in line with the corporate plan, directly delivering against the objective of spending your money wisely.

##### **4.2 Resources and Risk**

- 4.2.1 The sale of this site will reduce the holding costs to the Council while generating a capital receipt.
- 4.2.2 The costs of disposal will be limited by disposing of the property at auction as these can be passed onto a purchaser. There is a £500 listing fee which covers advertising and brochures
- 4.2.3 A reserve price will be placed on the site at auction as set out in 3.1.13 to ensure that the site is not sold for below its Red Book Valuation.

##### **4.3 Legal**

- 4.3.1 As noted above s123 (1) of the Local Government Act 1972 provides that a principal council may dispose of land held by them in any manner that they wish, that being said under s123 (2) of the above Act prohibits (without the consent of the Secretary of State) a Council from disposing of land under this provision (other than by way of a short tenancy), for a consideration less than the best that can be reasonably obtained. The Council will need to be satisfied that the proposed method of disposal (by auction) complies with the Council's statutory duty to obtain best consideration
- 4.3.2 The Property as noted above, falls within the provisions of the Agreement dated 1<sup>st</sup> April 1985 which relates to the Transfer of Community related Assets at Northampton made between (1) Northampton Development Corporation and (2) Northampton Borough Council. The Property noted above, on investigation, has been identified as forming part of Rectory Farm.

- 4.3.3 Rectory Farm is described within the Agreement as “Building for non-commercial social uses by voluntary groups, local residents’ groups and the Council” and has a category rating of II. Under the provisions of the Agreement this means that Rectory Farm has been identified as a property where it is possible that a future change of use or redevelopment could result in an increase in its income generating potential.
- 4.3.4 The Agreement specifies that for a period of 50 years from the date of the transfer (1<sup>st</sup> April 1985) that the Council is required to repay, until the expiry of that period of time, a pre- determined percentage of the assessed capital value of the Property on the occurrence of either (a) an actual change of use of the land or building to use other than specified within the Agreement or (b) there is a disposal of the land or building to another person. Either of these events will trigger the requirement for the Council to repay monies back to the statutory successor in title to Northampton Development Corporation now known as Homes England on the disposal of the Property.
- 4.3.5 Pursuant to the provisions of the Agreement the appropriate percentage is 100% in the first year after the transfer and thereafter 2 percentage points less for each year that elapses, so provision will need to be made for the repayment back to Homes England.
- 4.3.6 The Council must ensure that if the sale by auction has been approved by Cabinet, that the information provided in the auction catalogue along with any plans or photographs must be factual accurate and complies with the Consumer Protection from Unfair Trading Regulations 2008.
- 4.3.7 Legal Services will be required to prepare a Legal Pack, which will be required to be prepared advance of the auction so that potential buyers and their legal advisors can download the information and make an informed decision on whether to bid for the Property. On completion in addition to the purchase price it is usual for the seller to require the buyer to reimburse the seller for the costs of searches included in the Legal Pack, notice fees and other out of pocket expenses. These sums, and any apportionments will be paid on completion.
- 4.3.8 Unlike a standard transaction (where there is no binding contract until exchange) an auction contract is binding as soon as the hammer falls following the last successful bid. A Contract for Sale must be ready for exchange at the auction.

#### **4.4 Equality and Health**

- 4.4.1 There are no direct equality or health impacts resulting from this disposal.
- 4.4.2 By disposing of this site and allowing development to take place further residential, employment or community uses will be created benefiting the local community.

#### **4.5 Consultees (Internal and External)**

4.5.1 Community Spaces Northampton, who operate the Barn building adjacent to the Farmhouse, have been engaged and consulted on the proposed access and car parking arrangements ahead of this report.

4.5.2 Cllr James Hill, the local Member, has been consulted on the proposed disposal.

#### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 This project directly delivers against the strategic priority of spending your money wisely within the Corporate Plan 2018-20 through making best use of corporate assets.

#### **4.7 Other Implications**

4.7.1 There are no such implications in this report.

### **5. Appendices**

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5.1 Redline Plan - Rectory Farmhouse site

### **6. Next Steps**

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6.1 Advertise the site and take to auction – March - May 2020

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