


REPORT TO ASSET MANAGEMENT AND LAND COMMITTEE

14 June 2018

Exempt information relating to terms proposed for the disposal / acquisition of property or the supply of goods or services and disclosure would be likely to prejudice the Council

The information contained in this report is strictly confidential and in accordance with the appropriate Codes of Conduct, must not be disclosed to unauthorised persons

Subject:	Land at Kelvin Way, West Bromwich
Director:	Executive Director - Neighbourhoods – Dr Alison Knight
Contribution towards Vision 2030:	
Key Decision:	Yes
Forward Plan (28 day notice) Reference:	SMBC14/06/2018
Director Approval:	Dr Alison Knight
Reason for Urgency:	N/A
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Ward councillors have not been consulted
Contact Officer(s):	Stefan Hemming - Senior Surveyor stefan_hemming@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Cabinet be recommended to:

- 1 Authorise the Director – Monitoring Officer to dispose of the freehold reversionary interest in approximately 0.781 hectares (1.931 acres) of land off Kelvin Way, West Bromwich, shown for identification purposes only edged black on Plan No Sam/27260/015 attached, to the existing tenant Envira Limited on terms and conditions to be agreed by the Director - Regeneration and Growth;

- 2 In the event that the terms for disposal of land referred to in 1 above does not, for whatever reason, proceed to Envira Limited, authorise the Director – Monitoring Officer to dispose of the freehold interest in the land on the open market and otherwise on terms and conditions agreed by the Director – Regeneration and Growth;
- 3 Authorise the Director – Monitoring Officer to enter into or execute underseal, if necessary any other related documentation in connection with the disposal of the site on terms and conditions to be agreed by the Director - Regeneration and Growth.

1 PURPOSE OF THE REPORT

- 1.1 To seek approval to dispose of the freehold reversionary interest in a parcel of Council owned land off Kelvin Way to Envira Limited or if terms are not agreed to effect a subsequent sale of the land on the open market subject to the existing lease.

2 IMPLICATION FOR THE COUNCIL'S AMBITION

- 2.1 The proposals in this report contribute to achieving the council's ambitions as follows:

Ambition 3 – Our workforce and young people are skilled and talented, geared up to respond to changing business needs and to win rewarding jobs in a growing economy

- The freehold disposal to Envira Limited will support **investing in businesses, people and jobs** that will create wealth and tackle poverty.

- 2.2 ***Ambition 9 - Sandwell has become a location of choice for industries of the future where the local economy and high performing companies continue to grow.***

- The disposal of the freehold to Envira Limited will allow the Company to attract significant capital investment to allow company expansion.

3 BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 A request has been received from Envira Limited to purchase the freehold reversionary interest in a parcel of Council owned land off Kelvin Way, West Bromwich.

- 3.2 The land, shown for identification purposes only edged black on the attached plan, forms part of the Council's commercial estate and is currently leased to Envira Limited by virtue of a 99-year lease granted on 29 September 1956 and at annual rental of £XXX. The lease does not contain a provision for a rent review and the rent has not therefore increased since the date the lease was originally granted nor will it increase during the remainder of the lease term which expires on 28 September 2055.
- 3.3 Envira Limited has advised that it wishes to undertake an investment programme to include expansion proposals to accommodate new business opportunities and the creation of new jobs. Unfortunately obtaining finance is proving difficult as there is only 37-years unexpired on the lease and investors require either a longer term lease or preferably the freehold.
- 3.4 As a result of previous sales under the Council's Tenant Non Residential Property Strategy (TNRP) the Council no longer owns any other land and/or property in the immediate vicinity of the Envira's site making this an isolated interest.
- 3.5 The criteria utilised for disposals under the TNRP strategy stated that if the interest was isolated in nature and/or not in a town centre location a sale could be considered. Tenants were given the first opportunity to buy the Council's interest and only if terms could not be agreed was an open market sale effected.
- 3.6 In the case of Envira Limited not only is this an isolated interest, there is no opportunity to increase annual rent from the sum originally agreed in 1956 because there is no rent review clause in the lease.
- 3.7 To accommodate Envira's request the Council's agent who had previously been appointed to agree sales under the TNRP strategy was asked to undertake a valuation of the Council's interest and open informal negotiations. A sale price of £XXXXXX has subsequently been agreed with the company subject to member approval.

4 THE CURRENT POSITION

- 4.1 The land is currently leased to Envira Limited by virtue of a 99-year lease from 1956 and this will continue with the Council receiving the annual rent of £XXX.
- 4.2 When the term of the lease comes to an end, the unencumbered freehold title to the land and premises reverts to the Council. The tenant does, however, have protection under the Landlord and Tenant Act, 1954 and in these circumstances would, if so desired, be entitled to a further lease albeit on a revised rent and updated terms.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 5.1 There has been no consultation with customers and/or other stakeholders.

6 ALTERNATIVE OPTIONS

- 6.1 The Council could retain the freehold of the ground lease which will yield the sum of £XXX per annum. There will be minimal future costs to the Council as the lease is a ground lease and the upkeep and maintenance of the building, together with all outgoings, is the responsibility of the lessee.
- 6.2 The existing lease could be surrendered and a new longer lease granted with rent reviews at 5 year intervals. This, however, would not provide the company with the comfort it requires to attract investment and additionally it is an isolated interest which the Council would consider for disposal. All other freeholds in the vicinity have already been sold under previous TNRP tranches.
- 6.3 Alternatively, the Council could consider disposal of the freehold on the open market but this may not generate the same level of capital receipt and additionally it may jeopardise Envira's expansion proposals including the opportunity to create further business and employment opportunities within Sandwell.

7 STRATEGIC RESOURCE IMPLICATIONS

- 7.1 Cushman and Wakefield were instructed to undertake valuations of the Council's land on the basis of the site being offered for disposal on the open market and also as a private treaty sale to Envira Limited.
- 7.2 In its subsequent valuation report Cushman and Wakefield advised that a sale on the open market could, when considering the current annual rent and lease term remaining, achieve a capital receipt of around £XXXXX but that a sale direct to the tenant would be higher and to commence negotiations at £XXXXX.
- 7.3 There will be no effect upon expenditure budgets as the lease is on a full repairing basis with no day to day management and/or repair and maintenance implications.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

- 8.1 This report highlights the opportunity for the Council to realise a capital receipt. The Council is able to dispose of land pursuant to Section 123 of the Local Government Act, 1972 provided that the disposal is not for less than the best consideration that can reasonably be obtained. The receipt from the sale will be available to fund future capital expenditure in line with corporate priorities.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 It has not been necessary to undertake an equality impact assessment as the report is merely seeking authority to dispose of a parcel of land

10 DATA PROTECTION IMPACT ASSESSMENT

- 10.2 There are no specific data protection measures to consider, all data relating to the matter is maintained in accordance with the Data Protection measures previously implemented by the Council.

11 CRIME AND DISORDER AND RISK ASSESSMENT

- 11.1 There are no crime and disorder implications to consider. The site is already occupied by virtue of a lease.

12 SUSTAINABILITY OF PROPOSALS

- 12.1 The Sale will be progressed in accordance with the Law society's general conditions.

13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

- 13.1 The disposal of the site will support investing in businesses, people and jobs. This will result in creating sustainable communities, create wealth, tackle poverty, improve health and wellbeing and reduce certain types of anti-social behaviour and crime.

14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

- 14.1 The ground lease forms part of the non-operational leased portfolio.
- 14.2 The site is not considered a strategic hold or a town centre site and therefore a disposal to Envira Limited should be considered.

15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 15.1 Envira Limited is a family owned independent recycling business specialising in soft and rigid plastics handling some 50,000 tonnes of waste material per year.
- 15.2 The Company has a European production plant that converts recyclable films back into bags and other products. They serve primarily the commercial sector including retailers such as Asda, House of Fraser and John Lewis.
- 15.3 The disposal of the freehold interest to the Company will accommodate potential business growth in the market place which will afford stability and continuity for its workforce and allow for expansions of business activity.

16 BACKGROUND PAPERS

- 17 APPENDICES:**
Location Plan

Dr Alison Knight
Executive Director – Neighbourhoods

Darren Carter
Executive Director – Resources

Surjit Tour
Director – Monitoring Officer