

NORTH LANARKSHIRE COUNCIL
REPORT

To: POLICY & RESOURCES (PROPERTY) SUBCOMMITTEE		Subject: CAPITAL RECEIPTS REVIEW – UPDATE APRIL 2011
From: HEAD OF PROPERTY SERVICES		
Date: 22nd April 2011	Ref: MAR	

1. INTRODUCTION

1.1 This report will provide Committee with an update on the current position relating to progress with the Capital Receipts Programme and thereafter provide an update on the various influences that continue to affect the timing and level of land and property sales.

2. BACKGROUND

2.1 Members may recall the previous reports on this subject presented to Committee on 4 November 2008, where Committee were advised on the results of the 2007-2008 programme, together with predictions for the remaining years of the 2007-2012 5-year programme; May 2009, where a further update was provided on the position, and March 2010 when an update was provided on 2009- 2010. The final outturn figure for 2009-10 was £2,986,451.

2.2 The previous reports outlined how the global economic downturn had resulted in a significant impact on the property market; made predictions relating to the ongoing impact on the Council's disposals programme and recommended a number of interim actions to be undertaken by Property Services to mitigate the costs associated with all surplus properties within the Council's property portfolio.

2.3 This report will update members, advising of the current position and outline future plans.

3. SALES IN 2011-11

3.1 Over the course of 2010-11 a number of sales have concluded. The sales are still generally smaller sites, mainly direct sales to adjoining owners. A target of £1 million was set by the Council despite the challenging times in the global market. The income from capital receipts for 2010-11 was £2,001,937.89. The details are set out in Appendix 1.

4. CURRENT MARKET CONDITIONS

- 4.1 North Lanarkshire, like the rest of the UK, is still suffering from the continuing effects of the global economic downturn. While indications are slightly more optimistic than previously detailed, there is still limited evidence of any significant improvement.
- 4.2 In previous reports, members were advised that consideration was being given to taking a site to the market; however concern was expressed that there isn't the same level of parties interested in purchasing land, or the market confidence from medium to larger builders to ensure that the Council would generate sufficient interest to secure an acceptable sale price. Securing available funding to finance the outright purchase of sites is one of the principal challenges. The issue of funding is addressed in further detail in section 4.5 below.
- 4.3 For these reasons, a very cautious approach has been taken to marketing. A few sites have been taken to market over the course of the last 12 months. These are relatively conservative value sites and one or two buildings. The results have been promising; albeit there is still little market evidence available to demonstrate anything other than small increases in values being achieved across Lanarkshire and the surrounding areas.
- 4.4 The capital receipts target for the current financial year has been set by the Council at £1 million. While there are a range of cases where negotiations are progressing, given the market position it would not be appropriate to base additional expenditure on achieving further sums at this time.
- 4.5 As noted in section 4.3 above, a significant issue affecting the property market is the availability of funding for land purchases. Property Services has undertaken a consultation exercise involving Local Authorities, a selection of builders (including some who have actively marketed land in the last year), banks; and Legal Services. The challenge is that available finance is now restricted to smaller sums which means that large up front payments for land purchase, as previously secured for many sites in this area, may no longer be available.
- 4.6 There appears to be two basic funding categories: -
- Only some of the largest builders can draw on a central funding pot, securing funds from banks based on company assets.
 - The majority of builders are more likely to rely on site specific funding where just enough money is lent for immediate land acquisition and construction costs. In this case, the banks require a first ranking standard security over the site and might require additional cash funding from the developer's reserves. However, it would appear that in this model the maximum suggested one off payment that can be afforded for land purchase is in the region of £1million.
- 4.7 This represents a sea change for landowners like the Council who previously would hand over the ownership of a site in return for the up front payment of the whole price. The challenge is how to secure the possible transfer of the Council's title without a complete right to take the site back in the event of non payment and also the length of time it would take to secure the final payment. This will create challenges for the Council in terms of programming of projects to be funded from capital receipts.

- 4.8 A site in Annathill has recently been advertised for sale. The site was previously marketed in 2006, bids were received and assessed and the sale transaction was close to conclusion. Market conditions meant the builder was no longer in a position to finance the project and the sale collapsed. The site has planning consent, extends to 1.65 hectares (4.08 acres) and is being advertised at offers over £1.2 million. The closing date for receipt of offers is 18th May 2011, shortly before Committee. A verbal update can be provided on this market test at Committee.
- 4.9 The Annathill site referred to above are being marketed for sale on a straight "offers over" a stated price basis. It is expected that the Council may be presented with a variety of different proposals to consider and assess. It is likely that any bids submitted could also be conditional on some form of deferred payment proposal. It may be difficult to provide a direct comparison to show which bid represents 'best price' to the Council, however, as there are no bids on the table for sites of this nature, until the closing date is passed for the first site it is difficult to predict what the options will be. A full report will be presented in due course to Committee when the reviews of any offers received for any of these sites have been undertaken.
- 4.10 It is also programmed to take a site at Smithstone, Cumbernauld to the market in a similar exercise in the summer. It is proposed that given the size and level of values anticipated for the Smithstone site, that the brief will require to recognise that bids may be received on a deferred basis and will have to provide some guidance for potential purchasers on how the council will evaluate these. Information, and experience gained from the Annathill marketing will be used to assist in determining the final manner in which the Smithstone site is to be marketed.
- 4.11 In any event, the result for the Council as landowner / seller on both these sites is likely to involve more work, greater risk to the successful sale. There will be work to agree a structure, to assess and monitor the deal for both Property and Legal Services. However, given the alternative approach of doing nothing it is proposed that this is progressed on a site by site basis for the time being.

5. EXTERNAL FACTORS

- 5.1 As outlined previously, the Finalised Draft of North Lanarkshire Local Plan was approved by Committee in October 2008. Following completion of the various public consultation phases of the Local Plan process and the collation, analysis and comment of issues, a full package of information containing a substantial breadth of information required by the Reporter's Unit was submitted by the Planning authority. A key stage in the emerging in Local Plan was the undertaking of a Public Enquiry during February 2011. Part of the enquiry was dedicated to the land supply, and detailed discussions were undertaken and evidence considered in the context of the proposed Community Growth Areas.
- 5.2 In tandem with monitoring the emerging Local Plan, Property Services continues to work to promote the Council's land interests. This involves progressing partnership working with appropriate stakeholders who share common goals and can pursue symbiotic arrangements which meet the Council's longer term desire to achieve sustainable capital receipts and, at the same time, aid in the development of vibrant and successful community growth areas. There are still many challenges ahead to be met but, for now, Property Services is focused on responding to the eventual findings and recommendations of the Reporter's Unit. It is hoped that the Reporter will provide a full response to the Council's Local Plan proposals late summer 2011.

Thereafter, with the progression of the emerging Local Plan to adopted status, the work overseen by Property Services will move to a more substantive phase.

- 5.3 In addition, the final Masterplans required to progress development proposals along with obtaining Outline Planning consent still require the publication, by Council as planning authority, of the Strategic Development Framework document which is to provide a guidance framework. However, Property Services, working with its consultants and relevant stakeholder partners, continues to work with planning and development to aid in progressing various works required for major developments. At the same time, given the emerging nature of the Local Plan and that the Reporter's conclusions are still outstanding, all efforts are being made to avoid abortive costs and to ensure that the available limited budget for this project is maximised.
- 5.4 Previously, members were advised of the position relating to a section of The Local Government in Scotland Act 2003 and the possible impact resulting from the Act which was expected to replace the Section 74 rules within the Local Government (Scotland) Act 1973. The new Land Disposals Regulations, amending the terms of Section 74, became law with effect from 1 June 2010. The impact of this was reviewed and reported to Committee in August 2010. Subsequently, the Council's policy relating to land and property sales has now been updated was approved by this Committee at its meeting in November 2010. In brief, while the Council acknowledges the provisions of the Regulations, the policy remains to seek the best price reasonably obtained for all disposals.
- 5.5 In the 2010 update report, a range of external factors were noted as having potential to influence the level of capital receipts in the future. Global economic conditions remain the primary influence. As outlined above, the market position is being kept under review, although there are a number of issues arising as a result of this. The Council continues to declare land and buildings surplus to its requirements, a number of these as part of reviews of Corporate Assets, delivering Asset Management savings across the various Council services. In normal market conditions, many of these would simply have been advertised for sale and subsequently sold once the appropriate legal bargain had been completed. However, given the continued suppressed market conditions, the option of immediate sale at a reasonable price remains challenging.
- 5.6 As outlined previously where the surplus asset is a site, the costs of maintaining it in reasonable order would relate to costs such as grass cutting, maintenance of fences etc. Where the surplus asset is a building, the costs are far higher. Members were previously advised that in some cases the buildings could be demolished, thus limiting the future liabilities, although there were problems in identifying the money to fund this. Over the last year, a significant amount of work has been undertaken in identification of a budget and programming the demolition of surplus buildings where appropriate. While some funding is available in 2011/12, additional funding will require to be identified to continue this programme for future years.
- 5.7 Three such properties were highlighted in the previous report. The position relating to these is noted below:

5.7.1 **Former Albert Primary, Airdrie**

As previously advised, this property was advertised for sale; however the purchaser withdrew as a result of the market changes. The planning position is that the building is within a Conservation Area and the building cannot be demolished unless consent exists to demonstrate that a suitable building in keeping with the Conservation Area can be developed in its place. As there is no purchaser or scheme, the planning authority will not support a demolition application at this time.

In the 2010 update Committee were advised that the Council was progressing the possibility of carrying out a residential development as part of the Council New Build Housing Programme. A development brief is currently being drafted for issue to the Framework contractors. It is anticipated this should be ready early July. Once the contractors have submitted their proposals then the appropriate planning permission will be applied for. While this is progressing there is still some way to go before the position can be finalised. In the meantime the council remains liable for the costs associated with security, ongoing repairs etc.

5.7.2 **303 Brandon Street, Motherwell**

This property became vacant as a result of the deterioration of the condition of the property and the relocation of the staff primarily to the new Dalziel Building. It has been surplus and vacant since mid 2009. In the 2010 update, committee approved a proposal to progress the demolition of this property and thereafter to consider selling the cleared site when the market was showing improvement.

The demolition is nearing completion and work is now ongoing to prepare a marketing brief for the property. As noted in the last update report, part of the site is likely to be required for roads improvements at the junction of Windmillhill St/Brandon St and Crosshill St to facilitate Ravenscraig access improvements. This will require the reallocation of that part to another council service (this aspect will be the subject of a separate report to committee.) In addition, an approach has now been made by Roads and Transportation confirming interest in the whole site for a public car park.

5.7.3 **Former Dalziel Business Centre**

This property was vacated in March 2008 when the new Business Centre at the Dalziel Building was completed. The property was the subject of an option agreement with CIS Motherwell. When the property was vacated, it was anticipated that it would be demolished to allow a more appropriate development that would support and enhance the town centre. However, the planning consent to demolish the existing building and carry out a redevelopment of the site was refused. As a consequence, the sale did not proceed at that time.

While this building is not Listed or within a Conservation Area, when the planning consent was refused a number of concerns were raised over the demolition of the building. Committee approved the proposal as part of the last update report and the demolition is now nearing completion.

Given previous redevelopment and town centre developments proposed for this site, discussions have commenced with Planning and Transportation to identify possible future development options for this site. A number of Services have indicated an interest in this asset, however given the fact that it was already anticipated that a capital receipt would be available following its vacation in 2008, it is proposed that Committee agrees that the subjects will be marketed for sale.

5.8 The approvals granted previously in respect of progressing options for the above three properties, resulting in the mitigation of the ongoing revenue expenditure by the demolition of two of three properties.

6. CORPORATE CONSIDERATIONS

6.1 Capital receipts will continue to generate a level of income for the Council to assist with the capital programme. While the market is not sufficiently buoyant at the moment, steps still require to be taken to ensure the appropriate investment in preparation for the market recovery and potential Local Plan release in 2011 to secure the medium term requirements.

6.2 In relation to the competing alternative uses and interest in surplus property at Dalziel Business Centre, discussion has taken place with the Executive Director of Finance and Customer Services who has confirmed that, in principle, sites should not be reallocated within the general pot and there should be a presumption that the land be disposed of for a capital receipt. The current aim to rationalise assets means that Services should not be seeking to take on new assets. Services should recognise that the land has value and it has an opportunity cost if they use the land. Particularly in the current financial climate, there would need to be a very strong case to justify developing a Service requirement (which is likely to also have ongoing revenue costs) at the expense of a capital receipt.

7. RECOMMENDATION

7.1 It is recommended that Committee:-

- (a) notes the contents of the report; and
- (b) notes and approve the actions proposed in section 5 of the report.

7.2 A further report updating the position will be provided in due course.




IAN NISBET
Head of Property Services

Members seeking further information on the contents of this report are asked to contact Ian Nisbet, Head of Property Services, on 01236 616305



Appendix 1

2010-2011	
Former Carisbrooke Day Centre, Commonhead Avenue, Airdrie	£91,000.00
Ground Adjacent To Whifflet Station, Easton Place, Coatbridge	£3,000.00
4/5 Fleming Road, Cumbernauld	£15,000.00
Former Rent Office, Constarry Road, Croy	£17,000.00
Amenity Land, High Street, Motherwell	£75,000.00
South Carbrain Road, Cumbernauld	£50,000.00
644 Merry Street, Motherwell	£15,000.00
Paddock Street, Coatbridge	£171,538.39
Sewer Outflow Chamber, Drumpellier Country Park, Coatbridge	£5,000.00
Land To The Rear Of 173 Bonkle Road, Wishaw	£9,160.00
77 & 79 Quarry Street, Wishaw	£2,000.00
Bellshill Cross Day Centre, 171 Main Street, Bellshill	£65,990.00
Craig Street Hostel, 41 Craig Street, Airdrie	£132,200.00
Tannochside Park Enterprise Zone, Cardowan Park, Uddingston	£300.00
22 Kennedy Street, Wishaw	£27,500.00
North Road, Cumbernauld	£840,000.00
Land At Ainslie Road, Cumbernauld	£0.00
South Commonhead Avenue, Airdrie	£6,000.00
Bonnyhill Young Peoples Support Unit, 2 Bowling Street, Coatbridge	£375,100.00
Smithstone Gate, Cumbernauld	£15,000.00
Strip Of Ground, Philip Murray Road, Bellshill	£43,982.50
Amenity Land, Ronald Street, Coatbridge	£15,000.00
Deed of Servitude, Shields Drive, Motherwell	£2,500.00
Garden Ground Cases General Receipt	£24,667
Total	£2,000,937.39