

# North Lanarkshire Council Report

## Finance and Resources Committee

Agenda item \_\_\_\_\_  approval  noting Ref DT/DMcC Date 13 March 2019

### North Lanarkshire Properties LLP – Consent for Sale of properties at 22-24 Earn Avenue, Bellshill and 9-15 Napier Place, Cumbernauld.

**From** James McKinstry, Head of Asset & Procurement Solutions

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**Telephone** Ian Martin 01236 632667

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#### Executive Summary

The purpose of this report is to seek council consent for the sale of North Lanarkshire Properties LLP's interests in the properties at 22-24 Earn Avenue, Bellshill and 9-15 Napier Place, Cumbernauld.

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#### Recommendations

It is recommended that Committee grants consent, required under the terms of the Limited Liability Partnership Agreement, to North Lanarkshire Properties LLP to dispose of the properties at 22-24 Earn Avenue, Bellshill and 9-15 Napier Place, Cumbernauld.

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#### Supporting Documents

<b>Council business plan to 2020:</b>	Granting this consent will contribute to meeting the council's Business Plan Priority Outcomes of Improving economic opportunities and outcomes.
<b>Appendix 1</b>	NLP Management Committee Report
<b>Appendix 2</b>	Location Plans

## **1. Background**

- 1.1 The Limited Liability Partnership Agreement among NL Property Investments Limited, North Lanarkshire Council and North Lanarkshire Properties LLP (NLP) sets out the basis on which NLP is to be organised and the rights and obligations of NLP, NL Property Investments Limited and the Council. Clause 14.1.17 provides that NLP is not permitted to sell, transfer or otherwise dispose of any asset with a value in excess of £50,000 without the prior written consent of the Council.
  - 1.2 NLP's Management Committee approved the sale of the properties at Earn Avenue, Bellshill and Napier Place, Cumbernauld at its meeting on 6 September 2018 and a copy of the report is attached at Appendix 1 for information.
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## **2. Report**

- 2.1 NLP has been developing an investment strategy and as part of this a number of assets, including the properties at Earn Avenue, Bellshill and Napier Place, Cumbernauld have been identified as being suitable for sale. The sale of the assets will provide scope for NLP to make additional payments towards their loan with Barclays Bank thereby reducing future borrowing and interest payments.
  - 2.2 The two properties for sale are shown shaded on the plans attached at Appendix 2. Plan 1 shows the property at 22-24 Earn Avenue, Bellshill. The building extends to 3,836 sq.m (41,290 sq.ft). Plan 2 shows the property at 9-15 Napier Place, Cumbernauld and this building extends to 2,366 sq.m (25,470 sq.ft).
  - 2.3 Following a marketing exercise a closing of 12 noon Friday 18<sup>th</sup> January was set for offers to be received. Four bids were received for Earn Avenue and two for Napier Place.
  - 2.4 The sale of these properties now requires the council's consent to proceed under the terms of the Limited Liability Partnership Agreement. Barclays consent will also be required prior to the sale.
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## **3. Equality and Diversity**

### **3.1 Fairer Scotland**

No impact under the Fairer Scotland Duty in relation to this report.

### **3.2 Equality Impact Assessment**

Consideration has been given to equality impact and no issues have been identified.

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#### **4. Implications**

##### **4.1 Financial Impact**

There should be no financial impact for the council as a result of this report.

##### **4.2 HR/Policy/Legislative Impact**

There are no specific HR/ Policy/ Legislative impacts associated with this report.

##### **4.3 Environmental Impact**

There are no direct environmental impacts arising from this report.

##### **4.4 Risk Impact**

There are no specific risks associated with this report.

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#### **5. Measures of success**

- 5.1 The sale of the properties at 22-24 Earn Avenue, Bellshill and 9-15 Napier Place, Cumbernauld will support North Lanarkshire Properties LLP's investment strategy.
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**Head of Asset & Procurement Solutions**

## Appendix 1

### NORTH LANARKSHIRE PROPERTIES

#### REPORT

AGENDA ITEM No. 10

To: <b>NORTH LANARKSHIRE PROPERTIES LLP MANAGEMENT COMMITTEE</b>	Subject:
From: <b>COMPANY SECRETARY</b>	<b>ASSET INVESTMENT AND DISPOSAL PROPOSALS</b>
Date: <b>6 SEPTEMBER 2018</b>	Ref: <b>DAB/SD</b>

#### **1. INTRODUCTION**

- 1.1 The purpose of this report is to seek Management Committee to dispose of ground leases owned by North Lanarkshire Properties LLP (NLP) and to consider the financial investment options for the utilisation of the capital realised from the proposed disposal.

#### **2. UPDATE**

- 2.1 As Members will recall North Lanarkshire Properties LLP (NLP) has been developing its Investment Strategy with reports to the Management Committee on 21 February & 16 May 2018. This included an option to dispose of a ground lease interest at Newhut Road, Motherwell.
- 2.2 In addition consideration has also been given to strengthening NLP's financial position. These have included retaining reserves balances and maximising return on investments or utilising useable reserves to reduce the borrowings with Barclays Bank and future borrowing to reduce interest payments.
- 2.3 As a result of the discussions at the June 2018 meeting consent was given for NLP to explore the option of reducing NLP's borrowings with Barclays in more detail with before a final decision is taken. These discussion have now taken place and Barclays have provided the figures as noted in Appendix One relating to the costs NLP would need to meet for partially breaking its fixed interest agreement and also the cost savings NLP would be able to make as a result.
- 2.4 It should however be noted that while these discussions have been undertaken, NLP has yet to make a formal request to Barclays seeking consent to make these early repayments and seeking such consent is discussed later in this report.
- 2.5 Member should also note that NLP also requires to seek the consent of North Lanarkshire Council (NLC) before it can sell assets; should the Management Committee and Barclay's consent to the sale of Assets it is envisaged that NLC's consent would be sought thereafter.

#### **3. OPTIONS APPRISAL UPDATE**

- 3.1 As members will recall a financial case was provided to sustain the position of selling the ground leases at Newhut Road for a sum of £600,000. This also accounted for the loss of £19,215 per annum in rental which the leasehold interests generate. It was further demonstrated that the best use for the capital receipt generated from the sale would be to pay down NLP's borrowings and thus reduce NLP's annual interest payments helping to strengthen NLP's budgeted position.

- 3.2 Members did however query whether this site could be utilised by NLC for its house building programme. It was confirmed that discussions had taken place but a decision on the sale of the assets was deferred to allow NLP to have further discussions with NLC on this point.
- 3.3 In response to members request NLP sought the views of NLC's new supply team to ascertain if they would be interested in acquiring the site at Newhut Road for inclusion within the new build programme on the same terms currently being offered from the owners of the building.
  - 3.3.1 Following discussion with the General Manager, the Head of Housing Programme has advised that this site would not be a preferred site for housing development currently as there would be a number of constraints which would affect the site being developed for housing including the access to the site and the proximity to industrial uses.
  - 3.3.2 Given the potential development costs, including acquisition and demolition of the current building, the Housing Service were of the view that, even if the Planning/development constraints could be overcome, they would not be able to match the offer that is currently on the table and which should bring needed private investment into this site which has been vacant for a number of years and the development of which will support the wider regeneration aims of North Lanarkshire Council.
- 3.4 In summary as a result of the confirmation provided by the Head of Housing Programme it is recommended that the leasehold interests at Newhut Road should be disposed of.
- 3.5 Barclays have yet to confirm the extent of the costs associated with the early repayment of borrowings and the new payments NLP would make on it reduced loan balance. At this stage and on the basis of discussions with Barclays it is not believed that the financial model provided in June 2018 is likely to materially change. The figures noted in Appendix One have been calculated by Financial Solutions to provide the Management Committee our best estimate of the costs and the repayments which would be result from a reduction in the loan balance.
  - 3.5.1 The figures provided show the benefits associated with a loan repayment of £1.75m. However a range alternative loan repayment figures have been sought from Barclays to provide the Management Committee with options once all property sales have been achieved. This will also allow account to be taken of available Reserve Balances at that point in time. It should also be noted that NLP would benefit from cost reductions of £103,000 from lessening its Non Domestic rating burden.
  - 3.5.2 It is intended that the final figures from Barclays will be reported to the Management Committee at the next available meeting. It is anticipated that the figures provide in Appendix One robust and will not be materially different from those provided by Barclays. On this basis it would be intended to proceed with the repayment of the loan balance as previous approved by the Management Committee. If, however the figures from Barclays are materially different a fresh appraisal of the available investment options will be provided for consideration by the Management Committee.

#### **4. PROPOSALS**

- 4.1 It is proposed that the Management Committee should approve the sale of the ground leases at Newhut Road, Motherwell.
- 4.2 It is further proposed that the proceeds from this sale should be retained along with the sale proceeds from the sales of 22 Earn Avenue, Bellshill & 9-15 Napier Place,

Cumbernauld and utilised as part of the investment strategy including consideration of reducing borrowings with Barclay's Bank and future borrowings.

- 4.3 It is additionally proposed that NLP should formally seek consent from Barclays Bank & NLC to sell the assets noted in 4.2 and to utilise the proceeds as described.

## **5. CORPORATE CONSIDERATIONS**

- 5.1 NLP has a requirement to develop investment plans to ensure its business model is sustainable in the short and long term to ensure NLP can meet its long term financial commitments. The recommendations of this report are in line with this objective.
- 5.2 NLP is required under the terms of the Facility Agreement with Barclay's Bank to provide accurate income and expenditure forecasts. The proposals noted in this report will, if successful, strengthen these forecasts and the recommendations also accord with the aims and objectives of NLP's strategy for utilising its reserves.
- 5.3 The sale of assets and utilisation of NLP's reserves can provide investment funds to refurbish assets and thereby increase NLP's income generating capacity. Where this represents a good return on the capital invested this will provide additional security for NLP by providing greater sustainability to its income model. This will provide further security to NLC as its loan guarantee is less likely to be called upon.
- 5.4 The sale of assets and utilisation of NLP's reserves can provide funds to reduce NLP's loan debt & interest repayments which would reduce NLP's expenditure requirements both in terms of interest payments and also the costs associated with retaining vacant buildings.

## **6. RECOMMENDATIONS**

- 6.1 It is recommended that the Management Committee approve the sale of the ground leases at Newhut Road, Motherwell.
- 6.2 It is further recommended that NLP should retain the capital receipts and utilise as part of the investment strategy to strengthen the financial position of the company.
- 6.3 It is additionally proposed that NLP should seek formal consent from Barclays Bank and NLC to proceed with the sale of these assets and to utilise the funds as described.
- 6.4 All other terms and conditions to be adjusted by the General Manager



**COMPANY SECRETARY**  
**North Lanarkshire Properties LLP**

Members seeking further information on the contents of this report are asked to contact David Baird, General Manager, on 01236 632602.

	<b>Breakage Costs £</b>	<b>Reduction in Principal £</b>	<b>Reduction in Interest £</b>
Year to 31 March 2019	-102,000		
Year to 31 March 2020		315,417.21	87,672.90
Year to 31 March 2021		342,058.02	90,324.75
Year to 31 March 2022		370,206.81	94,682.25
Year to 31 March 2023		399,863.56	99,500.40
7 months to 30 October 2023		322,454.40	77,949.45
<b>Total</b>	<b>-102,000</b>	<b>1,750,000.00</b>	<b>450,129.75</b>

**Average yearly saving to 31 October 2023    350,000.00    90,025.95**

# Appendix 2 – Plan 1

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## LOCATION PLAN - For Information Only

Title: 22 to 24 Earn Avenue

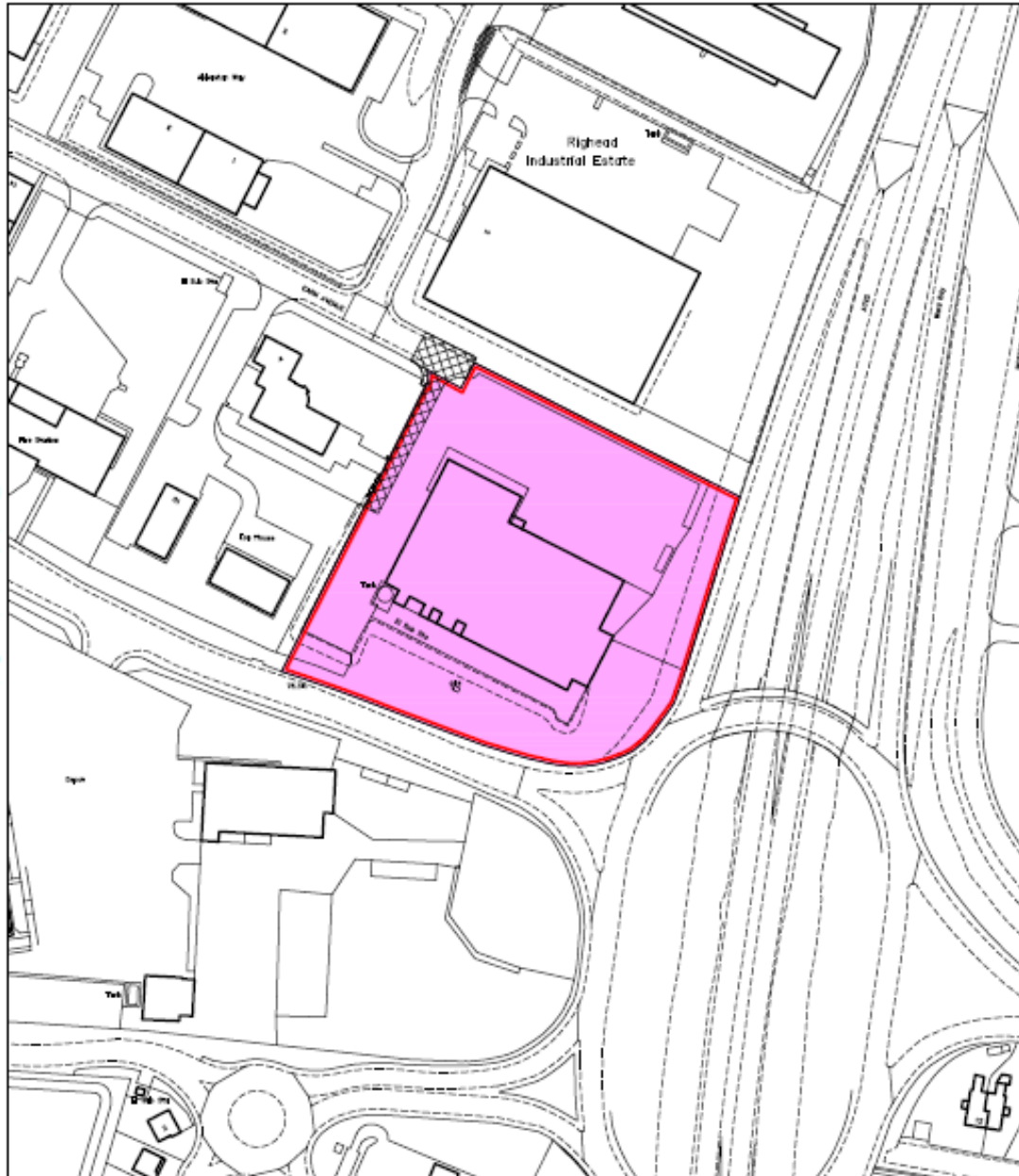
Scale 1:N.T.S.



Town: Bellshill

Date: 24/01/2019

### ENTERPRISE & COMMUNITIES



For Information Only

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# Appendix 2 – Plan 2

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## LOCATION PLAN - For Information Only

Title: 9–15 Napier Place

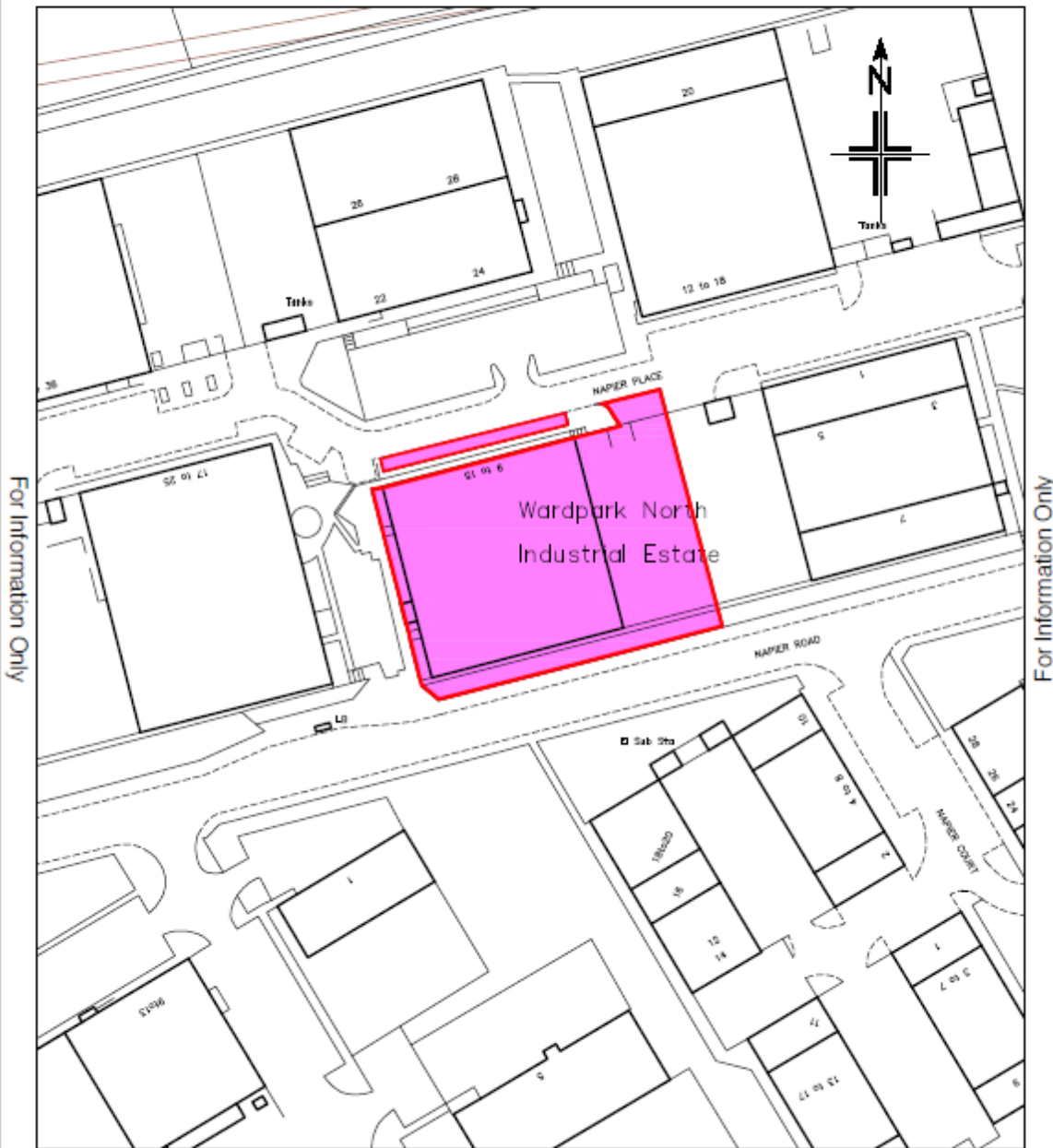
Scale 1:N.T.S.



Town: Cumbernauld

Date: 24/01/19

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