

BABERGH DISTRICT COUNCIL

FROM: Head of Contract and Asset Management

REPORT NUMBER: **K69**

TO: STRATEGY COMMITTEE

DATE OF MEETING: 29 July 2010

DISPOSAL OF EAST HOUSE AND ADJACENT LAND

1. PURPOSE OF REPORT

1.1 To advise Committee on progress regarding the disposal of East House to date, and to seek approval to a revised approach from now on.

2. RECOMMENDATIONS

2.1 That the Head of Contract & Asset Management be authorised to submit a planning application based on the proposals outlined in paragraph 7.2 of the report.

2.2 That, subject to the receipt of planning permission the Head of Contract and Asset Management be authorised to dispose of East House and the building plots subject to:

a) A consideration as agreed by the Council's valuer

b) Appropriate terms and conditions in order to protect the interests of the Council

The Committee is able to resolve this matter.

3. FINANCIAL IMPLICATIONS

3.1 The revised approach takes into account current difficult market conditions and seeks to achieve the disposal of the East House to maximise the capital receipt value to the Council thereby maximising the funds available for reinvestment into the community. This revised approach is necessary due to the downturn and continuing uncertainty in the property market.

4. RISK MANAGEMENT

4.1 This report is most closely linked with the Council's Significant Business Risk No. 7 – Financial, Performance & Risk Management. Key risks are set out below:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Planning permission is not secured	Low	Critical	Ensure that agreement in principle is reached with the local planning authority and English Heritage prior to submission of any planning application

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
The best possible price is not secured for East House and the adjacent land	Significant	Critical	Ensure an appropriate marketing strategy is adopted and that price achieved is subject to agreement by District Valuer.

5. **EQUALITY AND DIVERSITY IMPACT**

- 5.1 It is proposed that the capital receipt be invested in facilities for the local community, the design of which will meet the diverse needs of the community and ensure equal access. Hence the proposal makes a positive impact.

6. **KEY INFORMATION**

Progress to Date

- 6.1 Members will be recall that Council agreed, in February 2006, to dispose of the unencumbered freehold of East House (a Listed Building) in order to generate a capital receipt.
- 6.2 In February 2007 Strategy Committee agreed to include adjacent land with East House in order to maximise the development potential.
- 6.3 Agents were appointed, a Planning Brief was prepared, and expressions of interest invited.
- 6.4 In early May 2008 Strategy Committee agreed to dispose of the asset to Company A, the successful bidder, subject to appropriate terms & conditions. Unfortunately Company A withdrew as, following a change in market conditions and discussions with our planners, they were unable to achieve their proposed development.
- 6.5 In June 2008 discussions were opened with Company B, the next highest bidder in the original expressions of interest exercise. Their proposal was to convert East House into flats, and create high density homes at the rear. Discussions were subsequently held between Company B, our planners, English Heritage and two housing associations over a considerable period, without any agreement being reached.
- 6.6 In May 2010 officers reviewed all the work undertaken to date and have formed the opinion that a satisfactory conclusion cannot be achieved with Company B due to difficult marketing conditions, the planning requirements imposed on the site, and the need for agreement with English Heritage.
- 6.7 A change of direction is therefore required if the Council is to achieve a substantial capital receipt for this site.
- 6.8 The Head of Contract Management has therefore held meetings with Babergh planners and English Heritage to fully assess the difficulties that have been encountered so far, and what should be the way forward to satisfy, as far as possible, the requirements of each in terms of realisation of the asset value, meeting our Local Plan policies, and satisfying the concerns of English Heritage regarding this important building and its setting.

7. **THE WAY FORWARD**

- 7.1 It is clearly evident that, in order to meet the current requirements of English Heritage, there are very limited opportunities for converting East House because the integrity of its Listed Building status must be maintained. This includes preserving its setting with a substantial plot.
- 7.2 A draft proposal has therefore been put before our planners and English Heritage that the development comprises East House as a single property, or as sub-division into two properties, together with the construction of four large detached properties (see attached plan for illustrative purposes)
- 7.3 This has been welcomed favourably, but further discussions are still required. A more detailed proposal is therefore currently being prepared, although this will not be fundamentally different from the plan attached.
- 7.4 The objective is to agree the development proposal in principle with our planners and English Heritage, and then submit a full planning application. If successful this will leave the Council with a substantial Listed dwelling house to sell, and four substantial building plots forming an exclusive development.
- 7.5 It is considered that, in the current market, this approach will realise the best asset value to the Council subject to the terms of any planning permission and market conditions. The securing of a planning consent by the Council would provide certainty for developers thereby increasing the speed and likelihood of a sale. We would protect our asset value, should a purchaser subsequently secure a more financially favourable permission, by the introduction of an "overage clause" in any sale agreement whereby the Council would share in any such increase in value.
- 7.6 In terms of marketing specialist advice will be taken on the most appropriate method of disposal.

8. **CONCLUSION**

- 8.1 It is clear that, in view of the difficult market conditions, the approach adopted between 2006 until now has not succeeded in realising the best achievable asset value. A new approach has been developed that seeks to secure agreement in principle with our planners and English Heritage such that there is a prospect, but not a guarantee, that a planning permission could be favourably secured.
- 8.2 If planning permission is secured then the Council will have achieved a substantially enhanced value to the East House site which can then be offered for sale under appropriate marketing strategies.
- 8.3 This approach is therefore recommended as the way forward for the East House site.

9. **APPENDICES**

Site Plan attached

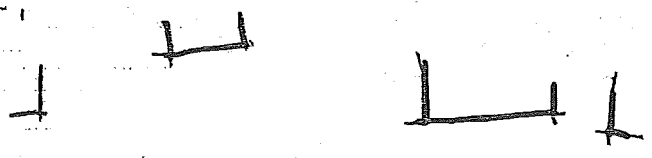
10. **BACKGROUND PAPERS REFERRED TO:**

None

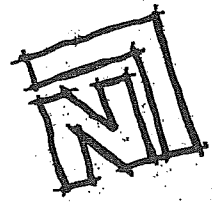
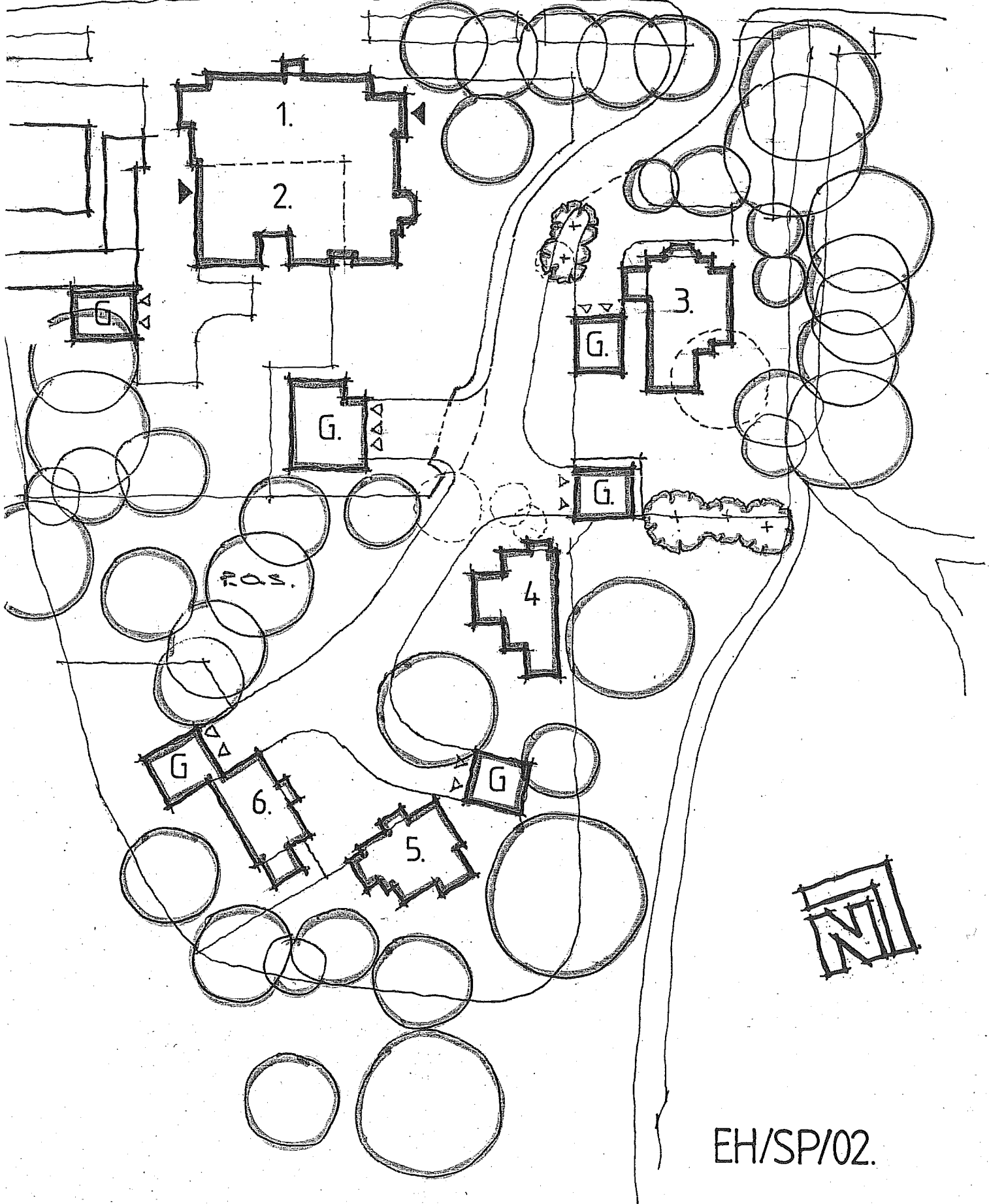
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EAST HOUSE, GEORGE ST,
HADLEY, SUFFOLK.
PROPOSED REARRANGEMENT.



GEORGE STREET



EH/SP/02.