

# Report

## Cabinet Member for Finance and Resources

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### Part 1

Date: 17 November 2016

Item No: 5

### **Subject Westmark Development – Sale of Freehold Interest**

**Purpose** To seek approval from the Cabinet Member for Finance and Resources to negotiate the disposal of the freehold interest in the above premises.

**Author** Housing and Assets Manager

**Ward** Pillgwenlly

**Summary** The land subject to this report form part of the Old Town Dock development area, brought forward as a Joint Venture Development with Welsh Government. The land is subject to a lease to Westmark Developments Ltd. The Lessee has requested to purchase the freehold interest in the site.

**Proposal** **Dispose of the freehold interest in the land on terms to be agreed by the Head of Law and Regulatory Services. This action will produce a capital receipt for the Council, help to facilitate delivery of the final phase of this development and avoid potential revenue costs.**

**Action by** Newport City Council with Newport Norse.

**Timetable** Immediate

This report was prepared after consultation with:

- Property Services Manager, Newport City Council
- Estates Team Leader, Newport Norse
- Estates Portfolio Officer, Newport Norse
- Property Services Manager, Newport Norse
- Head of Regeneration, Investment and Housing, Newport City Council
- Head of Finance – Chief Finance Officer
- Head of Law and Regulation – Monitoring Officer
- Head of Business and People Change

**Signed**

## 1. Background

- 1.1 The Council is the freehold owner of the land shown edged and hatched on the plan appended to this report. The land comprises part of the Old Town Dock development area, which was brought forward under a joint venture between NCC and Welsh Government. The scheme comprises a series of residential flats, arranged in a series of blocks/phases. The Developer was Westmark Developments Ltd.
- 1.2 Development of the site was undertaken through documentation comprising an agreement for lease, followed by a lease dated 13 April 2012, of 150 years duration. The grant of lease was subject to payment of a premium but there is only a nominal rent payable under the lease. There is no mechanism to review the rental payments for the duration of the whole term. The lease remains in force and is the tenure owned by Westmark.
- 1.3 The Development has delivered the first phases of the scheme but the final phase has not yet been constructed.
- 1.4 Agents to Westmark have approached the Council to enquire whether the Council is willing to sell the freehold interest in the premises. The reason given for the request is that Westmark is considering the sale of its interest and would anticipate the land would be more attractive to prospective developers as a freehold purchase. Clearly, it would support several Council policy objectives if the final phase of the proposed development was constructed.
- 1.5 The land currently performs no operational or service delivery function. Its continuing ownership by the Council could entail management costs from time to time.
- 1.6 Due to the terms of the lease, the investment value of the Council's freehold interest is a nominal sum. That said, the potential to increase marketability would somewhat increase the value of the Council's interest, albeit to a limited extent.
- 1.7 Officers from Welsh Government have been consulted. There is no objection in principle, to the sale of the freehold interest in the land but the sum agreed will need to be independently confirmed to represent the full market value.

## 2. Financial Summary

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					The sale of the land will realise a capital receipt for the Council.
Net Costs (Savings)					
Net Impact on Budget					

## 3. Risks

- 3.1 There are no risks associated with this proposed land sale.

## 4. Links to Council Policies and Priorities

- Asset Management Plan

- Property Rationalisation programme

## **5. Options Available**

- 5.1 Take no action.
- 5.2 Dispose of the freehold interest in the land on terms to be agreed by the Head of Law and Regulatory Services.

## **6. Preferred Option and Why**

- 6.1 Dispose of the freehold interest in the land on terms to be agreed by the Head of Law and Regulatory Services. This action will produce a capital receipt for the Council, help to facilitate delivery of the final phase of this development and avoid potential revenue costs.

## **7. Comments of Chief Financial Officer**

As the land in question is part of the Joint Venture agreement with Welsh Government, the capital receipt generated by a disposal must be shared rather than be banked wholly by Newport City Council. In this instance the split has been agreed as 60% to WG and 40% to NCC. Decisions on what reinvestment will take place in Newport using their proportion are yet to be made by WG. This could be delivery of the final phase of the development or any other promoted scheme. The Council's proportion will be reinvested into the capital programme in the same way as any other capital receipt.

## **8. Comments of Monitoring Officer**

The proposed action is in accordance with the Council's legal powers to dispose of land under Section 123 of the Local Government Act 1972. This joint venture land has already been sold to Westmark under the terms of a 150 year development lease. However, they have requested that the Council sells its freehold reversionary interest in the land, to improve the marketability and investment value of the site. Because the long lease is at a nominal rent and the Council's reversionary interest does not revert for 150 years, the capitalised value of the freehold interest would not be significant, but this would be an opportunity to secure a higher capital sum from the current owners/developers as the sale of the freehold would enhance the value of their investment.

## **9. Staffing Implications: Comments of Head of People and Business Change**

There are no staffing or equalities issues arising from the report.

## **10. Comments of Cabinet Member**

Cabinet Member has approved the report.

## **11. Local issues – Ward Members**

Councillor O Ali:

I would be supportive of disposal.

Councillor Kevin Whitehead:

Can we be assured that as is encouraged by the Welsh Government, those assets deemed surplus to requirements by local authorities, and in this instance Newport City Council, will be considered for use by interested Community Groups? I ask the question having twice been turned down for surplus Council assets in my Bettws Ward which would've had a positive impact on our children in particular within our Community, a Community that lost a boxing club and youth club with a combined membership of approximately 150 kid's.

Cabinet Member Response:

The Council often receives requests to transfer property assets which have been declared surplus to Community Organisations. The Council weighs these proposals against criteria that have been considered by its Corporate Strategy and Asset Management Group. This approach has provided a clear and consistent basis for assessment, and has enabled the Council to reach a reliable

conclusion. It is not clear that an application from a Community Group would be consistent with the circumstances set out in these reports, should such an application be received, this process would be followed and the application considered.

**12. Scrutiny Committees**

N/A.

**13. Equalities Impact Assessment**

N/A.

**14. Children and Families (Wales) Measure**

N/A.

**15. Consultation**

None.

**16. Background Papers**

Plan attached.

Dated: 17 November 2016

