

Part I	ITEM NO.
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REPORT OF THE STRATEGIC DIRECTOR PLACE

TO THE PROPERTY AND REGENERATION BRIEFING

ON

9th January 2023

TITLE: Disposal of Cleveland House, 224 Eccles Old Road, Salford M6 8EJ

RECOMMENDATIONS:

The Deputy City Mayor is recommended to:

Note the proposals detailed below on the terms as set out in the body of this report and on the detailed terms set out in an accompanying Part 2 report for approval elsewhere on the agenda.

1. Confirm and approve the selection of bidder 1 as the preferred purchaser of the subject property for the reasons as detailed in the report.
 2. Delegate authority to the Strategic Director of Place negotiate and finalise the Heads of Terms to allow the completion of the arrangements as detailed in this report.
 3. Authorise the City Solicitor to progress and complete the associated legal formalities and the taking of all steps required to give effect to the above recommendations.
 4. Authorise Officers to inform the remaining Bidders that they have been unsuccessful.
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EXECUTIVE SUMMARY:

Cleveland House is a former residential property, subsequently converted for office use, that was let to Salford Royal NHS Foundation Trust (SRNFT) from 2012 to 2021. Following SRNFT vacating at the end of their lease, Officers sought to re-let the property but no suitable offers were received.

The property was marketed for sale, by way of a 250-year lease, with offers being invited by 28th October 2022. Any offer was to be supported by evidence of funding, a

comprehensive schedule of works and timescales for both completion of the transaction and the construction phase of each Bidder's proposal. In addition to this any prospective purchaser was required to outline any factors within its proposals that contributed towards the Salford Great Eight Priorities.

It was expressly stated that any proposals for a House in Multiple occupation (HMO) were not acceptable.

Following conclusion of the marketing period, nineteen bids were received which have been summarised in the Part II report.

Following a review of the received bids it is recommended that Bidder 1 , who made the highest financial offer, is selected as the preferred purchaser.

BACKGROUND DOCUMENTS:

None.

KEY DECISION: Yes

1.0 **Background**

- 1.1 The property (edged red on the attached plan at Appendix A) is a 19th Century detached building of brick and slate construction, originally built for residential purposes, comprising of three floors plus an accompanying basement. The property was most recently used as office accommodation.
- 1.2 The property was leased to Salford Royal NHS Foundation Trust (SRNFT) in December 2012. The Trust served notice to terminate their lease in 2020 and vacated on 28th February 2021, with the property remaining vacant since.
- 1.3 The property was advertised 'To Let' in 2021 but no suitable offers were received, and the property was removed from the market
- 1.4 The property was subsequently marketed for "Sale" in September 2022 with best offers being invited by 28th October 2022. The submission criteria required prospective purchasers to provide the following information to support their offer;
 - Comprehensive proposal details and full delivery programme.
 - Evidence that sufficient funding is in place to support the purchase price offered and proposal delivery.
 - Confirm timescales for submitting a detailed planning application (if required).
 - Where possible evidence of the successful delivery of projects of a similar scale and value to that proposed.

- Commentary as to how the proposal/delivery of the proposal will support the City Council's Great Eight priorities.
- Details of any conditionality that the offer may be subject to.

1.5 Nineteen Bids were received by the closing date, full details of which, including the officer assessment, is included in the Part II report.

2.0 Conclusion

2.1 As detailed in the Part II report the officer recommendation is for Bidder 1 to be selected as preferred purchaser of Cleveland House

2.2 Bidder 1 is proposing a high-quality residential conversion of the property and has made the best financial offer which is underpinned by a fully costed and well considered scheme. The preferred Bidder has funds in place and they have also received positive pre-application planning advice from the LPA on their proposed scheme.

2.2 Provisional Heads of Terms for the proposed sale to Bidder 1 are detailed in the Part II report. Whilst we believe these will be acceptable to the purchaser it is recommended that authority be delegated to the Strategic Director Place should any material variations be required.

Ward Councillor Consultation:

KEY COUNCIL POLICIES:

Capital Receipts Programme
Regeneration

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

There are no equality impact issues arising and directly as a consequence of this report

ASSESSMENT OF RISK: Low

LEGAL IMPLICATIONS Supplied by: The Shared Legal Service

Section 123 of the Local Government Act 1972 enshrines the statutory duty on local authorities to achieve best value in the context of land disposals. It says that a local authority may dispose of land held by it in any manner it wishes providing it is not for a consideration 'less than the best that can reasonably be obtained'. It is also

Government policy that local authorities and other public bodies should dispose of surplus land wherever possible.

The onus is on the local authority to be able to demonstrate that in discharging this statutory function it has acted properly, rationally and with due regard to its fiduciary duty to avoid the risk of challenge and transactions potentially being set aside by the Court. This will involve a robust audit trail including valuation evidence.

A council can be found in breach of section 123 if it has “(i) failed to take proper advice; (ii) failed to follow proper advice for reasons that cannot be justified; or (iii) has followed advice that was so plainly erroneous that in accepting it the local authority must have known, or at least ought to have known, that it was acting unreasonably.”

In this instance the site has been identified as being not suitable for use by the Council and accordingly surplus to Council requirements. The Council has marketed the property and received the bids as detailed in the report, resulting in the proposal to accept the bid from Bidder 1 on the basis that it represents best consideration from a commercial perspective, and satisfies the Council’s S123 obligations whilst also demonstrating the proposal’s viability from both planning and financial aspects. The process will help ensure that the consideration to be received by the Council is “the best that can reasonably be obtained” whilst maintaining an open, fair process.

In adopting selection criteria for deciding between bids for the Property, the Council must ensure it complies with its own policies on disposals and documents the reasoning for its decisions. In any case, fair valuation criteria should be applied in selecting between bids in order to establish which represents the best consideration available, and the full commercial value of a bid should be taken into account.

The Shared Legal Service will work with Council officers in agreeing Heads of Terms to progress the scheme. In this regard, it is recommended that, if not already done so, the Council instruct the Shared Legal Service to carry out a title investigation in respect of the Council’s title to the land to identify (1) how the land is held and whether any consents need to be obtained or procedures need to be followed before the disposal can take place and (2) to identify any title issues/defects which need to be considered when negotiating the Heads of Terms.

FINANCIAL IMPLICATIONS Supplied by: **Thiamchan Forshaw – Senior Accountant: 0161 778 0224**

The report identifies “Bidder 1” as representing the best overall financial offer.

If the preferred Bidder is accepted and the Proposed Head of Terms set out in the Part II report are agreed, a capital receipt to the Council is expected, subject to section 2.10 of the report quote: “the property being removed from business rate liability during the construction phase of the scheme”.

The capital receipt would be used to repay existing borrowing.

PROCUREMENT IMPLICATIONS Supplied by:

There are no procurement implications arising from this proposal.

HR IMPLICATIONS Supplied by:

There are no HR implications arising from this proposal.

CLIMATE CHANGE IMPLICATIONS Consulted with:

There are no Climate Change Implications arising from this proposal.

OTHER DIRECTORATES CONSULTED:

Place – Infrastructure team

CONTACT OFFICER: Alexander Cox **TEL NO:** 0161 779 4837

WARDS TO WHICH REPORT RELATES: Claremont