

**MUNICIPAL YEAR 2019/2020 REPORT NO.**

**ACTION TO BE TAKEN UNDER DELEGATED AUTHORITY**

**PORTFOLIO DECISION OF:**  
Cllr Maguire Cabinet Member for Finance and Procurement

**REPORT OF:**  
Director of Property and Economy

<b>Agenda – Part: 1</b>	<b>KD Num: 4817</b>
<b>Subject:</b> <b>Disposal of Southgate House, N14</b>	
<b>Wards: Southgate</b>	
<b>Cabinet Member Consulted:</b> <b>Cllr M Maguire</b>	

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**1. EXECUTIVE SUMMARY**

- 1.1 The Minchenden complex was acquired by the Council in 2015 from Barnet and Southgate College for an approved school for children on the autistic spectrum. Part of the site has now been remodelled and refurbished for this purpose.
- 1.2 Cabinet approved the disposal of the remaining portion of the site, as it was deemed to be surplus to the requirements of the school and not required for any other service purpose.
- 1.3 The property was therefore originally marketed for sale by the Council's property consultants – Avison Young (AY) between September and October 2018 with adverts being placed in national property journals and marketed to GVA's extensive list of property investors, agents, high net worth individuals and known occupiers with property requirements. Negotiations stalled with the original preferred bidder and therefore was re-marketed in Summer 2019.
- 1.4 This report provides details of the marketing process, bids received on a conditional and unconditional basis, matrix of offers and analysis of bids received together with a summary and recommendations.

**2. RECOMMENDATIONS**

- 2.1 It is recommended that the Council proceeds with an unconditional offer from Bidder A in accordance with the Heads of Terms appended to the Part 2 report.
- 2.2 The Head of Strategic Property Services has delegated authority to authorise non material changes to the terms and/or the contract and otherwise in accordance with achieving "Best Consideration" within the meaning defined in section 123 Local Government act 1972.

### **3. BACKGROUND**

#### **3.1 The Marketing Process**

This recommendation report sets out the marketing campaign and bidding process undertaken for Southgate House.

The Part 1 report contains a summary of the marketing process, including the level of activity and interest experienced. It includes the level of interaction with interested parties and the number of viewings undertaken at the property.

It also details the bidding process and the background behind what prospective bidders were requested to provide.

The basis of the recommendation for the next stage of bidding is also set out.

The Part 2 report contains a summary of the bids and further detail behind the recommendations.

#### **3.2 The Marketing Process**

AY were instructed to market Southgate House ("the property") for sale by way of an informal tender process, seeking unconditional and conditional offers for the freehold interest only. There was an extensive list of due diligence and technical information that available to interested parties via the AY website. The marketing pack included the following documentation:

- Measured Floor Plan survey (including ceiling heights);
- Topographical Survey;
- Planning Brief;
- Heritage Statement of Significance;
- Asbestos Survey;
- Condition Survey;
- Arboricultural Impact Assessment.

The property was launched with a half page colour advert in the Estates Gazette on Saturday 1st June 2019, with a bid deadline for initial offers set for 12 noon, Tuesday 9th July 2019.

AY also undertook an e-marketing campaign targeting active developers, investors and agents in London and the South East. This included all of their contacts acquired from previous marketing campaigns for LB Enfield as well as the recent marketing campaign for Southgate House. The mail out was sent to over 1,500 individual email addresses and 930

parties viewed and interacted with the electronic mailshot. Throughout the marketing campaign, AY recorded 196 named parties expressing an interest in the opportunity and requesting further details.

During the marketing period, AY conducted a total of three open viewing days at the property, which comprised a total of 33 allocated viewing slots. All parties who requested a viewing were able to be accommodated with an escorted viewing.

During the marketing campaign AY received interest from a range of parties considering a variety of land uses, such as education, religious, residential, retirement and extra care. The majority of interest received was from a mixture of D1 users (education/religious) seeking to benefit from the buildings existing planning use and the residential sector.

### **3.3 Overview of Bidding Process**

Initial bids were requested to be submitted by 12 noon, Tuesday 9<sup>th</sup> July 2019. AY issued email reminders of the bidding process to the registered database prior to the bid deadline, but also undertook additional calls to parties that had expressed interest in the opportunity.

To submit a bid, interested parties were required to request a bid proforma from AY, approved by the Council which needed to be completed as part of their submission. The proforma set out the requested information on the bid, inviting unconditional and conditional offers for the freehold interest.

As part of the information requested, bidders were asked to provide details such as financial offer, details of the bidding entity, timescales, funding information, previous experience of similar projects as well as indicative schemes where appropriate.

Access to the data room was unrestricted and included the due diligence and technical investigations.

Following the marketing process, AY received a total of 13 initial bids, which comprised 9 unconditional offers and 4 subject to planning offers, with 2 parties submitting bids on both basis.

### **3.4 Overview of Initial Bids**

See Part 2 report.

### **3.5 Planning Statement**

The Planning Brief and Statement of Significance informed that there is a possibility to remove the later elements of the building, such as the 1920s school hall and classrooms, however their replacement, if acceptable, will need to maintain a similarly subservient form and footprint. The document states that it is very unlikely that new development on any part of the remainder of the site will be acceptable. The Local Planning Authority have verified that this is the case.

### **3.6 Summary**

Following a review of the initial unconditional and conditional offers, AY analysed the bids in more detail. See Part 2 report.

### **4.0 Recommendations for Next Stage – Best Bids**

A number of key issues formed the basis of further discussions with a short list of parties in terms of the preferred expectations of LB Enfield and therefore progress to 'best' bid submissions - the key elements of which, notwithstanding the headline levels, were related to the conditionality of the offer, timescales and certainty of receipts.

#### **4.1 Initial recommendation**

Having regard to the above, AY recommended returning to certain parties for a 'best' offers stage. This enabled us to clarify aspects of their offers, as well as inviting them to improve their financial terms. We requested further detail and clarity on conditions, funding, timescales and internal approval processes for the bidders. AY also proposed to all the shortlisted parties the opportunity to confirm whether they would be willing to propose a 10% non-refundable deposit at contract exchange.

For full details please see Part 2 report.

#### **4.2 Best Bids**

Shortlisted parties were invited to a best bid stage on Friday 12<sup>th</sup> July and offers were requested by **12 noon Wednesday 17th July**.

Best bids were received by 5 of the shortlisted parties.

#### **4.3 Summary and Recommendation**

See Part 2 report

In the light of the previous abortive sale, and in order to try and ensure that reasonably foreseeable requests from bidders in terms of potential alternative access arrangements into the house and grounds from the high street were considered, officers undertook further work post marketing phase into the potential use of the Minchenden car park as the sole access point for the Farbey building (Special School) should it be required by the new owner. During this period, and in order to save time, officers also prepared requisitions (enquiries before contract) and agreed Heads of Terms and the Sale Contract, subject only to formal Council authority to proceed with the transaction.

### **5. ALTERNATIVE OPTIONS CONSIDERED**

Do Nothing. This is not an option as the property is vacant and the fabric and exterior of the building is deteriorating. In addition the Council are incurring significant "holding costs" in terms of security and outgoings.

## **6. REASONS FOR RECOMMENDATIONS**

To raise much needed capital receipts to support the Council's capital programme.

## **7. INTERNAL DEPARTMENTAL IMPLICATIONS/CONSULTATION**

### **7.1 Financial Implications**

The disposal of this property to the preferred bidder A will generate a valuable capital receipt. By regulation, this receipt will be available for investment in the council's capital programme, funding of revenue transformation projects or for the repayment of external debt.

### **7.2 Legal Implications**

7.1.1 Pursuant to section 123 of the Local Government Act 1972 the Council has the power to dispose of land in any manner it wishes, subject to certain provisions.

7.1.2 The Council has the statutory duty to obtain the best price reasonable subject to certain exemptions.

7.1.3 In accordance with the Council's Property Procedure Rules the inclusion of the property on the disposals programme shall require approval either by the appropriate Cabinet members or by Cabinet itself.

7.1.4 In accordance with the Council's Property Procedure Rules, given the cumulative value of the land, approval of the disposal will be required from the Council's Director of Resources.

7.1.5 All disposals should be made on a competitive basis, unless justified and approved otherwise, as required by the Property Procedure Rules.

7.1.6 Contracts for sale will be in a form approved by the Director of Law and Governance.

7.1.7 The recommendations contained within this report are within the Council's powers and duties.

### **7.3 Property Implications**

These are embedded within this report.

## **8. KEY RISKS**

If the Council do not undertake regular reviews of its property holdings and dispose of surplus property then there are ongoing risks in relation to security, reactive and planned maintenance costs associated with void property thereby increasing revenue costs. In addition there is the risk of a loss of interest on the capital receipt and less funding available for the capital programme for other projects whilst the capital receipt remains outstanding. This carries a risk of increased borrowing.

## **9. INTERNAL DEPARTMENT IMPLICATIONS/CONSULTATION IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

## **10. IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

### **10.1 Good Homes in well connected places**

Not applicable to the successful bid.

### **10.2 Sustain strong and healthy communities**

The re-use of Southgate House will deliver a much needed significant capital receipt to the borough and thereby improve services which in itself contributes to a strong and healthy community.

### **10.3 Build our local economy to create a thriving place**

This sale will assist the Council's wider objectives in assisting businesses in the borough; create jobs and improve the Council's reputation for encouraging inward investment.

### **10.4 EQUALITIES IMPACT IMPLICATIONS**

Corporate advice has been sought in regard to equalities and an agreement has been reached that an equalities impact assessment is neither relevant nor proportionate for the approval of this report.

## **11. PERFORMANCE AND DATA IMPLICATIONS**

The Council should monitor the impact that this initiative has on business jobs and investment/regeneration in the borough.

## **12. PUBLIC HEALTH IMPLICATIONS**

Retaining "high tech" quality teaching jobs within the borough will retain the quality and vibrancy of Enfield as a borough. It will re-emphasise how business friendly Enfield is and should encourage other similar businesses to locate in the borough which will also contribute to health and well-being.

## **Background Papers**

None