Council Cabinet
16th February 2021

Report sponsor: Simon Riley, Strategic Director of Corporate Resources
Report author: Joanna Rees, Senior Valuer, Estates and Property Review

ITEM 10

The sale of Unit 3 Westside Park, Belmore Way, Raynesway, Derby

Purpose

1.1 To seek approval to dispose of Unit 3 Westside Park and the treatment of the financial implications arising from the disposal.

Recommendations

2.1 To formally declare Unit 3 Westside Park as surplus to Council requirements and available for sale.

2.2 To delegate to the Strategic Director of Resources and the Strategic Director for Communities and place in consultation with the Cabinet Member for Finance, Assets and Digital, to authorise the terms of the sale.

2.3 To approve that the capital receipt generated on disposal will be treated as a corporate capital receipt and any future use will be considered as part of the future capital strategy.

2.4 To approve that the balance still due to be repaid to corporate revenue reserves from the Derbyshire Enterprise Growth Fund (DEGF) at the date of disposal is written off.

Reasons

3.1 It is a function of Cabinet to declare Council's assets as surplus.

3.2 The value of this property is above all Officers' delegations and therefore it is for Cabinet, when it considers it appropriate to do so, to delegate to officers authority to agree the terms of the sale.

Supporting information

4.1 The property is a modern industrial warehouse, built in 2014 with first floor office accommodation. The total internal area comprises 4,755.67 sq m (51,190 sq ft).

4.2 The freehold of the property was transferred to Derby City Council in September 2017 due to the then owner-occupier, EPM Technology Ltd, defaulting on a DEGF loan.

4.3 The reasons for the recommendation to sell the property are:

4.3.1 The property is not required by the Council for current or future operational use; in addition, the Council does not have a specific strategy to invest in property solely for investment purposes. It is important to note that this was not a strategic purchase, and the Council did not ever actively seek to acquire this property.

4.3.2 The investment market for industrial property is very buoyant at the present time, and the Council's property advisors in conjunction with the Estates Department consider this an opportune time to sell and to receive a substantial capital receipt. It should be noted that as the property is subject to the lease to Neos, it is now more attractive to the property investment market, because of the perceived certainty of income until the tenant's lease break date in May 2026.

4.3.3 The property was built for a specific composites manufacturing business and is bespoke in nature, appealing to only a small sector of the occupational market. There is a risk therefore that were the current tenant to cease to trade then it would be difficult to re-let in its current configuration.

4.3.4 Whilst the property remains in Council ownership, the Council retains the risk of a void period, the costs and liabilities of managing a vacant building, and loss of rental income should the property become unoccupied.

4.3.5 In addition, a significant capital sum may be required by the Council to undertake the internal alterations/sub-division into smaller units to make the property desirable to the rental market.

4.3.6 Furthermore, were the property to become vacant, and not subject to a lease as referred to above in 4.5.2, its capital value would reduce.

Public/stakeholder engagement

5.1 Economic Growth understands the proposal to dispose of the property, when taking into account the medium term risks associated with holding the property and realisation of future rental income together with the favourable current market values. However, the resulting implications for future funding of Economic Growth activity and the team will need to be considered, as outlined in paragraph 7.2 to 7.5 below.

Other options

6.1 To retain the property in the medium to long term for its potential investment returns. However, this option has been discounted as future rental income from the existing or any future tenant cannot be guaranteed based on previous experience of risk in this niche market and the bespoke nature of the building. Further, given the current buoyant property investment market for industrial properties, an immediate sale is recommended to benefit from the current value, as there is always the risk that values could fall.

Financial and value for money issues

7.1 An external valuation has been commissioned and any sale will achieve the statutory obligation to achieve best value.

7.2 The disposal proceeds will be treated as corporate capital receipts for future consideration as part of the capital strategy.

Legal implications

8.1 None arising because of these recommendations. Some funding implications are considered within the body of the paper.

8.2

The disposal of assets at this value are a function of the cabinet.

Climate implications

9.1 A change in ownership of the property should not have any effect on the property’s climate impact.

Other significant implications

10.1 None.

This report has been approved by the following people:

Role	**Name**	**Date of sign-off**
Legal	Olu Idowu	26.01.2022
Finance	Toni Nash	26.01.2022
Service Director(s)	Steve Caplan	23 01 2022
Report sponsor	Simon Riley	26.01.2022
Other(s)	Stephen Turner/David Fletcher	
Background papers:		
List of appendices:	1. A location plan & a plan of the property.	