

Asset Disposal - Pendle Drive, Litherland

| | |
|-----------------------------|---|
| Date of meeting: | Thursday 25 July 2024 |
| Report to: | Cabinet |
| Report of: | Executive Director of Regeneration Economy and Assets |
| Portfolio: | Cabinet Member - Regeneration Economy and Assets |
| Wards affected: | St Oswald |
| Included in Forward Plan: | Yes |
| Is this a key decision: | Yes |
| Exempt/confidential report: | Yes – Appendices 1 and 2 of the Report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). The Public Interest Test has been applied and favours the information being treated as exempt. |

Summary:

This paper requests Cabinet approval to enter into conditional contract for the asset disposal of land and buildings at Pendle Drive, Litherland to Aldi Stores Ltd. Following the disposal, a new food store development will be brought forward pending planning approval.

In January 2020, Cabinet approved the disposal of the first phase of surplus assets to generate capital receipts in support of the Growth and Strategic Investment and Framework for Change Programmes. Officers were provided with the authority to negotiate terms and conditions for each disposal in line with delegated authority set out in the Council's Asset Disposal Policy.

Brooklea House, Pendle House, and Pendle Drive are three unoccupied buildings located on the site known as Pendle Drive, Litherland ("Pendle Drive"). This site was in the first phase of the disposal programme. In 2019, the Council was approached by a food store operator to acquire part of the site, however the operator withdrew from the deal in June 2023.

Since this time a separate approach was made by Aldi Stores Ltd in January 2024 to acquire part of the site for a food store scheme. Principle Heads of Terms have been agreed and intrusive site investigations are in progress as part of the feasibility work to inform a planning application.

Recommendations:

That Cabinet:

- (1) Approve the sale of the Council's freehold interest in land at Pendle Drive (shown edged red on the plan within Appendix 2) to Aldi Stores Ltd on the basis of the Heads of Terms detailed within Appendix 1 of this report.
- (2) Approve the deduction of up to 4% of the eventual capital receipt to cover the professional fees and incidental costs of disposal as set out in Capital Accounting Regulations.
- (3) Authorise the Chief Legal and Democratic Officer to complete the necessary legal formalities in relation to the completion of land sale contracts.
- (4) Note that demolition of all buildings at Pendle Drive (including those on the land to be retained by the Council) will be demolished under licence agreement in autumn 2024; and
- (5) Note that officers in Property Services and Housing and Investment Services are exploring options for the disposal of the remainder of land (c.1.12 acres) in the Council's ownership for housing development. A proposal will be brought forward to Members in line with delegations for future consideration.

1. The Rationale and Evidence for the Recommendations

Introduction

- 1.1 Pendle Drive is a brownfield site located in Litherland off Gorsey Lane (B5422). The site has a gross area of 3.58 acres and contains three vacant Council buildings: Pendle House, Pendle Drive HMU and the Brooklea Centre.
- 1.2 The Asset Maximisation Project requires that assets be identified as supporting operational activity, having heritage value, being required for economic growth purposes, or would be considered for disposal. Officers went through a process to assess options for Pendle Drive in line with the Asset Maximisation methodology, which led to Cabinet approving in January 2020 that Pendle Drive be identified as a surplus asset and included within the first phase of the Council's disposal programme.
- 1.3 Aldi Stores Ltd ("the Purchaser") first approached the Council in early 2024 and expressed an interest in acquiring part of the Pendle Drive site for a new food store development. Principal Heads of terms have now been agreed, which detail the key elements of the commercial transaction and to assist solicitors in preparing draft sale contracts. The Purchaser has moved quickly and a formal planning pre-app submission was made to the Local Planning Authority on 22 March. Site investigations are being carried out in May and June to assess ground conditions.

Planning Policy Context

- 2.1 Pendle Drive is identified as a brownfield site in the Local Plan and is allocated for housing redevelopment. The purchaser will be required to submit a planning application for their food store proposals. The Local Planning Authority has indicated that there are no significant planning policy obstacles and that change of use for a new food store on part of the site would be supported, pending the scheme demonstrating compliance with statutory highways, flood risk and other planning policy requirements.
- 2.2 A layout plan for the proposed store and land to be acquired is attached at Appendix 2.
- 2.3 The Local Plan site allocation highlights that redevelopment of Pendle Drive has the potential to contribute to the wider regeneration of the adjacent deprived area, which is in one of the most 20% deprived areas in the UK. The purchaser has confirmed that the new

food store will create 40 full-time equivalent jobs with a combined annual salary of £1 million. Aldi's wages are significantly higher than the Government's National Living Wage and exceed the Living Wage Foundation's recommendations, with store assistants earning a minimum hourly rate of £11.40. Aldi prioritises hiring locally, ensuring most employees live near the store and can use public transport, embedding the store within the community.

Best Consideration and Capital Receipt

- 3.1 The Council is under an obligation to ensure that any offers for properties represent "best consideration" in accordance with Section 123 of the Local Government Act 1972 (as amended). As such, all work and subsequent negotiations and offers must be undertaken and considered in this context.
- 3.2 The principal Heads of Terms negotiated for the sale of Pendle Drive for retail purposes require the Purchaser to demolish all buildings across the land earmarked for both the food store and the Council's retained land. Demolition costs will be subject to surveys and contractor quotes, with the cost of these to be deducted from the gross land receipt set out in Appendix 1.
- 3.3 In accordance with the Council's Asset Disposal Policy, a valuation report will be prepared by an independent valuer to verify that the final land price meets the Council's best consideration requirements.
- 3.4 The Council's Asset Disposal Policy allows for disposals by private treaty where this results in a better overall outcome. In this instance the sale will generate a significant capital receipt and will involve the demolition of an additional vacant building saving the Council in terms of maintenance, repair, security and insurance costs. This has been confirmed by the Council's Monitoring Officer.
- 3.5 Under Local Authority Capital Accounting Regulations the Council is entitled to use up to 4% of a capital receipt to meet the incidental costs of a disposal for both housing and non-housing land. These incidental costs can include administrative costs advertising and professional fees. In this particular disposal the Council has used a Consultant to assist with the negotiation of Heads of Terms together with a Chartered Surveyor commissioned to undertake the valuation report. These costs will be deducted from the eventual capital receipt.

Timescales

- 4.1 Pending Cabinet approval to the proposed deal, timescales as follows:
 - Exchange of land sale contracts: by end of August 2024.
 - Demolition/ site enabling works: Sept-Oct 2024.
 - Secure planning consent: Q4 2024
 - Construction starts on site: Q1 2025.
 - Completion and store open: Q4 2025

2. Financial Implications

Revenue Costs - Work streams to conclude the sale will be progressed by internal team resources. Aldi Stores Ltd will pay the Council's reasonable legal costs and surveyor's fees incurred in the transaction.

Capital Costs - Under Local Authority Capital Accounting Regulations' the Council is entitled to use up to 4% of a capital receipt to meet the incidental costs of a disposal. In this case the costs of

the valuation report and the fees for negotiating the terms for the disposal will be deducted from the eventual receipt.

3. Legal Implications

The Chief Legal and Democratic Officer will complete the necessary legal documentation for the disposal. The purchaser shall enter into a licence agreement to progress all demolition works in advance of the land sale completion.

4. Corporate Risk Implications

The matter has no Corporate Risk implications.

5 Staffing HR Implications

Property Services will work alongside the Chief Legal and Democratic Officer to complete the licence agreement and legal contracts for the land sale.

6 Conclusion

The disposal will maximise the land receipt to support the Growth and Strategic Investment Programme. Alternative use value (residential) will not generate a capital receipt of a comparable level. The opportunity cost will be the loss of a capital receipt as currently projected in the disposal programme.

The disposal of land adheres to two criteria: that each capital receipt forecasted represents financial “best consideration” and where the loss of other opportunities is quantifiable and does not undermine wider service delivery and economic development/ regeneration priorities.

The Heads of Terms require that Aldi Stores Ltd demolishes all buildings across the site, including Pendle House which is located on the retained land. This ensures that the Council has no capital expenditure ask to progress demolition work and is left with a de-risked opportunity.

The final disposal price will meet best consideration requirements in accordance with Section 123 of the Local Government Act 1972 and complies with the approved processes within the Asset Disposal Policy. An independent valuation will be commissioned once abnormal costs have been confirmed.

Alternative Options Considered and Rejected

Option 1 – “Dispose of the whole site to a Registered Provider”: market all the Pendle Drive site to Registered Providers/ housing developers.

Risk: The site has marginal financial viability for residential use and this option is discounted as it secures only a nominal land receipt. The Council would likely have to commit capital up front to progress demolition works to de-risk the site. Redevelopment of part for a retail store is the only way to secure a significant capital receipt to the Council.

Option 2 – “Do minimum - demolish buildings”: to reduce site management liability and risk of antisocial behaviour.

Risk: This option is not favoured as there would be ongoing management and maintenance costs to the Council. The asset is in the disposals programme – the disposal of the site has previously been approved for the very purpose of generating a land receipt to support the delivery of the Framework of Change programme.

Option 3 – “Market the site more widely for sale”: the Council would commence a formal marketing process seeking financial offers.

Risk: a financial appraisal shows that a residential development scheme would only generate a modest land receipt. Officers commissioned a marketing report completed in 2023, which provided no substantive evidence that there are any alternative credible purchasers.

| |
|--|
| Equality Implications: There are no equality implications |
| Impact on Children and Young People: There are no implications on children and young people. |
| Climate Emergency Implications: The recommendations within this report will have a negative impact on the carbon footprint of the Borough. There are the direct emissions which result from the demolition of the buildings and the subsequent redevelopment of the vacant site for both retail and housing purposes as well as the long-term carbon emissions from each new building / operation created. The development of the site with buildings will be required to go through the Planning and Building Regulations processes which will help to minimise their carbon impact by applying the nationally required environmental standards. |

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD7700/24) and the Chief Legal and Democratic Officer (LD5800/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

N/A

Implementation Date for the Decision :

Following the expiry of the “call-in” period for the Cabinet decision.

| | |
|------------------|------------------------------|
| Contact Officer: | Suzanne Rimmer |
| Email Address: | suzanne.rimmer@sefton.gov.uk |

Appendices:

The following appendices are attached to this report:

- Appendix 1 – Heads of Terms for Freehold Disposal
- Appendix 2 – Site Plan – Land to be acquired by Aldi Stores Ltd

Background Papers:

There are no background papers.