

SCRUTINY CO-ORDINATION COMMITTEE

2nd March, 2011

Members Present: Councillor Foster
Councillor Lakha
Councillor Lancaster
Councillor Mrs Johnson (Substitute for Councillor Ridley)
Councillor McNicholas (Deputy Chair – Chair of this meeting)
Councillor M. Mutton
Councillor Noonan (Co-opted Member)
Councillor Ruane
Councillor Sawdon
Councillor Welsh (Substitute for Councillor Mrs Lucas)
Councillor Taylor

Other Members Present: Councillor Mrs Bigham (Cabinet Member (City Development))
Councillor Blundell
Councillor Crookes
Councillor Duggins (Cabinet Member (Strategic Finance & Resources))

Employees Present: N. Clews (City Services and Development Directorate)
J. Parry (Chief Executive's Directorate)
M Salmon (Customer and Workforce Services Directorate)
C. Steele (Chief Executive's Directorate)
A. West (Chief Executive's Directorate)

Apologies: Councillor Mrs Lucas
Councillor Ridley

Public Business

76. Declarations of Interest

There were no declarations of Interest.

77. Minutes

The minutes of the meeting held on 9th February 2010, were signed as a true record.

78. Exclusion of Press and Public

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the item of business referred to in Minute 81 below relating to " Freehold Disposal of Cannon Park Shopping Centre Plus Additional Land and Land in Torrington Avenue " on the grounds that this item involves the likely disclosure of exempt information as defined in Paragraphs 3 and 4 of Part I of Schedule 12A to that Act.

79. Consideration of Call-in – Stage 2 – Freehold Disposal of Canon Park Shopping Centre Plus Additional Land and Land in Torrington Avenue

The Committee received a report of the Director of City Services and Development that had been considered by Cabinet (their Minute 130/10 refers) and was called in by Councillors Blundell, Crookes and Sawdon. A corresponding private report detailing financially confidential aspects of the proposals was also submitted. (Cabinet Minute 137/10 and Minute 80 below refers).

The report sought approval for the sale of the Council's freehold interests in two commercial properties. The sales were separate, unlinked and to different purchasers.

The first was the site of Cannon Park Shopping Centre which was subject to a ground lease to Tesco Stores Limited plus adjoining land required for the redevelopment of the site to implement a scheme that obtained planning permission in February 2010. This was a windfall opportunity arising from Tesco's decision to redevelop its property at this location.

The second was the site of the Land Registry (a department of central government) part occupier of a site let under a ground lease. The remainder of the site, not affected by this proposal was occupied by the Job Centre. This property was identified for freehold disposal following the review of commercial property assets approved in 2006. The review identified properties that represented poor financial investments with no strategic reason for retention.

The generation of receipts from these disposals would help support the Council's capital position.

Cabinet had agreed to approve the disposal of the Council's freehold interest in the following properties on the terms stated in the corresponding private report:

- (1) Cannon Park Shopping Centre together with additional land to Tesco Stores Limited; and
- (2) Site of the Land Registry offices at Torrington Avenue to the Land Registry.

The reason for the call-in was "To challenge the decision on the basis that the information given in para. 2.3 is insufficient. Further detail is needed to better understand the brief given to the external consultants referred to in para. 2.3 and to be appraised of all other potential avenues that were identified and/or pursued as regards these disposals to ensure that they represented the best value that could be attained."

The Call-in had been deemed valid by the Chair of Scrutiny Co-ordination Committee on advice from the Assistant Director (Democratic Services) and in conjunction with the Council Solicitor/Assistant Director (Legal Services), the Call-in reason having met the requirements of the Council's Constitution Scrutiny Rules on the Call-in Procedure and the criteria decided by the Scrutiny Co-ordination Committee.

Councillor Sawdon, a Member of the Scrutiny Co-ordination Committee, and Councillors Blundell and Crookes were in attendance for consideration of the matter and spoke in support of the Call-in.

The Assistant Director (Property Management) and the Cabinet Member (City Development), who attended the meeting to respond to the matter, referred to a briefing note, circulated to the Committee in advance of the meeting, which provided background information to the issue and addressed matters raised by the Call-in. The Briefing Note confirmed that the

instructions given to the external consultants in respect of both Cannon Park District Centre and Torrington Avenue were a) to prepare a report on the value of the Councils freehold interest and the value of the additional sites required for the development, and b) to act on behalf of the Council in negotiations with the lessee.

In respect of Cannon Park, a negotiated settlement only was pursued with the purchaser because it was in the Councils best interest to do so. The lessee was a 'special purchaser' and the value agreed and reported included 'marriage value' from combining two tenure interests in one of the parties, and from the development value created by the planning permission for an enlarged shopping centre. The development value was only available to the lessee because they controlled the majority of the site under their existing long leasehold interest. A higher value was therefore obtained from the existing lessee than from a disposal to a third party since the 'marriage value' was not available to a third party purchaser. A disposal to a third party would have resulted in a lower value to the Council if this avenue had been pursued. The terms agreed and approved were well above the minimum level established in the valuation, and the consultant had confirmed that in his opinion the agreed figure was 'in excess of the current market value of the three interests to be disposed'.

In respect of Torrington Avenue, a negotiated settlement only was pursued with the purchaser because it was in the Councils best interest to do so. The lessee was a 'special purchaser' and the value agreed and reported included 'marriage value' from combining two tenure interests in one of the parties. A higher value was therefore obtained than a disposal to a third party since the 'marriage value' and the development value were not available to a third party purchaser. A disposal to a third party would have resulted in a lower value to the Council if this avenue had been pursued. The terms agreed and approved were well above the open market value of the Councils interest as an investment.

Members questioned the Cabinet Member and officers on the matter and discussed, at some length, issues relating to the Call-in and the proposed disposal of the shopping centre and additional land, including:

- The history of political approval for the establishment of Tesco at the Cannon Park site
- details of the external consultants and their roles
- the marriage value process
- the capital receipt (understated in the media) for the land
- how the value of land was determined and the role of the district valuer
- the open market value of the land
- the remaining length of the existing leases
- the income currently generated from the land
- the difference of developing on leasehold and freehold land
- the ancient hedgerow on the boundary of the site at Shilton Lane and landscaping issues

The Members that had called-in the matter confirmed that they had received sufficient information to address their Call-in reason and were satisfied with the actions taken to ensure the City Council was securing the best value that could be attained for the land.

The Committee considered the Call-in and unanimously voted to concur with the decision of Cabinet.

RESOLVED that the Scrutiny Co-ordination Committee concurs with the decision of Cabinet to approve the disposal of the Council's freehold interest in the following properties on the terms stated in the corresponding private report.

(1) Cannon Park Shopping Centre together with additional land to Tesco Stores Limited; and

(2) Site of the Land Registry offices at Torrington Avenue to the Land Registry.

80. Any Other Public Business

There were no other items of public business.

Private Business

81. Freehold Disposal of Cannon Park Shopping Centre Plus Additional Land and Land in Torrington Avenue

The Committee received a report of the Director of City Services and Development that had been considered by Cabinet (their Minute 137/10 refers), that was called in by Councillors Blundell, Crookes and Sawdon, which included financially confidential information in relation to the proposal for the sale of the Council's freehold interests in two commercial properties. A corresponding public report was also submitted to the meeting (Minute 78 above refers).

RESOLVED that the Scrutiny Co-ordination Committee concurs with the decision of Cabinet to approve the disposal of the Council's freehold interest in the following properties on the terms set out in the report:

(1) Cannon Park Shopping Centre together with additional land to Tesco Stores Limited; and

(2) Site of the Land Registry offices at Torrington Avenue to the Land Registry.

82. Any Other Private Business

There were no other items of public business.