

## CABINET

9 March 2016

<b>Title:</b> Land Acquisition and Lease (Royal British Legion) - Rectory Road, Dagenham	
<b>Report of the Cabinet Member for Finance</b>	
<b>Open Report with exempt Appendix C</b> (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 as amended)	<b>For Decision</b>
<b>Wards Affected:</b> Village	<b>Key Decision:</b> Yes
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<b>Accountable Director:</b> Jonathan Bunt, Strategic Director Finance & Investments	
<b>Summary:</b> <p>This report outlines the proposal to enter into negotiations with the Royal British Legion (RBL) to lease the former library in Rectory Road, Dagenham at market rent and at the same time for the Council to acquire the site in Rectory Road currently owned by the RBL with the possibility of combining the site with adjacent Council owned sites in order to redevelop the wider area for residential purposes.</p> <p>The Council currently own the car park area that forms part of the current RBL site, which is leased to the RBL on a 999 year lease from December 2001 and is the subject of a restrictive user clause.</p> <p>Both transactions would be subject to confirmation of the market valuation for the land value and discussions with the Planning Team.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Approve the granting of a 10 year lease to the Royal British Legion on market terms of the former Library site in Rectory Road as shown in Appendix B to the report and, in doing so, amend its decision made by Cabinet under Minute 17 (25 June 2013);</li><li>(ii) Approve the acquisition of the Royal British Legion site in Rectory Road as shown in Appendix A to the report following formal valuation and consultation with Planning officers, in line with the arrangements set out in section 4 of the report;</li><li>(iii) Delegate authority to the Chief Executive, in consultation with the Director of Law and Governance, the Strategic Director of Finance and Investment and the Cabinet Members for Finance and Regeneration, to agree terms and negotiate the contract documents to fully implement and effect the sale and lease of the sites;</li></ul>	

and

- (iv) Delegate authority to the Director of Law and Governance, or an authorised delegate on her behalf, to execute all of the legal agreements, contracts and other documents on behalf of the Council.

**Reason(s)**

To assist the Council in achieving its corporate priorities of 'encouraging civic pride' and 'growing the borough' by disposing of surplus Council owned land to facilitate development.

**1. Background**

- 1.1 As part of the Council's regeneration agenda, a number of sites are currently being explored regarding their suitability for future redevelopment by the Council for wider estate regeneration and residential purposes. The Council have been made aware of the Royal British Legion (RBL) site in Rectory Road which as owners, the RBL is looking to dispose, following an approach by the RBL to take a lease on the former Rectory Road Library in order to relocate their social & community activities.
- 1.2 The former library at Rectory Road has been vacant for many years, with various previous proposals having been considered. There is currently a Cabinet decision in place from 25 June 2013 (Minute no 17) agreeing to the leasing of the building to the Territorial Army in order for them to establish a TA unit in the Borough. Subsequent discussions and several recruiting evenings resulted in this option not being pursued by the TA who are no longer interested in the site.
- 1.3 The building is currently being temporarily used by the 'Leaping Toads' children's and young persons educational group, who were required to leave their previous location within the grounds of Eastbrook School. The timing of their current occupation would not adversely impact on the proposals set out in this report and they are developing alternative premises close to Valence Library.

**2. Royal British Legion (RBL) Site**

- 2.1 The site currently occupied by the RBL is shown on the attached plan (Appendix A) and comprises an area owned by the RBL on which the building stands and the car parking are (shown as shaded), which is the subject of a 999 year lease from the Council from 21 December 2001 at a pepper corn rent. The leased area is the subject of a restrictive user clause limiting use to social and recreational use in connection with the adjoining RLB club.
- 2.2 The site is bordered to the North by Jervis Court, a Council owned low rise flatted development, to the East by a Council owned public car park accessed via Vicarage Road and fronts Rectory Road to the West.
- 2.3 The RBL building is in poor repair and membership is such that their current site is too big for their purposes. They are therefore proposing to down size and have been exploring options for relocating their social & community activities into the Council owned library on a leasehold basis and disposing of their current site to

fund the relocation. This raises issues of the lease and the restrictive user on the land owned by the Council.

- 2.4 In approaching the Council to relocate their service to the former Rectory Road Library by way of a lease, their intention is to dispose of their freehold site for development which will require the grant of permission and the relaxation of the restrictive user or termination of the lease with the Council to allow the car park site to be included within any overall development scheme.
- 2.5 Having looked at the opportunities with the site and given its adjacency to other Council owned sites, the RBL site could either be developed by the Council in isolation for around 14-18 residential units or combined into a larger scheme with neighbouring Council owned land.
- 2.6 If the site were to be acquired by the Council and before development takes place, the existing buildings could readily be let out in their current condition for D1 use on market terms to cover both the annual holding costs and generate a surplus income to the Council.

### **3. Former Library Rectory Road**

- 3.1 The former Rectory Road library is currently occupied by the Leaping Toads young persons on a license to occupy, the Leaping Toads were previously located on the site of the Eastbrook School which they were required to vacate due to the redevelopment of the school. The organisation have open ended occupation and are aware that the Council are seeking alternative longer term use for this building and are preparing their own long term plans.
- 3.2 A market rental valuation of the site has been obtained and valued on the basis of a 10 year FRI lease. Indicative heads of terms have been issued to RBL on this basis.
- 3.3 The RBL have had some initial surveys undertaken and refurbishment plans costed. They propose to use part of the proceeds from the sale of their own site in Rectory Road to fund the required works and have expressed an interest in taking a 10 year lease on the terms set out in 3.2 above.

### **4. Site Acquisition**

- 4.1 In expressing interest in the former library site, the RBL would be required to dispose of their existing site in Rectory Road. Whilst the site has not been advertised to the market, the RBL have been approached by an interested party who have indicated that they would make an offer to the RBL in order to acquire the site for short term office use with longer term possible residential purposes. The market valuation received for the site is set out in Appendix C (which is in the exempt section of the agenda due to the commercially sensitive nature of the information) and would be subject to a formal valuation. No formal discussion has yet taken place with the Planning Department.
- 4.2 If the site was acquired by others then some control on the development of the site would be retained through the planning process, but would have less control on the end use of the properties (ie buy-to-let etc)

- 4.3 The RBL's legal representative has had several discussions with the Council and is aware of the restrictive user in the lease by which RBL hold part of the site
- 4.4 The Council would seek a financial premium for either relaxing the user clause in the lease to enable the RBL's buyers to develop the site or selling the freehold interest unencumbered.
- 4.5 With the Council owning a number of other sites in the area, the RBL site has been identified as a possible acquisition opportunity to either develop the site for residential purposes or seek wider regeneration of the immediate area.
- 4.6 Acquiring the site therefore, provides the Council with an opportunity to develop the site itself and retain greater control over its end use and it recommended as a way forward for this site.

## **5. Financial Implications**

Implications completed by: Tasleem Kazmi, Group Accountant

- 5.1 The report has implications for three areas of land in Rectory Road, Dagenham:
- The land and buildings owned by the Royal British Legion (RBL).
  - The adjacent car parking area which is owned by the Council but currently leased to the RBL for 999 years with effect from 21 December 2001 at a peppercorn rent.
  - The former Rectory Road Library which is also owned by Authority but is currently in use by the Leaping Toads group, on a short term licence.
- 5.2 The Council currently incurs no costs and receives only negligible income in respect of the RBL sites but under the terms of the short term licence is responsible for the structural maintenance of the former Rectory Road Library. The Leaping Toads group pay for the day to day running costs of the site via a service charge.
- 5.3 If the RBL move to the former Rectory Road Library on the basis of a 10 year FRI lease, then the Authority will receive an annual market rent of which will be credited to the Commercial Property Portfolio.
- 5.4 The report recommends that the Council purchase the land and Buildings currently owned by the RBL and also buys back the lease in respect of the adjacent car park. A financial model is being drafted to ensure that the capital investment and cost of borrowing represents value for money. Once acquired, the Authority will incur some revenue costs in respect of the site such as NNDR, energy standing charges, insurance, building maintenance and security and these will be included within the financial model of acquisition.
- 5.5 If the Council opted to let out the RBL site prior to its redevelopment or sale, then the minimum annual rental income will need to be set at a level that is sufficient to cover the cost of the borrowing plus the cost of any revenue expenses that remain the responsibility of the Authority.

- 5.6 If the RBL site is acquired as recommended, any future disposal or redevelopment would need to be the subject of a further report to Cabinet. These proposals may be expanded to include the disposal or redevelopment of other adjacent area of Council owned land.

## 6. Legal Implications

Implications completed by: Evonne Obasuyi, Senior Lawyer

- 6.1 The report is seeking approval for the grant of a ten year lease to the Royal British Legion at market rent and the acquisition of other land owned by the Royal British Legion. The grant of the lease will be a disposal and the Council is required to obtain best consideration in the disposal of its assets.
- 6.2 The Council has the power to enter into the proposed transaction but must do so in compliance with law and the Council's acquisition and land disposal rules.
- 6.3 The Council's disposal powers are contained in section 123 of the Local Government Act 1972, and Section 1 of the Localism Act 2011 also provides local authorities with a general power of competence. The Council's constitutional rules require the consideration payable for the acquisition to be supported by valuation.
- 6.4 The Legal Practice should be consulted for advice and assistance with the preparation and completion of the necessary legal agreements.

## 7. Other Implications

- 7.1 **Risk Management** – There will be a delay between the Council acquiring the site and the site being developed with the risk of anti-social behaviour and/or vandalism. This would be mitigated by either seeking a temporary user for the building (short lease) or early demolition of the site.
- 7.2 **Contractual Issues** – The proposed transactions include a lease and a site acquisition. Legal Services will be instructed to prepare the various legal documents.
- 7.3 **Safeguarding Children** – Residential developments could increase the child population and will have an impact on school places and health resources.
- 7.4 **Health Issues** – Sites left vacant for prolonged periods of time can have an adverse impact on health such as vermin and flytipping or those seeking to illegally enter a secured site. It is proposed not to leave this acquired site unoccupied for any length of time
- 7.5 **Crime & Disorder Issues** – A vacant site is vulnerable to illegal occupation. It is proposed not to leave this acquired site unoccupied for any length of time
- 7.6 **Property / Asset Issues** – These transactions enables the Council to acquire and regenerate a site and lease a property that currently has no long term proposal. Where appropriate, and in accordance with delivering the corporate objectives and Corporate Asset Management Strategy objectives, acquisitions and lease arrangements are considered ways that make the best use of Council assets and achieve value for money outcomes for the community.

7.7 **Planning Issues** – The transaction will be subject to compliance with Council Planning Policies.

7.8 **Equality Issues** – These transactions have no specific equality issues but will generate additional residential accommodation and produce income for the Council; that could support other Council initiatives.

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:**

- **Appendix A** – Site plan – Royal British Legion site at Rectory Road
- **Appendix B** - Lease Plan – Former Library at Rectory Road
- **Appendix C** – Land valuation (exempt information)