

## Review of Coal Orchard, Taunton

Executive Member(s): Cllr. Ros Wyke – Executive Lead Member for Economic Development, Planning and Assets

Local Member(s) and Division: Cllr Federica Smith-Roberts and Cllr Simon Coles (Taunton East)

Lead Officer: Oliver Woodhams, Service Director Strategic Asset Management

Report Authors: Harvey Gardner & Paul McClean

### Summary / Background

- 1.1 This Key Decision is to enable the disposal of the Council's interest in a surplus asset, known as the Coal Orchard, Taunton. It is proposed to dispose of the freehold of the property on the open market excluding public realm areas and adjacent car park, the ownership of which would remain with Somerset Council.
- 1.2 The decision recommends marketing the freehold interest of the Coal Orchard development, Taunton with a view of disposing of the whole scheme.
- 1.3 The Coal Orchard is a regeneration scheme developed by the former Somerset West and Taunton District Council. The 3-building scheme comprises forty residential one & 2-bedroom flats over eight commercial units of 18,234ft<sup>2</sup> set in an area of public realm on the eastern bank of the river Tone.
- 1.4 Thirty-one of the residential flats have sold on long leaseholds. The commercial space has been marketed with a specialist Retail Agent since November 2022 with two units currently let.
- 1.5 The estimated capital receipt for this asset is listed within Confidential Appendix 2 and 3 options have been considered.

### Recommendations

- 2.1 **That the Lead Member for Economic Development, Planning and Assets**
  - a. Authorise the Service Director – Strategic Asset Management, in consultation with the Lead Member for Economic Development, Planning and Assets and the Legal Services department to agree and

complete the sale on the open market of the surplus property, Coal Orchard as detailed in option two within appendix 2.

- b. Agrees the case that Appendix 2 is regarded as exempt information and is to be treated in confidence, as the case for the public interest in maintaining the exemption outweighs the public interest in disclosing that information.

### **Reasons for recommendations**

- 3.1 The Council is committed to evaluation of and, where appropriate and practicable, rationalisation of its surplus property and land portfolio to reduce costs and to achieve capital receipts. This property was declared surplus following an appraisal as there is no immediate or projected future operational or service delivery requirement to retain the asset and there are significant holding costs associated with holding vacant commercial space. Therefore, in line with the approved Property Asset Management Plan and Strategy, disposal of the property is considered the most appropriate option and will generate a capital receipt for the Authority. The capital receipts from this sale will contribute towards the financing of the Council's 2023/24 capital budgets as anticipated in the Medium-Term Financial Plan.
- 3.2 The accompanying Confidential Appendix 2 contains commercially sensitive information relating to the Council's financial and business affairs. Officers therefore recommend that this is treated as exempt information. "Exempt information" is defined by Section 100 of the Local Government Act 1972, by Schedule 12A to that Act. The estimated receipt is commercially confidential to ensure that the Council obtains the best market value for this and other future disposals, and also to protect the confidential commercial interests of the buyer.
- 3.3 It is anticipated that in the current high street rental market, it is likely to take the Council several years to rent out all the units. Currently, and for the foreseeable near future, the Council is incurring significant unfunded void costs on the empty units. In the council's current financial situation, avoiding a significant overspend on the revenue budget is important.

### **Other Options Considered**

- 4.1 The option of retaining the property is not recommended because:
  - The Council does not have an operational service requirement to use the site.

- Holding the commercial accommodation – with a view to dispose of the scheme when a significant portion let was considered but discounted. It is considered likely that due to the significant holding costs and the difficult commercial leasehold market this option would carry a greater overall cost for the council.
- In balance the reduction of revenue costs and savings of capital expenditure associated with holding the asset outweigh the potential capital sum receivable when the scheme is let and consequently more attractive to the market.

### **Links to Council Plan and Medium-Term Financial Plan**

- 5.1 The proposed sale contributes towards the Council’s 2023/24 MTFP target for capital receipts to support the delivery of the Somerset Council Plan 2023-2027 priorities and to reduce debt.
- 5.2 The consequential reduction in revenue holding costs will mitigate a significant overspend in the Strategic Asset Management revenue budget.

### **Consultations and co-production**

- 6.1 The Asset Management Group (AMG) has been informed of the programme of disposals of Council assets and this property was declared surplus by AMG on the 17<sup>th</sup> of November 2023.
- 6.2 The Strategic Asset Management Team has engaged with services to assess whether there is a need for the property to support statutory services. In this case, no internal need has been identified.
- 6.3 The local members for this decision have been consulted on this disposal before this decision is taken.

### **Financial and Risk Implications**

- 7.1 Subject to successful negotiations and the conclusion of the sale, the proposed disposal will achieve a gross capital receipt for the Council, the full estimated value of which can be found in Confidential Appendix 2.
- 7.2 Any Somerset Council costs which relate to this disposal will be funded from the capital receipt, up to a capped maximum of 4% of the sale value. Should costs exceed this value then any excess shall be met from the Strategic Asset Management operational revenue budget. A notional allowance is budgeted for each year in order to cover this eventuality. An estimate of the cost of sale is included in confidential appendix 2.

7.3 The completion of the sale of this property may result in a loss of future income to the Council and a consequential pressure on the budget within Strategic Asset Management. Financial details are contained in Confidential Appendix 2.

7.4 A risk in all property transactions is that the sale may not progress after the decision is signed, this is due to a limited market for an asset of this type given current market conditions. These are factors outside of the Council's control.

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|------------|---|--------|---|------------|----|
| Likelihood | 4 | Impact | 3 | Risk Score | 12 |
|------------|---|--------|---|------------|----|

### Legal Implications

8.1 The legal work to progress the disposal of the property will be conducted through the Council's in-house Legal Services team who will draft the necessary legal documentation for the proposed disposal and will provide legal advice and support to ensure that the Council's interests in respect of the same are protected. The Legal Team is currently conducting a review of the legal title to ensure there are no covenants or other impediments which would affect the sale.

### HR Implications

9.1 Having had due regard to the Public Sector Equality Duty, we do not foresee a disproportionate positive or negative impact from this decision. No Council service or staff will be affected.

### Other Implications

#### Equalities Implications

9.2 Having had due regard to the Public Sector Equality Duty we do not foresee and disproportionate positive or negative impacts from this decision. No Council service will be affected.

#### Community Safety Implications

9.3 There are none

#### Climate Change and Sustainability Implications

9.4 There are none

## **Health and Safety Implications**

- 9.5 Without disposal or commercial activity on this site, there a potential health and safety risk and vulnerable to trespass and personal injury to third parties.

## **Health and Wellbeing Implications**

- 9.6 There are none

## **Social Value**

- 9.7 If a purchaser successfully improves the occupancy of the scheme, it will provide local employment and align with the original regeneration project aims.

## **Scrutiny comments / recommendations:**

- 10.1 This report has not been considered at a Scrutiny Committee.

## **Background**

- 11.1 The development was funded / grant funded by the former District Council, Taunton Deane Borough Council (latterly Somerset West and Taunton Council). It was completed in November 2022.

The Public Realm of the area has been enhanced adjacent to the river and Brewhouse Theatre. The scheme provides a clear link from the town through to the Firepool development. It is proposed that the Public Realm element remains in Council ownership.

Take up of the residential element of the scheme has been positive with thirty-one units sold. Eleven units had been let to a local University as keyworker accommodation and recently returned to the Council for sale on the open market.

- 11.2 Somerset West and Taunton brought this project forward as a regenerative site and the project was considered by the Executive Committee in a confidential session on the 9<sup>th</sup> of July 2019. The proposal was to regenerate Coal Orchard as outlined in the Council's Town Centre Action Plan adopted in 2008.

- 11.3 The commercial element of the scheme has proven challenging to let due to the following considerations:

- The commercial Units are constructed to a basic shell which requires incoming tenants to undertake a costly fit out.

- NBR (Business rates) assessment of Rateable Values are high deterring smaller occupiers. The Rateable Values are currently being appealed.
- The retail & food and beverage sector are being adversely affected by the cost-of-living crisis and occupiers are reluctant to invest in new premises outside of prime geographical locations.

11.4 Disposing of the scheme to a private landlord is likely to facilitate improved levels of occupation and use. A private landlord will be able to invest in changes to ground floor layouts that meet market sentiment and incentivise a balanced tenant mix.

11.5 Somerset Council is liable for void units' service charge, Business rates and maintenance of all vacant commercial space. It is market practice for the lessor to offer capital contributions to the ingoing occupiers of the larger units, this cost will be saved with the disposal of the scheme. (as per the confidential appendix).

11.6 After evaluation of all options, Strategic Asset Management has declared this asset surplus as there is no immediate or projected future operational requirement. This approach was supported by Asset Management Group on the 17<sup>th</sup> of November 2023.

## Background Papers

- 12.1 Appendix 1 - Plan of site  
Confidential Appendix 2 – Financial details

## Report Sign-Off

|                                     | Officer Name  | Date Completed |
|-------------------------------------|---|----------------|
| Legal & Governance Implications     | David Clark   | 06/05/2024     |
| Communications                      | Peter Elliott   | 29/04/2024     |
| Finance & Procurement               | Nicola Hix  | 14/05/2024     |
| Workforce                           | Dawn Bettridge  | 28/04/2024     |
| Asset Management                    | Oliver Woodhams   | 25/04/2024     |
| Executive Director / Senior Manager | Jason Vaughan   | 01/05/2024     |
| Strategy & Performance              | Alyn Jones  | 08/05/2024     |
| Executive Lead Members              | Cllr Ros Wyke – Lead Member for Economic Development, Planning and Assets | 14/05/2024     |
| Consulted:                          |   |                |

|                         |  |            |
|-------------------------|--|------------|
| Local Division Members  | Cllr Federica Smith-Roberts - Taunton East                   | 23/05/2024 |
|                         | Cllr Simon Coles - Taunton East                              | 13/06/2024 |
| Opposition Spokesperson | Cllr Mark Healey for Prosperity, Assets and Development      | 03/06/2024 |
| Scrutiny Chair          | Cllr Bob Filmer - Scrutiny Committee - Corporate & Resources | 22/05/2024 |