South Somerset District Council

Sale of commercial development land at Lufton, Yeovil (Lufton 2000 joint venture)

Executive Portfolio Holder:	John Clark, Portfolio Holder for Economic Development
Ward Member(s)	Cllr Barbara Appleby, Cllr Peter Seib, Cllr Jeny Snell
Strategic Director:	Jill Byron, Solicitor and Monitoring Officer
Service Manager:	Robert Orrett, Commercial Property, Land & Development Manager
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Purpose of the Report

1. To recommend the sale of the Council's 50% share in the Lufton 2000 Joint Venture to its joint venture partner Abbey Manor Developments Limited.

Public Interest

2. The Council owns a 50% share in an area of land intended for commercial development on the west side of Lufton Trading Estate, Yeovil. The proposal is for the Council to sell its share to the joint venture partner in return for an immediate capital receipt reflecting the current value of the Council's interest. There are commercially sensitive details with this matter and those are contained in a confidential appendix to protect the commercial position of the buyer and the joint venture partner.

Recommendations

3. That Full Council agree to:-

a. note the contents of this report.
b. approve the proposal to sell the Councils share in the Joint Venture in the asset named Lufton 2000 on the terms outlined in the confidential appendix to this report.
c. authorise the Chief Financial Officer to seek the approval of the Somerset County Council to the sale under the Section 24 direction.
d. delegate the power to the Solicitor and Monitoring Officer to approve the detail of the sale.

Background

4. The Council entered into a joint venture (JV) contractual agreement (a Declaration of Trust and Joint Venture) with Abbey Manor Developments Limited (AMDL) on 10 September 1999 under which the parties jointly acquired land at Lufton Trading Estate with the stated purpose being to "facilitate the development of the Property for commercial and industrial purposes…….generating a proper financial return on the investment made". In March

2006, the parties jointly completed the purchase of further land adjoining the initial ownership.

5. Over the 23 years since the JV was entered into, approximately 67% of the total land area has been sold by the JV partners. The remaining land amounts to 13.05 acres (5.281 ha) of developable land. Based on past rates of progress, this residual land may take might take 10-15 years to conclude disposal of all areas. There is no current live interest.

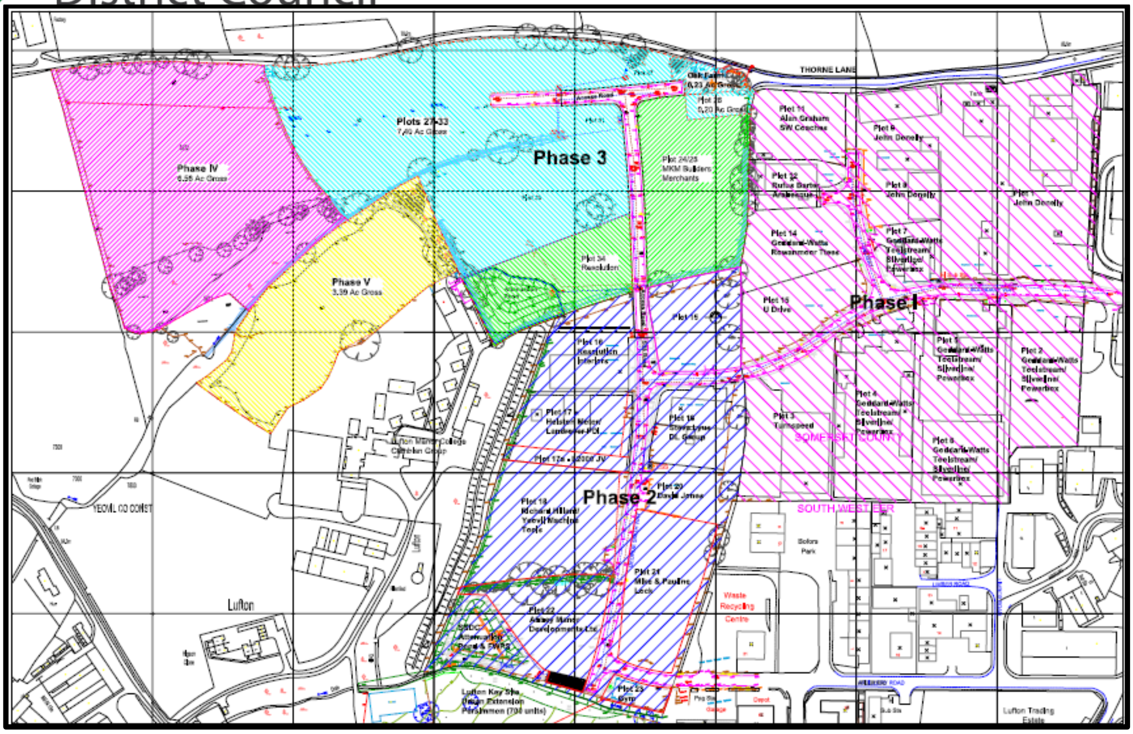
6. AMDL has proposed to Council Officers that AMDL would purchase the Council's share of the JV to produce a position where AMDL becomes the sole owner. The Council and AMDL have approached their respective positions fully at arm's length but are subject to the previously agreed terms of their legal contract.

7. A similar report was presented to District Executive on 1 September 2022. The recommendations were approved by District Executive.

JV Land Ownership

8. This land was acquired by the JV in two phases – in 1999 and 2006. The total land area acquired was 51.15 acres (20.701 ha). The extent of the land is shown on the plan below. The original ownership comprised all of the areas coloured on the plan. The approach has been for the JV to obtain planning consent and deliver infrastructure for the area. There have then been sales of sites for development of premises by/on behalf of end users.

9. Phases 1 and 2, and the part of phase 3 coloured green have been disposed of except for estate roads and infrastructure. The residual land owned by the JV comprises the remainder of phase 3 together with phases 4 and 5 – areas coloured pale blue, purple and yellow on the plan. The remaining gross area owned by the JV is 18.48 acres (7.48 ha). There is significantly less land area in "net" terms due to areas of woodland, ponds, roads for adoption or similar.



10. The areas coloured green are the last plots sold off. These were both sold in late 2018.

Development Approach

11. The land acquired by the JV has been subject to outline planning applications to establish the principle for development. Phase 3 was granted outline consent in March 2010 subject to a S106 Agreement. Reserved matters are later subject to a detailed application as in the case of plots 24/25 which were granted full consent in 2018.

12. The JV deals with the construction of the estate roads and infrastructure and any related management matters. Almost all the delivery work by the JV is done by AMDL on behalf of the JV, with their time costs covered by the JV. Council officers meet regular with AMDL to agree management direction and all implementation decisions for the JV. This is a significant continuing demand on officer time.

13. Phases 4 and 5 are subject to a legal overage provision which requires 47.5% of any sale value over a total of £50,000 to be paid to the seller.

Risks

14. There is a risk involved in any property transaction that either party might change their mind and not proceed, until near certainty is achieved by exchange of contracts. This risk is considered low in the circumstances that both parties already have a high level of understanding. However, major matters of recent years show how major national and world changes can arise quite unexpectedly causing unforeseen impacts on parties.

15. There is also risk in relation to the price that has been discussed. Again, with the level of familiarity this is not considered to be a high risk but detailed preparatory work could reveal an unforeseen issue.

16. The matter will require Somerset County Council approval under the S24 direction, which cannot be guaranteed.

Financial Implications

17. Lufton 2000 can be identified in the Council's Balance Sheet as an "Investment in a Joint Venture". The current value of the investment in the Council's Balance Sheet is £581k which has increased annually due to regular revaluations alongside all other Council investment assets. Any gain from revaluation is accounted for in the Council's revaluation reserve, which is an unusable reserve.

18. The recommended option in this report will deliver a net capital receipt for the Council on any sale price above the existing Balance Sheet value. The sale of the asset would require the existing value of £581k to be written out of the Balance Sheet and the revaluation reserve, hence the final benefit of the capital receipt will be a net gain. Any receipt that is a gain from the sale of a Council asset, is accounted for in movement in reserve statement and is added to the Council's capital receipts reserve, it is not added to the Council's General Fund balances.

19. Capital receipts can be used to fund the existing capital programme and can replace external borrowing. The Chief Finance Officer (S151) sets out in regular capital budget monitoring reports how the Council's capital programme is funded, including the use of capital receipts. The Council also has an over-arching capital plan which outlines its capital proposals for each financial year.

20. There are no direct revenue implications for this report any other balances related to the recommendation in this report will be written out of the Council's accounts accordingly.

Legal implications (if any) and details of Statutory Powers

21. If Full Council approves this recommendation, it will be necessary to the contract for the sale and complete the transaction. This should be relatively straightforward as both parties have long term involvement with the property. It will also be necessary to ensure that all aspects of the JV are up-to-date and finalised alongside the property transaction.

22. The Council has wide ranging legal powers in relation to this transaction including the General Power of Competence under Section1 of the Localism Act 2011.

23. S.120 Local Government Act 1972 –

24. Acquisition of land by agreement by principal councils for the purpose of its functions under this or any other enactment, or the benefit, improvement or development of their area the council may acquire by agreement any land, whether situated inside or outside their area.

25. S.145 Local Government Act 1972

26. A local authority may do, or arrange the doing of, or contribute towards the expenses of the doing of, anything (whether inside or outside their area) necessary or expedient for any of the following purposes, that is to say: (a) the provision of entertainment (b) the provision of theatre, concert hall, dance hall or other premises suitable for the giving of entertainment.

Council Plan Implications

27. This project contributes positively across the Council Plan themes – Protecting Core Services and Economy.

Carbon Emissions and Climate Change Implications

28. There will be no impact on Carbon Emissions and Climate Change Implications if the recommendation is approved.

Equality and Diversity Implications

29. There are no specific implications in these proposals.

Privacy Impact Assessment

30. There are no adverse personal data implications to this report.

Background Papers

- None