

CONFIDENTIAL

THE CORPORATION OF WALTHAM FOREST COLLEGE

25 JANUARY 2016

LAND SALE

Enquiries relating to this report	
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PURPOSE OF REPORT

1. This report seeks the Corporation's approval to the College entering into negotiations for the sale of land adjacent to Spruce Hills Road to Circle Housing for an amount no less than £1 million.
2. It also seeks the Corporation's approval for authority to be delegated to the Chair of the Corporation and the Principal / Chief Executive to approve the necessary decisions to progress these negotiations and to allow an exchange of contracts.

BACKGROUND

3. At the Corporation meeting held on 28 September 2015 the Corporation approved a process for the marketing of a quarter of an acre of surplus College-owned land at the corner of Spruce Hills Road and Forest Road. This approval followed several months of close working by the College with Waltham Forest Council planners to establish the principle and subsequently the scale of residential development likely to be permitted on the site, and therefore its potential value.
4. The College undertook a procurement process and appointed Glenny LLP as our agents to market the site. This appointment was reported in the Principal's report to the Corporation meeting held on 9 November 2015. Glenny undertook a marketing campaign which resulted in the receipt of bids from nine potential purchasers by the deadline of 18 December 2015.

OUTCOME OF THE MARKETING CAMPAIGN

5. Glenny have produced a report setting out the outcome of the marketing campaign. This is attached as an appendix to this covering report. In summary it indicates that the College received nine bids for the site by 18 December 2015. The top three bidders – Circle Housing, Kind & Company Ltd and KTS were then asked for a full and final offer by 8 January 2016.
6. The result of this process is set out in the following table:

	Initial offer 18 Dec 2015 £	Final offer 8 Jan 2016 £
Circle Housing	1,156,400	1,181,200
Kind & Company Ltd	1,000,000	1,000,000
KTS	851,786	851,786

7. The process of seeking full and final offers has therefore resulted in a slight increase in the offer from Circle Housing who are clearly the highest bidder.

8. Glenny's report indicates there are a number of conditions attached to the Circle Housing bid, but these are reasonable and none would appear to be "deal breakers". Therefore Glenny's professional recommendation is that the College should agree a sale of the land to Circle Housing. Circle Housing have a strong covenant with funds available to purchase the land, a track record for implementing similar types of development and a strong local reputation as a provider of social housing.
9. Prior to the marketing of the site the College had received a formal valuation of the site from Deloitte at £0.750 million. More informal soundings from local contacts and during the agent procurement process had indicated that the site could be valued at up to £1.2 million. An offer of £1.181, albeit with some conditions, is therefore at the top end of the range of values we were anticipating.

NEXT STEPS

10. There are number of conditions to Circle Housing's offer which need to be fulfilled before contracts can be exchanged; there are risks associated with each of them, some of which might lead to a reduction in the offer price e.g. if the intrusive site investigations showed a high level of soil contamination. The College has sought to minimise such risks by providing potential purchasers with the best information available to us about the site, but this needs to be tested.
11. The main area of negotiation with Circle Housing, and indeed any purchaser, relates to the utilities serving the College which run across the land from Spruce Hills Road onto our retained site. These are our gas, water and BT and Virgin communication services.
12. The College's view at the moment is that it would be most prudent to relocate all these services so that the risk of disruption is minimised while the site is being developed and we are not reliant on accessing a third party site thereafter. The extent to which relocations are required though will depend on the precise scale and lay out of the scheme being developed by the purchaser.
13. Negotiations with the purchaser are needed to resolve this issue and this may therefore lead to a reduction in the offer price if we require the purchaser to make some service relocations on our behalf, or if the College has to incur costs itself to relocate services. In a worse case these costs could be £150k.
14. It is anticipated that these matters can be resolved and we can exchange contracts with Circle at the latest by the end of the Easter period. In order to enable prompt decision making it is recommended that the Corporation grant delegated authority to progress this matter to the Chair and Principal and that they are given some flexibility in agreeing a final sales price (should Glenny advise this is necessary) of no less than £1 million. If greater flexibility on the sales price is required the matter would need to be reconsidered by the Corporation.

EQUALITY CONSIDERATIONS

15. There are no specific equality considerations arising from this report. However, it will be appreciated that the careful management of the College's resources, including our property, enables many of the equality considerations set out in the Strategic Plan and elsewhere to be progressed.

FINANCIAL CONSIDERATIONS

16. The report indicates that the College has received an offer of £1.181 million for the sale of a quarter of an acre of surplus land adjacent to Spruce Hills Road. Even after potential disposal costs e.g. relocation of services, legal and agent fees, the College should receive a net £1 million. The land is valued in the College's balance sheet at £100k and therefore the College will make a notional surplus of £900k on this transaction, which will be reflected in the College's 2015/16 financial statements.
17. More importantly for the College's financial position the receipt of a net £1 million would significantly improve the College's cashflow position and provide some financial resilience for the future. As reported in the recent monthly management accounts the College will be able to retain at least satisfactory financial health in 2015/16 as long as the sales proceeds are received by 31 July 2016.

RISK CONSIDERATIONS

18. The sale of the surplus land adjacent to Spruce Hills land is a crucial element of the College's strategy to mitigate key financial and property-related risks through seeking to increase income, reduce estate running costs and ensure more effective utilisation of College assets including disposing of surplus property and vacating under-utilised satellite sites.

RECOMMENDATIONS

19. CORPORATION MEMBERS ARE RECOMMENDED TO:
 1. CONSIDER THE REPORT FROM THE COLLEGE'S AGENT AND PROFESSIONAL ADVISER GLENNY REGARDING THE SALE OF THE SURPLUS LAND ADJACENT TO SPRUCE HILLS ROAD
 2. APPROVE THE SALE OF THE SURPLUS LAND ADJACENT TO SPRUCE HILLS ROAD TO CIRCLE HOUSING FOR NO LESS THAN £1 MILLION
 3. DELEGATE AUTHORITY TO THE CHAIR OF THE CORPORATION AND THE PRINCIPAL / CHIEF EXECUTIVE TO APPROVE THE NECESSARY DECISIONS TO PROGRESS THE LAND SALE AND TO ALLOW AN EXCHANGE OF CONTRACTS
 4. RECEIVE UPDATE REPORTS TO FUTURE MEETINGS