

18 March 2024		ITEM: URGENT ITEM OF BUSINESS
Cabinet		
St. Chads Property Asset Disposal, TRL and TRHL		
Wards and communities affected: All	Key Decision: Commissioners' decision to be noted.	
Report of: Councillor Jefferies, Leader of the Council		
Accountable Assistant Director: Rob Large, Programme Director for Asset Disposals		
Accountable Director: Dawn Calvert – Chief Financial Officer S151		
This report is Public – part exempt at appendix 2		
This report contains some exempt information which is market sensitive financial information and could impact on the council's property asset disposals. The exempt information is attached at appendix 2.		
Date of notice given of exempt or confidential report: N/A		
Version Final		

Executive Summary

For the Cabinet to note the urgent decision taken by the Commissioners on Thursday 14th March 2024. They approved the release of a legal charge in respect of the St. Chads property and TRL and TRHL in order to facilitate the exchange of contracts in respect of the sale of this asset.

The sale is at the figure of £25.5 million with the write off approximately £3.9 million.

The decision is urgent because it enables the capital receipt to fall within the 2023/24 financial year, and avoids cost disadvantages in respect of MRP and interest calculations. Negotiations were on-going to point of exchange and there was insufficient time to seek Cabinet approval for this decision.

Commissioner Commentary

The Commissioners' letter is attached.

1. Recommendation(s)

The Cabinet note the urgent decision taken by the Commissioners on 14th March 2024 to allow the release of the legal charge on the St Chads property asset to facilitate the sale.

2. Introduction and Background

- 2.1 There is a sale agreed of this asset at £25.5 million to William Pears Group, a reputable long-established investor in residential investment property. This sale is following marketing, negotiations, and comprehensive advice from Avison Young. The council's property advisors gave advice of a likely sale price of £23.7 million but that we might receive higher offers.
- 2.2 It was important to exchange contracts by Friday 15th March 2024 in order that the sale funds cleared via TRHL and TRL and are received as cleared monies in the Council's bank account by 28th March 2024. This is in order for the capital receipt to be within the current financial year.
- 2.3 Last year CIPFA prepared a Report with recommendations that the Council should ask the directors to agree to the asset being sold, and in due course a lower value land asset, Belmont Road, with a view to eventually closing the company.
- 2.4 Thurrock Asset Disposals Team have been leading on behalf of the directors of TRHL (and TRL) in implementing the sale process. Browne Jacobson have acted as lawyers. The TRL (and TRHL) directors have agreed to this sale. FRB has been kept informed of the progress of the sale and members are generally aware that St. Chad's has been marketed for sale.
- 2.5 The Council are 100% shareholders, and the Interim Executive Director of Place was the shareholders representative and discussed this option with the directors of the company. The directors agreed to sell the assets providing that the company's debt, if there were a shortfall, would be written off by the Council.
The Council's Interim Section 151 officer and CFO sent a letter of assurance to the Company regarding this in November.
- 2.6 A receipt of £25.5 million will leave about £3.9 million to be written off in order to be able to release the charge on the property.
- 2.7 There is further equity owed to the Council and a further asset sale in the future. (Approximately £5.5 million of equity within the accounts and the Belmont Road property valued at £4.2 million). This land will probably be sold on a "conditional on planning" basis so may take two to three years to complete. A decision about whether the company still continues during this period is still to be decided. This matter does not directly form part of the decision regarding St Chads.

3. Issues, Options and Analysis of Options

- 3.1 An option that was considered would be to not take an urgent decision and take the matter to Cabinet for consideration. This option would have led to the sale of the property taking place in financial year 24/25 with additional cost implications.
- 3.2 An option to decide to not write off the debt would have resulted in the directors of TRL and TRHL not agreeing to the sale of the asset. Other actions would then have been needed which could delay any capital receipt for a longer period.

4. Reasons for Recommendation

- 4.1 In order to achieve the current proposed capital receipt it was necessary to agree to release the charge on the property allowing the transaction to happen.

4.2 This decision allows the sale to proceed, enabling the write off as above and to agree to the release of the charge without requiring the company to repay to loan in full.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 The Chair of Overview and Scrutiny has been consulted along with the Finance Portfolio Lead Member.

6. Impact on corporate policies, priorities, performance and community impact

6.1 This decision relates to the council's improvement and recovery plan with capital receipts from property disposals.

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**
Assistant Director of Strategic and Corporate Finance

The financial implication are as follows:

The liabilities within the company in relation to the properties are:

Debtors – Interest	£ 8.530m
Debtors – Capital Loan	£20.854m
Total	£29.384m

The estimated Capital receipt from the sales of the properties is £25.500m

Therefore, the liabilities in relation to the properties exceed the sales values and expected Capital Receipt by £3.885m.

The value of the loss, if deemed a revenue loss, will need to be written off through the Councils income and expenditure position as part of the 2023/24 accounts. This will be shown as an impairment and will form part of the 2023/24 revenue outturn position.

The value of the capital receipts form part of the Councils agreed asset disposal programme, and therefore will be ear-marked toward the repayment of debt. This will be applied as part of the financing to redeem loans payable to the PWLB, at the time in which they mature.

7.2 Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services and Deputy Monitoring Officer

A legal mortgage or charge is the most secure and comprehensive form of security interest over land. The Law of Property Act 1925 provides that a legal mortgage or charge over land is created by the parties entering into a document creating a "charge by deed expressed to be by way of legal mortgage". This has the effect of transferring legal title to the mortgagee/chargee (the Council) and prevents the mortgagor (THRL) from dealing with

the mortgaged asset while it is subject to the mortgage/charge. A third party wishing to purchase the land subject to the mortgage/charge will require the charge to be discharged and/or redeemed before or on completion of the sale. The Council as chargee is required to sign a Deed of Discharge (Form DS1) which is provided to the buyer on completion of the sale. By agreeing to write off the charge and by entering into a DS1, the Council is effectively discharging THRL of all liabilities and sums due under the charge and is declaring that the land to be sold is no longer charged as security for the payment of sums due under the charge.

The Commissioners are able to make this decision as part of their intervention powers. The decision to write off part of the company debt will enable the Council to receive the capital receipt from the sale of the asset which is in accordance with the Council's objective to reduce debt.

7.3 Diversity and Equality

Due to the urgency of this Commissioners' decision on a financial matter there was not the opportunity to consult on Diversity and Equality

8. Appendices to the report

8.1 Appendix 1 - The Commissioners' letter dated 14th March 2024.

8.2 Appendix 2 - Exempt information from 2.2.

Report Author:

Rob Large

Programme Director

Asset Disposals