

NORTH LINCOLNSHIRE COUNCIL

**ASSETS, CULTURE AND HOUSING
CABINET MEMBER**

SALE OF SURPLUS PROPERTY BY PUBLIC AUCTION

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To proceed with the proposed disposal of three surplus properties by Public Auction.

2. BACKGROUND INFORMATION

2.1 The subject properties comprise briefly:

- Brumby Cemetery Lodge, Cemetery Road, DN16 1NT. A three bedroom detached bungalow, constructed circa 1960's. The property is in need of modernisation.
- 76 Station Road, Scunthorpe, DN15 6RQ. A three bedroom detached house requiring modernisation.
- Porters Lodge, East Common Lane, DN16 1QQ. A three bedroom detached house requiring full modernisation.

2.2 All three properties are surplus to the Council's operational requirements. They are currently included in the Council's approved disposal programme, where they are profiled for sale this financial year.

3. OPTIONS FOR CONSIDERATION

- 3.1 The recommendation is to approve the sale of the properties in question by public auction.

4. ANALYSIS OF OPTIONS

- 4.1 At present all sales are progressed using the private treaty route. The clear advantage of this method is flexibility, where the Council as seller, retains complete decision-making autonomy and control over the sale negotiations, together with some scope to influence aspects of the eventual use of the property. The disadvantages associated with a sale by private treaty are threefold:

- (i) Potential for protracted negotiations and the exposure to price-chipping by the preferred bidder at a late stage in the sales process;
 - (ii) Offers received are often conditional (e.g. subject to receiving planning permission) so the preferred bid would not culminate in an eventual sale until the conditionality is entirely satisfied, by which time significant time can often have elapsed
 - (iii) Exposure to the risk of late bids to frustrate the sale process.
- 4.2 In the above context, it is not uncommon for sales by private treaty to prove time consuming and notwithstanding best endeavours, there is no guarantee a sale will eventually be completed. Accordingly, there is an inherent risk of uncertainty and timing associated with this method. By deploying it as the only method of sale, the risk to the delivery of the disposal programme is clear.
- 4.3 An alternative method of sale, which to an extent mitigates the risk of uncertainty and timing, is that of public auction. Over the years Councils both locally and across the UK, have benefited from a solid track record of selling property by auction. It is a particularly effective method of sale, providing both an expeditious conclusion to the sale process, and the certainty of a capital receipt within a given timeframe. This expedience and certainty is provided through the purchaser signing and exchanging unconditional contracts on the day of the auction, paying a non-returnable deposit (10% of the sale price), with completion and the remaining balance following no more than 28 days later.
- 4.4 The Council has a statutory obligation to demonstrate that it has obtained the best consideration reasonably obtainable when selling land and property. A sale by public auction represents the most transparent way of demonstrating this, whilst simultaneously delivering certainty and timing for the delivery of capital receipts
- 4.5 The three properties detailed above are considered as well-suited to this method of sale, hence the recommendation is to proceed with their sale by public auction.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Financial

The 2015-19 Capital Programme approved by Full Council in February 2015 includes an extremely challenging target for 2015/16 of £4.5m of capital receipts. Approving the proposal will help towards achieving this target if the properties in question are successfully sold at auction.

5.2 Staffing

None.

5.3 Property

The Council does not have an internal auction service. As such, it is necessary to procure the service externally. The auctioneers fees and costs are typically recovered from the purchaser as a condition of the sale contract.

The auctioneer will recommend appropriate guide prices for marketing the properties, although the actual sale reserve price will be finalised close to the day of the auction, having gauged the level of interest generated during the marketing campaign. It is envisaged the properties will be guided as follows:

- Brumby Cemetery Lodge: £45,000
- 76 Station Road: £78,000
- Porters Lodge: £95,000

5.4 IT

None.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 Not applicable.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 Initial consultation has been undertaken with the Assets, Culture and Housing Cabinet Member. The local ward members for the relevant wards will also be kept updated.

8. RECOMMENDATIONS

8.1 To proceed with the proposed disposal of the three surplus properties listed in this report, by Public Auction.

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Background Papers used in the preparation of this report: None