

## Agenda Item 28

**Cabinet**

**05 October 2011**

**11/1119**



### **Exemption from Standing Orders – Priority Disposal Programme - Sale of Electricity Substation Sites**

#### **Exempt Information**

Para 3 Schedule 12A information relating to the finance or business affairs of any particular person

#### **Summary**

This report seeks Cabinet approval in accordance with the priority disposal programme (Item 42 of the July 2011 Cabinet Minutes) to sell a selection of electricity substation sites. An approval for an Exemption from Standing Orders is also sought in order to appoint a preferred national auctioneer to dispose of the sites, without the Council going through a formal tender process.

#### **Recommendation**

- i) To agree the sale of the recommended sites for disposal**
- ii) To enable the appointment of Lambert Smith Hampton to auction the recommended sites including delegation of authority to the Portfolio Holder of Economy and the Principal Estates Surveyor to agree a reserve price**

#### **a) Reasons for Recommendation**

To obtain the best price that is reasonably obtainable

#### **b) Alternative Options**

To sell directly to the tenant Western Power Distribution

#### **c) Risk Considerations**

A direct sale to Western Power Distribution may not obtain the best price. The level of the reserve price at auction is too high or low.

#### **d) Policy and Budgetary Considerations**

At the Cabinet meeting held 13 July 2011, Members adopt the Priority Disposal Programme. Item 2.2 (3) on the Agenda.

#### **e) Date for Review of Decision**

At the Cabinet meeting held 13 July 2011 item 42 (2) resolved for a quarterly report to be prepared to update cabinet.

## **1 Main Body of the Report**

- 1.1 All the Electricity substation tenancies have been reviewed and inspected with view to disposal (see appendix). The tenancies are either 99 year leases at peppercorn rent (14) or 21 year leases which command a typical rent of circa £100 pa (12).
- 1.2 There are 18 sites identified as suitable for sale and 8 suitable retained. See Appendix 1 for a summary. Further details and photographs on each individual site are available on the Members Intranet.
- 1.3 Many other Local Authorities have undertaken a similar exercise and achieved better than expected results by auction. Lambert Smith Hampton has been the preferred Auctioneers. They are a well known national company who have extensive experience in selling substation sites. Their fees compare with other national companies but are higher than local or West Country auctioneers. National auctioneers are more likely to attract investors who specialise in building portfolios of substations.
- 1.4 The estimated value of a substation site is circa £2,000 some with long leases may be less and 21 year leases more, a total of circa £28,000 is potentially achievable with sale costs of up to £2,500 a net gain of £25,500.
- 1.5 Other Authorities have found that selling with additional surrounding land will produce a higher sale price. Sites where this is possible have been identified in Appendix 1.
- 1.6 There are 13 sites unused by Western Power Distribution. Some they are prepared to surrender and others retain for future use. 3 Sites would be advantageous to retain as tenancies because they are unsuitable for private ownership e.g. located in the middle of a Car Park or Park.
- 1.7 Members should be aware that in order to prepare the necessary documentation to get the sites to auction, the burden of work will fall not only to the Estates & Economic Development team, but also the Legal team.

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### **Legal Implications**

There are no legal observations

### **Financial Implications**

The financial details are contained within the report

### **Appendices**

- Appendix One – List of Substation Tenancies

### **Background Papers**

- Substation Site details and photos – available on the Members Intranet

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