



EXECUTIVE MEMBER DECISION

REPORT OF:	Executive Member for Finance and Governance Executive Member for Growth and Development
LEAD OFFICERS:	Strategic Director Place
DATE:	03 rd December 2021

PORTFOLIO/S AFFECTED:	Growth and Development
WARD/S AFFECTED:	Little Harwood and Whitebirk

SUBJECT:

Plot 4 Carl Fogarty Way, Blackburn

1. EXECUTIVE SUMMARY

1.1 To seek approval to agree a revised sale figure for Plot 4 Carl Fogarty Way, Blackburn due to additional unforeseen and unavoidable abnormal costs.

2. RECOMMENDATIONS

That the Executive Members:

2.1 Approve the revised sale figure.

2.2 Authorise the Strategic Head of Service, Legal and Governance to complete the necessary legal formalities

2.3 Authorise the Growth Programme Director to finalise details of the building licence and heads of terms.

3. BACKGROUND

3.1 Plot 4 Carl Fogarty Way, Blackburn comprises approximately 0.79 acres of commercial development land and was offered for sale by informal tender on 26th August 2020 with a closing date of 23rd October 2020.

3.2 Executive Member approval was granted for the appointment of the preferred bidder on 18th December 2020.

3.3 Following appointment, the preferred bidder sought clarification of costs from various contractors and service providers. Upon consulting Electricity North West (ENW), it transpires that the energy provider will not allow any electricity supply for a development on this site to be fed from the existing network. ENW require a brand new substation, housing unit and 3 way low voltage cabinet to be

constructed on site. The quote for these works from ENW is non-contestable. In light of this, it has been agreed between the parties that all income from any electricity sold back to the grid or sold to neighbouring developments and buildings from this new substation shall be paid to the Council.

3.4 In addition, the nearest foul drainage point is located too far away from the site to connect to, which means that a package treatment plant, which treats foul drainage on site before discharging into nearby surface water drainage, is required.

3.5 Whilst the Council endeavours to de-risk its development sites prior to marketing, the detailed utility quotes mentioned above would represent an excessive cost to bear at tender preparation stage. Quotes are valid for a limited period of time so could not necessarily be relied upon by a prospective bidder. Similarly, obtaining these quotes would be an excessive cost for a developer at tender stage who is not guaranteed to be appointed the preferred bidder.

3.6 A further abnormal cost has been identified relating to a fire hydrant and associated water supply, but this will be funded by the developer and the costs will not be deducted from the Council's land receipt.

3.7 When preparing their tender bid for the site, the preferred bidder had allowed for typical electricity connection and drainage connection costs per unit. These estimates would be considered reasonable should the substation and package treatment plant not be required.

3.8 Due to the level of additional unavoidable site specific costs now identified, it is proposed that the sale price for the site be reduced by the additional abnormal costs identified.

3.9 At the completion of the development, prior to transfer of the freehold interest, an open book exercise will be carried out to establish the overall incurred costs relating to the abnormalities. If any cost savings have been made by the developer, reducing the quoted connection costs, the Council's land receipt will be increased accordingly by the amount of the cost saved.

4. KEY ISSUES & RISKS

4.1 The preferred bidder submitted a compliant tender bid with an acceptable scheme and offered the highest site value at tender stage. It is recommended that the Council agrees the reduction in sale price in line with the abnormal connection costs identified.

4.2 Should the transaction not be completed then the Council will explore other options for the site and re-tender, in the knowledge that the sale values achievable will be significantly lower than at the previous tender stage due to the identified connection costs.

5. POLICY IMPLICATIONS

5.1 The disposal method accords with the Council's approved policy for disposals.

6. FINANCIAL IMPLICATIONS

6.1 The Council's capital receipt will reduce by the value of the abnormal costs identified.

6.2 The Council will receive all income generated by selling surplus electricity from the substation

6.3 The preferred bidder will cover the Council's legal and surveyor fees calculated as 2% of the land receipt, up to an agreed cap.

7. LEGAL IMPLICATIONS

7.1 The disposal method complies with the Council's legal obligations for such transactions and with the Council's Disposal Policy 2019.

8. RESOURCE IMPLICATIONS

8.1 Legal and surveyor resources will be required to complete the transaction

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

10.1 The proposal has been subject to consultations between Council Officers, Executive members, and Legal and Planning departments

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded and published if applicable.

VERSION: 1

CONTACT OFFICER: PMO Growth

DATE: 17th November 2021

BACKGROUND PAPER:	
------------------------------	--