

## **Sale of Parklands Mobile Homes Site, Pudding Norton, Fakenham**

**Summary:** This report seeks approval from Cabinet to proceed with the recommendation and follows a report in May 2022 to the Overview and Scrutiny |Committee which provided details of the marketing exercise and due diligence appraisal undertaken in relation to the freehold sale of the Parklands mobile home site.

**Options considered:** Officers have previously considered a range of options with regards to the sale of this property. The Council could decide not to accept any of the bids to acquire the site and either retain the site or reconsider the previous alternative options.

**Conclusions:** Following specialist marketing of the site, a number of offers have been received and officers have since undertaken detailed and robust due diligence appraisal of these offers.

As well as seeking to secure the financial best value for the Council, it is recognised that for the future well-being of residents the purchaser should demonstrate appropriate experience, skills and conduct to manage the site appropriately.

The Council will continue to have a role with the site through the Licencing team, as the new owner will need to demonstrate they are a Fit and Proper Person and secure a Site Licence and this has been taken into account during the assessment process.

Bidder (C) would secure the highest capital receipt for the Council and represents Best Value for the Council and District Council tax payers.

**Recommendations:** **It is recommended that Cabinet:**

- 1. Approve the sale of the site to Bidder [C] as outlined in the Exempt Appendix A at best consideration and in accordance with s123 of the Local Government Act 1972.**

**Reasons for Recommendations:** The provision and operation of this site does not directly support any of the key themes contained with the Corporate Plan and is not part of the Council's core business. Some of the asset therefore allows the capital receipt generated by the sale of the asset towards the Council's corporate priorities.

## LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

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Cabinet Member(s) Cllr Eric Seward	Ward(s) affected Pudding Norton
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### 1. Introduction

- 1.1 The Council is the freehold owner of a residential mobile home site in Pudding Norton, Fakenham known as Parklands. The site covers an approximate area of 1.9 hectares (4.7 acres) and was developed over a period of time to provide the 38 hard standing pitches. The site has been in existence for over 50 years, with pitches rented for the siting of mobile homes which provide private year-round residential accommodation to the owner occupiers.
- 1.2 Having received an unsolicited offer in 2018 from a mobile home operator seeking to acquire the freehold of the site, the Council assessed the potential opportunity to sell the asset including commissioning independent valuation advice November 2019. This advice has been updated and a new valuation completed in April 2022.
- 1.3 As it was concluded that provision and operation of the site did not form part of the Council's core services, Officers considered whether the Council should continue to operate the facility, as well as a number of alternative options for the site. It was recognised that if the site was to be retained, whilst not financially viable, further investment would be required particularly in relation to improvements to the laundry block and road infrastructure.
- 1.4 After detailed consideration, the Council's Cabinet on 30<sup>th</sup> March 2020 gave approval for a disposal of the freehold of the site on the open market. The marketing of the site was delayed due to the restrictions caused by the Covid pandemic and the potential for a negative impact on the residents during that period of uncertainty.

### 2 Disposal Process and Due Diligence

- 2.1 A procurement exercise was undertaken during the Spring/Summer of 2021 to appoint an experienced and specialist property agent to give an updated market appraisal and to provide details of their marketing strategy and fees. Three bids were received and following evaluation, an agent was appointed.

- 2.2 As the Covid pandemic restrictions were easing, residents were informed of the intended sale in July 2021. Following this a number of residents made contact with the Council to discuss the potential opportunities around the residents themselves buying individual plots, purchasing the whole site and managing the site on behalf of the Council.
- 2.3 Marketing of the site commenced in September 2021 via our appointed specialist agent. All applicants on the agent's mailing list who were registered as being interested in mobile home parks in this locality (486 in total), were contacted directly. The agent also advertised the property on their own Caravan Parks website, Businesses for Sale website and Daltons Weekly website.
- 2.4 Due to the level of interest expressed by potential purchasers a closing date of 15<sup>th</sup> October 2021 for bids was set. Each bidder was requested to provide the following information alongside their bid;
1. Name and address of company and principal contacts
  2. Background information on their familiarity with the mobile home park sector, confirm their ownership of mobile home parks and the locations of those parks
  3. The amount of their offer and any conditions attached to the offer
  4. To confirm their source of funding
  5. To confirm the timescale within which a contract could be exchanged and completed
  6. To confirm a plan that would resolve any issues before the grant of a Site Licence and provide details of a similar site where they had previously undertaken such a process
- 2.5 Following the marketing closing date, 10 bids were received (9 to acquire the site and 1 offer to manage/lease) as scheduled in Appendix A. Preliminary due diligence was undertaken by the agent which included seeing proof of funds as requested in the bidding process detailed in 2.4 and an initial shortlisting resulted in the two lowest bids being rejected on the basis of not meeting the best value requirements. The management/lease bid was also rejected on the basis it did not align with the earlier Cabinet decision to dispose of the site. Following this initial shortlisting, the 7 remaining bids went through to the detailed due diligence stage.
- 2.6 Whilst three bids were initially rejected no other shortlisting had been undertaken to allow for extensive and robust due diligence to assess the remaining bids as fully as possible. The reason for this due diligence is to establish that the bidder who provides best value:
- 2.6.1 Is able to proceed with the purchase including demonstrating funds to acquire the site.
  - 2.6.2 Has not included conditions with their bid that would have a material or negative impact on their bid.

- 2.6.3 Has a level of experience, skill and appropriate conduct to be able to manage the site.
- 2.7 Whilst the Council is duty bound to obtain best value under s.123 Local Government Act 1972, officers recognise the potential concerns of residents regarding the future owner of the site and that it is essential to proceed only with a suitable purchaser that has appropriate experience, skills and conduct to manage the site. In exceptional circumstances, the Council could decide not to proceed with the highest best value bid if there were clear concerns and that a lower value bid clearly demonstrated that it would provide enhanced improvements to economic, social or environment over and above the highest bid. The due diligence would help inform the Council with this regard.
- 2.8 Between October 2021 and February 2022 this work has been undertaken, which includes:
- 2.8.1 Financial background assessments utilising Dun & Bradstreet analysis. This has been carried out by our Finance team both to establish the bidders' financial integrity and their ability to pay for the purchase of the site.
- 2.8.2 Any bids received from Limited companies were checked through Companies House as were any known associate companies.
- 2.8.3 A Fit and Proper Person check has been carried out by the Council's Licencing team to verify that the bidders have the ability to manage the site correctly and have appropriate conduct and to establish if the bidder is likely to achieve this required status and gain a site licence to operate. Other authorities where bidders have a presence were also asked to advise on any issues they had experienced with the site operators. The Fit & Proper Person requirements are set out in the Mobile Homes (Requirement for Manager of Site to be Fit and Proper Person) (England) Regulations 2020.
- 2.8.4 The British Holiday and Home Park Association (BH&HPA) is a national organisation for park operators. It is not a requirement that operators are members of the BH&HPA but it is considered to be good practice. Officers contacted the BH&HPA to establish which of the bidders were members and if any had been members and subsequently excluded from membership of the organisation.
- 2.8.5 Online searches of all social media outlets including Trust Pilot reviews were carried out to establish whether any of the bidders had received poor reviews or bad press.
- 2.8.6 As part of the final phase of assessment, all remaining (seven) bidders were invited to interview at the Council offices in Cromer. Whilst the Council's overriding consideration is to obtain best value, it arranged interviews, as part of its due diligence. This enabled the Council, in the event that there may have been concerns about the highest bidder, to obtain further information if it needed to consider using the Disposals Consent Order, rather than recommending that the Council progresses with the highest financial bid.

2.8.7 The interview panel comprised of Officers from the Council's Estates and Licencing teams, the specialist selling agent and two representatives from the Parklands Residents Association who were invited to participate in the interviews as observers but were not involved in the process of scoring the bids or further decision making process. A range of questions from each of the interview panel had been formulated to ensure each bidder was appropriately assessed and challenged regarding their financial offer, experience, skills previous conduct, Fit & Proper Person status and future plans for the site.

2.8.8 The responses provided by the bidders were scored by each interviewer based upon the answers given on the day. The points allocated range being between 1 point for a 'poor' response and 5 for a response that 'exceeded expectations'. The total score from these interviews reflects only the response from the bidder during that meeting and does not reflect other due diligence obtained or supplementary information provided following that phase. It does not present an overall score of that bidder.

2.9 Information regarding the bid value, interview questions and scores can be found in the Appendix B

### **3. Offer**

3.1 The Council is duty bound to obtain Best Value under section 123 Local Government Act 1972.

3.2 The highest financial offer representing Best Value has been received from bidder [C].

### **4. Corporate Plan Objectives**

4.1 The provision and operation of a mobile home site does not form part of the Council's core service provision or directly support the Council's Corporate Plan priorities.

4.2 The sale of the site aligns with the Financial Sustainability and Growth objective and will provide a capital receipt that will be available to reinvest in core services and corporate objectives.

### **5. Medium Term Financial Strategy**

5.1 The sale of the site once legally completed will result in a capital receipt as detailed within the exempt Appendix.

5.2 The income gained from pitch fees will be lost and for 2022/23, the estimated gross budgeted income is £48,017.

### **6. Financial and Resource implications**

6.1 An independent assessment of the site value was undertaken in November 2019 and again in April 2022. This valuation is required to ensure the Council is obtaining best value. The valuation report is at Appendix C.

- 6.2 The costs associated in selling the site will be in the region of £35,000 and will be covered from the sale proceeds. There is a risk that the sale does not complete which would result in abortive costs.
- 6.3 It is estimated that approximately £44,000 of direct operational revenue savings (excluding officer recharges) of will be made if the site is sold. The Council does recover from the tenants the cost of the electric.
- 6.4 Sale of the site will also remove the need for any ongoing capital investment in the sites facilities and infrastructure.

## **7. Legal implications**

- 7.1 The Mobile Homes Acts 1983 which protects residents of mobile homes sites, was updated in 2013 to give further rights to residents. This includes rules around pitch fees, residents' ability to sell or gift their home without gaining the owners approval, a ban on site rules that interferes with the sale or gifting of homes and increased powers for Local Authorities licencing of sites. This includes the Local Authority being able to require site owners to carryout necessary works and prosecute those that fail to do so, with a maximum penalty of an unlimited fine on conviction.
- 7.2 A "Park Homes: know your rights" leaflet from Department for Communities and Local Government was provided to residents which included Leasehold Advisory Service contact information to enable residents to gain free and unbiased advice.
- 7.3 The Mobile Homes (Requirement for Managers of Site to be Fit and Proper Person) Regulation 2020. The fit and proper person test was set to improve the standards of park and mobile homes site management. The site owner must apply to the Local Authority for their relevant person (owner or site manager) to be included on the fit and proper person register. A site owner is required to provide information relating to their conduct and ability to secure proper management of the site.
- 7.4 This includes providing information relating to the following;
- contraventions relating to housing, caravan sites, mobile homes, public health, environmental health, landlord and tenant law and Equalities Act 2010;
  - harassment of any person in connection with carrying on any business, personally insolvent or disqualified from acting as a company director (last 10 years);
  - has the right to work in the UK; and
  - membership of a redress scheme for dealing with complaints regarding managing the site provision of information where any other local authority has rejected an application for the relevant person to be included in a register.
- 7.5 Local Authorities are able, under the Local Government Act 1972, are able to dispose of land held by them in any manner they wish, but are required to dispose of land for best consideration that can reasonably be obtained.

- 7.5.1 There is an exception to this rule enabling the Council to sell at below the market value with either applying to the Secretary of State to obtain consent, or utilising the General Disposals Consent 2003. The terms of the Consent mean that specific consent is not required for the disposal of land which the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area. This is subject to the undervalue not exceeding £2,000,000.
- 7.6 In justifying a disposal at less than best value, the Council should have regard to a lower bid clearing demonstrating that it would provide greater economic, social or environmental benefits than would be realised by the sale to the highest bid giving clear reasons for departing from the best value principle.
- 7.7 When disposing of land at less than best consideration this would create a subsidy to the purchaser that would need to apply with the Subsidy Control (formerly State Aid) requirements.
- 7.8 If the Council chose to sell the site at less than best consideration the Council could be at risk of challenge from other bidders in the process.
- 7.9 The sale of the site will be subject to legal overage clauses in relation to any additional pitches created by the new owner.
- 7.10 The Council also undertook to provide plot licence agreements for residents where these had been lost or required updating.

## **8. Policy**

- 8.1 In respect of the Council's Disposal Policy, "An asset may be considered for disposal, where it:
- No longer contributes to the delivery of the Council's services, strategic or corporate objectives
  - Provides a financial benefit to the council in terms of a capital sum to provide a more suitable re-provision
  - Is not fit for purpose and is no longer economical, environmentally or culturally sustainable
  - May be required for larger scale redevelopment opportunities, which would deliver greater economic development or regeneration through a wider land assembly
  - Has no strategic, regeneration or redevelopment potential to the Council
  - Is a risk or poses a future risk to the Council
  - Is under performing and offers no future capital appreciation or investment rate of return
  - Would offer social, community or environmental benefit
  - Improves economic development of the area or encourages start up or business growth

## **9. Risks**

- 9.1 There is a risk that the sale does not complete which results in abortive costs. In such circumstances the Council could choose to remarket the property, consider alternative proposals or retain the site.
- 9.2 Whilst Officers have undertaken extensive and robust due diligence and consider that the preferred bidder has demonstrated it has the relevant skills and experience to manage and operate the site moving forward, once the site is sold the Council will have no control over any future sale of the site. The Council's Licensing team will have a continuing role in ensuring the site is appropriately managed under a Site Licence.

## **10. Sustainability**

- 10.1 There are no environmental sustainability matters arising from this proposal.

## **11. Climate and Carbon impact**

- 11.1 The sale of the site is not anticipated to increase the carbon impact to the Council or district.

## **12. Equality and Diversity**

- 12.1 The Council recognises the importance of securing a new owner who has the relevant skills and conduct to manage the site appropriately and will comply with equality and diversity legislation.

## **13 Section 17 Crime and Disorder considerations**

- 13.1 There are no crime and disorder consideration regarding this proposal.

## **14. Conclusion**

- 14.1 Following specialist marketing of the site, a number of offers have been received and Officers have undertaken a detailed due diligence appraisal as part of the assessment process.
- 14.2 As well as seeking to secure the financial best value for the Council it is recognised for the future well-being of residents that the purchaser should demonstrate the experience, skills and conduct to manage the site appropriately. These aspects have been assessed through the due diligence process.
- 14.3 The Council will have a continued role with the site through the Licensing team, as the new owner will need to demonstrate they are a Fit and Proper Person and secure a Site Licence which has been taken into account during the assessment process.
- 14.4 Bidder [C] would secure the highest capital receipt for the Council and represents Best Value.

## **15. Recommendation:**

It is recommended that Cabinet:



1) Approve the disposal of the site to Bidder [C] as found in Appendix A at best consideration and in accordance with s123 of the LGA Act 1972

16. **Appendices**

- A – Bidders schedule with interview scores
- B – Interview question sheet
- C – Independent valuation report