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# Commercial Property Disposal – Units 1 and 2 Cleveland Gate Retail Park, Guisborough

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<b>Committee considering report:</b>	Executive
<b>Date of Committee:</b>	3 July 2025
<b>Portfolio Member:</b>	Councillor Iain Cottingham
<b>Report Author:</b>	Richard Turner
<b>Forward Plan Ref:</b>	EX4715

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## 1 Purpose of the Report

### 1.1 The purpose of this report is:

- (a) Consider the case for disposal of the asset and the capital receipt benefitting the capital program and transformation projects set against the income benefits of retaining the asset.
- (b) to seek approval for the disposal of the Council owned investment property, Units 1 and 2 Cleveland Gate Retail Park, Guisborough, TS14 7FE in accordance with the Property Investment Strategy
- (c) to seek delegated authority to consider and accept any offers received in compliance with the Council's S123 LGA best consideration duty; and
- (d) to seek delegated authority to negotiate, agree and enter into the relevant documents necessary to complete the disposal of the property.

## 2 Recommendations

It is recommended that the Executive resolve to:

- 2.1 Delegate authority to the Service Director – Finance, Property & Procurement in consultation with Executive Member for Finance & Resources (Risk Management & Procurement) and the Service Director - Strategy & Governance to consider, review and accept any appropriate offer made in accordance with this report and in the parameters of the information contained in the Part II appendix to this report and;

Delegate authority to the Service Director - Strategy & Governance in consultation with the Service Director - Finance, Property & Procurement to enter into the relevant sale documentation including any amendments as shall be necessary to that documentation in accordance with agreed sales heads of terms for the disposal of

Units 1 and 2 Cleveland Gate Retail Park, Guisborough TS14 7FE

### **3 Implications and Impact Assessment**

<b>Implication</b>	<b>Commentary</b>
<b>Financial:</b>	Disposal of the asset will result in a significant capital receipt for the Council but with a corresponding loss of income which currently supports delivery of core Council services.
<b>Human Resource:</b>	Not applicable
<b>Legal:</b>	<p>The Council has a statutory duty under S123 Local Government Act 1972 (S123 LGA) to secure the best consideration reasonably obtainable for the property.</p> <p>There are exceptions to the obligation to obtain best value. Those exceptions are:</p> <ul style="list-style-type: none"><li>• Short tenancies (i.e.; terms of 7 years or less);</li><li>• With Secretary of State Consent; and</li><li>• Where the proposed disposal falls within the criteria set out in The Local Government Act 1972 General Disposal Consent (England) 2003 (The General Consent Order).</li></ul> <p>The General Consent Order enables a local authority to dispose of any interest in land at an undervalue where:</p> <ul style="list-style-type: none"><li>• the undervalue does not exceed £2million pounds; and</li><li>• the disposal is likely to contribute towards the promotion or improvement of any one or more of the economic well-being, social well-being or environmental well-being of its area.</li></ul> <p>Section 123 LGA does not specify or oblige a local authority to follow a particular process to secure the outcome of achieving best consideration. However, case law has shown that the best consideration can be demonstrated by marketing a property or by obtaining an appropriate independent valuation or by a combination of both.</p>

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	<p>Best consideration is not limited to the purchase price but may include a term or condition which identifies a specific commercial benefit to the seller.</p> <p>If applicable, when determining whether or not a proposed disposal of property at less than best consideration meets the criteria of the General Consent Order, a local authority should comply with the prudent commercial practice of obtaining a valuation from an independent professionally qualified valuer (a member of RICS) setting out the likely amount of the undervalue.</p> <p>Any such valuation should set out the restricted and unrestricted values of the property. The restricted value being market value of the property having regard to the terms of the proposed transaction and the unrestricted value being the amount that would be received where the principal aim is to maximise the value of the capital receipt.</p> <p>In addition to the valuation, the local authority should demonstrate how the disposal would contribute towards the well-being of its area.</p> <p>It should also be noted that if a disposal is made at an undervalue, the local authority could be considered as providing a subsidy to the buyer and would need to comply with the requirements of the Subsidy Control Act 2022.</p>			
<b>Risk Management:</b>	<p>The Council currently does not make revenue provision for maintenance of the property investment portfolio. Furthermore, there is no revenue or earmarked reserve provision for future voids or repairs. Any void risk and maintenance requirements are carried at risk against the Council's General Fund.</p>			
<b>Property:</b>	<p>This disposal does not impact on the Council's core estate.</p>			
<b>Policy:</b>	<p>The proposal is in accordance with the reviewed Property Investment Strategy approved at Executive on 2<sup>nd</sup> November 2023 (ref EX4402).</p>			
	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>	<b>Commentary</b>

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<b>Equalities Impact:</b>				
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
<b>Environmental Impact:</b>		X		
<b>Health Impact:</b>		X		
<b>ICT Impact:</b>		X		
<b>Digital Services Impact:</b>		X		
<b>Council Strategy Priorities:</b>		X		
<b>Core Business:</b>		X		
<b>Data Impact:</b>		X		
<b>Consultation and Engagement:</b>	Property Investment Board (PIB)			

## 4 Executive Summary

- 4.1 The Council has invested in a commercial property portfolio. The portfolio currently generates income which supports the delivery of Council core services.

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- 4.2 The council is assessing its commercial property portfolio for phased disposal over the medium to long term.
- 4.3 Of the commercial properties in the portfolio, the Council disposed of the asset, Sainsbury's, High Street, Northallerton in March 2024. The Council continues to hold ownership of eight commercial properties.
- 4.4 The Council's Property Investment Board (PIB) acting as the operational governance for the commercial property portfolio has received from the Council's appointed investment manager recommendation for the phased disposal of the portfolio.
- 4.5 Scrutiny of the portfolio recommends the assessment of this asset for disposal within financial year 2025/26.
- 4.6 The council's investment manager has advised the council on an expected range for the realisable sales price of the asset.

## 5 Other options considered

- 5.1 The asset provides an income stream both individually and as part of the eight-property portfolio. The option exists for the Council to retain the asset to benefit from the longer-term income that the asset derives. Retention of the asset will though require the ongoing management of the asset including rent reviews, the lease expiry dates and costs associated with any voids.
- 5.2 The Council could choose to retain the asset until its investment manager successfully concludes future asset management initiatives before bringing the property to the market.
- 5.3 The council could retain this asset and carry-out refreshed assessments of other assets to provide recommendation for an alternative disposal from the portfolio.

## 6 Conclusion

- 6.1 In accordance with the current property Investment Strategy, and in agreement with the Council's Property Investment Board, it is recommended the Council consider the proposal to dispose of this asset in accordance with the Council's S123 LGA best consideration duty and within the parameters of this report and the Part II appendix to this report.

## 7 Appendices

- 7.1 Appendix A – Part 2 information

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### Subject to Call-In:

Yes: ☐ No: ☒

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|---|-------------------------------------|
| The item is due to be referred to Council for final approval  | <input type="checkbox"/>            |
| Delays in implementation could have serious financial implications for the Council                              | <input checked="" type="checkbox"/> |
| Delays in implementation could compromise the Council's position  | <input type="checkbox"/>            |
| Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months | <input type="checkbox"/>            |
| Item is Urgent Key Decision   | <input type="checkbox"/>            |
| Report is to note only  | <input type="checkbox"/>            |

**Wards affected:** Not applicable

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