

Report title

Disposal of Shooters Hill Radio Mast

Report to

Commissioner's Board
Deputy Mayor's Fire and Resilience Board

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Report by

Assistant Director of Property

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Summary

This report seeks approval to progress the marketing and sale of the freehold property known as Shooters Hill Mast, Eaglesfield Road, London SE18. The property would be sold on an unconditional basis with vacant possession granted by the London Fire Commissioner (LFC) and the telecoms leases in situ. The property currently generates £36,241 pa in rental income and costs LFC £12.6k in rates plus nominal maintenance costs.

The property is expected to achieve circa £500,000 in the open market following an eight week marketing campaign and purchaser negotiations. The property value is constrained by the presence of two telecom leases. Due to the challenges in removing the current telecom lease on the site, and the need to gain planning permission for alternative use, it is anticipated that the site will appeal primarily to telecom suppliers seeking to own a radio mast.

Recommended decision

That the London Fire Commissioner

1. Provides delegated authority to the Assistant Director of Property to dispose of Shooters Hill Mast, Eaglesfield Road for not less than £500,000 following an eight week marketing campaign to be undertaken by estate management consultants Dron and Wright on behalf of LFC. This recommendation is supported by a detailed marketing report from Dron and Wright, which is available on request.

Background

1. Shooters Hill is situated in south-east London. The LFC property is in an elevated position, just to the west of Shooters Hill Golf Club within a residential area. The property comprises a regular shaped site of approximately 0.14 acres (0.057 hectares), on which there is a substantial communications mast (35m), a small associated single storey building and a

parking area for about six vehicles fronting Eaglesfield Road (see appendix 1 for Ordnance Survey map).

2. The property is not well placed, in terms of access to public transport facilities as there are no underground or mainline train stations situated within easy walking distance of the property. Numerous bus routes to central London pass along Shooters Hill (A207), which is situated approximately 500 metres to the south of the property.
3. The property was formerly used by LFC as one of its main paging sites. That use ceased relatively recently and LFC no longer has any paging or other equipment on the mast. However, an officer from LFB Radio Group is currently using an area of the single storey building as a satellite venue to maintain radio equipment and as storage for various items of technical equipment.
4. Property are at an advanced stage of discussions with ICT, who have confirmed they can vacate this site, in agreeing an alternative location within the estate to meet ICT requirements. This report assumes no additional funding would be required to re-locate this satellite workstation.
5. LFB own the freehold interest in the site. Currently, the mast is leased from LFC by two commercial telecoms providers, to accommodate dipole and panel antennae, together with associated equipment. Both operators also use their own 'base-station' kit, which is located in a defined part of the single storey building.
 - a) Hutchinson 3G UK Ltd/EE Ltd have a lease over telecoms equipment on the mast and part of the associated building. The term expires at the end of November 2021, at a rent of £16,487 per annum exclusive.
 - b) Airwaves Solutions Ltd have a lease over telecoms equipment on the mast and part of the associated building. The tenant is currently 'holding over' under the Telecoms Code, at a rent of £19,724 per annum exclusive.
6. It should be noted that Telecoms providers can be difficult to evict from sites, even at the end of the lease term. There are very limited grounds upon which repossession of a site can be claimed, such as major redevelopment, and this route will usually require court proceedings to gain vacant possession. It is not deemed cost effective for LFC to begin repossession and lease termination proceedings as this would be expensive and time consuming and any new buyer may prefer to keep the telecoms operators on site in any event.

Proposed disposal – Outline Benefits

7. The property offers two options to generate onward value:
 - a) LFC retaining the freehold and increasing current rental income.

There is the potential to increase the rental income from the mast and the associated building, by arranging leases for other operators at the property. The main candidate for that is Cornerstone Telecommunications Infrastructure Limited (CTIL) (Telefonica and Vodafone) who do not currently have telecoms equipment at the property. That entity

has expressed interest in coming onto the site in the past and there are other smaller/specialist operators who could be approached as well. However, there is a large degree of uncertainty around the value for LFC retaining the freehold of this site to increase rental income. This is primarily due to the impact the new Telecoms Code has had on the market. Opportunities to secure and increase rental income from operators via rent reviews, lease renewals and new lettings are extremely restricted by the new Code. This is to protect and expedite the rollout of national technical infrastructure as an 'essential' service, similar to the protections afforded to utilities providers. A significant increase in rental income is not an anticipated outcome, and the LFC will still need to fund the annual maintenance costs of a facility which no longer supports operational delivery.

b) LFC disposal of the freehold interest.

There are some specialist telecoms property investors, who may look seriously at acquiring the property. These include Arquiva (both operator and investor) and AP Wireless (UK) Ltd. One or both of the telecoms operators currently on the mast may also be interested in purchasing the freehold interest.

Alternatively the site has scope to accommodate a pair of semi-detached houses, or block of 6-8 flats. The telecoms rental income provides an opportunity for a potential purchaser to offset any delay and costs associated with obtaining planning and the other requisite consents for a small residential scheme. Local planners and residents are likely to be generally supportive of the change to use to support residential purposes, however, a number of issues will arise, including demolition costs, rights of light restrictions and the challenge of removing the current telecoms leases.

8. The estimated sale value is anticipated to be between £500,000 and £1.0 million, reflecting the costs of obtaining vacant possession from the telecoms operators and dismantling/removing the mast. The end values and associated site values are extremely sensitive to the nature and extent of the planning permission and other consents which a proposed purchaser considers to be possible. An additional unknown factor is the market volatility due to the current Covid-19 pandemic.
9. The recommendation of this report is to dispose of Shooters Hill radio mast in favour of gaining a capital receipt not less than £500,000. The costs of sale will comprise of
 - the advertising costs of a campaign which would be £2,500 plus VAT.
 - The Dron and Wright sale fee. This has been negotiated as an incentivised fee structure, in the form of a base fee of £9,250, plus 5% of any disposal proceeds which are achieved for LFC over a figure of £750,000.

Outline Programme

10. The property will be sold on an unconditional basis and 'subject to planning' bids would not be encouraged. Dron and Wright have confirmed that 'subject to planning' offers are unlikely to generate a substantial uplift in disposal proceeds above those for an unconditional sale in this case due to the existing rental income which the property provides.

11. Once a preferred bidder has been identified a period of six weeks is recommended from their receipt of a full legal pack from LFC for an exchange of contracts. A deposit of 10% payable upon exchange will be required.
12. Dron and Wright will be instructed to aim to secure an 'onward sale clawback' provision in the contract and this will be made clear to the market in the sale particulars. This would provide assurance to LFC that any onward sale by the purchaser within a defined period, where the purchaser has not implemented a meaningful planning permission, would entitle LFC to participate in any uplift in price over the figure realised on LFC's sale of the property (50%).
13. The property disposal would be marketed in the national property press and associated web portals. Bespoke approaches would also be undertaken to the relevant telecoms providers who may have interest in this site. The LFB logo would be included on the sale particulars.

Finance comments

14. This report recommends that delegated authority is agreed to dispose of the Shooters Hill Mast site. The estimated sale value is between £500k and £1,000k, less estimated sale costs of £12k plus 5% of any disposal costs over £750k. This capital receipt is not currently included in the capital programme as part of the 2020/21 Budget Report.
15. The report also notes that the site incurs an annual rates charge of £12.6k and generates annual rental income of £36.2k. If the property is sold this will then result in a net financial revenue pressure of £24k. This pressure is not currently included as part of the medium term forecast as part of the 2020/21 Budget Report.
16. If the recommendation in this report is agreed, the potential capital receipt and the revenue budget pressure will both be included as part of the budget process for 2021/22 and future financial years.

Workforce comments

17. No workforce implications have been identified therefore no staff side consultations have been undertaken.

Legal comments

18. Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
19. By direction dated 1 April 2018, the Mayor set out those matters, for which the Commissioner would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").

20. Clause 2.1 paragraph (a) of Part 2 of the said direction requires the Commissioner to seek the prior approval of the Deputy Mayor before "the acquisition or disposal of any freehold interest in land (including buildings)...".
21. The Deputy Mayor's approval is accordingly required for the Commissioner to dispose of this Site on the basis set out in this Report.

Sustainability implications

22. As this report is recommending the disposal of an LFC asset with tenants in situ, there are no future sustainability impacts to consider as this would be the purchaser's responsibility.

Equalities implications

23. The Public Sector Equality Duty applies to the London Fire Commissioner when they make decisions. The duty requires them to have regard to the need to:
24. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
25. Advance equality of opportunity between people who share a protected characteristic and those who do not.
26. Foster good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
27. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
28. Comments received from equalities agree that the proposals in this report are likely to have limited to no disproportionately adverse effects on any persons with a particular characteristic, and an equalities impact assessment will be progressed to confirm.

Appendix 1: Ordnance Survey Map of proposed disposal location (outlined in red)

