



Agenda Item Introduction

Committee	CORPORATE SCRUTINY COMMITTEE
Date	12 MARCH 2024
Topic	PRE-DECISION SCRUTINY - DISPOSAL OF THE FORMER YARMOUTH PRIMARY SCHOOL

Background

1. On 14 March 2024, Cabinet will be considering a report regarding the agreement to sell the former Yarmouth Primary School following a marketing campaign in 2023. The Corporate Scrutiny Committee wishes to review as much information as can be shared on the sale to be able to scrutinise the decision-making process.

Focus for Scrutiny

2. The role of the committee is not to act as a 'shadow Cabinet'. Its function is to ensure that the principles of decision making have been complied with:
 - taking into account all relevant considerations and ignoring those which are irrelevant
 - compliance with finance, contract, and all other procedure rules
 - due consultation and proper advice is taken, and alternative options considered before decisions are reached
 - impartiality and an absence of bias or pre-determination
 - any interests are properly declared
 - decisions are properly recorded and published
 - decisions are proportionate to the desired outcome
 - respect for human rights and equality impacts
 - a presumption in favour of transparency and openness
 - clarity of aims and desired outcomes
 - due consideration of all available options
 - reasons are given for decisions.

Outcome(s)

3. Does the committee support the proposed recommendations, or wish to report any comment to Cabinet?

Document(s) Attached

4. Report to Cabinet on 14 March 2024 - Sale of the Former Yarmouth CE Primary School Site, Mill Lane, Yarmouth
5. Appendix 1: Report Appendix 1 - Site Plan
6. Appendix 2: Report Appendix 3 - Responses to DfE Section 77 Consultation

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Cabinet Report

Purpose: For Decision

ISLE OF WIGHT COUNCIL

Date	14 MARCH 2024
Title	SALE OF THE FORMER YARMOUTH CE PRIMARY SCHOOL SITE, MILL LANE, YARMOUTH
Report of	DEPUTY LEADER AND CABINET MEMBER FOR HOUSING AND FINANCE

Executive Summary

1. In June 2023 the council commenced marketing of the Former Yarmouth CE Primary School site, Mill Lane, Yarmouth. This report sets out the results of that marketing exercise and seeks approval to dispose of the site to the preferred bidder. The preferred bid is being recommended following a thorough evaluation process which ranked the recommended bid in first place.
2. If approved, the former Yarmouth CE Primary School site will be sold to the preferred bidder.

Recommendation

3. To approve in principle the disposal of the former Yarmouth CE Primary School site to bidder D based on the proposal attached at exempt Appendix 2, subject to Department for Education Section 77 consent being granted and heads of terms being agreed, and to delegate approval of the final terms of the sale to the Deputy Leader and Cabinet Member for Housing and Finance.

Confidential / Exempt Items

4. A schedule of the financial offers and the preferred bid are attached as an exempt Appendix 2. The appendix is deemed to be exempt from publication by virtue of paragraph 3 of part 1 of the schedule 12A of the Local Government Act 1972 (as amended) as it "relates to the financial and business affairs of any particular person" (including the authority holding that information), which can be harmed if the public are made aware of bidders current financial position and future business plans.

5. Also, once bid detail is publicly available new, “spoiler” bids could be submitted which the council must consider under best consideration legislation, and if bids are continually made public in this way a bidding war takes place which may result in an unsuccessful outcome, with some bidders withdrawing their bid. Finally, if sites are marketed on the basis that bid information is to be made public, it is likely that interested parties may choose not to bid due to not wishing commercially sensitive information to be made public.
6. Therefore, to protect the council's interests and achieve the best outcome from disposing of its sites, it is imperative that the bidding process is well managed and offers a level of confidentiality to bidders. Accordingly, the public interest in maintaining the exemption outweighs the public interest in disclosing it.

Background

7. In 2020, the decision was made to relocate Yarmouth CE Primary School (Yarmouth Primary School) to the former All Saints Primary School site in Freshwater following investment from the Department of Education (DfE) to build a new modern, purpose-built school, now known as Freshwater and Yarmouth CE Primary School. Yarmouth Primary School relocated to this new site in December 2022, rendering the former Yarmouth Primary School site surplus to educational requirements and therefore available for disposal. A site plan of the former Yarmouth Primary School site is attached as Appendix 1 (with the former main school site shown edged red and the former playing field shown edged blue).
8. In May 2023, the decision was made to commence the DfE Section 77 public consultation, which has now been completed.
9. A summary of the marketing exercise and bids is as follows:
 - A local and national marketing exercise was undertaken between 5 June and 16 August 2023.
 - The council invited proposals from the widest possible range of bidders, including community bidders, and the council reserved the right not to accept the highest or any offer.
 - A marketing pack containing a planning brief which identified site constraints known at the time was provided, which led to a number of the proposals falling at stage 1 of the evaluation process as they did not meet these requirements.
 - Unconditional bids were requested (for example not subject to planning permission).
10. Twelve bids were received, two of which had strong community elements, for a range of uses which are set out in the table below:

Bid	Proposed Use
A	Boatyard
B	Education
C	Educational, cultural, community, sport and tourism use. Possible boat storage
D	Eight affordable housing units. A marine heritage exhibition, activity, community, education and skills centre of international significance. An offer of land/accommodation for the local scouts and guides. Bidder D is a UNESCO accredited Non-Government Organisation within a global

	network of universities and institutions researching maritime cultural heritage and coastal/climate change.
E	Eight affordable housing units. A cultural/creative/education/ exhibition centre with, for example, incubator studio spaces and an outdoor UNESCO biosphere attraction. Food and beverage space. Boat building and academy. An offer of land/accommodation for the local scouts and guides
F	Food retail
G	Education, residential and tourism
H	Hospitality training and staff accommodation, community recreational facilities. Possible powerboat school
I	Retirement apartments
J	Residential
K	Garden use of part of the site only
L	Residential use of part of the site only

Bids were submitted in confidence and so the information provided in this report is limited, giving sufficient information to illustrate the proposed use, but not so that bidders' identities and detailed proposals are known.

11. Financial offers ranged from £50,000 to £677,000, as set out in confidential Appendix 2.
12. The evaluation panel was comprised of four officers, including a representative from the council's Finance department to specifically comment on the financial strength of the offers, and an independent specialist consultancy to evaluate the community elements. A 60% quality/40% price split was agreed. The panel based their bid evaluation only on information provided.
13. Several site constraints affected both market interest for the site and the evaluation process, and as noted above these formed part of the Stage 1 pass/fail process, as they would likely result in some of the bids being refused planning permission. These include:
 - (i) Most of the site sits in the Flood Zone 3 which both prevents overnight accommodation in the existing school buildings and severely limits redevelopment of the site to residential use because The National Planning Policy Framework directs development towards areas with the lowest risk of flooding, and any proposal for a more flood-vulnerable use (such as residential, or overnight accommodation) would need to pass certain tests. the site sits in the Isle of Wight National Landscape (formally Area of Outstanding Natural Beauty)
 - (ii) the site sits immediately adjacent to a Conservation Area
 - (iii) the school building is a non-designated heritage asset therefore the local planning authority is likely to require this to be retained
 - (iv) the former school playing field was reclaimed from the estuary and may also have been, we understand, a former tip
14. Accordingly, four pass/fail questions were applied to the bids to produce a shortlist for Stage 2 full evaluation. The bids failed Stage 1 if:

- (i) the offer was conditional (other than subject contract)
 - (ii) the offer proposed demolition of all buildings on site
 - (iii) the offer proposed overnight accommodation (other than new build housing along Mill Lane), and
 - (iv) the offer related to part of the site only.
15. This resulted in six bids proceeding to Stage 2, full evaluation, bids A – F.
16. Five quality assessment criteria were then applied as the Stage 2 evaluation:
- (i) How will the proposal benefit the Yarmouth and the Island wide community?
 - (ii) Does the proposal provide benefits to improving education on the Island? Has this need been demonstrated?
 - (iii) How confident is IWC that the bidder can purchase the site and deliver the proposed development relatively quickly after being appointed preferred bidder, which will prevent the site becoming wholly/partly dormant, and that the organisation that will then own and run the site will be of sufficient strength to ensure that the site is preserved for the proposed uses in the long term?
 - (iv) Does the proposal satisfy IWC's Corporate Plan aspirations: provision of affordable housing for island residents, responding to climate change and enhancing the biosphere, and economic recovery.
 - (v) A social value assessment using the five themes of the “Guide to using the Social Value Model – Edition 1.1 - 3 December 2020”.
17. Proof of deliverability of the proposed scheme as quickly as possible along with the ability of the purchaser to successfully manage the development in the long term have been key criteria for the evaluation of the bids for this important site, otherwise the site could remain unsold for an unknown length of time, or the development could fail at some point in the future and again be vacant. Deliverability requires a combination of the bidder having sufficient funds in place currently to purchase and at least start the development, and the bid team members being sufficiently experienced to complete and run the development in the long term. Considerable due diligence has taken place to understand this for each bid.
18. We understand that both community bidders held public presentations in Yarmouth to explain their proposals to residents. As a result of this the council received fifty-five emails of support for the preferred bid, Bid D. No emails of support were received by the council for any of the other bids.
19. The panel’s individual scores and comments were then combined, and resulted in each bid receiving an overall score and being ranked as follows:

Rank:	Bidder:
1st	D
2nd	A
3rd	E
4th	B
5th	C
6th	F

20. Accordingly, Bid D is the preferred bid. A copy of bid D is attached as confidential Appendix 2 and offers £435,000 to purchase the freehold interest in the site.
21. A summary of Bid D is as follows:
- Provision of eight affordable housing units for local people. The bidder proposes to transfer the land with planning permission for affordable housing units, if granted, either to the council, or if the council would prefer, to a registered social landlord, for social rent only to local people in perpetuity, and either way for IWC to have nomination rights to these units. The council will control this through the heads of terms, to be agreed.
 - Provision of high-quality community use, including an offer to provide land/accommodation for the Scouts and Guides.
 - A wide ranging and high-quality education offer including educational links to local schools as well as national and international universities, facilitating placements and apprenticeships, bringing students to both Yarmouth and the Isle of Wight, thereby creating revenue and regeneration opportunities for both. Education benefits include creating a roadshow for all our schools with displays based around STEM subjects and the national curriculum, and also offers options around further education.
 - At least six full time staff.
 - The bidder is a UNESCO accredited Non-Government Organisation (NGO) working within the UN Decade of Ocean Science Network of global universities and institutions to promote the underwater cultural heritage as assets that inform climate change. Accordingly, the site would become a centre for an already well-established programme of climate change initiatives supporting the Island's UNESCO Biosphere designation.
 - The proposed partners of the purchasing legal entity have successfully worked together for the last 30 years, reducing the risk of a new team being unsuccessful in either completing the development or managing it successfully in the long term.
 - The preferred bidder has invited Yarmouth Town Council to be a part of the proposal going forward either as a full/significant partner or in a consulting role.
 - The bid team members are a group of highly experienced professionals with the range of expertise and experience necessary to deliver the proposed scheme, including accountancy, chartered surveying and legal skills, giving assurance regarding deliverability and long term success.
 - Based on the information provided, Bid D was the only bid which proved sufficient funds to both purchase the site and commence the development.
 - Planning risk is very low for much of the preferred bidder's proposal because permitted development rights under the site's current education use include

museum and exhibition use.

22. There remain unknowns attached to Bid D's proposal which may prevent some of the proposal being delivered which are out of the bidder's control, for example obtaining planning permission for some of the uses. But this would be the case for all the bids, and through due diligence the evaluation panel has minimised these risks as far as possible. In marketing the site the council was clear that it wished to receive unconditional bids.
23. Delivery of the affordable housing is a key criteria of the preferred bid to assist with the aims and objectives of the Corporate Plan. To ensure this is delivered as quickly as possible, the council will retain control over the proposed affordable housing land until a decision has been made on the planning application. If permission is granted for the affordable housing, the council will also retain control over any nomination rights to the houses once built.

Corporate Priorities and Strategic Context

24. **Provision of affordable housing for Island Residents** – the proposal submitted by the preferred bid includes the provision of eight social housing units for local people.
25. **Responding to climate change and enhancing the biosphere** - A climate and sustainable development impact assessment has been undertaken and is detailed below. This demonstrates the impacts of the proposed decision to the environmental and socio-economic conditions of the Island. The wheel is made up of two different distinct sections. The outer wheel focuses on socio-economic factors, which could impact communities across the Island. The inner wheel focuses on the delivery of net zero emissions to meet the councils 2030 target. There are 17 outer socio-economic segments and 6 inner environmental segments, and these are scored from 1 (long-lasting or severe negative impact) to 5 (long-lasting or extensive positive impact). Overall, the assessment demonstrates no long-lasting or severe negative impacts if the proposed option is approved.



26. **Economic Recovery and Reducing Poverty** - the strong financial position of the purchaser offers the best chance of economic recovery and sustainable economic growth by regenerating a surplus school site in a popular Isle of Wight village to a potentially vibrant museum/community/education use which will attract people and students locally, nationally and internationally to Yarmouth and the Isle of Wight, thereby also offering a good opportunity for the development of skills on-site in the long term and promote local tourism.
27. **Impact on Young People and Future Generations** –the strong education offer, opportunity for skills development and links to universities both nationally and internationally will all positively impact on the Island’s young people and future generations.
28. **Corporate Aims** - Bid D satisfies the corporate plan aspiration and priorities to work together openly with our communities to support and sustain our economy, environment and people.

Consultation and Engagement

29. There is no duty to consult on this decision, however in advance of the marketing exercise the local member and town council were provided with details of the submission process.
30. In line with the DfE’s Section 77 requirements, consultation has been undertaken on the disposal of the school playing field land. Responses to this consultation can be read under Appendix 3
31. We understand that both community bidders held public presentations in Yarmouth to explain their proposals to residents. As a result of this the council received fifty-five emails of support for the preferred bid, Bid D. No emails of support were received by the council for any of the other bids.

Scrutiny Committee

32. This report will be considered at Corporate Scrutiny Committee on 12th March.

Financial / Budget Implications

33. Childrens Services is currently funding the management, maintenance, and security costs of owning this surplus site. These revenue costs will not be incurred once the site is sold.
34. The council is under a legal obligation through a funding agreement with the DfE to repay any monies received on the sale of this site over £400,000 as part reimbursement for the funding of the new Freshwater and Yarmouth CE Primary School. The council will retain the first £400,000 of the capital receipt which has already been committed through the capital budget, including Childrens Services.
35. The disposal costs associated with the sale of this site will be funded by the capital receipt where possible for example the marketing agent’s fees and legal fees. The

only cost that may not be funded by the capital receipt is the value that the council may need to pay The Crown Estate to vary the covenants on the former school playing field. This cost is unknown at present and if it cannot be funded by the capital receipt, it will be funded from the revenue budget associated with ex-school sites.

36. The council's Section 151 Officer is content that the preferred bid represents the best value for both the public purse in general and to the Council itself. The preferred bid, however, is predicated on a range of outcomes that directly led to the preferred bid being ranked higher than all other bids. The Council should therefore seek to put measures in place that maximise the opportunity of those outcomes being delivered, to provide assurance that its evaluation assumptions remain valid.

Legal Implications

37. The Council has the power to dispose of property under section 123 of the Local Government Act 1972, which requires it to achieve 'best consideration' in any disposal. The council can dispose of property at an undervalue using a general consent of the Secretary of State. The difference between the unrestricted value of the property and the disposal consideration must not exceed £2 million and the purpose of the disposal must be likely to contribute to the achievement of the promotion or improvement of economic well-being; the promotion or improvement of social well-being; and/or the promotion or improvement of environmental well-being in its area or for residents in its area. Subsidy control implications should also be considered.
38. DfE consent to dispose will be required before the council can exchange contracts for the sale of this site. The council is in negotiations with the DfE to obtain this.
39. There are legal covenants on the title of the former school playing field for which The Crown Estate is beneficiary. The council contacted The Crown Estate regarding these covenants some time ago, and The Crown Estate has confirmed that it would be prepared to vary these covenants in principle (but not remove them completely), but that they will not commence negotiations until the future use of the playing field is known. Therefore, once a preferred bidder is selected the council can agree this cost. It may be possible to pay this from the capital receipt, but if not the cost will fall to the revenue budget associated with ex-school sites.

Equality and Diversity

40. The relocation of pupils from the former Yarmouth Primary School to the new Freshwater and Yarmouth CE Primary School was approved under a Cabinet Decision in January 2020. An Environmental Impact Assessment was undertaken as part of this decision. A link to this report is provided under Background Papers below and the Environmental Impact Assessment can be found as Appendix 3 to that report. There are no other Equality and Diversity issues arising from the sale of this closed school site.

Property Implications

41. The council's property management strategy requires that surplus assets are either reused or let/sold at the earliest opportunity. Accordingly, this report seeks approval to dispose of the freehold interest of this site.
42. Disposing of this site will mean that the council will no longer own the freehold interest.

Options

43. Option 1: To approve in principle the disposal of the former Yarmouth CE Primary School site to bidder D based on the proposal attached at exempt Appendix 2, subject to Department for Education Section 77 consent being granted and heads of terms being agreed, and to delegate approval of the final terms of the sale to the Deputy Leader and Cabinet Member for Housing and Finance.
44. Option 2: To dispose of the site to another bidder.
45. Option 3: To decline all offers received for this site and re-market the site.
46. Option 3: To retain ownership of the site and consider alternative uses.

Risk Management

47. With Option 1, there is a risk that planning permission for the proposed scheme may not be granted, but this is a risk that sits with the purchaser as the site was marketed on the basis of unconditional offers. The council has managed this risk as best as possible by seeking planning advice as to the likelihood of proposals being acceptable in planning terms and including this in the evaluation of bids.
48. A further risk with Option 1 is that the proposed development is not completed as quickly as the council would like because the full funds are not available, however the preferred bidder is in a generally strong financial position, and none of the bidders proved funds to complete their proposed development.
49. Because the delivery of the affordable housing is key to the recommendation set out in this report, approval in principle only is recommended, subject to agreement of heads of terms, and with delegation of approval of the final terms of the sale to the Deputy Leader and Cabinet Member for Housing and Finance.
50. There are other risks regarding the delivery of Bid D, but again, these risks exist for all bids, for example whether Sport England will allow development on the former school playing field.
51. Regarding Option 2, the council could choose to re-assess the bids based on different criteria and present a further cabinet report, but this would delay the process which would likely result in some bidders withdrawing their offer, and reduced interest in the site if it was then remarketed. The council could also sell

the site purely for monetary value, but this would discount the analysis undertaken which takes into account non-monetary benefits which have been confirmed as important to the local community.

52. Regarding Option 3, if the council chooses to decline all offers and re-market the property, the risk is that the current interest/bids will fall away, and less attractive bids are received instead. The council is satisfied that it has undertaken a thorough and comprehensive marketing campaign to ensure the market was fully tested and that all local and national interest was captured. This included placing an advert in a national property periodical, The Estates Gazette, and extending the marketing campaign to ten weeks which is longer than the norm. Accordingly, there seems to be no good reason for the council to re-market this property.
53. Regarding Option 4, the former Yarmouth Primary School site is surplus to educational requirements due to levels of surplus primary school places in the local area which led to All Saints CE Primary School closing and Yarmouth Primary School relocating into a new modern purpose built school building. Therefore, there is no longer a need for the former Yarmouth Primary School site to remain. As part of the assessment for the site to remain in educational use, the council has completed its Section 77 consultation, the outcome of which is attached at Appendix 3. Therefore, it has been confirmed that the former Yarmouth Primary School is surplus to educational requirements.
54. In addition, the funding agreement for the new primary school between the council and the DfE acknowledged that a capital contribution by the council of £575,735 was required to enable the project to be delivered. The agreement set out that the former Yarmouth Primary School site will be sold and the Council will be entitled to retain the first £400,000, with the remaining balance to be retained to the DfE immediately. Therefore, if the council chooses not to sell this site, and instead retains it and reconsiders its future use there will be a shortfall of funding which has already been committed to. The DfE could also take action against the council for breaking the terms of the agreement. The council would therefore open itself up to financial hardship and challenge if it chose this course of action. Accordingly, we do not recommend Option 4.
55. There is a risk regarding how the cost associated with the variation of the playing field covenants will be funded. The capital receipt may not be sufficient to fund this and in this situation the cost will be funded from the revenue budget associated with ex-school sites. This cost is unknown at present because the beneficiary of the covenants, The Crown Estate, requires confirmation of the preferred bidder and their proposed use for the playing field before it will enter into negotiations.
56. It is unlikely but there is a risk that The Crown Estate may not agree to vary the covenants on the former school playing field. In this situation the bidder would be prevented from providing the accommodation currently proposed on the playing field. If the bidder did not then wish to take ownership of the playing field, ownership of this part of the site would remain with the council.

57. There is a risk that a purchaser will not build out the site in accordance with its proposals, or at all, as the site is being sold without planning permission, hence the council has selected the preferred bidder because it has confidence in its strong commitment and vision for the proposed development and ability to deliver. The council will also ensure the affordable housing in particular is delivered as far as possible through tight controls which will be agreed in the heads of terms.

Evaluation

58. The council is satisfied that it has undertaken a thorough marketing and due diligence selection process which included input from an independent specialist social value consultant to ensure that the assessment of the bids was undertaken accurately and in accordance with government guidance. A copy of Bid D and the assessment was provided to the council's Section 151 officer who has confirmed that the outcomes from Bid D represent the best value to the public purse generally and the Isle of Wight Council specifically. The evaluated outcomes however need to be secured and delivered for the evaluation to be robust.
59. Bid D has a strong community element which offers substantial benefits to the people of Yarmouth and the Isle of Wight, including provision of affordable housing for local people, responding to climate change and enhancing the biosphere, economic recovery, and the impact on young people and future generations through community and education benefits, all important Corporate Plan aspirations. Importantly Bidder D has proven funds to both purchase the site and commence the development and has also been able to give considerable assurance that it can deliver and successfully manage the proposed scheme into the future due to the extensive professional skills and experience of the bid team, with the proposed Trustees having already successfully worked together for many years. As noted above, the ability of the successful bidder to purchase the site, deliver the scheme as quickly as possible and manage it successfully in the long term have been key in selecting a preferred bidder for this important site, and the council is confident that it has achieved this as far as it is able by recommending the offer from bidder D.

Appendices Attached

60. Appendix 1: site plan
61. Appendix 2: financial offers and Bid D – EXEMPT FROM PUBLICATION
62. Appendix 3 – Responses to DfE Section 77 consultation

Background Papers

63. Officer Decision Record “To approve commencement of the statutory Section 77 process on the former Yarmouth CE Primary School, Mill Lane, Yarmouth and marketing of the site”, 31 May 2023:
<https://iow.moderngov.co.uk/ieDecisionDetails.aspx?ID=547>

64. Cabinet decision “West Wight School Place Planning - Outcome of Public Notice Consultation on the Discontinuance of All Saints CE Primary School”, January 2020
(<https://iow.moderngov.co.uk/CeConvert2PDF.aspx?MID=776&F=PAPER%20B%20-%20West%20Wight%20Report.pdf&A=1&R=0>)
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