

Report to:	Cabinet	Date of Meeting:	9 January 2020
Subject:	Revenue and Capital Budget Update: Asset Maximisation - Disposals Strategy – Phase 1		
Report of:	Executive Director/ Head of Corporate Resources	Wards Affected:	Boroughwide
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	<p>No the figures appearing in Appendix B of the Report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). The Public Interest Test has been applied and favours the information in Appendix B being treated as exempt.</p>		

Summary:

Budget Council in March 2017 approved a three-year Budget that covered the financial years 2017/18 to 2019/20. Within this, the Council's Framework for Change programme was outlined. This included details of Public Sector Reform projects that would be undertaken during the three years. One of these projects was Asset Maximisation.

This project was wide ranging in scope and has already delivered significant revenue savings to the three-year budget package. In addition to this, the project scope also detailed that a comprehensive review of all the Council's assets would take place. This would ensure that the Council aligns its asset base to the delivery of its objectives.

As such, the review of the Council's asset base will be undertaken in phases, with assets defined as either supporting operational activity, having heritage or other value, being required to support the Growth and Investment Programme or available for disposal.

This report provides Cabinet with details of those assets that have been identified as being available for disposal and the proposed approach to this exercise. As would be expected, the disposal programme will aim to support the Council's objectives e.g. delivery of the Local Plan and to maximise the capital sums available in order to contribute to both the Framework for Change, 'Cost of Change Budget' and the

first phase of projects within the Growth and Investment programme (which are reported elsewhere on this Agenda).

Recommendations:

That Cabinet:

- (i) Approve the disposal of the assets detailed within the report with a view to generating capital receipts to support the Growth and Investment Programme and the Council's Framework for Change Programme;
- (ii) Provide the authority for Officers to negotiate terms and conditions for each disposal in line with normal delegations set out in the Council's Asset Disposal Policy;
- (iii) Note that a progress update will be provided to Cabinet in April 2020.

Reasons for the Recommendations:

- (i) Disposals will provide capital funding in support of the Growth and Investment Programme, which forms an ambitious strand of the Council's Framework for Change programme. It will also support the Cost of Change budget that was agreed by Council in March 2017 to support the delivery of the three year budget package.
- (ii) Assets have been identified for disposal where they adhere to two criteria: that each capital receipt forecasted represents financial "best consideration" and where the loss of other opportunities is quantifiable and does not undermine wider service delivery and economic development/ regeneration priorities.

Alternative Options Considered and Rejected: (including any Risk Implications)

- (i) In the event that the Council do not progress the disposals as set out in this report, the Growth and Investment Programme would either need to be reduced in scale and ambition, or the timing of project delivery is delayed. Alternatively, the Council would need to borrow capital funding from the Public Works Loans Board and this will increase the financial pressure on the revenue budget. Some of the projects in the Growth and Investment Programme will deliver new financial revenue streams to the Council which might not otherwise be realised.

- (ii) Similarly, Council approved a Cost of Change Budget as part of the three year budget approved in March 2017. This included details of capital expenditure that would be required to support the delivery of the Framework for Change programme with approval that this would be funded by asset disposals. If these recommendations are not approved, the Council will need to borrow funding from the Public Works Loan Board and this will amount to a revenue cost of approximately £0.700m over five years.

What will it cost and how will it be financed?

(A) Revenue Costs

Upon approval, further technical surveys and due diligence investigations will required to 'de-risk' sites identified for disposal and maximise the capital receipts available. The costs of these works will off-set against the capital receipts due.

(B) Capital Costs

Not applicable.

Implications of the Proposals:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Resource Implications (Financial, IT, Staffing and Assets): Property and Facilities Management will work alongside Legal and Democratic Services to complete the work.
Legal Implications: The Chief Legal and Democratic Officer will complete legal documentation for each disposal.
Equality Implications: There are no Equality implications.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable.
Facilitate confident and resilient communities: Disposal of sites will in some instances facilitate redevelopment to provide new housing in the Borough, including forms of affordable housing to benefit local communities.
Commission, broker and provide core services: Progressing the disposals will support a number of Council service priorities including economic regeneration and the provision of Housing (including Affordable Housing)

Place – leadership and influencer: Not applicable.
Drivers of change and reform: Not applicable.
Facilitate sustainable economic prosperity: The draft disposal strategy is phased over a threeyear period and is critical to facilitating the delivery of the wider Growth Programme and individual economic development projects.
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations include:

- The Head of Corporate Resources has been consulted and his comments incorporated into the report (FD/5899/19)
- The Chief Legal and Democratic Officer has been consulted and his comments incorporated into the report (LD/4083/19)

(B) External Consultations

- N/A

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting.

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Appendices:

Appendix A- Summary of the Council’s agreed disposal/approval process

Appendix B – Summary detail of Disposal Programme

Background Papers:

N/A

1.0 Introduction

- 1.1 Due to significant reductions in central government grant allocations, the Council no longer has available capital resources to support the delivery of its Capital Programme or maintain its current asset base. This means that it can either borrow capital funding which would lead to a corresponding financial cost that would need to be met via the Medium Term Financial Plan or it can seek to secure funding from external partners or through the disposal of assets and generation of capital receipts.
- 1.2 As part of the Framework for Change Programme set out and agreed by Council in March 2017, the Asset Maximisation project was identified as part of the Public Sector Reform list of projects that would help the Council meet its stated objectives and deliver financial sustainability.
- 1.3 A key feature of the Asset Maximisation project was that assets would be identified as supporting operational activity, having heritage value, being required for economic growth purposes or would be considered for disposal.

This work has begun and the first phase has now been completed. The list of prospective disposal assets has been assessed, which includes a range of sites identified in the Local Plan for housing development, vacant and under-utilised assets, and assets that have been previously been allocated to the Council's Housing Development Company, Sandway Homes Limited. This initial list of sites for disposal to be included in the first phase of the council's disposal programme is shown in paragraph 1.4 below.

1.4 Phase 1 Disposal Assets

1. Brooklea House Hostel and ATC, Pendle Drive Litherland
2. Land at Isle of Wight Farm, Bentham's Way, Southport
3. Grange Land, Lunt
4. Ainsdale Hope, Sandringham Road, Ainsdale Southport
5. 25 Crosby Road North, Crosby
6. 18 Great Georges Road, Waterloo
7. 255/257 Knowsley Road, Bootle
8. Pavilion Buildings, Lord Street, Southport
9. Holgate Phase 2, Thornton
10. Bootle High School Copy Lane, Netherton
11. Holy Trinity School, Lonsdale Road, Formby
12. Ainsdale ATC and Meadows, Sandbrook Road, Ainsdale, Southport
13. Vine House, Kepler Street, Seaforth
14. Meadow Lane, Ainsdale (Sandway Homes)
15. Barton's Close, Crossens (Sandway Homes)
16. Z Blocks, Buckley Hill Lane, Netherton (Sandway Homes)

2.0 Disposal Approaches

2.1 For each asset listed in Paragraph 1.4, the Council has identified the key actions required to bring forward each disposal and the estimated timing of any capital receipt. In some instances, the timing of the capital receipt is more difficult to accurately forecast due to a range of factors including:

- the need to decant existing occupiers to secure vacant possession;
- the need to progress pre-planning/ technical due diligence work to de-risk the offers for sites and maximise return (ensure best consideration);
- accounting for time required for marketing/ sale negotiations and;
- other unknowns that may emerge as part of the disposal process – i.e. discovery of significant contamination or other site issues.

2.2 These issues will then determine the route to market for each site with the following options existing for disposal:

- Sale via auction: in this case work would be required in order to obtain outline planning (to maximise value) and to prepare a title information pack. This is a relatively short process and will enable assets to be disposed of within the first year of the programme;
- Sale of land open market (informal tender) conditional upon full planning (where appropriate): In this case a range of de-risking work would need to be completed early in the process including technical due diligence, obtaining a full title report, and the commissioning of ecological and topographical studies, a transport assessment and a ground contamination report.
- Opportunistic: There will be times when the Council is approached to determine if it is prepared to dispose of one of its sites. In such circumstances, this would require a comprehensive review to ensure that best consideration is obtained and the principles set out in the Council's Asset Disposal Policy and governance procedures are adhered to.

2.3 Phase One sites being taking forward by Sandway Homes are also included in this first phase of disposals. The anticipated land receipts for the three sites have been factored into year three (2021/22) of the programme to account for deferred land payments. These sites are Barton's Close, Z Blocks and Meadow Lane.

2.4 This programme is significant in both the contribution to the delivery of the Council's Framework for Change programme and the financial contribution to the Councils proposed Growth and Investment Programme that is reported elsewhere on this Agenda. Many of the projects within this Programme relate to the development of an existing Council asset. In this way, capital receipts will be recycled from assets which do not deliver a return to the Council, into assets that will both deliver a financial return to the Council and increase the value of Council owned assets on the Council's balance sheet. The Council's in-house Property Management team will be responsible for working up a defined

programme of works for the disposal of each asset and implementation will be led by an in-house delivery team, supported by external advisors as necessary to complete individual packages of work required to inform planning applications and marketing Particulars to prospective purchasers.

3.0 Best Consideration and Capital Receipt Forecasting

- 3.1 The Council is under an obligation to ensure that any offers received for its assets' represents "best consideration" in accordance with Section 123 of the Local Government Act 1972 (as amended). As such, all work and subsequent negotiations and offers must be undertaken and considered in this context.
- 3.2 Based upon this principle and the work undertaken to date it is estimated for those sites identified within Appendix B, that significant capital receipts could be generated by the Council over the next three years. As discussed earlier in this report the final sums due for each site will depend on a range of factors including national economic conditions, liquidity in the market (especially the Housing market), site/ ground conditions and the cost of any enabling works. The Council has attempted at this early stage to factor these into its estimates however they will inevitably be the subject of change. As the disposal programme progresses such issues will be reported back to Cabinet, with the first such report being in April 2020.
- 3.3 It is noted that a number of sites in this first phase are sites that have been identified for housing provision in the Local Plan. As soon as these are sold and then subsequently developed, the Council will also receive a revenue stream through the Council Tax that will be levied on each property.
- 3.4 Appendix B provides Members with the estimated capital receipt that could be generated for each site, potential year of disposal and method that will be adopted and potential use. As has been outlined in this report, these factors may be the subject of change as the disposal process progresses.

4.0 Summary

- 4.1 This report provides the outcome from the first phase of the Asset Review that is an integral part of the Public Sector Reform project Asset Maximisation. The disposal programme will enable the Council to support development on these sites, particularly in respect of delivering housing in accordance with the Local Plan and the generation of capital receipts in order to support the Council's Growth and Investment programme and the Cost of Change budget within the Framework for Change programme
- 4.2 Although this is the first stage of the programme, the number of sites, complexity and financial value will require a dedicated internal team to support this over the next three years and to regularly report progress to members. This

will be important as the ultimate receipts that will be generated will be dependent on a number of factors many of which are outside of the Council's control, therefore while the Council will always demonstrate how it is meeting its requirement with regard to 'best consideration' it will be important that Members are appraised of progress at regular intervals.

Appendix A

Summary of the Council's Agreed Disposal/Approval process

Pre-delivery stage.

1. The Council's Property Management Team undertake the asset review and classify sites as being required for operational, heritage, economic growth or disposal purposes.
2. Initial work presented for feedback on potential disposals and options around who to be engaged, this will include consideration of sites that may be suitable for Sandway Homes Limited.
3. Pre-delivery desktop work undertaken to understand potential value and key issues along with informal engagement.
4. Present initial findings
5. Preferred disposal route and next steps prior to formal process/delivery to be identified.

Formal Disposal Process.

The main stages in the disposal process are as follows;

- Operational property closed, declared surplus to operational requirements and available for disposal by relevant Cabinet Member
- Non-operational property declared available for disposal by Cabinet Member Regulatory, Compliance and Corporate Services.
- Pre-disposal actions and activity (planning briefs or outline planning consent, disposal terms, method of disposal, etc) agreed by relevant Officers and implemented.
- The disposal will usually be handled by the Council's Property Management Team unless it is of a specialist nature that requires external expertise or resource
- In the case of open market disposals, the asset will be fully marketed using the Internet and more traditional advertising methods.
- The disposal process will take into account any moratorium periods under the Localism Act 2011 and the Community Right to Bid
- All offers will be considered for compliance with tender conditions and undergo a value for money assessment, initially by the relevant Council officials, before being reported as follows
 - Value: < £100,000 – Decision delegated to Head of Corporate Resources
 - Value: £100,001 to £500,000 – Decision made by Cabinet Member Regulatory, Compliance and Corporate Services
 - Value: > £500,001 – Decision made by Cabinet.
- After publication of the decision and progression through the call-in process (if instigated) the decision will be implemented and Chief Legal and Democratic Officer instructed to deal with the requisite legal documentation and Conveyance.
- Progress of disposal activity monitored by the Cabinet Member for Regulatory, Compliance and Corporate Services

Formal route – to be undertaken in line with the Asset Disposal Strategy (post Pre-delivery stage).