

Scrutiny & Overview Committee Supplementary Agenda



5. **Interim Asset Disposal Strategy** (Pages 3 - 26)
The Committee is asked to review the Interim Asset Disposal Strategy, with a view to forming conclusions and recommendations for the Cabinet on the content.

9. **Interim Asset Disposal Strategy** (Pages 27 - 34)
The Committee is asked to review the Interim Asset Disposal Strategy, with a view to forming conclusions and recommendations for the Cabinet on the content (Part B).

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Agenda Item 5

REPORT TO:	SCRUTINY & OVERVIEW COMMITTEE 9 February 2021
SUBJECT:	Interim Asset Disposal Strategy
LEAD OFFICER:	Shifa Mustafa, Executive Director of Place Ozay Ali, Interim Director of Homes and Social Investment
CABINET MEMBER:	Cllr Stuart King Deputy Leader and Cabinet Member for Croydon Renewal Cllr Callton Young OBE Cabinet member for Resources and Financial Governance
PUBLIC/EXEMPT:	Public in part.

ORIGIN OF ITEM:	This report has been referred to the Scrutiny & Overview Committee by the Cabinet for its challenge and assessment.
BRIEF FOR THE COMMITTEE:	The Committee is recommended to: <ol style="list-style-type: none">1. Consider and review the Cabinet report (Attached Appendix A);2. Consider any proposed conclusions and recommendation that it wishes to make on the report;

1. EXECUTIVE SUMMARY

1.1. The Scrutiny & Overview Committee is asked to review the Interim Asset Disposal Strategy report attached at Appendix 1A.

1.2. In advance of its consideration by Cabinet the report is presented to the Scrutiny and Overview Committee to review. Any conclusions or recommendations reached by the Committee will be reported back to the Cabinet during its consideration of the report.

2. Interim Asset Disposal Strategy

2.1. The report as submitted to the Cabinet including the Interim Asset Disposal Strategy are appended in full at Appendix 1A and 1B to this summary.

2.2. A Part B Cabinet report and Appendices 2 & 3 are confidential and are set out separately in part B of the agenda.

CONTACT OFFICER: Steve Wingrave Head of Asset Management and Estates ext 61512.

APPENDICES TO THIS REPORT

Appendix 1A - Cabinet report – Interim Asset Disposal Strategy

Appendix 1B – Cabinet report - Appendix 1 – Interim Asset Disposal Strategy

Appendix 1C – Cabinet report – Interim Asset Disposal Strategy (Confidential)

Appendix 1D – Cabinet report - Appendix 2 (Confidential)

Appendix 1E – Cabinet report – Appendix 3 (Confidential)

For General Release

REPORT TO:	INFORMAL CABINET 2 February 2021
SUBJECT:	Interim Asset Disposal Strategy
LEAD OFFICER:	Shifa Mustafa, Executive Director of Place Ozay Ali, Interim Director of Homes and Social Investment
CABINET MEMBER:	Cllr Stuart King Deputy Leader and Cabinet Member for Croydon Renewal Cllr Callton Young OBE Cabinet member for Resources and Financial Governance
WARDS:	All
<p>CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON</p> <p>Croydon Renewal Plan – the recommendations in this report are in line with the new corporate priorities and new way for renewing Croydon</p> <p>Medium Term Financial Strategy</p>	
<p>FINANCIAL IMPACT</p> <p>This paper is seeking approval of the Interim Asset Disposal Strategy and the initial tranche of assets for disposal. Whilst the actual disposals will lead to significant revenue savings and capital receipts these will be reported as part of the individual disposals. Overall it is estimated that if all the sales are completed for the initial tranche an initial capital receipt of £7m is anticipated subject to detailed valuations and market conditions at the time of disposal</p>	
<p>FORWARD PLAN KEY DECISION REFERENCE NO.: 0821CAB</p> <p>The notice of the decision will specify that the decision may not be implemented until after 13.00 hours on the 6th working day following the day on which the decision was taken unless referred to the Scrutiny and Overview Committee.</p>	
<p>The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below</p> <p>1. DRAFT RECOMMENDATIONS</p> <p>The Cabinet is recommended to:</p> <p>1.1 Approve the Interim Asset Disposal Strategy</p> <p>1.2 Approve the proposed list of assets for disposal and to progress the marketing of the initial tranche of asset disposals as set out in appendix 2 of Part B of this report including specific approvals for:</p> <ul style="list-style-type: none"> i. Valuation fees for the proposed disposals 	

ii. Other cost of sales budgetary requirements as included in appendix 2.

- 1.3 Approve the proposed approach for the disposal and marketing of the Croydon Park Hotel as detailed in section 8 of this report
- 1.4 Note the requirement for additional resource to successfully manage and achieve this major project

2. EXECUTIVE SUMMARY

- 2.1 This Strategy provides an interim Asset Disposal Strategy which will be formally adopted by the Council ahead of the Asset Management Plan to ensure proper governance and transparency in respect of all asset disposals. This strategy, in combination with a new Corporate Asset Management Plan which is expected to be completed in 2021/22 financial year will ensure the best use of the Council's assets and will complement the Croydon Renewal Plan and Medium Term Financial Strategy [MTFS].
- 2.2 It is clear that the Council is in need of a formal approach to the management of assets and in particular their disposal where they have been identified as either surplus or no longer key to the delivery of services. This must be done in a structured and controlled manner to ensure that any disposal of assets does not cause longer term operational difficulties or fail to achieve the best return for the Council.
- 2.3 The proposed Strategy will allow the Council to consider and approve identified disposals, in advance of the adoption of the Corporate Asset Management Plan.
- 2.4 As a key Investment asset, the Croydon Park Hotel has been identified for early disposal following the former tenant going into administration. This is a valuable asset that has significant holding costs and therefore an early decision as to its disposal is required. Full consideration of the proposals is detailed in section 8 of this report.

3. Wider policy considerations

- 3.1 Given the significant financial challenges faced by Councils it is important to ensure that the best outcome is achieved from any disposal and this will need to consider:
- Holding cost of any surplus assets if to be retained for longer term use or sale
 - Running costs for under-utilised assets and how these can be reduced
 - Service requirements across the Council to ensure an asset is not being sold off if it could provide a cost effective solution for another service area

- Achieving “Best Consideration” – would delaying a disposal be more beneficial
- Loss of revenue from any income producing assets
- Impact on the local area from holding assets empty for prolonged periods or the additional benefit from regeneration
- Reputational issues from having vacant assets

3.2 The assets to be disposed of will generally fall within seven main categories:

- Surplus vacant sites to include properties in disrepair and surplus tenanted properties - these form a large proportion of the initial tranche as “quick wins”
- Surplus assets released by service areas or tenants
- Corporate offices
- Sites currently used for delivery of services but under utilised
- Sites requiring public consultation
- Income producing assets
- Housing Sites – largely comprising of former Brick by Brick sites

4. Governance requirements of this strategy

4.1 The Council recognises that good governance is a key component of this strategy, so it is essential that all decisions to dispose of an asset must follow a defined process.

4.2 Once an asset has been identified for potential disposal it will be formally declared surplus. This will require formal sign off initially be the Executive Director for the service area and then all other Executive Directors to ensure there are no other internal requirements for the asset that might provide better financial returns than a straight sale.

4.3 A business case will be prepared and signed off by the Executive Leadership Team (ELT) to allow marketing to commence for the asset. The business case report will include a minimum set of requirements, including:

- a) A business case summary template
- b) The financial case for a disposal
- c) Proposed timing of the disposal
- d) Confirmation that the asset has been declared surplus
- e) Impact/risks of the disposal – financial, reputational, political, and operational.
- f) Evidence of an independent valuation to show that **best consideration** requirements are fully complied with
- g) A valuation of the asset by an independent RICS Registered Valuer
- h) A market assessment by a suitably qualified agent familiar with the local market/asset type including recommended method of disposal
- i) Sign off by the relevant ELT director for the disposal of the asset, where there is no longer a service requirement. This is not to be confused with ELT approval, which is required at a later stage.
- j) Cost of sales and any budgetary approval required

- k) Confirmation of deliverability of sale – where required. For example, if staff, public or other consultations are required, they need to have been completed and reported within the business case
 - l) Finance and legal sign off
- 4.4 Once approved by ELT and Capital Board marketing will be undertaken in line with the reported process within the business case. Following receipt of an acceptable offer the disposal will be referred back to ELT, the Cabinet Member for Resources and Financial Governance and Cabinet in line with the Financial Regulations as they related to disposal of assets.

5. Best Consideration – definition

- 5.1 The disposal of any Council owned asset is subject to achieving “Best Consideration” either in line with s123 of the Local Government Act 1972 or s233 of the Town and Country Planning Act 1990 where land has previously been appropriated for planning purposes. There are exceptions where a disposal at less than best consideration can be permitted, where the variance does not exceed £2m if there are clear economic, social or environmental benefit in line with the terms of the General Disposal Consent (England) 2003 or otherwise where the Secretary of State has provided a specific consent on the basis of a Council request.
- 5.2 It will be the responsibility of the Place directorate to ensure that the Best Consideration is achieved on all asset disposals

6. Key points to note about business case reports

- Proposed sales that are not deliverable must not be submitted for approval
 - ELT will reject reports that are not fully prepared and backed by the requirements set out above
 - Key supporting documents must be attached to the reports seeking approval
- 6.1 All decisions to a disposal must be made in the following sequence:
1. Business case report to be prepared within the Place directorate and considered by Place DLT
 2. Final version of Business Case report to ELT
 3. ELT approval
 4. Capital Board approval
 5. Cabinet approval or Cabinet Member approval, where required in line with the Financial Regulations and Leader’s Scheme of Delegations
 6. Sale progress to be reported to ELT as part of a monthly sales update by the Place directorate
- 6.2 The Council will not assume that that capital, interest and other financial savings from a potential disposal have been confirmed until the asset has been sold and the net proceeds have been realised.

7. Disposal of Assets

- 7.1 It is recommended that where possible key local agents are used for the disposal of non-specialist assets as they will be best placed to understand the market, demand and major purchases within Croydon. The appointment of a single local agent to work with the Council across a number of the smaller sites will help to achieve a structured marketing approach that will help maximize value and allow assets to be linked where appropriate.
- 7.2 For larger sites or specialist assets it may be more appropriate to appoint tier 1 agents who will have the expertise and wider market coverage required for this type of disposal
- 7.3 Approval of this report will give an in principle decision to progress the marketing of the assets listed in Appendix 2 of the Part B paper. However the final disposal of any asset cannot be progressed until the correct approval has been obtained through ELT/Cabinet in line with the governance set out in the strategy.

8. Croydon Park Hotel

- 8.1 Following the termination of the existing tenancy by KPMG acting as Administrators for the Tenant in June 2020, and following a decision at the Asset Board in September 2020, the Council has examined numerous options for the hotel, arising out of.
- 8.2 ELT has also given consideration and rejected, on business case grounds, the following options for the hotel:
- **Leasing as a hotel** – Given the pandemic there is no strong demand for hotels in the current market that provides a viable letting in the short to medium term. The Council did receive some expressions of interest, but concluded that this method of potential disposal would not deliver best consideration
 - **Student Accommodation** – There was interest from a London based university, but the level of rent free period demanded (5 years) was too high coupled with a very long lead in period.
 - **EATA use by the Council** – this option was preferred by members and our teams and considerable work was done to examine the business case, risks and deliverability of this option. After very careful consideration, officers concluded at ELT on 18th January 2021, that this was not a viable option.
 - **Speculative “offers”** – the Council has received many expressions of interest from a very wide variety of potential parties. We have kept a record of these approaches and in the event of a marketing exercise, we will pass these details onto the appointed real estate marketing firm

Proposed approach

- 8.3 To mitigate costs and other risks, officers recommend that the Council appoints a tier 1 real estate advisory firm to prepare and delivery a marketing approach that would deliver best consideration.
- 8.4 A detailed brief for the appointment of the advisory firm has been approved by ELT and initial discussions have been held with lead UK advisors for hotel assets from two leading advisory firms, in the form of a soft market assessment of the intended approach.
- 8.5 Those discussions confirm that a sale as a hotel in the current market will not deliver best consideration, as hotels are likely to fall in value until 2025. The initial advice is to prepare a marketing strategy that will attract investors/developers who would be prepared to pay a premium for the development potential of the site.
- 8.6 Officers are seeking approval for:
1. The proposed appointment of real estate advisors to prepare the marketing strategy for approval by the Council to be procured under the Council's Tender and Contract Regulations.
 2. Subject to approval of the strategy, the Council will then seek to appoint the firm to manage the sales process and present bids/offers for the Council to approve also to be procured under the Council's Tender and Contract Regulations.
- 8.7 The likely timescale for progressing this work is set out below:
- 9th February 2021 – Scrutiny for Croydon Park Hotel
18th February 2021 - Cabinet approval to delegate to officers the responsibility to commence the appointment of a tier 1 real estate advisory firm
12th March 2021 – deadline for receipt of proposals from Tier 1 advisory firms
19th March 2021 – ELT approval to appoint preferred bidder
1st April 2021 – appoint preferred bidder
April – August 2021 – marketing period
31st August 2021 – deadline for offers from potential purchasers
- 8.8 As part of the governance reporting of the above process a monthly update will be provided to ELT.
- 8.9 The purpose of the plan set out above is to provide assurance that sales progress is scheduled and monitored by the leadership at regular points throughout the process. The update reports will contain:
- Sales progress reports from the advisory firm
 - Management commentary on the sales progress report
- 8.10 It is important to stress that all decisions will be in accordance with existing delegated authorities, financial regulations and standing orders.
- 8.11 After the sales process has closed on 31st August 2021, the advisory firm will submit a report for consideration by the Council that will then be tabled for Cabinet consideration at its meeting in September 2021

9. Resource Requirements to Implement this Strategy

- 9.1 Any closure and disposal programme will require a separate budget and resource to be set up to allow the correct process to be followed and undertaken in a timely manner. Whilst the disposal costs (up to 4%) can be capitalised against sales receipts, there will need to be a budget made available to allow works to be carried out, specialist advice and if appropriate, planning consent to be obtained. All properties should be externally valued as part of the “best consideration” approach but in certain circumstances, subject to prior approval from the Executive Director Place, an internal valuation undertaken by a suitably qualified RICS registered valuer may be acceptable.
- 9.2 It should be recognised that capital expenditure to allow relocation of staff, both for the physical move and any new facilities, will be required and a suitable budget should be established for asset rationalisation work as part of the strategy.
- 9.3 Given the initial number of assets identified and the complexity of some of the closures, a specific resource should be identified to project manage the process internally to ensure that it can be progressed and monitored properly with the necessary governance being followed.
- 9.4 Initial budget costs are set against the first tranche of properties to indicate disposal and relocation costs but do not reflect the need for an additional project management resource.

10. Types of Corporate Assets

- 10.1 The Council’s corporate property portfolio is made up of a range of property assets that support the Council’s delivery of services and key objectives. The property portfolio can be broadly broken down into the following categories:-
- Operational – held to support service delivery
 - Investment – held for financial return
 - Community – support residents or provide recreation and increasingly to support delivery of services
 - Education – Schools and other learning facilities
 - Surplus – awaiting disposal, re-development or alternative use
- 10.2 The Interim Asset Disposal Strategy will not just focus on the surplus properties but will also consider the Council’s wider property requirements so that other opportunities for consolidation and disposal or for a more viable alternative use can be considered.
- 10.3 It is important to recognise that any assets that become surplus may provide a viable operational solution to another element of the Council. Therefore when considering the disposal of any corporate buildings that have become surplus for the current operational requirement, details are forwarded to all directors (including plans and planning details) so that they have an opportunity to

consider their suitability for alternative service requirements. These assets are only declared surplus and ready for disposal once they have been through this process. Any interest that is raised by service areas will be considered for suitability/viability and budget availability before a decision is taken.

11. HRA Surplus land

- 11.1 In addition to the corporate assets the Interim Asset Disposal Strategy will also cover sale of surplus HRA land which will follow the same process as detailed above.
- 11.2 Subject to the ongoing review of Brick by Brick, the Council may decide to dispose of some of the sites within existing pipelines that have not yet been transferred to BBB. Many of these will fall within housing estates
- 11.3 Such disposals will be subject to the approval of a full business case by ELT.

12. Public Open Space, Highways Land and Common Land

- 12.1 The disposal of land which is, or forms part of an area of Public Open Space, Highways Land or Common Land, is subject to special rules and procedures. Before disposing of such areas, the Council is obliged to publish the intention to dispose and consider any representations which are subsequently received and in the case of Highways Land additional consents or Notices may need to be issued. The provisions regarding the disposal of Common Land require consent from the Secretary of State and replacement land to be made available where the area of land to be sold exceeds 200m².

13. CONSULTATION

- 13.1 No external consultation has been undertaken in connection with the Interim Strategy.
- 13.2 Before the disposal of some assets, consultation will be required to meet the Council's legal obligations and also in connection with the marketing and disposal of assets.
- 13.3 Full consultation has taken place with members and the Council's senior leadership team.

14. PRE-DECISION SCRUTINY

- 14.1 The proposed strategy has not been presented to Scrutiny

15. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 15.1 **Revenue and Capital consequences of report recommendations**
Given the significant financial challenges faced by the Council, the disposal of

surplus corporate assets is vital to ensure an improvement in its financial position, secure value for money and achieve financial savings by considering the net costs/benefits of holding surplus assets versus sale of the assets. The capital expenditure incurred to decant some of these corporate properties, relocate staff to existing accommodation and adaptations of existing properties is factored in the net capital receipts in the table below. The running costs of these properties i.e. business rates, premises costs (cleaning, security, utilities etc) will be reduced, net of the loss of rental income streams is taken into consideration in the revenue savings in the table below. The decision to dispose off an asst will consider 'best consideration' i.e. delaying a disposal if the outcome is more beneficial with respect to its market price so the Council is able to maximise its capital receipts.

15.2 The effect of the decision

Savings and capital receipts generated from asset disposals				
				£000
	21/22	22/23	23/24	24/25
Revenue Savings	£126.38	£451.88	£111.75	
Capital receipts	£4,230	£18,237	£19,994	£5,988
Savings in:				
Interest Costs	£69	£295	£162	£98
Minimum Revenue Provision	£156	£672	£737	£221

An assumption has been made that the cash receipt could replace borrowing over 20 years which incurs annual interest costs and a minimum revenue provision. This is reflected in the table above.

15.3 Risks

Disposal of properties in the corporate portfolio in the current economic climate gives rise to risks and uncertainties around achieving the best possible sale price. The capital receipts in the table above reflects an element of prudence and conservatism in the receipts of disposal and its timing. However, it must be emphasised that these asset values are subject detailed market valuations and market conditions prevailing at the time of sale.

15.4 Future savings/efficiencies

The savings highlighted in the table above reflects an estimate of sales proceeds/capital receipts arising from disposal of corporate properties and savings in borrowing costs i.e. interest and minimum revenue provision on the general fund budgets.

DRAFT COMMENTS PREPARED BY: Interim Head of Finance for Place, Gateway, Strategy and Engagement - LISA TAYLOR TO APPROVE

16. LEGAL CONSIDERATIONS

- 16.1 The Head of Commercial and Property Law comments on behalf of the Director of Law & Governance that, as set out earlier in this report, when disposing of land the Council has a statutory duty under section 123 of the Local Government Act 1972 (or section 233 of the Town and Country Planning Act 1990 where the land has been appropriated for planning purposes) to ensure that it obtains best consideration for the land and buildings disposed of. In certain exceptional cases a disposal for less than best consideration is permitted where the difference in the value between the proposed disposal and the best consideration that might be obtainable on the market is less than £2M or, in other cases, with a specific consent from the Secretary of State. The processes set out in this report in relation to the Interim Disposal Strategy seek to ensure that best consideration is obtained in relation to proposed disposals. If and where disposals are proposed to proceed for less than best consideration (e.g. to secure wider community benefits) it is recommended that officers seek detailed legal advice in relation to any potential 'Subsidy Control' issues (the Subsidy Control regime replaces the State Aid regulations).
- 16.2 Land should only be disposed of by a local authority where it is considered to be surplus to the Council's requirements. The process set out in the Interim Disposal seeks to ensure that consideration is given as to potential other Council uses of land before it is recommended for disposal.
- 16.3 As set out earlier in the report, where land considered for disposal forms part of an open space before disposing of the land the Council needs to publicise the intention to do so for two consecutive weeks in a local newspaper circulating in the area in which the land is situated, and consider any objections to the proposed disposal which may be made.

Approved by (Sean Murphy), Head of Commercial and Property Law on behalf of the Interim Director of Law and Governance & Deputy Monitoring Officer

17. HUMAN RESOURCES IMPACT

- 17.1 The proposed Interim Asset Disposal Strategy does not have any direct impact on staffing levels, restructuring or recruitment. However, some of the proposed building closures will require the relocation of staff and may require a different service delivery model. These factors will be considered in line with specific disposals that require such action to ensure that they are in line with the Council's personnel policies or other human resources matter.

Approved by: Sue Moorman, Director of Human Resources

18. EQUALITIES IMPACT

- 18.1 Within the initial tranche the majority of the sites comprise of vacant land or buildings and therefore the disposal will not impact individual's rights. The Equalities Analysis is used to inform the final decision to identify any impact on the changes on groups that share protected characteristics, evidence how we arrived at decisions that affect council staff, local people who use our council

services and the wider community and help us to comply with the requirements of the Equality Act 2010.

- 18.2 An equalities impact assessment will be undertaken for individual disposals to ascertain the potential the impact they will have on groups that share protected characteristics.

Approved by: Yvonne Okiyo Equalities Manager

19. ENVIRONMENTAL IMPACT

- 19.1 The proposed strategy does not have any direct environmental impact. Any development that may take place on the disposed sites will have to be in full compliance with current planning, building and environmental legislation. In many cases the sale of redundant buildings and land will lead to new development that will enhance the local areas and lead to improved building and energy efficiency.

20. CRIME AND DISORDER REDUCTION IMPACT

- 20.1 The disposal of vacant sites and redundant buildings should help to improve antisocial behavior and crime around the sites as the buildings and sites will either be re-used or redeveloped.

21. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 21.1 The adoption of the Interim Asset Disposal Strategy and recommendations within this report will help the Council to deliver a considered and transparent disposal process that is undertaken in line with strict governance requirements
- 21.2 This will help to ensure that assets are disposed of in a timely manner securing the best financial outcomes for the Council and helping to meet the requirements set out in the MTFs.
- 21.3 The need for consultation with all Executive Directors prior to commencing disposal will also allow other, potentially more beneficial options to be considered prior to disposal to ensure no opportunities are missed to improve service delivery.

22. OPTIONS CONSIDERED AND REJECTED

- 22.1 In respect of the Strategy the only real options are:
Not to adopt an interim strategy – this would offer significant risks through the lack of a consistent approach and formal governance. Piecemeal disposals may also not capture all potential benefits that a wider programme has to offer. This option is therefore not recommended
- 22.2 To include the strategy within the wider Asset Management Plan – this would

lead to significant delay and may prevent the disposal of assets in the next financial year whilst the Plan is developed and adopted. This would therefore not deliver the required financial contributions to help address the immediate financial position of the Council and requirements of the MTFs. This approach is therefore not recommended

23. DATA PROTECTION IMPLICATIONS

23.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

23.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

Approved by: Ozay Ali Interim Director of Homes and Social Improvement

CONTACT OFFICER:	Steve Wingrave Head of Asset Management and Estates ext 61512.
APPENDICES TO THIS REPORT:	Appendix 1 – Interim Asset Disposal Strategy
BACKGROUND DOCUMENTS:	None

Interim Asset Disposal Strategy

1. General Overview

This Strategy provides an initial draft for the proposed Disposal Strategy which will be formally adopted by the Council to ensure that the best use of its assets. This strategy, in combination with a new **Corporate Asset Management Plan** [to be launched in 2021/22 financial year] and will complement the Capital Plan and Medium Term Financial Strategy [MTFS].

It is clear that the Council is in a need of a formal approach to the management of assets and in particular their disposal where they have been identified as either surplus or no longer key to the delivery of services. This must be done in a structured and controlled manner to ensure that any disposal of assets does not cause longer term operational difficulties or fail to achieve the best return for the Council.

This strategy will allow the Council to consider and approve selective disposals, in advance of the adoption of the Corporate Asset Management Plan.

2. Wider policy considerations

Given the significant financial challenges faced by Councils it is important to ensure that the best outcome is achieved from any disposal and this will need to consider:

- Holding cost of any surplus assets if to be retained for longer term use or sale
- Running costs for under-utilised assets and how these can be reduced
- Service requirements across the Council to ensure an asset is not being sold off if it could provide a cost effective solution for another service area
- Achieving “Best Consideration” – would delaying a disposal be more beneficial
- Loss of revenue from any income producing assets
- Impact on the local area from holding assets empty for prolonged periods or benefit from regeneration
- Reputational issues from having vacant assets

3. Governance requirements of this strategy

The Council recognises that good governance is a key component of this strategy, so it is essential that all decisions to dispose of an asset must be subject to a full **business case report** that will include a minimum set of requirements, including:

The business case report for every disposal will include

- a. A business case summary template [to follow]
- b. The financial case for a disposal
- c. Proposed timing of the disposal

- d. Method of disposal
- e. Impact[s] risks of the disposal – financial, reputational, political, operational, etc.
- f. Evidence of an independent valuation to show that **best consideration** is guaranteed
- g. A market assessment by a suitably qualified agent
- h. Disposal options
- i. Sign off [where required] by the relevant ELT director for the disposal of the asset, where there is no longer a service requirement. This is not to be confused with ELT approval, which is required at a later stage.
- j. Cost of sales and any budgetary approval required
- k. Confirmation of deliverability of sale – where required. For example, if staff, public or other consultations are required, they need to have been completed and reported within the business case
- l. Finance and legal sign off

4. Key points to note about business case reports

- Proposed sales that are not deliverable must not be submitted for approval
- ELT will reject reports that are not fully prepared and backed by the requirements set out above
- Key supporting documents must be attached to the reports seeking approval

All decisions to a disposal must be made in the following sequence:

1. Business case report to be prepared within the Place directorate and considered by Place DLT
2. Final version of Business Case report to ELT
3. ELT approval
4. Cabinet Member for Resources and Financial Governance or Cabinet approval, where required in line with section 9 of the Financial Regulations (attached)
5. Decision of ELT/Cabinet to be implemented by the Place directorate
6. Sale progress to be reported to ELT as part of a monthly sales update by the Place directorate

The Council will **not assume that** that capital, interest and other financial savings from a potential disposal have been confirmed until the asset has been sold and the net proceeds have been realised.

5. Methods of Disposal

Disposals cannot be progressed until an ELT/Cabinet decision has been made.

Once determined that a property is surplus to the Councils requirements, all land and property assets which are released for disposal will be fully marketed with the exception of disposals to nominated and special purchasers (see below), which will be sold by private treaty negotiation.

Disposal of land and property can be undertaken in a number of ways and it is for the Council to determine the most appropriate sales mechanism for their asset, but potential approaches include:

- **Formal Tender** – where the sale is publicly advertised and tenders submitted by a given date.
- **Informal or Negotiated Tender** – where informal tenders are invited by a given date subject to contract. Negotiations may continue after tenders are received, with the possibility that different bidders may compete to offer the most advantageous terms. This approach enables the seller to continue to negotiate after the closing date for tenders to ensure the best possible terms and outcomes.
- **Public Auction** – where land is sold through an open auction, available to anyone. Sales will be publicly advertised in advance. Auctions have the advantage of being open, competitive and allow for transactions to be completed quickly.
- **Private sale** – where the sale of land is negotiated with one or a small number of potential buyers at a price agreed between the parties. Private sale has the advantage of being straightforward, but is likely to be appropriate only in certain circumstances (for example for smaller lots of land, where sitting tenants have rights to purchase and also farm tenants, etc.).

6. Disposals to Special Purchasers

The Council may dispose to purchasers to whom a particular asset has special value because of advantages arising from its ownership that would not be available to general purchasers in the open market. Such ‘special purchasers’ will include adjoining owners and parties with an interest in the property where a disposal will release additional, or marriage value, to be shared with the Council. In some cases it could also include existing tenants.

In such off market disposals will be subject to an independent valuation to demonstrate that offers received are in line or better than the best value

7. Best Consideration – definition

The disposal of any Council owned asset is subject to achieving “Best Consideration” either in line with s123 of the Local Government Act 1972 or s233 of the Town and Country Planning Act 1990 where land has previously been appropriated for planning purposes.

There are exceptions where a disposal at less than best consideration can be permitted, where the variance does not exceed £2m if there are clear economic, social or

environmental benefit in line with the terms of the General Disposal Consent (England) 2003 or otherwise where the Secretary of State has provided a specific consent on the basis of a Council request.

It will be the responsibility of the Place directorate to ensure that the Best Consideration is achieved on all asset disposals

8. Subsidy Control

It must be noted that disposals by any UK public body need to comply with the Subsidy Control rules (superseding the State Aid regulations) – legal advice may be required to determine the State Aid implications of disposals and it will be the responsibility of the Place directorate to ensure subsidy control rules are complied with.

9. Implementing this strategy Asset Strategy Resource Requirements

Any closure and disposal programme will require a separate budget and resource to be set up to allow the correct process to be followed and undertaken in a timely manner. Whilst the disposal costs (up to 4%) can be capitalised against sales receipts, there will need to be a budget made available to allow works to be carried out, specialist advice and if appropriate, planning consent to be obtained. All properties should ideally be externally valued as part of the “best consideration” approach but in certain circumstances an internal valuation undertaken by a suitably qualified RICS registered valuer may be acceptable.

It should be recognised that capital expenditure to allow relocation of staff, both for the physical move and any new facilities, will be required and a suitable budget should be established for asset rationalisation work as part of the strategy.

Given the initial number of assets identified and the complexity of some of the closures, a specific resource should be identified to project manage the process internally to ensure that it can be progressed and monitored properly with the necessary governance being followed.

The attached spreadsheet identifies initial budget costs against each project but these will need to be developed further as part of the project management process.

10. Types of Corporate Assets

The Council’s Corporate property portfolio is made up of a range of property assets that support the Council’s delivery of services and key objectives. The property portfolio can be broadly broken down into the following categories:-

- Operational – held to support service delivery
- Investment – held for financial return

- Community – support residents or provide recreation and increasingly to support delivery of services
- Education – Schools and other learning facilities
- Surplus – awaiting disposal, re-development or alternative use

The Interim Asset Disposal Strategy will not just focus on the surplus properties but will also consider the Council's wider property requirements so that other opportunities for consolidation and disposal or for a more viable alternative use can be considered.

It is important to recognise that any assets that become surplus may provide a viable operational solution to another element of the Council. Therefore when considering the disposal of any corporate buildings that have become surplus for the current operational requirement, details are forwarded to all directors (including plans and planning details) so that they have an opportunity to consider their suitability for alternative service requirements. These assets are only declared surplus and ready for disposal once they have been through this process. Any interest that is raised by service areas will be considered for suitability/viability and budget availability before a decision is taken.

11. HRA Surplus land

In addition to the corporate assets it is important that the Disposal Strategy sets out how the Council intends to release all surplus assets including those in the HRA especially where they have already been identified as potential redevelopment sites for disposal to Brick by Brick.

Subject to the ongoing review of Brick by Brick, the Council may decide to dispose of some of the sites within existing pipelines.

Such disposals will be subject to the approval of a full business case by ELT.

12. Public Open Space, Highways and Common Land

The disposal of land which is, or forms part of an area of Public Open Space, Highways Land or Common Land, is subject to special rules and procedures. Before disposing of such areas, the Council is obliged to publish the intention to dispose and consider any representations which are subsequently received and in the case of Highways Land additional consents or Notices may need to be issued. The provisions regarding the disposal of Common Land require consent from the Secretary of State and replacement land to be made available where the area of land to be sold exceeds 200m².

13. Corporate Assets – definitions

The disposals will fall within seven main categories:

- Surplus vacant sites to include properties in disrepair and surplus tenanted properties – Quick wins
- Surplus assets released by service areas or tenants
- Corporate offices
- Sites currently used for delivery of services but under utilised
- Sites requiring public consultation
- Income producing assets
- Housing Sites
 - Sites where BBB have already obtained planning consent
 - Pipeline sites/subject to planning application

14. Corporate sites – potential disposals

The following pages set out some disposal options.

Please see appendix 1 for more detailed comments for each of the proposed sites with estimated revenue and capital savings.

14.1 Surplus vacant Sites

The Council has some sites where the previous use has been ceased and the buildings vacated and either demolished or boarded up as there are no suitable uses. They are therefore generally vacant land or have buildings that are in need of major refurbishment or structural works which means that they are best suited for redevelopment. Whilst some may have previously been considered for Council led redevelopment projects these have not come forward as viable schemes and most of the sites have now been vacant for many years.

Whilst holding costs in many cases are fairly modest, keeping these sites vacant can offer a security risk or be a source for anti-social behaviour and therefore a reputational issues. Disposal and redevelopment would provide a much more positive outcome for the local area and help generate new homes in many cases.

Consideration should be given to whether the Council should initially seek a planning consent for the site. This may help achieve a higher value but will inevitably delay the disposal and incur considerable up front cost. In many cases this is not seen as a viable option and rather than adopting this approach for all sites, each disposal will be considered on its own merits to reflect the nature of the site, holding costs and need for disposal. If planning is not secured consideration will be given to securing any significant uplift in value through the inclusion of an overage provision.

Consideration has been given to the immediate sites that have been identified for potential disposal and it is recommended that the following sites are disposed of as quickly as possible. The method of the disposals will usually be through auction or using local agents to ensure the best value is achieved. Where appropriate, discussions with the Planning Authority have taken place to inform likely future uses.

14.2 Surplus Assets Released by a Council Service or Commercial Tenants

As service requirements change over time, some buildings are released as they are no longer fit for purpose or required for the original service use. These are generally in reasonable order and have recently been vacated. They may be suitable for re-use, conversion or redevelopment. Prior to consideration for disposal, alternative service uses will be considered through the process outlined above. All assets listed below have been declared surplus through the existing disposal process and are therefore suitable for early disposal.

For tenanted assets that have been vacated, consideration will first be given to the possibility of re-letting them to generate income which may help maximise asset value if they are considered for disposal. However, where the sites are likely to generate low rental returns and capital values for vacant sites are considered to be higher than let sites, these should be considered in the first instance for sale.

14.3 Corporate Offices

The Council's corporate office strategy is to consolidate the number of offices that are used as a head office type function. Over the last 8 years around 15 sites have been vacated and the Council's corporate office function centred round Bernard Weatherall House (BWH). Changes in working styles to adopt a 3:2 desk ration has allowed some surplus space to be created and this has been absorbed through letting space within the building to partner organisations and private companies to generate additional income.

With the increase in home working opportunities and delivery of services using different methods and media, further consolidation of office space has become possible. Whilst there are few outlying offices remaining, where these exist consideration has been given to their closure and relocation of staff to BWH or provision of face to face services from other hub buildings.

Whilst the impact of Covid-Safe building requirements may currently limit some of these relocations, once these restrictions have been lifted, opportunities will arise for further relocations into BWH and the proposed office strategy builds on this and the more flexible working and service provision styles.

14.4 Underutilised Assets

Due to changing service delivery and demands, there are a number of assets that are not fully utilised and buildings could be released and those retained invested in and more intensively used. Key assets within this category include Youth provision as two new facilities, the centrally located Legacy Youth hub in Whitehorse Road and the new Timebridge centre in New Addington, have recently opened.

14.5 Sites Requiring Public Consultation

With a requirement to deliver more services for less the Council also needs to look at some of its assets currently used to deliver services to see whether an acceptable service can be delivered from less locations. The key area of consideration is focused around libraries. Whilst the Council have a statutory duty to provide a suitable library provision, we currently have 13 libraries and therefore it would be possible to consolidate the provision. Prior to the closure of any libraries it is a requirement that formal public consultation is required and for this reason, any such closures are likely to be deferred for at least 12 months.

14.6 Income Producing Assets

The Council have adopted an Investment Strategy to acquire and hold properties to specifically to produce income to support wider service delivery. However there are also a number of historic assets that the Council have acquired that produce income. If capital receipts rather than revenue income are considered to be more important than some of the assets that produce lower income levels could be considered for sale.

Consideration could be given to the sale of the recently acquired investment assets. Although these assets were purchased with a long term view to value but it is now important to consider possible early disposal where this makes commercial sense.

14.7 Housing sites

These sites form part of the ongoing review of Brick by Brick (BBB), so are not immediate disposals. The previous Asset Strategy identified a large number of surplus or underutilised sites that could potentially be used for housing development. These were investigated and brought forward through Brick by Brick and many have now been successfully developed. This process was then continued and BBB put forward further pipeline sites. Some of these have now obtained planning consent whilst others are still at the feasibility stage but with the decision not to transfer over any new sites to BBB following the recent reviews these should now be considered for potential sale to private developers.

Many of these sites were not viable for BBB to develop due to the requirement for them to deliver a high level of affordable housing even for the smaller sites that under the existing planning guidance would not require any affordable units to be provided. Private sale of these sites may therefore prove to be desirable to generate capital receipts albeit at the expense of the number of new affordable homes coming forward.

It is therefore recommended that a detailed piece of work is carried out to assess the potential of all of these sites and bring forward those that, on a purely commercial basis are likely to provide a capital receipt. Any sites that are likely to be marginal or too controversial should not be taken forward and considered for sale at this point.

For the larger sites the development options need to be carefully considered as to whether an outright sale is preferred or a possible Joint Venture option to potentially secure a higher capital sum albeit at a later date. It is recommended that for the larger sites further specialist advice is obtained from tier 1 specialist firms.

A separate piece of work is currently being undertaken to review all the BBB sites that have not already been transferred to BBB including those where contracts may have already been entered into with developers. The assessment will determine whether it is more appropriate to transfer these sites to BBB or look to terminate the contracts and dispose of them to a third party developer.

The proposal for the potential wider site disposal will look at options around straight disposal, enter into a development partnership with a private developer or housing association or not look to bring the sites forward

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