APPENDIX 2

Corporate Property and Asset Disposal Strategy 2022-2027

1. General Overview

This Strategy provides the governance process for the consideration for the retention or disposal of any Council owned assets. This strategy, in combination with the **Corporate Asset Management Plan** 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 does not cause longer term operational difficulties or fail to achieve the best return for the Council.

2. Wider 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. This will include longer term replacement, repairs and improvements to ensure that it remains fit for purpose and fully compliant
- 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 including as development sites for new housing
- Achieving "Best Consideration" – would delaying a disposal be more beneficial given the wider economic market conditions considered against alternative short term uses/holding costs
- Loss of revenue from any income producing assets if sold – does the capital receipt and associated saving against borrowing outweigh the loss of income. This is a key consideration and a medium to long term view will need to be taken given the current volatility with the markets.
- Impact on the local area from holding assets empty for prolonged periods or benefit from regeneration
- Reputational and safety issues around having vacant assets which can be a magnet for antisocial behaviour and encourage fly tipping
- Meanwhile or temporary uses such as guardians at an early stage to minimise any security costs and deliver benefits from vacant properties where disposal is expected to be over a prolonged period

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:

a. A business case summary template
b. The financial case for a disposal - this must show holding costs and potential savings through reduced borrowing and any loss in rental income
c. Proposed timing of the disposal - to include vacation by service, likely marketing and due diligence/legal work prior to exchange. Any conditional sales should include estimated timelines and longstop dates for planning etc
d. Method of disposal – this will be chosen to reflect the nature of the property and consider the best way to maximise value and minimise holding costs.
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. This must be obtained from an RICS qualified Registered Valuer. On occasion this may be provided by a suitably qualified internal surveyor but will normally be provided
g. A market assessment by a suitably qualified agent
h. Disposal options - these will largely be centred on sale or letting
i. Sign off by the relevant Corporate director (for the service area that has vacated the asset) where the asset was formerly operational for the disposal of the asset, where there is no longer a service requirement.
j. Estimated cost of sales and any budgetary approval required. This will include any legal, agents and cost of specialist reports, marketing material etc
k. Confirmation of deliverability of sale – where required. For example, if staff, public or other consultations are required, and the likely timescales.

4. Key points to note about business case reports

- CMT 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 to include as a minimum the external valuation

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

1. If operational, the asset must be declared as surplus to requirement – this will be done by writing to all directors. Any proposed alternative uses will be considered against the benefits of disposing of the asset
2. Initial agents opinion (not a formal report) to be obtained to assess marketability and any likely additional work required
3. Valuation undertaken by RICS qualified Valuer Business case report to be prepared by the Property Services team
4. Final version of Business Case report to CMT
5. CMT approval
6. Mayoral/Cabinet approval, where required in line with section 9 of the Financial Regulations

7. On occasion it may be necessary for commercial property reasons to adopt an accelerated process using Urgency provisions. In such cases any disposals will be reported to Cabinet at the next available opportunity
8. Sale progress to be reported to CMT as part of a quarterly update by the Property team

The Council will **not assume** 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 a CMT/Mayoral approval 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.

If the asset has been registered as an Asset of Community Value, the relevant parties will be contacted as part of the disposal process and any offer received considered against the market valuation. There will be no obligation on the Council to sell the asset at below market value.

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. The consent of the Secretary of State is required for disposals at less than best consideration and there are some general consents e.g. where the variance does not exceed £2m, it can be permitted if there are clear economic, social or environmental benefit in line with the terms of the General Disposal Consent (England) 2003.

8. Subsidy Control Rules

It must be noted that disposals by any public body need to comply with subsidy control rules – legal advice may be required to determine the subsidy implications of disposals and it will be the responsibility of the Property Services team having obtained any necessary legal advice 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. In line with the CIPFA Code of practice guidance notes for practitioners Reasonable disposal costs (up to 4%) can be capitalised against sales receipts .

Costs of Disposal

"Costs of disposal are incremental costs directly attributable to the disposal of an asset. The statutory arrangements for capital receipts in England and Wales permit costs of disposals to be financed from the receipts generated (although there is a cap of 4% of the capital receipt for costs incurred in relation to non-housing disposals)"

, Therefore the cost to allow works to be carried out, specialist advice and if appropriate, planning consent to be obtained plus all fees will initially be from one of the Property Services budgets and then recharged up to the allowable maximum, against the capital receipt for the sale. 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, may be required and a suitable budget should be established for asset rationalisation work as part of the strategy if this is likely to exceed the allowable 4% of the sale proceeds.

Given the likely number of assets identified and the complexity of some of the closures moving forward, 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.

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 Corporate Property and Asset Disposal Strategy will not just focus on the surplus properties but will also consider the Council's wider property requirements so that all 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 this Strategy also applies to release of all surplus assets, including those in the HRA (subject to any requirements of the relevant Housing Strategy).

Due to the ongoing review of the former Brick by Brick sites, the Council may decide to dispose of some of these sites rather than retain for housing development. Such disposals will be subject to the same approval process and full business case as outlined above.

12. Public Open Space, Highways and Common Land

The disposal of land which is, or forms part of an area of Pubic 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 Brick By Brick have already obtained planning consent
    - Pipeline sites/subject to planning application

14. Corporate sites – potential disposals

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 issue. 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 will be 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.

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 around 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 the adoption of the Council's hybrid working policy together with 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 the Covid-Safe building requirements may still 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 will become under utilised and buildings could be released and those retained invested in and more intensively used.

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. One of the key areas for consideration is focused around libraries. Whilst the Council have a statutory duty to provide a suitable library provision, the nature of delivery (including the possibility of different delivery methods) and shared use as hubs may be required moving forward to deliver further savings. Depending on the nature of these changes, further consultation could be necessary and this would need to be factored into any delivery timescales.

14.6 Income Producing Assets

The Council have adopted an Investment Strategy to acquire and hold properties 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 is considered to be more important, it may be appropriate for some of the assets with lower income levels or those that need considerable future investment, to be considered for disposal. In such cases the business case will need to clearly identify the benefits of a capital receipt against the loss of income.

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), but could offer disposal opportunities, subject to any relevant Housing Strategy. 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 or planning permissions obtained. The sites that have not yet been developed will now be reviewed and where appropriate either considered for development to provide more social housing or potentially sold to third parties or developed in partnership with registered providers to deliver new housing..

Further work should be carried out to assess the potential of all of these sites and bring forward those that do not offer benefits for wider estate improvement works within the HRA and on a 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 a tier 1 specialist firm.

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.