

SUSTAINABLE GROWTH AND ENVIRONMENT CAPITAL SCRUTINY COMMITTEE	Agenda Item No. 6
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Report of the Executive Director - Resources

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ASSET DISPOSALS – 2014/15

1. PURPOSE

- 1.1 This report has been produced as a response to a request from the committee for an update in relation to asset disposal.
- 1.2 The report outlines the councils requirements for asset disposal in the medium term financial plan and progress to date in achieving these disposals.

2. RECOMMENDATIONS

- 2.1 The Sustainable Growth and Environment Capital Scrutiny Committee is asked to note the contents of this report and ask for further questions as required.

3. LINKS TO THE SUSTAINABLE COMMUNITY STRATEGY

- 3.1 Priority 4 – Delivering substantial and truly sustainable growth

4. BACKGROUND

- 4.1 The Council can raise capital funding for support key priority project through a number of sources -
 - Grants and Contributions from external sources through the various funding regimes and/or through government initiatives
 - Borrowing, with the financing of the borrowing funded by either Central Government,
 - Council Tax or savings within the revenue budget
 - Contributions from the revenue budget
 - Disposal of assets.
- 4.2 As a result of government cuts in funding, the council is receiving significantly less grant funding than in previous years. These has also been less funding through our revenue support grant and other grants, which has curtailed our ability to either fund major capital schemes from revenue funding or through borrowing. The council therefore has had to look at options around disposal of assets.
- 4.3 An annual review of asset disposal is undertaken to review which of the council assets could be sold to support capital expenditure into such areas as school places, highways or supporting vulnerable children or adults. This list of assets declared surplus and proposed for disposal are published as part of the budget strategy (see appendix 1 for 2014/15 schedule). Values are not disclosed due to commercial sensitivities.
- 4.4 Assets declared surplus by the council are reviewed against 3 criteria –
 1. Can they be used for another purpose within the council?

2. Does the asset has a value to support the growth agenda of the city?
3. Does the asset have a realisable monetary value to support the needs of the financing the capital expenditure of the council?

4.5 Assets that don't meet any of these criteria and subject to the community asset transfer arrangements. Assets are also reviewed against their income generating capacity. For example, a commercial property with an asset with a value of £1m returning a rental of £100k (i.e. 10% return) generates a higher return than the saving on borrowing a £1m capital receipt which costs around £63k a year in borrowing.

4.6 The objective of our asset disposal is to maximise capital receipts. However, the Council will not dispose of property assets at less than the market valuation unless there is an overriding need which is supported by a business case. Any business case will consider the difference in value between the proposed capital receipt and the maximum capital receipt that could have been obtained following receipt of the valuation which is procured through the council's property team. Significant work may be undertaken to maximise this value – this may include purchasing adjacent land / access, clearing surplus buildings from sites or seeking planning permission prior to sale. A budget is retained in the council for supporting the costs of disposals. Assets are often held for extended periods to allow for fluctuations in the market or where strategic decisions may increase the value of such an asset.

4.7 The current approved budget for capital is shown in the table below -

	2014/15	2015/16	2016/17	2017/18	2018/19
	£k	£k	£k	£k	£k
Total Capital Expenditure	260,808	144,711	61,200	26,579	19,842
Financed by:					
Grants & Third Party Contributions	29,407	10,012	11,827	10,327	5,827
Capital Receipts	9,764	7,620	2,425	2,775	1,000
Capital Financing Requirement (Borrowing)	221,637	127,079	46,948	13,477	13,015
Total Capital Financing	260,808	144,711	61,200	26,579	19,842

This programme assumes that for the period 2014/15 through to 2018/19 that the council realises capital receipts through the sale of land and property of £23.6m.

5. KEY ISSUES

5.1 As previously outlined, the management of the asset disposal process is a fluid one with a wide range of issues leading to changes in the programme. As the table in section 4 shows, receipts of £9.74m (approximately 30 assets) have been assumed for the current Financial Year (FY). A further 23 assets are programmed for the 2015/16 FY totalling £7.62m. The anticipated receipts for the following 3 years reduce to £2.2m, £2.7m and £1m respectively.

5.2 The Council has so far this FY completed 2 sales totalling £861k through the sale of the Craig St Car Park for a new medical centre and the Former Eldern Public House in Orton Malborne for conversion to flats. It is not unusual at this stage of the FY to have a disproportionate amount of assets sold as sales are typically take many months to achieve completion unconditionally (the point at which we can count a receipt as being secured). There is usually a hiatus in the final quarter of the year.

5.3 Approximately £5m of this year's programme is taking up with 2 former Secondary School sites - John Mansfield (main site at Western and remote site off Belvoir Way). These sites had been previously held back for potential inclusion in the Council's new Growth Partner Joint Venture. These are no longer required as part of that JV asset portfolio and hence now available to be progressed for sale. These are major development sites and although in the case of John Mansfield Western Avenue site already with planning consent and John Mansfield Belvoir Way sites with resolution to grant, there is still a lot of work to be completed to get these development site sales to legal completion. There also an affordable housing link to the Bretton

Woods site (15/16 sale) which is being addressed prior to sale. The Council are currently discussing these sites with a number of parties and there is significant off market interest. There is a risk that the capital receipt for these will not be received until the next FY.

- 5.4 Other assets for disposal include assets currently held for investment purposes (The Lindens, Pyramid Centre Bretton, Northmister House and Herlington Centre at Orton Malborne.) Discussions have and will continue to take place with potential buyers for all 4 of these investment assets. However before a final decision is taken on progressing these to contract a final look at the development options and timings for sale as they impact on the Council's Revenue budgets given these are income producing assets will be undertaken. It has been assumed as at the end of September 2014 these sales will not be achieved until the next FY or potentially removed from the sales list and substituted with an alternative investment asset to maintain the programme which is performing less well or no longer a strategic hold.
- 5.5 Sales of three other sites on the current 14/15 list are stalled until the resolution of either service reviews or due to potential changes to the ownership/operation or marketing of adjacent land. It is wise for the Council to await the outcome of this to ensure that the Council's best interests are protected.
- 5.6 As at the end of September the current forecast is to secure on an unconditional basis this FY approximately £3.59m from 17 assets. Significant work is being undertaken to try and reach this years target including the following sites
- the 2 former school sites outlined above – both are complex sites although we hope to secure at least one capital receipts.
 - Caxton Court/Coneygree Road Stanground- may be auctioned this FY if reconfiguration of land ownership for wider development is not possible
 - Land at First Drove Fengate – currently subject to a dispute with an adjacent landowner over ownership of the road
 - Land at Gostwick Orton Brimbles - given this may form part of a potential larger portfolio sale with other Council assets
 - Land at St Pauls Road - a review of open space in the Can Do area may result in an alternative uses other than residential development
- 5.7 The need for further capital receipts is part of an ongoing review around all the assets of the council and the need to ensure best value and effective use of public resources. Key areas for future review include –
- Surplus school land (excluding playing fields)
 - Surplus allotment land
 - Adult social care operational property review
 - Commercial property review (which might include purchasing further investment properties).
 - Surplus recreational space
 - PCC Operational property (including offices)
 - Farm estates review
 - Community centre review
 - Caretakers houses

6. IMPLICATIONS

- 6.1 The delay in realising asset sales up to the value of the requirements of the capital programme may mean the council needs to undertake further borrowing to supports its financial position. However, slippage in key projects including school build programme, may mean the financial position of the council is unaffected. Every effort is being made to accelerate disposals.

7. CONSULTATION

- 7.1 All asset disposals require approval through the budget process and then for a final cabinet member decision notice prior to final sale.

8. NEXT STEPS

- 8.1 All assets under council ownership are currently under review. This will lead to an updated programme in future years.

9. BACKGROUND DOCUMENTS

None

10. APPENDICES

Appendix A Extract from Budget 2014/15 – presented at Council – 5th March 2014 – Capital Receipts Summary

Capital Receipts Summary from 2014 to 2018

Annex Four

Asset	14/15	15/16	16/17	17/18
	£000	£000	£000	£000
11 Commerce Road	*			
5 & 7 York Road	*			
Adult Social Care Properties	*	*		
Arthur Mellows caretakers house	*			
Bishops Road Car Park		*		
Primary School Surplus Land (extend to be determined)		*	*	*
Bretton Court		*		
Bretton Woods (Residential)		*		
Caxton Court / Coneygree Road	*			
City Clinic			*	
Covenants	*	*	*	*
CRA Winfall	*	*	*	*
Crocus Grove	*			
Dickens Car Park	*			
First Drove, Fengate	*			
Fleet	*			
Food Hall & Market				*
Goswick - Orton Brimbles	*			
Herlington Centre	*			
Hill Farm Barn (Farm Estate)		*		
Homenene House	*			
Horsefair Car Park		*		
John Mansfield (Remote site)	*			
John Mansfield Main Site	*			
Land at Splash Lane Woodlands Castor		*		
Land at Tenterhill - Thistle Drove		*		
Land at the Dell, Woodston	*			
Land in & around Laxton Square				*
Lindens	*			
London Road (Former Allotment Land)		*		
Miscellaneous Farm Estate			*	*
New England Complex, Lincoln Road		*		
Northminster House, Ground Lease	*			
Operational Assets Pending Property Rationalisation	*	*	*	*
Orton Bowling Green		*		
Orton Avenue Garage Site	*			
Orton Centre Filling Station		*		
Paston CRA land			*	
Peterscourt		*		
Pyramid Centre, North Bretton	*			
Land at Riseholme, Orton Goldhay		*		
St Pauls Road	*			
Substations	*	*		
The Croft - Eye				
Thorney Tank Yard, Thorney		*		

Vergette Road	*			
Welland Allotment Land at Nab Lane		*		
Welland Close (Land)	*			
Welland House-ASCP			*	
Wellington Street Car Park		*		
Westwood Centre Car Park (part)	*			
<u>Growth and Regeneration Joint Venture</u>				
Wirrina Car Park		*		
Former B & Q Site		*		
Former Matalan Site		*		
Bridge House		*		
Engine Sheds		*		
Pleasure Fair Meadows Car Park		*		
Aqua House*		*		
The Mill*		*		
Bayard Place				*
Market Multistorey Car Park				*
Central Library				*

N.B. Land disposals linked to schools will be discussed further with Children's services nearer the relevant financial year to ensure they remain compatible with any emerging expansion plans

* These properties have not yet been purchased, but if they do come into the Council's ownership they may be included within the properties optioned to the Peterborough Investment Fund.