

SUSTAINABLE GROWTH SCRUTINY COMMITTEE	Agenda Item No. 5
20 JULY 2009	Public Report

Report of the Director of the Executive Director of Strategic Resources

Report Author – A Edwards, Head of Strategic Property
Contact Details – 01733 384530

THE APPROACH TO THE DISPOSAL OF ASSETS

1. PURPOSE

This report is being provided for information in response to a request of the Sustainable Growth Scrutiny Committee regarding the disposal of land assets and the policy adopted.

2. RECOMMENDATIONS

The Sustainable Growth Scrutiny Committee is asked to comment on the approach as set out in this report. Any comments will be considered during the revision of the Corporate Asset Management Plan in the Autumn.

3. LINKS TO CORPORATE PLAN, SUSTAINABLE COMMUNITY STRATEGY AND LOCAL AREA AGREEMENT

The efficient and effective management of the property portfolio is a key to the delivery of Council objectives. A property portfolio that is managed correctly assists in the delivery of outcomes at the right place and at the right time. This includes the disposal of assets that are surplus to requirements. Capital receipts generated by the disposal of surplus Council assets contribute directly and significantly to the Capital Programme.

4. BACKGROUND

- 4.1 Peterborough City Council is a major landowner in the Peterborough Area. In total the Council owns in excess of 2000 assets with a current use value of £380m (FY08/09 values). These assets are used to support the Council in the delivery of Objectives. Asset use is kept under review and those that are surplus are disposed of in accordance with the process set out in the Corporate Asset Management Plan 2009-14. This is updated each year as part of the budget process.
- 4.2 The approach adopted to the disposal of assets is governed by Section 123 of the Local Government Act 1972. This clearly sets out that it is the duty of every local authority to receive best consideration when disposing of an asset. In practice this means that the Council should identify and adopt an approach that ensures that any offer for land gives the best possible return, taking into account all of the benefits that any proposal offers, not just price.
- 4.3 However 'The Act' did recognise that there would be instances where a Local Authority would dispose of land at less than market value on the basis that it would meet a sustainable social, economic or environmental requirement. Up until 2003 approval to take this approach was required from the Secretary of State. However in 2003 the Secretary of State issued Circular 06/03 - General Consent Order. This allowed Local Authorities to sell land at an undervalue of up to £2m provided that a disposal would meet the criteria set out above. An undervalue of more than £2m still needs to be referred to Government Office for approval.

5. THE DISPOSAL PROCESS

- 5.1 Assuming that a disposal is agreed then Strategic Property will examine the ways in which best value can be obtained. To enhance value, consideration will also be given to obtaining various consents which in turn will reduce risk for a developer thereby increasing value further. For example this is the type of work that has been undertaken on school sites by obtaining outline planning consents.
- 5.2 Consideration is also given to the potential future use of the site. This review is wide ranging and will consider as a minimum retail or residential use. Part of this review will include working with a local agent to obtain an independent valuation of the site for proposed uses. The disposal approach will be dependent upon a number of factors including size, location, demand and disposal route. As part of the overall approach 'self-build' will be considered.
- 5.3 A key to determine the future approach to disposing of an asset will be the holding costs and the period before the site is transferred out of Council ownership. Larger 'Open' sites such as 'The Grange' are high value sites that will generate substantial capital receipts if the disposal is managed correctly. In this example the Council has invested substantial sums of funds into allotment provisions and also in obtaining an outline planning consent. Other sites such as PPDC have significant holding costs which pre-determine the approach that is adopted. In this example the most cost effective approach is a prompt disposal with the existing planning consent.
- 5.4 'Self-Build' or single plots have been considered in the past. However the evidence in the market is that there is not the demand that would justify the disposal as single plots of a large site like 'The Grange'. In addition the Council would need to fund the infrastructure, market and manage the sites and there would be a lack of certainty in Capital receipts. These combined would have a significant impact on revenue.
- 5.5 To justify the disposal of single plots they need to meet the following criteria:
- To be able to benefit from existing Infrastructure
 - To be capable of being individually developed
 - For there to be a demand
 - In the correct location.

6. KEY ISSUES

- 6.1 When disposing of an asset it is essential that best value is obtained by the Council. This includes taking into account all of the liabilities associated with holding an asset both, financial and non-financial.

7. IMPLICATIONS

- 7.1 Failure to manage the property portfolio efficiently and effectively will have an impact on the Councils ability to deliver outcomes.

8. CONSULTATION

- 8.1 There has been consultation with Legal Services and Strategic Finance in the preparation of this report.

9. EXPECTED OUTCOMES

- 9.1 The Committee to note and comment on the contents of this report. .

10. NEXT STEPS

- 10.1 Any comments will be considered during the development of the Corporate Asset Management Plan in the Autumn.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

Corporate Asset Management Plan 2009 - 2014

Medium Term Financial Strategy February 2009

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