

CABINET	AGENDA ITEM No. 7
20 September 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Property	
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ASSET DISPOSAL AND REVIEW PLAN

RECOMMENDATIONS
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Agrees to the disposal plan included in this report including the series of reviews aims at rationalising Council assets over time. 2. Agrees to that a new Asset Management Plan will be prepared for inclusion in the Council's Budget Strategy in February 2023, along with a Disposals and Acquisitions Policy.

1. PURPOSE AND REASON FOR REPORT

- 1.1 The report is presented to Cabinet to recommend the Asset Disposal and review Plan to support the Council's Budget Strategy and Capital Strategy. The report identifies assets which the Council can release for sale over the period 2022-2025.
- 1.2 This report is for Cabinet to consider under its Terms of Reference No 3.2.17, '*Cabinet will be responsible for the following functions in relation to the Council's companies, partnership and charities; (b) The decommissioning/winding up of existing companies, partnerships and charities.*'

2. BACKGROUND AND KEY ISSUES

- 2.1 The Council's Capital Strategy 2022/23-2025/26 requires a significant level of capital receipts to replace borrowing. The Capital Programme is under review to reprioritise or rephase schemes to minimise the capital receipt requirement. The capital receipts target has been set at £32m over the three years, including an additional £2.4m requirement identified to ensure to fund debt repayments. It is currently anticipated that the timing of the level of receipts achievable in 2022/23 will be lower than the target set, closer to £9m, with the 2023/24 level being higher than planned at between £12.5-15m, so that over the three years the overall level of receipts required will still be achievable.
- 2.2 Work is underway to develop a new Asset Management Plan for the Council as part of the Budget Strategy for 2023/24. The purpose of the Asset Management Plan will be to set the strategic direction of the Council's plans for its assets, including disposals and

identifying the pipeline of future receipts and investment requirements in retained Council property or for regeneration and growth initiatives.

- 2.3 The Asset Management Plan will focus on achieving a fit for purpose, efficient, compliant estate, which can meet carbon targets. This will involve some investment, but in current circumstances it will be necessary for the Council to place emphasis on the rationalising and disposal of assets to achieve the agreed targets and in any case will need to reduce its estate to achieve efficiencies in operating costs and as well as ensure that the Council is able to invest in retained property to meet carbon targets.
- 2.4 The Disposals Plan sets out a realistic and deliverable programme of disposals over the three year budget planning period, ensuring that asset are sold at the best time and appropriately to achieve best consideration. A Disposals and Acquisitions Policy will be developed as part of the plan which will clarify the circumstances and tests in decision making about disposals and acquisition of property.
- 2.5 Assets included in the Disposals Plan are outlined below with overall target and anticipated disposal year marked with tick. There is always a risk that receipts cannot be achieved in the planned year. This will need to be balanced by achieving alternative receipts where possible and ensuring the receipts can be delivered over the three year MTFs period. Those completed or certain are shaded grey (with amounts where in the public domain). Paragraph 2.6 below provides further information where appropriate on proposed disposals which are subject to review to ensure best consideration is achieved or where there are issues which affect timing.

Sites	Asset Category	22/23	23/24	24/25
DECISIONS MADE				
Northminster	Former location of the city market and food hall	✓ £4.1m		
The Pingle Covenant Release	Covenant release restricting land use to agricultural.	✓		
LRPP ltd deferred payment 21/22	Final staged payments following disposal of football ground	£233k	£233k	£233k
FQ Hotel Loan	Repayment of funding towards Hotel at Fletton Quays	✓ £15m 03/23		
Speechleys Drove Land	Sale of small parcel of agricultural land	✓		
Land at Fletchers Farm	Additional land at sold farm building	✓		
UKPN Easement	Premium payment for cable easement through part of the embankment	✓		
SUBJECT TO DECISION OR REVIEW				
City Clinic	NHS lease, surplus property, PCC freehold, previously a clinic. NHS disposal proposed. Under review.		?	

Rural Estate	Phased disposal of (parts of) the rural estate following review	✓	✓	✓
Hallfields Lane	Small parcel of open space land with planning permission for residential dwellings.	✓		
Land at A1/A605	Development land (PCC interest) in Huntingdonshire at PCC border.		✓	
London Road Gravel Car Park	Development land proposed disposal for housing		✓	
Middleholme (Ph1)	Development land (PCC interest) east of Embankment area, to be brought forward in phases			✓ Ph1
Northminster House	Office building. Possible sale of freehold to leaseholder		✓	
Public House, Herlington	Possible sale of freehold to leaseholder.		✓	
16 Royce Road	Industrial property. Possible sale of freehold to leaseholder		✓	
Peterscourt	Eco-Innovation Business Centre		✓	
Chauffeurs Cottage	By Haven Car park. Surplus property with short term use. Subject to option appraisal.		✓	
Wellington St Car Park	Sale to leaseholder of part of car park.		✓	✓
Land at Angus Court	Former school p/f			✓?
Various	Sale of surplus assets and series of asset review		✓	✓
Target	£32m	£12m	£10m	£10m

2.6 Specifically in relation to the potential disposals listed above:-

- A number of previously planned receipts listed above are subject to review in relation to deliverability and best consideration. These include London Road Gravel Car Park, under review in relation to best consideration, and Land at Angus Court, under review in relation to potential s77 requirement release from DfE outstripping value, and lease issues.
- NHS City Clinic is based on a proposal by the NHS to dispose of this surplus building. This requires Council consent and the Council holds the freehold. Discussions are underway, but alternative uses for the existing building may be considered.
- The Middleholme development may release a significant receipt extending beyond the current receipts programme three year period. This major site will be developed collaboratively between its owner and PCC; and the development (and receipts) is likely to be phased given the scale.

- The Council has a land interest neighbouring Huntingdonshire at the A1/A605 junction which is subject to an impending planning decision. This could release a significant receipt to the Council part of which will be due to Homes England. It has been phased cautiously into 2024/25.
- The potential commercial receipts listed should be achievable but checks will take place to ensure that these disposals are in the Council's best interest. A review of the commercial estate will take place over the next year which may release alternative or additional properties for sale.
- The rural estate is also subject to a review with a view to releasing sites in a planned way at market value. It is likely that a number of significant disposals can be achieved at market value in the current financial year. It is intended to retain some of the estate for future purposes and the Asset Management Plan report in February 2023 will include this.
- Local assets – these include unused assets in which should be identified early on in the reviews which will take place over the coming year.

The Disposals Plan is in part dependent on a series of asset category reviews to take place over the coming 12 months which will prioritise assets for retaining for use or for disposal. The categories include:

2.7

- Locality based assets: the pattern of Council presence or community based assets is largely historic. A review will identify where there is under or overprovision, where condition is unsuitable or where the assets are not fit for purpose. This will include district centre based assets, libraries, leisure, youth and community centres including the status of assets previously proposed for community asset transfer.
- Commercial Property Portfolio: checking the commercial performance and purpose for holding commercial assets, releasing those which do not support economic growth or wellbeing or which are underperforming commercially for the Council. The Council has a number of freehold or leasehold interests and in some circumstance the Council may need to buy out other interests in order to consolidate its commercial estate. The review will divide property into office, retail and industrial categories.
- Housing – reviewing the Council's Councils portfolio of specialist housing provision including temporary accommodation and hostel provision in line.
- Major Operational or surplus assets – including depots and former allotments.
- Car parks – the car parking strategy was agreed in July 2022 and provides a potential basis to reduce the amount of Council land used for car parking over time in order to maximise use of remaining car parks, produce receipts by releasing land for housing or economic growth purposes.
- Education, Learning and Care assets – these assets have not been included in the Council's Asset Management Plan and therefore a review of purpose and suitability will be carried out in each area.

- Accommodation: major long term view required in relation to the future of Council accommodation including Sand Martin House and Town Hall and how to rationalise Council use.
- City Centre/ Future Growth Assets: a number of major assets which could be retained or released depending on how they contribute to future growth. This includes Key Theatre, Central Library, Town Hall, Regional Pool and Track, land assets in the Embankment area, and properties acquired to deliver the Vine project.

2.8 In conclusion, the Disposals Plan has been prepared in order to guide the steady disposal of Council assets to support the Council's budget position. It is connected to a more strategic review of asset categories and the development of a new Asset Management Plan for approval by Cabinet in February 2023 along with the Budget Strategy.

3. ANTICIPATED OUTCOMES OR IMPACT

- 3.1 The Disposals Plan is designed to deliver planned capital receipts to meet budget targets over a three year period, ensuring that the decision making to dispose of assets is robust and that assets are released at the right time with best value is achieved.
- 3.2 In proposing to dispose of assets the potential for revenue loss will need to be taken into account in decision making. This is particularly true in relation to commercial assets and to some extent risk with car parks. and this is certain when we sell commercial properties so I will reference. Where surplus operational properties are disposed of the Council will save running costs, maintenance costs and carbon target investment and this will be an area of significant focus over the 2023/24 -2024/25 period for that reason.

4. REASON FOR THE RECOMMENDATION

- 4.1 The Council needs to identify assets for disposal to support its budget position.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 The Council will always need to reviews and dispose of assets as its financial or operational needs change. It is not possible in the current circumstances to do nothing and so that as an option has not been considered. The alternative of releasing assets very quickly to achieve the highest level of receipts early has not proved necessary. The phased approach to achieving the level of receipts required to balance the Council's budget is considered the optimum route for the Council at this stage. The Asset Management Plan which will be published with the budget in February 2023 will identify a longer term approach to the Council's asset planning.

6. CONSULTATION

- 6.1 No specific implications but where necessary consultation will take place in relation to any disposals included in this plan.

7. IMPLICATIONS

Financial Implications

- .1 The Improvement Plan approved by Council in December 2021 outlined the plan of action the Council would need to take in order to become financially sustainable. Included in this Plan was the recognition that the Council has a high level of debt, and a weak balance sheet with reduced financial resilience. As such the Plan recognises that:

“receipts from asset disposals will be utilised to meet current commitments, provide additional cash flow into the Council to mitigate budget pressures of servicing past debts....., and if required to provide an alternative funding source for a transformational programme that delivers savings over the period of the MTFS subject to Government approval.”

If borrowing is required to fund the timing difference between target and actual receipt of sale proceeds it could lead to additional estimated costs over and above what is currently budgeted for of approximately £50,000, (based on prevailing short-term rates at the time of drafting this report) over the one or two-year delay. However, the Council is also considering its options for mitigating actions such as pausing schemes which have not yet started in reflection of this timing difference in asset sale receipts to avoid additional costs.

Legal Implications

- 7.4 The Council has a requirement to achieve best consideration when it disposes of its assets under section 123 of the LGA 1972. A Red Book valuation will be carried out prior to all disposals to verify this.

Equalities Implications

- 7.5 No specific implications arising from this report although where necessary Equality Impact assessments will be carried out to support decision making.

Risk Assessment

- 7.6 The Council needs to achieve a minimum level of capital receipts in order to continue its planned capital programme. The capital programme is subject to a separate review and spending will be held or deferred until it is clear that the receipts will be achievable to cover the cost so that the Council's overall budget position is not undermined. The Council will need to test the risks in the circumstances.
- 7.7 There is a risk that the level of receipts planned will not be realised. This is mitigated with a cautious view about what is achievable And how quickly with receipts scheduled into 2023/24 and beyond rather than over predicting in the current year.

Carbon Impact Assessment

- 7.7 No specific implications in this report although the asset review process will identify those assets which are inefficient or require investment to meet carbon targets.

8. BACKGROUND DOCUMENTS

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

- 8.1 None.

9. APPENDICES

9.1 None

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