

CABINET	AGENDA ITEM No. 7
November 2024	PUBLIC REPORT

Report of:	Cecilie Booth - Executive Director of Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Councillor Mohammed Jamil, Deputy Leader of the Council and Cabinet Member for Finance & Corporate Governance	
Contact Officer(s):	Felicity Paddick	Tel. 07484 520859

REVIEW OF ASSETS

RECOMMENDATIONS	
FROM: <i>Enter who – e.g. Scrutiny Committee, Director, Cabinet, Cabinet Members</i>	Deadline date: <i>Enter relevant date for action – e.g. date of report to another body/meeting</i>
<p>It is recommended that Cabinet:</p> <ul style="list-style-type: none"> Approves in principle the review of PCC freehold assets at market value as listed below. Delegate authority to the Executive Director of Corporate Services to take all necessary steps to facilitate the outcome of recommendation 1 including approving the final terms of any disposal and entering into any necessary agreements. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet to recommend the review of assets to support the Council's budget strategy. The report identifies assets which the council could release for sale over the period 2024-2029.

This report is for Cabinet to consider exercising its delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (q).

2. PURPOSE AND REASON FOR REPORT

2.1 The report sets out to Cabinet an update on assets that are already approved for disposal but to also consider other opportunities to achieve a capital receipt to support the Council's financial sustainability and reduce the high level of debt.

The review of assets is designed to deliver planned capital receipts and revenue savings to meet budget target requirements in line with the approved Asset Management Plan 2024-29

There were four main workstreams that the Estates Team focused on resulting in a list of identified assets which the Council could release for sale over the period 2024-2029.

The review of assets flow from the Asset Management Plan (AMP) 2024-29, approved by Council as part of the budget setting report in February 2024.

3. TIMESCALES *[If this is not a Major Policy item, answer NO and delete the second line of boxes.]*

Is this a Major Policy Item/Statutory Plan?	YES/NO	If yes, date for Cabinet meeting	12/11/2024
Date for relevant Council meeting		Date for submission to Government Dept. <i>(Please specify which Government Dept.)</i>	

4. BACKGROUND AND KEY ISSUES

4.1 The Asset Management Plan (AMP) 2024-2029 provides a five-year strategic overview of the Council's land and property assets (excluding highways and infrastructure). This included the basis of a longer-term strategy for the council's property assets and management, to underpin and support the delivery of council strategies including the Sustainable Future City Council Strategy 2022-2025.

The AMP supports a fit for purpose, efficient, compliant estate, which can meet carbon targets. In order for the Council to achieve its financial targets there is a focus on the rationalising and disposal of assets to achieve the agreed targets. This will result in reducing the property estate to achieve efficiencies in operating costs and as well as ensuring that the Council is able to invest in its retained property. The Council is committed to using its property assets in a manner that provides their optimum benefit to the Council and the local community and represents value for money supporting service delivery and giving a financial return from capital and/or revenue in line with PCC's strategic priorities.

The Council has a debt portfolio in the region of £500m. The annual revenue budget cost of capital finance is £36m, 16% of the Net Revenue Budget. It is a key priority for the Council to reduce debt through repayment of borrowing and reduce revenue costs, for example, the asset disposal programme has identified potential capital receipts in the region of £33m in 2024/25. If used to repay debt, this will provide annual revenue savings of £2.4m through avoiding replacing maturing loans and MRP reductions. All identified disposals underway or under consideration have been reviewed appropriately by considering the needs of the council and its statutory services. All disposals are subject to independent valuations and/or offered to the open market to ensure that best value is achieved. Under Section 123 of the Local Government Act 1972, it is essential that the council achieves best value for any disposal of assets.

The previously approved disposals and potential disposals support the Council's journey to improvement as detailed in the Improvement Plan which sets out how we will move towards a stable financial footing, while still providing the quality statutory and day-to-day services that residents need.

The Council currently owns more than 1,800 property assets including land and buildings, Property is a major resource for the Council and provides underlying value as well as significant cost. It can be expensive to maintain, needs careful management and requires constant review in an ever changing and economically challenging environment to provide best value to the council.

Contained within the AMP, an action plan was agreed for 2023-2028, and it was agreed that a series of actions would be undertaken by the Estates Team and the scope of the work and reviews are noted below.

- Capital Receipts Programme – this forms part of the Medium-Term Financial Strategy for the council and is regularly updated in collaboration with finance to track progress. The projected capital receipt programme is on track to deliver. The assets are included under the 3 headings below: -

- i)* Localities Review – this review involved identifying assets that were no longer fit for purpose and therefore could be disposed of, those that should be retained for operational purposes, assets that could be re-developed to provide a capital receipt or achieve other service requirements and assets that could be re-purposed to meet operational and community requirements. Progress is reported monthly to CLT and members via a monthly member update
- ii)* Review of the Commercial Property Portfolio – this is an on-going review which aims to achieve a fit for purpose, efficient, compliant estate which can also support carbon reduction targets. The Estates Team has also been reviewing leased in property assets with the intention to reduce these and the financial costs associated with them.
- iii)* Rural Portfolio - Cabinet has previously approved the disposal of its rural estate with a number of completed sales. The Newborough rural estate is currently on the market for offers in the region of £9m with interest from investors and farmers.

As a result of the reviews being undertaken, a number of properties have been identified that have completed, are now under offer, in negotiation or could be considered for disposal. These are listed below. The key is having approval to progress the disposals at best value.

There are risks attached to the programme which include:

- Internal legal support being able to progress the disposals in a timely manner due to the volume of potential transactions. To mitigate this, we will attempt to push forward and prioritise those assets that generate a higher capital receipt.
- Capital receipts cannot be achieved in the timescales provided as these are not always in the control of officers managing the disposal programme. However, with close monitoring in place, we can bring forward other disposals that are in the pipeline.
- If the recommendation is made not to delegate authority to the Executive Director of Corporate Services to take all necessary steps to facilitate the decision in recommendation 1, including approving the final terms of the disposal and entering into any necessary agreements, there will be a delay in receiving capital receipts.

The following detail provides an update on the position of assets and others that may be considered for a disposal once the review of the asset is finalised. It should be noted that all other assets not within this list continue to be reviewed as per the council's AMP and corporate strategy and in the event, they are also recommended for disposal review, will also follow suitable governance requirements.

1. Completed Disposal, Under Offer and In Negotiation

Completed Disposals

Rural Estate 1 - Completed April 2024 - £2,197,178
Rural Estate 2 – Completed April 2024 - £2,215,000
Rural Estate 3 – Completed October 2024 - £415,000
Rural Estate 4 – Completed April 2024 - £310,000
Rural Estate 6 – Completed April 2024 - £1,500,000
Land at Wellington Street – Completed September 2024 - £120,000

Assets Currently Under Offer

Land at Fletchers Farm - £17,500
Showmans Guild - £275,000
Rural Estate 5 - £2,200,000

Rural Estate 7 - £1,810,000
Rural Estate 8 - £90,000
Ivatt Way Ground Lease 1 - £500,000
Land at Saville Road - £800,000
Land at Brassey Close and Sites at Saville - £250,000
441 Lincoln Road - £1,300,000
30 Cromwell Road - £235,000
Walton Community Centre - £225,000
The Barn - £240,000

Assets In Negotiation

Phased Rural Estate
Land at Park Lane
Thorpe Hall Covenants
Unit 4 Royce Road
Northminster House
Ivatt Way Ground Lease 2
Wellington Street Parking Spaces
Land and Covenants at Thistlemoor Road
Werrington Grade Separation Works
Matley Community Centre

2. Assets Under Consideration

Locality Review Assets

Hodgson Centre
Thorney Community Centre & Library
Units 1-7 New England Complex
Bluebell Meeting Room
Orton Wistow Community Centre
Thistle Drive Community Centre
Paston Farm Community Centre
Eye Youth Centre and library
The Goldhay Centre
EAST Community Centre
Dogsthorpe Community Centre
Welland Contact Centre
Southfields Community Centre
Stanground Library
Fleet Community Centre
Regional Pool
Woodston Library

Commercial Portfolio Review

Ground Leases
Garage Sites
Electricity sub-stations (x60)
49 Lincoln Road
23 West Street
Green Lane Car Park
Custom House
Units 1-18 Saville Road
Saville Road Ground Lease (x6)
Royce Road Ground Lease (x3)
Ivatt Way Ground Lease (x2)

Units 1-32 Alfric Square
Nursery Lane Depot
Dodson House
Westcombe Square

As and when other disposals in the pipeline are agreed, the heads of terms and other relevant information pertaining to the transaction will be provided to those with the delegated authority to approve the final terms. This will speed up the process to ensure capital receipts are not unduly delayed and will provide legal with the authority to complete any transaction.

5. CORPORATE PRIORITIES

- 5.1 This report supports multiple Council's corporate priorities and in particular Our Places and Communities and Sustainable Future City Council.

The completed transactions and the ongoing review of assets enables the Council to support communities and individuals by investing into assets that can provide the required and essential facilities and services and also enable the Council to deliver value for money for the taxpayer.

Further information on the Council's Priorities can be found here - [Link to Corporate Strategy and Priorities Webpage](#)

6. CONSULTATION

- 6.1 Consultation has taken place with officers, the Corporate Leadership Team and Cabinet Policy Forum on the 29th October 2024.

7. ANTICIPATED OUTCOMES OR IMPACT

- 7.1 The review of these assets will materially contribute to the capital receipts that the council requires over the next five-years and support it to achieve a sustainable financial future. Further, the retained assets will be used as effectively and efficiently as possible to support the council's service delivery, financial planning, economic growth and regeneration projects and aspirations together with the aim of meeting its carbon targets.

It will reduce business rates liabilities for unoccupied areas and spaces within the council's responsibility. It will also reduce costs for staffing, cleaning, maintenance, repairs, and remove the need for any further investment required, which is expected to be significant in the short term.

When assets are disposed of, there may be revenue losses from rents payable for tenanted properties.

8. REASON FOR THE RECOMMENDATION

- 8.1 The council is required to secure significant levels of capital receipts in the forthcoming financial years to reduce borrowing and support service delivery. The disposal of property assets provides the most effective ways of achieving this.

The capital values of the assets will decrease over time through lack of investment in the fabric of the buildings and general maintenance resulting in an increase of reactive maintenance works. Further, with energy efficiency requirements changing, some of the assets will not be able to be let leading to a decrease in revenue and capital value, if no investment is made available to undertake the energy improvement works required.

In respect of the ground leases, although a steady income stream is achieved, a large percentage have over 50 years term remaining before the reversionary interest reverts to the council with little opportunity to optimise the rental value.

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 The council can continue to let these assets; however, this will not enable it to fulfil its requirement for capital receipts. Further, there would be continued and ongoing liabilities, including capital expenditure on the building and its infrastructure which has not been budgeted for.

10. IMPLICATIONS

Financial Implications

- 10.1 The financial impact of disposing of the assets is shown above.

Whilst the disposals will contribute to the overall capital receipts target for funding the council's wider capital programme, the net loss of income (after incorporating savings from overheads) will be managed in current budgets and future MTFS considerations.

Legal Implications

- 10.2 Any disposal of land by the Council must be for best consideration reasonably obtainable pursuant to section 123 Local Government Act 1972.

Where an asset is occupied by tenant(s) in physical occupation under a licence or lease, the buyer will take the asset subject to the tenant(s) occupation. The buyer will become the tenant(s) new landlord.

Equalities Implications

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

Risk Assessment

- 10.4
- If approval is not granted to delegate decision-making as proposed, the timing of capital receipts will be delayed thus impacting the financial sustainability of the council.
 - Due to the lack of internal legal support, this again could impact on the delivery and timing of receipts and would impact the financial sustainability of the council.

11. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None

12. BACKGROUND DOCUMENTS

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

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

- 12.1 *List any documents and other information used to write this report. DO NOT include exempt items. Be specific as anything you list here must be available for public inspection for several years after the committee meeting.*

12. APPENDICES

- 12.1 None