


Agenda Item No:	8	
Committee:	CABINET	
Date:	14 JUNE 2018	
Report Title:	PROPOSED DISPOSAL OF PROPERTY ASSETS	

CONFIDENTIAL – The Appendices to this report comprises EXEMPT INFORMATION which is not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended)

1 Purpose / Summary

The purpose of this Cabinet report is to request that Members consider and agree to the proposed disposal strategy of assets on the Surplus Asset Register, the classification of those assets, the approach and the timing of the disposal as contained within Appendix 1 of the report.

2 Key issues

The Council maintains a schedule of surplus assets known as the Surplus Asset Register. The schedule includes land and buildings which are no longer required for direct service delivery or have been purposely retained because of a potential for future strategic regeneration or redevelopment purposes.

This report outlines the proposed disposal strategy of those surplus assets, the classification, disposal approach and the timing of the disposal.

The specific approach taken to classify the surplus assets is based upon an initial assessment of the likelihood of securing planning permission for an enhanced use and potential site impediments that are known to exist.

The options for disposal and progression include: Auction; private treaty or specific actions relating to strategic sites (Appendix 2).

The disposal of these surplus assets will reduce the cost to the Council in keeping the sites safe & secure and will remove the ongoing liabilities associated with holding such sites.

In addition the disposal will contribute towards the Council's requirement to secure capital receipts to be committed to fund the capital programme or potential investment projects.

3 Recommendations

Members are requested to consider the report and it is recommended that Cabinet:

- Approve the proposed disposal strategy and classification of sites in accordance with the report and the confidential Appendices 1 & 2;
- Approve the proposed list of sites for auction disposal as included at Appendix 1 and it is further requested that approval to agree the detailed terms of the proposed auction disposals (including the guide and reserve prices and the inclusion of any overage or clawback provisions) are delegated to the Corporate Director for Growth & Infrastructure and the Corporate Director (Finance) in

consultation with the Portfolio Holder for Growth and the Portfolio Holder for Finance.

- Approve the disposal of the identified Private Treaty sites along with the identified 1-2 year Strategic Sites as coloured green in Appendix 2 and it is further requested that approval to agree the detailed terms of the proposed disposals are delegated to the Corporate Director for Growth & Infrastructure and the Corporate Director (Finance) in consultation with the Portfolio Holder for Growth and the Portfolio Holder for Finance.
- Note the need to obtain specialists reports, professional advice and appoint auctioneers & agents as may be necessary to seek the satisfactory disposal of surplus assets.

Wards Affected	Various
Forward Plan Reference No.(if applicable)	
Portfolio Holder(s)	Cllr Chris Seaton – Leader Cllr David Mason –Portfolio Holder for Growth Cllr Anne Hay – Finance Portfolio Holder
Report Originator	Justin Wingfield – Head of Business & Economy
Contact Officer(s)	Gary Garford – Corporate Director (Growth & Infrastructure) Brendan Arnold - Corporate Director (Finance) Justin Wingfield – Head of Business & Economy
Background Paper(s)	Asset Management Plan

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Report: PROPOSED DISPOSAL OF PROPERTY ASSETS

1.0 Background/Introduction

- 1.1. The Council maintains a schedule of surplus assets which is known as the 'Surplus Asset Register' (SAR). The SAR comprises a schedule of sites/buildings which are no longer required for direct service delivery or have been purposely retained because of a potential for future strategic regeneration or redevelopment purposes.
- 1.2. The Property Investment & Development Strategy previously sought to invest the capital income from the disposal surplus assets into investment assets - those capable of producing a return to support the revenue activities of the Council. However, at that time Members considered that this approach should be 'parked' in favour of a more straightforward disposal strategy, although that is not to say that Capital receipts could not be 'ring fenced' and committed towards the acquisition of investment properties in future.
- 1.3. This report outlines the proposed disposal strategy of assets on the Surplus Asset Register, the classification of those assets, the approach and the timing of the disposals.

2. Public Interest

- 2.1. Before deciding whether to deal with the Appendices to this report as exempt items and to exclude the press and public the Cabinet must first decide whether there is exempt information in the report and secondly whether the public interest should override the application of that exemption.
- 2.2. The Appendices to this report contains details of a series of potential commercial land transactions with associated financial matters that could prejudice future disposals of surplus assets and undermine the Council receiving best value. The information falls within category 3 of the amended Schedule 12A namely "*Information relating to the financial or business affairs of any particular person (including the authority holding that information).*" Members will need to decide whether the sensitivity of this information relating to this proposal is so great that the public interest in transparent and accountable decision making is outweighed at this time. Members could decide that disclosing detailed information into the public domain at this stage will be detrimental to the Council.

3. Proposal

- 3.1. The specific approach taken to classify the surplus assets is based upon an initial assessment of the likelihood of securing planning permission for an enhanced use and potential site impediments that are known to exist. These could include for example: adverse rights of way; established 3rd party access points; the location of underground infrastructure; physical restrictions; legal restrictions and impediments or other factors as identified in the site description narrative.
- 3.2. The sites on the Surplus Asset Register (Appendix 1) have been colour coded and divided into 3 specific sections, these are:
- 3.3. Auction disposal sites (Orange) - These are sites with difficulties in terms of physical or legal impediments, where the cost of resolving the problem/issue outweighs the benefit. The Council has already successfully adopted the use of Auctions as an approach to dispose of difficult assets, producing some very good results, particularly for the sale of landlocked or limited potential sites. The disposal of Auction sites is discussed below in section 4 below.

- 3.4. Private Treaty sites (Yellow) - These are sites where there is an obvious or more easily realisable alternative development value which can be better captured through the planning and disposal route. This may involve attracting development partners, as well as more straight-forward private treaty disposals. The disposal of Private Treaty sites is discussed below in section 5 below.
- 3.5. Strategic/significant sites (Purple) - These are sites where there is a linkage to the creation of significant housing/jobs growth or where Officer-time and resources invested can generate much greater returns. It may also include more high profile sites, such as Coalwharf Road and North Street in Wisbech. These sites traditionally tend to be a 'slower burn' recognising the additional preparatory works required. The disposal of Strategic/significant sites is discussed below in section 6 below.
- 3.6. The Surplus Asset Register also includes a narrative regarding each site. It is important to note that enhanced values from development 'uplift' may not be realised or possible and are dependent upon a number of factors including securing a positive Planning permission.
- 3.7. In addition to the Surplus Asset Register, also attached is Schedule of Strategic Council Owned Sites (Appendix 2). This schedule includes a more detailed description of each site, together with outline next steps and potential build out period.

4. Auction Sites

- 4.1. The Council has already successfully disposed of surplus sites by property auction with a tranche of 10 difficult sites. Disposal by auction is often considered to be the ultimate test of 'market value', providing an open and transparent process. Auction will therefore satisfy FDC's need to secure best value and will also enable a much faster method of disposal, subject to completing all Legal due diligence in advance.
- 4.2. It is proposed that Officers seek to appoint an Auctioneer through a competitive quotes exercise. Once the appointment has been made, Officers will work with the Auctioneer to agree the guide and reserve prices and it is proposed that Cabinet approve to delegate the approval of reserve and guide prices to Senior Officers in consultation with the Portfolio Holder for Growth & Portfolio Holder for Finance.
- 4.3. The approval of the reserve price will set the minimum transaction value and any bid exceeding the reserve price will bind the Council to sell the land. Under the usual method of private treaty disposal, the Council has the opportunity to approve after an offer has been received under the appropriate delegation. Of course this approach is not possible for auction disposals, so Cabinet will need to be comfortable that the proposed disposal of sites by Auction recognises the achievement of best value.
- 4.4. Where appropriate Officers will seek to protect any future uplift in value, by the inclusion of a clawback or overage provision. In the event that an initial lower sales value gives rise to increased value at a later date, say for example where Planning permission might be granted, the Council will be entitled to a fair share of such uplift in value.
- 4.5. It is intended, subject to Cabinet approving the disposal of the Auction sites, that Officers will provide advanced notification to Ward Councillors to make them aware of the planned disposals within their wards. Such an approach will ensure that Councillors are aware of the timing of such disposals which are usually well-publicised and will enable them to forward enquiries onto the relevant Officer.
- 4.6. As local resident interest is likely to be piqued by the proposed disposal of assets by Auction, it is planned, in addition to the preparation of an auction catalogue and website marketing, erect of auction 'for sale' boards or by notification in writing. This will afford neighbouring residents the opportunity to bid for the land, in the same way that any interested party could.

5. Private Treaty Disposals

- 5.1. A programme of Private Treaty disposals will be advanced which recognise recent changes made by the Government to legislation which now allows District Council's to dispose of site with the benefit of Planning permission. Previously Planning permission was personal to the Council, unless it was made as a joint applicant and required the resubmission of a full application.
- 5.2. Officers have identified a range of sites following a desktop survey which they consider are suitable for disposal by Private Treaty. Traditionally this approach can be quite resource intensive and time consuming but the potential to increase the value of the site from its existing use to a site with planning permission is generally worth the time and resources invested.
- 5.3. Private treaty disposals require support from Legal Services to undertake initial due diligence work and to facilitate the subsequent disposal. In addition internal or external resources are required to obtain Planning consent and this will involve not just the application, but the preparation of plans and supporting documents and reports, the costs of which will be funded from the sales income.

6. Strategic/significant sites

- 6.1. The proposed disposal of Strategic Council Owned sites will be pursued on the basis of the potential build out period, with Officers moving all sites forward in a timely manner, but focussing resources on bringing forward the earliest sites first, those with a time horizon of 1-2 years, such as Wenny Road, land at the Nene Waterfront and Boleness Road.
- 6.2. By the very nature of the sites, Strategic sites are 'slow burn' and require timely interventions and actions to bring forward. The proposed next steps and actions for each site are documented at Appendix 2 and will require both internal and external support to achieve disposal and development, the costs of which will be funded from the sales income.

7. Financial Risks

- 7.1. Revenue Implications – The disposal of these surplus sites will reduce, by a small amount; the sums expended in keeping the sites safe & secure and will remove the ongoing liabilities associated with holding such sites. A buyer's premium and low auctioneers fees will ensure that auction disposal is a very cost effective option for the Council and Officers will seek competitive quotations when seeking agents to market the private treaty sites, thus reducing unnecessary expenditure.
- 7.2. It may also be necessary to obtain additional professional reports to support the submission of planning applications or to undertake topographical, environmental or asbestos reports. A small budget exists for such works and can be supplemented by accountancy rules that support the offsetting of some expenditure against capital receipts.
- 7.3. Capital Implications – The disposal will contribute towards the Council's requirement to secure additional capital receipts. Such receipts could be 'ring-fenced' to commit to the acquisition of investment properties to support the Council's PIDS approach.
- 7.4. It is not anticipated that significant capital expenditure will be required to advance the disposal of any sites, however, should this be necessary Officers will prepare the relevant briefing to Senior Members, the Portfolio Holder or Cabinet as necessary.

8. **Risk Assessment**

- 8.1. There are always risks associated with the disposal of land which can include unknown site impediments that can significantly reduce value or render land valueless, to the risks of not securing Planning consent. Officers will continue to seek to mitigate such risks as part of a dynamic risk assessment process.
- 8.2. For sites sold by Auction, should a site not reach its agreed reserve price the Council does not have to sell the surplus asset. Consequently the Council could either opt to enter the site into a subsequent auction or, if appropriate, it could choose to negotiate a private treaty sale with any high bidders from the auction, subject to further Cabinet approval.