

## Slough Borough Council

**REPORT TO:** Asset Disposals Cabinet Committee

**DATE:** 15 December, 2022

**SUBJECT:** Update Report

**PORTFOLIO:** Councillor Rob Anderson  
Lead Member for Financial Oversight and Council Assets

**CHIEF OFFICER:** Pat Hayes, Executive Director Housing and Property  
Steven Mair, Executive Director Finance and Commercial (s151)

**CONTACT OFFICER:** Fin Garvey, Group Manager – Place Delivery  
Peter Worth, Finance Lead Technical Advisor

**WARD(S):** All

**KEY DECISION:** No

**EXEMPT:** No

**DECISION SUBJECT TO CALL IN:** No

**APPENDICES:** 1 – Progress Report Charts  
2 – Disposal Pipeline

### **1. Summary and Recommendations**

1.1. This report provides an update to the Cabinet Committee on the current progress of the Asset Disposals Programme.

#### **Recommendations:**

1.2. Cabinet Committee is recommended to:

- a) Note current progress achieved in the disposal of assets where authority has been approved by Cabinet, and
- b) Note the status of the pipeline of future assets being brought forward for disposal

#### **Reason:**

1.3. To provide oversight to the Committee on the delivery of the Asset Disposals Programme and the simplification of the property portfolio and enable the Council to focus on its core activities and services.

## Commissioners Review

1.4 Comments on Progress is noted. The lessons learned element is important to consider.

## 2. Report

### Introduction and Context

2.1. Cabinet approved the Asset Disposal Strategy on 21 October 2022 which identified c.120 assets for consideration and potential disposal. This report provides the Cabinet Committee with an update on the progress of the disposals programme and individual assets sales realisations.

### Headline Statistics

2.2. The disposal programme commenced in July 2022 with the marketing of four out of borough assets. Since then, 8 properties have been brought to the market of which 4 have exchanged, 3 have completed and a number of others are at advanced stages of negotiation. To date the disposal programme has generated [£178.33m] in capital receipts. This is 65% above the baseline target capital receipts for 22/23 (£108m) and is 86% of the anticipated capital receipts (£208.58m) for the same period.

2.3. Details of completed sales to date are provided in Table 1 Asset Sales Update below:

Table 1 Asset Sales Update:

Property Name	Purchase	Purchase Date & Purpose	Sale	Exchange Date	Completion Date	Purchaser	Purchaser's Intent	Notes
Akzo Nobel (Unconditional Sale)	£38.53m	Feb 2021 for Residential/ Mixed scheme		23/11/2022	23/11/2022		Data Centre	Subject to confidentiality clauses – sale prices will be provided once HM Land Registry registration complete
21 Roydsdale Way Euroway Bradford	£12.75m	July 2019 -		15/11/2022	15/11/2022		Existing Letting to Expect Distribution	Subject to confidentiality clauses – sale prices will be provided once HM Land Registry registration complete.
West Street, Off Stafford Road, Wolverhampton	£6.959m	Jan, 2017 -		22/11/2022		Hartland Global Ltd	Existing Letting to Wickes	
Odeon, Churchill Way West, Basingstoke	£8.48m	June 2019 -	£3.62m		25/11/2022	OMNIPLEX Group	Maintain as Cinema	Contracts exchanged. Completion contingent upon Freeholder approval. Longstop 14th Dec
Lavender Farm	-	-		02/11/2022		Mr Jeff Simpson	Current Storage Use	Contracts with SBC - Cabinet approval sought 21st November
SUR - Montem		1996						

2.4. Appendix 1 sets out the Progress Report charts on receipts against anticipated and actual receipts to date.

### Marketing Update

2.5. Current Market Conditions – The UK economy is facing a period of significant downturn with rising interest rates and difficulty for obtain debt funding to support real estate purchasers. The market response has seen a drop in property values

of c.30% since mid-summer. Council officers will continue to seek appropriate commercial and legal advice to inform the asset disposal programme. The sequencing of marketing and sales will be scheduled to ensure best consideration in the current challenging economic climate.

- 2.6. Currently 20 property assets have been approved by Cabinet as 'Surplus' and identified for disposal this year.
- 2.7. 8 properties have been actively marketed with 12 further assets to be released this year.
- 2.8. 131 enquiries have been received and registered and are actively included as part of the disposal strategy and marketing database.
- 2.9. Appendix 2 details the remaining Council assets to be reviewed for disposal, (subject to the approved review process).

### **Phase II Implementation of the Disposal Programme**

- 2.10. Cabinet approved the appointment of Avison Young as Property Consultant for the Phase II Implementation of the Asset Disposal programme on 21<sup>st</sup> November 2022.
- 2.11. Substantial progress has been achieved in the early disposal of assets under the Programme with over 50% of the Programme's target receipts (**£335m**) achieved in the first six months of a five-year programme. Key workstreams are identified on the Disposal Pipeline in Appendix 2 which are required to develop bespoke marketing strategies for a number of different asset types. Future update reports will outline progress on these workstreams.
- 2.12. Outside of individual asset categories, additional consideration will be given to marriage value of assets and the collective timing in response to market sentiment.
- 2.13. Significant progress updates are as follows:

Euroway, Bradford

The disposal completed on 15 November. The details of the disposal are subject to a confidentiality clause.

Odeon Cinema, Basingstoke

The disposal completed on 21 November and £3,565,132.77 was the balance agreed, being £3.62m, less rent, insurance and survey fees.

Akzo Nobel

The disposal of this site was completed 24 November. The details of the disposal are subject to a confidentiality clause.

## Review Process and Lessons Learnt

2.14. Following officers experience of the current tranche of assets sales a review initial lessons are detailed below:

Issue	Response
Early consideration of planning potential on assets has been shown to deliver significant improvement in capital receipts	Planning consultation will continue as a critical part of all asset disposals
Unauthorised tenant changes to properties impacting value and risk to Council (e.g. Euroway – unauthorised works and underletting discovered at a late stage in the transaction which led to delays to the transaction).	Initial property management procedures review has been carried out. More detailed operational management to be developed, appropriate to the Council's retained estate. Future progress updates to be brought to the Committee
Quality of independent valuation evidence.	Rely on up to date valuations rather than annual desktop valuations. A procurement process for a new property valuer has commenced. Expected to be in place Q1 2023.
Commercially sensitive language used in public reporting of sales can influence purchaser sentiment and result in price amendments during negotiations.	Ensure transparency and completeness of property data is available to bidders at start of marketing process. Officers/Members to be aware of sensitivity of any public information made available during sales process.
Period from agreed negotiated deal to formal approval to complete transaction exposes the Council to potential price reduction by bidders in current market condition.	Where appropriate, arrange for special Committee/Cabinet meetings ahead of scheduled dates. Request call-in period to be removed, if appropriate, on a case-by-case basis
Late consultation with Members on proposed local asset disposals can delay or disrupt sales process	Lead Member and Leader to be updated regularly disposal programme. All assets are required to 'declared surplus' by Committee/Cabinet prior to marketing.
Acknowledgement of long-term potential value of properties.	Need to explicitly consider overage and anti-embarrassment clauses and cost benefit analysis of conditional vs unconditional sales.
Risk of delays from due diligence requirements for overseas buyers and special purchase vehicles.	Identify any such issues early in the process and rigorously progress.
Anti-Money Laundering Checking	Importance of carrying out detailed AML checks on potential buyers – i.e. do they have the cash to purchase and follow through on the transaction.

Officer knowledge of the sites to be disposed of	Officers need to be able to provide replies to enquiries, which are standard enquiries in property transactions. Delays or lack of knowledge on the site can lead to delays. Inaccuracy of replies and not fully interrogating the information available could lead to claims of misrepresentation if items that officers should have been aware of are later revealed.
Tax Implications	Ensuring TOGA/Tax advice is received at an early stage. Whether disposal will be a TOGC or VAT payable should be known/agreed at the stage when Heads of Terms are agreed.
Confidentiality	Officers to ensure that legal team disclose any confidentiality clauses in contracts to ensure that information is appropriately protected.

- 2.15. Several of the current asset disposals have brought to light the requirement for a detailed audit of deficits in the quality of information presented to inform the decision-making process in property acquisition. It is anticipated that this will be the subject of future detailed reports.

### **3. Financial implications**

- 3.1. There are no financial implications associated with the update report.

### **4. Legal implications**

- 4.1. The Council has duties in relation to securing best consideration and achieving best value in delivery of its services. Capturing learning from transactions to date will ensure that improvements can be made to future disposals.
- 4.2. The Asset Disposal Strategy recommends that lessons are learned and reported to elected members. This includes lessons in relation to original decisions to acquire sites, as well as lessons in relation to processes for disposals. Legal advice and support is secured for all asset disposal decisions and where cabinet authority is required, reports are split into Part 1 and Part 2 to ensure the maximum amount of information can be reported in the public domain. The update report allows further information to be published following completion of transactions, which allows for public and elected member scrutiny of progress.

### **5. Risk management implications**

- 5.1. The progress achieved in the Asset Disposals Programme outlined in this report, is intended to improve the Council's financial position, by realising capital receipts which can then be used to repay Council borrowing from the existing high level and reduce debt servicing charges in the form of interest and minimum revenue provision (MRP). Specific programme risks are summarised below:

<b>Risk</b>	<b>Summary</b>	<b>Mitigations</b>
Financial	<p>Delay in realising capital receipts from assets sales will delay the Council's financial recovery</p> <p>Failure to establish that the buyer is a reputable business and that the buyer's funds are from acceptable sources</p>	<p>Cabinet to approve officers to proceed with the sales</p> <p>Due diligence on buyer to assess their business and funding, including anti-money laundering checks.</p>
Governance	<p>Failure to obtain best consideration from the disposals could expose the Council to risk of legal challenge</p>	<p>The Council has employed external property advisors to manage and competitively market the properties, having access to wider markets than officers locally and has obtained up to date valuations for the sites for comparison purposes.</p>
Legal	<p>Failure to ensure legal title/deeds etc which could delay or halt sale.</p> <p>Delay to contract negotiations.</p>	<p>Legal title reports obtained for this site.</p> <p>Bi-weekly monitoring of asset disposals by commissioners and officers.</p>
Governance	<p>Failure to establish robust governance arrangements could expose the Council to risk of impropriety and legal challenge.</p>	<p>The Council has established sound governance arrangements for asset disposals to ensure that the Council achieves best consideration from asset disposals</p>
Reputational	<p>Unable to agree a way forward causing delay to asset disposals and failure to deliver capital receipts within the timescales set out in the Debt Reduction/Asset Disposal Strategy.</p>	<p>Governance, project management and decision-making operate effectively to deliver asset disposals on time and best consideration for the Council.</p>

## **6. Environmental implications**

6.1. No environmental implications have been identified as a direct result of this report.

## **7. Equality implications**

7.1. There are no identified equality implications associated with this update report.

## **8. Procurement implications**

8.1. The appointment of Avison Young as the Council's external property advisors was secured in compliance with:

- The Public Contracts Regulations 2015
- Council Contract Procedure Rules, and
- Expenditure Control Panel requirements.

8.2. A further appointment on an external property advisor for the implementation phase of the programme is the subject of a separate cabinet paper.

## **9. Workforce implications**

9.1. No workforce implications have been identified as a direct result of this report.

## **10. Property implications**

10.1. This report outlines the total impact of the Asset Disposal Programme on the Council's property holdings.

## **11. Background Papers**

11.1. None