

Date of issue: Wednesday, 9 October 2024

MEETING:	CABINET COMMITTEE - ASSET DISPOSALS Councillor Smith Councillor E. Ahmed Councillor Bedi Councillor Chahal Councillor Manku
DATE AND TIME:	THURSDAY, 17TH OCTOBER, 2024 AT 4.30 PM
VENUE:	COUNCIL CHAMBER - OBSERVATORY HOUSE, 25 WINDSOR ROAD, SL1 2EL
DEMOCRATIC SERVICES OFFICER: (for all enquiries)	NICHOLAS PONTONE 07749 709 868

NOTICE OF MEETING

You are requested to attend the above Meeting at the time and date indicated to deal with the business set out in the following agenda.



WILL TUCKLEY
Chief Executive

**AGENDA
PART I**

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
	Apologies for absence.		
1.	Declarations of Interest	-	-
	<i>All Members who believe they have a Disclosable Pecuniary or other Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 9 and Appendix B of the Councillors' Code of Conduct, leave the meeting while the matter is discussed.</i>		
2.	Minutes of the Meeting held on 12th September 2024	1 - 6	-
3.	Langley Resource Centre, Spitfire Close, Slough SL3 8GY	7 - 12	Langley Foxborough

4.	Disposal of Slough County Court, Chalvey Park, Slough	13 - 18	Herschel Park
5.	Disposal of the Council's land at the Haymill site (land off Littlebrook Avenue, Slough)	19 - 32	Haymill
6.	Exclusion of Press and Public	-	-

It is recommended that the Press and Public be excluded from the meeting during consideration of the item in Part 2 of the Agenda, as it involves the likely disclosure of exempt information relating to the financial and business affairs of any particular person (including the Authority holding the information) as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (amended).

PART II

7.	Disposal of Slough County Court, Chalvey Park, Slough - Appendices	33 - 72	Herschel Park
8.	Disposal of the Council's land at the Haymill site (land off Littlebrook Avenue, Slough) - Appendices	73 - 124	Haymill

Press and Public

Attendance and accessibility: You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before any items in the Part II agenda are considered. For those hard of hearing an Induction Loop System is available in the Council Chamber.

Webcasting and recording: The public part of the meeting will be filmed by the Council for live and/or subsequent broadcast on the Council's website. The footage will remain on our website for 12 months. A copy of the recording will also be retained in accordance with the Council's data retention policy. By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

In addition, the law allows members of the public to take photographs, film, audio-record or tweet the proceedings at public meetings. Anyone proposing to do so is requested to advise the Democratic Services Officer before the start of the meeting. Filming or recording must be overt and persons filming should not move around the meeting room whilst filming nor should they obstruct proceedings or the public from viewing the meeting. The use of flash photography, additional lighting or any non hand held devices, including tripods, will not be allowed unless this has been discussed with the Democratic Services Officer.

Emergency procedures: The fire alarm is a continuous siren. If the alarm sounds Immediately vacate the premises by the nearest available exit at either the front or rear of the Chamber and proceed to the assembly point: The pavement of the service road outside of Westminster House, 31 Windsor Road.

Cabinet Committee - Asset Disposals – Meeting held on Thursday, 12th September, 2024.

Present:- Councillors Smith (Chair), E. Ahmed, Chahal and Manku

Apologies for Absence:- Councillor Bedi

PART 1

9. Declarations of Interest

No interests were declared.

10. Minutes of the Meeting held on 11th July 2024

Resolved – That the minutes of the meeting of the Cabinet Committee held on 11th July 2024 be approved as a correct record.

11. Company Governance Update

The Committee considered a report that provided a status update on the Section 24 statutory recommendation on poor performance, oversight and financial reporting in relation to the Council's group accounts and group relationships as published by the Grant Thornton report on 9 May 2021.

The report was the first in a series of updates that would be provided to the Committee on the progress in addressing the recommendations and strengthening the governance arrangements of the companies which included James Elliman Homes, Development Initiative for Slough Housing (DISH), Slough Urban Renewal (SUR), Ground Rent Estates 5 (GRE5 which was the freeholder of Nova House) and Slough Children First. There was significant variation in the arrangements and progress already made for each company. The Executive Director of Finance & Commercial stated that the issues raised were being taken very seriously by the new management team and additional resources had been put in place with an experienced officer appointed to take forward this work with relevant officers from across the Council.

The report summarised the results of an initial desktop exercise to set out the current position on each company and a 'traffic light' system had been put in place to assess key activities relating to company governance, oversight and financial governance. This was summarised in Appendix 2 to the report, which was in Part II of the agenda. The Committee considered the appendix during Part I of the meeting without disclosing any of the exempt information. Work to address the identified weaknesses was being prioritised and the Committee would receive regular updates. Officers were working with Grant Thornton to demonstrate and verify to them that the required actions were being taken to improve governance.

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The Committee welcomed the new monitoring and reporting arrangements. Several Members queried why insufficient progress had been made given the Statutory Recommendations and Directions were both made in 2021. It was noted that the position, risks and reporting arrangements of each company was different. Significant weaknesses had been identified for James Elliman Homes for example and these were set out in a separate report elsewhere on the agenda. There had been a far more progress already made to strengthen governance and improve reporting of some other companies, particularly Slough Children First.

At the conclusion of the discussion the Committee thanked officers for the report and renewed focus on improving company governance. The recommendations were agreed.

Resolved –

- (a) That the Council's role and responsibilities in maintaining company governance oversight, performance and financial reporting for its group entities be noted; and
- (b) That the current progress to date to discharge the section 24 statutory recommendation made by Grant Thornton in 2021 and next steps required to fully discharge this recommendation be noted.

12. James Elliman Homes Limited (JEH)- Update on governance and risks

The Committee considered a report that provided an update on the current position of James Elliman Homes (JEH).

The background to the company was summarised and it was noted that JEH was a company limited by shares wholly owned by the Council. The company had a stock of properties in the borough and the original purpose had been that they be used for key workers and Band C clients. However, a significant number of families in temporary accommodation had been placed in JEH properties and circa 80% of the properties were being rented at Local Housing Allowance level or below bringing in significantly less income that had been envisaged in the original business plan. The company had provided a valuable route by which the Council discharged its duty to homeless applicants but its financial performance had been well below expectations and it had significant cumulative losses.

All properties were managed by the Council a service level agreement and the company had no staff of its own. One of the identified weaknesses in the company was insufficient separation between the Council and the company. Many local authorities operated similar housing companies effectively, however, there had been insufficient oversight and governance of JEH by the Council and the lack of a properly functioning board running the company. These issues crystallised when Companies House issued a notice that JEH would be struck off due to a failure to file audited accounts for 2022/23. Council officers, following consultation with the relevant lead members, took

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action to avoid the strike off as set out in the report. Having resolved the immediate issues it was now imperative for the JEH board to undertake further work to improve governance and it had been directed to take a series of measures including submitted a draft business plan for 2024/25 for approval by Members and to set out options for returning JEH to profitability.

Members expressed concern at the poor governance of the company since it had been established in 2017. The Committee supported the next steps including the development of a business plan and options appraisal for the future of the company. The Chair commented on the importance of protecting the tenants of JEH properties as well as the assets held by JEH. The Executive Director, Finance & Commercial highlighted the need to stabilise the company then move it to a stronger financial position, including dealing with the problem of JEHs cumulative losses. Assurance was provided that the impact of tenants needed to be carefully considered in the development of the options appraisal.

At the conclusion of the discussion the Committee supported the approach being taken to address the issues facing the company. The recommendations were then agreed.

Resolved –

- (a) That it be noted that the audited Statement of Accounts for 2022/23 were filed on 14 August 2024 (due 31 March 2024);
- (b) That the issue of two special resolutions giving direction to the JEH board be noted;
- (c) That the planned next steps to improve governance of JEH, including management of risks be noted;
- (d) That the next steps to undertake a detailed options appraisal to consider the role and case for continuing with JEH be noted.

13. Property Capital Programme Review

The Committee considered a report that set out the progress made, and issues encountered in delivering the first phase (Phase I) of the Asset Disposal Programme from 2021.

The report outlined the methodology utilised for the internal assessment of likely capital receipt, and the criteria used in establishing a RAG status, which was set out in section 2.16 of the report. It was noted that the information in report was at the current point in time and that each asset would be periodically reviewed and assessed on its suitability to be put forward for the inclusion on the disposals programme. The report also set out what previous disposals has been achieved and highlighted the current methodology and assessment underway to revise the future capital receipt programme.

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The assessment work undertaken had demonstrated that the value of remaining Council assets was lower than had been assumed in 2021 and it was therefore necessary to fully review and rephase the programme before bringing a further report on a revised asset disposal strategy to Cabinet. The asset disposal programme was crucial to the Council's financial recovery and the review would have wider impacts. The property team were working very closely with finance officers to undertake the review.

Officers tabled a clarification to explain the apparent discrepancy in the figures stated at paragraphs 1.2 and 3.2 of the report relating to the level and timescale for capital receipts from asset disposals. The assumed receipts stated in previous reports varied from £200m by March 2024 to £400m by that date. Neither figure had proved achievable with net General Fund receipts being £175m by March 2024, which underlined the importance of conducting a thorough review of the programme and the impacts on the budget and medium term financial strategy (MTFS).

Members expressed concern about the fact that total valuation of disposable assets was now lower than had been assumed, as the capital receipts expected were fundamental to the Council's financial strategy and future sustainability. The Committee supported the work underway to review the programme and asked how long it may take so that the outcome could inform other decisions relating to the Council's budget and financial strategy. Officers stated that the detailed work had commenced. Assets were normally revalued every three years anyway but this was being accelerated and the aim was to complete the review by the end of 2024. The Executive Director of Finance & Commercial stated that the review would then feed into the budget cycle and MTFS. The Council would have to take further difficult decisions and adopt a new Target Operating Model. It was noted that there was regular engagement with the Ministry of Housing, Communities and Local Government so that it understood the issues Slough was facing and approach being taken to address them.

At the conclusion of the discussion the report was noted.

Resolved – That it be noted:

- (a) That the value of the remaining property estate within the General Fund had changed since 2021 due to a number of external factors such as market conditions and interest rates borrowing. This caused a challenge in achieving the existing financial targets.
- (b) That a similar exercise was being undertaken on the Housing Revenue Account (HRA) Assets and an update report would be brought back to Asset Cabinet during Quarter 4 of 2024/25.
- (c) The progress that had been made in delivering General Fund Phase I of the Asset Disposal Programme and the issues that had impacted on this.

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- (d) That following a planned new valuation of the General Fund portfolio a revised overarching future Capital Disposal programme would be presented to Cabinet for approval during 2024/25.
- (e) The information in the report was current as of the report but was subject to change due to fluctuations in the council's finances, the property market, and the implementation of key property initiatives and strategies that relate to the emerging new Targeted Operating Model and the future Medium Term Financial Strategy.

14. Exclusion of Press and Public

The Part II appendix to the Company Governance Update report was considered during Part I of the agenda without disclosing any of the exempt information. It was therefore not necessary to exclude the press and public at any point during the meeting.

15. Company Governance Update - Appendix 2

Resolved – That Appendix 2 be noted.

Chair

(Note: The Meeting opened at 4.32 pm and closed at 5.30 pm)

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Slough Borough Council

Information needed	Details
Report To:	Cabinet Committee
Date:	17 th October 2024
Subject:	Langley Resource Centre, Spitfire Close, Slough SL3 8GY
Lead Member:	Cllr Chahal – Deputy Leader and Cabinet Member for Financial Oversight, Council Assets, Procurement and Revenue & Benefits
Chief Officer:	Pat Hayes – Executive Director (Regeneration, Housing and Environment)
Contact Officer:	Peter Hopkins - Property and Assets Director
Ward(s):	Langley - Foxborough
Key Decision:	NO
Exempt:	NO
Decision Subject To Call In:	YES
Appendices:	NO

1. Summary and Recommendations

- 1.1 This report sets out a recommendation to declare Langley Resource Centre, Spitfire Close, Slough, as surplus to requirements to allow it to be marketed for sale.

Recommendations:

- 1.2 Cabinet Committee is asked to recommend:

A) Declaring Langley Resource Centre, Spitfire Close, Slough as surplus.

Reason:

- 1.3 Declaring Langley Resource Centre as surplus aligns with the Council's desire to simplify its property portfolio, and in this case particularly as the property has lain vacant since early 2020.
- 1.4 Declaring Langley Resource Centre as surplus will enable disposal of an under-utilised asset falling within the Council's Asset Disposals Strategy. Recommendations in this report will go towards contributing to the reduction in the Council's future financial commitments, generate a disposal receipt at the earliest opportunity and reduce the Council's borrowing and MRP. Any proposed asset sale will be subject to due diligence process and best consideration will be achieved in accordance with section 123 of the Local Government Act 1972.

Commissioner Review

The asset disposal programme is of significant importance to the Council's financial recovery, and an integral part of the approved financial strategy and 'minded to' Capitalisation Direction.

Assets declared as surplus to requirement by the operational departments, should also be considered for any proposed alternative uses against the benefits of disposing of the asset.

Commissioners are content for this report to be considered.

2. Report

Introduction

- 2.1 On 18 September 2023, Cabinet approved the Asset Disposal Programme Update outlining the principles and process for disposal of non-essential Council Assets i.e., assets not required for the delivery of Council services.

Options considered

- 2.2 Option A – To retain Langley Resource Centre, Spitfire Close, Slough. This would require capital expenditure to carry out essential repairs to the property. The costs associated with servicing any capital expenditure and the Council debt required to do so would outweigh the income generated. At present there is no evidence of a sufficient rental income from a third party to justify this level of expenditure or a need for this site for service delivery. This is not recommended.
- 2.3 Option B – To declare Langley Resource Centre, Spitfire Close, Slough as surplus to enable disposal. This option would provide the Council with some financial benefit. **Recommended.**
- 2.4 **Option B is recommended** to Cabinet for approval. Declaring the asset as surplus should allow the Council to receive a capital receipt by way of disposal during the current financial year, which will allow it to reduce its borrowing and contribute to its capital receipts target.

Background

- 2.5 Langley Resource Centre was constructed in the late 1980's, early 1990's with the primary function as a day care facility. Whilst Council records aren't clear it appears that use of the facility gradually declined and the property was last used in very early 2020; pre lockdowns, and has remained vacant since.
- 2.6 The property is located on Spitfire Close, a cul-de-sac, which is a predominantly residential location with Slough Mencap located adjacent to the property. At the end of the cul-de-sac is a public open space with a number of parking spaces. There being no parking at the property itself.
- 2.7 The property is detached, brick built with a concrete tile roof, with double glazed windows and benefits from central heating; not tested.
- 2.8 The property has an area of approximately 226.20sqm/2,434.80sqft on a gross internal area (GIA) basis, and the site has an area of approximately 0.2 acres.

- 2.9 The asset is held in the Council's balance sheet and is revalued at existing use value in line with accounting standards. This does not reflect any alternative use value for the property. The last valuation completed at the end of 2023 provided a valuation of £300,000.
- 2.10 Initial due diligence has been undertaken and the site is currently un-registered and has no current energy performance certificate. Both matters will be dealt with prior to any disposal.

3. Implications of the Recommendation

3.1 *Financial implications*

3.1.1 This report seeks to declare Langley Resource Centre surplus to requirements in order that the asset may be marketed for sale. There is currently no rental income incurred from this site, nor is there a likelihood of generating income in the future. Estimated annual running costs (including maintenance and security) are deemed to be some £10k per annum.

3.1.2 The current condition of the building means that it is likely to incur continued additional costs to the council if retained.

3.1.3 There is no outstanding debt associated with this asset, disposal income would therefore be directly attributable to the Capitalisation Direction.

3.2 Legal implications

3.2.1 Pursuant to section 123 of the Local Government Act 1972 ("Section 123 LGA 1972"), the Council has the power to dispose of land in any manner it wishes, subject to certain provisions. The Council has a statutory duty to obtain the best price reasonably obtainable, subject to certain exemptions. Section 123(2) permits a disposal at less than the best price reasonably obtainable with the consent of the Secretary of State.

3.2.2. When considering the duty under section 123 LGA 1972, what is reasonable in any particular case depends entirely on the facts of the transaction.

3.2.3. Case law has determined that whilst there is no absolute requirement to market the land or obtain an independent valuation, if valuation evidence is obtained, it should be up to date and that there should not have been any material and significant changes in circumstances since it was obtained.

3.2.4 In addition, obtaining proper professional advice throughout the process on how to maximise its receipts is a material consideration and the Council should limit itself to taking account of those elements of a transaction which are of commercial or monetary value and should disregard irrelevant factors such as "job creation" when assessing whether it is obtaining the best consideration reasonably obtainable. The deliverability or credibility of a bid are commercial factors which are relevant to an assessment.

3.2.5 The Council has employed Avison Young ("AY") as specialist property advisors to advise on an asset disposal strategy and to market and dispose of the asset identified for disposal.

3.2.7 In addition to meeting its best consideration duty, the Council must comply with its best value duty. This requires consideration as to the income generated from the asset compared to the capital receipt to be achieved upon sale.

3.3 Risk management implications

3.3.1 The recommendation required from Cabinet, as outlined in this report, is intended to improve the Council's financial position, by realising capital receipts which can 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). If the recommendations are not approved this will delay the Council being able to return to a financially sustainable position – specific risks are summarised below:

Risk	Summary	Mitigations
Financial	Delay in realising capital receipts from asset disposals will delay the Council's financial recovery.	Cabinet Committee to approve declaring asset as surplus to enable officers to proceed with the disposal of asset.
Governance	Failure to obtain best consideration from a disposal could expose the Council to risk of legal challenge.	The Council has employed external property advisors to manage and competitively market the property, having access to wider markets than officers locally and obtained up to date property comparables to assist with their advice.
Legal	Failure to ensure legal due diligence is undertaken could delay or halt any disposal. Initial due diligence undertaken has established property is currently un-registered.	Complete all legal due diligence ahead of marketing property in conjunction with legal and property advisors. Process to complete first registration of property has been started.
Governance	Failure to establish robust governance arrangements could expose the Council to risk of impropriety and legal challenge.	The Council has established sound governance arrangements for asset disposals to ensure that the Council achieves best consideration from asset disposals.
Reputational	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.	Governance, project/programme management and decision making operate effectively to deliver asset disposals on time and best consideration for the Council.

3.4 Environmental implications

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

3.5 Equality implications

3.5.1 This asset is not used for operational or service delivery purposes. There are no identified equality implications with the proposed disposal of this site.

3.6 Procurement implications

There are no procurement implications.

3.7 Workforce implications

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

3.8 Property implications

3.8.1 This report will directly impact on the Council's property holdings; however, this will be a positive impact in reducing property holdings to enable the Council to streamline its portfolio to focus on assets required for the operational and service delivery.

4. **Background Papers**

None

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Slough Borough Council

Information needed	Details
Report To:	Cabinet Committee Asset Disposals
Date:	17th October 2024
Subject:	Disposal of Slough County Court, Chalvey Park, Slough, SL1 2HJ
Lead Member:	Cllr Chahal – Deputy Leader and Cabinet Member for Financial Oversight, Council Assets, Procurement and Revenue & Benefits
Chief Officer:	Pat Hayes – Executive Director (Regeneration, Housing and Environment)
Contact Officer:	Peter Hopkins – Property and Assets Director
Ward(s):	Slough County Court - Herschel Park
Key Decision:	YES
Exempt:	NO – except exempt appendices under paragraph 3 of Schedule 12A Local Government Act 1972 – Information relating to the financial or business affairs of the Council
Decision Subject To Call In:	YES
Appendices:	Appendix A – Confidential – Avison Young - Disposal Strategy report Appendix B – Confidential – Asset Appraisal and Disposal Framework calculations Appendix C – Confidential - Red Book Valuation

1. Summary and Recommendations

- 1.1 This report sets out a recommendation for the disposal of Slough County Court, Chalvey Park, Slough and seeks approval to market the asset for disposal under the Council's Asset Disposal Strategy.
- 1.2 The recommendation to market Slough County Court for disposal has been subject to a due diligence process and Asset Appraisal and Disposal Framework calculation which would offer the best opportunity to realise the disposal of the asset in accordance with section 123 of the Local Government Act 1972.

Recommendations:

- 3 Cabinet Committee is recommended to recommend the following to Cabinet:
 - A) Agree to the marketing and disposal of the asset referred to in Appendix A known as Slough County Court, Chalvey Park, Slough by way of auction as recommended within the report in Appendix A.

- B) The Reserve Price will be in-line with the Red Book Valuation and will include a 10% adjustment to the price, upwards and downwards. (within Appendix C).

Reason:

- 1.4 The disposal of Slough County Court, Chalvey Park, Slough is in accordance with the Council's Asset Disposals Strategy, in that it has previously been agreed as 'surplus', by Cabinet Committee on 13th October 2022, and identified for disposal. Agreement to the recommendations in this report will contribute to the reduction in the Council's future financial commitments, generate disposal receipts at the earliest opportunity and reduce the Council's borrowing and MRP. The proposed asset sale has been subject to due diligence process and Asset Appraisal and Disposal Framework Calculation which would offer the best opportunity to realise the disposal of the asset in accordance with section 123 of the Local Government Act 1972.
- 1.5 The disposal of such assets supports the corporate priority for "a Council that lives within its means, balances the budget and delivers best value for taxpayers and service users."
- 1.6 The disposal of such assets will enable the Council to simplify the property portfolio and enable the Council to focus on its core activities and services.

Commissioner Review

The asset disposal programme is of significant importance to the Council's financial recovery, and an integral part of the approved financial strategy and 'minded to' Capitalisation Direction.

The Council should ensure that the approved governance process for the consideration for the retention or disposal of any Council owned assets has been adhered to. Disposal of land and property can be undertaken in several ways, and it is for the Council to determine the most appropriate sales mechanism for their asset, which supported by an independent valuation can demonstrate that offers received are in line with or better than the estimated best value.

Commissioners are content for this report to be considered.

2. Report

Introduction

- 2.1 On 18 September 2023, Cabinet approved the Asset Disposal Programme Update outlining the principles and process for disposal of non-essential Council Assets i.e., assets not required for the delivery of Council services.
- 2.2 Avison Young was commissioned to produce an independent Disposal Strategy report for Slough County Court (Appendix A). The report proposed a marketing and disposal strategy for this asset to support the Council's decision-making process in disposing of this site.
- 2.3 A Red Book Valuation was commissioned to establish market value of Slough County Court (Appendix B). This valuation figure will assist in setting the reserve price (the minimum value the asset will be disposed of at auction) when the site is

placed at auction, ensuring that the Council achieves best consideration through the auction process.

Options considered

- 2.4 Option A – To retain Slough County Court, Chalvey Park, Slough. Whilst this would retain an income stream of £107,750 per annum, the costs of servicing the Council debt outweigh the income generated. This is not recommended.
- 2.5 Option B – To dispose of Slough County Court, Chalvey Park, Slough by way of auction. This option provides the greatest financial benefit to the Council, as set out in section 3.1 below. **Recommended.**
- 2.6 Option C – To defer the sale of Slough County Court, Chalvey Park, Slough in the hope that market conditions will improve. Market forecasts together with a reducing lease term suggest that this is unlikely with continued uncertainty in the market. This is not recommended.
- 2.7 **Option B is recommended** to Cabinet for approval for the reasons given in the confidential Appendix A. Sale at auction should allow the Council to receive a capital receipt by December 2024, which will allow it to reduce its borrowing and contribute to its capital receipts target.

Background

- 2.8 The Freehold interest of Slough County Court was originally held by Buckinghamshire County Council and was transferred to Slough Borough Council under The Berkshire, Buckinghamshire and Surrey (County Boundaries) Order 1994 (SI 1994/330).

The Asset

- 2.9 Slough County Court is bounded by Chalvey Park to the north, Slough Magistrates' Court to the east, and a vehicular accessway serving Slough Police Station to the west, which arches around the building to the south. The Slough Police Station building is located immediately to the South-East. The property has a gross internal area of 851 sq.m. (9,160q.ft.) over the ground and part of the first floor, with on-site car parking for seven vehicles. The tenant, The Secretary of State for Levelling Up, Housing and Communities, has recently renewed their existing lease for a five-year term. The site was identified for disposal, and declared surplus in October 2022, as it is not required for service delivery, subject to ensuring that the consideration requirements were met. The proposed sale may give rise to a Special Purchaser once the auction process has commenced. Communication with Slough Magistrates Court and Thames Valley Police Station will commence prior to Cabinet meeting to inform them of the intended process.

Valuation

- 2.10 As outlined in paragraph 2.8 Slough County Court was transferred to Slough Borough Council from Buckinghamshire County Council. Slough Borough Council did not purchase the site, and there is no recorded value for the transfer. .
- 2.11 The asset is held in the Council's balance sheet and is revalued annually at fair value in line with accounting standards. Fair value measures the "highest and best"

value in the most advantageous market for an asset (i.e. this method of valuation includes considering alternative uses for the asset as well as its current use). The recommended guide price and reserve price for this asset to be placed at auction is in excess of Net Book Value currently recorded in the balance sheet.

- 2.12 Avison Young (AY) have provided professional advice on the market conditions in conjunction with recommending an appropriate marketing and disposal strategy for this asset as outlined in Appendix A.
- 2.13 The Council has obtained an independent Red Book Valuation by an independent third party.

Marketing

- 2.14 The recommendation for this asset is to be placed on the open market via auction. A property placed at auction will be marketed with the benefit of a legal pack that includes title information, property searches, Energy Performance Certificate and Commercial Property Standard Enquiries information forms. It is proposed that this asset be placed at auction on 21st November 2024.
- 2.15 AY and our appointed auctioneer, Bid X1, will mailshot this opportunity to approximately 1000+ investor contacts. The mailshot will provide a link to the auction websites detailing specific information regarding the property, including a legal pack and date & time of the auction.
- 2.16 AY and Bid X1 will arrange for a number of parties to conduct an internal inspection of the property at a chosen date and time in the future.
- 2.17 This asset will also be marketed on Slough Borough Council's land and property website, with a link provided to the auctioneers marketing website.
- 2.18 Though the lease agreement makes no formal requirement to do so, the occupational tenant of Slough County Court will be made aware of the Council's intention to dispose of the asset prior to Cabinet meeting.

3. Implications of the Recommendation

3.1 *Financial implications*

- 3.1.1 We understand that this asset was transferred to Slough Borough Council in 1994 from LGR, this resulted in estimated balance sheet disaggregation to align with CFR, MRP Reserves, that was supported by the asset base and loan book. However, there is no direct correlation to this property therefore net proceeds of sale can be applied directly to the finance the Capitalisation Direction.
- 3.1.2 A Net Present Value calculation, taking account of all costs and income generated over the longer term for this site demonstrates that disposal will have a positive financial impact for the Council. See Appendix B.

3.2 *Legal implications*

3.2.1 Pursuant to section 123 of the Local Government Act 1972 (“Section 123 LGA 1972”), the Council has the power to dispose of land in any manner it wishes, subject to certain provisions. The Council has a statutory duty to obtain the best price reasonably obtainable, subject to certain exemptions. Section 123(2) permits a disposal at less than the best price reasonably obtainable with the consent of the Secretary of State.

3.2.2. When considering the duty under section 123 LGA 1972, what is reasonable in any particular case depends entirely on the facts of the transaction.

3.2.3. Case law has determined that whilst there is no absolute requirement to market the land or obtain an independent valuation, if valuation evidence is obtained, it should be up to date and that there should not have been any material and significant changes in circumstances since it was obtained.

3.2.4 In addition, obtaining proper professional advice throughout the process on how to maximise its receipts is a material consideration and the Council should limit itself to taking account of those elements of a transaction which are of commercial or monetary value and should disregard irrelevant factors such as “job creation” when assessing whether it is obtaining the best consideration reasonably obtainable. The deliverability or credibility of a bid are commercial factors which are relevant to an assessment.

3.2.5 The Council has employed Avison Young (“AY”) as specialist property advisors to advise on an asset disposal strategy and to market and dispose of the asset identified for disposal and has commissioned an independent red book valuation to inform its decision.

3.2.6. It is proposed to dispose of the asset via auction, therefore delegated authority is required to set the reserve price as the Council will be obligated to dispose of the asset if this is met.

3.2.7 In addition to meeting its best consideration duty, the Council must comply with its best value duty. This requires consideration as to the income generated from the asset compared to the capital receipt to be achieved upon sale. Appendix B contain an assessment of this.

3.3 Risk management implications

3.3.1 The recommendation required from Cabinet, as outlined in this report, is intended to improve the Council’s financial position, by realising capital receipts which can 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). If the recommendations are not approved this will delay the Council being able to return to a financially sustainable position – specific risks are summarised below:

Risk	Summary	Mitigations
Financial	Delay in realising capital receipts from the asset will delay the Council’s financial recovery.	Cabinet to approve officers to proceed with the marketing and disposal of asset.
Governance	Failure to obtain best consideration from the disposal could expose the Council to risk of legal challenge.	The Council has employed external property advisors to manage and competitively market the property, having access to wider markets than officers

		locally and obtained up to date property comparables to assist with their advice.
Legal	Failure to ensure legal pack is provided could delay or halt sale.	Review of all legal documents ahead of marketing period in conjunction with legal and property advisors.
Governance	Failure to establish robust governance arrangements could expose the Council to risk of impropriety and legal challenge.	The Council has established sound governance arrangements for asset disposals to ensure that the Council achieves best consideration from asset disposals.
Reputational	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.	Governance, project/programme management and decision making operate effectively to deliver asset disposals on time and best consideration for the Council.

3.4 Environmental implications

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

3.5 Equality implications

3.5.1 This asset is not used for operational or service delivery purposes. There are no identified equality implications with the disposal of this site.

3.6 Procurement implications

3.6.1 There are no procurement implications.

3.7 Workforce implications

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

3.8 Property implications

3.8.1 This report will directly impact on the Council's property holdings; however, this will be a positive impact in reducing property holdings to enable the Council to streamline its portfolio to focus on assets required for the operational and service delivery.

4. Background Papers

None

Slough Borough Council

Information needed	Details
Report To:	Cabinet Committee – Asset Disposals
Date:	17 October 2024
Subject:	Disposal of the Council's land at the Haymill site (land off Littlebrook Avenue, Slough) SL1 6LZ.
Lead Member:	Cllr Chahal – Deputy Leader and Cabinet Member for Financial Oversight, Council Assets, Procurement and Revenue & Benefits
Chief Officer:	Pat Hayes – Executive Director (Regeneration, Housing and Environment)
Contact Officer:	Peter Hopkins –Director - Property and Assets
Ward(s):	Haymill & Lynch Hill
Key Decision:	YES
Exempt:	NO - Public with exempt appendices under paragraph 3 of Schedule 12A Local Government Act 1972 – Information relating to the financial or business affairs of the Council
Decision Subject To Call In:	YES
Appendices:	Confidential Appendix 1 – Draft Formal Site Development Plan Confidential Appendix 2 – Commercial & Financial Summary Confidential Appendix 3 – Valuation Report Confidential Appendix 4 – Sale Heads of Terms Confidential Appendix 5 – Asset Appraisal & Disposal Framework Calculations

1 Summary and Recommendations

- 1.1 This report sets out recommendations associated with the disposal of the Council's land at the Haymill site; land off Littlebrook Avenue, Slough, SL1 6LZ.
- 1.2 The proposed sale has been subject to a due diligence process and reflects best consideration reasonably obtainable for the disposal of assets in accordance with section 123 of the Local Government Act 1972, and as verified by an independent valuation report prepared by Haslams professional surveyors.

Recommendations:

1.3 Cabinet Committee recommends to Cabinet to:

- a) Approve the Draft Formal Site Development Plan at Appendix 1 and agree the disposal of the Haymill site in accordance with the Sale Heads of Terms at Appendix 4.
- b) Delegate authority to the Executive Director of Regeneration, Housing and Environment, in consultation with the Lead Member for Financial Oversight and Council Assets and the Executive Director of Finance and Commercial to (i) approve the final form of the Draft Formal Site Development Plan that is presented to the SUR Business Board; and (ii) to approve the final terms of the documentation required to give effect to the Draft Formal Site Development Plan (iii) approve any amendments required to any boundary structure, fence line or footprint including the granting or reserving of any rights required to facilitate the expansion of the adjoining Haybrook College.

Reason:

- 1.4 The disposal of the Council's land at Haymill is in accordance with the Haymill Disposals Strategy agreed by the Cabinet on 18th September 2023. Agreement to the recommendations in this report will contribute to reduction in the Council's future financial commitments, generate a disposal receipt at the earliest opportunity and reduce Council borrowing requirements. The proposed land sale has been subject to due diligence, and reflects best value and consideration reasonably obtainable for disposal of assets in accordance with section 123 of the Local Government Act 1972.
- 1.5 The disposal supports the corporate priority for "a Council that lives within its means, balances the budget and delivers best value for taxpayers and service users."
- 1.6 Disposal of the land will enable the Council to simplify and reduce its land portfolio holdings and corporate arrangements; including progress towards winding up SUR to enable the Council to focus on core activities and services.

Commissioner Review

The asset disposal programme is of significant importance to the Council's financial recovery, and an integral part of the approved financial strategy and 'minded to' Capitalisation Direction.

The Council should ensure that the approved governance process for the consideration for the retention or disposal of any Council owned assets has been adhered to. Disposals should be on commercial terms, subject to legal and financial due diligence and demonstrably evidence that the potential disposal is for best consideration reasonably obtainable. The Council in making its decision should specifically consider any capital and potential long term revenue implications.

Commissioners are content for this report to be considered.

2 Report

Introduction to Slough Urban Renewal (SUR)

- 2.1 The Council established in 2013 the SUR joint venture (JV) with Community Solutions for Regeneration (Slough) (CSRS) Ltd¹ to deliver development schemes. The JV is underpinned by a Partnership Agreement (PA) setting out key operational and governance arrangements and the mechanism to facilitate site disposals.
- 2.2 The PA states that SUR should produce Site Development Plans (SDPs) for each development site, requiring approval from SUR Board and partner approvals from each of CSRS and the Council. SDPs are approved by Cabinet as required, and Cabinet also approves the SUR five - year business plan² with the most recent SUR plan approved by Cabinet on 18th September 2023 (Minute 38).
- 2.3 Schedule 9 of the PA sets out information to be included in each SDP, based on a two - phased approach:
- *Draft/Approved Indicative SDP*³ – this document is prepared by SUR at the start of a development scheme, to set out site proposals and seek partner approval of development strategy, indicative budgets and project plans. The SDP is “draft” until approved by all (being the Council and CSRS); and
 - *Draft/Adopted Formal SDP* – this document is prepared by SUR at the end of a disposal/appointment of a developer, to seek partner formal approval to costs and financing arrangements and legal documentation.
- 2.4 Council sites were opted to SUR, most of which have either been developed or sold for development by a third party. e.g. Montem Lane site was acquired by Bellway in August 2023.
- 2.5 The PA also provides for SUR to dispose of sites using the “On-Sale Site” mechanism without SUR procuring their development, and so without the Council and CSRS taking development risk. The On-Sale Site mechanism was used for the Montem Lane disposal and is to be used for other SUR - opted sites including Haymill.
- 2.6 The operating and financing model for SUR, as set out in the PA, is based on pre - development/work in progress (WIP) costs financed by CSRS by way of loan notes, which are then repayable by the JV from development profits or disposal receipts. This financing approach has been used for most of the SUR - opted sites, especially those that had already incurred predevelopment costs before 2022. Haymill pre - development costs have been financed differently as set out in Section 2.
- 2.7 The PA sets out the mechanism for calculating distributions payable to each member in the event of disposal using On-Sale Site mechanism. Each JV partner receives a profit share after repayment of outstanding loans plus interest (or, in this

1. A wholly owned subsidiary of Muse Places Ltd.

2. [Minutes Template \(slough.gov.uk\)](https://www.slough.gov.uk)

3. Confidential Appendix 1

case, pre-development funding; see paragraph 2.9 below) and the payment of a pre-planning/existing land use value.

- 2.8 The Council and SUR originally intended to develop the Haymill site within the SUR partnership. Following the Council's s114 Notice in 2021, the Council's capital programme was paused, including capital commitments for SUR opted sites. This resulted in the Council reviewing options for sites, to reduce financial commitments and realise sale receipts at the earliest opportunity.
- 2.9 In September 2023, the Cabinet agreed to proceed with a Disposal Strategy for Haymill. The SDP set out an alternative financing approach based on each member funding predevelopment costs in advance on an equal basis, rather than using loans provided by CSRS. A predevelopment budget of £300,000 was agreed for planning and transaction costs; shared equally by each member.
- 2.10 The September 2023 Cabinet also approved the pre - planning land value of £129,500 (as set out in the Draft Indicative SDP). This accords with the valuation methodology and on-sale site mechanism in the PA; and is reflected in disposal distributions set out in the confidential appendices (SDP and Commercial Finance).

The Council intends to enter a Distribution Agreement with SUR and CSRS at the same time as the Sale Contract is entered with the purchaser, to record the agreed distributions between the Council and CSRS and to set out payment mechanics in line with the terms of the PA.

- 2.11 The Approved Indicative SDP (September 2023) set out the site disposal strategy, to meet a series of member objectives as follows:
- Improved certainty of land receipt (and profit share) in the short term.
 - Enhanced ability to show best consideration and best value.
 - Minimising predevelopment costs and complex financing arrangements.
 - Equitable share value created in the site; with SUR securing planning and leading market engagement and disposal of the site; and
 - Ability to best meet wider objectives for delivery of new and affordable homes and public realm.

Options considered

- 2.12 Montagu Evans, external surveyors and property specialists produced in 2021 review of the SUR Partnership and SUR - opted sites, and options were considered to reduce the Council's capital commitments and financial exposure and to realise capital receipts. This included continuing with existing partnership arrangements and investment/capital plans, enabling key sites to be sold by the Council and varying the Council's equity / participation within SUR on a site-by-site basis to realise value.
- 2.13 Following legal advice, it was agreed there were limited grounds for terminating existing arrangements and the case for continuing with existing investment plans was not viable, due to Council's costs and risks associated with that strategy.
- 2.14 The preferred option was to renegotiate the Council's relationship in each of the key sites, to reduce/remove the Council's equity position on a site-by-site basis and to move away from the 50% joint venture commitment on each site. i.e. to pursue a

site disposal strategy. Sale strategy has already been realised for the Montem Lane and North - West Quadrant sites and now adopted for Stoke Wharf.

A sale strategy approach:

- Significantly reduces Council capital commitments.
- Reduces the Council's future liabilities for abortive/work in progress (WIP) costs. Under the terms of the PA, all members are eligible for 50% of these costs, should a site not proceed to development.
- Reduces the Council's exposure to additional development risk and losses⁴;
- Enables a third party to develop the sites in line with the original SDPs, to deliver regeneration benefits and new homes with affordable units;
- Allows the Council to reduce debt and borrowing costs and adapt its role across key sites, with an enabling rather than development role.

2.15 Key options for the portfolio of sites are:

Option A – Council to retain the site and consider options for disposal, following winding up of the Partnership.

This option does not generate capital receipts in the medium term, as the Partnership is not scheduled to terminate until March 2028, and would mothball the site with no housing delivery in the medium term.

Option B – Terminate the Option Agreement, with the Council seeking to sell the site at the earliest opportunity (not via SUR). Based on legal advice, a termination case would be difficult to demonstrate, being a lengthy process with significant costs and uncertain outcomes.

Option C – Restructure the Council's participation in the site such that CSRS develop the scheme and the Council's land value is secured at the earliest opportunity with reduced or no equity. This option has been actively considered and explored although the Council's receipt would be substantially reduced. CSRS do not wish to pursue this option, rendering it undeliverable.

Option D – Dispose of the site now, utilising the SUR On-Site Sale Mechanism, to produce a capital receipt for the Council in 2024 plus MRP saving. This option is quick and simple to achieve (with buy-in from both members), obtaining earlier receipts for the Council and greater receipts compared to Option C.

Option D is recommended to Cabinet for approval and consistent with the Cabinet approval in September 2023.

The Haymill Site

2.16 The land has been in Council ownership for many years and was formerly used as a Community use site shared with by Haybrook College Trust until 2013.,. The Trust is an academy that has relocated to the northern part of the whole site, it is an Alternative Provision school that also caters for pupils with Social Emotional and Mental Health needs aged 11 to 18 . All buildings on the southern (Haymill) part of the site were demolished by the Council in late 2015. The land identified for disposal has been

agreed to enable the site strategy to progress. The Haymill site has been temporarily used by Community Transport (CT) vehicles and for eleven containers for storage purposes. The CT uses are due to be relocated by 1st September 2024, and the storage containers by no later than the end of September, to agreed alternative locations; at an estimated total cost of up to circa £45,000.

2.17 The “Haymill Condition”: SUR’s ability to drawdown the site is subject to the Haymill Condition in the SSOA, being “the obtaining by the Council of all statutory consents required to allow the Council to use or dispose of the site free of the requirement to use it for educational purposes”. Legal advice was received by SBC in March 2022 that in accordance with the Academies Act 2010 and the School Standards and Framework Act 1998, the site would be unencumbered at a period of ten years after its last use for educational purposes. Therefore, the earliest date for the Council to satisfy the Haymill Condition would be April, 2024.

2.18 The land is a brownfield plot located between Littlebrook Avenue and Burnham Lane on the Western side of Slough, close to local amenities and surrounded on three sides by residential neighbourhoods. There is pedestrian and emergency access to the site via Burnham Lane, that is shared with Haybrook College, but main access to the consented development will be from Littlebrook Avenue.

2.19 The Council’s land comprises areas of hard standing with no buildings or permanent structures on the site for disposal. The proposed net useable area for redevelopment and disposal is approximately 0.89 hectare (2.2 acres). There are no Tree Preservation Orders on the site. The northern and western boundary fencing was replaced in early 2024 by SBC to reflect the precise land for disposal, and demarcation of these two boundaries agreed then with the Council.

2.20 The Council granted SUR an Option in March 2013 over the Haymill site and other land adjoining the Haymill site. The land has been vacant (apart from the current, temporary uses) for at least ten years.

2.21 The Council is intending to enter a funding arrangement with Haybrook College Trust (HCT) that will be the subject of another report to Cabinet, to enable HCT to appoint a building contractor to carry out works to expand facilities on the college site to the north of Haymill. This arrangement includes the Council granting a 125 year lease of the college site to HCT and a Licence for Alterations, to permit HCT to carry out the works on the land. The terms of the lease will be aligned with terms of the contract documents for the sale of Haymill, to the extent they relate to the interface between the Haybrook College and Haymill sites.

The Council intends to enter a Deed of Variation to the Option Agreement of March 2013 with SUR and CSRS, to record the parties’ agreement that a) the Haymill site will be drawn down by SUR from the Council on the same date as the Completion Date provided for in the Sale Contract to the purchaser (to achieve a sub – sale in accordance with the tax advice received by the Council), and b) the remainder of the Haymill land that is not to be sold to the purchaser will be released from the 2013 Option when SUR exercises the Option immediately before the Sale Contract is entered with the purchaser.

2.22 The SUR Board granted approval in May 2023 to progress the design of a residential development on the Haymill site and to secure satisfactory planning consent, with the intention to dispose of the development opportunity in 2024. **Figure 1: Land for disposal**

(blue line) Red line denotes access rights over Littlebrook Avenue and emergency access and pedestrian access via access road off Burnham Lane.



Figure 2: Haymill Development Site- consented layout



Planning

2.23 SUR secured detailed planning consent for the site on 9th July, 2024 (application reference no.P/04628/030) with a S106 Agreement dated 5th July.. The permission is subject to various planning conditions.

2.24 The consented scheme is for 33 dwellings, being a mix of 2 to 4 bed market (23) and affordable (10) units, plus a central amenity space, private gardens, car and cycle parking and landscaping. The 10 affordable houses comprise 5 affordable rented, 3 first homes and 2 shared - ownership.

The main access to the site is from Littlebrook Avenue. A total of 71 car parking spaces are to be provided.

2.25 The developer purchaser has indicated they intend to deliver the consented scheme, which is wholly planning policy compliant (albeit there is nothing to prevent an amended application or new application being submitted for approval). The purchaser will be required to deliver the residential development in accordance with Building Regulations.

Valuation

2.26 The Council's holding costs, including demolition, amount to circa £110,000.

2.27 The land is held in the Council's balance sheet and is revalued annually at fair value in line with accounting standards, by the valuers Wilks Head Eve (WHE).

2.28 The Recommended Offer is for the sale of the Haymill land. Further details on the offer are included in the Confidential Appendices 2 & 4. The Council's expected receipt following sale is in excess of the fixed existing use value EUV land price as agreed by Cabinet in Sept 2023 (at £129,500); this being the value of the site without the benefit of planning; and in line with both the Red Book valuation (attached in Appendix 3) and the WHE valuation of £5,148,000 for accounting purposes as at 31st March, 2024.

2.29 Haslams have led the marketing process and provided professional advice on market conditions and evaluation of bids received. The proposed Purchaser is named in Appendix 1 and has been selected for the reasons contained in that Appendix.

Marketing and bids

2.30 The SDP includes a marketing report from Haslams with details of the marketing exercise, evaluation of bids and preferred bidder recommendation. A summary of non - confidential information is set out below.

2.31 Haslams sales particulars were uploaded to their website and sent to 500+ commercial and residential developers active locally. Haslams have built on their market engagement with developers to ensure known interested parties were contacted, and recommended a guide price of OIEO £3.5m. The level of guide price set, at some way below the WHE valuation level, was considered appropriate by Haslams as a way of optimising competitive interest in the site from market bidders.

2.32 A deadline for bids was agreed for 30th May, 2024. During this period, Haslams accompanied viewings of the site with interested parties and after signature of non -

disclosure agreements, all were provided data room access containing relevant planning, legal and technical information.

- 2.33 15 parties undertook site visits; of which 13 submitted offers. Following a Best And Final Offer (BAFO) stage with 7 shortlisted parties, a preferred bidder was selected at a price in excess of the £3.5m guide.
- 2.34 The SUR Board agreed the preferred bidder on June 24th, 2024, on terms considered to represent best consideration in accordance with S123 of the Local Government Act 1972; due to a range of factors (as set out in the SDP) including price, other commercial terms and credibility of bid. In addition, the Red Book valuation also supports best value, as set out in Appendix 3.

Summary of Proposed Terms

- 2.35 Heads of Terms for an unconditional sale (but subject to delivery of vacant possession, formal approvals and ground investigation survey) have been agreed with the purchaser, as appended to the SDP. Anticipated exchange of contracts is the w/c 4th November, 2024, after confirmation of the Council's formal approval; followed by sale completion 10 working days later.

Critical Path

- 2.36 The key activities and milestones are set out in the following table, with exchange anticipated at the beginning of November.

Table 2: Critical Path

Activity	Dates
Disposal Strategy agreed – Council/Muse/SUR	September 2023
SDP approved – Cabinet / SUR	September 2023
Start of Marketing	February, 2024
Preferred Bidder confirmed	24 th June 2024
Draft legal documents issued	2 nd July, 2024
Expected site vacation by SBC	21 st October, 2024
SUR Board approval	10 th September, 2024
SBC Cabinet approval, followed by 5 - day call in.	21 st October, 2024
Purchaser's approvals	September, 2024
Exchange of Sale Contract	NLT w/c 4 th November 2024
Completion and cash receipt	10 working days later, NLT 18 th November, 2024.

Lessons Learnt

- 2.37 This transaction has benefited from lessons learnt from recent transactions, adopting some of the precedent documents used in previous On-Sale Site disposals to facilitate a quicker contract management process.
- 2.38 The Council's oversight arrangements have worked effectively for this transaction including bi-weekly Corporate Oversight Board (COB) meetings. The Council has identified the importance of maintaining full membership of the COB Board in preparation for future key transactions.

3 Implications of the Recommendation

3.1 Financial implications

- 3.1.1 The site has been in Council ownership for many years and as such there are no acquisition costs or debt associated with the site. The former educational and community buildings on the site were demolished at a cost in the region of £109,600. There are no ongoing revenue costs/income streams related to the site. There will be costs associated with relocating the Community Transport team, estimated at £45,000, and these will be treated as part of the cost of disposal.
- 3.1.2 It is estimated that disposal of the Council's land will generate a capital receipt in line with a) the valuation for accounting purposes (at fair value) by Wilks Head Eve, and b) the Red Book valuation; and c) well in excess of the Council's holding and associated costs incurred to date. Terms of the purchase offer remain subject to contract, and the detailed financial implications are reported in Confidential Appendix 2.
- 3.1.3 The Council and CSRS agreed to fund the predevelopment and transaction costs of £351,000 including design, planning, legal and sale agent costs.
- 3.1.4 The capital receipt payable to the Council has been calculated based upon the On - Sale Site mechanism. SUR receive the sale price. The Council's share of sale proceeds is governed by the (confidential) waterfall agreement as set out in Part 2.
- 3.1.5 A deposit of 5% will be paid at exchange and held as Stakeholder; the balance will be paid on completion.
- 3.1.6 The Council's capital receipt is calculated after all payments/costs of sale etc.
- 3.1.7 Appendix 2 includes a Confidential Commercial Finance Overview including relevant key headlines from a Council perspective.
- 3.1.8 The Council has taken initial advice on SDLT and VAT matters. SDLT will be payable by the purchaser. VAT is not payable on the purchase price as SUR has not opted to tax the land.
- 3.1.9 The Council has completed an Asset Appraisal & Disposal Framework Calculation for this site to consider the overall impact of the disposal on MRP and Capitalisation Direction. The de-minimus figure is lower than the expected capital receipt for the asset, resulting in a benefit to the Council following disposal.

Legal implications

- 3.2.1 Pursuant to section 123 of the Local Government Act 1972 ("Section 123 LGA 1972"), the Council has the power to dispose of land in any manner it wishes, subject to certain provisions. The Council has a statutory duty to obtain the best price reasonably obtainable, subject to certain exemptions. Section 123(2) permits a disposal at less than the best price reasonably obtainable with the consent of the Secretary of State.
- 3.2.2. When considering the duty under section 123 LGA 1972, what is reasonable in any particular case depends entirely on the facts of the transaction.

- 3.2.3. Case law has determined that whilst there is no absolute requirement to market the land or obtain an independent valuation, if valuation evidence is obtained, it should be up to date and that there should not have been any material and significant changes in circumstances since it was obtained.
- 3.2.4 In addition, obtaining proper professional advice throughout the process on how to maximise its receipts is a material consideration and the Council should limit itself to taking account of those elements of a transaction which are of commercial or monetary value and should disregard irrelevant factors such as “job creation” when assessing whether it is obtaining the best consideration reasonably obtainable. The deliverability or credibility of a bid are commercial factors which are relevant to an assessment.
- 3.2.5 Marketing and commercial advice has been obtained from Haslams, who with Devonshires have advised SUR on the negotiations with the proposed purchaser to agree commercial terms. Bevan Brittan have advised the Council on disposal matters pertaining to the Council as land owner and member of SUR.
- 3.2.6. Following the open market exercise reported by Haslams in the confidential Appendix 1, the agreed offer price exceeds guide price and the fixed land price, and is in line with the latest WHE accounting valuation. Haslams have confirmed the sale price represents best consideration reasonably obtainable in the current market, and the recent Red Book valuation further supports this.
- 3.2.7 In addition to meeting its best consideration duty, the Council must comply with its best value duty. This requires consideration as to the income generated from the asset compared to the capital receipt to be achieved upon sale. The financial implications contain an assessment of these two options.
- 3.2.8 Section 2.36 sets out the critical path, including key legal documentation, required to achieve the sale. Recommendations in this report enable these legal documents to be approved and entered into by the Council by way of the relevant delegated authority.
- 3.2.9 SUR was procured in 2012 under a compliant public procurement procedure. SUR is governed by (amongst other documents) the SUR Partnership Agreement. The Council (as JV Partner) has to date complied with the relevant legal and governance requirements under the JV arrangements, to enable the disposal of the Haymill site to take place. By making the resolutions referred to in paragraph 1.3 (Recommendations) the Council will take the final steps in this regard.

Risk management implications

- 3.3.1 The recommendations required from Cabinet, as detailed at paragraph 1.3 of this report, are intended to improve the Council’s financial position; by realising capital receipts that can be used to repay Council borrowing from existing high levels and reduce debt servicing charges, in the form of interest and minimum revenue provision, MRP. If the recommendations are not approved, this will delay the Council returning to a financially sustainable position. Specific risks are summarised below:

Table 3: Risk Summary

Risk	Summary	Mitigations
Financial	<ul style="list-style-type: none"> a) Delay in realising capital receipts from assets will delay the Council's financial recovery b) Sale terms are subject to the purchaser completing a ground investigation survey, prior to exchange. c) Market bid levels d) Any delay in delivering the Council's vacant possession. 	<p>Cabinet to approve officers to proceed with the sale. Recommendations reflect this.</p> <p>Terms agreed with the purchaser already assume an allowance for any abnormal ground conditions.</p> <p>Fully competitive marketing & bid management by the agent Haslams have helped ensure maximum bid levels. Suitable alternative locations have been identified to achieve vacant possession on time.</p>
Governance	<p>Failure to obtain best consideration from the disposal could expose the Council to risk of legal challenge</p>	<p>SUR has employed external advisors to manage and competitively market the site, having access to wider markets than officers locally; and has maintained a regular review of the market throughout 2023/24.</p> <p>A Red Book valuation from Haslams provides market information and confirms receipt of best price. The MRICS registered valuer has provided an independent report, including confirmation of the valuer's separate role from that of marketing.</p>
Legal	<ul style="list-style-type: none"> Failure to provide proper legal documentation/ title/deeds etc, which could delay or halt the sale. Delay to contract negotiations Failure to establish the purchaser as a reputable business, with proof of funding. 	<p>Precedent legal documents from previous On-Sale Site disposals have been used to facilitate a quicker contract management process.</p> <p>Regular meetings between all parties – Council/SUR/legal advisers</p> <p>Due diligence undertaken on the purchaser to assess funding and track record, including anti-money laundering checks.</p>

Risk	Summary	Mitigations
Governance	Failure to establish robust governance arrangements could expose the Council to risk of impropriety and legal challenge.	The Council has established sound governance for SUR, including biweekly Corporate Oversight Board meetings and a professional SUR client team. SUR has adopted a Disposal Strategy for other recent site sales; applying the same arrangements for this sale.
Reputational	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	Governance, project management and decision making operate effectively to deliver asset disposals on time and at best consideration for the Council Timely decision making, to support sales to third parties that align with market expectations.

3.4 Environmental implications

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

3.5 Equality implications

3.5.1 This asset has been used by Community Transport but the service is being relocated. There are no identified equality implications with the disposal of this site.

3.6 Procurement implications

3.6.1 There are no procurement implications.

3.7 Workforce implications

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

3.8 Property implications

3.8.1 This report will directly impact on the Council's land and property holdings as set out in this report.

4. Background Papers

None

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