

Asset Disposal Strategy

1. Introduction and Context

Context

- 1.1. Slough Borough Council's Corporate Plan 2022-2025 sets out the Council's new strategic priorities, following a finding by the Secretary of State for Levelling Up, Housing and Communities that it failed to comply with its best value duty and the appointment of commissioners to support the Council with its improvement and recovery plans.
- 1.2. One to the Council's strategic priorities is to be a Council that lives within its means, balances the budget and delivers best value for taxpayers and service users. This will require the disposal of a significant number of assets to reduce the Council's financial commitments and reduce its borrowing.
- 1.3. The Council approved a Treasury Management Strategy for the period 2022 to 2027 covering key areas:
 - Borrowing and debt reduction strategy
 - Prudential indicators
 - Minimum Revenue Provision (MRP)
 - Investment strategy
- 1.4. A key focus of this strategy was to bring the Council back onto a financially sustainable footing through a combination of debt reduction and a programme of asset disposals and to provide an effective framework for future decision making.
- 1.5. The disposal of assets will also enable the Council to simplify its property portfolio and focus on its core activities and services.

Wider policy considerations

- 1.6. To ensure that the best outcome is achieved from disposals, the Council will consider:
 - Holding cost of surplus assets if retained for longer term use or sale
 - Running costs for under-utilised assets and how these can be reduced
 - Service requirements across the Council to ensure an asset is not sold if it could provide a cost-effective solution for another service area
 - Potential benefits from delaying a disposal
 - Loss of revenue from any income producing assets
 - Impact on the local area from holding assets empty for prolonged periods
 - Additional benefits from regeneration
- 1.7. As a general principle, any new property arrangements should be on commercial terms and decisions should be made informed by the full cost of an asset. For lease arrangements, this will be on a Full Repairs and Insurance [FRI] basis with market-facing commercial terms unless otherwise justified.
- 1.8. There may be valid reasons, however, to take a non-commercial approach in certain instances, but the Council should fully test the financial and legal

implications of any such decision, including the need for specific consent to dispose of land at an under-value.

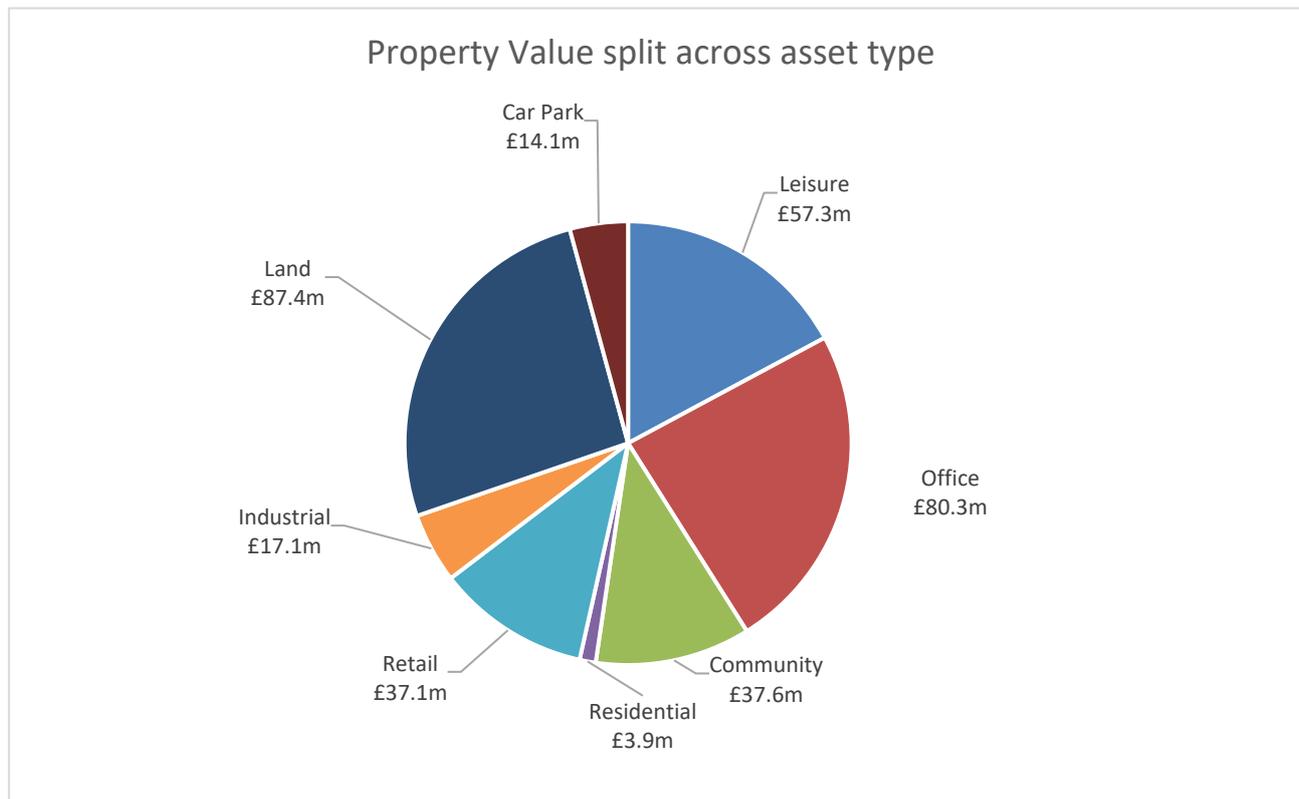
2. Type of Asset Holdings

2.1. At a portfolio level we summarise the following:

- There are a total of 108 readily saleable assets which have been categorised as follows:

| AY Sector Category | Properties previously categorised by the Council |
|--------------------|---|
| Office | Offices |
| Retail | Retail |
| Industrial | Industrial |
| Land | Land, residential development, garages, waste transfer station |
| Leisure | Leisure, hotel, bus garage, public house, caravan site, bus station, club, sports centre, cinema |
| Community | Community Centres, Care homes, community use, doctor's surgery, crematoria, library, social services, school, youth resources, resource unit, adult education, court building |
| Car Park | Car Parks |
| Residential | Dwellings, Farm, Residential, house, caretakers house |

2.2. The pie chart below summarises our view that the Council could potentially generate £335m of capital receipts from the Council's property portfolio.



Office

- 2.3. These properties are currently utilised or designated as office buildings.
- 2.4. The Council owns a total of six office buildings:
 - four are leased out to generate an income of £3.14m per annum (2021/22),
 - one is occupied by the Council (Observatory House), and
 - one of which is vacant (St Martins Place).
- 2.5. Disposal of these assets is contingent upon the Council making decisions about its future occupation requirements. When making a decision, the Council must take account of the cost of fitting out an alternative office building.

Retail Assets

- 2.6. The Council owns a total of 21 retail assets including single units and parades of shops. Some retail assets have been acquired as part of an investment portfolio and are not located within Slough. The majority of the remaining assets are held within the Housing Revenue Account and are below residential housing units.
- 2.7. The disposal of shopping parades will need to consider the implication for residential housing units above.

Industrial Assets

- 2.8. The Council owns a total of five industrial assets. These are generally lower quality assets generating a rental income. One asset is out of borough and the remainder are located in Slough.
- 2.9. Taking account of the rental income generated, MRP and interest charges the analysis indicates that the Council could generate substantial revenue savings in the disposal of these assets.

Community Assets

- 2.10. Whilst some of these assets are generating a rental income, these are not all on commercial terms. Some of the assets are subject to restrictions limited their alternative use. Some assets are also utilised for service delivery of statutory functions. As well as considering the service delivery needs in advance of any decision to dispose of the land, the uses may be protected in planning terms, meaning any planning application will need to demonstrate no net loss of community space. This may impact on the viability of schemes and as such the value of such land.
- 2.11. For community assets, the following considerations must be taken into account:
 - Status of the asset i.e. vacant or occupied
 - If occupied, the terms of that occupation (Council or third party)
 - Consideration of what services are being/ have been delivered within the building and what the current need for these services is in property terms (ie type and quantum of space, location of space, need for co location of groups/ service providers)
 - What obligations sit with the Council to provide these services/ to provide property to enable these services to be delivered

- Its Public Sector Equality Duty relating to those with protected characteristics who either occupy or use the services the occupier provides

Leisure Assets

- 2.12. The Council holds 16 leisure assets varying in quality and type. Leisure and sports facilities are typically protected in planning terms and alternative facilities may be required to satisfy planning policy.
- 2.13. The leisure assets include a hotel and four leisure assets which are subject to management agreements.
- 2.14. The disposal of these assets will also consider the revision to the current leisure strategy which is targeted for completion in early 2023.

Land

- 2.15. The Council owns 24 land assets which comprise a mix of clear development opportunities, designated public open space and some operational assets. A nominal rent is generated from some assets. Some assets are subject to operational use or have a specific designation which limits the options for disposal.

Residential

- 2.16. Aside from the HRA holdings, there are a small number of residential assets which are generating a nominal income. Some assets require consent for disposal or are part of agreements restricting their disposal.

Car Parking

- 2.17. The Council owns 9 car parks which are of mixed quality. This includes surface and multi-storey car parks, one of which is subject to an agreement to supply car parking to a third party. Prior to disposal decisions a full review of car parking needs across the Borough will be required to determine whether the land should be disposed of with conditions in relation to car parking.

3. Phasing of Asset Disposal Programme

- 3.1. The structuring of the Assets Disposals Programme is designed to bring forward the less constrained/simplest assets for disposal and those that were purchased as investments and are not required for service delivery. This will be delivered through the following phases:
 - I. Vacant small/ medium development sites and investment properties out of borough,
 - II. Income producing assets within borough
 - III. Assets currently utilised for service delivery, including office accommodation
 - IV. HRA Retail assets and, finally
 - V. the Stock Transfer of housing
- 3.2. The phasing does not assume the disposal of any specific asset. Decisions on individual assets will be taken by the appropriate decision-making body.

4. Governance

- 4.1. The Council recognises that good governance is a key component of this strategy, so it is essential that all decisions to dispose of an asset must follow a defined process.
- 4.2. Assets identified for disposal will need to be declared surplus. This will require formal approval. For lower value and less sensitive sites this will be agreed by the Executive Director of the service area. The sites will be considered by the internal Asset Disposal Working Group to consider their operational value. Higher value and more sensitive sites will require approval by the Asset Disposal Cabinet Committee and in the highest value sites, by Cabinet.
- 4.3. Once an asset has been declared surplus, a legal site report will be commissioned, following by an independent valuation. An appropriate marketing strategy will be determined to ensure best consideration.
- 4.4. Prior to marketing a site, consideration must be given to consulting with ward members to understand any community significance and local issues that are relevant considerations. In appropriate cases, the Council may need to undertake statutory processes or consult with stakeholders, including the public, to inform its decision on whether and how to market a site.
- 4.5. Upon receipt of satisfactory bids, a report will be prepared for the decision-maker. The report must include the following:
 - A market assessment by a suitably qualified agent familiar with the local market/asset type recommending disposal strategy
 - Evidence of an independent valuation to show that best consideration requirements are fully complied with
 - Review of the financial implications of the disposal
 - Review of the legal implications of the disposal
 - Proposed timing of the disposal
 - Impact/risks of the disposal
- 4.6. The decision-maker for asset disposal is as follows:
 - A disposal decision that forms a key decision or a reserved function of cabinet as set out in the executive responsibility of functions – Cabinet
 - A disposal decision where an officer has declined delegation due to complexity or sensitivity of the decision or where the DLUHC commissioners have advised that the decision should be made by elected members, but a cabinet decision is not required – Asset Disposal Cabinet Committee
 - Non-key decisions to dispose of a site (where the capital receipt is less than £1 million and the disposal is not significant in its impact on more than one ward) - Executive Director of Property and Housing. Before making a decision, the Executive Director should consult the relevant lead member and the Executive Director of Finance and Commercial.

Best Consideration – Definition

- 4.7. Local authorities hold land and buildings on behalf of their local communities. In that sense they can be seen as akin to trustees in relation to such land. For this reason, local authorities are under a duty to sell land at the best price reasonably

obtainable. Section 123 of the Local Government Act 1972 states that a local authority cannot dispose of its land for a consideration less than the best that can be reasonably obtainable in the market, except with the consent of the Secretary of State. There are general consents in relation to a disposal where the under-value is less than £2 million and there are clear economic, social or environmental benefits. A disposal includes sale of the freehold, granting a lease of 7 years or more, assigning an unexpired term of a lease and granting an easement. Case law has determined that entering into an option to purchase the freehold or a lease is also a disposal and removal of a restrictive covenant may constitute a disposal.

- 4.8. In determining best consideration, the only consideration that can be taken into account is that which has commercial or monetary value to the Council. The following are examples of considerations that cannot be taken into account:
 - An undertaking to create a number of jobs for people in the area or the desire to retain a particular use that would create jobs for the area
 - The desirability of the proposed use of the land for a specific purpose
- 4.9. It will be the responsibility of the Property and Housing Directorate to ensure that Best Consideration is achieved on all asset disposals. Decisions to dispose of land at less than best consideration, even where it is in accordance with a general consent, will be referred to Cabinet for a decision.
- 4.10. The Council will not assume that capital, interest, and other financial savings from a potential disposal have been confirmed until the asset has been sold and the net proceeds have been realised.

5. Assets held within Housing Revenue Account

- 5.1. The Council holds some of its land within its Housing Revenue Account. Section 32 of the Housing Act 1985 provides a power for local authorities to dispose of land held for housing purposes. Disposals cannot be made without consent of the Secretary of State, although there are a number of general consents that can be relied upon.
- 5.2. Section 105 of the Housing Act 1985 confirms that local authorities, in their capacity as landlord, shall maintain arrangements to enable those of its secure tenants who are likely to be substantially affected by a matter of housing management to be informed of proposals, to make their views known and for any representations to be considered prior to any decision being taken. Housing management is defined as a matter which relates to (a) the management, maintenance, improvement or demolition of dwelling-houses let by the authority or the provision of services or amenities in connection with such dwelling-houses.
- 5.3. There are specific rules that apply to a decision to undertake a large scale or whole scale stock transfer. Any decision to commence work on a stock transfer will require Cabinet approval and a detailed report setting out the legal and financial implications of such a proposal.

6. Council Property Portfolio Review

- 6.1. The Council's property holdings are diverse in size, type, condition and value.
- 6.2. The Council's properties are valued annually by the Council's appointed registered valuers, Wilkes, Head and Eve ('WHE') LLP in accordance with accounting standards and RICS valuation standards. However, these valuations

were not informed by a legal site report on the individual site and as such will not generally be relied upon as an independent valuation to demonstrate best consideration.

6.3. As at 31 March 2021 the Council's property portfolio was valued at £1.3bn comprising:

- The Council's current asset portfolio and basis of valuation is set out below:
 - c. £750m non-residential assets and
 - c. £550m of residential assets.

| Asset category | Valuation £m | Valuation basis |
|-------------------------------|-----------------|--|
| Council dwellings | 551 | Existing Use Value - Social Housing |
| Other land and buildings | 418 | Non-specialised assets - Existing Use Value Specialised Assets - Depreciated Replacement Cost |
| Investment property | 163 | Fair Value |
| Plant, vehicles and equipment | 15 | Depreciated Historic Cost |
| Infrastructure | 118 | Depreciated Historic Cost |
| Assets under Construction | 22 | Depreciated Historic Cost |
| Surplus Assets | 10 | Fair Value |
| Community Assets | 10 | Depreciated Historic Cost |
| Total | 1307 | |

6.4. This asset register has formed the basis for the work undertaken by Avison Young.

7. Consolidation of property portfolio

- 7.1. The Asset Disposals Strategy will not only focus on the currently surplus properties but will also consider the Council's wider property requirements so that other opportunities for consolidation and disposal or for a more viable alternative use can be considered.
- 7.2. The increased technology and the Council's digital strategies provide opportunities to rationalise the Council's office accommodation needs and to move away from face-to-face service delivery, where services can be delivered via other means. In addition, the Council will look to utilise other community assets to deliver services from, to reduce its reliance on managing its own property portfolio.

8. Marketing and Disposal of Assets

8.1. The following guiding principles will be followed for assets that are brought to market:

- A bespoke and tailored marketing campaign
- Asset specific marketing particulars and due diligence packs are drafted providing all salient details about the property/ properties
- A combination of targeting mail shots, property wide press advertisements and online portals will be utilised to ensure full expose to potential buyers
- All marketing materials to be pre-approved by the Council's internal Asset Working Group

- 8.2. An Informal Treaty process will generally be used where sealed bids are called following the marketing period. This helps to drive competitive tension amongst bidders and also tests the ability of parties to 'perform' within a designated timeframe and process which can give an indication of their likelihood to proceed through the contractual period.
- 8.3. An informal treaty process has the benefit of proving a transparent bidding process but does not legally bind the Council to treat with the highest offer.
- 8.4. In certain instances, typically for low value assets or single residential units, the use of either an auction or local estate agent is proposed as these types of assets are more likely to be appeal to local owner occupiers/ investors and additional value is unlikely to be derived through a national marketing and sales campaign.
- 8.5. Given the diverse nature of the portfolio it is not proposed that assets are generally marketed as part of a group portfolio as this could limit bids from local purchasers who are likely to bid keenly for assets due to adjacencies and local interest.
- 8.6. Certain asset types such as offices and retail units may benefit from being offered to market as portfolios. The majority of the retail units are however situated in parades as part of wider HRA property holdings. There is a risk to future regeneration/ development plans if retail units are carved out of the Council's existing holdings so this will be carefully considered in advance of any disposal decisions.
- 8.7. Where possible, key local agents will be used for the disposal of non-specialist assets as they will be best placed to understand the market, demand and major purchases within Slough.
- 8.8. The appointment of a single local agent to work with the Council across a number of the small sites will help to achieve a structured marketing approach that will help maximise value and allow assets to be linked where appropriate.
- 8.9. For larger sites or specialist assets, it will be more appropriate to engage parties who will have the relevant expertise and wider market coverage required for this type of disposal.

9. Review process

- 9.1. All detailed consideration of the progress of individual sites together with a progress monitor with highlighted issues will be reported in future to meetings of the newly established Asset Disposals Cabinet Committee, progress reporting to each meeting and the recommendations being amended accordingly.
- 9.2. Alongside reports on individual sites, the Asset Disposal Cabinet Committee will receive regular update reports on progress of the programme against financial targets and timescales. As part of this review process, this strategy should be reviewed to ensure it remains fit for purpose. A decision to amend the strategy must be made by Cabinet and therefore the Committee should make a formal recommendation to cabinet if the strategy needs amendment.
- 9.3. As well as considering a review of the current strategy, the role of Overview and Scrutiny Committee and Audit and Corporate Governance Committee should be considered in reviewing the performance of the programme and capturing any learning. A key area of learning may be understanding why decisions were made to acquire properties and whether sufficient information was available to inform those decisions. A key element of the internal Asset Disposal Working Group is

to capture learning and ensure it is reported to elected members and that procedures are reviewed to respond to such learning.

- 9.4. Further reports will be developed, for consideration by members, which will address the changes required to the Council's operating model as a result of the asset disposal programme and on-going efficiency reviews.