

Slough Borough Council

Report To:	Cabinet Committee
Date:	21 November 2022
Subject:	Avison Young Appointment to support the Asset Disposals Programme
Lead Member:	Councillor Rob Anderson Lead Member for Financial Oversight and Council Assets
Chief Officer:	Pat Hayes - Executive Director Housing and Property Steven Mair, Executive Director Finance and Commercial (s151)
Contact Officer:	Fin Garvey - Group Manager – Place Delivery Peter Worth, Finance Lead Technical Advisor
Ward(s):	All
Key Decision:	YES
Exempt:	NO, except for: Appendix 1 - Exempt 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 Appendices Appendix 1 – Tender Evaluation Report

1. Summary and Recommendations

- 1.1. A key element in the Council's financial recovery is the disposal of property assets. Further to the approval of the Asset Disposal Strategy at 17 October 2022 Cabinet it is recommended that Avison Young are appointed to support the implementation of the Strategy for the period from 2022 to 2027.

Recommendations:

- 1.2. Cabinet is recommended to:
 - a) Approve the appointment of Avison Young to support the implementation of the Asset Disposal Strategy for the period 2022 to 2027, and delegate authority to the Executive Director of Housing and Property, in consultation with the S151 officer, and subject to legal advice, to enter into contract with Avison Young for property asset disposal related support services, at an estimated cost of £3.020m, which will be met from the capital receipts generated from asset disposals.

Reason:

- 1.3. Expert property asset disposal related advice is required to support Council officers with the timely and effective delivery of the Asset Disposal Strategy. Timely receipt of the proceeds from the sale of Council assets is fundamental to the fiscal recovery of the Council to ensure long-term financial stability.
- 1.4. Following a decision at 20 September 2021 Cabinet officers carried out a procurement exercise, in line with The Public Contracts Regulations 2015, and the Council's Contract Procedure Rules, to obtain support from external organisations who can assist the Council with a programme of asset disposals over the next five years. Avison Young was the successful bidder.

Commissioner Review

"The recommendations are supported."

2. Report

Procurement Exercise

- 2.1. In October 2021 officers engaged in a procurement exercise to select expert advice and support for the Asset Disposal Programme. The Homes England Framework for Property Professional Services was used to procure advisors through initial short-listing followed by competitive bids.
- 2.2. To ensure a considered phased approach to asset disposals a two-stage methodology was used:

Phase I, the development of a Disposal Strategy that sets out the rationale for the overall programme, i.e. to ensure that the best outcome is achieved from disposals, considering the following principles:

- 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

Phase II, The delivery, and implementation of the approved Disposal Strategy

- 2.3. Following a competitive process, Avison Young were appointed for the Phase I stage of the programme. The Tender Evaluation Report detailing the procurement process and evaluation is included in Appendix I.

- 2.4. The procurement approach allowed for the Phase I advisor to be recommended for Phase II subject to satisfactory performance in Phase I and adoption of the Disposal Strategy.
- 2.5. Commercial assessment of the fees applicable in Phase II were evaluated as part of the procurement process and benchmarked against approved Home England Framework rates.

Progress and Performance

- 2.6. The Asset Disposal Strategy which included Avison Young advice was approved by Cabinet on 17 October 2022.
- 2.7. Avison Young have also provided successful support to officers to advance early cash flow from surplus assets. An initial tranche of assets has been accelerated for marketing, of which four have been approved for disposal (Wickes Wolverhampton, Euroway Bradford, Odeon Basingstoke and Waitrose Gosport).
- 2.8. A separate paper is being brought to Cabinet recommending disposal of the Akzo Nobel site.

3. Options considered

- 3.1. Two options have been considered:
 - Option A – Retender the support service package either using an approved framework or separate tender process.
 - Option B – Appoint Avison Young to carry out the services as recommended following the procurement process carried out in late 2021/early 2022.
- 3.2. **Option B is recommended** as Avison Young have performed successfully in providing the services in Phase I and demonstrated a good level of performance with the early sale of the initial tranche of assets.

4. Implications of the Recommendation

Financial implications

- 4.1. Appointment of AY to Phase II of the Asset Disposal programme will incur fees, which were competitively tendered for through the Homes England Framework of Property Consultants. Cabinet has previously approved the fee budget of £3.020m within the Asset Disposal Programme budget on 21 October 2022. Fees will be payable for disposals on a sliding scale and are well within the maximum permissible to be met from a capital receipt of 4% as set out in Regulation 23(h) of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended. Consequently, there should be no impact on the revenue budget.

5. Legal implications

- 5.1. The Council carried out a lawful and fully compliant procurement exercise to procure the asset disposal related services in late 2021/early 2022 under Lot 1 of the Homes England Framework for Property Professional Services. This Framework has been lawfully established, it is current, the Council is able to use it, and the services required are in scope. Therefore the procurement of Avison Young to provide the services is lawful.

- 5.2. The procurement approach allowed for the Phase I advisor to be recommended for Phase II subject to satisfactory performance in Phase I and the adoption of the Disposal Strategy. Avison Young have performed well and the Asset Disposal Strategy has been agreed. Therefore the Council can include the Phase 2 services under the original procurement and this is fully compliant with The Public Contracts Regulations 2015 and the Council's Contract Procedure Rules
- 5.3. Legal Services should be instructed to complete the contract for the Phase 2 services
- 5.4. The Council has statutory powers to dispose of land, including under:
- Section 123 of The Local Government Act 1972;
 - Housing Act 1985;
 - Section 233 of the Town and Country Planning Act 1990;
 - Local Authorities (Land) Act 1963;
 - Housing and Planning Act 2016; and
 - Localism Act 2011

6. Risk management implications

- 6.1. The recommendation required from Cabinet, as outlined in this report, is intended to improve the Council's financial position, by appointing external advisors to help the Council to realise capital receipts which can then be used to repay Council borrowing from the existing high level and reduce debt servicing charges in the form of interest and minimum revenue provision (MRP) If the recommendation is not approved this will delay the Council being able to return to a financially sustainable position. – specific risks are summarised below:
- 6.2.

Risk	Summary	Mitigations
Financial	Delay in appointing external advisors to assist the Council with the Asset Disposal programme will delay the Council realising capital receipts from assets sales will delay the Council's financial recovery.	Cabinet to approve the appointment of AY for Phase II of the Asset Disposal programme
Governance	Failure to appoint external advisors to assist the Council with the Asset Disposal strategy would reduce the Council's ability to obtain best consideration from the disposals could expose the Council to risk of legal challenge	The Council has employed external property advisors to manage and competitively market the properties, having access to wider markets than officers locally and has obtained up to date valuations for the sites for comparison purposes.

Legal	Failure to procure external advisors in line with procurement legislation, thus exposing the Council to risk of legal challenge.	The appointment of AY has been undertaken in line with procurement legislation as set out in the Legal Implications section above.
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 best consideration for the Council.

7. Environmental implications

7.1. No environmental implications have been identified.

8. Equality implications

3.5.1 No environmental implications have been identified.

3.6 Procurement implications

3.6.1 None

3.7 Workforce implications

3.7.1 None

3.8 Property implications

3.8.1 See Legal Implications above

4. Background Papers

<https://democracy.slough.gov.uk/documents/g6745/Decisions%2020th-Sep-2021%2018.30%20Cabinet.pdf?T=2>

<https://democracy.slough.gov.uk/documents/g7088/Decisions%2017th-Oct-2022%2018.30%20Cabinet.pdf?T=2>