

Slough Borough Council

REPORT TO: Place Scrutiny Panel

DATE: 19th January, 2023

SUBJECT: Asset Disposal Programme Update

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

EXEMPT: No

APPENDICES:

- 1 – Progress Report Charts
- 2 – Disposal Pipeline
- 3 – Assets for Marketing Proposed to Cabinet for marketing, 16th January 2023

1. Summary and Recommendations

- 1.1. This report provides an update to the Place Scrutiny Panel on the current progress of the Asset Disposals Programme.
- 1.2. This report was considered by the Cabinet Committee on Asset Disposals, which now receives monthly updates on the progress of the programme.

Recommendations:

- 1.3. The Panel is requested to comment on and scrutinise the report and is recommended to:
 - a) Note current progress achieved in the disposal of assets where authority has been approved by Cabinet, and
 - b) Note the status of the pipeline of future assets being brought forward for disposal

Reason:

- 1.4. To provide oversight on the delivery of the Asset Disposals Programme and the simplification of the property portfolio and enable the Council to focus on its core activities and services.
- 1.5. 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 Minimum Revenue Provision (MRP).

- 1.6. The disposal strategy supports the priority of the new Corporate Plan for “a Council that lives within its means, balances the budget and delivers best value for taxpayers and service users.”

Commissioners Review of Cabinet Committee Report

- 1.7 *“The update is noted. It is important for Members to appreciate that the lessons learned section, which arose from the review of the Chalvey Extra Care acquisition are seen as issues for the Council as a whole, not just property matters. In addition, it is equally important to ensure that the recording of reasons is fully set out, particularly where declarations of interests are involved.”*

2. Report

Introduction and Context

- 2.1. The Asset Disposal Programme has brought 8 properties to the market of which 6 have exchanged and completed. Three properties have been sold since the December 2022 update and are highlighted in green on Table 1 below. A further two sites optioned to Slough Urban Renewal (SUR) expect to be sold by February 2023. To date the disposal programme has generated £172.745m of capital receipts.

Table 1 Asset Sales Update:

Property Name	Original Purchase Price £m	Purchase Date	Sale Price £m	Exchange Date	Completion Date	Purchaser	Notes
Akzo Nobel	40.900	Feb 2021		23/11/2022	23/11/2022		Subject to confidentiality clauses - sales prices will be provided once HM land registration completed
21 Roydsdale Way, Bradford	12.746	July 2019		15/11/2022	15/11/2022		Subject to confidentiality clauses - sales prices will be provided once HM land registration completed
Odeon, Churchill Way, Basingstoke	8.480	June 2019	3.620		25/11/2022	OMNIPLEX Group	
Wickes, West Street, Wolverhampton	6.959	January 2017	6.800	22/11/2022	09/12/2022	Hartland Global Ltd	
Lavender Farm	N/A	1966	1.775	02/11/2022	09/12/2022	Mr Jeff Simpson	
Waitrose, Gosport	3.710	January 2018	1.900	16/12/2022	16/12/2022	Wigmore (Southend) Ltd	
Halfords	4.289	July 2016					
Adelphi	4.892	August 2018					
SUR - Montem	N/A	N/A					
SUR- North West Quadrant	28.092	July 2018					
Total	110.068		172.745				

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

Future Disposals

- 2.3. Appendix 2 details the remaining Council assets to be reviewed for disposal, (subject to the approved review process).
- 2.4. To date 20 property assets have been approved by Cabinet as 'Surplus'. Cabinet considered a further 8 assets for marketing in Appendix 3 at its meeting on 16th January 2023. The following lists the basis on which these assets were recommended for marketing.

Land at Langley College, Former Police Station, Merry Makers site, Rochford Gardens,

- 2.4.1. These sites were acquired for housing development. Currently, there are no plans for the Council to develop any residential schemes. These disposals will provide an opportunity for further housing provision by the private sector within the borough.

22-26 Windsor Road

- 2.4.2. These properties were acquired for highways road improvement works. These consist of small retail units with offices overhead. These disposals will provide an opportunity for regeneration by the private sector.

Upton Lodge & Hatfield Car Park

- 2.4.3. This office building was acquired for investment purposes. The condition of the building is poor and will require further investment/redevelopment. Hatfield car park is also in poor condition given the removal of the original roof structure. There is a strong potential for additional marriage value of marketing these properties together to enable a much more substantial redevelopment of both sites. There is sufficient car parking capacity in the town centre to provide alternative parking solutions.

Moxy Hotel

- 2.4.4. On 17 December, 2018, the Cabinet gave approval to sign, seal and enter into the legal agreements to give effect to the redevelopment proposals to deliver a mixed-use development on the Old Library Site to provide two hotels (the Moxy and the Residential), 64 residential apartments and 2 retail units. In addition to providing an investment return to the Council, the project also sought additional long-term benefits including:
 - a hotel development in the town centre to improve the image of the town by providing good quality hotel accommodation, which was in short supply.
 - improving permanent local employment opportunities in the hospitality and catering sector.
 - generating additional business rates income.
- 2.4.5. It is now proposed to market the Moxy hotel for disposal where these benefits will continue to be delivered.

Options considered

- 2.5. **Option A** – Declare assets listed as surplus and market. Whilst this lose an income stream from the profit share at the Moxy Hotel, this will be outweighed by the savings in debt charges and operational costs for all the assets. Also it will realise capital receipts from some sites which are currently wasting assets, such the former police station
- 2.6. **Option B** – Defer/remove assets listed from the disposals pipeline. By deferring or removing assets, the Council will continue to incur costs on assets which are not being used by the Council and will delay the Council being able to reduce its loan debt burden.

In order to continue to meet/exceed the targets of the Asset Disposals programme, **Option A was recommended to Cabinet** for approval.

Review Process and Lessons Learnt

2.7. Further lessons learned in the last month include:

Issue	Response
No clear records of overage provisions on land disposed of eg. Chalvey Lease	The Executive Director of Housing and Property will put in place a system to ensure that overage provisions are recorded in a central register and appropriate systems are in place to check sites on a periodic basis.
External lawyers were instructed with no obvious oversight from the Monitoring Officer or the Council's shared legal practice.	Executive directors have been reminded that they are not permitted to instruct external lawyers without explicit consent and the legal advice should be available to the Monitoring Officer and there should be clarity on the cost. HB Public Law also offer a managed legal service, whereby they would instruct the external lawyers and manage the instructions and billing.
A wide delegation was given to a single officer, with no requirement to consult a lead member or key statutory governance officers.	There is now a corporate schedule setting out key decisions for cabinet. This includes review by legal, finance, procurement and other relevant teams, as well as sign off by the whole corporate leadership team and discussion with cabinet members informally before any formal decision-making. Major projects are split into key phases with clarity in the report as to the next stages and if cabinet authority is required for these. All cabinet reports contain an options section and the use of wholly Part 2 (exempt) reports has ceased – where confidential information is included, the report is split into Part 1 and Part 2 with as much information as possible presented in Part 1. Where information cannot be put into the public domain at a particular point, consideration is given to reporting this back to elected members in a public report in the future. For example, an update report is presented to the Asset Disposal Cabinet Committee on asset disposals.

3. Financial implications

- 3.1. The asset disposal programme has generated capital receipts of £172.745m to date as reported in Table 1 above. It is expected that sales currently in the pipeline, plus repayments of loans to third parties (i.e. SUR and GRE 5 Ltd) will take the total to in excess of £210m by 31 March 2023. This will mean that the Council will have achieved its original target to generate £200m of capital receipts

by 1 April 2024, 12 months earlier than expected. As a consequence, the forecast MRP charge for 2023/24 has more than halved to £11.566m.

- 3.2. The impact on interest charges is largely neutral because although the Council has been able to repay a substantial amount of temporary borrowing, increases in interest on the remaining temporary loans have matched the interest savings from repaying borrowing. Temporary borrowing was £218m at 31 December 2022, which is virtually half the £406m outstanding at 31 December 2021.
- 3.3. By bringing forward from 2023/24 the additional 8 properties listed above, substantially accelerates the asset disposal programme and will mean that the Council will be well placed to generate sufficient capital receipts such that it will be able to fully repay all temporary borrowing by September 2023 and will be ahead of schedule to fully fund the Capitalisation Direction.

4. Legal implications

- 4.1. The Council has duties in relation to securing best consideration and achieving best value in delivery of its services. Capturing learning from transactions to date will ensure that improvements can be made to future disposals.
- 4.2. The Asset Disposal Strategy recommends that lessons are learned and reported to elected members. This includes lessons in relation to original decisions to acquire sites, as well as lessons in relation to processes for disposals.
- 4.3. Legal advice and support is secured for all asset disposal decisions and where cabinet authority is required, reports are split into Part 1 and Part 2 to ensure the maximum amount of information can be reported in the public domain. The update report allows further information to be published following completion of transactions, which allows for public and elected member scrutiny of progress.
- 4.4. To enable any future sale of the properties listed in this report, the Council must first declare these sites surplus.
- 4.5. A local authority has a statutory duty under section 123 of the Local Government Act 1972 when disposing of an interest in land to obtain the best consideration reasonably obtainable. It is for the authority to demonstrate that it has achieved best consideration; if best consideration is not obtained, Secretary of State approval is required.
- 4.6. A local authority may dispose of land at less than best consideration where the Secretary of State has given permission to do so or under the Local Government Act 1972: General Disposal Consent (England) 2003 in circumstances where the local authority considers the disposal is likely to contribute to the social, economic or environment wellbeing in its area.
- 4.7. No disposal terms will be settled without assessing the requirement of procurement legislation and other legislative requirements arising as a result of the manner in which the relevant land is held eg schools, open spaces etc. and concluding any appropriate legal and financial due diligence.

5. Risk management implications

5.1. Specific programme risks are summarised below:

Risk	Summary	Mitigations
Resource	<p>Loss of key member of the asset management team in December/January.</p> <p>Loss of members from the Finance team in March.</p>	<p>Proposed appointment of interim resource in advance of permanent recruitment.</p> <p>Recruitment process in place.</p>
Financial	<p>Delay in realising capital receipts from assets sales will delay the Council's financial recovery</p> <p>Failure to establish that the buyer is a reputable business and that the buyer's funds are from acceptable sources</p>	<p>Cabinet to approve officers to proceed with the sales</p> <p>Due diligence on buyer to assess their business and funding, including anti-money laundering checks.</p>
Governance	<p>Failure to obtain best consideration from the disposals could expose the Council to risk of legal challenge</p>	<p>The Council has employed external property advisors to manage and competitively market the properties, having access to wider markets than officers locally and has obtained up to date valuations for the sites for comparison purposes.</p>
Legal	<p>Failure to ensure legal title/deeds etc which could delay or halt sale.</p> <p>Delay to contract negotiations.</p>	<p>Legal title reports obtained for this site.</p> <p>Bi-weekly monitoring of asset disposals by commissioners and officers.</p>
Governance	<p>Failure to establish robust governance arrangements could expose the Council to risk of impropriety and legal challenge.</p>	<p>The Council has established sound governance arrangements for asset disposals to ensure that the Council achieves best consideration from asset disposals</p>

Reputational	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.
--------------	---	---

6. Environmental implications

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

7. Equality implications

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

8. Procurement implications

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

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

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

9. Workforce implications

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

10. Property implications

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

11. Background Papers

11.1. None