

## Slough Borough Council

Information needed	Details
Report To:	Corporate Improvement Scrutiny Committee
Date:	26 March 2024
Subject:	Shaping proposals for a policy on Community Asset Transfers
Chief Officer:	Pat Hayes – Executive Director (Regeneration, Housing & Environment)
Contact Officer:	Mark Halligan – Associate Director (Property)
Ward(s):	All
Exempt:	NO
Appendices:	Community Asset Transfer Briefing Document

### 1. Summary and Recommendations

1.1 This report provides the background and context for inviting the Committee to provide input into the potential development of a Community Asset Transfer (CAT) policy, as an element of the emerging Estate Strategy.

#### Recommendations:

The Committee is invited to provide input into the potential formation of CAT policy, by responding to questions posed in the report. The report and appendix, together with earlier briefings (e.g. 22<sup>nd</sup> February meeting), seek to provide the Committee with the information needed to enable them to provide an informed response.

#### Commissioner Review

Delivery of the agreed capital receipts target associated to the Asset Disposal Programme is of paramount importance to the Council's financial sustainability and 'minded to' Capitalisation Direction. All disposals should be subject to legal and financial due diligence and demonstrably evidence that the disposal is for best consideration (achieving maximum value) reasonably obtainable. Each site will be unique and any decision to dispose of an asset for less than best consideration, except for disposals to comply with statutory obligations, will require evidence-based justification.

## 2. Report

### Introduction

- 2.1 A fundamental strand in the approach set out in the Corporate Plan (2023-2027), is the need to *'provide financial sustainability'*. Property assets have a key role in this, as they have the potential to generate capital receipts, as well as revenue benefits (i.e. savings in running costs, or generation of income). A CAT Policy has the potential to support the Council in achieving these financial benefits, but also, to limit financial benefits, if not carefully managed. It's very important to consider both the risks and opportunities of a CAT Policy and the approach that is likely to work best for the Council and the residents of Slough.
- 2.2 *'Enabling residents and communities'* is also very prominent in the Corporate Plan. Transferring property assets to community organisations is potentially a mechanism for supporting this objective. Such an approach has to be very carefully considered and needs to, for example, give due consideration to the capacity and capability of community organisations to successfully and safely manage the resultant liabilities.

### Options

- 2.3 To enable Committee to provide useful input into the development of a CAT policy, a number of key questions are posed below, which they are requested to respond to. Potential options are set out for these questions to help facilitate debate and feedback.
- 2.4 Six key questions are posed and are set out below (2.5 to 2.10).
- 2.5 What does the Committee consider should be the primary objective of a potential CAT policy? The options might include:
- Reducing property revenue costs and liabilities for the Council.
  - Enabling communities to be more resilient and self-sufficient.
  - Enabling the transfer of Council services to community organisations, resulting potentially in non-property related revenue savings.
  - Enabling additional investment in properties where under investment is a particular issue to local communities – e.g. heritage assets.
  - Enabling community-led housing development – e.g. by transferring land.
- 2.6 Which asset types does the Committee think should be the initial focus for a potential CAT policy/programme? The options might include:
- Assets that have an estimated capital value below £500k.
  - Assets that have high levels of property revenue costs and liabilities.
  - Assets that are already leased to community organisations.

- Assets that are currently used primarily by community organisations, where the use is on a less formal basis (e.g. via license/bookings, rather than leases).
  - Assets that are used to deliver Council services from – e.g. Libraries.
  - Land that could be used for housing development.
- 2.7 What are the size and nature of the community organisations that the Committee believe have the capability, capacity and motivation to pursue CAT opportunities and successfully manage the resultant liabilities? How should the suitability of a community organisation for CAT be assessed and what conditions should the council place on the transfers of these assets?
- 2.8 If there are currently capability gaps etc with community organisations, that would currently hinder successful CAT transfers, what are the key gaps and does the Committee believe that they are gaps that could feasibly be closed in the short to medium term?
- 2.9 Should there be a competitive process for each transfer?
- 2.10 How should the Council deal with competing interests in respect of a particular asset?

## **Background**

- 2.11 Members are aware the Council received a formal direction from DLUHC made under s.15(5) and (6) of the Local Government Act 1999, including a direction that prescribed functions are to be exercised by Commissioners; and the appointment of Commissioners from 1 December 2021.
- 2.12 A key component of the Directions is the need for the Council to demonstrate it is able to achieve financial sustainability. Maximising the financial benefit that can be achieved from the property portfolio is a significant element of this.
- 2.13 A paper was brought to Cabinet (21 June 2021) which outlined the principles and process for disposing of surplus General Fund land and property assets to reduce borrowing costs, termed 'The Asset Disposal Programme'. The report highlighted that the Council will seek to dispose of surplus assets to support the following objectives:
- Provide capital receipts to contribute to the 2022/23 budget
  - Provide capital receipts to meet Capitalisation Directive commitments and align with the Medium Term Financial Strategy (MTFS)
  - To reduce overall borrowing costs

- 2.14 On 20 September 2021 Cabinet approved a Debt Repayment Strategy and instructed officers to procure the support of an external organisation to assist the Council with a programme of asset disposals to generate capital receipts over the next five years. The report stated that “an orderly programme of asset disposals will improve the Council’s financial position by realising capital receipts which can be used firstly to finance any Capitalisation Directions, and secondly to repay existing external debt”. The report identified that “if capital receipts of up to £600m were realised over the next five years and used to finance Capitalisation Directions and repay other external loans, borrowing could be reduced from its current level of £760m down to circa £335m by 1 April 2027”.
- 2.15 The Council approved a Treasury Management Strategy (TMS) for the period 2022/23 to 2026/27 on 10 March 2022 covering borrowing and debt reduction strategy, prudential indicators and Minimum Revenue Provision (MRP).
- 2.16 Commercial property advisors Avison Young were appointed to support the early delivery of the Asset Disposal Programme. The focus of the initial stage (now termed Phase I) was a review of the Investment and Development sub-portfolios, together with a strategy for disposing of surplus assets within these portfolios. This has enabled the disposal of a significant number of assets, which has generated capital receipts to date (31/1/2024) of c£225m.
- 2.17 Some good progress has been made in delivering Phase I of the Asset Disposal Programme. However, it has become clear that the Capital Receipts Target is unlikely to be met through the sale of the assets identified for the first phase of the programme. There is a need and opportunity to develop a Phase II to add further assets to the Disposal Programme. In broadening the scope of the Asset Disposal Programme, a more strategic approach has been required. An Estate Strategy is being developed; in part to identify further assets, primarily from the Operational sub-portfolio, that can be added to the Asset Disposal Programme, as Phase II of the programme. In addition to identifying further disposal opportunities, the strategy will help identify other benefits beyond capital receipts – e.g. revenue, social value, green initiatives, etc
- 2.18 Strong progress has been made in developing the Estate Strategy. Specialist consultants, Montagu Evans, have been commissioned to support this work. Cabinet were updated (December 2023) on the initial discovery phase of the exercise.
- 2.19 Cabinet approved (December 2023) a conceptual model for the Operational sub-portfolio, which categorises these assets into five groups. This model better enables opportunities (e.g. disposals) to be identified and assessed.
- 2.20 The key decision in finalising the proposed Estate Strategy, is the amount of consolidation to adopt and the extent to which the Council needs (and can afford) property assets, beyond the Single Public Service Centre contained in the model. This will be the subject of further and wider Member debate.

- 2.21 The background and ongoing work around the Asset Disposal Programme and the Estate Strategy was explained to members of this Committee at a briefing meeting on 22<sup>nd</sup> February 2024. This answered the queries that had been raised ahead of the briefing meeting.
- 2.22 The Committee agreed at the 22<sup>nd</sup> February briefing meeting, to focus their attention on one particular element of the proposed Estate Strategy, in order to maximise the value that they could add. The element that was chosen, was the potential creation of a Community Asset Transfer Policy and Programme.
- 2.23 There are significant opportunities and risks associated with a CAT policy, which need to be very carefully considered. Members are well placed to provide insights into the capacity, capability and motivations for community organisations within their wards, to take on CAT transfers.
- 2.24 A background briefing document (Appendix A) provides further information on this subject and outlines the considerations in shaping a CAT Policy. It is hoped that this information enables the Committee to provide well informed responses to the questions posed above (2.5 to 2.10).
- 2.25 A chronological summary of Cabinet decisions relating to asset disposals is outlined below:
- June 2021 – approved the commencement of the Asset Disposal Project
  - September 2021— approval to commence a procurement exercise to appoint an organisation to support the Council with asset disposals
  - October 2022 – approved an Asset Disposal Strategy
  - September 2023
    - Asset Disposal Programme – approved a new (amended) Asset Disposal Strategy
    - Estate Strategy – approved the guiding principles to inform the development of this strategy
  - December 2023 – approval of a conceptual model (Estate Strategy)

### **3. Implications of the Recommendation**

#### **3.1 *Financial implications***

- 3.1.1 This report asks Corporate Improvement Scrutiny Committee to consider a proposed approach for potentially transferring assets to local organisations under a Community Asset Transfer policy. At this juncture it is purely a consultative document.
- 3.1.2 Any property disposals need to be considered in the context of the Council’s current financial position and need to maximise capital receipts to finance the capitalisation

directives and reduce the level of external debt and align to the wider strategy for asset disposals.

3.1.3 Disposing of assets to local third sector agencies and groups can have significant benefits to those organisations and communities and ensure their long-term security as community assets, providing, for example, new opportunities for mixed community and business use - but there are also risks, including financial, health and safety and reputational. If the asset requires investment and/or the organisation does not have the financial resources to maintain its upkeep, provide for capital investment and keep it safe, then it risks its closure and insolvency of the organisation. Costs and other liabilities could come back on the Council so proper due diligence of any counterparty is essential, in terms of their corporate governance arrangements and financial standing. Sufficient safeguards are also required to ensure any property is not subsequently disposed of for private gain. Each potential transfer would require a full financial and risk appraisal.

### 3.2 *Legal implications*

3.2.1 There is not a proposal in this report to assess legal implications against.

### 3.3 *Risk management implications*

3.3.1 There is not a proposal in this report to assess risks against.

### 3.4 *Environmental implications*

3.4.1 There is not a proposal in this report to assess environmental implications against.

### 3.5 *Equality implications*

3.5.1 There is not a proposal in this report to assess equalities implications against.

### 3.6 *Corporate Parenting Implications*

3.6.1 There is not a proposal in this report to assess Corporate Parenting implications against.

### 3.7 *Procurement implications*

3.7.1 There is not a proposal in this report to assess procurement implications against.

### 3.8 *Workforce implications*

3.8.1 There is not a proposal in this report to assess workforce implications against.

### 3.9 *Property implications*

3.9.1 There is not a proposal in this report to assess property implications against.

## 4. **Background Papers**

Appendix A: CAT briefing note