

Slough Borough Council

Report To:	Cabinet Committee / Cabinet
Date:	13 th and 17 th February 2025
Subject:	Disposal of three retail parades and update to Asset Disposal Programme – surplus Housing Revenue Account (HRA) Assets.
Lead Member:	Cllr Chahal – Deputy Leader and Cabinet Member for Finance, Council Assets and Transformation
Chief Officer:	Pat Hayes – Executive Director of Regeneration, Housing and Environment
Contact Officer:	Peter Hopkins – Corporate Director Property & Assets
Ward(s):	1) Cippenham Green 2) Wexham Court 3) Langley Marish
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:	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 and seeks approval to market the retail parades for disposal under the Council's Asset Disposal Strategy of three retail parades held within the Housing Revenue Account (HRA)
 - Harrison Way and St. Andrews Way retail parade, Harrison Way, Slough
 - Knolton Way retail parade, Knolton Way, Slough
 - Trelawney Avenue retail parade, Trelawney Avenue, Slough
- 1.2 The recommendation to market the three retail parades for disposal has been subject to a due diligence process and reflects best consideration reasonably obtainable for the disposal of the assets in accordance with section 123 of the Local Government Act 1972.
- 1.3 The disposal will be structured so that Slough Borough Council (SBC) retains the freehold of the buildings and disposes of the retail element by way of an overriding

lease for a long term, which it will grant to prospective buyers. This overriding lease will be subject to the existing commercial leases of the shops, with the intention that the units continue being used as shops to serve the local community.

- 1.4 This report also sets out a recommendation to amend the address of an asset already declared surplus, known as Stoneymeade Lodge Farm Estate, Stoneymeade, SL1 2YL as part of July 2024 cabinet paper 'Asset Disposal Programme – Surplus Housing Revenue Account (HRA) Assets'. The amendment corrects an error in the original report, which identified the surplus units as 2 and 6 Stoneymeade. Following further due diligence, the correct address has been confirmed as 2 & 12, 4, 6 and 8 & 20 Stoneymeade.

Recommendations:

- 1.5 Cabinet Committee is recommended to:
- a. Agree to the amendment of one of the addresses of the asset within the July 2024 cabinet paper 'Asset Disposal Programme – Surplus Housing Revenue Account (HRA) Assets HRA Non-Residential Surplus Assets declared as surplus in July 2024 cabinet, correcting the error in the original report referenced above from 2 and 6 Stoneymeade to 2 & 12, 4, 6 and 8 & 20 Stoneymeade.

Cabinet is recommended to:

- b. Agree to the disposal by granting of a long lease and by method of auction as set out in Appendix A, of the three retail parades known as;
 - Harrison Way and St. Andrews Way retail parade, Harrison Way, Slough
 - Knolton Way retail parade, Knolton Way, Slough
 - Trelawney Avenue retail parade, Trelawney Avenue, Slough
- c. Delegate authority to the Executive Director of Regeneration, Housing & Environment, in consultation with the Lead Member for Financial Oversight and Council Assets and the Executive Director of Finance and Commercial, to:
 1. determine the reserve price for each asset when it is placed at auction, which will be consistent with the value established by the independent Red Book Valuation within Appendix C,
 2. authorise entering into negotiations with interested parties to be regarded as a special purchaser by the Council, as an alternative option to auction, and to proceed to agree terms with such parties for the disposal of each of the three retail parades.

Reason:

- 1.6 The disposal of the three retail parades aligns with the Council's Asset Disposals Strategy, as they were declared surplus by Cabinet on 15th July 2024 and identified for disposal. These non-residential assets are currently held within the HRA and are no longer a good strategic fit for the portfolio.
- 1.7 There is greater benefit to the HRA from selling these retail parades, than continuing to hold onto them, as this will reduce the financial burden of management and holding costs such as employing external agents. The benefits from sale will allow the HRA to be recompensed for any capital costs of acquiring the retail parades. Selling a leasehold interest in the retail parades will also enable

the Council's debt to be reduced, as well as contributing to regeneration in the Borough.

- 1.8 The disposal of such retail parades supports the corporate priority for "a Council that lives within its means, balances the budget and delivers best value for taxpayers and service users."
- 1.9 The disposal of such retail parades will enable the Council to rationalise the property portfolio and enable the Council to focus on its core activities and services.
- 1.10 By amending the address of the asset to be declared as surplus will allow the correct asset to be disposed.

Commissioner Review

"Many retail units in the HRA were originally provided as part of neighbourhood development and may now be let on a purely commercial basis (investment property) or are serving a mix of council, leaseholders, and private tenants. Where there is no longer any connection with the local authority's housing, the authority should consider their removal from the HRA by appropriating the property to a different purpose or disposal of the asset for the best price reasonably obtainable.

The Commissioners are content with this report being 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 were commissioned to produce an independent Disposal Strategy report in respect of each of the three retail parades. The reports propose a marketing and disposal strategy for each retail parade to support the Council's decision-making process in disposal.
- 2.3. An Asset Appraisal and Disposal Framework (AADF) assessment was undertaken (Appendix B) alongside a Red Book Valuation was commissioned to establish market value of each of the three retail parades (Appendix C). The Red book valuation alongside the outcome of the AADF will assist in guiding and setting the final reserve price (this being the minimum value the asset will be disposed of at auction) for each retail parade when placed at auction, ensuring that the Council achieves best consideration through the auction process.

Options considered

- 2.4. Option A – To retain any of the retail parades individually or retain all three of the retail parades. Whilst this would retain an income stream of c.£500,000 per annum to the HRA the AADF demonstrates a disposal at the de-minimus net present value will generate enhanced financial benefits to the Council when taking account of the total lifetime costs of retaining the assets. This is not recommended.

- 2.5. Option B – To dispose of the three retail parades by way of auction, subject to it being determined, following due diligence process, that auction will provide the best consideration reasonably obtainable for the disposal of the asset in accordance with section 123 of the Local Government Act 1972. This option has the potential to provide the greatest overall financial benefit to the Council, as explained in section 3.1 below in line with the July 2024 Cabinet approval. Recommended subject to this determination.
- 2.6. Option C – To defer the sale of an individual retail parade or all three of the retail parades in the hope that market conditions will improve. Market forecasts together with reducing lease terms 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 late quarter four 2024/25 or early Quarter 1 2025/26, which will allow SBC to reduce its borrowing and contribute to its capital receipts target.

Background

- 2.8. The assets were originally constructed as part of the wider HRA Development programme, which sought to enhance the provision of housing within the borough. These three assets have remained under the ownership of SBC since their completion, predating the Council's transition to a unitary authority.

The Asset

- 2.9. The Harrison Way retail parade comprises five retail units with frontages onto Harrison Way to the north and one retail unit featuring a return frontage onto both Harrison Way and St. Andrews Way. Residential accommodation is situated above the retail units across first floor. The property benefits from a rear service yard, and a four-storey residential block is located directly to the west. The surrounding area is predominantly residential. The parade has an overall ITZA area of 2,663sq.ft. across ground floor only. The site was identified for disposal, and declared surplus in July 2024, as non-residential assets within the HRA are no longer required to fulfil the purpose that they were originally acquired for.
- 2.10. The Knolton Way retail parade consists of eight retail units on the ground floor with frontages onto Knolton Way, and two floors of residential accommodation situated above. The parade benefits from a small spur road located directly in front of the units, separate from the Knolton Way highway, providing parking facilities for the retail units. A rear service yard wraps around the entirety of the building. The property is bound by residential dwellings to the east and west, Knolton Way highway to the north, and The Cherries Park to the south. The parade has an overall ITZA area of 3,152sq.ft. across ground floor only. The site was identified for disposal, and declared surplus in July 2024, as non-residential assets within the HRA are no longer required to fulfil the purpose that they were originally acquired for.
- 2.11. Trelawney Avenue retail parade is bounded by Trelawney Avenue to the south, Holy Family Catholic Church to the east, Langley Academy to the north and to the west a small industrial estate with residential dwellings beyond. The retail parade benefits from a large car park for customers directly outside the shop frontages and the commercial units are serviced by a rear service road which wraps around the

entirety of the parade. The parade has an overall ITZA area of 12,411sq.ft. across ground floor only. The site was identified for disposal, and declared surplus in July 2024, as the non-residential assets within the HRA are no longer required to fulfil the purpose that they were originally acquired for.

Valuation

- 2.12. Each retail parade 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).
- 2.13. The Reserve price will be set as an outcome of the AADF modelling work, this ensures that the Council will achieve a value that achieves a positive overall set based on the AY & BID X1 assessments which will be higher than the set Reserved value. In any scenario this then ensures that if the Asset is sold it will be in excess of both the Net Book Value currently recorded in the balance sheet and the de-minimus value as calculated in the AADF.
- 2.14. Avison Young (AY) have provided professional advice on the market conditions in conjunction with recommending an appropriate marketing and disposal strategy for each retail parade as outlined in Appendix A.
- 2.15. The Council has obtained an independent Red Book Valuation by an independent third party.

Marketing

- 2.16. The recommendation is for each retail parade to be placed on the open market via public auction. A property placed at auction will be marketed with the benefit of a legal pack that includes a template lease for long term, title information, special conditions (in addition to the standard auction terms and conditions), property searches, Energy Performance Certificate and replies to Commercial Property Standard Enquiries information forms. It is proposed that the retail parades are placed at auction on 27th February 2025 or 26th March 2025.
- 2.17. AY and our appointed auctioneer, Bid X1, will mailshot each 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.
- 2.18. AY and Bid X1 will arrange for a number of parties to conduct an internal inspection of the property at a chosen date/time in the future.
- 2.19. Each retail parade will also be marketed on Slough Borough council's land and property website, with a link provided to the auctioneers marketing website.
- 2.20. The occupational tenants of each retail parade will be made aware of the Council's intention to dispose of the asset prior to marketing.

3. Implications of the Recommendation

3.1 *Financial implications*

3.1.1 Authority is sought to dispose of the three shop parades pertaining to the relevant HRA estates, subject to the sale price demonstrating a net financial benefit to the Housing Revenue Account when taking account of the lifetime revenues and costs on a net present value basis. The parades have already been declared surplus to requirements.

3.1.2. The council has developed an asset appraisal and disposal framework model through which a de-minimus net receipt is calculated. Exempt Appendix B sets out the detailed assumptions and minimum beneficial sale price, which must be the minimum reserve price, unless the red book valuation is significantly higher. Capital receipts arising from the disposals will facilitate repayment of outstanding HRA debt and consequently reduction in its capital financing requirement, (total outstanding capital expenditure not yet been paid for from either revenue or capital resources). The draft HRA 30-year business plan is a separate report on this agenda takes account of the loss and income and associated annual running (management and maintenance) costs of the shops. In addition, the HRA will pay reduced interest costs and save on future capital investment requirements.

3.1.3 The council has an agreed mechanism, under the “no detriment” principle for applying excess HRA capital receipts to the General Fund. Should the net receipts exceed the assessed de-minimus receipt of the assets, then the balance can be applied. In these specific cases the assessment of no detriment must take account of the NPV net loss of income reflected in the HRA business plan.

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, but includes the sale of its freehold interests and the granting of leases. 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 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 each asset compared to the capital receipt to be achieved upon sale. The financial implications contain an assessment of these two options.

3.2.4 As the retail parades are HRA assets, consideration should be given as to whether any disposal falls within the terms of the General Housing Consents 2013 (under s.32 of the Housing Act 1985) and, if not, whether specific consent needs to be applied for. Given that it is proposed that the retail parades will be taken to the market for sale by auction and that they are not subject to a secure, demoted or introductory tenancy, the criteria for the General Housing Consents 2013 will have been satisfied.

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.	Legal reports on title prepared for the three retail parades to identify key issues and restraints. Review of all legal documents and preparation of replies CPSE's and legal pack completed in advance of the auction date. Regular meetings between officers and legal team to discuss issues and progress.
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 and it also meets the Council's objective to reduce borrowing, should the assets be sold.

4. **Background Papers**

None