

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 12 July 2022

TITLE	Estate Rationalisation – Surplus Asset Disposals	
Ward(s)	Hotwells and Harbourside, Clifton, Filwood and Easton.	
Author: Lois Woodcock / Steve Matthews	Job title: Asset Strategy Manager / Asset Delivery Manager	
Cabinet lead: Councillor Cheney, Cabinet Member for City Economy, Finance and Performance	Executive Director lead: Stephen Peacock, Executive Director Growth and Regeneration	
Proposal origin: BCC Staff		
Decision maker: Cabinet Member Decision forum: Cabinet		
Purpose of Report:		
<ol style="list-style-type: none"> 1. To seek Cabinet approval to the disposal on the open market of 5 freehold BCC assets which have been initially identified by the Estates Rationalisation Board as being surplus to the Council's requirements. 		
Evidence Base:		
<ol style="list-style-type: none"> 1. The BCC Property Strategy was adopted in March 2020 and sets out the objectives for the property portfolio and the ambition to deliver those objectives by implementation of a new Corporate Landlord Framework. 2. This work is on-going but, in the meantime, the financial pressure on the Council resulting in the need to deliver significant capital receipts and revenue savings from the portfolio mean that work to identify assets no longer required for service delivery is prioritised and the disposal process started as soon as possible. 3. A comprehensive review of the portfolio is currently taking place in three parts: - <ol style="list-style-type: none"> i. The office portfolio ii. The wider operational portfolio iii. The investment estate 4. The results of these reviews will be fed into a 5-year Estate Rationalisation Plan which will be brought to Cabinet for approval in September. 5. An Estate Strategy Board, chaired by the Chief Executive has been set up to oversee this work and is currently the governance route for disposals however although current Delegated Powers delegate authority to officers to undertake disposals at full market value it has been agreed that for now these will be subject to Cabinet approval. Use of appropriate Delegated Powers will be considered as part of the wider estate rationalisation report to be brought forward in September. 6. There are a few assets that are currently, or are about to be, vacant and the Estate Strategy Board has agreed 		

to recommend that subject to Cabinet approval these should be disposed of to the best financial advantage of the Council as soon as possible but also taking into account any potential to transfer suitable assets from General Fund into Housing Revenue Account (HRA) as additional housing stock.

7. Once approval is obtained to these disposals Legal Services will be requested to carry out Title Searches / clearances on the properties and subject to any transfer potential mentioned at 6 above, they will be placed with agents for sale on the open market.
8. Legal and agency fees of c4% will be deducted from the disposal proceeds.
9. The disposals are estimated to provide a minimum capital receipt in the region of £1,875,000.
10. The proceeds from the sale of all land and buildings (subject to certain statutory limitations) will not be earmarked for use by a specific service but will be pooled and applied to finance future capital investment or, for any other purpose permitted by Regulation.

Cabinet Member / Officer Recommendations:

That Cabinet:

1. Approves the 5 General Fund assets listed in Appendix A be declared surplus to Council requirements and subject to not being suitable for HRA transfer, be disposed of on the open market for the best consideration.
2. Approves, subject to meeting HRA suitability, the appropriation of any of the assets to the HRA as additional housing stock, based on market value.
3. Authorises the Head of Property to place the properties with agents using existing contracts.
4. Authorises the Service Manager or Head of Property in consultation with the Cabinet member City Economy, Finance and Performance, in accordance with the Council's scheme of delegations, to take all steps required to dispose of the assets or transfer them into the HRA ensuring best value is obtained for each property.

Corporate Strategy alignment:

Theme 3 Environment and Sustainability

Decarbonise the city, support the recovery of nature and lead a just transition to a low-carbon future.

Theme 7: Effective Development Organisation.

EDO6 Estate Review

The purpose of the estate review is to ensure that service departments are adequately accommodated and to ensure that the future asset requirements for each service are identified and procured. We will, as part of the asset management process, develop a comprehensive approach to reduce the environmental impact of our estate. Property assets are maintained and managed in accordance with corporate strategic priorities and standards and relevant property and health and safety legislation. The Estate Review is designed to enable the council to utilise its assets to deliver better, more efficient services to communities

City Benefits:

Review our operational estate to ensure we have the right amount and right quality of workspaces. Make sure they are carbon neutral by 2025, as well as climate resilient. Explore the potential for a greater presence in neighbourhoods alongside partners

Consultation Details:

In order that the disposal of surplus assets is achieved at pace officers are in the process of revising the Surplus assets procedure in order to prioritise Housing and Special Education Needs. The buildings listed in this report have been confirmed as having no such operational potential and Directors have been advised of the intention to dispose of them.

Revenue Cost	£	Source of Revenue Funding	
Capital Cost	£N/A	Source of Capital Funding	N/A
One off cost <input type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input checked="" type="checkbox"/>	Income generation proposal <input checked="" type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice:

Capital

The proposed disposals are estimated to generate capital proceeds totalling £1.875m. Allowing for net cost of sales and applying sensitivity of 10% for potential market movement, illustration of the potential variation in capital receipts is between £1.7m and £2.0m (see Appendix G for full financial breakdown). It is expected the majority will be achieved this year and £500k-£600k delayed until 23/24.

The capital receipts will contribute to the council's capital receipts target and thus help to fund the council's core capital programme. Per the [Capital Strategy](#) for 2022/23 to 2021/32, the first call on available capital resources will always be the financing of spending on live projects, including those carried forward from previous years.

Any appropriations to the HRA will require due diligence to ensure compliance with regulations and affordability has been considered in accordance with the Capital Strategy (see Appendix G for more detail of considerations required). In line with regulations, where appropriations result in adjustments to CFR, which in turn support the capital programme, the first call on capital receipts will be to support the flexible use of receipts policy.

Revenue

The properties are currently incurring minimal revenue costs (£7k) as some revenue costs such as NNDR and utilities have been stopped or reduced where applicable. Therefore the disposals will not generate much in terms of recurring revenue savings and corresponding budget reduction.

However, there is cost avoidance with disposing of these properties as well as corresponding risk reduction. The properties will become liable for NNDR once the exemption period for void properties has lapsed and there are costs for managing the risks of void properties (see below on risks). There is also an opportunity cost related to staff time spent on managing the void properties. In disposing of the properties, Bristol City Council can therefore achieve cost avoidance, thought to be in the region of £164k - £189k, and corresponding risk reduction.

Risks

There are inherent risks in maintaining void properties, with costs for managing that risk and financial implications if the risk is not managed. For example, void properties are vulnerable to break-ins and damage, which in turn have financial impact due to cost of rectifying damages and loss on capital value. The inherent risks can be reduced through security and investment, but this comes with corresponding cost. There is also a time dependency, as the risks and potential costs will likely increase the longer we retain these properties.

There is no indemnity insurance or warranty on the properties being sold, these will be sold as seen and no further liability expected.

Finance Business Partner Tim Gibson – Head of Strategic Financial Management – 4th July 2022

2. Legal Advice: The Council properties are being sold on the open market. It must be ensured that best value under s123 Local Government Act 1972 is obtained for each property. The arrangements are assuming disposal is at market value and in the absence of competition an independent valuation is required supporting the proposed disposal terms (including price).

If any of the properties are to be appropriated to the HRA appropriation powers are specifically provided to the Council by virtue of section 19(1) of the Housing Act 1985 and the relevant market value accounting adjustment will need to be made between the general fund and housing revenue account.

Legal Team Leader: Andrew Jones Team leader, Property Planning and Transport – 4 July 2022

3. Implications on IT: IT support this proposal and are keen to be engaged when necessary to identify any IT assets that can be removed at the appropriate time and the cessation of any associated IT infrastructure costs can be captured and actioned ie Telephone/data lines.

IT Team Leader: I Gavin Arbuckle – Head of Service Improvement and Performance Team 26 May 2022

4. HR Advice: No HR implications evident

HR Partner: James Brereton (HR Business Partner), 24th May 2022

EDM Sign-off	Stephen Peacock, Executive Director Growth and Regeneration	11 May 2022
Cabinet Member sign-off	Cllr Cheney, Cabinet Member for City Economy, Finance and Performance	23 May 2022
For Key Decisions - Mayor's Office sign-off	Mayor's Office	13 June 2022

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	YES
Appendix G – Financial Advice	YES
Appendix H – Legal Advice	NO
Appendix I – Exempt Information	No
Appendix J – HR advice	NO
Appendix K – ICT	NO
Appendix L – Procurement	NO