1. Overview

The financial and risk implications provided herein relate to the proposed disposal of 5 freehold BCC properties which have been identified by the Estates Rationalisation Board as being surplus to the Council's requirements. The properties are currently unoccupied, or are soon to be and are not required for operational use by any services.

2. Financials and Sensitivities

Capital

Illustration of market value variation, £k (10% sensitivity)			Estimated cost of sale, £k (4%)		Net capital receipts, £k		Book value as at 31/03/22, £k	Potential impairment, £k	
Minimum	**Base value**	**Maximum**	**Minimum**	**Maximum**	**Minimum**	**Maximum**		**Minimum**	**Maximum**
1,787.5	**1,875.0**	**2,162.5**	**71.5**	**86.5**	**1,716.0**	**2,076.0**	**558.4**	**none**	**none**

Estimated profile of capital receipts

22/23, £k		23/24, £k	
min	**max**	**min**	**max**
1,287.5	1,562.5	500.0	600.0

Revenue

Financial implications:	
Cost Avoidance and opportunity costs e.g. security, officer time, NNDR	£164k - £189k
Cashable revenue savings which can be reduced from budgets* e.g. utilties, NNDR	£7k minimum
Total cost/(savings)	**£171.1k - £196.1k**

THIS ADVICE IS BASED ON FINANCIAL INFORMATION ON PROPERTY VALUATIONS BY THE PROPERTY TEAM ON 1st JUNE 2022.

3. Appropriations to the HRA

Any appropriations to the HRA will be subject to due diligence. Considerations will include:

- Legislation – this governs how land and property can be transferred between the general fund and HRA. Specifically section 122(1) of the Local Government Act 1972 and section 19(1) of the Housing Act 1985.

- Appropriation via transfer of CFR (capital financing requirement) to HRA, not capital receipt. This has same effect of increasing the General Fund's headroom on borrowing, which supports financing the Capital Programme.
- Transfer of properties at market value
- Total HRA borrowing remains within affordability principles as per the Capital Strategy:
  - HRA - Interest Cover Ratio (ICR) for the overall HRA must be minimum of 1.25. If transfer of CFR results in the interest cover falling below 1.25, then action would be required to mitigate this such as restructuring capital plans.
  - General Fund – capital financing costs must not exceed 10% of general fund net revenue budget over the medium to long term. The current forecast level is 9.4% by 2925/26, which is based on a certain level of capital receipts being generated over the next five years. Whilst appropriations to the HRA will not generate capital receipts, transfer of CFR achieves the same effect of providing financing for the capital programme through increased borrowing headroom.

Note – 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.