

# Decision Pathway Report



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 05 September 2023

<b>TITLE</b>	<b>Estate Rationalisation – Surplus Asset Disposals</b>		
<b>Ward(s)</b>	Citywide		
<b>Author:</b> Pete Anderson	<b>Job title:</b> Director - Property, Assets, and Infrastructure		
<b>Cabinet lead:</b> Councillor Craig Cheney, Deputy Mayor with responsibility for Finance, Governance and Performance	<b>Executive Director lead:</b> John Smith – Interim Executive Director Growth & Regeneration		
<b>Proposal origin:</b> BCC Staff			
<b>Decision maker:</b> Cabinet Member <b>Decision forum:</b> Cabinet			
<b>Purpose of Report:</b>  To seek Cabinet approval to the disposal of the BCC assets specified in Appendix A and exempt Appendix I, which have been identified following an analysis of the operational, development, and investment estates by the corporate capital strategic partner. Options were presented to the Corporate Leadership Board and Estates Strategy Board, and a list of assets has been identified that best contribute towards achieving the 2023/24 capital receipts and revenue savings targets.			
<b>Evidence Base:</b>  <ol style="list-style-type: none"><li>1. In February 2023, Full Council approved the 2023/24 budget which included specific proposals to generate £36m in capital receipts and make £4m revenue savings related to the Council's asset base. These targets have since been reprofiled to £23.9m in capital receipts and £4.8m revenue savings for 2023/24.</li><li>2. In June, a report on the corporate Property Programme for 2023/24 was approved by Cabinet which outlined the scope and approach to meeting these financial targets, and allocated funding of £6.04m to deliver this work. The report identified the requirement to complete a review of the operational, development and investment estates to ensure that we are retaining the correct property assets for the correct purposes, while releasing suitable properties to the disposals process to contribute to the revenue savings and capital receipts targets respectively. The approach outlined was that any property that does not have an operational and business necessity and/or a sufficient financial yield would be considered for release.</li><li>3. An Estate Strategy Board, chaired by the Chief Executive, has been set up to oversee this work and is currently the governance route for recommending assets for disposal. However, although current Delegated Powers delegate authority to officers to undertake disposals at market value, it has been agreed that any recommended disposals will be subject to final approval by Cabinet.</li><li>4. BCC commissioned an external review of the operational, development, and investment estates. The consultants completed an options appraisal of assets in scope in line with agreed criteria, to meet the required financial targets whilst minimising any negative impact. The criteria used included impact on revenue budget, on service delivery, the external market position and whether sales were deliverable within the current financial year.</li></ol>			

5. Following analysis and review, a list of assets (Appendix A1 and exempt Appendix I) has been identified which could be disposed of in year allowing the organisation to make a significant contribution towards achieving the £23.9m capital receipt target for 2023/24. A further list of potential assets for disposal is likely to be brought forward for consideration in October. The Estate Strategy Board recommends that, subject to Cabinet approval, these should be disposed of to the best financial advantage of the Council and as soon as possible.
6. At July Cabinet, a list of assets was approved for potential transfer (appropriation) from the General Fund into the Housing Revenue Account (HRA), subject to the required criteria being met (and to either sell them to a registered provider or to dispose of any assets on the open market where this was not the case). Internal viability assessments and due diligence to specify exactly which sites will transfer are ongoing, however the time required to market and sell any sites not transferring within 2023/24 means that a final decision is needed by the end of September; any later and the delivery of the capital receipts required to be generated is at risk. This paper therefore seeks final approval to dispose on the open market from 1 October 2023 any assets outlined in Appendix A2 that are not confirmed as being viable to transfer to the HRA for market value within financial year 2023/24.
7. The value of the transfer of (debt) funds from the HRA into the General Fund is subject to a formal valuation process of the assets listed in Appendix A2.
8. The sale of Redcliffe Wharf, which has been previously agreed at cabinet, will now be finalised. Following cabinet approval on 7 December 2022 to draw down funding from the Brownfield Land Release Fund, the intention is to transfer the land within this financial year for a capital receipt. This will contribute to the 2023/24 capital receipts target.
9. The review of assets included a specific focus on assets from the Council's investment estate. These assets were appraised specifically based on potential capital receipts but also the Council's future liabilities in terms of condition, sustainability, any outstanding financial liabilities and management requirements. The appraisal of disposal options to be brought forward in 2023/24 is ongoing and final details will be confirmed to cabinet in October 2023. However, it is estimated that the capital receipt value attached to these assets could be in the region of £2.5 – 3m and this will contribute to meeting the 2023/24 capital receipts target should current forecast capital spending be maintained. However, it should be understood that by selling these investment assets the Council will lose revenue at a rate of around 5% per annum on the estimated capital value.
10. Should approval be obtained for the disposals listed in the Appendices to this report, Legal Services will be requested to carry out the conveyancing on the properties and subject to any potential transfer to the HRA mentioned at paragraph 6 above, they will be placed with agents for sale on the open market.
11. Professional fees associated with competing the disposal of assets of up to 4% will be deducted from the disposal proceeds.
12. If approved for disposal the assets listed in the attached appendix A1 and exempt Appendix I, together with the assets being transferred to the HRA in Appendix A2, are estimated to provide a capital receipt in the region of £18.4 - £19.4m after allowing for allowable, attributable costs. There are likely to be further receipts proposed from the investment estate (c£2.5 - £3m) as outlined in paragraph 9. Associated net revenue savings equivalent to current operating costs (which will include Repairs & Maintenance, Business Rates and Utilities) will also be delivered.
13. 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 current and future capital investment or, for any other purpose permitted by Regulation.

**Cabinet Member / Officer Recommendations:**

That Cabinet

1. Approves the transfer of any suitable properties listed in Appendix A2 to the HRA by no later than 31 October 2023 and to dispose of any assets that are outlined in appendix A2 that are not confirmed as viable to transfer to the HRA for market value within the financial year 2023/24.
2. Authorises the Executive Director – Growth and Regeneration in consultation with the Deputy Mayor with responsibility for Finance, Governance and Performance and S151 Officer, to take all steps required for disposal of the assets listed in Appendix A1 and exempt Appendix I, and the confirmed assets listed in Appendix A2 that are not required by the HRA, whilst ensuring best value is obtained for each property.

**Corporate Strategy alignment:**

Theme 7: Effective Development Organisation From city government to city governance: creating a focused council that empowers individuals, communities, and partners to flourish and lead.

- ED06 Estate Review: 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

**City Benefits:**

**Estate Review, Disposals, & Investment in Retained Assets**

A smaller and more efficient office, depot, operational, and investment estate where we have the right amount and right quality of properties to serve the required purpose, while disposing of properties that are deemed surplus to requirements to achieve financial benefits for the organisation.

**Consultation Details:**

In order that the disposal of surplus assets is achieved at the required pace, a revised ‘Surplus assets procedure’ has been introduced which ensures that Service Directors and Ward Councillors / Lead Members have been informed of the intention to dispose of identified assets prior to them being recommended by Estates Strategy Board. Consultation has also been undertaken with the Cabinet Member for Housing Delivery and Homes

**Background Documents:**

Generic:

- [Corporate Strategy 2022-27 \(bristol.gov.uk\)](https://www.bristol.gov.uk/corporate-strategy-2022-27)
- [Feb 2023 -Full Council - 23/24 budget setting savings](#)

Property Programme:

- [\(Public Pack\)Agenda Document for Cabinet, 06/06/2023 16:00 \(bristol.gov.uk\)](#)
- [\(Public Pack\)Agenda Document for Cabinet, 04/07/2023 16:00 \(bristol.gov.uk\)](#)
- [\(Public Pack\)Agenda Document for Cabinet, 06/12/2022 16:00 \(bristol.gov.uk\)](#)

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

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

**1. Finance Advice:**

In approving the 2023-2030 Capital Strategy and Medium Term Financial Plan (MTFP), the Council recognised the

need to rationalise its estate through the Property Programme, to generate £66.8m of General Fund (GF) capital receipts. Most of these receipts need to be delivered in the first 2 years of the MTFP. This being £36m in 2023/24 and £16m in 24/5 to fund approved capital investment schemes, including contingency and spend to support the Council's Top 4 Transformation Programme using the flexibilities provided by the Government's Use of Capital Receipts Flexibility Regulations. The total capital receipts expected from the Property Programme in 2023/24 has since been revised to £23.9m with total revenue savings now expected of £4.8m.

## Capital

The 4 assets listed in Appendix A1 and exempt Appendix I, for disposal on the open market, have been estimated by council officers as having a market value of £11.220m. These valuations have been provided by an appropriately qualified valuer. In addition, properties listed in Appendix A2 will either be appropriated to the HRA, should they be deemed suitable for future housing needs and subject to compliance with the financial, business and regulatory planning framework underpinning it, or sold on the open market. Any appropriations of assets to the HRA must be by transfer of debt with the GF. This transfer of debt will count towards the capital receipts target (now £23.9m in 2023/24). The total capital receipt (or debt reduction to the General Fund) is estimated to be at least £9m.

The table below shows that subject to market conditions and net cost of sales, the sale of the 4 assets (from Appendix A1 and exempt Appendix I) could generate capital proceeds totalling £10.770m. It also shows potential capital receipts of £9m if the remaining assets set out in Appendix A2 are either appropriated to the HRA or sold on the market. This valuation is based on a desk top valuation that may not reflect current market conditions. Once the allowable cost of sale is taken into account, the potential net capital receipts based on these valuations could be up to £8.64m

Assets	Estimated Value		Cost of Sale		Net Potential Value	
	Min	Max	Min	Max	Min	Max
	£'000	£'000	£'000	£'000	£'000	£'000
Disposals of Assets via open market sale	11,220	11,220	450	450	10,770	10,770
Disposal of Assets being considered for HRA Appropriation/open market sale	8,000	9,000	320	360	7,680	8,640
<b>Total</b>	<b>19,220</b>	<b>20,220</b>	<b>770</b>	<b>810</b>	<b>18,450</b>	<b>19,410</b>

It is expected that disposal of all the identified assets will take place and the full amount shown above will be achieved in 2023/24. The capital receipts or debt reduction for all the properties listed in Appendix A1/A2 and exempt Appendix I will contribute to the Council's Property Programme capital receipts target of £23.9m.

The proposed disposal of assets held within the investment estate, with an estimated value of between £2.5- £3m, will be the subject of a future Cabinet report in October 2023.

## Revenue

The assets proposed for disposal and/or HRA appropriation are generally classified as non-operational. An exercise is underway to identify any relevant property budget savings that could count towards the revenue savings target of £4.8m. An update on this position will be included in the planned October Cabinet report. This will also include any revenue considerations arising from the proposed disposal of assets from the investment estate (c£2.5-3m).

**Finance Business Partner:** Alison Bennett, Interim Finance Business Partner Growth & Regeneration, 24 August 2023

## 2. Legal Advice:

### Disposals

The Council is under a duty by virtue of S123 of the Local Government Act 1972 to achieve best value for its assets and any disposal should be at the best price reasonably obtainable. The disposal route suggested by this report (disposal on open market) should ensure best consideration is achieved.

### Appropriation to HRA

The Council has powers to hold and appropriate land when satisfied it no longer required for the purpose for which it is held immediately before the appropriation (Section 120-122 of the Local Government Act 1972). Appropriation to the HRA is specifically dealt with in section 19(1) of the Housing Act 1985 which states that a local housing authority may appropriate for the purposes of Part 2 (*dealing with the provision of housing accommodation*) any land for the time being vested in it or at its disposal.

**Legal Team Leader:** Andrew Jones – Property Planning and Transport, 23 August 2023

**3. Implications on IT:**

I can see no implications on IT in regard to this activity.

**IT Team Leader:** Alex Simpson – Lead Enterprise Architect, 21 August 2023

**4. HR Advice:**

The sites detailed in Appendix A1 are land or ‘development sites’ so no services are delivered from them, and therefore there is no identified HR impact. The sites detailed in A2 have been previously used operationally but have been declared surplus, whereby services have already stopped being delivered from these sites or are in the process of ceasing delivery and are relocating staff. Steps should be put in place to relocate staff including consideration of any transitional arrangements before building disposal is progressed.

**HR Partner:** Celia Williams, HR Business Partner 23 August 2023

<b>EDM Sign-off</b>	John Smith, Interim Executive Director Growth and Regeneration	2 August 2023
<b>Cabinet Member sign-off</b>	Councillor Craig Cheney, Deputy Mayor with responsibility for Finance, Governance and Performance	7 August 2023
<b>For Key Decisions - Mayor’s Office sign-off</b>	Mayor’s Office	7 August 2023

<b>Appendix A – Further essential background / detail on the proposal</b> Appendix A1 / A2 – Assets for Disposal on Open Market	<b>YES</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>NO</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b>	<b>YES</b>
<b>Appendix F – Eco-impact screening/ impact assessment of proposal</b>	<b>YES</b>
<b>Appendix G – Financial Advice</b>	<b>NO</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Exempt Information</b>	<b>YES</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b>	<b>NO</b>
<b>Appendix L – Procurement</b>	<b>NO</b>