



Derby City Council

**Council Cabinet
14 November 2018**

ITEM 11

**Report of the Strategic Director of Corporate
Resources**

Property Disposals Programme

SUMMARY

- 1.1 A key principle of the Council's Corporate Asset Management Plan (AMP) is to only retain and invest in properties that are suitable, sufficient, safe and efficient to support the delivery of public services, now and in the future. This means that properties no longer required for existing use are considered surplus unless suitable to meet other priorities, such as city development, housing needs, community led services or help to improve the Council's medium term financial plan.
- 1.2 The Corporate AMP 2018-23 approved by Cabinet in September 2018 identified the urgency to reduce the number of vacant properties to drive the overall financial efficiency of the portfolio. This together with a refresh of the Property Rationalisation Programme by undertaking a series of Service and Property Reviews is aimed at identifying further properties that are likely to be surplus and potentially add to the disposals programme.
- 1.3 Work undertaken through the Property Rationalisation and Service Review programmes has identified a number of assets as being surplus to existing use. Following corporate consideration of alternative uses some of these assets are recommended to be repurposed and others to be formally declared surplus and added to the Property Disposals Programme. If approval is obtained, these property assets will subsequently be worked up for disposal.
- 1.4 As part of the disposals process, surplus assets are considered, subject to specific criteria, for transfer to the Council's Housing Revenue Account (HRA). A number of property assets on the surplus property list have previously been transferred from the Council's General Fund (GF) account to Housing Revenue Account (HRA) allowing these sites to be re-developed for social housing, in order to meet our housing objectives.
- 1.5 This report also provides an update on the Property Disposals Programme.

RECOMMENDATION

- 2.1 To declare the properties set out in Appendix 3 surplus to general needs and to include them on the Property Disposals Programme.
- 2.2 To approve the transfer to the Housing Revenue Account, at market valuation those properties set out in paragraph 4.15 for housing development purpose only.
- 2.3 To delegate authority to the Strategic Director of Corporate Resources in consultation with the Cabinet Member for Governance and Licencing and the Cabinet Member for Adults Health and Housing to the transfer of assets, at market valuation between the Council's General Fund Account and the Housing Revenue Account.

REASONS FOR RECOMMENDATION

- 3.1 To ensure that property assets have the relevant authority to be released as efficiently as possible in line with the principles of the Council's Corporate Asset Management Plan.
- 3.2 To ensure that the Council's Capital Receipt target will be achieved and that associated costs and liabilities from holding properties (including vacant properties) are extinguished as soon as possible.
- 3.3 To provide a balance between the need to dispose of properties as quickly as possible against the need to seek Cabinet's approval to individual property sales.
- 3.4 To allow the timings of sales to be varied to enable the Council to react promptly to changing market conditions and to deal effectively with complexities that might arise with some of the properties.
- 3.5 To minimise the delay in the transfer of property assets between the General Fund and Housing Revenue Account to ensure the delivery of key housing objectives.

SUPPORTING INFORMATION

- 4.1 The receipts generated from the disposal of property assets are utilised to support the Council's Capital Programme.
- 4.2 The Council has previously identified 46 properties as surplus to requirements and as such available for disposal. These are set out in Appendix 2. Most of these have been identified through the property rationalisation programme.

Property Review and Rationalisation Programme

- 4.3 As a result of reviews undertaken as part of the Property Rationalisation process and changes to the use of other assets across the City the properties listed in Appendix 3 have been identified as surplus to requirements.
- 4.4 The renewed vigour on the Property Review and Rationalisation Programme and the implementation of the Vacant Properties Action Plan will focus on identifying further potential surplus properties. The potential additional capital receipts generated and revenue savings achieved through the reduction in both holding cost and future maintenance liabilities from the sale of these additional assets will be fed into the MTFP.

Property Disposals Programme

- 4.5 In 2017, to support the Council's Medium Term Financial Plan (MTFP) a Property Disposals Programme was created through utilising the high value property assets contained within the surplus asset list/those property assets previously declared surplus.
- 4.6 A target of generating circa £11.5m of capital receipts by 2023 was set. To date this programme has generated £6.2m of receipts, this is mainly due to the successful sale of the Cattle Market in December 2017, and is on track to deliver the targeted receipts.
- 4.7 The remaining portion of the capital receipts target (£5.3m) will be generated through the disposal of 10 key property assets.
- 4.8 The current situation in respect of these 10 key assets is set out below:-

Status	Number of assets	% of Value
Under Contract (subject to future payment)	2	38%
Conditional contract	2	26%
Sold Subject to Contract	3	13%
Currently being worked up for disposal	3	23%

- 4.9 Work on the disposal of the remaining properties on the surplus properties list is being undertaken on a priority basis which takes into account the asset value, ease of sale, health and safety risks and holding costs if vacant.
- 4.10 It should be noted that over time property market conditions will vary. This will lead to variances (both positive and negative) in the projected sale prices and may also lead to the timings of when assets are to be sold being amended. Any variations to the programme are fed into the MTFP and associated capital programmes.
- 4.11 The disposals undertaken to date have contributed to c £1.2m reduction in the Council's building maintenance liability already achieved.

Transfer of Property Assets from the Council's General Fund to Housing Revenue Account

- 4.12 As an alternative to releasing properties for disposal on the open market, there may be opportunities to enable the transfer of suitable surplus properties from the General Fund to the Housing Revenue Account (HRA). Whilst the Council retains legal ownership of the asset these transfers allows sites to be developed for the construction of new social housing in order to assist in achieving our housing objectives.
- 4.13 The criteria used to assess whether an asset is to be transferred to the HRA include:-
- asset value
 - ease of sale
 - financial impact on the Council i.e. loss of a potential capital receipt
 - social impact and development viability
- 4.14 Over the last 12 months, 3 sites have been transferred to the Housing Revenue Account which will ultimately lead to the construction of an estimated 50 residential units.

- 4.15 It is proposed that the following assets, included or recommended to be included in the Property Disposals Programme be transferred from the General Fund to the HRA at market value:

00038	Land at Barlow Street	Land Only
00107	Land at Caxton Street / Coleridge Street	Land Only
00143	Land at Coleridge Street	Land Only
00248	Crompton Street Garages, Crompton St, DE1 1NX	Lock Up Garage site
01718a	Land at Grange Avenue (Site A)	Land only
00083	Premises at Bute Walk Chaddesden DE21 6BN	Land and buildings
00129	Premises at Chesapeake Rd Chaddesden DE21 6RD	Temporary Store
00154	Premises at Cricklewood Rd Mackworth DE22 4DP	Land and buildings

- 4.16 Delegated authority is being sought in order to:-
- ensure that delays in redeveloping these sites for the provision of social Houses are minimised,
 - reduce the time and associated holding costs/liabilities incurred in the management of vacant properties
 - maximise the use of Right to Buy receipts

OTHER OPTIONS CONSIDERED

- 5.1 No other options considered.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Emily Feenan, Principal Lawyer Toni Nash Jayne Sowerby–Warrington, Head of Strategic Asset Management and Estates. Dinesh Kotecha, Director of Property
For more information contact: Background papers: List of appendices:	John Sadler, Strategic Asset Manager, 01332 643334 John.Sadler@derby.gov.uk None Appendix 1 – Implications

	Appendix 2 - Property Disposal Programme Appendix 3 - Properties to be declared surplus to requirements
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IMPLICATIONS

Financial and Value for Money

- 1.1 The corporate approach to the reviewing of all assets will ensure they support corporate objectives and generate maximum financial return, as well as minimise future liabilities particularly for maintenance and running costs.
- 1.2 Any capital receipts generated will be applied in accordance with the corporate capital receipts policy and used for the good of the capital programme. The MTFP identifies that the receipts generated from the sale of small areas of land with a value of less than £10,000 will be used to offset revenue pressures.
- 1.3 Whilst the transfer of assets from the General Fund to the Housing Revenue Account will support the delivery of the Councils' Housing objectives, this process does not directly generate capital rescripts to support our capital programme.

Legal

- 2.1 The Council has an overriding obligation under Section 123 of the Local Government Act 1972 to obtain the best consideration reasonably obtainable on the disposal of its assets. The Council manages this requirement by disposing at market value; advertising properties on the open market and taking external valuation as required.

Personnel

- 3.1 There are no personnel implications arising from this report.

IT

- 4.1 When properties have been declared surplus, IT Services will terminate the associated IT network (voice and data) links. Where it is not possible to terminate at the end of a contract, any early termination fees will be offset by the income achieved or the reduced operational maintenance and energy costs.

Equalities Impact

- 5.1 Where any new Council housing is built, access for disabled people will be taken into account. Best practice, Building Regulations and our responsibilities to make sure we meet the requirements of the Equality Act and Public Sector Equality Duty will all be taken seriously.

Health and Safety

- 6.1 There are no Health and Safety issues directly arising from this report.

Environmental Sustainability

- 7.1 The disposal of surplus buildings will allow redundant buildings to be put back into economic use and assist in the regeneration of the surrounding areas.

Property and Asset Management

- 8.1 The relevant Property and Asset Management comments are incorporated into the report.

Risk Management

- 9.1 The Property Disposals Programme will reduce the number of vacant properties within the Council's insured property portfolio. The disposal of these assets will generate savings in insurance premiums and will improve the risk exposure of the portfolio making it more attractive to insurers. Vacant properties often become vulnerable to vandalism and arson and if not maintained or secured effectively have the potential increase the risk of bodily injury or death of both employees and trespassers

Corporate objectives and priorities for change

- 10.1 The disposal of surplus property and the subsequent maintenance savings will contribute towards the required budget savings for the period of 2013-16.

Appendix 2

Property Disposal Programme

Property Asset No	Asset Name	Description	Estimated Sale Value	Status	Time Line (proposed year of Sale)	Comments
00009	Allestree Hall	Listed building complex	>£250K	On Market	2019/20	Currently being marketed
00038	Land at Barlow Street	Land	100K-250K	Subject to review	2019/20	Transfer to the HRA for housing redevelopment.
00059	Bramblebrook	Former Care Home	>£250K	Subject to Review	2019/20	Disposal options being investigated
00082	Land at Haslams Lane / Alfreton Road	Land	£10K-£100K	Subject to Review	Future Years	Disposal options being investigated
00107	Land at Caxton Street / Coleridge Street	Land	£10K-£100K	Subject to Review	2019/20	Transfer to the HRA for housing redevelopment.
00125	Former Chellaston Public Conveniences High Street	Toilets	< £10K	Subject to Review	2019/20	Disposal options being investigated
00136	Former City Road Hygiene Centre Yard	Land	100k-250K	Subject to Review	2020/21	Disposal options being investigated
00142	Coleridge House	Care Home	>£250K	Sold Subject to Contract	2018/19	Terms Agreed for disposal of going concern

00143	Land at Coleridge Street	Land	£10K-£100K	Subject to Review	2019/20	Transfer to the HRA for housing redevelopment.
00170	Sites of 1049/1051 London Road	Land	£100k-£250K	Subject to Review	2020/21	Disposal options being investigated
00177	Land at Abbey Street /Alma Street	Land	£100k-£250K	Subject to Review	Future Years	Disposal options being investigated
00183	Land at Uttoxeter New Road	Land	£100k-£250K	Sold Subject to Contact	2018/19	Potential lease option under consideration
00248	Crompton Street Garages	Lock-up Garages	£10K-£100K	Subject to Review	2019/20	Transfer to the HRA for housing redevelopment.
00252	Newton's Walk Garages	Lock -up Garages	£10K-£100K	Subject to Review	2019/20	Disposal options being investigated
00264	Swallowdale Road Site	Land	>£250K	Subject to Review	Future Years	Disposal options being investigated
00269	Grazing Land - 31.2 Acres - adjacent to River Derwent at Borrowash	Land	£100k-£250K	Subject to Review	2021/22	Disposal options being investigated
00272	Green Lane, Alvaston, adjacent St John Fisher School	Land	>£250K	Subject to Review	Future Years	Disposal options being investigated
00286	Havenbault Lane	Land	>£250K	Sold Subject to Contract	2021/22	Terms of sale being negotiated
00294	Former City Road Hygiene Centre Building	Office	£100k-£250K	Subject to Review	2020/21	Disposal options being investigated
00296	Site of former	Land	£100k-£250K	Subject to	2020/21	Disposal options being investigated

	Ivy House School Ivy Square			Review		
00301	Duffield Road, Garden Street, Lodge Lane	Land	£100k-£250K	Subject to Review	Future Years	Disposal options being investigated
00324	St Mary's Gate	Office	>£250K	Sold Subject to Contract	2019/20	Terms of sale agreed
00324	23, 25, 26 St Mary's Gate	Office	>£250K	Sold Subject to Contract	2019/20	Terms of sale agreed
00342	Former Markeaton Street Depot	Depot	£100k-£250K	Subject to Review	2019/20	Disposal options being investigated
00357	Merrill House	Care Home	>£250K	Sold Subject to Contract	2018/19	Terms Agreed for disposal of going concern
00396	Nottingham Road Public Conveniences	Closed Toilets	< £10K	Subject to Review	2019/20	Disposal options being investigated
00417	1 Oxford Street	Retail	£100k-£250K	Subject to Review	Future Years	Disposal options being investigated
00441	Raynesway View	Care Home	>£250K	Sold Subject to Contract	2018/19	Terms Agreed for disposal of going concern
00460	Former Rowditch Barracks	Listed Building Complex	£100k-£250K	Subject to Review	2020/21	Disposal options being investigated
00475	Shaftesbury Centre	Sports Centre	£100k-£250K	Being Marketed	2019/20	Potential Community Asset Transfer
00545	Telephone Exchange, Warwick Avenue	Ground Lease	£10K-£100K	Subject to Review	Future Years	Disposal options being investigated
00584	Wholesale Market	Market Building	>£250K	Being Marketed	2019/20	Currently being marketed

00606	Arboretum House	Care Home	>£250K	Subject to Review	2018/19	Disposal options being investigated
00898	Bloom Street Land	Land	< £10K	Subject to Review	Future Years	Disposal options being investigated
00982	Wayzgoose Drive	Land	< £10K	Subject to Review	Future Years	Disposal options being investigated
00987	St Marys Gate Land fronting numbers 4-7	Land	< £10K	Subject to Review	Future Years	Disposal options being investigated
01025	Barlow Street / Clifton Street Land	Land	£10K-£100K	Subject to Review	Future Years	Disposal options being investigated
01086	Land at Curzon Close	Land	< £10K	Subject to Review	Future Years	Disposal options being investigated
01499	Open Space at Raynesway east	Land	< £10K	Subject to Review	Future Years	Disposal options being investigated
01500	Open Space at Raynesway west	Land	< £10K	Subject to Review	Future Years	Disposal options being investigated
01509	Ransom strip Raynesway Coras	Land	£10K-£100K	Subject to Review	Future Years	Awaiting redevelopment of the former Celanese site
01604	Quaker Way, King Street	Land	£10K-£100K	Subject to Review	Future Years	Disposal options being investigated
01645	Riverlights Land	Land	>£250K	Subject to Review	Future Years	Bus Station extension proposed on part of the site.
01664	Quaker Way - west side of the road	Land	£10K-£100K	Subject to Review	Future Years	Disposal options being investigated
01768	Normanton Lane	Land	>£250K	Subject to Review	Future Years	Disposal options being investigated
01718a	Land at Grange	Land	>£250K	Subject to Review	2020/21	Transfer to the HRA for housing redevelopment.

	Avenue Site A					
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Appendix 3

Properties to be declared surplus to requirements

Property Asset Number	Property Asset	Description of Property Asset	Estimated Sale Value	Time Line (proposed year of Sale)	Proposed Method of Disposal
00083	Land and Buildings at Bute Walk	Residential Accommodation	£100k-£250K	2019/20	Possible transfer to HRA for housing redevelopment
00129	Premises at Chesapeake Road	Community building	£100k-£250K	2019/20	Possible transfer to HRA for housing redevelopment
00154	Land and Buildings at Cricklewood Road Mackworth	Residential Accommodation	£100k-£250K	2019/20	Possible transfer to HRA for housing redevelopment
00133	Leopold St	Office Accommodation	>£250K	2019/20	Open market sale
00223	The Firs	Former Youth Centre	£100k-£250K	2018/19	Auction
00293	Site of Humbleton View Day Centre	Land	>£250K	2019/20	Open market sale