

19 September 2017

TO THE CHAIR AND MEMBERS OF THE CABINET

GENERAL FUND CAPITAL RECEIPTS PROGRAMME

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Cllr J Blackham	All	Yes

EXECUTIVE SUMMARY

- 1 This report sets out the Council's intention to implement a four year programme of asset disposals on sites across the borough. The release of assets for disposal will encourage new development, creating jobs and growth in the local economy and is essential in providing vital capital funding to enable the delivery of the Councils Capital Programme.
- 2 Cabinet are asked to consider the asset disposal programme proposals in this paper and confirm support for a four year managed programme to support the Councils Capital Programme.
- 3 A list of assets proposed for disposal requiring approval by Cabinet is contained within Appendix 1 to this report.

EXEMPT REPORT

- 4 This report is not exempt however, Appendix 2 to the report is not for publication as it contains details of third party commercial interests, which are exempt under Paragraph 3 of Part 1 of Schedule 12 (a) of the Local Government Act 1972 (as amended), (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

RECOMMENDATIONS

- 5 Cabinet agree to a managed four year programme of property asset disposals to enable the delivery of the Councils Capital Programme.
- 6 The Assets and Property Team to action the disposal of the property assets contained within this report as part of a managed four year disposal programme.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

- 7 The sale of Council property assets will generate new property developments for the borough, both commercial and housing. New developments will generate growth in the local economy and create and support local jobs through development and associated local infrastructure. Future Council revenues will be supported from new development by the creation of additional Business Rates and Council Tax from sites as they are developed.

- 8 The Council will further benefit financially from capital receipts released from the sale of property assets which will directly enable the delivery of the Councils Capital Programme for the next four years.

BACKGROUND

- 9 The Council has an agreed 4 year Capital Programme to deliver a range of schemes to support service delivery and strengthen local communities within the borough. This programme relies for its funding on the release of capital receipts from the sale/disposal of property assets held by the Council.
- 10 The Council has an historic portfolio of property assets that are not held for service delivery. These assets are made up of both land and buildings in locations across the borough and are capable of development for a range of uses.
- 11 The Council's Capital Programme is funded from the disposal of assets. This report notes the creation of a programme of planned property disposals that aligns with the ambitions of the Capital Programme in terms of timescales and projected receipts from property sales.
- 12 Without a series of disposals of Council property assets to generate capital receipts the Capital Programme cannot be delivered and additional benefits to the Council of Council Tax And Business Rates revenues will not be generated
- 13 A schedule of assets recommended for disposal is attached in Appendix 1 to this report. This schedule also gives the property assets current use, a brief description and an expectation of its future development opportunities The schedule of sites recommended for sale by this report is not exhaustive and is limited to assets requiring Cabinet approval under the Council's scheme of delegation, ie all transactions in land with values of over £1m. Other, lower value assets are identified and approved for disposal under the delegated powers of the Property Officer and with the agreement of Councillor Blackham as Cabinet Portfolio Holder.
- 14 Other property assets will be identified for sale during the lifetime of the 4 year programme. These assets will be brought forward for approval for sale within the existing scheme of delegation. It should also be noted that this report deals with assets not previously or recently approved for disposal. Other Council land and property assets have previously received approval for disposal and the assets listed in the appendices to this report are to supplement the existing asset disposals to deliver the Capital Programme. Larger sites within the programme will be considered for phased disposal to ensure that capital receipt is maximised, that development is sustainable and of the highest possible quality and that due consideration is given for sites to be able to support local infrastructure where development in a local area creates a demand, for example, school places.
- 15 It is important to note that prior to marketing for sale all assets will be subject to a consultation exercise in common with all sales of Council property. Each asset review considers legal and planning restrictions on a possible sale and consultation takes place with ward members. The programme will be managed to create opportunities for flexibility in the delivery of assets to the market for

sale dependant on a range of factors, including but not limited to

- Whether phasing of parts of a site is appropriate (large sites)
- The potential for obtaining planning permission before marketing
- Bringing sites to the market earlier in the programme to account for 'lag' in larger more complex asset disposals.
- Bringing assets to the market in an ordered manner, accounting for local supply and other potentially competing sales to avoid market over supply.

- 16 The method of sale of property assets will be agreed between the Council's Property Manager and the Director of Regeneration and Environment to balance speed and certainty of receipt with best consideration and the nature of the property asset and its development potential/type of development. During the life of the disposals programme there will be a need to add or bring forward the timetable of disposal for some sites to allow for the delay of site sales elsewhere in the programme. Without this flexibility the Capital Programme activities are placed at risk.

OPTIONS CONSIDERED

- 17 The options considered are:

- Do nothing;
- Deliver a managed programme of disposals of Council property assets over a 4 year period

- 18 **Do Nothing:** Not having a managed programme of asset disposals will result in being unable to fund Capital Programme activities.

- 19 **Deliver a managed programme of disposals of Council property assets over a 4 year period:** (Recommended option). A planned approach will increase certainty in decision making in the Capital Programme. Without asset disposals to support its activities the Capital Programme cannot be delivered.

REASONS FOR RECOMMENDED OPTION

- 20 Without the sale of property assets for development, the Councils agreed Capital Programme ambitions cannot be delivered, resulting in the delay or non-delivery of a range of projects requiring capital investment and thus negatively impacting on the Councils Key Outcomes.
- 21 The additional Council Tax and Business Rates revenues generated from the development of sites as they are disposed of supports the future of essential Council services.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

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	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>Releasing assets to support the development of new property in Doncaster will show a firm commitment to the economic growth and regeneration of the Borough.</p> <p>The receipts from assets sales will directly support the Councils Capital Programme</p> <p>The generation of new Council Tax and Business Rates revenues helps protect vital Council service into the future.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	<p>Through the generation of long term sustainable revenues from new Business Rates and Council Tax new development will help reduce pressure on budgets and support future service delivery.</p> <p>The disposal of larger sites within the proposed programme creates a positive opportunity for development to support local infrastructure (e.g. schools) to ease local pressures and support local communities.</p>
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	<p>Releasing assets to support the development of new property in Doncaster will show a firm commitment to the economic growth and regeneration of the Borough, supporting and improving the built environment in local communities.</p>
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>Through the generation of long term sustainable revenues from new Business Rates and Council Tax new development will help</p>

		reduce pressure on budgets and support future service delivery.
	Council services are modern and value for money.	The managed disposal of property assets shows a proactive stance for the Council to generate both receipts and future revenues and create new opportunities for development in the current and future environment.
	Working with our partners we will provide strong leadership and governance.	In common with our partners we continue to provide better value and quality solutions in the use of Council owned property assets. We will work with the Team Doncaster Partnership, Health Assets Partnership and the Sheffield City Regions Joint Assets Board to dispose of assets in a coordinated and managed way.

RISKS AND ASSUMPTIONS

- 23 A failure to secure the disposal of the assets noted in this report will prevent the delivery of the Council's Capital Programme.
- 24 The Council's Capital Programme ambitions are directly reliant on the ability to generate receipts from the sale of property assets. To meet these ambitions a four year disposal programme has been devised to match the life of the Capital Programme.
- 25 Rigidity in a 'fixed' disposal programme which does not allow for changes in market conditions and issues relating to the disposal of individual assets.
- 26 The programme of disposal 'events' is not fixed and thus allows the flexibility to move disposals within the programme to allow for the risk of delay in the disposal of assets elsewhere.
- 27 Failure to dispose of assets in accordance with the timescales set out in the programme plan and thus achieving sales receipts.
- 28 In the initial years of the programme there will be a 'front loading' of disposals to address initial expectations on programme shortfall and to ensure a steady flow of receipts in future years It should be noted as an inherent risk that the nature of property disposal where development is an outcome is that the pre development planning and due diligence stage by a developer is very much dependant on the particular circumstances of the individual asset - for example site conditions. The programme will be managed to mix the type and size of sites for disposal to mitigate risks associated with dependence on single large asset disposals so as to create a steady flow of transactions through the

programme period.

LEGAL IMPLICATIONS

- 29 The Council has statutory power under S123 of the Local Government Act 1972 to dispose of non-housing/non-HRA land without the Secretary of State's consent for the best consideration reasonably obtainable²⁹It is presumed that the disposals will be for full market value but if any of the disposals are for less than the best consideration reasonably available then the Secretary of State's consent will be required for the disposal
- 30 Individual disposals will require future approvals under the Council's Financial Procedure Rules the Council's Property Officer has authority to dispose of land at market value without Cabinet approval where the price being received is less than £1 Million. Disposals with prices over £1million will require Cabinet approval.
- 31 If any of the land is currently used for the purposes of public recreation and therefore classed as open space for the purposes of s.123 of the Local Government Act 1972 then before it can be sold or leased the Council would be obliged by s.123 to place notification of the proposed disposal in two consecutive editions of a local newspaper and to consider any objections or comments received within 21 days of the date of first publication of the notification.

FINANCIAL IMPLICATIONS

- 32 There are numerous capital schemes which are to be funded fully or partially by capital receipts. To be able to plan appropriately it is essential the Council has a disposal scheme in place in order to sell assets to generate the required capital receipts. The assets included within the appendices of this report are additional to the assets that have been approved for disposal already. Even though they are yet to be approved a risk adjusted amount of the proposed sales values are included within the estimated capital receipts total for the next four years
- 33 Following discussions for quarter one monitoring it has become apparent that a significant shortfall is expected in the capital receipts that were budgeted for and what is now achievable in year.
- 34 During capital budget setting it was projected that in 2017/18 the sales of assets would generate £10.989m of capital receipts which along with a carry forward amount would create a total of £12.2m receipts available for use. This has now been revised down to £6.4m with £5.5m in sales now being projected. This has caused a £6.3m shortfall between the capital receipts required and what are expected to be available.
- 35 It is essential that the assets contained within the report are approved for sale as their totals are already included within the capital receipt estimates and if not approved would cause the shortfall position to worsen.
- 36 Due to the shortfall it will become necessary to either finance the current capital schemes through borrowing or postpone the start of or cancel them. If

borrowing is used this would cause an extra pressure on the revenue budget due to the interest costs incurred. For each £1m borrowed around £67k normally needs to be added to the Council's revenue budget to repay borrowing and interest (based on borrowing through Public Works Loan Board for 25 years). This would need to be funded through the identification of additional budget savings

HUMAN RESOURCES IMPLICATIONS

37 There are no HR implications associated with this report.

TECHNOLOGY IMPLICATIONS

38 There are no anticipated technology implications in relation to the proposed disposal of assets contained within appendix 1 of this report. Where other property assets are identified for sale during the lifetime of the 4 year programme, ICT must continue to be consulted to consider any arising technology implications.

EQUALITY IMPLICATIONS

39 The Equality Act 2010 has been given due regard and this proposal will not have an impact on Equality.

CONSULTATION

40 Portfolio holder Councillor Blackham has been informed of the proposal and supports the proposal to bring forward sites for disposal

41 Ward members have been consulted on the assets included within the programme. All future asset disposals added to the programme, whether requiring approval at Cabinet or under delegated powers, will involve ward member consultation prior to a recommendation for sale.

BACKGROUND PAPERS

42 N/A

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