

Report to Cabinet

17 July 2024

Subject:	Surplus Assets and Phase 1 Disposals
Cabinet Member:	Cabinet Member for Regeneration & Infrastructure Councillor Peter Hughes
Director:	Executive Director - Place Alan Lunt
Key Decision:	Yes
Contact Officer:	Assistant Director – Strategic Assets and Land Luke Dove Luke_Dove@sandwell.gov.uk

1. Recommendations

1.1 That authority be given to the Executive Director – Place for the disposal of the four surplus sites identified, through the most appropriate method (Informal Tender or Auction) via the Council's appointed agent:

1.1.1 Land at Woden Road West / Black Country New Road – site reference MOL/0267

1.1.2 Mounts Road Play Area – site reference QX11

1.1.3 Land Managed at Old Park Lane (A) – site reference MOL/0081

1.1.4 Old Park Lane Cluster – site reference C



1.2 That subject to recommendation 1.1 being approved, authority be given to:

1.2.1 the Executive Director – Place to dispose of the freehold to the most appropriate bidder from those bids received and subject to meeting the reserve if via auction.

1.2.2 the Assistant Director of Legal and Assurance to dispose of the property, on terms and conditions to be agreed by the Executive Director - Place in consultation with the Cabinet Member for Regeneration and Infrastructure.


1.2.3 the Assistant Director of Legal and Assurance to enter into or execute under seal, if necessary, any other related documentation in connection with the freehold disposal of the site.

2. Reasons for Recommendations

2.2 The Council's Asset Management Strategy sets the strategic framework within which the property asset portfolio will be managed. It is intended to guide future decisions concerning the acquisition, use and disposal of property assets. It is intended to respond to the corporate planning process, providing property solutions that support each of the Council's service areas in the delivery of their service plans.

2.3 The recommendations support the delivery of the Council's Medium Term Financial Strategy (MTFS) and ensuring the Council have a balanced budget moving forward alongside an efficiently operating estate to deliver Council services.

3. How does this deliver objectives of the Corporate Plan?

	<p>A Strong and Inclusive Economy Options identified will contribute to a stronger and more inclusive economy by maximising local asset use. The report supports the following Corporate Plan objective.</p>
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4. Context and Key Issues

4.1 The Corporate Asset Management Strategy (CAMS) was approved by Cabinet in 2022. It acknowledged that the Council is committed to maintaining an effective and efficient property portfolio which supports the delivery of services to residents, provides value for money, reduces our environmental impact, and maximises opportunities to generate value. The strategy is underpinned by revenue asset savings targets for 2023-2026 as detailed below:

2023/24 - £1.6million

2024/25 - £1.6million

2025/26 - £2.5million

4.2 The Council has 137 property assets on its land register which have been declared surplus with many of these having been surplus for several years. A full list can be found at pages 170-172 of the report provided at Appendix 1.

4.3 The 137 asset sites include:

- Small areas of land which are managed as part of the commercial estate.
- Small areas of land, some of which are garage sites & forecourts adjacent to housing developments.
- Open space which is deemed to be low quality / low value.
- Potential development sites that may be suitable for housing development / employment / regeneration

4.4 The assets on the list have a combined asset valuation (for annual accounting purposes) of circa £11m. This figure may however not accurately reflect the value as detailed development feasibility work is not part of the annual asset valuation process with some valuations being based on “Discounted Replacement Cost” rather than market value. However, it can be concluded that there is likely to be significant value amongst the surplus assets.



4.5 Holding this number of surplus assets on the Council's books means:

- More assets need to be valued in the Council's annual accounts every year.
- More issues need resolving on a day-to-day basis, putting more pressure on officer time.
- Costs may be incurred in undertaking maintenance, security measures, or dealing with health & safety issues.
- Opportunities may be being missed to realise capital receipts.
- Opportunities may be being missed to generate revenue by leasing assets, or by undertaking small developments which create income-producing assets.
- Opportunities may be being missed to provide much-needed development including affordable housing.
- Opportunities may be being missed to re-purpose assets for community use and undertaking Community Asset Transfers where appropriate.

4.6 In order to review assets appropriately and maximise their potential value, the Council sought the skilled advice of property agents with a comprehensive understanding of the local property market, values, and the likely level of interest in properties. Following a procurement exercise, undertaken in 2023, Real Estate Agents, Avison Young, were commissioned.

4.7 The initial part of their commission was to provide a comprehensive review of 137 surplus assets within the ownership of the Council. The objectives were to:

- optimise the asset portfolio;
- determine a strategy for the surplus assets;
- ensure alignment with the council's strategic objectives;
- maximise capital receipts and enhance operational efficiencies.

A copy of this report can be found at Appendix 1.

4.8 This report identified four different streams that each of the 137 surplus assets broadly fell into as detailed below:

- Recommended disposal – 57 sites



- Insignificant development opportunity – 20 sites
- Further investigation required – 49 sites
- Special cases – 11 sites

4.9 Of the 49 sites identified as requiring further investigation, 36 were initially identified as having potential significant development opportunity from which a 'Top 15' list was compiled.

4.10 Following receipt of the report, Property Services, in conjunction with Planning and Regeneration Officers, scrutinised the 15 sites highlighted as the most significant development opportunities. Following this, 4 sites were identified as being appropriate to progress for disposal immediately, as outlined below. These form the main recommendations of this report:

1. Land at Woden Road West / Black Country New Road – site reference MOL/0267



2. Mounts Road Play Area – site reference QX11



3. Land Managed at Old Park Lane (A) – site reference MOL/0081



4. Old Park Lane Cluster – site reference C



4.11 Following the initial feedback from Avison Young, Property Services agreed with them an updated scope of work. From this, it was agreed that the three sub-tasks detailed below were to be undertaken:

- i) Provide site assessments for the development sites that have been identified for disposal (the 'Development Sites').
- ii) Group the 57 assets, that the Stage One report had identified for immediate disposal, into disposal packages (the 'Disposal Sites') with a view to increasing market demand, and to generate efficiencies in disposal costs.
- iii) Provide a review / critical analysis of the development sites with Avison Young's Stage One report had identified as Development Sites but subsequently, colleagues at SMBC wish to retain (the 'Retained Sites').

4.12 Avison Young produced a secondary report, relating to the above tasks, containing a full appraisal for each of the four sites identified, and which has been provided at Appendix 2. It is recommended that these 4 sites are disposed of through the most appropriate method (Informal Tender or Auction) via the Council's appointed agent.



4.13 Within Appendix 2, indicative value ranges have been provided for the four assets, subject to the detailed caveats. Should the assets be disposed of via auction, an appropriate reserve will be placed on the assets. The level of this will be established by Property Services, in conjunction with the Council's appointed agent, and agreed by the Executive Director – Place, in consultation with the Cabinet Member for Regeneration and Infrastructure.

5. Next Steps

5.1 Following the disposal of the above sites, it is recommended that the next steps are then undertaken.

5.1.1 Further review the 'Retained Sites', alongside the updated critical analysis received from Avison Young, in order to test if there is a viable reason for their retention; and, where applicable, bring forward a further report to Cabinet recommending disposal.

5.1.2 Review the 57 assets identified for disposal which have now been placed into 14 logical packages ready for disposal, based upon location, classification, size, potential uses, and potential receipt (seeking to maximise SMBC's capital receipt and to reduce disposal fees on completion). Subject to internal agreement, this will then be brought forward to Cabinet recommending disposal by way of auction, or through private treaty (where viable) in order to support potential affordable housing development.

5.1.3 Review the 20 sites identified as having insignificant development 'value' to see if these can be disposed of, individually or collectively, either via auction or on a special purchaser basis. Where no viable disposal option exists, each asset will be reviewed in order to provide a clear direction on future maintenance / use.

6. Alternative Options

6.1 Option 1 - retain the assets. This would not be considered viable as no operational use has been identified for them, and this would neither support delivery of the Asset Management Budgets savings targets nor



realise the required capital receipts to support the MTFS. This option is dismissed.

- 6.2 Option 2 - invest in the assets with a view to subsequently marketing for disposal. However, based on the indicative valuations and comparable evidence provided, this would not be a viable option due to the level of investment required (which would not be recoverable) resulting in a potential negative return on investment. This option is dismissed.

7 Implications

Resources:	The recommendations in this report will support delivery of asset rationalisation, ensuring the council can continue to operate effective delivery of its services alongside generating capital receipts to support the MTFS.
Legal and Governance:	The council will require appropriate authority to be obtained in line with the Sale of Land and Buildings Protocol alongside the Monitoring Officer, Assistant Director – Legal and Assurance being authorised to enter or execute under seal where necessary any legal documentation in connection to the granting of a lease or undertaking of a freehold disposal as required.
Risk:	Compliance with Financial Regulations for the sale of Council building and assets protocol. Limited control over disposal terms and future development.
Equality:	The continued review of the Council’s asset portfolio and any associated rationalisation will ensure all vulnerable groups such as those with mental health issues & disabilities are considered and appropriate facilities are continued to be provided across the borough in a more targeted manner. Due to the assets being recommended for phase 1 disposal being land only and not publicly accessible,



	there is no impact from an Equalities perspective as part of this transaction.
Health and Wellbeing:	The disposal and redevelopment of the assets will support delivery of the Regeneration Pipeline through improving and developing assets and places for people to go.
Social Value:	The repurposing and regeneration of the Boroughs assets will ensure that they serve as a key driver of the Boroughs economy and will create more employment, education, and training opportunities for the residents of Sandwell.
Climate Change:	N/A
Corporate Parenting:	N/A

8. Appendices

- 8.1 Appendix 1 - Avison Young Report 7/9/2023 – Surplus Property Assets
- 8.2 Appendix 2 - Avison Young Report 21/5/2024 – Review of Surplus Assets (Task 2)

9. Background Papers

- 9.1 Cabinet report 16 November 2022 – Corporate Asset Management Strategy (CAMS)

