

Asset Disposal Programme
Corporate Improvement & Scrutiny Committee
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1. Introduction

1.1. The paper responds to the following questions from the Chair – Cllr Manku:

- How confident are we that asset disposals will do what we need for our improvement and recovery?
- How well has the asset disposals programme gone so far?
- What will be the impact on residents of selling these assets?

1.2 The information below is accurate to the day that this paper has been produced, but will continue to change as properties are brought to the market as well as respond to the changing nature of the property market

1.3 The need to sell assets, is well documented as part of Slough’s recovery journey and underpins the financial modelling towards financial sustainability.

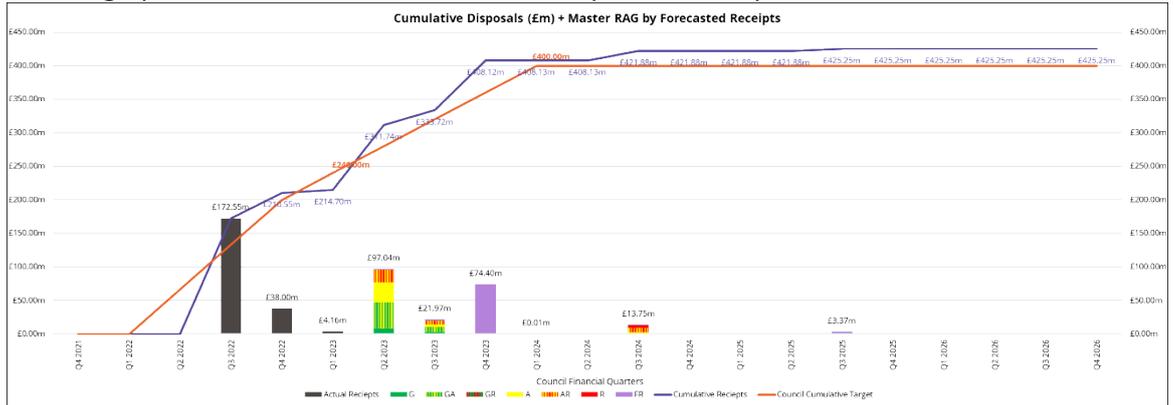
1.4 Normally, the capital receipts from asset sales in a Local Authority can only be used to support capital expenditure, but through a multi-year capitalisation direction from Central Government, the Council is being allowed to use the capital receipts to support revenue costs, otherwise the Council would have been in a deficit/negative budget position which it is not legally allowed to be in when setting it’s budget.

1.5 One of the main factors for the council having to set a deficit budget was the fact that the true cost of borrowing money to fund asset purchases had not been included in prior years accounts including interest payments as well as paying back the principal amount of the loans. These costs in a council's accounts are charged to the revenue account and therefore the need for a capitalisation directive from Central Government is necessary.

1.6 In allowing the Council to use the capital receipts against revenue expenditure, the council is able to reduce the deficit budget over time and alongside other actions to reduce revenue expenditure, the council can move to a financially viable position. Therefore the oversight of asset disposals is an important part of our overall financial management processes at officer and councillor level (as well as reporting to commissioners as part of our improvement and recovery boards)

2. Results to Date

2.1. The graph below shows the capital receipts that have been



secured to date (£220m) and the forecast profile for other assets that may be sold as part of the programme.

2.2. £211m was secured in the last financial year (2022/23) against a target of £200m.

2.3. The sales secured in 2022/23 were generally the larger assets in the disposal programme and likely to be easier to dispose of than many of the remaining assets. The table below provides a breakdown of the capital receipts secured in 2022/23.

Property	Completion Date	Capital Receipt (£)
SUR - North West Quadrant site (former Thames Valley Uni) P1	17/03/2023	£23,000,000
SUR - Montem	24/02/2023	£15,000,000
129 Stoke Road, Gosport, Hampshire	16/12/2022	£1,700,000
Lavender Farm	15/12/2022	£1,775,000
Wickes Wolverhampton	09/12/2022	£6,800,000
Odeon, Churchill Way West, Basingstoke	25/11/2022	£3,620,000
Akzo Nobel (Unconditional Sale)	24/11/2022	£143,750,000
21 Roydsdale Way Euroway Bradford	15/11/2022	£14,900,000
		£210,545,000

3. Forecast

3.1. There are significant challenges in delivering the remainder of the Asset Disposals Programme. Section 4 (below) outlines the delivery risks impacting on the programme. The risks can impact on the price that will be achieved from a sale and/or the speed at which the sale can be completed. RAG ratings have been applied to each asset in the programme for both 'price' and 'time'.

3.2. The table below and the graph above (2.1) quantify the level of risk associated with each of the remaining disposals and, therefore, the level of confidence that can be taken from the forecasted figures.

	2022/23	2023/24	2024/25	Totals
Green Green	£172.55m	£14.96m	£0.00m	£187.50m

Green Amber	£0.00m	£47.20m	£1.00m	£48.20m
Green Red	£0.00m	£0.00m	£0.00m	£0.00m
Amber Amber	£0.00m	£33.52m	£1.90m	£35.42m
Amber Red	£0.00m	£24.45m	£6.44m	£30.89m
Red Red	£0.00m	£0.00m	£3.28m	£3.28m
Further Review	£0.00m	£77.45m	£1.13m	£78.59m

- 3.3. The 'Further Review' category is for operational or community assets, where decisions have not yet been made to dispose of them. It is highly unlikely that all of the assets in this category will be sold and, therefore, the associated figure of £79m is unlikely to be fully achieved however there are other assets not on the list that may come forward as further work is undertaken.
- 3.4. The position indicated in the table of the RAG rating of the properties is at the date that this paper has been produced, but is not static. It continues to evolve, particularly the 'Further Review' category where assessment of those properties continues at pace. Sales of assets is a market sensitive activity and therefore remains under constant review. This is why asset disposals remains an important area for senior managers to keep under constant review.

4. Delivery Risks

- 4.1. There are a number of key risks to this programme that need to be carefully managed. The graphic below provides a snapshot on the current status of these risks.

RAG	Risks
●	Records
●	Market / Economy
●	Skills / Capability
●	Protocol / Process
●	Slough Narrative

- 4.2. Records – Record keeping in this area is extremely poor. Even key paper-based records can be missing or difficult to access. This can delay marketing/sales and/or create a risk for the purchaser, which gets reflected in the price that they are willing to pay. A data audit is underway. An improvement plan is part of this commission.
- 4.3. Market/Economy – Market conditions are worsening, with increasing interest rates etc, which are generally favouring purchasers. Some of the assets acquired by SBC within the last 10 years, may now have a lower value than when they were acquired. This makes it even more critical to be able to proceed dynamically during the marketing, negotiating and transaction, to limit the risk of price reductions.
- 4.4. Skills/Capability – The legacy Property team's primary function was to deliver capital projects. There is very little of the skills needed to deliver an asset disposals programme. There is now, however, a Property Director in place, with experience of this work; a surveyor who is

dedicated to the asset disposals programme and a senior manager within Finance focused on this programme.

There have also been issues with the inherited supply chain who have been used on the programme. These issues have been raised with the legacy suppliers and there has been some broadening of the supply chain with additional companies now being used.

- 4.5. Protocol/ Process - The process that was included in the 2022 Disposal Strategy doesn't work as well as it needs to for the remainder of the programme – i.e. with higher volume, high complexity disposals, in a declining market. For example, the requirement for independent Red Book valuations for every sale is unnecessary where an open market exercise has been carried out. The issues with the current process can create delays and put SBC on the back foot in commercial negotiations.
- 4.6. Slough Narrative - Slough has a poor reputation in the development and investment industry. This can result in lower levels of interest for opportunities that SBC present to the market and lower quality organisations bidding.

We have been seeking to change the historic narrative by actively engaging with this market and promoting Slough more generally, as well as the sites that we are seeking to dispose of. An example of this is a SiteMatch event that was held in London in May, which was attended by key industry players.

5. Resident Impact

- 5.1. The assets that have been sold to date are sites that were owned by SBC for development or investment purposes – i.e. not for operational or community purposes. Therefore, the sale of these assets will have had very little citizen impact, other than the positive indirect financial benefits associated with the disposals.
- 5.2. Many of the remaining assets in the programme, identified for disposal, are also development or investment sites, so again, the sale of these will have limited citizen impact.
- 5.3. There are assets that require 'further review' (as per 3.3 above) to determine which ones could/should be disposed of. These are assets that are currently used for operational purposes (e.g. offices) or community purposes (e.g. sports clubs). An overarching Estate Strategy is in development which will drive the decision making in this area. It will determine the size and shape of the retained estate and the operational and community assets that will be included in the Asset Disposal Programme. This work (Estate Strategy) will include Member and community engagement as these stakeholders will clearly have a strong interest in this.