

Slough Borough Council

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| Report To: | Cabinet |
| Date: | 21 st October 2024 |
| Subject: | Disposal of Slough County Court, Chalvey Park, Slough, SL1 2HJ |
| Lead Member: | Cllr Chahal – Deputy Leader and Cabinet Member for Financial Oversight, Council Assets, Procurement and Revenue & Benefits |
| Chief Officer: | Pat Hayes – Executive Director (Regeneration, Housing and Environment) |
| Contact Officer: | Peter Hopkins – Property and Assets Director |
| Ward(s): | Slough County Court - Herschel Park |
| Key Decision: | YES |
| Exempt: | NO – except exempt appendices under paragraph 3 of Schedule 12A Local Government Act 1972 – Information relating to the financial or business affairs of the Council |
| Decision Subject To Call In: | YES |
| Appendices: | Appendix A – Confidential – Avison Young - Disposal Strategy report Appendix B – Confidential – Asset Appraisal and Disposal Framework calculations Appendix C – Confidential - Red Book Valuation |

1. Summary and Recommendations

- 1.1 This report sets out a recommendation for the disposal of Slough County Court, Chalvey Park, Slough and seeks approval to market the asset for disposal under the Council's Asset Disposal Strategy. The report was considered by the Cabinet Committee on 17th October 2024 and it was agreed to make the recommendations to Cabinet as at paragraph 1.3 of the report.
- 1.2 The recommendation to market Slough County Court for disposal has been subject to a due diligence process and Asset Appraisal and Disposal Framework calculation which would offer the best opportunity to realise the disposal of the asset in accordance with section 123 of the Local Government Act 1972.

Recommendations:

- 1.3 That the following recommendations of the Cabinet Committee be approved:

- A) Agree to the marketing and disposal of the asset referred to in Appendix A known as Slough County Court, Chalvey Park, Slough by way of auction as recommended within the report in Appendix A.
- B) The Reserve Price will be in-line with the Red Book Valuation and will include a 10% adjustment to the price, upwards and downwards. (within Appendix C).

Reason:

- 1.4 The disposal of Slough County Court, Chalvey Park, Slough is in accordance with the Council's Asset Disposals Strategy, in that it has previously been agreed as 'surplus', by Cabinet Committee on 13th October 2022, and identified for disposal. Agreement to the recommendations in this report will contribute to the reduction in the Council's future financial commitments, generate disposal receipts at the earliest opportunity and reduce the Council's borrowing and MRP. The proposed asset sale has been subject to due diligence process and Asset Appraisal and Disposal Framework Calculation which would offer the best opportunity to realise the disposal of the asset in accordance with section 123 of the Local Government Act 1972.
- 1.5 The disposal of such assets supports the corporate priority for "a Council that lives within its means, balances the budget and delivers best value for taxpayers and service users."
- 1.6 The disposal of such assets will enable the Council to simplify the property portfolio and enable the Council to focus on its core activities and services.

Commissioner Review

The asset disposal programme is of significant importance to the Council's financial recovery, and an integral part of the approved financial strategy and 'minded to' Capitalisation Direction.

The Council should ensure that the approved governance process for the consideration for the retention or disposal of any Council owned assets has been adhered to. Disposal of land and property can be undertaken in several ways, and it is for the Council to determine the most appropriate sales mechanism for their asset, which supported by an independent valuation can demonstrate that offers received are in line with or better than the estimated best value.

Commissioners are content for this report to be considered.

2. Report

Introduction

- 2.1 On 18 September 2023, Cabinet approved the Asset Disposal Programme Update outlining the principles and process for disposal of non-essential Council Assets i.e., assets not required for the delivery of Council services.
- 2.2 Avison Young was commissioned to produce an independent Disposal Strategy report for Slough County Court (Appendix A). The report proposed a marketing and disposal strategy for this asset to support the Council's decision-making process in disposing of this site.

- 2.3 A Red Book Valuation was commissioned to establish market value of Slough County Court (Appendix B). This valuation figure will assist in setting the reserve price (the minimum value the asset will be disposed of at auction) when the site is placed at auction, ensuring that the Council achieves best consideration through the auction process.

Options considered

- 2.4 Option A – To retain Slough County Court, Chalvey Park, Slough. Whilst this would retain an income stream of £107,750 per annum, the costs of servicing the Council debt outweigh the income generated. This is not recommended.
- 2.5 Option B – To dispose of Slough County Court, Chalvey Park, Slough by way of auction. This option provides the greatest financial benefit to the Council, as set out in section 3.1 below. **Recommended.**
- 2.6 Option C – To defer the sale of Slough County Court, Chalvey Park, Slough in the hope that market conditions will improve. Market forecasts together with a reducing lease term suggest that this is unlikely with continued uncertainty in the market. This is not recommended.
- 2.7 **Option B is recommended** to Cabinet for approval for the reasons given in the confidential Appendix A. Sale at auction should allow the Council to receive a capital receipt by December 2024, which will allow it to reduce its borrowing and contribute to its capital receipts target.

Background

- 2.8 The Freehold interest of Slough County Court was originally held by Buckinghamshire County Council and was transferred to Slough Borough Council under The Berkshire, Buckinghamshire and Surrey (County Boundaries) Order 1994 (SI 1994/330).

The Asset

- 2.9 Slough County Court is bounded by Chalvey Park to the north, Slough Magistrates' Court to the east, and a vehicular accessway serving Slough Police Station to the west, which arches around the building to the south. The Slough Police Station building is located immediately to the South-East. The property has a gross internal area of 851 sq.m. (9,160q.ft.) over the ground and part of the first floor, with on-site car parking for seven vehicles. The tenant, The Secretary of State for Levelling Up, Housing and Communities, has recently renewed their existing lease for a five-year term. The site was identified for disposal, and declared surplus in October 2022, as it is not required for service delivery, subject to ensuring that the consideration requirements were met. The proposed sale may give rise to a Special Purchaser once the auction process has commenced. Communication with Slough Magistrates Court and Thames Valley Police Station will commence prior to Cabinet meeting to inform them of the intended process.

Valuation

- 2.10 As outlined in paragraph 2.8 Slough County Court was transferred to Slough Borough Council from Buckinghamshire County Council. Slough Borough Council did not purchase the site, and there is no recorded value for the transfer. .

- 2.11 The asset is held in the Council's balance sheet and is revalued annually at fair value in line with accounting standards. Fair value measures the "highest and best" value in the most advantageous market for an asset (i.e. this method of valuation includes considering alternative uses for the asset as well as its current use). The recommended guide price and reserve price for this asset to be placed at auction is in excess of Net Book Value currently recorded in the balance sheet.
- 2.12 Avison Young (AY) have provided professional advice on the market conditions in conjunction with recommending an appropriate marketing and disposal strategy for this asset as outlined in Appendix A.
- 2.13 The Council has obtained an independent Red Book Valuation by an independent third party.

Marketing

- 2.14 The recommendation for this asset is to be placed on the open market via auction. A property placed at auction will be marketed with the benefit of a legal pack that includes title information, property searches, Energy Performance Certificate and Commercial Property Standard Enquiries information forms. It is proposed that this asset be placed at auction on 21st November 2024.
- 2.15 AY and our appointed auctioneer, Bid X1, will mailshot this opportunity to approximately 1000+ investor contacts. The mailshot will provide a link to the auction websites detailing specific information regarding the property, including a legal pack and date & time of the auction.
- 2.16 AY and Bid X1 will arrange for a number of parties to conduct an internal inspection of the property at a chosen date and time in the future.
- 2.17 This asset will also be marketed on Slough Borough Council's land and property website, with a link provided to the auctioneers marketing website.
- 2.18 Though the lease agreement makes no formal requirement to do so, the occupational tenant of Slough County Court will be made aware of the Council's intention to dispose of the asset prior to Cabinet meeting.

3. Implications of the Recommendation

3.1 *Financial implications*

- 3.1.1 We understand that this asset was transferred to Slough Borough Council in 1994 from LGR, this resulted in estimated balance sheet disaggregation to align with CFR, MRP Reserves, that was supported by the asset base and loan book. However, there is no direct correlation to this property therefore net proceeds of sale can be applied directly to the finance the Capitalisation Direction.
- 3.1.2 A Net Present Value calculation, taking account of all costs and income generated over the longer term for this site demonstrates that disposal will have a positive financial impact for the Council. See Appendix B.

3.2 *Legal implications*

3.2.1 Pursuant to section 123 of the Local Government Act 1972 (“Section 123 LGA 1972”), the Council has the power to dispose of land in any manner it wishes, subject to certain provisions. The Council has a statutory duty to obtain the best price reasonably obtainable, subject to certain exemptions. Section 123(2) permits a disposal at less than the best price reasonably obtainable with the consent of the Secretary of State.

3.2.2. When considering the duty under section 123 LGA 1972, what is reasonable in any particular case depends entirely on the facts of the transaction.

3.2.3. Case law has determined that whilst there is no absolute requirement to market the land or obtain an independent valuation, if valuation evidence is obtained, it should be up to date and that there should not have been any material and significant changes in circumstances since it was obtained.

3.2.4 In addition, obtaining proper professional advice throughout the process on how to maximise its receipts is a material consideration and the Council should limit itself to taking account of those elements of a transaction which are of commercial or monetary value and should disregard irrelevant factors such as “job creation” when assessing whether it is obtaining the best consideration reasonably obtainable. The deliverability or credibility of a bid are commercial factors which are relevant to an assessment.

3.2.5 The Council has employed Avison Young (“AY”) as specialist property advisors to advise on an asset disposal strategy and to market and dispose of the asset identified for disposal and has commissioned an independent red book valuation to inform its decision.

3.2.6. It is proposed to dispose of the asset via auction, therefore delegated authority is required to set the reserve price as the Council will be obligated to dispose of the asset if this is met.

3.2.7 In addition to meeting its best consideration duty, the Council must comply with its best value duty. This requires consideration as to the income generated from the asset compared to the capital receipt to be achieved upon sale. Appendix B contain an assessment of this.

3.3 Risk management implications

3.3.1 The recommendation required from Cabinet, as outlined in this report, is intended to improve the Council's financial position, by realising capital receipts which can be used to repay Council borrowing from the existing high level and reduce debt servicing charges in the form of interest and minimum revenue provision (MRP). If the recommendations are not approved this will delay the Council being able to return to a financially sustainable position – specific risks are summarised below:

| Risk | Summary | Mitigations |
|-------------|---|--|
| Financial | Delay in realising capital receipts from the asset will delay the Council's financial recovery. | Cabinet to approve officers to proceed with the marketing and disposal of asset. |
| Governance | Failure to obtain best consideration from the disposal could expose the Council to risk of legal challenge. | The Council has employed external property advisors to manage and competitively market the property, |

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| | | having access to wider markets than officers locally and obtained up to date property comparables to assist with their advice. |
| Legal | Failure to ensure legal pack is provided could delay or halt sale. | Review of all legal documents ahead of marketing period in conjunction with legal and property advisors. |
| Governance | Failure to establish robust governance arrangements could expose the Council to risk of impropriety and legal challenge. | The Council has established sound governance arrangements for asset disposals to ensure that the Council achieves best consideration from asset disposals. |
| Reputational | Unable to agree a way forward causing delay to asset disposals and failure to deliver capital receipts within the timescales set out in the Debt Reduction/Asset Disposal Strategy. | Governance, project/programme management and decision making operate effectively to deliver asset disposals on time and best consideration for the Council. |

3.4 Environmental implications

3.4.1 No environmental implications have been identified as a direct result of this report.

3.5 Equality implications

3.5.1 This asset is not used for operational or service delivery purposes. There are no identified equality implications with the disposal of this site.

3.6 Procurement implications

3.6.1 There are no procurement implications.

3.7 Workforce implications

3.7.1 No workforce implications have been identified as a direct result of this report.

3.8 Property implications

3.8.1 This report will directly impact on the Council's property holdings; however, this will be a positive impact in reducing property holdings to enable the Council to streamline its portfolio to focus on assets required for the operational and service delivery.

4. Background Papers

None