

Slough Borough Council

Report To:	Cabinet Committee
Date:	13 th March 2025
Subject:	Asset Disposal Programme – Surplus General Fund (GF) Assets
Lead Member:	Councillor Chahal, Deputy Leader of the Council – Finance, Council Assets and Transformation
Chief Officer:	Pat Hayes - Executive Director (Regeneration, Housing and Environment)
Contact Officer:	Peter Hopkins – Director Property and Assets
Ward(s):	All
Key Decision:	<u>YES</u>
Exempt:	<u>NO</u>
Decision Subject To Call In:	<u>YES</u>
Appendices:	Appendix A – List of GF assets to declare as ‘surplus’ Appendix B – site plans of GF assets to be declared a surplus

1. Summary and Recommendations

1.1 This report seeks approval to declare those GF assets identified in Appendix A as surplus to requirements to allow them to be marketed for sale. Further to site due diligence and AADF assessment other Council directorates shall be consulted with to confirm that they do not have a viable use for these assets prior to any disposal process commencing. Decisions to dispose of assets will be brought back to Cabinet for those GF assets at a value of £1m or more and are delegated to the Executive Director for assets to be disposed of at a value of under £1m, subject to these assets meeting the test for best consideration reasonably obtainable.

Recommendations:

1.2 Cabinet Committee is recommended to:

- a) Agree to declare surplus all those GF assets listed in Appendix A
- b) Provide authority for all those assets listed in Appendix A to be marketed for disposal subject to consultation with other Council directorates as to alternative viability, property, legal and financial due diligence being completed, following being declared as surplus.

- c) Delegate authority to the Executive Director of Regeneration, Housing and Environment and the Section 151 Officer, in consultation with the Deputy Leader of the Council, to agree to treat a specific interested party as a Special Purchaser and enter into direct negotiations.
- d) To note that for assets valued at more than £1m, a report will come to Cabinet to approve the disposal.

Reason

- 1.3 There are a mixture of assets currently held within the General Fund (GF) that are no longer required to fulfil the purpose that they were originally acquired for. It is likely that greater benefit to the GF can be derived by selling them, than continuing to hold them, as this will reduce the financial burden for on-going maintenance costs. The benefits from selling them will allow the GF to be recompensed for any capital costs of acquiring or improving the asset. Selling them will also enable development / regeneration in the Borough, which the Council is no longer in a position to deliver internally.
- 1.4 Declaring the assets within Appendix A as surplus will enable disposal of assets which no longer fulfil the purpose they were originally acquired for. Recommendations in this report will go towards contributing to the reduction in the Council's future financial commitments, generate a disposal receipt at the earliest opportunity and reduce the Council's borrowing and MRP. Any proposed asset sale will be subject to due diligence process and best consideration will be achieved in accordance with section 123 of the Local Government Act 1972.

Commissioner Review

"The Council is carrying out ongoing and periodic reviews of its property asset holdings as part of asset planning, good estate management and its asset disposal programme. Various assets have been identified that are either surplus to requirements or uneconomical to maintain. By formally declaring a property surplus to requirements, the Council confirms that the property is no longer required for the delivery of council services, and it has been established that no other directorates of the Council have a need for the property or land.

As outlined in Council budget and MTFs the Council is proposing to finance its capitalisation support through capital receipts, and therefore need to be aware that with respect to the 'minded to' capitalisation direction for financial year 2025-26, the Secretary of State has stated that councils should avoid the disposal of community heritage assets where possible to protect the public ownership of locally significant sites to ensure residents can continue to benefit from them. The report should clearly identify any assets declared surplus in this report, that meet the description of community heritage asset, any required statutory consultation, and the community Asset transfer potential.

The Commissioners are content with this report being 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.

3 Options considered

- 3.1 Option A - The assets listed in Appendix A could potentially be developed / re-purposed internally and continue to be held within the GF. There isn't however any current capability or funding to deliver such work. This option would also result in missing a significant opportunity to generate capital receipts. **This is not recommended.**
- 3.2 Option B – To declare those assets within Appendix A as surplus to enable disposal. This option would provide the Council with some financial benefit. **Recommended**
- 3.3 **Option B is recommended** to cabinet for approval. Declaring the assets within Appendix A as surplus should allow the Council to receive a capital receipt by way of disposal during the next financial year, which will allow it to reduce its borrowing and contribute to its capital receipts target.

Background

- 3.4 The assets listed in Appendix A fall into the following categories to justify a decision to market them for disposal:

Car Parks

- 3.5 The Council own several car parks across the Borough. Many of these sites are underutilised and generate no, or low levels of income. The car parks identified within Appendix A all provide development opportunities for the private sector and could be utilised to meet housing demand.

Land

- 3.6 The Council own several parcels of land across the Borough. Many of these sites are vacant, cleared and undeveloped providing no, or low levels of income. The parcels of land identified within Appendix A all provide development opportunities for the private sector and could be utilised to meet housing demand.

Commercial Units

- 3.7 The Council has several commercial assets in various wards across the Borough. Many of these assets are vacant, in a poor state of repair and require significant capital expenditure to bring back up to a letting standard. The commercial units identified within Appendix A all provide either investment or development opportunities for the private sector.
- 3.8 Appendix B provides site plans for the assets to be considered so that the location and extent of these sites is clear to Cabinet.
- 3.9 Further asset review work is to be undertaken, and it is anticipated that this will identify further surplus GF assets, which will be brought back to members for a decision.

- 3.10 The proposal to sell surplus GF assets has other financial benefits. Disposing of surplus sites reduces the costs, liabilities and management burden associated with owning them, permitting GF income be utilised with greater efficiency and for other purposes. Nevertheless, prior to any disposal, all proposed surplus GF assets identified in this paper shall be subject to detailed AADF analysis as per the E&Y model further to the completion of full due diligence.
- 3.11 Selling surplus GF assets also delivers non-financial benefits. Transferring the ownership of these assets is likely to enable investment in them (by the new owners). This should mean development coming forward (e.g. additional housing) and investment in assets where there is not likely to be a change of use arising from a sale. This provides benefits to the residents of the Borough and the wider community.

4 Implications of the Recommendation

4.1 Financial implications

- 4.1.1 Cabinet Committee is asked to approve the declaration of a number of General Fund assets surplus to requirements for the operational reasons set out in paragraphs 3.5 to 3.8 of the report. The assets identified in Appendix A either do not currently generate any income or are significantly under-utilised and are incurring management and maintenance costs. In the context of the Council's current financial position it is vital that revenue resources are focussed on priority services.
- 4.1.2 It is also important to note net receipts generated from General Fund asset disposals are necessary to help finance the Exceptional Financial Support and mitigate increased debt costs arising from the Capitalisation Directions. Cabinet agreed high-level principles to establish an asset management strategy in November 2024, following a review of what assets could be disposed of in the short and medium term, taking account of both operational and financial assessments. The assets included in the attached schedule have been included in the disposal assumptions, both supporting the 2025/26 Treasury Management Strategy and Medium-Term Financial Plan 2025 to 2029. If the Council cannot achieve the required disposals, it will need to borrow more to finance the Capitalisation Directions, increasing external borrowing and debt charges in future years, and putting further unbudgeted pressure on the future years' revenue budgets. That said it is equally important that each asset is subjected to a full financial appraisal prior to any final decision to dispose.
- 4.1.3 Members should be aware that a specific condition of the 2025/26 (in principle) financial support states that councils should avoid the disposal of community heritage assets where possible to protect the public ownership of locally significant sites to ensure residents can continue to benefit from them. . Attention is drawn to paragraph 3.8 of the report and the need to ensure that prior to any decisions to dispose, appropriate due diligence is undertaken to ensure the Council is compliant with the EFS conditions.

4.2 Legal implications

- 5.1.1 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.

- 5.1.2 When considering the duty under section 123 LGA 1972, what is reasonable in any particular case depends entirely on the facts of the transaction.
- 5.1.3 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.
- 5.1.4 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.
- 5.1.5 The Council has employed Avison Young as specialist property advisors to advise on an asset disposal strategy and to market and dispose of the asset identified for disposal.
- 5.1.6 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 each asset compared to the capital receipt to be achieved upon sale. The financial implications contain an assessment of these two options.

5 Risk management implications

5.1 The table below sets out the key risks:

Risk	Summary	Mitigations
Financial	Delay in realising capital receipts from asset disposals will delay the Council’s financial recovery.	Cabinet Committee to approve declaring asset as surplus to enable officers to proceed with the disposal of asset.
Governance	Failure to obtain best consideration from a disposal could expose the Council to risk of legal challenge.	The Council has employed external property advisors to manage and competitively market the assets, 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 due diligence is undertaken could delay or halt any disposal. Initial due diligence undertaken has established any property that is currently un-registered.	Complete all legal due diligence and instructing on the preparation of reports on title ahead of marketing property in conjunction with legal and property advisors. Regular meetings between officers and legal team to discuss issues and progress. Process to complete first registration of property has been started.
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.

5.2 Environmental implications

- 5.2..1 No environmental implications have been identified as a direct result of this report.

5.3 Equality implications

- 5.3..1 This asset is not used for operational or service delivery purposes. There are no identified equality implications with the proposed disposal of this site.

5.4 Procurement implications

- 5.4..1 There are no procurement implications.

5.5 Workforce implications

- 5.5..1 No workforce implications have been identified as a direct result of this report

5.6 Property implications

- 5.6..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.

Background Papers

None.