

## CABINET MEETING – 5 DECEMBER 2012

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

Amended procedure for the disposal of surplus land and property

**Author(s):**

Report of the Deputy Chief Executive

**Purpose of Report:**

This report recommends improvements to the Council's Strategy for Surplus Assets

**Description of Decision:**

Cabinet is recommended to amend the Strategy for Surplus Assets to:

(a) enable the disposal at a nominal price of small areas of miscellaneous land if the holding and maintenance liability is equal to or exceeds the value of the land

(b) declare where appropriate Council freehold reversionary interests surplus to requirements and available for disposal.

**Is the decision consistent with the Budget/Policy Framework?** \*Yes/

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

To reduce the Council's maintenance and management liability and enhance the local environment in respect of small areas of miscellaneous land and provide a more efficient and streamlined approach to the disposal of Council land and buildings.

**Alternative options to be considered and recommended to be rejected:**

The alternative option is to not accept the policy changes. This option would not result in reduced management costs or subsequent savings to the Council.

This option has been considered and is not recommended.

**Impacts analysed;**

**Equality** N/A    **Privacy** N/A    **Sustainability** Y    **Crime and Disorder** N/A

**Is this a "Key Decision" as defined in the Constitution?**    Yes

**Is it included in the 28 day Notice of Decisions?**    Yes

**Scrutiny Committee**



**AMENDED PROCEDURE FOR THE DISPOSAL OF SURPLUS LAND AND PROPERTY**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE**

**1. Purpose of the Report**

This report recommends improvements to the Council's Strategy for Surplus Assets.

**2. Description of Decision (Recommendations)**

Cabinet is recommended to amend the Strategy for Surplus Assets to:

(a) enable the disposal at a nominal price of small areas of miscellaneous land if the holding and maintenance liability is equal to or exceeds the value of the land.

(b) declare where appropriate Council freehold reversionary interests surplus to requirements and available for disposal.

**3. Background**

The Strategy for Surplus Assets encompasses the Disposal Procedure for Surplus Land and Property and was adopted by Cabinet on the 2<sup>nd</sup> December 2009 and amended by Cabinet on the 7<sup>th</sup> September 2011. Its operation continues to be reviewed to improve the speed and efficiency of the disposals process without compromising its integrity.

The amendments agreed by Cabinet increased the levels of delegation (in terms of property value) to the Deputy Chief Executive and Executive Director of Commercial and Corporate Services in respect of acquisitions and disposals of property.

Members will be aware that the Council has an extensive property portfolio including office accommodation, operational properties from which Council services are delivered, and a commercial property portfolio which provides revenue income to the Council. The property portfolio is kept under continuous review and in the last year 17 office buildings have been vacated. The Council's approach to delivering efficiencies from property has saved over £2.1m on running costs in the last 2 years. In addition, despite the economic climate it is anticipated that some £3.9million will have been realised from disposals in the 18 months preceding the close of this current financial year. The rationalisation of the operational portfolio, which is part of the Council's drive towards maximising efficiencies, will continue still further, and more properties will be vacated and subsequently advertised for disposal. The recent amendments to the Strategy are therefore working well for large scale disposals.

However the Council also holds a large number of small miscellaneous land and property assets which are not required for strategic or operational purposes, and which are also surplus to requirements.

These areas of land can offer very little in terms of amenity value to the local area and are of a low priority in terms of maintenance. Experience also shows that they can at times also be the focus of anti social behaviour and littering. As a consequence their management costs and liabilities can be a financial burden which could equal or exceed their market value.

The Council also holds a number of sites which are not required for operational or strategic purposes but where long leasehold interests have been granted to enable development. The disposal of these sites could be appropriate subject to a number of conditions being met. These conditions are referred to in paragraph 5 below.

Therefore, as part of the Council's approach to maximising efficiencies and reducing its property costs it is considered appropriate to amend the Strategy for Surplus Assets so as to streamline the approach to the release of assets of this nature.

#### **4. Current Position**

Requests are regularly received from owners of properties adjacent to small miscellaneous areas of land to acquire them for inclusion within the curtilage of their property. Upon acquisition they become responsible for all future maintenance and upkeep.

If there are no objections in principle, terms for the sale of the land are issued at market value together with the payment of the Council's legal and surveyors fees.

The total cost of acquiring the land may however be prohibitive and if the transaction does not proceed the land and its associated costs will remain the responsibility of the Council.

It is therefore reasonable to consider factors such as future maintenance liability when assessing any price for the land which could result in a disposal at a nominal consideration. This should assist the disposal process and make it more attractive to potential purchasers.

Similarly with regard to the freehold reversionary interests, regular requests are received from the leaseholders to purchase the freehold interest. The reasons for this are often to secure business finance or redevelopment of the site.

#### **5. Proposal**

It is therefore proposed that the procedure be amended so that small areas of miscellaneous land and property can be disposed of at a nominal price providing the maintenance liability and holding costs are equal to or exceed the value of the land.

It is also proposed that the Strategy for Surplus Assets is amended so that land owned by the Council but subject to long leaseholds be declared surplus in circumstances where;

- The acquisition of the Council's freehold interest would enable the tenant to refinance the property for business purposes.
- The freehold interest is required to enable redevelopment of the property that would be acceptable to the Council.
- The Council no longer need to retain an element of legal control afforded by its freehold interest over and above its statutory powers such as planning.
- The decision to sell the freehold meets the criteria already set out in the Council's Strategy for Surplus Assets.

The disposal of Council interests of this nature would see the Council obtain a capital receipt and could also assist with the development of local business.

The proposed amendments to the Strategy for Surplus Assets will not negate the requirement for any approval by Cabinet for any disposals of property where the value of the property disposal exceeds the level of delegation to the Deputy Chief Executive and Executive Director of Commercial and Corporate Services.

## **6. Reasons for the Decision**

To reduce the Council's maintenance and management liability and enhance the local environment in respect of small areas of miscellaneous land and provide a more efficient and streamlined approach to the disposal of surplus land and buildings

## **7. Alternative Options**

The alternative option is to not accept the policy changes. This option would not result in reduced management costs or subsequent savings to the Council.

This option has been considered and is not recommended.

## **8. Impact Analysis**

**8(a) Equalities –N/A**

**8(b) Privacy Impact Assessment (PIA) – N/A**

## **8(c) Sustainability**

### **Sustainability Impact Appraisal**

Sunderland Strategy Objectives cross check with decisions outcomes:

#### **• Prosperous City**

The sale of freehold interests which are subject to long leaseholds will enable funding to be obtained on failing buildings enabling refurbishment or redevelopment of these buildings.

#### **• Healthy City / Safe City**

In circumstances where otherwise it would be financially prohibitive to include miscellaneous land within the curtilage of adjoining property which in turn improves the local amenity, this policy enables these improvement to happen.

#### **• Learning City**

No impact

#### **• Attractive and Inclusive City**

The amendments will improve the local amenity and management of land in circumstances where otherwise it would be financially prohibitive to include miscellaneous land within the curtilage of adjoining property.

Significant environmental impacts:

- Meets environmental legislation  
See above
- Limits environmental hazards  
See above
- Limits local environmental impact  
See above
- Reduces material consumption  
No impact
- Reduces risks from weather and climate change  
No impact
- Reduces waste creation and disposal  
See above
- Improves sustainable transport communications  
No impact

**8(d) Reduction of Crime and Disorder – Community Cohesion / Social Inclusion –**

The amendments will reduce the likelihood of antisocial behaviour where otherwise it would be financially prohibitive to include miscellaneous land within the curtilage of adjoining property.

**9. Other Relevant Considerations / Consultations**

The Head of Financial Resources and the Head of Law and Governance both on behalf of the Executive Director of Commercial and Corporate Services have been consulted and their comments are contained in this report.

The Strategy for Surplus Assets details the requirements for best consideration to be obtained for the disposal of the land in accordance with Section 123 of the Local Government Act 1972 which is the statutory provision enabling local authorities to dispose of land. Circular 06/03 (The Local Government Act 1972: General Disposal Consent 2003) provides a general consent removing the requirement to seek specific approval from the Secretary of State for a wide range of disposals at less than best consideration to a maximum undervalue of £2,000,000. It is unlikely that any disposals under the Strategy for Surplus Assets would exceed an undervalue of £2,000,000 however if they did, approval would need to be sought from the Secretary of State to the disposal.

Any sale at an undervalue would also constitute state aid for the purpose of Article 107 of the Treaty of the Functioning of the European Union and enquiries would need to be made with the individual/company to confirm whether the aid could be given under one of the exemptions permitted by the European Commission legislation

**10. Background Papers**

Strategy for Surplus Assets

