

MUNICIPAL YEAR 2010/2011 REPORT NO. 237

MEETING TITLE AND DATE:

Cabinet – 27 April 2011

REPORT OF:

The Interim Assistant Director of Property Finance and Corporate Resources

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Agenda: Part 1 **Item:** 9

Subject: Asset Management – Potential disposal of Council owned properties before 1 April 2013.

Wards: All

Cabinet Members consulted: Cllrs Doug Taylor, Achilleas Georgiou and Andrew Stafford

1. EXECUTIVE SUMMARY

- 1.1. The drive to increase funds includes an ongoing study of all freehold and leasehold property owned by the Council.
- 1.2. Properties that seem suitable for disposal before 1 April 2013 are listed at Appendix 1. Investigations regarding each property are underway and the list is subject to review.
- 1.3. This report seeks authority to delegate decisions as stated in Paragraph 2
- 1.4. An update to the report of December 15th 2010 is provided advising on progress of the disposal programme.

2. RECOMMENDATIONS

That Cabinet:

- 2.1. Authorises the disposal of properties property shown at Appendix 1 and delegates to the relevant Cabinet Member (in conjunction with the Cabinet Member for Finance, Facilities and Human Resources) and the relevant Director the final agreement of terms for individual disposals:
 - 2.1.1. Providing the property is shown in Appendix 1
 - 2.1.2. Or, in the unlikely event that alternative property is identified (not shown in Appendix 1) which is introduced to the programme necessitating an urgent transaction decision then the transaction and reasons for the urgent action is reported at the next Cabinet Meeting.
- 2.2. Notes that:
 - 2.2.1. Investigations are taking place regarding the potential of each property shown at Appendix 1
 - 2.2.2. As the results of investigations become more apparent, the list of properties will be reviewed and changed as appropriate
- 2.3. Future reports will list further properties to be added to the Disposal Programme.

3. BACKGROUND

- 3.1.** The drive for increased funds includes a study of all freehold and leasehold properties owned by the Council.
- 3.2.** Properties that seem suitable for disposal before 1 April 2013 have been grouped into the list shown as Appendix 1. Investigations continue and include:
 - 3.2.1.** Evaluating the need for the Council to own such property
 - 3.2.2.** Due diligence checks regarding covenants, planning issues, rent reviews etc
 - 3.2.3.** Ascertaining the net income loss, if any, resulting from a disposal. Net income is calculated by deducting from gross income such costs as repair, maintenance and management
 - 3.2.4.** Consideration of the rent received by the Council against the net proceeds of disposal (rate of return)
 - 3.2.5.** Consideration of the best time to sell e.g. sale proceeds may be maximised by selling the property after the completion of a rent review or after planning permission has been obtained
 - 3.2.6.** Consideration of the Council's liability for immediate and future repairs
 - 3.2.7.** Opportunities such as assembling larger sites with adjoining owners and/or partner organisations.
 - 3.2.8.** Opportunities to sell a capital asset and replace it with a cheaper alternative.
- 3.3.** All disposals will be in accordance with the Council's Property Procedure Rules as revised by Council decision dated 6 April 2011. Most will be sold by auction or tender.
- 3.4.** This is a key decision in the forward plan as the values for the programme will exceed £250,000 and implications are borough-wide.
- 3.5.** It may be useful to note that the release of the Carterhatch and Melling Drive depot sites will depend upon the reprovision of existing functions as needed. In addition the release will be subject to the satisfactory selection and agreement for an alternative depot site that satisfies the GLA approvals for planning use.
- 3.6.** Part only of the Glyn Road car park has been identified for release subject to facilitating access for such authorised residential parking as may exist.
- 3.7.** The ongoing review of the sheltered housing portfolio is likely to bring forward some sites for consideration later this year.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. Continuing to own the existing property estate and not dispose of property. Such a strategy will not deliver the much needed capital receipts.
- 4.2. Borrowing more money is considered to be a less favourable option than disposing of property.

5. REASONS FOR RECOMMENDATIONS

- 5.1. Property disposal is necessary to enable the Council to achieve its objectives.

6. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

6.1. Financial Implications

- 6.1.1. Appendix 1 of the report contains a list of proposed disposals. Each disposal will be evaluated using the criteria outlined in paragraph 3.2 to determine whether the disposal offers value for money.
- 6.1.2. The proceeds from disposals will be one off and used to fund the capital programme. The alternative method for funding the programme would be to borrow and the current cost of borrowing is estimated at 9.5% p.a.
- 6.1.3. The costs associated with disposals can be offset against the receipt. This is capped at 4% of each disposal for general fund disposals. The expenditure will be closely monitored to ensure that all appropriate costs are offset against the capital receipts.
- 6.1.4. The costs of HRA disposals are not capped at 4% so any reasonable cost can be offset against the receipt. However HRA receipts are subject to capital pooling regulations. Under these regulations 50 % of the receipt would be paid over to the government unless the council can demonstrate that it has spent an equivalent amount on affordable housing. (The Council has always managed to demonstrate this, however this will depend on the level of capital receipts.) This rule may change when HRA self financing is introduced.

6.2. Legal Implications

- 6.2.1. In accordance with the Council's Property Procedure Rules the inclusion of property on the disposals programme requires

approval either by the appropriate Cabinet member or by Cabinet itself.

6.2.2. All disposals should be made on a competitive basis, as required by the Property Procedure Rules. This will demonstrate that the Council are achieving the best price reasonably obtainable for each property, as required by Section 123 of the Local Government Act 1972.

6.3. Property Implications

As stated in this report.

7. KEY RISKS

7.1. Risks as yet unidentified may be discovered by the due diligence investigations.

7.2. Property values may decline.

8. IMPACT ON COUNCIL PRIORITIES

8.1. Fairness for All

The release of surplus property or the prospective disposal of sites to alternative providers is intended to generate receipts to protect essential services. Equality impact assessments will be completed for individual property disposals if deemed appropriate.

8.2. Growth and Sustainability

Several properties listed for disposal should attract investment and funding such as business or residential development.

New schemes should achieve enhanced green technology solutions.

8.3. Strong Communities

The generation of capital receipts from property disposals will help the Council's objectives to deliver strong communities.

9. PERFORMANCE MANAGEMENT IMPLICATIONS

The overall rationalisation should optimise the use of council accommodation.

10. HEALTH AND SAFETY IMPLICATIONS

The review has had regard to the likely future cost of retaining and sustaining those premises that are not efficient to run and to optimise use of those premises where cost effective management controls can best support the health and well being of employees and visitors.

Background Papers

None.

APPENDIX 1**Disposal Programme
Properties targeted for Disposal before 1 April 2013**

Address			Legal interest	Fund
321/323 and 321A and 323A Plus land to north	Baker Street	EN1 3LF	Freehold	General Fund
Land to west of Baptist Church	Cecil Road	EN2 6TG	Freehold	General Fund
59-65	Cecil Road	EN2 6TJ	Freehold	General Fund
Carterhatch depot	Melling Drive	EN1 4LF	Freehold	General Fund
Melling Drive depot	Melling Drive	EN1 4LF	Freehold	General Fund
Part of car park	Glyn Road	EN2	Freehold	General Fund
Car park	Sydney Road	EN4 0PY	Freehold	General Fund
24	Cyprus Road	N9 9PG	Freehold Ground Rent	General Fund
Land East of Highfield primary school	Highfield Road	N21 3HE	Freehold	General Fund
1 Flat+shop investment 2 vacant shops Office Flat	Whitefields Road Cheshunt	EN8 0EL	Freehold investment	HRA
Depot	Whitefields Road Cheshunt	EN8 0EL	Freehold	General fund