

Decision Maker: EXECUTIVE

Date: Wednesday 24 May 2017

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL FUNDING FOR PROPERTY DISPOSAL/FEASIBILITY WORKS

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Chief Officer: Executive Director of Environment & Community Services

Ward: (All Wards);

1. Reason for report

This report seeks the Executives approval to set aside a sum of £250k in a new Earmarked Reserve to enable feasibility works to be undertaken on various sites, either currently identified or yet to be identified, within the Borough either for disposal to generate a capital receipt or to redevelop to provide new facilities or developments to generate efficiencies and or economic growth. The allocation would be made with the important proviso that where allowable, expenditure is funded by the receipts generated from site sales, or feasibility costs for a re-development are capitalised..

2. **RECOMMENDATION(S)**

The Executive is recommended to:

- 2.1 Agree to the creation of a new Earmarked Reserve with an initial allocation of £250k to be funded from the Growth Fund to allow for the feasibility works to be commissioned against specific sites so as to inform the Executive of sites viability for disposal or re-development and potential scheme optimisation together with an appraisal as to worth.
- 2.2 That officers are delegated authority to instruct appropriate consultants, in accordance with the Council's Procurement Policies, with approval from either the Resources Portfolio Holder or the Renewal and Recreation Portfolio Holder as appropriate.

- 2.3 Note that recommendations for future disposals/re-developments will be made by the Executive on a case by case basis but will be informed by the feasibility work.**
- 2.4 Note that monitoring of this allocation will be undertaken as part of the Capital Programme monitoring process.**
- 2.5 Agree a variation of up to £250k to the contract with Amey to undertake this work.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: it is considered that this recommendation will not have an impact on Vulnerable Adults and Children.
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Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: £250k
 2. Ongoing costs: Recurring Cost:
 3. Budget head/performance centre: Growth Fund
 4. Total current budget for this head: £5,026k uncommitted balance
 5. Source of funding: Growth Fund
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Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: None
 2. Call-in: Applicable
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Procurement

1. Summary of Procurement Implications: The feasibility work would be undertaken by Cushman and Wakefield who are the key sub- contractor of the Council's TFM Contract and commenced their service offering on the 1st December 2016.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 The Council's recent disposal practice was to go to market seeking offers subject to planning. However, this had led to offers being made on the basis of unrealistic schemes which could not obtain planning consent. It was therefore proposed to try an alternative approach whereby planning permission for an optimal scheme would be obtained prior to re-marketing the site. This would potentially generate a larger and guaranteed capital receipt.
- 3.2 Officers have identified a number of opportunities for further consideration as either sites which could be disposed of so as to generate a capital receipt or sites which could be re-developed, usually with a residential scheme, to allow for the re-provision of existing facilities. In addition asset management opportunities have been identified to enhance the Council's existing interests and returns in a number of Shopping Centres by redeveloping assets purchased by the Growth Fund.
- 3.3 In order to inform Members and the Executive as to the potential viability of such opportunities feasibility works need to be undertaken to ascertain the optimal site development capability – taking into account the Council's Social Housing requirements, Planning Policy and Ward Members views.
- 3.4 This feasibility work would be undertaken by Cushman and Wakefield who are the key sub-contractor of the Council's TFM Contract and commenced their service offering on the 1st December 2016. Their fee basis is calculated against the schedule of rates contained within the contract which are set against comparable frameworks with a 5% discount. This will be continually monitored on a case by case and reported to Members.
- 3.5 Cushman and Wakefield were procured within the TFM Contract to offer this service, amongst others, due to their ability to bring together the various components required to undertake such feasibility work.
- 3.6 In addition Cushman and Wakefield have been tasked by the Council to produce an Asset Strategy with the intention of identifying further opportunities to dispose of or re-develop. This work is due to be reported to the Executive in September 2017.
- 3.7 The table detailed below provides a list of opportunities which have been identified and in order to progress, funding is required to produce viability reports so as to inform the Executive of sites viability for disposal or re-development and potential scheme optimisation together with an appraisal as to worth.

Location	Estimated Feasibility / Viability Cost (£'000)	Description	Will Anticipated Scheme Generate a Capital Receipt
West Wickham Leisure Centre	35	To fund study to deliver optimal new leisure facilities based on market evidence as to rents from third party operators' together with residential development to generate a capital receipt to fund the cost of re-provision of facilities.	Yes
The Glades Department Store	49	To fund work to progress the business case for the development of a new Department Store at the Glades Shopping Centre utilising the Council's interests at Market Square so as to improve footfall and therefore improve the asset value and return on income derived from the Council's ownership of The Glades.	Yes
The Walnuts Centre	33	To fund work to progress the business case for the development at the Walnuts utilising the Council's interests at and around the Walnut's Centre including the Leisure Centre so as to provide larger retail opportunities and improve footfall and therefore improve the asset value and return on income derived from the Council's ownership of The Walnuts.	Yes - dependant on residential element of development
Old Town Hall/Civic Centre	44	To fund a review of the Council's accommodation strategy at the Civic Centre based on the addition of the former Town Hall becoming available as part of the Council's property portfolio and how that asset could be utilised as a Democratic Centre and associated offices/meeting space.	Yes - if linked to the wider Civic Centre accommodation strategy as utilisation of Town Hall would see a larger disposal receipt being generated on the Civic Centre
Depots Review - Disposal Options	45	To fund disposal viability studies as to density and permitted development together with initial planning briefs so as to be in a position to take to market as an outcome of the Depot review.	Yes
Biggin Hill Aviation College - Alternative	20	To fund potential alternative site viability studies for Biggin Hill should the Council decide not to pursue Area 1 purchase for an Aviation College/Enterprise Zone.	No, as the Council would be a land purchaser
Libraries (Chislehurst model roll out)	18	To fund the investigation of viability of renewing other library facilities by redeveloping their sites and using the capital receipt proceeds to develop replacement facilities within said schemes.	Yes
Lease standardisation	6	To fund legal work to create standard T&C's to Portfolio	No
TOTAL	250		

- 3.8 The costs contained in the above table have been calculated, in conjunction with Cushman & Wakefield, and are estimates as to the likely costs.
- 3.9 The list provided above is illustrative of the type of feasibility work the Council is likely to incur over the next 4 years as a result of the continued rationalisation of the Council's land assets and as such a year on year allocation has been recommended.
- 3.10 The recommendation would streamline the work, so that the officers, with the relevant Portfolio Holder's approval could draw down funds as and when needed. Where allowable under Capital Financing Regulations, and subject to the cap of 4% of sale proceeds, directly attributable costs will be financed by the capital receipts generated from the disposals to reduce the draw on the earmarked reserve. Where possible, feasibility costs resulting in a re-development of a site will be capitalised and added to the relevant capital scheme.
- 3.11 However, it is anticipated that some costs will not meet these requirements, particularly where a disposal does not complete, and the earmarked reserve may therefore require top-ups for any future feasibility works that are identified. Any such top-up will be requested in subsequent reports.
- 3.12 The decision to dispose or re-develop sites will be made by the Executive on a case by case basis but would be informed by the feasibility work the details of which would be reported at that point demonstrating as to what the sums expended were and what would be required to take to market on a transparent basis by reference to the TFM agreed schedule of rates, demonstrating that the Council has secured value for money for such fees.
- 3.13 Monitoring of this allocation will be undertaken as part of the Capital Programme monitoring process.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

Summary of Impact: it is considered that this recommendation will not have an impact on Vulnerable Adults and Children.

5. POLICY IMPLICATIONS

- 5.1 The Council's aims include being an authority which manages its assets well.

6. FINANCIAL IMPLICATIONS

- 6.1 If agreed, the funding of the new Earmarked Reserve will reduce the uncommitted balance in the Growth Fund to £4,776k.
- 6.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) permit the use of capital receipts "to meet the costs of or incidental to a disposal of an interest in land other than housing land, provided these do not exceed 4% of the capital receipt arising from the disposal". Where allowable, expenditure that is attributable to the disposal of Council properties will be funded from the related capital receipts which will reduce the draw on the Earmarked Reserve.
- 6.3 Any identified re-development opportunities will be subject to a capital appraisal process and a report will be submitted to the Executive, or Council as appropriate, requesting approval of the addition of the scheme to the Capital Programme. Where a scheme progresses, applicable feasibility costs will be capitalised where possible.
- 6.4 Officers will have to regularly review the fees set out in the Schedule of Rates to ensure that the Council is obtaining Value for Money.

7. PERSONNEL IMPLICATIONS

N/A

8. LEGAL IMPLICATIONS

- 8.1 Section 123 of the Local Government Act 1972 requires a local authority to secure the best consideration reasonably obtainable when it disposes of land (other than on a lease of 7 years or less) unless it has the benefit of an express or general consent of the Secretary of state. Marketing a property is the usual method of ensuring compliance with this requirement.

9. PROCUREMENT IMPLICATIONS

- 9.1 Cushman & Wakefield is a key sub-contractor of the Council's TFM Contract and commenced their service offering on the 1st December 2016. Their fee basis is calculated against a set of fees contained within the contract which are set against comparable frameworks with a 5% discount consequently separate tenders for this work would not be required.

Non-Applicable Sections:	Ward Councillors Personnel Implications
Background Documents: (Access via Contact Officer)	[Title of document and date]