

Report to:	EXECUTIVE CABINET
Date:	30 September 2020
Executive Member:	Councillor Oliver Ryan – Executive Member (Finance and Economic Growth)
Reporting Officer:	Jayne Traverse – Director of Growth
Subject:	DISPOSAL OF COUNCIL OWNED LAND & PROPERTY
Report Summary:	This report concerns an updated policy for the disposal of Council owned land, including increased transparency, plus a list of proposed assets that the Council is seeking to declare surplus to Council requirements in order to progress a sale or transfer.
Recommendations:	<p>That Executive Cabinet be recommended to:</p> <ul style="list-style-type: none"> (i) To note that all land and property disposals shall be presented to Executive Cabinet for a decision. (ii) Executive Cabinet to approve the revised policy for the Disposal of Council Owned Land as attached at Appendix 1. (iii) To agree for the Council to declare the named assets surplus to Council requirements as attached at Appendix 3. (iv) To note that all assets specified have been subject to a Ward Member Consultation process in conjunction with the Executive Member Finance and Economic Growth. (v) To agree all reasonable and necessary expenditure in relation to the preparation and disposal of each named asset which accounting regulations allow to be recovered via its capital receipt. The expenditure shall be capped at a maximum of 4% of the gross capital receipt value with all cost details included within the site specific disposal report presented at Executive Cabinet. (vi) To note that a separate policy document on Community Asset Transfers is being produced and shall be presented to a future Executive Cabinet.
Corporate Plan:	The proposed measures shall contribute to delivering corporate priorities – housing, economic growth and employment opportunities.
Policy Implications:	This report is accompanied by an updated policy for the disposal of Council owned land.
Financial Implications:	Revenue implications of maintaining surplus assets
(Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>The Council currently spends £6.395m per annum on its land and building assets. Of this £0.511m per annum is currently been spent on assets that are empty or utilised, either on security and safety or business rates. Clearly if these assets are declared surplus and disposed of, they would release a revenue saving to the Council that can be spent on key priorities or to contribute to balancing the budget.</p> <p>When the Council set its budget for 2020/21 it reported a budget shortfall of £19.7m that needed to be closed by the start of the 2021/22 financial year. This was prior to the Covid 19 pandemic, with pressures for 2021/22 now likely to be even more. Efficient</p>

use of our land and buildings will therefore play an important part in closing this gap.

Site preparation and disposal costs

The incidental revenue costs of asset disposals (such as marketing and legal costs) can be offset against the capital receipt up to a maximum limit of 4% of the gross capital receipt (on an asset by asset basis). Where significant additional costs are anticipated or required (such as demolition and site clearance costs), these costs will need to be met from either existing revenue budgets or additional budget approvals, which will result in additional financial pressures in the short to medium term. If site preparation activity is deemed to enhance the future value of the site, then such additional costs may be financed from capital resources. This will minimise the short term revenue budget pressures but places further demands on the financing requirements of the Capital Programme.

Implications for Financing the Capital Programme

The Council maintains a three year Capital Investment Programme, which currently covers the period 2019/20 to 2021/22. This was originally established in October 2017 and is updated quarterly during the year.

A critical source of funding required to finance the Capital Programme is Capital Receipts from the sale or disposal of Council owned land and buildings. Other sources of finance available include Government Grants, Borrowing, Capital Reserves and Revenue financing (although due to increasing pressures on revenue budgets, this is no longer viable in many cases)

The original Capital Programme agreed in 2017 was predicated on £57m of capital receipts. This is proving to be challenging to achieve and, together with other factors including Covid-19, has resulted in the Council's capital programme ambition becoming unsustainable. There have also been a number of major additions to the programme over the last 3 years which were identified as high priority and required funding from capital receipts.

As at the end of June 2020 the Capital Programme had a total value of £111.9m including both fully approved (£66.8m) and earmarked schemes (£45.1m). The Approved schemes currently in the capital programme require £18.9m (£19.6m if Denton Pool demolition is approved at this meeting) of corporate resources. The Council has capital reserves of £14.6m. This leaves a shortfall of £4.3m (£5m if Denton Pool demolition approved) which needs to be funded from the proceeds from the sale of surplus assets. In addition, corporate funding would also be required to finance at least £33m of the Earmarked schemes, all of which were previously identified as a priority and subject to future business cases. Many of these schemes will be unable to progress until additional capital receipts are generated.

Legal Implications:
(Authorised by the Borough Solicitor)

It is good practice to keep the disposals policy updated in order to set out its broad objectives for the Council's property, serve as a catalogue of the assets and setting out clearly the principles on which decisions to dispose or indeed not to dispose will be made.

In addition such a policy support the transparency agenda and should also serve the council well in driving value for money in all property transactions

When dealing with disposals there several pieces of legislation, State Aid and various financial regulations which the council must comply with in order for it not to be acting ultra vires.

One of the most important of these is Section 123 of the Local Government Act 1972 which requires Council's to achieve '*the best price reasonably obtainable*'. This not only applies to sales but also leases over 7 years. A council can be found in breach of section 123 if it has '(i) failed to take proper advice; (ii) failed to follow proper advice for reasons that cannot be justified; or (iii) has followed advice that was so plainly erroneous that in accepting it the local authority must have known, or at least ought to have known, that it was acting unreasonably.'

However there are circumstances where the council will not be in breach if the land sale will help to secure the improvement of the economic, social or environmental wellbeing of the local area, and the undervalue is only up to £2m less than market value. Over £2m undervalue and consent from the Secretary of State is required. Clearly in those circumstances the Council will need to evidence what the market value is believed to be and what economic, social or environmental wellbeing has been achieved that overrides this financial loss to public purse. Members need to be satisfied that the policy reflects their position as at paragraph 15.4 as drafted: *The return from any disposal is to be maximised unless there are overriding factors identified in the Corporate Plan or otherwise agreed by the Executive Director of Growth or Executive Member.*"

Other pieces of legislation relate to matters include the sale of public open space, freehold revisions, allotments and State Aid and similarly require care to ensure that the Council is at all times compliant.

Members will note the recommendation seeking authority to agree the necessary expenditure in order to dispose of the surplus sites and for that expenditure to be recovered by way of capitalisation capped at 4%. Members will need to be content that appropriate processes are exercised to ensure that such expenditure is reasonably incurred and managed especially for any sites where the costs may exceed what can be recovered via the capitalisation and they have appropriate oversight of this budget.

This policy should serve as a guide for officers and Members in order for the council to be confident that it is acting in accordance with its powers. It is therefore essential that there has been detailed engagement with Members. It is also advisable that the policy is reviewed regularly by Members.

Risk Management:

The Council is likely to encounter risk relating to finances, growth and increasing health and safety matters relating to void properties should it be unable to dispose of surplus assets efficiently. Should the Council be unable to carry out disposals, the current and future Capital Programme cannot be funded.

Background Information:

The background papers relating to this report can be inspected by contacting Mathew Chetwynd – Estates Business Manager



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1. INTRODUCTION

1.1 This report sets out the updated policy for the disposal of Council owned land, including increased consultation and transparency using Ward Members as a conduit to the local community. This report also brings forward a list of sites to declare surplus, every site has been subject to consultation with the relevant ward members.

1.2 The Council has adopted a Strategic Asset Management Plan (SAMP) to ensure that the Council and CCG land and property assets contribute pro-actively to the delivery of the organisations priorities.

1.3 The SAMP directs and informs the actions and priorities of the Council and CCG's Strategic Property Service (SPS) to ensure that the asset portfolio is consistently aligned with corporate priorities, providing value for money with management of the portfolio in accordance with industry standards, benchmarked against comparable peers and aligned with the Corporate Financial Strategy and Capital Programme. This strategic and integrated approach to management and investment of the corporate portfolio will ensure that the asset base remains fit for purpose. The SAMP will also inform investment, disinvestment, development and disposal decisions. The Asset Management Policy Aims which form the basis for all property decisions/ reviews have been defined as:-

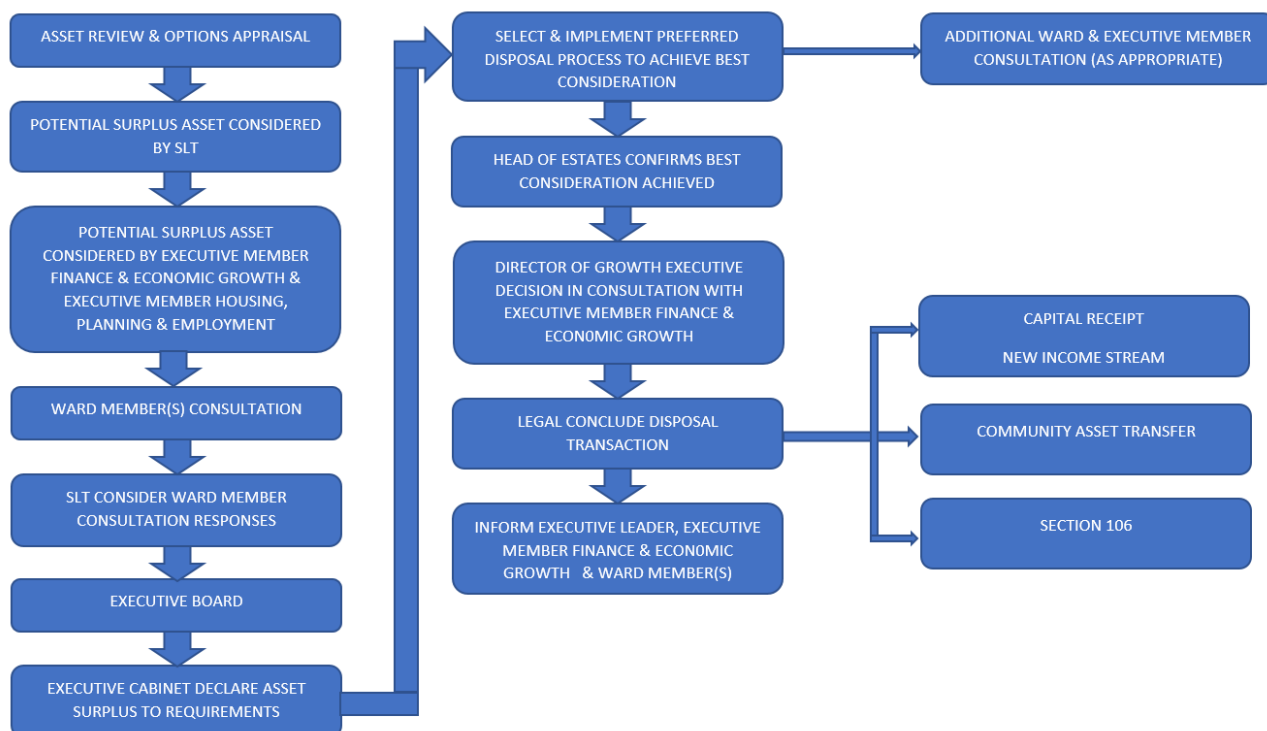
- **Asset Management Policy Aim 1:**
Cost effective delivery of the Council and CCG's services and Corporate Plan.
I.e. operational estate, capital programme, compliance, resilience, school basic need, cost, transport, modern ways of working,
- **Asset Management Policy Aim 2:**
Enabling Inclusive;- Economic Growth, Housing Growth, Employment Growth, Regeneration and Strategic Connectivity, whilst protecting Council historic/cultural assets.
- **Asset Management Policy Aim 3:**
Maximising the opportunities that are available through the adoption of 'one public estate', public sector reform and unified public services, including Integrated Health and Social Care.
- **Asset Management Policy Aim 4:**
Developing growth of financial income from commercial/non-operational activities.
- **Asset Management Policy Aim 5:**
Maximising Social Value through the commissioning of property projects and property services.
- **Asset Management Policy Aim 6:**
Enabling/ achieving the objectives of the 5-Year Environmental Plan for Greater Manchester.

1.4 The SAMP report included a timeline of :-

- Executive Cabinet - Disposals Strategy and 1st Tranche of surplus sites report (Subject to consultation findings).
- In September 2020 - Instigate Asset Management Working Group and Asset Management Officer Groups.
- In September 2020 - Commission "Portfolio Review" of alternative site uses and valuations across the estate.

- By 2 October 2020 – All services/ Directorates Leads to complete Service Directorate Asset Management Plan's for all Services of the Council/ CCG.
 - By 4 December 2020. – Complete review of all SDAMP's and advise Asset Management Working Group on the proposed way of meeting the short term identified service needs. (Interim Operational Accommodation Strategy to enable service changes post Covid19)
 - February 2021 – Executive Cabinet requested to approve the 2021-2022 Asset Management Action Plan.
 - By 4 March 2021. All SDAMP's and Corporate Landlord (Land and Property) SLA's are signed off by Directorate Management/ Leadership Teams and the Asset Management Working Group.
 - March 2021; Portfolio review completed.
 - April 2021; Accommodation Strategy 2021-2023 to AMWG. (Longer Term)
- 1.5 The Disposal Policy proposed in this report will provide further guidance and detail the Council's transparent approach to the review and disposal of its Land and Property interests. The policy does not apply to CCG and NHS property interests, which are held under different legal arrangements.
- 1.6 The Council has a legacy portfolio of property assets, many of which are no longer fit for purpose and/or are not in the right location to support efficient and accessible public services. Therefore, surplus property assets are required to be sold to generate capital receipts to reinvest into Council priorities as set out in the Corporate Plan.
- 1.7 As part of a more strategic approach to property asset management, an initial schedule of key surplus property assets that could be disposed of have been identified and consulted on with respective ward members in conjunction with the Executive Member (Finance and Economic Growth).
- 1.8 This schedule combined with other assets that have previous been declared surplus have an estimated capital receipt value of between £15m and £20m; the receipts from which can then be used to support the Council's Financial Strategy and support delivery of its priorities, as defined by the Corporate Plan. These disposals will also remove the revenue/management costs and avoid backlog maintenance costs of these assets.
- 1.9 The Corporate Policy for Disposal of Council Owned Land was last updated on 10 July 2017. This policy is still current; however a number of areas require updating to include specific asset categories, to reflect changes in the approach to valuation, the management of a disposal and a process for consulting with relevant Ward Members prior to sites being considered surplus to requirements by Executive Cabinet.
- 1.10 This revised policy enables the following considerations which improves on the process and transparency of the disposals process:
- Member's wishes and community aspirations are discussed and considered.
 - Disposals are carried out in order to best meet Council objectives based on best value for money or best consideration to community use and the wider benefits.
 - A robust process of valuation is adopted for each asset considered for disposal.
 - Adequate control measures are put in place for the future development of each surplus land sale carried out and consulted on with members to demonstrate the financial impact any restrictions may have.
 - A fair and transparent process which has been set out and included within policy which provides the opportunity for Council officers to consult with members throughout stages

of the disposal process in addition to any consultation that shall be undertaken via the statutory planning process. The following flow chart sets out the process that the Council shall follow when undertaking a disposal:



1.11 In determination to increase public transparency, the addition of a schedule of assets declared surplus to Council requirements, prior to any disposals being carried out shall be published once the assets have been considered by Executive Cabinet.

1.12 The initial proposed September 2020 list of assets for declaring surplus to requirements have been formulated based on the following criteria:

- The rate of deterioration of a number of empty property assets is significant and it shall either require a substantial fund to continue to maintain the properties in a safe condition or to demolish, unless a sale could be achieved. These properties have been identified as being either unlikely to contribute towards a wider strategy under continued council ownership or are considered surplus to Council requirements.
- A number of land assets have previously been subject to market testing, preparatory work or have long been earmarked for disposal due to the capital receipt that they are expected to achieve. These property assets are no longer required for Council purposes and are therefore considered to be surplus to Council requirements.

1.13 In light of the financial effects of the COVID-19 pandemic, there is a requirement to accelerate the process for identifying assets to declare surplus to Council requirements. This relates to the requirement for raising capital receipts to support Council priorities and the likelihood that the Council shall no longer require some of its operational property and land holdings due to services that no longer require a traditional office function as new and innovative ways of working are introduced. Therefore it is anticipated that future asset lists to declare surplus to Council requirements shall be significantly larger and shall be consulted on more frequently in the future.

1.14 In order to accelerate this process, the Strategic Property Service is in the process of undertaking an organisation wide asset mapping exercise whereby 3,000 assets are being

appraised with a view to compile an initial pipeline of circa 500 assets that can be prioritised for declaring surplus to requirements. It is intended for this process to be completed by March 2021 in conjunction with an operational property service review. Once this work has been completed, the pipeline and service review can be presented to Members for consultation in order to develop a strategy which shall be presented to Executive Cabinet in its respective phases.

- 1.15 In order to progress disposals by Community Asset Transfer (CAT) the Council shall present a CAT Policy to a future Executive Cabinet which details the process, criteria and Council/Tenant obligations for a CAT to be considered. It is important for Executive Cabinet to agree this prior to any transfers to ensure that there is no expectation for Council resources to be used for the ongoing repair and maintenance of assets once they have been divested for use by Community Associations.

2. LAND ASSETS FOR DISPOSAL CONSIDERATION

Land at Morningside Close, Droylsden – 0.47 acres.

- 2.1 The parcel of land was previously used for adopted parking and is now heavily overgrown with substantial vegetation and a number of trees which require remediation. The site is likely to attract both community and residential interest.

Land at Fern Lodge Drive, Ashton Under Lyne – 1.86 acres.

- 2.2 The site is a former industrial reservoir that was infilled and passed to the Council under a Section 106 agreement. The retention of this site requires constant management and is regularly subject to fly tipping. A disposal of the site shall reduce the Council's liability in maintaining the site and it shall bring it into use.

Land at Old Road, Hyde – 1.26 acres.

- 2.3 This site was previously occupied by the former Flowery Fields Infant School and is adjacent to the current Flowery Fields Primary School academy and a fishing pond. The site is likely to attract both community and residential interest.

Land at Bennett Street, Hyde – 3.47 acres.

- 2.4 The site is a large parcel of vacant land located adjacent to the Flowery Fields Railway Station. The site has multiple access routes which adjoin derelict residential properties in parts. The site is likely to attract residential interest.

Land at Yew Tree Lane, Dukinfield – 3.51 acres.

- 2.5 The site is a parcel of land adjacent to a golf club and is overgrown with vegetation requiring remediation. The adjacent residential developments suffer from severe parking issues which is further compounded by the nearby leisure facility. The site is likely to attract residential interest, however it is likely that a low density scheme would need to be considered with provisions and a transport plan agreed specifically to ease parking issues and congestion for the surrounding area.

Land Adjacent to Manchester Road, Audenshaw – 296 m2.

- 2.6 The land is a retained access strip of circa 2 to 5 metres wide in parts which relates to historic land sales and the demolition of a former school. There is no longer a meaningful purpose for the Council to retain this land and it is regularly subject to fly tipping. An adjacent proposed development has requested if this land could be considered for sale to enable them to incorporate it into their planned housing scheme and offer enhanced garden space. Should the Council retain this land adjacent to the proposed development, it shall likely become landlocked and present difficulties in access and maintenance.

Land at Hattersley Former District Centre, Hattersley – 1.49 acres.

- 2.7 The site is the former Hattersley District Centre and forms a part of the regeneration work being progressed in partnership with Onward Homes. Joint proposals have been developed in order to progress a residential scheme in combination with an Extra Care facility. Further technical work is required in order for a scheme to progress, however the Council is seeking to declare the land surplus to Council requirements as a part of the scheme progression.

3. BUILDING ASSETS TO DECLARE SURPLUS TO REQUIREMENTS

Concord Suite – Droylsden

- 3.1 The Concord Suite is a municipal complex developed in the early 1970's for Droylsden Council. The complex is part of a larger shopping centre and has retail units located on the ground floor with four storeys of internal accommodation above, making it in effect a floating freehold asset. The building has a large function hall extended behind the tower facing towards the rear parking. The upper floors of the property are now vacant following relocation of Council services. However, the majority of the ground floor is let to multiple tenant arrangements with head leases expiring in 2092. The building roof also holds a tenancy with two telecommunications operators for transmitters and associated equipment, however recent changes to legislation shall likely result in the reduced income from the operators.

The Council has previously commissioned reports in order to consider future schemes for the building, however the cost of refurbishing the building and putting the significant space back into use has been cost prohibitive. Therefore the Council seeks to declare the asset surplus to Council requirements in order to progress further feasibility studies with a view to carrying out a disposal, subject to a suitable proposal.

Taunton Sunday School – Ashton-under-Lyne

- 3.2 The site was acquired by the Council following closure of the former business occupier with a view to redevelop the site and to retain control over its future use. The site has remained vacant since 2015 and has been subject to vandalism and deterioration due to the building's age. Following a storm in 2019, the Council placed screens over the windows to assist in protecting the building's fabric which has had a detrimental effect on its appearance. The site is likely to attract community and residential interest.

Hippodrome – Ashton-under-Lyne

- 3.3 The Hippodrome is a historic asset formally leased by the Council from 1975 until it was acquired in 1983. The Council operated the Hippodrome as a functioning Theatre via a provider until its closure in 2008 and the building has remained vacant since. The building condition has deteriorated over time and the structural frame and interior requires a significant capital investment in order for it to be restored for any meaningful use. Areas of the interior architecture have a listed status which complicates any future use and repair of the building. The site is likely to attract significant interest from community groups, however the Council shall need to ensure that interested parties demonstrate the longer term financial and social sustainability of proposals.

Denton Former Baths – Denton

- 3.4 Following completion of the new Denton Wellness Centre, the former Denton Pool was closed and possession of the asset reverted to the Council under the terms of the lease with Active Tameside. The Council is now seeking to declare the site surplus to Council requirements with a view to undertaking an eventual disposal, subject to the appropriate governance and costs relating to a demolition of the site. The most likely alternative use for the asset is for residential development as although it adjoins the retail square, it is in effect separated by lack of direct road access and it fronts open greenspace, making it a desirable asset for residential development as a part of a wider scheme with adjacent Council assets, or via a housing provider as an independent scheme.

4. VACANT PARK ASSETS TO DECLARE SURPLUS TO REQUIREMENTS FOR COMMUNITY ASSET TRANSFER

4.1 The Council owns a number of empty park buildings such as former pavilions, club houses, changing rooms and toilet blocks. Most of these buildings have been vacant for some time which has resulted in deterioration or vandalism which presents health and safety and maintenance liabilities. The Council has made previous attempts to bring the assets back into use with local community groups or sports clubs, however the costs of restoration has limited interest. The Council now proposes to undertake an extensive marketing exercise to invite expressions of interest from community groups and associations to make use of the following buildings:

- Cheetham Park Buildings – Stalybridge
- Garden Street Football Changing Rooms – Hyde
- Egmont Street Football Changing Rooms – Mossley
- King George’s Football Changing Rooms – Audenshaw

4.2 Park buildings are likely to attract public interest and the Council will consider all suitable applications subject to the financial sustainability of the proposal. Should a suitable proposal be accepted, a disposal is likely to be considered via a community asset transfer or a long lease for a nominal consideration. Should there be a lack of interest or no suitable proposals received, then the Council may need to seek governance in order to carry out demolition of the building.

5. RECOMMENDATIONS

5.1 As set out at the front of the report.