



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

# Cabinet

7 December 2021

**Report of:** Councillor Robert Reid

Cabinet Member for Housing and  
Property



## Asset Disposal Programme to Support Growth

This report sets out a proposed methodology to dispose of Council property assets for a range of purposes including direct delivery of services, revenue generation and supporting corporate plan objectives.

### Report Author

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Corporate Priority:	Decision type:	Wards:
High Performing Council	Key	All Wards
<b>Reviewed by:</b>	Andrew Cotton (Director of Housing and Property)	25 November 2021
<b>Approved by:</b>	Karen Bradford (Chief Executive)	25 November 2021
<b>Signed off by:</b>	Councillor Robert Reid (Cabinet Member for Housing and Property)	29 November 2021

### Recommendation (s) to the decision maker (s)

**It is recommended that Cabinet:**

- Approve the sequential disposal methodology outlined in this report with regards General Fund asset disposals.**
- Delegate authority to the Director of Housing and Property, in consultation with the Cabinet Member for Housing and Property, the Deputy Leader, Chief Executive, s151 Officer and the Monitoring Officer to dispose of General Fund assets up to a value of £2m (exclusive of any applicable VAT) subject to legal and valuation advice.**

# **1 The Background to the Report**

- 1.1** The Corporate Plan (2020-2023) is ambitious for economic growth. With a residential population of 143,200, a business population of 5,940, and 67,400 people economically active, the District Council and its partners are working hard to explore, prepare for and deliver a low-carbon, clean, green and prosperous district that attracts high quality employment opportunities, encourages healthy lifestyles and an improved climate for investment to accelerate economic growth.
- 1.2** In responding to the challenging budget position, this requires the Council to be innovative in how its property assets are utilised to stimulate economic activity, attract investment and create income to support service delivery.
- 1.3** The Council has clear ambitions to acquire and develop key General Fund (GF) capital projects that support or directly deliver the ambitions as set out in the Corporate Plan. In order to meet the financial scale of this ambition, it is prudent to rationalise and dispose of assets that do not directly contribute towards the Corporate Plan priorities or have become surplus to the requirements of the Council. This framework provides an opportunity for the Council to realise capital receipts that can be utilised to fund emerging capital projects to meet the Corporate Plan ambitions. This approach also financially supports the Council's Medium Term Financial Plan (MTFP) as it would reduce the need to borrow (to support the investments) which would otherwise introduce new financial obligations associated with borrowing.
- 1.4** Over recent years the Council has adopted a clear strategy of utilising its own resources (reserves) to fund the majority of its annual General Fund capital programme. This has been financial advantageous as the cost of borrowing over the same period has exceeded the loss of investment income that would otherwise have been received. However there is now an opportunity to accelerate the capital receipts programme in order to minimise exposure to unnecessary borrowing costs. It is recognised that borrowing is an option available to the Council and the framework for doing so is set out in the annual Treasury Management Strategy. There are Prudential Code requirements that need to be considered when considering external borrowing – the primary one being affordability. This will need to be considered in the context of the Council's MTFP and the three year financial outlook from 2022/23.
- 1.5** Therefore the purpose of this report is to set out for Cabinet the principles and processes that will ensure good governance and best value are achieved with regards to a programme of General Fund land and property disposals over the timescale of the Corporate Plan and the MTFP.
- 1.6** The following sequential steps are proposed to be undertaken with regards to disposing of any asset (land and buildings).

## **Identifying Assets for Disposal**

- 1.7** Officers will undertake the following activities in order to identify General Fund assets that could be disposed or could be considered for disposal:
- 1) Review of all properties on the Council's Asset Register
  - 2) Identify those assets that are of strategic, operational or of income generating significance.

- 3) Assess remaining assets with regards income generation, revenue cost and current position (ease/speed of sale).
- 4) Produce long list of assets that can be considered for disposal following actions set out at 1-3.

### **Asset Valuation**

- 1.9 Following the actions set out at 1.8, each site remaining on the long list will be valued by an independent RICS (Royal Institution of Chartered Surveyors) registered valuer, taking into account any legal constraints and impediments identified.
- 1.10 The Council will at the same time seek advice as to the most advantageous method of disposal in order to maximise the financial return.

### **Disposal and Methods of Disposal**

- 1.11 The method for the disposal of assets will be assessed and determined on a case by case basis and may be dependent on the advice received from Legal Services Lincolnshire and the independent RICS registered valuer's valuation report.
- 1.12 It is assumed that the majority of assets will be disposed of on the open market or at auction however the Council will choose the method of disposal which complies with Section 123 of the Local Government Act 1972 and provides best consideration.

### **Officer Delegation**

- 1.13 The Director of Housing and Property, subject to proper legal/valuation advice, will have delegated authority to dispose of assets up to a value of £2m (exclusive of any applicable VAT) after consultation with the Cabinet Member for Housing and Property, the Council's s151 Officer and the Monitoring Officer. Any potential disposals greater than £2m will require a Cabinet or Council decision.

## **2 Consultation and Feedback Received, Including Overview and Scrutiny**

- 2.1 Cabinet is asked to consider the proposals set out in the report.

## **3 Available Options Considered**

- 3.1 There is not currently a specific process for asset disposal so the methodology set out in the report recommends that a way forward to ensure capital receipts can be generated in a timely manner.

## **4 Preferred Option**

- 4.1 This is set out in the report.

## **5 Reasons for the Recommendation (s)**

- 5.1 The reasons for the recommendation are set out in the report and confirm the context of the proposal which is to support the ambitions of the Corporate Plan and support the MTFP.

## **6 Next Steps – Communication and Implementation of the Decision**

- 6.1 Should the recommendations be approved, then the methodology will be implemented in accordance with the steps set out in the report. Any decisions taken with disposal which would be in accordance with the delegation will be documented for each decision taken.

## **7 Financial Implications**

- 7.1 The reports sets out the ambitions of the Council to deliver key strategic capital projects over the medium term and in order to do so will require significant levels of financing. There are a range of financing options available to the Council including borrowing and using its own resources. In order to establish and maintain a level capital reserves that can be utilised to contribute towards the financing of future capital projects it is recommended that a pipeline of asset disposals are established that will generate capital receipts. As the cost of external borrowing is greater than the investment income that would otherwise be received on capital reserves, it is recognised that this strategy is currently the most financially advantageous and avoids putting pressure on the revenue implications of financing external debt. This will be subject to regular monitoring and modelling each financial year.

**Financial Implications reviewed by: Richard Wyles, Assistant Director of Finance & s151 Officer**

## **8 Legal and Governance Implications**

- 8.1 The report sets out the legal basis for disposal of assets and their valuation. The delegation proposed to the Director of Housing and Property fits within the decision-making framework of the Council.

**Legal Implications reviewed by: Alan Robinson, Deputy Chief Executive & Monitoring Officer**

## **9 Equality and Safeguarding Implications**

- 9.1 Not applicable.

## **10 Risk and Mitigation**

- 10.1 The methodology being proposed and the requirement to receive independent valuations and recommendation disposal routes to market will ensure best value will be achieved on any disposal.

## **11 Community Safety Implications**

- 11.1 Not applicable.

## **12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?**

- 12.1 Not applicable.

## **13 Other Implications (where significant)**

- 13.1 Not applicable.

## **14 Background Papers**

- 14.1 Not applicable.

## **15 Appendices**

**15.1** Not applicable.