



Report of the Chief Asset Management Officer

Scrutiny Board

Date: 7th February 2011

Subject: Void Properties

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 Introduction

- 1.1 At its meeting on 10th January 2011, Scrutiny Board (Central and Corporate) received a report from the Acting Chief Officer Corporate property Management about the management of vacant Council property. Following this, the board has sought further information about the management of the process leading to the disposal of property and the respective roles of Corporate Property Management and Property Services.
- 1.2 The purpose of this report is to provide information to Scrutiny Board about the processes and issues relating to the disposal of surplus property as well as some clarity about the respective roles.

2.0 Background

The Disposal Process

- 2.1 Once property has been declared surplus by the occupying service, Corporate Property Management considers through either the Office Accommodation Review Group or the Property Review Group whether there are any operational requirements elsewhere in the Council for the property. If the property is not required on this basis, it is passed to City Development, Asset Management (Property Services), for disposal.
- 2.2 The process of dealing with the disposal of surplus land and property then involves a number of elements:
- i) Property Services assesses the most appropriate method of sale for the disposal of the property. This can range from open market sales through the invitation of

offers, private treaty, one-to-one sales or selling the property at auction.

- ii) At the same time, the title to the property has to be checked with Legal Services. Alternative uses have to be determined, and a decision taken as to whether or not the property or land is to be sold with planning consent or a planning statement.
- iii) Ward Members are consulted about the proposed sale. If Ward Members are not fully supportive of the sale or have an alternative proposed use for the property, this is investigated further, which often includes consultation with the Executive Member for Development and Regeneration.
- iv) A report is then prepared for the property or land to be formally declared surplus to the Council's operational requirements which has to be signed off by the Directorate in which the property is vested.
- v) Once surplus, or simultaneously to declaring it surplus, a report is submitted to the Chief Asset Management Officer to approve the method of disposal as outlined in 2.2(i) above. The selected method of disposal reflects (amongst other factors) the route that would ensure that the Council maximises the receipt raised from the sale, unless it has been decided that the property is to be disposed at less than best consideration e.g. for a community use which will then need Asset Management Board and possibly Executive Board approval.
- vi) Marketing details are prepared which will include a planning statement prepared by officers in Planning Services or planning consent where appropriate, and agents will be appointed if the property is to be sold by auction or is of a specialist nature. Otherwise, all the marketing is dealt with by the Council.
- vii) If the property is to be sold at auction, a legal contract for sale is prepared. If an acceptable bid is made above the set reserve price, contracts for sale are exchanged at the auction, with completion taking place usually within 28 days. If the property is sold through the open market or through one to one negotiations, the provisional offers and terms are reported back to the Chief Asset Management Officer for approval. Once approved, Legal Services are instructed to prepare a legal contract for sale. On larger property sales, e.g. commercial and residential development schemes, these contracts tend to be conditional on the purchaser securing planning consent and undertaking further surveys before a sale is completed.

2.3 The above is a brief description of the disposal process. The Council has a large range of different types of properties and land to sell and it is not always a straight forward process.

2.4 The Property Services team within Asset Management manages the disposal process. Over the last 20 years, the Council has raised in excess of £400m from the disposal of surplus land and property. Of this, nearly £300m has been raised in the last 10 years. It is anticipated that the level of receipts will be circa £9m for 2010/11 with a provisional target at a similar level for 2011/12. The attached schedule at Appendix 1 shows the level of capital receipts that have been achieved annually. It can be seen that receipts have been severely affected by the downturn in the economy from 2008/09. All receipts are used to fund Council initiatives through the Capital Programme. In future years, it will be possible to fund revenue debts from the sale of surplus land and property.

2.5 Appendix 2 is an update of the schedule of void properties that was attached to the report that came to Scrutiny Board on 10th January 2011. It has been reorganised into a number of different categories as follows:

- i) those properties and land that are under contract, being marketed, or to be marketed;
- ii) properties and land held for Council initiatives;
- iii) properties being considered by the Property Review Group.
- iv) sold / let.

2.6 In terms of timescales for the disposal of land and property, it is difficult to give a standard period of time as each property varies. The following factors can impact on the sale of a property or extend the period of time the disposal takes.

i) Current Recession and Downturn in the property Market

This has had a major impact on the time taken for the disposal of land and property following the credit crunch in 2008/09. The lack of availability of finance has substantially limited the number of people or companies able to acquire properties. The majority of Council properties require refurbishment or redevelopment. This, combined with the lack of market demand for these types of properties, has extended the sale process e.g. a number of properties were marketed via auction in February to April last year and no bids were made. Some of these properties were remarketed later in 2010, through informal offers which has resulted in offers being received e.g. the former Clifford Primary school, the former Cross Hall Infants School in Morley and the former Methley Infants school. However, some of these are conditional on the purchasers obtaining planning consent. Currently the larger residential sites are waiting for the housing market to improve.

The credit crunch also had an impacted on the Council's ability to let vacant properties.

ii) The Council reviewing its use of the property or land

The Council can, after a property has been declared surplus, decide that it may require it for its own purposes or initiatives. There are a number of properties and some land that have been added into the Council's capital receipts programme that are on hold while a review is undertaken to see if they will be suitable for Council initiatives e.g. the former wholesale fruit and vegetable market at Pontefract Lane is held for Residual Waste PFI Project and the former Eastmoor School in Adel has been held for a new secure unit. Education Leeds are currently undertaking a review of their primary school provision across Leeds and this could also prevent the disposal of a number of sites which maybe required for school purposes.

iii) Ownership, title and planning issues

The disposal of land and property can be affected by ownership, title and planning issues. When a property is passed over for disposal the title to the

property is checked. This can sometimes cause delays as the Council may not have full title to the property. There may be restrictions in legal deeds preventing various uses or the Council may not have the appropriate rights of access over adjacent land that is necessary to facilitate redevelopment e.g. the widening an access road may require negotiations with an adjacent landowner or there may be old restrictive covenants or rights that need resolving. This can extend the period of disposal, particularly where external funding is being used by a purchaser as the banks are now very cautious about any title issues. The Council has substantially improved its title records through a voluntary land registration initiative with the Land Registry, in order to reduce the risk of delay that title issues can introduce.

In addition, a check is made of any adjacent Council land that can be added to the surplus property if this will enhance the value of the site.

Planning issues can also delay disposal. With larger properties and land, particularly where redevelopment or refurbishment is involved, purchasers and funders need to be sure they can obtain the appropriate planning consent. The Council provides initial guidance through either planning statements or planning consents (used particularly for small infill sites). Most disposals with the benefit of a planning statement tend to be conditional on the purchaser securing detailed planning consent before a sale can be completed including agreeing the terms of S106 Agreements.

A number of Council owned sites are affected by Planning Policies e.g. those that contain greenspace and protected playing pitches, the protection of these areas has to be factored into any disposal.

The Council has held properties if they are affected by highway or NGT initiatives. Depending on timescales for these schemes, where appropriate, the Council tries to let these properties on a short term basis.

iv) Community requirements and Ward Member Consultation

The consultation with Ward Members is an important part of the process. This provides Members with the opportunity to make comments or observations on the range of uses a property might be sold for, or whether they are aware of any alternative uses of the property particularly by community groups. If there are Member concerns, further consultation takes place. However, the Council is obliged under S123 of the Local Government Act 1972 to achieve best consideration. It is not always possible to restrict uses if planning consent can be obtained and it is not always possible to enforce restrictions.

If a community use for the property is highlighted, it is necessary to obtain the support of a sponsoring Directorate. The sponsoring Directorate will need to obtain the support of the Asset Management Board, which needs to determine whether or not there is a requirement for a community facility and, if so, how this is going to be funded by the local community, other organisations and/or the Council, and if this can be supported by a business case. These requests take time to process and may ultimately need Executive Board approval if the disposal or lease is going to be at less than best consideration e.g. the former Headingley Primary School and Royal Park School.

v) Void Properties

As mentioned in the previous report of 10th January 2011, when a property is declared surplus to operational requirements of the Council consideration is given to whether the property or land it is built on has a higher value. If it is considered that the land has a higher value, then to reduce costs of looking after the property, the property will be considered whether or not it is suitable for demolition. Otherwise, security arrangements will be put in place to look after the property until it is sold. The costs of demolition tend to be recovered from the increase sale value of the site as otherwise a purchaser would deduct this from their purchase price.

On a number of occasions, the Council has unique properties with costly renovation requirements and prior to marketing the Council has invested sufficient reserve to ensure they can be made economically viable. This is the case with Roundhay Mansion where the Council contributed towards the costs of internal works to assist with the reopening of the Mansion. A further example is the former Harehills Middle School where funding was obtained from Yorkshire Forward to protect the external envelope before a purchaser was secured.

It is important to highlight therefore that a sale of a property does not necessarily mean the property will be brought back into its full operational use although it does pass the liability onto the private owner. This has happened in a small minority of cases, e.g. the former York Road library and the former Oakwood toilets.

Corporate Landlord Arrangements

- 2.7 Prior to 2000 each directorate was responsible for their own management of land and property. From 2000 a corporate Asset Management approach was introduced to co-ordinate Council land and property holdings.
- 2.8 The current approach to the corporate management of property, on behalf of Council services, was introduced in 2007. This 'corporate landlord' approach is based on:
- i) all property assets of the Council being a corporate resource, used operationally by services;
 - ii) scope for economies and efficiencies through standardising the approach to accommodation requirements;
 - iii) mechanism in place to ensure that Council assets are properly managed, maintained and serviced, and that asset use is optimised with surplus assets being released.
- 2.9 Since that time responsibilities have been split between:
- i) Operational services – using the properties;
 - ii) CPM – providing maintenance and FM services of operational service and the review process and management of voids;
 - iii) City Development – providing strategic overview of the use of Council assets through the Asset Management Plan and consideration of specific

matters through Asset Management Board; and managing the disposal process including seeking relevant approval from Executive Board.

2.10 Regular dialogue takes place between Asset Management and Corporate Property Management in respect of void properties.

3.0 Recommendation

It is recommended that the Scrutiny Board notes the contents of the report.