

Report of the Chief Asset Management Officer

Report to Scrutiny Board

Date: 2 April 2012

Subject: Disposal of Surplus Council Land and Property

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. To advise Scrutiny Board on the improved processes that have been implemented to speed up the disposal of surplus property assets. Since the last Scrutiny Board Meeting on Void Properties on 7 February 2011, Corporate Property Management (CPM) has been incorporated into Asset Management and now has a much closer working relationship with Property Services who deal with the disposal of surplus property assets. This ties in with the recommendation made by Scrutiny Board in February 2011.
2. The report details the process that is used to determine which property assets of the Council will be surplus to operational requirements and the processes involved in their disposal.
3. The report recaps the issues that are inherent in the disposal process that lead to the sale of a property.

Recommendations

4. That the Scrutiny Board notes the contents of the report.

1 Main Issues

The Surplus/Disposal Process

- 1.1 As part of their service planning process, Directorates compile Service Asset Management Plans (SAMPs) updated annually which identified the property requirements to support service delivery. SAMPs assess the property needs and highlight properties which are potentially no longer required and, following relevant consultation, can therefore be declared surplus.
- 1.2 Initially surplus properties are assessed for use by other Council services users through the Office Accommodation Review Group or the Property Review Group. The Group involves officers from Services and Asset Management to assess suitability for further use or demolition/disposal of property assets and continually reviews the list of properties. This has seen an improvement in the timescales in respect of assessing the use of Council property assets and subsequently the timescales for those properties which are declared surplus can be sold. Once a property is identified as not being required for Council use, Property Services within Asset Management will lead on the disposal of the property.
- 1.3 A defined process for dealing with the disposal of surplus land and property then involves a number of elements:
 - i) A Delegated Decision declaring a property surplus to a Directorate is made and the property is then secured and managed as a void property pending demolition or disposal.
 - ii) 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. The appropriate method of disposal is assessed during the stage when properties are considered whether they will be retained by the Council for operational use or whether they will be surplus to the Council's operational requirements.
 - iii) At the same time, the title to the property is checked with Legal and Democratic Services. Additionally alternative uses for the property have to be determined as it is unlikely that a property will continue in the same operational use that the Council held the property, and a decision taken as to whether or not the property or land is to be sold with planning consent or a planning statement to assist in the disposal of the property.
 - iv) Ward Members are consulted about the proposed sale. The Service which originally occupied the property should hold initial consultations with Ward Members on the rationalisation of the Service and the proposed closure of a building at the earlier stages of review mentioned above. Property Services will consult with Ward Members on the actual sale of the property and inform Ward Members of the possible alternative range of uses for the property. 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.

- v) Once surplus, or simultaneously to declaring it surplus, a report is submitted to the Acting Chief Asset Management Officer to approve the method of disposal as outlined in 1.3 (ii) 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 drafted which will include a planning statement prepared by officers in Planning Services or a 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. Property Services work very closely with Planning Services to ensure statements are prepared early in the process to enable the property to be sold.
- 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 and Democratic 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. Property Services hold regular meetings with Legal and Democratic Services to ensure contracts for sale are progressed in a timely manner.

1.4 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. However, since the merger of CPM with Asset Management there has been a faster turn round in the disposal of properties.

1.5 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. It is anticipated that the level of receipts will be circa £8m 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. Since the last report there has not been a marked improvement in the property market. All receipts are used to fund Council revenue and capital initiatives. Sometimes receipts are used to fund relocation costs of the service vacating a property to enable it to become surplus to the Council's requirements.

1.6

In terms of timescales for the disposal of land and property, there is no standard period of time as each property varies. However certain properties tend to fall within similar timescales eg the sale of a surplus residential house will take a relatively short period of time compared to a development site. As reported before the general state of the property market affecting the sale of a property has not markedly changed from the last time a report was submitted to Scrutiny Board. The following factors can impact on the sale of a property or extend the period of time the disposal takes and steps have been taken to improve timescales where appropriate.

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 continued uncertainty in the economic economy and the lack of readily available finance has substantially limited the number of people or companies able to acquire properties. This, combined with the lack of market demand for these types of properties has continued to affect the timescales. There have been some signs of improvement this financial year with a number of properties selling which in previous years had fallen through e.g. the former Clifford Primary School and the former Methley Infants School have recently sold following them being remarketed after two previous occasions when sales did not proceed. However at the same time the sales of property that have been under offer have fallen through when the purchaser withdrew eg Bramham House and Cross Hall Infants School. In respect of these properties interest from other potential purchasers are now being pursued. Property Services continue to monitor market conditions and market property that is considered will sell in the current conditions.

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

After a property has been declared surplus, the property may subsequently be required for another Council purpose or initiative. In the past there have been a number of properties and some land that have been added into the Council's capital receipts programme that are subsequently put 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. This continues to be the case as Services review their property requirements, e.g. Children's Services have undertaken a review of their primary school provision across Leeds and this has meant that a number of sites are now earmarked for school purposes.

iii) Ownership, title and planning issues

The disposal of land and property can be affected by ownership, title and planning 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.

iv) Ward Member Consultation

The consultation with Ward Members prior to disposal provides Members with the opportunity to make comments or observations on the range of uses a property might be sold for. Member's are now also made aware by the Service Directorate much earlier in the progress of the potential closure of an operational building. If there are Member concerns, further consultation takes place.

v) Community Requirements

If a potential community need for the property has been highlighted, it is necessary to obtain the support of a sponsoring Directorate and it maybe possible to consider the transfer of an asset though a Community Asset Transfer. In addition the disposal of Council property maybe affected by the recently established Localism Act which requires the Council to maintain a list of Assets of Community Value and provides the opportunity for the group registering such an asset the right to bid to acquire such an asset if it is subsequently offered for disposal. Groups are given a six month period to put such a bid together, which would delay the disposal process and be a pressure on void management.

vi) Void Properties

Council officers continue assess 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 as to whether it is suitable for demolition. Otherwise, security arrangements will be put in place to look after the property until it is sold.

On a number of occasions, the Council has unique properties with costly renovation requirements and prior to marketing the Council has undertaken initial investment to ensure they are economically viable for refurbishment eg Roundhay Mansion where the Council contributed towards the costs of internal works to assist with the reopening of the Mansion.

In addition to the above the Council has set up a Derelict and Nuisance Sites Steering Group that reviews a number derelict sites in private and Council ownership to seek ways to bring forward these sites for refurbishment

2 Corporate Considerations

The disposal of surplus property assets assists in terms of the economic regeneration and growth of the city.

2.1 Consultation and Engagement

2.1.1 Ward Members are consulted as part of the disposal process.

2.2 Equality and Diversity / Cohesion and Integration

2.2.1 This is taken into consideration at the rationalisation stage of operational assets especially in terms of how the service will be delivered.

2.3 Council policies and City Priorities

2.3.1 Due to Service transformations the rationalisation of the Councils property assets assists in terms of ensuring the operational property of the Council is appropriate for the delivery of its services.

2.4 Resources and value for money

2.4.1 Through the assessment and review of the Councils assets consideration of the overall Service operational costs are taken into account to establish where savings can be made. The subsequent disposal of surplus assets provides a source of capital to the Council.

2.5 Legal Implications, Access to Information and Call In

2.5.1 There are no legal implications associated with this report.

2.6 Risk Management

2.6.1 There are no risk management issues associated with this report. However, a full risk assessment is undertaken relating to the rationalisation of Council assets and their subsequent disposal.

3 Conclusions

3.1 The merger of CPM with Asset Management has improved the timescales involved in the disposal of property assets with both sections now working very closely.

4 Recommendations

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

5 Background documents¹

5.1 Scrutiny Board – February 2011.

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.