

# CABINET

## Capital Receipts 17<sup>th</sup> February 2009

### Report of Corporate Director (Regeneration)

#### PURPOSE OF REPORT

To update Cabinet on the current position with the planned major receipts and to consider adopting a Disposal Strategy for the Council as part of a Medium Term Corporate Property Strategy

Key Decision

Non-Key Decision

Referral from Cabinet

X

Date Included in Forward Plan

N/A

This report is public, with the exception of Appendix A. This is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.

#### RECOMMENDATIONS OF COUNCILLOR ARCHER

- (1) That Cabinet note the position with regard to capital receipts.
- (2) That the Disposal Strategy be adopted to act as guidance to the Council in the disposal of assets to achieve the need for capital receipts.

#### 1.0 Introduction

- 1.1 At the meeting on 7<sup>th</sup> October 2008, cabinet requested a review of potential asset sales being reported back to Cabinet. This report sets out the position regarding asset sales.
- 1.2 The need for the report has arisen from consideration of the Capital Investment Strategy, in particular whether there would be sufficient capital receipts to fund the draft capital programme and offset the short-term increase in borrowing approved by Council back in November. The information contained within this report has been reflected in the summary of the capital programme funding, to be included elsewhere on the agenda.

1.3 Currently, the management of the Council's assets is informed by the Corporate Property Strategy adopted in 2005. This Strategy is now due for review and a Medium Term Corporate Property Strategy is being prepared. As a part of this, a separate Disposal Strategy (attached as appendix B) has been prepared which, in view of the current concerns over capital receipts, is proposed for adoption at this stage.

## 2.0 General

2.1 The property market is suffering in the same way as many other sectors due to the downturn in the current economic climate. Within the property market, there are slight variations in different sectors but none can be said to be prosperous.

2.2 In particular, the residential development market has almost come to a halt with some national and regional residential developers going into administration. However, there is still demand in food retail sector for appropriate new sites. The yields on investments have been seen to fall, but there are some that have sold at an acceptable level by the vendor, particularly where the investment size was small enough to widen the range of bidders.

2.3 Each of the properties that have not been sold already and are contained within the General Fund Property Disposal Schedule (copy attached as an exempt appendix) is covered in turn below. Each has been marketed or has been the subject of a negotiated sale as appropriate.

<b>Heysham Mossgate</b>	A receipt had been anticipated during the year, but the proposed purchasers have backed out of the transaction. A number of direct approaches have been made to other residential developers but there has been no success. In the current climate it is not anticipated that there will be a significant change in demand and it would be prudent to consider deferring this disposal until at least 2010/11, subject to a further review of market conditions in 2009/10.
<b>29 Castle Hill</b>	Initially this was identified for sale in the final quarter of this year at public auction but with the uncertainty of the completion date of the new Visitor Information Centre in the Storey Institute, it has been included in next year's programme. It is possible that an investment of this size could sell, and advice will be taken on the state of the market at the start of the financial year.
<b>Land at South Lancaster</b>	Terms have been agreed for the sale of the land at Lawson's Bridge, Scotforth to E.H. Booths. Progress is being made with the disposal, but there remains a need to resolve the outstanding Town Green application, upon which legal advice is being sought. At this stage, it is still anticipated that the initial receipt can be obtained in the next financial year, with the remainder in 2011/12.
<b>Land at Westgate</b>	This disposal is that related to the development of a new stadium by Morecambe FC. Legal documents have now been agreed and the capital receipt was received at the end of January 2009.

<p><b>12-14 Wellington Terrace, Morecambe.</b></p>	<p>This is a further residential development where the developer has major concerns over the provision of affordable housing prior to signing documents. The disposal should be retained in the 2009/10 programme with the land re-marketed to identify the level of offer made at that time.</p>
<p><b>Canal Corridor/Central Morecambe development</b></p>	<p>Originally a provisional amount totalling £500K was included over years 2010/11 and 2011/12, with reference to both these schemes. This was reduced in October, however, and is now included only in 2011/12. In terms of the Canal Corridor scheme, terms for the disposal have been agreed on the basis that the council has a choice between a capital receipt or a future stream of income (reflecting the fact that the land/property to be included in the development currently produces revenue from rents and car parking charges). With delays in the scheme's planning process, it is likely that it could be 2012/13 before the Council needs to determine whether it requires a capital receipt or income stream. For this reason no reference is now made to this site in the Property Disposal Schedule.</p> <p>The Central Morecambe development is only progressing slowly, and based on the fact that the proposed scheme has a substantial residential development base, the likelihood of an early receipt also looks remote. Reference is made in the Property Disposal Schedule to a future receipt but this will need to be refined as a scheme is developed which is capable of being valued.</p>

- 2.4 **Land at Quernmore Road, Lancaster** - Although this sale is not included in the Property Disposal schedule, its potential for a capital receipt has been noted in previous reports. The ultimate use is residential development and whilst there is progress on the principle of disposal, this limits the current value. At this stage there is sufficient lack of clarity over the proposals to warrant excluding this from the Property Disposal Schedule at the present time.
- 2.5 The current state of the residential property market is so bad that it is known that a number of local authorities in the north-west region have decided not to dispose of residential development land for the time being. Such an approach has been made on the basis that there are a minority of "investors" who, with reserves of cash available, are looking for sites on the basis that they would hold the land during the economic downturn, looking to sell the land when the economic climate improves to make a substantial surplus. Should the Council decide to dispose of land for a low value, which may in the present climate be deemed to be market value, it is likely that the land would not be developed and any future "profits" from the land would be made by a third party not the Council.

## **Other potential disposals**

- 2.6 Properties associated with the Access to Services scheme are being re-valued to assess their potential for disposal in the near future. In addition, however, the future of the scheme as a whole needs to be determined as part of the wider consideration of Members' priorities and the Capital Programme. Further information will be reported via proposals for the scheme as they are developed.
- St. Leonards House, Lancaster
  - Palatine Hall, Lancaster
  - 1 Dalton Square, Lancaster
  - 56-60 Euston Road, Morecambe
  - Caretakers House, Morecambe Town Hall
- 2.7 The list of property for disposal was identified from the appraisal process for the Access to Services review and reflects the operating costs of those buildings, including backlog repairs. Depending on the outcome of consideration of the review as a whole, some of the properties referred to in paragraph 2.6 could be included in the Property Disposal Schedule.
- 2.8 The "call for sites" under the Local Development Framework may result in some sites owned by the Council becoming suitable for development with the potential for receipts. However, it should be pointed out that as these sites are for residential development, there would need to be a major improvement in the economic climate for any value to be realised.
- 2.9 Officers continue to discuss opportunities for development of Council land with developers of different types but at the time of writing this report, there are no other development opportunities that have any certainty of producing a receipt.

## **Disposal strategy**

- 2.10 The Corporate Property Strategy adopted in 2005 informs the management of the Council's assets. As indicated above, the Strategy is now due for review and a Medium Term Corporate Property Strategy is being prepared. As a part of this, a Disposal Strategy has been prepared which, in view of the current concerns over capital receipts, is proposed for adoption at this stage.
- 2.11 The Strategy builds on the Property Review that was undertaken at the start of the year and presented to Star Chamber. Whilst the latter part of the Strategy sets out procedural issues, the main basis of the Strategy is to identify a framework within which it identifies those properties which should be retained by the Council, and the reason for doing so, and those where there is opportunity for disposal.
- 2.12 The draft Medium Term Corporate Property Strategy will identify the following "Corporate Asset objectives" against which the council's assets should be measured:
- Fit for Purpose
  - Affordability
  - Compliance with Statutory/Regulatory codes
  - Improved corporate management
  - Sustainability
  - To serve the Council's key aims
  - Enabling

2.13 The Disposal Strategy expands on these objectives with further detail and examples and it is recommended that the Strategy be adopted.

### **3.0 Details of Consultation**

3.1 There has been no consultation on this matter as the report relates to an update on land transactions.

### **4.0 Options and Options Analysis (including risk assessment)**

4.1 Option 1 – That the current position with capital receipts is noted and that the Disposal Strategy be adopted. This would build on the Corporate Property Strategy provide an improved framework for managing the Council's asset disposal process.

4.2 Option 2 - That the current position with capital receipts is noted but that the Disposal Strategy is not adopted. The existing guidance of the Corporate Property Strategy would be maintained although this is now out of date and does not meet the Council's current priorities.

### **5.0 Officer Preferred Option (and comments)**

5.1 Option 1 is the preferred option. The adoption of the Disposal Strategy provides an improved framework for managing the Council's asset disposal process.

#### **RELATIONSHIP TO POLICY FRAMEWORK**

There is a direct link to the policy framework with the priority to keep the City Council element of Council Tax increase to acceptable levels.

In addition the Corporate Property Strategy identifies the need to use the Council's assets to meet the Council's corporate priorities.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

The report indicates that development of the site could provide the opportunity to create a sustainable development reflected through design, use and associated transport issues.

#### **FINANCIAL IMPLICATIONS**

Since January Cabinet, the position regarding capital receipts / asset sales has only changed in respect of assumptions regarding land at Mossgate, and other minor miscellaneous receipts. Should any further development opportunities arise in the coming months, then these will need to be factored into the monitoring of the Council's Capital Investment Strategy and Capital Programme, to be approved by Council in March.

Similarly, should Members resolve to adopt the Disposal Strategy being put forward then this will also need to be considered in the above.

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has been consulted and has no comments to add.

**LEGAL IMPLICATIONS**

There are no legal implications directly arising out of this report. The implementation of the disposal strategy, if approved, will require consideration of the provisions of Section 123 of the Local Government Act 1972 and Circular 06/2003: Local Government Act 1972 general disposal consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

Public Cabinet reports and minutes

**Contact Officer:** Graham Cox  
**Telephone:** 01524 582504  
**E-mail:** gcox@lancaster.gov.uk  
**Ref:** N/A