

Guildford Borough Council

Report to:	Executive
Date:	28 November 2024
Ward(s) affected:	All
Report of Strategic Director of:	Joint Strategic Director for Finance and Resources S.151
Report Author:	Vince Sibley, Asset Surveyor
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Lead Executive Member:	Richard Lucas
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Status:	Part Exempt
Key decision:	Yes

Asset Disposal Programme – Phase 1

1.0 Executive Summary

- 1.1 The Council is required to generate £50m (net) of capital receipts from the disposal of property assets held within the General Fund.
- 1.2 This is an identified critical workstream within the Financial Recovery Plan endorsed by Full Council at its meeting on 30 August 2023.
- 1.3 This report details a recommendation to Executive to approve the first phase of proposed asset disposals in line with the Asset Disposal Strategy approved by the Executive on the 18 April 2024. The targeted £50m (net) capital receipts is to be achieved over a 3-year period to the end of the financial year ending March 2027.

2.0 Recommendation to Executive

That the Executive resolves to:

- 2.1 Approve the disposal of 71 – 72 North Street, Guildford, on the terms set out in the Summary Property Report at Appendix 3a and the entering into of all relevant legal documentation required to complete the legal transaction.
- 2.2 Approve the disposal of Eastgate Court, 195 – 205 High Street, Guildford, on the terms set out in the Summary Property Report at

Appendix 1a and the entering into of all relevant legal documentation required to complete the legal transaction.

- 2.3 Delegate authority to the Joint Assistant Director for Assets and Property in consultation with the Lead Councillor for Finance and Property and the Joint Strategic Director for Finance and Resources (S151) to negotiate any amendments to the terms for disposal of Eastgate Court, 195 – 205 High Street and 71 – 72 North Street as are necessary to complete the transaction.
- 2.4 Approve the disposal of Wyke School Reception Building and the appointment of external agents to commence marketing.
- 2.5 Delegate authority to the Joint Assistant Director for Assets and Property in consultation with the Lead Councillor for Finance and Property and the Joint Strategic Director for Finance and Resources (S151) to negotiate terms for a disposal of Wyke School Reception Building at best consideration on the open market and/or negotiate with special purchasers and to enter into all relevant legal documentation required to complete the transactions.

3.0 Reasons for Recommendations

To enable the Council to generate capital receipts through the sale of approved property assets to contribute to the £50m (net) target, as set out in the Financial Recovery Plan to reduce Council debt to achieve a sustainable financial position.

4.0 Status of Report

- 4.1 Summary Property Reports prepared for each individual asset listed are attached as appendices to the main body of this report. The second part of each report is to remain exempt from publication.
- 4.2 The content of the second part of the appendices to the report are to be treated as exempt for the purposes of the Council's Access to Information Procedure Rules because they contain commercially sensitive information are therefore exempt by virtue of paragraph 9 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows; 'Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.'

- 4.3 The content is restricted to all Councillors.
- 4.4 The exempt information, with the exception of the sale price achieved, is not expected to be made public because it will remain commercially sensitive indefinitely. The sale price will be publicly available following completion of the transaction.

5.0 Strategic Priorities

The asset disposal strategy aligns with our key priority to be a resilient and well-managed council. Through the disposal of these assets, the Council will generate capital receipts for the General Fund. As we are a Council committed to ensuring we provide a public service that serves our residents, businesses, and visitors, these monies to the General Fund will help ensure we continue to be able to do so.

6.0 Background

- 6.1 The purpose of this report is to inform the Executive of the first phase of proposed assets selected for disposal, as detailed at section 6.6 of this report, to recommend the appointment of external agents to commence formal marketing of these assets, and to authorise the Joint Assistant Director of Assets and Property to approve the disposal of the assets for their sale at best consideration and enter into all relevant legal documentation required to complete the transaction.
- 6.2 The Financial Recovery Plan endorsed by Full Council at its meeting on 30 August 2023 included a workstream to review the Council's property assets and consider those which could be suitable for disposal to help reduce the Medium-Term Financial Plan (MTFP) budget gap.
- 6.3 Supplementary background information to this programme can be found in Background Paper – The Asset Disposal Strategy as approved by the Executive on the 18 April 2024.
- 6.4 The assets recommended for disposal comprises those considered to be more straightforward to progress and likely to have limited impact on the local community, loss of revenue income and other factors specific to these assets.

- 6.5 The intention is to seek Executive approval each 2-3 months for disposal of potential assets. There may therefore be a further 1-2 batches of property assets being recommended for approval this financial year, in addition to this first phase.
- 6.6 The list of 3 proposed assets being recommended for the first phase of the Asset Disposal programme and requiring approval by the Executive are:
- Eastgate Court, 195-205 High Street
 - 71-72 North Street
 - Wyke School Reception Building
- 6.7 A further three assets are currently being marketed for disposal or are already under offer. The sales of Old Manor House in East Horsley and West Lodge on Blacksmith Lane in Chilworth, were previously approved by the Executive on 22 February 2024 and 20 February 2018. The sale of Stoke Cemetery Lodge was Approved by the Exec on 31 October 2024.

7.0 Options

- 7.1 Do nothing and adopt a business-as-usual approach to individual disposals. This option is highly unlikely to succeed in raising the targeted capital receipts of £50m (net) by the end of 2026/27.
- 7.2 Proceed with the recommendation to dispose of the proposed assets selected as detailed at section 6.6 of this report, and to approve the appointment of external agents to commence formal marketing of these assets. This option is more likely to succeed in raising the targeted capital receipts of £50m (net) by the end of 2026/27.

8.0 Consultation

- 8.1 Consultations took place with the Lead Councillor and other relevant Councillors regarding the proposed Asset Disposal Strategy. Issues considered politically sensitive were discussed, and the recommendation to proceed with the proposed Asset Disposal Strategy was endorsed.
- 8.2 Assistant Directors and Service Leads have been consulted during the review of the Council's portfolio of property assets to identify

those which need to be protected because of their requirement for operational services to be maintained. The assets listed in the proposed first phase of the disposal programme have been agreed with the relevant Assistant Directors and Service Leads.

- 8.3 Summary Property Reports (attached as appendices to this report) have been prepared on each individual asset being recommended for disposal. Officers in the Council's Legal and Planning teams have been consulted on each individual asset identified for potential disposal. Legal Services have completed a review of the legal titles to provide a summary of any restrictive covenants or potential encumbrances on the land or buildings. Planning Services have provided advice on development potential to enable robust consideration to be given to the commercial implications.
- 8.4 The Summary Property Reports also set out any practical property considerations to be dealt with as part of the disposal of each individual asset and include an independent RICS (Royal Institution of Chartered Surveyors) Red Book valuation prepared by an external agent appointed to act on the Council's behalf who has expert local knowledge in the sector.
- 8.5 Officers are to liaise with Ward Councillors on the individual assets being considered for disposal at the relevant time.

9.0 Key Risks

9.1 The Key Risks identified are:

- Assets marketed for disposal do not sell or do not achieve the required valuation. Both scenarios would result in the targeted £50m (net) of capital receipts to be realised by the end of March 2027 not being met. Mitigation measures will be implemented as set out in Background Paper.
- Encumbrances are identified that may frustrate or prevent a sale concluding. To mitigate this, the Council will continue to obtain a report on title and identify any potential encumbrances which may impede a sale completing or impact on achieving the market valuation obtained for each individual asset identified for potential disposal for further phases of the Asset Disposal programme ahead of assets being marketed for disposal.

10.0 Legal and Governance Implications

- 10.1 Supplementary information relating to the legal implications of this programme can be found in Background Paper – The Asset Disposal Strategy as approved by the Executive on the 18 April 2024. The legal implications for each disposal are contained within the specific Summary Property Reports and legal advice is being sought on each transaction.
- 10.2 There are various powers available to the Council when disposing of land and the power being exercised will depend on the purpose for which the land is held. There are different requirements for disposals depending on the power being relied upon.
- 10.3 The general power of disposal is section 123 of the Local Government Act 1972 gives the Council the power to dispose of land held by it in any manner it wishes provided that the Council achieves the best consideration that can reasonably be obtained except with the consent of the Secretary of State. Whilst there is no specific guidance as to how best consideration should be assessed there should be evidence to show that this has been evaluated and is being achieved. This assessment is set out in the individual Summary Property Reports.
- 10.4 A general consent has been granted by the Secretary of State for disposals of land under section 123 for less than best consideration. This allows a local authority to dispose of land for less than best consideration if it considers that the disposal will contribute to the promotion or improvement of the economic, social or environmental well-being of its area and the extent of the undervalue is no more than £2million.

11.0 Financial Implications

- 11.1 The proposed asset disposals will contribute towards the Council's goal of generating £50 million (net) in capital receipts by March 2027. The disposal of these assets will directly support the Council's ability to close the financial gap identified in the Medium-Term Financial Plan (MTFP) and reduce overall debt.
- 11.2 All costs incurred will initially be funded from the Council's General Fund revenue budget and then subsequently financed from the proceeds of sales. The total gross capital receipts will therefore

need to exceed £50m to cover these costs incurred. There are enough revenue funds set aside to accommodate the initial costs. These receipts will be utilized to offset the budgetary pressures, ensuring financial stability.

- 11.3 It is expected that external costs related to legal, marketing, and consultancy services, including the appointment of external agents, will be incurred during the disposal process. These costs are anticipated to be proportionate and as stated have been factored into the net receipts' calculations. These expenses are essential to ensure the disposals are managed efficiently and in compliance with regulations.
- 11.4 Any capital receipts generated from asset disposals will be used to offset existing borrowing or reduce the need for future borrowing by the Council. The cost of borrowing is measured as both the interest on the loans and the Minimum Revenue Provision (the value of the asset apportioned over the asset life). From a financial point of view, the basic starting point in determining which non-operational assets are to be considered for potential disposal is therefore where the net return from the asset is less than the potential saving which could be generated from use of the capital receipt.
- 11.5 Other considerations such as the potential for income to be increased in future, future liabilities (such as maintenance) and the potential of future growth in valuations also need to be considered.
- 11.6 Failure to achieve the anticipated capital receipts or encountering delays in disposal could result in further financial strain on the Council, necessitating alternative funding methods, such as increased borrowing, which could have long-term financial consequences on service delivery.

12.0 Human Resources Implications

- 12.1 Additional resource will be required to support and co-ordinate the asset disposals, alongside the existing resource completing the strategic work to progress the further phases.
- 12.2 Staff consultations may be required where service teams will be impacted by the loss of an operational asset.

13.0 Equality and Diversity Implications

An Equality Impact Assessment has previously been undertaken and can be found within the Background Paper. It is anticipated that no updates to this assessment will be required for the proposed assets for disposal.

14.0 Climate Change and Sustainability Implications

The disposal of any selected asset is likely to reduce the Council's overall carbon emissions. Carbon Savings may be impacted by removing renewable energy potential (if applicable) and may have a negative impact on the Council's short-term Scope Three carbon emissions; however, these emissions are currently outside of the scope of the current climate change action plan and are difficult to calculate without a defined methodology.

15.0 Next Steps

15.1 The Council is required to generate £50m (net) of capital receipts by the end of the financial year ending March 2027 from the sale of property assets held within the General Fund, as set out in the Financial Recovery Plan.

15.2 Officers' recommendation to the Executive is to approve the disposal of selected property assets and the appointment of external agents, via a separate tendering exercise, to commence marketing of the individual asset disposals as listed in this report.

15.3 Following approval to proceed with the first phase of recommended asset disposals, officers will continue to prepare Summary Property Reports for those potential individual asset disposals identified to feature in the next phase of the Asset Disposal programme.

16.0 Background Papers

Asset Disposal Strategy approved by the Executive on 18 April 2024.

17.0 Appendices

17.1 Appendix 1 – Part 1 of Summary Property Report of Eastgate Court, 195-205 High Street

17.2 Appendix 2 – Part 2 of Summary Property Report of Eastgate Court, 195-205 High Street (Exempt)

17.3 Appendix 3 – Agreed Heads of Terms for the sale of Eastgate Court, 195-205 High Street (Exempt)

17.4 Appendix 4 – Part 1 of Summary Property Report of 71-72 North Street

17.5 Appendix 5 – Part 2 of Summary Property Report of 71-72 North Street (Exempt)

17.6 Appendix 6 - Agreed Heads of Terms for the sale 71-72 North Street (Exempt)

17.7 Appendix 7 – Part 1 of Summary Property Report of Wyke School Reception Building

17.8 Appendix 8 – Part 2 of Summary Property Report of Wyke School Reception Building (Exempt)

Report clearance progress:

Department	Name	Date cleared
Finance	Richard Bates/Jo Knight	16-10-2024
Legal & Governance	Susan Sale/Claire Beesly	17-10-2024
Human Resources	Francesca Chapman	25-10-2024
Equalities	Ali Holman/Francesca Chapman	25-10-2024
Strategic Director	Richard Bates	16-10-2024