

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Cabinet  
**Date of Committee** 28 January 2010  
**Report Title** Review of the Approach to the Disposal of Property

**Summary** The report seeks Cabinet’s approval to rescind the strategy for the marketing of surplus property adopted in response to the report on the “Implications of the Property Market Downturn on Capital Receipts” considered by Cabinet on 11th September 2008 and revert to the marketing and disposal of property, subject to the usual requirements of best consideration being achieved for property transactions.

**For further information please contact:** Geoff Taylor Virginia Rennie  
Estates Group Manager Group Accountant  
Tel: 01926 412521 Tel: 01926 412239

**Would the recommended decision be contrary to the Budget and Policy Framework?** No.

**Background papers** Report to Cabinet 11th September 2008 “Implications of the Property Market Downturn on Capital Receipts”

**CONSULTATION ALREADY UNDERTAKEN:-** Details to be specified

- Other Committees  .....
- Local Member(s)
- Other Elected Members  Cllr Appleton, Cllr Gittus, Cllr Davis, Cllr Moss
- Cabinet Member  Cllr Heatley
- Chief Executive
- Legal  Barry Jukes – cleared report
- Finance  David Clarke – reporting officer
- Other Chief Officers

District Councils

Health Authority

Police

Other Bodies/Individuals

***FINAL DECISION***      **YES**

## Cabinet – 28 January 2010

### Review of the Approach to the Disposal of Property

#### Report of the Strategic Director, Resources

##### Recommendations

1. That the approach to the disposal of property set out in paragraph 4.6 of the report to Cabinet on 11 September 2008 (item 23 “Implications of the Property market Downturn on Capital Receipts”) is rescinded.
2. That property disposals revert to the practices adopted prior to 11 September 2008 to achieve best consideration and respect other Council policies.

#### 1.0 Background

- 1.1 At its meeting on 11th September 2008 Cabinet approved the recommendations set out in Agenda 23 as a response to the downturn in the property market. In particular the capital finance and budgetary implications were set out with options available to the Council.
- 1.2 Cabinet approved that the Council:
  - Ceases to sell the freehold of any further Council property until the downturn in the property market is reversed, unless exceptional circumstances can be demonstrated.
  - Allows the sale of any sites currently under offer to progress to completion on condition that offers are only accepted where the price is felt to reflect best value.
  - Allows those schemes in the current capital programme that are funded or part-funded from capital receipts and have already started on site to progress as originally planned and the delay in the capital receipt is financed by additional borrowing, until the receipt becomes available.
  - Requires that schemes programmed to be funded from receipts, but not yet started, come forward to Cabinet on a case-by-case basis to allow an assessment of whether the benefits of the scheme outweigh the costs to the Council of taking out additional borrowing.

- Advises Directorates that no new schemes should come forward for inclusion in the capital programme to be funded or part-funded from capital receipts until further notice.
- Excludes the proposed granting of long leases to provide specialist residential care and extra care housing for elderly people, under the approved Care and Choice Programme, from the above changes, subject to satisfying best value.

## **2.0 Current Position**

- 2.1 The property market is showing signs of recovery with increased interest being expressed from purchasers and developers. Property values are significantly lower than early 2008 and forecasts tend to indicate property values will increase slowly over the next 12 to 18 months. The increases in development land values are currently not mirroring increases in house prices. Commercial development land values continue to be significantly affected with few signs of improvements in demand.
- 2.2 Property transactions are increasingly agreed on a conditional basis, to minimise the development risk. The main condition is usually that it is subject to obtaining detailed planning consent but, dependent on the development, other conditions may be imposed.
- 2.3 To dispose of property significant pre marketing work can be required, particularly for development sites. This includes work on planning, planning agreements, consents to dispose of former playing fields, infrastructure and services both on and off site. Some consents to enable development are time limited or subject to variation and need to be secured at the appropriate time to fit with disposal programmes for each property.
- 2.4 A number of Council properties already declared surplus are affected by the 11th September 2008 Cabinet Report (Agenda 23) decision that the Council, “Ceases to sell the freehold of any further Council property until the downturn in the property market is reversed, unless exceptional circumstances can be demonstrated.” Whilst it is difficult to forecast when movements in the property market will occur with accuracy, it is now felt to be sensible that the Council adopts a strategy that ensures it is in a position to market sites, having resolved pre marketing issues, and thereby enhance our responsiveness to the market.

## **3.0 Proposals**

- 3.1 It is therefore proposed that the Council proceeds with property disposals in accordance with the usual requirements of satisfying best consideration under Section 123 of the 1972 Local Government Act. This reverts back to the position prior to the 11th September 2008 report. This would enable sites to be marketed without the need to satisfy the more onerous criteria of demonstrating ‘exceptional circumstances’.

3.2 However, given the fragile recovery in the property market, it is intended that a prudent approach is adopted which will have regard to the following:

- Before a property is marketed the market perspective will be considered together with any other relevant evidence to demonstrate that a reasonable or good level of demand exists
- Disposals will be progressed where the capital receipt accords with or exceeds the pre-marketing assessment of market value
- There will be a regular review of market values for surplus property as part of managing the overall disposals programme

3.3 The 11th September 2008 Cabinet Report (Agenda 23) also contained recommendations relating to the impact on capital receipts on the capital programme. A review of the Council's approach to capital programming is currently being undertaken which will pick up these issues. However, the need to carefully scrutinise the impact on the revenue budget of any planned use of capital receipts to fund capital spending, combined with the cautious approach being proposed to the marketing of surplus property, means a significant number of additional capital projects that rely on receipts should not be brought forward in the near future.

## 4.0 Conclusions

4.1 In conclusion, it is recommended that the actions agreed by Cabinet on 11 September 2008 are rescinded. Instead, property disposals should revert to the practices adopted prior to 11 September 2008 to achieve best consideration and respect other Council policies.

DAVE CLARKE  
Strategic Director, Resources  
Shire Hall  
Warwick

14th January 2010