

Not for Publication by Virtue of Paragraph 9 (Contracts) of Part 1 of Schedule 12(A) of the Local Government Act 1972

This report will also be submitted to the Policy and Resources	Committee.
---	-------------------

2000 - 2001 CAPITAL PROGRAMME - OPPORTUNITIES FOR CAPITAL RECEIPTS FROM PROPERTY DISPOSALS

Accountable Officer: Peter Timmins (Treasurer)

Author: Helen Smith (Valuer) - MK 252443

1. Purpose

1.1 To advise the Sub-Committee about the financing issues affecting next year's Capital and Revenue Programmes and the necessity to raise resources by disposing of property assets.

2. Summary

2.1 Both the 2000-01 Capital Programme and Revenue Budget rely, to differing extents, on resources totalling £1.12m to be derived from capital receipts that are to be raised in 2000-01.

2.2 Even so, there are two further funding demands, for which capital receipts offer a way forward. These are:

(a) the shortfall in available resources to fund the Capital Programme for 2000/01. The Policy and Resources Committee at its meeting on 10 November 1999 (Minute PR72/00 refers), was informed that compared to the capital bids that had been submitted to Government, there was a resource shortfall of £4.1m to £6.1m.

(b) the overspend on Milton Keynes Theatre will present additional resource demands. Whilst the size of the deficit is unknown, it may present a bill for the Council in 2000/01 of up to £2.8m. At the same time, English Partnerships have approached officers to discuss the possible purchase of property from the Council in order to replace a £1m loan that is currently part-funding the building cost of the Theatre.

- 2.3 In addition, there is a further demand on the Council's revenue budget presented by the repayment of £6.3m of LGR debt, which will reach £0.96m in 2002-03, unless capital repayments are substituted.
- 2.4 Officers have carried out a preliminary review of property as part of the work on the 2000-01 budgets to establish whether there are surplus assets which could be sold to raise capital. The spreadsheet which separates the potential properties into categories with estimated sale prices and marketing periods is attached at **Annex A**.

3. Recommendations

- 3.1 That the Sub-Committee authorises the disposal of the properties on **Annex A**.
- 3.2 That officers be authorised to reject the current offers from English Partnerships for the Bus Station and Depot but continue negotiations and explore any additional opportunities for property disposals to English Partnerships.

4. Background

- 4.1 The Property Sub Committee resolved as follows at the meeting on 15 December 1999 (Minute PRS13/00 refers);
1. That the officers be authorised to consult the market about properties which may be recommended for disposal subject to consultation with client departments and Chairs of the relevant Service Committees.
 2. That officers be authorised to continue discussions with English Partnerships to explore additional opportunities for property disposals for operational reasons.
- 4.2 Since the last meeting of the Sub-Committee the Council's financial position has become clearer, although developments that will affect the final outcome, (Waste, Undue Burden etc.) are still in train. One element in the final package is the ability to generate further capital receipts; a sum of £2m has been counted towards generating revenue savings of £390m. If the Sub-Committee agrees the disposal of property as shown as **Annex A** this would raise £4.088m.
- 4.3 Officers have consulted the market about the saleability of properties. The estimated sale prices and marketing periods shown in **Annex A** is a summary of the current position.
- 4.4 English Partnerships have stated at a senior officer level that it is interested in purchasing property from the Council notwithstanding the issues surrounding the theatre loan. English Partnerships have approached officers about two properties; the Bus Station and the Bus Depot. Negotiations have taken place leading to English Partnerships making written offers to purchase the two properties. The offers are considered to fall short of current market value for such important city centre sites and do not represent the best price from the Council's point of view. Negotiations will continue but if the Council wishes to accept an offer for the properties which does not represent best price the approval of the Secretary of State must be sought under Section 123 of the Local Government Act 1972.
- 4.5 There are a number of issues to be considered for each property or groups of property. These are set out in some detail in **Annex B**. A summary of the key issues for each group of properties is set out under 'Issues and Choices' below (paragraphs 5.1, 5.2 and 5.3)

5. Issues and Choices

- 5.1 The sites at Wilton Avenue, Bletchley and Cranfield Road, Woburn Sands are suitable for residential development. Although the Council had identified a need for social housing on these sites at the time it advised the County it wanted them, it is not a condition of the transfer. One way of achieving social housing is through planning consent, which would require a developer to set aside 30% of the site for social housing in any event. At the same time, the Council would be able to maximise its capital receipt value, for the sites will attract a higher value if they are sold for 'commercial' housing development. Those

values are the ones stated on the schedule. Neighbourhood Services Directorate have been consulted on the proposed disposal of the sites.

- 5.2 There are complex issues surrounding the four Youth Service properties. The Youth Service and its properties transferred to Milton Keynes Council on 1 April 1997. A wide ranging review was carried out with the aid of the Community Education Development Centre (CEDC) and reported in March 1998. The Community Committee accepted all of the CEDC's recommendations and many, notably a complete restructuring of the service, have already been actioned. The recommendation by CEDC "to dispose of up to half the youth centres" is now ready to be explored and those which may form the nucleus of any disposal programme are Bletchley Youth Centre, Olney Youth Centre, Wolverton and Millmead Hall. All have complications, being used as Community facilities and the users/management committees will need to be consulted. Equally, to obtain planning permission for a more valuable use the Council will have to show that there is no demand for community facilities on site. It is not expected that the decision to declare the properties surplus will be taken by the Children and Youth Committee within the next six months.
- 5.3 The majority of the Home Farm site has been identified in the final draft EDAW Study into the regeneration of Bletchley as required for a new Southerly Road Link. The site is effectively blighted by the unofficial notation so unless the proposed road link is removed from the study's conclusions a sale is not a practical proposition. The decision of the Sub-Committee about the disposal of this property will fundamentally affect the report about the EDAW study which is due to be submitted to the Environment Committee on 26 January 2000.
- 5.4 A consequence of raising any capital receipt in one year is that the Government currently reduces borrowing allocations for capital projects in the following year by 30% of the value of the capital receipt.
- 5.5 There will be marketing costs associated with the disposal of property. These are identified on the schedule (**Annex A**) Capital regulations prevent the deduction of marketing costs from the capital receipts. These costs will need to be funded from a revenue budget identified by the Treasurer.
- 5.6 There are other properties that could be considered for disposal that have significant revenue implications. These properties are not mentioned in this report but a further report could be brought to the Sub-Committee at a later date if additional capital receipts from property sales are required.

6. Implications

6.1 Environmental

Environmental impact and transport studies will be required as part of any planning application for residential development

6.2 Equalities

The social housing available if the properties identified are sold for ‘commercial’ housing development will be less than would otherwise be available.

6.3 Financial

The Council has assumed the following level of capital receipts in its 2000-01 plans:

Table 1: Capital receipts assumed in 2000-01 programme £m

Supporting the capital programme	820
Capitalisation of revenue	<u>300</u> [instead of £3m repaying debt, earning 11.8%]
	<u>1,120</u>

In addition, the working assumption is that a further £2m of capital receipts will be required to support the revenue budget by the repayment of LGR debt. This will avoid it reaching a large annual outflow, peaking at £0.96m in 2002-03. Also the sale of the site of the former Denbigh School site has realised an additional £0.5m. The position is summarised in Table 2

Table 2: Use of capital receipts in 2000-01 £m

Capital receipts	4,088	
Add Denbigh additional resources	<u>500</u>	4,588
Less for capital/rev programme	1,120-	
Less further revenue support	<u>2,000-</u>	
		<u>3,120-</u>
Balance remaining		<u>1,468</u>

The balance remaining reduces by £180k, to 1,288k, if the income that is currently generated by the properties is replaced. An application for an SCA of £1.5m - for which we are currently applying – together with the use of the balance remaining would generate £2.8m to fund the Theatre. The revenue costs of the SCA - at £124k a year - could be met from the car park income, which over a two year period is set to generate £410m [£90m 2000-01, £320m 2001-02]

Table 3: Funding £2.8m theatre overspend in 2000-01 £m

Capital receipts – see above	1,288
SCA	<u>1,500</u>
Available for Theatre	<u>2,788</u>

6.4 Legal

The legal title for the sites transferring from Buckinghamshire County Council has yet to be checked.

6.5 Staff and Accommodation

There are no issues arising from this report.

7. Conclusions

- 7.1 The Council faces a significant funding requirement for revenue and capital over the coming years. The generation of capital receipts will be key to meeting the funding requirement. Opportunities to raise capital from property sales have been identified for Committee decision.