PROPERTY SUB-COMMITTEE

15 DECEMBER 1999

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) - MK252443

1. Purpose

1.1 To advise the Sub-Committee about the financing issues affecting next year's Capital and Revenue Programmes and the possible 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 special meeting on 10 November 1999 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 the Theatre will present additional resource demands. Whilst the exact size of the net deficit is unknown, it may present a considerable bill for the Council in 2000/01. At the same time, English Partnerships are wanting to discuss with the Council its support for the Theatre and how this could best be achieved.

2.3 In addition, there is a further demand on the Council's revenue budget arising from the repayment of £6.3m of Local Government Review 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 properties fall into three categories:

(a) those with no loss of revenue;

(b) those with revenue implications; and

(c) those which are longer term proposals.

The properties in the first category are likely to be those that could be sold relatively quickly with no adverse effect on the revenue budget.

2.5 The precise scale of the Capital and Revenue budget shortfall may not be clear for some months. In order to safeguard the best interests of the Council, work needs to start on testing the market with 'in principle' proposals for the properties concerned as a contingency plan. In that way, any disposals which could be agreed by Committee, could proceed more quickly, for some of the preliminary work will have already been done. After the preliminary work has been completed, officers will return to Committee for agreement, as necessary, before a disposal takes place.

3. Recommendations

3.1 That officers be authorised to consult the market about properties which may be recommended for disposal.

3.2 That officers be authorised to continue discussions with English Partnerships to explore additional opportunities for property disposals and property disposals for operational reasons.

4. Background

4.1 The preliminary review referred to in paragraph 2.4 has not been carried out under the *full* Asset Management Planning process due to the limited time available. The objective of the review was to identify those properties with relatively high capital values which were thought to be potentially surplus or could be sold relatively quickly. The sale of properties where there would be a loss of revenue needs to be considered carefully. However, there will be occasions where the disposal of such properties would still make sense for operational reasons. There are also properties that are likely to be declared surplus at some point in the future but the situation will not become clear until service reviews have been carried out.

4.2 Three of the properties that could be considered for disposal are sites being transferred from Buckinghamshire County Council (BCC). These sites are suitable for residential development. Although the Council had identified a need for social housing on these sites at the time it advised BCC it wanted them, it is not a condition of the transfer and there would be no penalty to the Council if it decided to use them or dispose of them for another purpose. If the sites were sold for 'commercial' housing, an element of social housing would still be achieved as current planning policy requires developers of residential sites to set aside 30% for social housing. At the same time, the Council would be able to maximise its capital receipt value as the sites will attract a higher value if they are sold for 'commercial' housing development.

5. Issues and Choices

5.1 On the one hand there is the considerable need to generate resources; on the other hand there are aspirations for property, such as the provision of social housing and assisting with regeneration. Even if officers are to progress pre-disposal work over the coming months without committing the Council in any way, it will also be possible for other officers to progress proposals for other aspirations such as developing sites for social housing, again without commitment on behalf of the Council. In that way options can be explored whilst keeping the Council's options open.

5.2 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 capital receipt.

5.3 There will be marketing costs associated with the disposal of property. 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. This will be considered as part of any report to the Policy and Resources Committee about proposals to dispose of property.

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

Sales	1,120
Less Capitalisation of Revenue	300 -
	820
HRA/RTB Sales	420
Total for Capital Programme	1,240

6.4 Since then, the amount the Council will get from the sale of the site of the former Denbigh School has been clarified. The Council will receive £3.3m rather than the estimated receipt of £2.7m. This increases resources by £0.5m.

The repayment of LGR debt will require a large annual outflow, peaking at £0.96m in 2002-03. This will 'crowd out' other revenue policy choices, unless the debt can be reduced by deploying capital receipts.

6.5 Legal

The legal title for the sites transferring from BCC has yet to be checked. Work can be done on checking legal issues ahead of any recommendation to dispose of property.

6.6 Staff and Accommodation

None.

7. Conclusions

7.1 The Council faces a significant funding requirement on revenue and capital over the coming years. The generation of capital receipts will be key to meeting the funding requirement. In order to safeguard the best interests of the Council, work needs to start on testing the market with 'in principle' proposals for the properties concerned as a contingency plan.

Background Papers: None