Somerset County Council
Corporate Property Group

Policy for the Disposal of Property Assets

This policy should be read in conjunction with**:**

- Corporate Asset Management Plan (2014)
- Policy on Community Asset Transfers (2014 revision)

(see www.somerset.gov.uk/information-and-statistics/financial-information/council-buildings/)

Policy Objectives

This policy establishes the basis upon which Somerset County Council (SCC/the Council) assesses its property assets (primarily vacant or under-used land or property) either for:

- **retention**, for alternative uses (which directly or indirectly support the Council's County Plan), or,
- **disposal**, following the declaration that they are surplus to immediate and anticipated requirements.

This policy covers all land or property assets owned by the Authority including the County Farm Estate and replaces any previous policies on asset disposal.

This revision replaces the **Policy for the Appraisal of Surplus Land or Property for Alternative Use or Disposal (2009)** and now incorporates the Council's **Strategy for Asset Disposal through Rationalisation 2013-17.**

General Context

The Council's property assets (buildings and land) are constantly reviewed to ensure that they are fit for purpose. On occasions, a review will conclude that the asset is no longer of use to the Council and its disposal authorised.

The Council will retain and reuse property assets which continue to offer a sound business case for their retention. An aging property portfolio is likely to be increasingly expensive to maintain. The lifecycle costs of property assets will be a significant factor in any evaluation.

The Council is subject to constraints when it comes to selling land and property in its ownership. Some are legislative, others arise out of an expectation that the Council must be seen to act fairly when disposing of land and property, particularly if it has significant financial or community value.

The Council will therefore:-

✓ Operate an objective and thorough **review and assessment process** which ensures all key factors are considered before a property asset is declared surplus to council requirements; and
✓ Conduct the **disposal of the asset** in an open and transparent manner.

Disposal Strategy

In October 2013, the Council adopted the **Strategy for Asset Disposal through Rationalisation (2013-2017**)

The **priorities** under this strategy are:

- Firstly, "to generate the revenue savings through the rationalisation of the operational estate. This will release assets for disposal.

- Secondly, the Corporate Property Group will manage programmes of disposals and transfers, as approved by the Asset Strategy Group, to ensure that the annual target for receipts is achieved".

Context
The Council increasingly commissions services from external delivery agencies and thus requires fewer operational properties itself. Budget pressures mean that assets need to be taken out of use and sold to reduce revenue running costs and generate receipts. Rationalisation of the property portfolio is not only good practice but a financial imperative.

Rationalisation
Property assets are owned corporately and decisions on how they are used are determined by the Asset Strategy Group. The Property Group creates surplus property amongst the operational estate through proactive, strategic, asset management.

A property asset will be deemed underused if it is established that its performance is below that which could be achieved from:-
- Changing to an alternative use
- Disposing of the asset and investing the income in other ways
- Intensifying the existing use (this includes examining options to share land or premises both within the Council and with strategic public and voluntary sector partners)

Key factors considered during rationalisation analysis:
- Suitability of property (size, location, accessibility, flexibility, etc)
- Condition of property (likely cost of refurbishment and ongoing maintenance)
- Running cost of property - per square metre comparison
- Legal status of the property (covenants, etc)
- Known service needs (e.g. in-flight projects)
- Planning status of property
- Political impact
- Known partner asset opportunities

Criteria for disposal:
- Poor suitability (unsatisfactory size, location, accessibility, flexibility, etc)
- Improvement costs uneconomic (life expired asset)
- Liability rather than an asset (inability to be economically transformed into an asset)
- Poor condition (high cost of planned refurbishment and ongoing maintenance and servicing)
- High band for running costs (using per m^2 comparisons with similar properties)

- Restricted use/value (legal status of the property compromised by covenants and restrictions on use, e.g., planning permission, listed building or asset of community value)
- No anticipated service requirements (especially for specialist buildings e.g., residential homes or disability provision)
- Political support for disposal (positive and negative - local demand for a community asset/asset of community value)
- Partner asset opportunities (ability to co-join services or facilitate an asset exchange with partners).

In general, rationalisation results from:
- Sharing accommodation internally
- Sharing accommodation with other agencies/authorities
- Re-assessment of the portfolio
- Analysis of poor performing properties

Current (2014) transformation programmes include:
- SMART office (back office)
- SMART places (face to face customer access and operational service delivery)
- Continuous review of services' requirements

Finance
Revenue Savings - the Council sets annual targets within the Medium Term Financial Plan (MTFP) for the reduction of revenue expenditure incurred by its property portfolio. Revenue savings arising from a reduction in the Council's property portfolio will be shared pro-rata between the service commissioners and the corporate revenue budget unless subject to prior, agreed arrangements. All costs incurred as part of the disposal process, including fees, will normally be met from the proceeds of sale.

Capital income - the Council has annual targets for income generated from its property portfolio. (The Council's capital programme is funded, in part, by capital receipts from the disposal of surplus property.)

- The Asset Strategy Group determines the programme of disposals of surplus land and buildings to meet the targets for capital receipts. Where appropriate, asset transfers "at less than best consideration" are used as a catalyst for economic or social development.

- Capital receipts will accrue to the Council's corporate budget unless otherwise agreed in advance.

- Vacant assets subsequently retained for alternative service delivery may attract a capital contribution from the occupying service's commissioners in lieu of the anticipated proceeds of sale.

Investment Portfolio - the farms estate is not required as an operational service and is regarded as an investment portfolio. The investment portfolio of surplus land and buildings comprises:

- Assets on market for disposal.
- Assets with potential higher value being explored before placing on market.
- Assets with long term potential development value eg, land on edge of residential

areas.
- Land and buildings with little potential value and suitable for transfer.

Windfalls - the Council expects to continue to receive in the region of £100,000 - £200,000 pa windfall income from transactions such as adjoining owners requesting easements, right of ways or a release of a covenant.

Timing of Disposals - the timing of any marketing of disposals will be considered against the background of the Council's budgetary requirements together with the current state of the market. For certain types of property open market advertising may not achieve best consideration and may be dispensed with, for:-

- Sales of small areas of land where there is realistically only one potential purchaser, eg, sales to adjoining owners
- Sales of land where there is a 'special purchaser' for whom the land has a higher value than for anyone else, e.g. 'ransom strips'

Asset Initiatives
The Property Group will continue to explore opportunities and develop initiatives to support the targets for revenue savings, receipts or use of leverage for social and economic opportunities. The Customer Access and Shared Assets programme (CASA) will (2014 onwards) harness and focus the public sector imperative for delivering improved customer experiences in tandem with significant savings on the property infrastructure.

Future Asset Disposal and Rationalisation Strategy
The Property Group will explore the benefits of centralising property budgets, internal service charges for accommodation and internal asset rents to deliver the revenue savings in future years.

Definition of Surplus Property or Land

A property asset will be deemed to be surplus to Council requirements if:-

- It no longer makes a contribution to the efficient and effective delivery of Council services (directly or indirectly)
- It has no potential for future strategic or regeneration/redevelopment purposes by the Authority
- An alternative available site or property has been identified which would achieve more cost-effective service delivery
- Its disposal would help facilitate the achievement of the Council's corporate aims and objectives in the County Plan 2013-17 (www.somerset.gov.uk/policies-and-plans/plans/county-plan/)

Disposal Options

The Council will not hold property or land assets unless needed for operational purposes, except where they are:

- Awaiting disposal
- Awaiting other Council or partners use
- Identified for future investment or redevelopment

SCC may decide to relinquish ownership permanently, through a sale or transfer of the freehold title of the property to a third party, or temporarily, through a lease, long term or short term, where the effective control (and related costs) of the assets are passed to the third party. On occasions, SCC may decide to employ both methods: often a sale of the freehold proceeded by a short term lease. The terms of any disposal will be negotiated by the Head of Property at the time.

Disposal Decisions

County Plan
All asset disposals are approved by the Council's Asset Strategy Group. The Council has a duty to consider how its actions and activities can generate additional "social value" which must be taken into account when deciding if and how a property asset should be released. The decisions may include consideration of a reduction in the remuneration sought by the Council from a third party.

Sites declared surplus to specific service requirements are assessed to determine whether, directly or indirectly, they remain useful in meeting other priorities and targets set out in the County Plan. Sites can be sold, to meet these objectives, at less than full market value, but must first be considered by Asset Strategy Group for approval.

When considering whether a surplus asset should be retained (for re-use), the Council must also consider the potential community benefit (and social value) to be gained from releasing the asset for disposal. This is reflected in the County Plan:

- Helping individuals and communities to help themselves, to volunteer and take control of services they believe are important to them."

"Somerset is a place where people have the good quality services they need"
County Plan 2013-17

Commercial Values
SCC has the authority to waive its right to a commercial return when disposing of a property asset and may negotiate a discounted disposal or free transfer, **"less than best consideration"**, in certain specific circumstances. A reduction against the anticipated commercial value/rate for the asset would be considered where a commensurate community benefit can be secured by the disposal" (see **Policy on Community Asset Transfer** www.somerset.gov.uk/information-and-statistics/financial-information/council-buildings/). Where a building or land has potential development value, the Council may opt to safeguard its interests by imposing claw back or restrictive covenants, as appropriate.

All decisions to sell land and buildings will be made in accordance with the current governance arrangements set out the Council's Standing Orders and Scheme of Delegation (see http://intranet.somerset.gov.uk/community-governance/guidance-and-templates/officer-decisions/).

Disposal of land leased to Academy Schools
Under current academy conversion legislation, local authority sites are transferred under 125 year leases from the Council to the relevant academy trust. Academy trusts which request that the Council surrender parts of the leased land for the purpose of generating a capital receipt will be advised that SCC will seek to retain 50% of the capital receipt

obtained*.

The Council will approve the disposal of its freehold interest subject to the academy trust investing their share of the receipt of the capital receipt, in a project approved by the Lead Commissioner for Children and Learning (normally the Director for Children's Services).

Disposals to Charitable Organisations
From time to time, surplus property is offered to charitable organisations to lease and/or purchase. Where an organisation's objectives support the Council's priorities and targets set out in the County Plan then a discount* on the rent or purchase price can be agreed by the Head of Property and the Director of Business Development.

Factors to be taken into account:

- Market value
- Alternative uses the Council might have for this asset
- Cost Recovery objectives to achieve market rents i.e. where peppercorn rents had previously been granted it would be challenged that these should be renewed and any discounting will be moderate.

*Discounts can be offered in accordance with the Council's scheme of delegation and the Local Government Act 1972 General Disposal Consent (England) 2003 to "secure the promotion or improvement of the economic, social or environmental well-being of its area. Where applicable, authorities should also have regard to their community strategy". (see **Commercial Values** above)

Responsibility for Costs related to Surplus Land or Property Assets

The occupiers (or former occupiers) will be responsible for the removal and safe/secure disposal of all non-fixed furniture, equipment (including computers), documentation and files. They are also responsible for the satisfactory and thorough completion of the **Terminal Management** programme which ensures that all contracts and services are terminated, as required.

Costs in connection with vacated property assets (including insurance, security and energy) remain the responsibility of the former occupiers until the property is declared surplus to SCC requirements. Assets declared surplus and satisfactorily vacated will be recorded on the Corporate **Land Management Account** (LMA). The LMA will meet all property-related costs on the proper, agreed vacation of the property.

Further Advice and Guidance

The Corporate Property Group is responsible for maintaining and reviewing this policy.

James Stubbs
Head of Property
Corporate Property Group
Business Development
County Hall Taunton TA1 4DY
Tel: 01823 355364
Email: jstubbs@somerset.gov.uk