

Cabinet
Council

8th October 2013
22nd October 2013

Name of Cabinet Member:

Cabinet Member (Business, Enterprise & Employment) – Councillor Kelly

Director Approving Submission of the report:

Executive Director, Place

Ward(s) affected:

All

Title:

Property Disposal Programme 2013/14 - 2016/17

Is this a key decision?

Yes - The proposals in this report will result in financial implications exceeding £500,000.

Executive Summary:

Council Members have made it one of their 20 priorities to identify within a year how 1000 new homes could be built in Coventry. This report identifies a site disposal programme of recognised housing development sites that could result in 1100 new houses being built over a 4 year period. In addition the Council's budget for 2013/14 requires the Council to continue to make significant savings stretching into the medium term. These savings are primarily being achieved through the Council's ABC programme. The Fundamental Service Review for Strategic Property requires the Council to save £3m per annum from its property portfolio by 2016/17. This target can only be achieved through a combination of property solutions including rationalisation of operational property, optimisation of the commercial property portfolio, and disposal of property assets. Members will be consulted on proposals for each of these components. This report sets the work of the review team in identifying an indicative programme of asset disposals for the period 2013/14 to 2016/17 that will contribute an estimated £1.1 million per annum revenue towards the target when all disposals have been completed as well as providing 1100 new homes in Coventry.

Recommendations:

Cabinet are requested to recommend that Council:

1. Approve the indicative capital disposal programme set out in Appendix 1 of this report subject to detailed terms being approved in accordance with the Council's constitution and Section 123 of the Local Government Act 1972.
2. Approve that the proceeds of sale, over and above the values required to support the approved capital programme, be allocated to reduce debt servicing costs in accordance

with the Council's Medium Term Financial Strategy which provides that the prudential borrowing should be repaid from capital receipts as they are generated.

3. Approve that the savings realised through debt reduction be allocated against the savings targets for the Strategic Property Fundamental Service Review.
4. Give delegated authority to the Executive Director, Place to approve any variations in the programme in consultation with the Cabinet Member (Business Enterprise and Employment).

Council are requested to:

1. Approve the recommendations received from Cabinet.

List of Appendices included:

Appendix 1 – Schedule of properties for disposal 2013/14 – 2016/17

Background Papers

None

Other useful documents:

Budget Report 2013/14 – report to Cabinet and Council 26th February 2013

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes - 22nd October 2013

Report title: Property Disposal Programme 2013/14 - 2016/17

1. Context (or background)

1.1 Council Members made it one of their 20 priorities to identify within a year how 1000 new homes could be built in Coventry. This report identifies a site disposal programme of recognised housing development sites that could result in 1100 new houses being built over a 4 year period. In addition the Budget Report approved by Council in February 2013 requires the Council to make substantial savings through the implementation of the ABC programme. Under the ABC initiative a Full Service Review of Property (FSR A60) requires savings of £3m per annum to be realised by 2016/17.

2. Options considered and recommended proposal

- 2.1 The current cost of the Councils operational property portfolio is circa £4.1m per annum. This covers the cost of 133 properties around the city including libraries, community centres, residential homes, depots and various other operational properties. It does not include the cost of the Council's office accommodation which falls outside the scope of the review. The office accommodation has been reviewed separately and was the subject of a report to Cabinet on 18th June (Starting Friargate Business District to Regenerate the City, Transform the Council and Deliver Savings) which identified an £0.5m per annum saving when implemented.
- 2.2 The Council's commercial property portfolio currently produces a net annual income of circa £11m per annum.
- 2.3 It is clear from work being undertaken by the A60 Project Team that to save £3m pa by 2016/17 will require the Council to occupy less property and to drive more income from its commercial portfolio. However these measures alone will not produce the savings required. Revenue savings can however be achieved through the disposal of surplus land and property and contribute to the achievement of the target of 1000 new homes.
- 2.4 Clause 6.2 of the Budget Report presented to Council in February 2013 dictates that capital receipts, over and above those required to fulfil the Councils capital investment plans set out in the Medium Term Financial Strategy (MTFS), be used to pay down borrowing.
- 2.5 By setting aside capital disposal proceeds to either offset future debt repayments and/or prevent the need for future borrowing, revenue savings can be achieved and new homes created.
- 2.6 Accordingly this report sets out the basis of the capital disposal programme for the period 2013/14 to 2016/17. If adopted, surplus capital receipts over and above the MTFS, would pay down debt to provide revenue saving to the Council.
- 2.7 Further disposals will be added to this programme as the Councils estate reduces because of service change to meet budgetary pressures and as a result of proposals that come forward from the strategic review and other services reviews. These disposals will be added to the programme through formal reporting to Cabinet on the implementation of proposals.

3. Results of consultation undertaken

3.1 Where appropriate, consultation over individual disposals will take place in accordance with the Council's constitution and through the planning process.

4. Timetable for implementing this decision

- 4.1 It is intended that recommendations of this report be implemented over the period 2013/14 to 2016/17. Individual disposals may not occur in the actual years indicated for operational reasons or because of changed market conditions. It is recommended that the Executive Director, Place be given delegated authority to approve any variations to the programme in consultation with the Cabinet Member (Business Enterprise and Employment).

5. Comments from Executive Director, Resources

5.1 Financial implications

The MTFS requires a certain level of receipts to fund the capital programme approved by members in February 2013. The disposal programme identified at Appendix 1, whilst only indicative at this stage, would deliver both the required MTFS disposals, and a further £17.5m of receipts. This report proposes to use disposal proceeds over that required in the budget, to offset new debt and/or future debt repayments.

Based on receipts of £17.5m it is estimated that revenue savings of £1.1m can be achieved to contribute towards the FSR target and the approved Council Budget. The exact profile of those savings will depend on the timing of disposals.

5.2 Legal implications

The Council is obliged to secure best considerations for the sale of its assets and will use the disposal power under section 123 of the Local Government Act 1972

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The savings outlined will contribute to the Council maintaining a balanced budget into the medium term thus preserving services for the people of Coventry.

In addition the sale of these sites should achieve the construction of over 1100 new homes over the next 4 years in the city helping to fulfil the commitment recently made to secure the construction of 1000 new homes by May 2014.

6.2 How is risk being managed?

The proposals contained within this report are to mitigate against the risks of the Council being unable to maintain a balanced budget. A Project Board chaired at Director Level provides governance to the whole FSR.

6.3 What is the impact on the organisation?

The impact to the organisation will be minimal but it will generate additional work for officers within Places and Resources Directorates in processing the sales.

6.4 Equalities / EIA

An equality impact assessment is a process designed to ensure that a policy project or service does not discriminate against any disadvantaged or vulnerable people. Section 149 of the Equality Act 2010 imposes an obligation on Local Authorities to carry out an equality impact assessment when the local authority is exercising a public function.

An equality impact assessment has not been undertaken by officers as the proposal set out in this report relates to the granting of or the creation of a legal interest in the land and does not constitute a change in service delivery policy or the exercise of a public function.

6.5 Implications for (or impact on) the environment

Individual disposals that result in development proposals will be subject to planning applications that will cover the environmental impact of the individual schemes.

6.6 Implications for partner organisations?

There are no implications for any partner organisations.

Report author(s):**Name and job title:**

Richard Moon, Senior Development Executive

Directorate:

Place Directorate

Tel and email contact:

02476 832350

Richard.moon@coventry.gov.uk

Enquiries should be directed to the above person.

| Contributor/approver name | Title | Directorate or organisation | Date doc sent out | Date response received or approved |
|---|--|------------------------------------|--------------------------|---|
| Contributors: Phil Helm | Finance Officer | Resources Directorate | 21/08/13 | 03/09/13 |
| Nigel Clews | Assistant Director | Place Directorate | 19/08/13 | 21/08/13 |
| Lisa Commane | Assistant Director | Resources Directorate | 21/08/13 | 03/09/13 |
| Julie Fairbrother | Communication Officer | Chief Executive's Directorate | 21/08/13 | 03/09/13 |
| Michelle Salmon | Governance Services Officer | Resources Directorate | 30/08/13 | 02/09/13 |
| Names of approvers for submission: (officers and Members) | | | | |
| Phil Helm | Finance Officer | Resources Directorate | 21/08/13 | 02/09/13 |
| Clarissa Evans | Commercial Team Manager, Legal Services | Resources Directorate | 21/08/13 | 21/08/13 |
| Nigel Clews | Acting Director | Place Directorate | 02/09/13 | 02/9/13 |
| Councillor Kelly | Cabinet Member (Business, Enterprise and Employment) | | 02/09/13 | 02/9/13 |

This report is published on the council's website: www.coventry.gov.uk/meetings