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## **ASSET MANAGEMENT – DISPOSAL OF ASSETS**

To: **Cabinet - 20<sup>th</sup> June 2013**

Main Portfolio Area: **Operational Services**

By: **Natalie Beldin, Estates Surveyor**

Classification: **Unrestricted**

Ward: **All**

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**Summary:** **To seek the agreement of Cabinet to progress surplus property within the adopted asset disposal process.**

### **For Decision**

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#### **1.0 Introduction and Background**

- 1.1 The Council uses its property assets for a range of purposes including direct delivery of services, revenue generation and supporting corporate plan objectives. The current general fund portfolio is diverse and is reviewed regularly in relation to maintenance liability, revenue generation and capital appreciation. Assets held on the register that are considered to be surplus are presented to Cabinet for potential disposal.
- 1.2 The Interim Property Disposal Process, adopted in May 2012, requires future disposals to be approved by Cabinet. The list of proposed sites, if approved, will enhance the value of the current asset disposal list and offers the potential to achieve a capital receipt for the Authority to contribute to future capital projects and corporate objectives.

#### **2.0 The Current Situation**

- 2.1 Capital receipts are necessary to fund future capital projects. If surplus property or land is not identified and capital realised, the council's capital projects will be vastly reduced or alternative methods of funding will have to be found. In addition, market conditions can be volatile and unforeseen events may restrict obtaining receipts, therefore it is necessary to identify possible alternative sites.
- 2.2 The list of assets contained in Annex 1 is proposed as surplus and suitable for progression through the disposal framework, having already been considered by the Capital and Asset Management Group. On top of these sites, two additional sites are highlighted below in relation to specific property issues.
- 2.3 Cabinet are asked to consider supporting a possible extension to the leasehold interest of the Royal Victoria Pavilion, Ramsgate (site plan in Annex 2) in order to facilitate private sector capital investment. There are currently 31 years unexpired on the original lease agreement granted by the Authority in 1969 for use of the property. Expressions of interest have been received for the site from third parties, both directly and via the tenant, but the unexpired period of the current lease is too short to support the level of investment required to bring the building back into effective commercial use. The freehold of the property will be retained by the council, but

Cabinet is asked to consider authorising officers to expand the marketing process of the lease, in conjunction with the existing tenant, for the site, in an open and transparent method, whilst ensuring best value and probity for the Authority. This assistance would be by being able to offer an extended lease of over 100 years, if necessary to the party taking over the building on the basis of a guaranteed investment from them. The value of this extension would be to support the investment and not to increase the value of the lease to the current lessees. At this stage it is not proposed that the council places any specific restriction on the commercial transfer of the lease as landlord, but clearly any changes to the building and its use would be subject to planning and listed building applications. In considering potential tenants under a longer lease term the Authority will be in a position to consider financial issues against social benefits achievable.

- 2.4 The Ramsgate Swimming Pool site was authorised for disposal at the November 2012 Cabinet meeting and Officers have been in negotiation for the sale upon closure of the facility this summer. A request has been received from the potential purchaser to extend the site area slightly, as indicated on the plan contained in Annex 3. This request has arisen due to access limitations for their intended use and the fact that there is a water main impacting on their proposed design located in the middle of the site. The additional area of land measures 288sq.m and will increase the receipt to the council, should Cabinet support the extension. The covenant issues on the site, which were reported at the November Cabinet meeting, are contained in annex 4.

### **3.0 Options**

- 3.1 The following are the possible list of options relating to the various sites set out in annexes 1 and 2
- 3.1.1 To agree to the list of properties in Annex 1 being surplus to requirements and therefore to be progressed through the agreed asset disposal process.
- 3.1.2 To reject all or some of the assets proposed as being surplus, with reasons and corrective actions necessary.
- 3.1.3 To agree to officers supporting the marketing of the lease for Royal Victoria Pavilion by the current lessees by being able to offer a lease extension of over 100 years if necessary.
- 3.1.4 Retain the Royal Victoria Pavilion subject to the existing lease, without alteration. It is unlikely that prospective parties will invest extensively in renovation without the level of security of a long lease.
- 3.1.5 Support extension of the Ramsgate Swimming Pool site to the eastern boundary in relation to the freehold sale of the asset.
- 3.1.6 Continue with sale of the main body of the site but reject the extension to the Ramsgate Swimming Pool site and retain the land. This may compromise the sale and effective use of the current site.
- 3.2 It is proposed that of the above options 3.1.1, 3.1.3 and 3.1.5 are adopted by Cabinet.

## **4.0 Corporate Implications**

### **4.1 Financial and VAT**

- 4.1.1 The current prediction of capital receipts is showing a shortfall against that required to fund the approved capital programme. If further capital receipts are not identified, the capital programme will need to be scaled back.

### **4.2 Legal**

- 4.2.1 Covenants and restrictions on the proposed disposals have been investigated by the Council's Legal section and do not prevent disposal of the properties identified. The results of this are set out in Annex 4.

### **4.3 Corporate**

- 4.3.1 This report has been prepared with reference to the Property Disposal Process 2012-14, adopted by Cabinet on 10<sup>th</sup> May 2012 – refer to annex 5 for process.
- 4.3.2 Release of surplus council assets will provide capital receipts to fund priorities aligned to the current Corporate Plan. Should capital not be realised through disposal the risk to the Authority will be in securing funds to deliver such priorities.
- 4.3.3 Retaining surplus sites exposes the Authority to unnecessary maintenance liabilities, costs, management and property risks.

### **4.4 Equity and Equalities**

- 4.4.1 The council's equality duty has been assessed in relation to the elements of this report, but it is not considered that these will compromise the rights and requirements of any group in relation to the adoption of the recommendation.

## **5.0 Recommendations**

- 5.1 That Cabinet agree to the sites contained in Annex 1 as surplus and progressed through the disposal framework for freehold sale;
- 5.2 That Cabinet agree to Officers supporting the commercial marketing on the open market of the lease for Royal Victoria Pavilion by the current lessees by being able to offer a lease extension of over 100 years if necessary. The lease extension will only be to facilitate investment by a new lessee and not support an increased value for the lease sale;
- 5.3 The site area of the Ramsgate Swimming Pool disposal site is extended on the eastern boundary and the sale continues to be progressed for capital receipt in 2013/14.

## **6.0 Decision Making Process**

- 6.1 This is a key decision which can be taken by Cabinet.

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Reporting to:	Mark Seed, Director of Operational Services

## **Annex List**

Annex 1	Proposed asset disposal list and site plans
Annex 2	Site plan of the Royal Victoria Pavilion
Annex 3	Site plan of Ramsgate Swimming Pool
Annex 4	Legal covenant report
Annex 5	Adopted Property Disposal Process

## **Corporate Consultation Undertaken**

Finance	Sarah Martin, Financial Services Manager
Legal	Harvey Patterson, Corporate & Regulatory Services Manager