

## ROTHERHAM BOROUGH COUNCIL

1.	<b>Meeting:</b>	<b>Cabinet</b>
2.	<b>Date:</b>	<b>5 November 2014</b>
3.	<b>Title:</b>	<b>Capital Programme : Capital Receipts Update All Wards</b>
4.	<b>Directorate</b>	<b>Environment and Development Services</b>

### 5. Summary

This is a half year report on capital receipts for 2014/15 and highlights changes to the forecast of capital receipts. In the first half of 2014/15 a total of £3.822m has been achieved and a further £4.876m is anticipated to be completed by the financial year end.

The Asset Management service has generated over £15m in capital receipts over the last 2 full years and these have helped the Council address its budget challenge by significantly reducing debt management and property running costs.

### 6. Recommendations

**Cabinet is asked to note the current position on the capital receipts programme.**

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## 7. Proposals and Details

### Summary of Financial Position

The table in **Appendix 1** summarises both the current year's actual and anticipated capital receipts, together with a forecast of estimated capital receipts over a 4 year period. Appendices 2 to 5 provide further detail on the specific sites targeted to be disposed of over the same 4 year period.

Assets are only added to the programme after a Cabinet decision has been made to release an asset for sale and the appropriate call in period has expired. The table in Appendix 1 shows how the position has changed since the previous report presented to Cabinet on 18 June 2014. The table in Appendix 1 also identifies projected receipts in risk bands (High, Medium and Low) and shows the total projected receipts in each banding. The programme reflects the risks associated with disposing of the types of assets the Council currently holds for sale. The risk bands indicate the known and anticipated risks of disposals being achieved within their allocated quarter-year and take account of the current generally depressed local and regional markets.

In the first 6 months of 2014/15 a total of £3.822m in receipts has been achieved and a further £4.876m is anticipated to be completed by the financial year end, giving projected total receipts for the 14/15 year of £8.698m, including disposals considered 'high risk'.

### Approach adopted by Asset Management

As previously reported the Estates Team has this year already completed sales of three difficult sites known as r/o 22a West Park Drive, Fitzwilliam Rd & Cottingham St (former car park A) and land adjacent to Mill Close.

In addition to this the Estates Team has now completed on the sale of three more assets known as The Maltings, Fitzwilliam Rd & Cottenham Road Car Parks and Saville Street, Dalton which is being developed as a doctor's surgery. These, together with the completion of the former depots at Wadsworth Road, Bramley and Hamilton Road, Maltby has realised a further £3m in capital receipts.

Furthermore, in the next quarter to December the Council has contractual agreements in place on 3 more assets that will realise an additional £3.75m in capital receipts. Coupled with the receipts already secured this year this will bring the total completed receipts to £7.57m; this will more than double Asset Managements self-imposed target of £3.5m for the full year by the end of the third quarter.

For the remainder of (final quarter) 2014/15 capital receipts of £1.137m, of which £0.186m is HRA, have also been identified for completion. These are, however, allocated a high risk profile either because there are no contractual obligations in place or because they are scheduled to complete in the final quarter of the financial year.

The Estates Team also continues to review and identify further assets for sale through the property rationalisation programme. In the current financial year surplus

assets of £4.24m have been successfully identified for the ongoing disposal programme of which £0.175m is HRA. This surpasses the Asset Managements self-imposed target of £3.5m for the full year by the second quarter.

Evidence of transactions and interest in available sites shows that signs of recovery in local markets are not uniformly spread across the Borough. Through maintaining a flexible approach that is sensitive to the local market and, by continually working with proposed purchasers to overcome site constraints, the Estates Team has not only secured market leading land values but has also realised further benefits from disposal of its assets. Examples of these benefits are given in detail below;

- **Former Council Depot, Wadsworth Road, Bramley**

Since the date of the last report planning permission has been granted for the development of 48 units, 20% of which are affordable homes with an additional £10,000 commuted sum towards affordable housing. In addition to this £5,000 was granted to the Parish Council for the upkeep of children's playing facilities in the area together with a £120,000 sum towards education for the authority. As well as these contributions the disposal will realise significant savings in relation to property running costs, a new homes bonus for 48 units and the creation of jobs in the construction phase of the development. Since reporting to CSART this sale has now completed.

- **Eastwood Depot, Eastwood Trading Estate**

Significant property defects and high running costs made a sale particularly challenging. However after working with the purchaser to overcome these issues we have negotiated an unconditional offer and a sale of the asset is due to complete imminently. The purchaser of the site is an established local company. Their acquisition will allow them to expand their current operation with the possibility of job creation in the local area. This sale will also allow the Council to save on significant property running costs.

- **Former Council Depot, Hamilton Road, Maltby**

A joint marketing agreement with the adjoining land owner has now secured a sale for the re-development of both sites. Planning permission has now been granted for the erection of a 10,000ft<sup>2</sup> low cost food retail outlet which will see the creation of 40 full time equivalent posts for the local area. The remaining part of the site will see the development of 54 residential units 25% of which will be affordable housing. In addition to this there will be revenue savings in the form of property running costs, a future new homes bonus for 54 units and job creation in the construction phase of each development. Since reporting to CSART this sale has now completed.

## **8. Finance**

Maintenance costs of Housing Revenue Account assets until sale are funded from the HRA account. The maintenance cost of the General Fund Assets held for sale is currently unbudgeted in the Land and Property Bank and is being reported as part of the overspend on the Land and Property Bank. There is also a budget pressure relating to the costs of disposing of assets at the current level of disposals.

Assets with receipts of £10,000 and less are placed on a de-minimis list given their classification as revenue income.

## **9. Risks and Uncertainties**

As with all property transactions a capital receipt cannot be guaranteed until the sale is completed. If the current economic climate again begins to stagnate and depress the property market, the risks associated with achieving targets will continue to increase.

Longer holding periods to reflect poor market conditions are increasing maintenance costs as assets, particularly buildings, suffer increased vandalism and anti social behaviour and general deterioration.

## **10. Policy and Performance Agenda Implications**

The sale of surplus assets supports the Council's priorities by releasing capital from unwanted/underused property assets.

The sale of assets recycles buildings for alternative use and land for development.

## **11. Background Papers and Consultation**

Financial Services approved on 23 October 2014

Ward Members, the Town/Parish Council, the NHS Rotherham, South Yorkshire Police and Directors of Service have been consulted on all assets included in the current programme.

This report is presented to CSART, SLT and then Cabinet.

Appendix 1 to 5 – Table summarising possible and completed Capital Receipts 2014/2018 including list of properties in the programme.

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