

Report to Executive

Agenda
Item:

A3

Meeting Date: 28th October 2013
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD.026/13
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: Asset Review Business Plan – Refresh of Disposal Programme
Report of: Director of Resources
Report Number: RD.47A/13

Purpose / Summary:

In discussion with Portfolio Holders Officers' have undertaken a midterm review of the disposal programme, stocktaking the current position in the light of progress, changing circumstances, and the emerging priorities in the Carlisle Plan 2013 – 2016 to address future housing needs. This Report provides an update, proposes some changes to the content of the Programme and outlines proposals to bring forward a pipeline supply of future housing development sites from the revised Disposal Programme. The Executive is invited to consider the changes and, following any comments or amendments, forward the Report to Resources Overview and Scrutiny Panel for scrutiny. Observations from the Panel will come back to the Executive and if it so chooses the revised Programme can then be considered by full Council for adoption.

Recommendations:

1. The Executive note the current position and progress with the Disposal Programme.
2. The Executive considers and comments upon the proposed changes to the Disposal Programme, and the plans to bring forward potential housing development sites to meet the priorities of the Carlisle Plan and address future housing needs, before passing the Report to scrutiny for consideration.

Tracking

| | |
|------------------------|--|
| Executive: | 28th October 2013 |
| Overview and Scrutiny: | ROSP 28th November 2013 |
| Executive: | Executive 16th December 2013 |
| Council: | 7th January 2014 |

1. BACKGROUND

1. Asset Review Business Plan – Disposal Programme

The citizens and businesses of Carlisle benefit from the City Council owning a substantial property portfolio with a value of circa £130m. This portfolio generates income of approximately £5.5m pa – a substantial contribution to the costs of delivering services in the City.

The Asset Review Business Plan was developed by Montagu Evans, working principally with Property Services and the Chief Executive, and approved by Council on 11th January 2011 (Report Ref CE.39/10 refers).

The Plan's objectives are to rationalise and consolidate the portfolio, with a programme of disposals spread over 4 years realising capital receipts of £24 m, and to have:-

- Clear and separate management of the operational, investment and economic development assts.
- Fewer, higher yielding investment assets which are cheaper and easier to manage.
- Maximisation of the embedded value within the portfolio.
- Council owned assets which are well maintained and continue to be attractive for occupiers.
- Increase returns through higher income and lower outgoings.

The capital receipts will be used to fund investment purchases, generating an additional £1m pa to support budget and efficiency savings, and help secure service delivery into the future, and to finance improvements to the operational and economic development portfolios.

A total of 51 assets were identified for disposal over the life of the Plan. The Montagu Evans Business Plan sets out the business case and detailed information on all the assets; this can be accessed on the web link <http://bit.ly/ccc-ARBP>.

Separately there is also an ongoing review of operational property used for service delivery, which includes the Civic Centre office accommodation and the Depots.

2. Current Situation

Disposal Monitoring Schedule

The Disposal Monitoring Schedule sets out in **Appendix1** the current position and work in progress for each of the original 51 assets earmarked for disposal. It also shows, for those assets where sales have been completed, the target receipts and

actual outcomes, the impact on rental income and leases, and the cost to date of realising sales.

Summary Position

The overall position to date in terms of disposals, acquisitions and the impact on the estate and rental income can be summarised in the following table. The cost to date of realising sales including marketing, agency fees and ancillary disbursements amounts to circa £133k which at 2% of gross receipts is within budget targets.

| <u>Sales</u> | <u>No Assets</u> | <u>Target Receipt</u> | <u>Actual Receipt</u> |
|------------------|------------------|-----------------------|---|
| Completed | 25 | £4.4m | £5.5 |
| In the pipeline | 4 | £495k | |
| | | | |
| <u>Purchases</u> | | | |
| Completed | 7 | £2.235m | Rickergate properties, Bhs Woolworth Building, Herbert Atkinson House |
| In the pipeline | 1 | £1.1m | Morton land exchange |
| | | | |

| <u>Rentals</u> | <u>No Assets</u> | <u>No Leases</u> | <u>Amount pa</u> |
|----------------|------------------|------------------|------------------|
| Losses | 25 | 70 | £199k |
| | | | |
| Gains | 7 | 6 | £220k |
| | | | |

Morton

A significant part of the Business Plan delivery, and the re-engineering of the Council's portfolio, hinges on the release and disposal of the latent value in the Council's retail and residential assets at Morton. There is a risk that delays in the disposal of this asset will have a substantial impact on the disposal programme, the capital reinvestment plans and revenue position of the Council. This has been recognised and identified on the Council's Corporate Risk Register and is being carefully monitored.

Housing Priorities

The Carlisle Plan 2013-16 identifies the delivery of housing as a priority action for the Council going forward. A number of sites earmarked for disposal in the original

Disposal Programme (10 in total) have the potential, subject to market demand and planning to deliver residential development opportunities in the short to medium and longer term. This could be through the private sector, Registered Social Landlords, a mix of both or bespoke initiatives such as self build schemes.

Additionally a recent trawl of the operational portfolio has been undertaken to identify any vacant land, or assets which may become surplus to requirements in the future, and merit consideration for inclusion in the Disposal Programme as a 2nd Phase of asset sales, which potentially may be suitable for release as housing development land. The sift has resulted in a further 9 assets being identified for possible inclusion in the Disposal Programme, these are shown listed within the Disposal Monitoring Schedule **Appendix 1** as “Phase 2”.

Bringing forward land for residential development for sale in the market place is commonly a resource intensive and time consuming exercise. Much depends on the planning situation, whether there is a current housing allocation, the prospect if at all for a future allocation and, if this can be realised, whether the timescale is in the short, medium or longer term.

The suitability of the 19 assets in the original Disposal Programme and “Phase 2” to deliver future housing needs has been assessed through a desk top appraisal by Planning, Housing and Property officers. Site locations for all the assets involved are shown on the Plan, attached to this Report as **Appendix 2**, edged in red and shaded either green, red, orange or yellow. Land shaded light pink on the Plan highlights the relationship of these sites with other land in Council ownership.

The desktop evaluation has looked at the pertinent criteria most likely to influence the ability to deliver land for residential development including inter alia current use and occupation, planning, site conditions and constraints, end users, value and market demand, and timescales. The conclusions from the exercise have been assembled and tabled together; they are presented in **Appendix 5** to the Executive for comment with a proposed recommendation in terms of disposal strategy and a pipeline delivery programme.

2. PROPOSALS

2.1 Disposal Programme Going Forward

- **Appendix 3** – This schedule details the asset sales within the original Programme which have been put on hold, delayed or postponed. The position is noted and a future course of action for each is proposed.
- **Appendix 4** – This schedule sets out details for asset which have already received Executive consent to release. Sales are in the pipeline or the preparatory work to bring the assets to the market is already underway. The Executive is invited to note the position.

- **Appendix 5** – This schedule details the 19 assets identified from the original Disposal Programme (10), and the recent trawl of operational property (9), which have been assessed for suitability and viability as potential housing development sites with a view to bringing forward a future delivery programme to meet the Council's housing aspirations and budgetary requirements. For each site under assessment the asset details are set out, together with the current planning position, and other material considerations. A proposed course of action is suggested for each individual asset which can be broken down into the following 5 groupings and proposed outcomes/actions:-
 - **No prospect of housing development** – These assets, shown shaded **red** in Appendix 5, should be released for sale as part of the disposal programme or retained for operational use.
 - **Ripe for immediate sale development** – Most of these assets, shown shaded **dark green** in Appendix 5, are already included in the Disposal Programme and have the benefit, apart from the land at Westwood Road, Morton, of a current planning allocation for primary residential use. The land at Raffles is already in the course of development through the Lovells Partnership Agreement, and the housing site at Lonning Foot, Rockcliffe has been on the market for some time now. It is suggested, for sites which are not already underway, they should be brought forward to the market as soon as possible on the basis of the proposals set out within the schedule. A separate Report RD. 48 A and B/13 has been prepared for the Executive to consider on the Land at Westwood Road.
 - **Strong possibility for development in the short term** – These sites, identified in **light green**, have the potential to be brought forward for housing within the next 2 to 3 years, subject to planning, to meet private house builder demands and also provide a mix of affordable/social housing through Registered Social Landlords. Work to bring these sites forward in order to deliver within the timescale envisaged needs to commence straightaway.
 - **Longer term opportunities** – These are large sites, shown coloured **orange** in the Appendix which, if they are to be brought forward for housing, require a strategic approach worked up over the longer term.
 - **Miscellaneous sites** – Coloured **yellow** in the Appendix these remaining sites, which are relatively small in size, all have intrinsic constraints commonly around access which limit scope for housing purposes unless a special purchaser, such as an Registered Social

Landlord, or specific use for example self build, can be found to unlock any future potential.

3. CONSULTATION

- 3.1.** The Asset Review Business Plan has been endorsed by full Council following an extensive period of consultation with stakeholders and Members. These proposals to refresh the content of the Plan and meet the housing needs of the Carlisle Plan 2013-16 have been discussed at Senior Management Team, Joint Management Team and the Strategic Housing Development Group. Their views and opinions have been incorporated into the Report.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 4.1.** To more effectively manage the Council's assets in pursuit of wider strategic and budgetary objectives, and bring forward land for development to meet the goals of the Carlisle Plan to address housing needs.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1.** It is considered the proposals will support the following priorities:-
- Addressing the current and future housing needs of the City.
 - Promoting partnership working with private and public organisations.
 - Providing capital receipts to support the Asset Business Plan and maintain public services.

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Appendices
attached to report: Appendix 1 – Disposal Programme Monitoring Schedule
 Appendix 2 – Housing Sites Location Plan
 Appendix 3 – Asset Sales on Hold
 Appendix 4 – Asset Sales Consented and Underway
 Appendix 5 – Schedule of potential Housing Development Sites

Note: in compliance with Section 100d of the Local Government (Access to Information) Act 1985 the Report has been prepared in part from the following papers: CE 39/10 Draft Asset Business Plan

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – None

Community Engagement – None

Economic Development – None

Governance – The Council has a fiduciary duty to properly manager its property assets. It has the legal powers to both buy and sell land and, in terms of disposals, should sell surplus land. The Asset Management Plan is part of the Council's reserved Budget & Policy framework and, as such, the Executive is required to consult with Overview & Scrutiny before making a recommendation to Council.

Local Environment – None

Resources – The asset review business plan has been progressing since its implementation and to date has achieved £1m more capital receipts than originally anticipated (£5.5million against £4.5million). Some of these additional receipts have been utilised to progress the Arts Centre proposals. Seven purchases have been completed at a total cost of £2.25million and new income has been generated of £220,000. Lost rental income on assets sold of £199,000 has been incurred. Further assets have been identified for potential disposal which, if sold will provide additional receipts over and above those originally envisaged.

ASSET REVIEW BUSINESS PLAN – DISPOSAL PROGRAMME**SALES ON HOLD – DELAYED OR POSTPONED**

| Monitoring Schedule Ref | Montagu Evans Plan Page Ref | Asset | Position | Proposed Action |
|--|--|-------------------------|--|---|
| 45 | 56 | Garages at Broad Street | Members postponed proposed auction sale following interest by local residents group to retain as amenity open space. | <ol style="list-style-type: none">1. Land – agree terms with Resident Group for lease as amenity open space.2. Dispose of let garages on open market asap. |
| 16 | 81 | BBC Annetwell Street | Members postponed sale to sitting tenant when cuts threatened future of BBC Radio Cumbria. | BBC position clarified. Progress disposal. Executive consent 30 th Sept 2013 |
| 14 | 72 | James Street Workshops | Proposed auction sale. Members put on hold pending further consideration on the way forward. | Hold in abeyance on the Disposal Programme pending further consideration of position |

APPENDIX 3

| Monitoring Schedule Ref | Montagu Evans Plan Page Ref | Asset | Position | Proposed Action |
|--|--|--------------------------------------|--|---|
| 42 | 58 | Gardenia Street Garages | Hold pending Depot Review, possible access / development | Continue to hold in abeyance until decision on Bog Yard made following Depot Review |
| 30 | 69 | Viaduct Industrial Estate | Strategic site pending outcome Morton transactions | Hold in abeyance until Morton outcome materialises |
| 28 | 36 | 17 Scotch Street (Save the Children) | Strategic linkages with The Lanes Shopping Centre and Rickergate | Lanes in new ownership. Discuss incorporating asset into Lanes family portfolio. |

ASSET REVIEW BUSINESS PLAN – DISPOSAL PROGRAMME**ASSET SALES CONSENTED & UNDERWAY**

| Monitoring Schedule Ref | Montagu Evans Plan Page Ref | Asset | Position | Proposed Action |
|--|--|-------------------------------|---|---|
| 36 | 65 | Willowholme Industrial Estate | Remaining sites 1 & 4, 3 7, 6, 13, 14, 16, 17 | Bringing to market by auction on 16th October |
| 36 | n/a | Willowholme Depot | Sale fell through. Back on market | Bringing to market by auction on 16th October |
| 21 | 33 | Treasury Court | Sale to sitting tenant (right of pre-emption) fallen through | Re-marketing with auction on 16 th October |
| 32 | 117 | Lonning Foot, Rockcliffe | Sale fell through. Back on market | Re-marketing for sale by private treaty, possible auction later |
| 40 | 82 | Residential Enclosures | Numerous scattered house / flats freehold reversions. Poor records, resource intensive with little return | Progress sales as priorities & resources allow |

APPENDIX 4

| Monitoring Schedule Ref | Montagu Evans Plan Page Ref | Asset | Position | Proposed Action |
|--|--|-------------------------------|---|--|
| 38 | 83 | Electricity Sub Station Sites | Numerous scattered freehold reversionary sites. Poor records, resource intensive with little return | Progress sales as priorities & resources allow |
| 5 | 94 | Whinnie House Road | Outstanding Rent Review to resolve. Several interested parties | Resolve Rent Review. Bring to market formally |

ASSET REVIEW BUSINESS PLAN – DISPOSAL PROGRAMME
POTENTIAL HOUSING DEVELOPMENT SITES

| LOCTN PLAN REF | MONT. EVANS PLAN PAGE REF | ASSET | | | | PLANNING POSITION | | | | CONSIDERATIONS | PROPOSED ACTION |
|----------------------|---------------------------------------|--|---|-------------------|--------------------------------------|-------------------------|--------------------------|------------------|-------------|--|--|
| | | Name | Portfolio & Disposal Programme | Area Ha Acs | Use | Local Plan 2001-16 | SHLAA Assmt Timing | Density L/M/H | Nos Dwgs | | |
| 1 | 95 | Stanwix House & Cottage | Investment Disposal Programme | 0.74 1.8 | Leased to Cumbria University | Primary Leisure | No | N/A | N/A | Primary Leisure. Hadrians Wall. Redevelopment of buildings acceptable but little prospect on land | Housing scope nil Disposal Programme sale Bring to open market |
| 2 | 114 | Land between Eastern Way & Durrhill Road, Botcherby | Investment Disposal Programme | 0.39 0.96 | Open space | Amenity Open Space | No | N/A | N/A | No scope. Retain open space or sell to reduce maintenance liabilities | Housing scope nil Review Disposal Programme sale Retain as open space and remove from Disposal Programme |
| 3 | N/A | Bousteads Grassing Depot | Operational | 1.09 2.69 | Depot | Primary Employment | Yes 6-15yrs | M | 33 | Depot Review. Flood risk. Limited scope for residential. | Housing scope limited Consider future use following accommodation Depot Review |
| 4 | N/A | Bog Yard Depot | Operational | 0.327 0.81 | Depot | White land | No | L | 6 | Depot Review. Scope but poor access. | Housing scope limited Consider future use following accommodation Depot Review |
| 5 | 107 | Raffles Development Land | Investment Disposal Programme | 11.64 28.7 | Lovells Dev't Scheme | Residential consent | No | H | 248 | Lovells Partnership Development Programme. Ph 4,5,6 & Dalton Ave to build out. Affordable houses for sale | Continue to progress housing dev / sales with Lovells Mix affordable Pkte Sector & Social Housing. |
| 6 | 105 | Land at Wood Street | Investment Disposal Programme | 0.22 0.55 | Former Bowling Green Vacant | Primary Residential | No | L | 14 | Part Flood Zone. Poor access. Neighbourhood issues. Deliverable | Disposal Programme sale. Bring to market for Partnership social housing/HCA Apprentice Scheme |
| 7 | 110 | Land at English Street, Longtown | Investment Disposal Programme | 0.46 1.14 | Former Allotments Vacant | Primary Residential | No | H | 18 | Feasibility of joint development with Catholic Church. Access issues. Consent on neighbouring land issued – see application 11/0279. Deliverable | Pkte Sector Housing Disposal Programme sale. Progress discussions with Church to jointly bring to market |
| 8 | 117 | Land at Lonning Foot, Rockcliffe | Investment Disposal Programme | 0.075 0.18 | Former Garden land Vacant | Residential | No | L | 1 | Agreement for sales fallen through Site for 1/2 dwellings | Pkte Sector Housing Disposal Programme sale |
| 9 | N/A | Land at Wigton Road, Morton | Operational | 0.78 1.93 | Open space | Primary Leisure Area | Yes 6-15yrs | M | 23 | Adjacent Retail Site. Primary leisure area under review Morton – linked with development of Morton allocation. Timing dependant on delivery of | Interest from RSL, Autism provider & nursery use currently being pursued / worked up. Report to Executive on proposals RD 47A/13 |

| | | | | | | | | | | PLA for Morton housing allocation. Developable | |
|----|-----|---------------------------------------|---|---------------|-----------------------------|--|----------------|-----|-----|--|---|
| 10 | 100 | Land SW of Kingwater Close, Brampton | Investment Disposal Programme | 2.32 5.73 | Agricultural land | Urban Fringe Landscape | Yes 0-5yrs | M | 70 | Attractive/desirable site for pvt developers. Access limitations to unpick. Development in conjunction adjoining land. | Pvte Sector Housing Disposal Programme sale. Bring forward into market |
| 11 | 111 | Land at Dene Crescent, Belah | Investment Disposal Programme | 2.19 4.93 | Open space | Primary Leisure | No | N/A | N/A | Part only assessed for SHLAA . Some potential on part | Mixed Pvte /Social sector Housing scope Disposal Programme sale |
| 12 | N/A | Land at California Road, Greymoorhill | Investment | 6.54 16.15 | Agricultural land | Allotments | Yes 0-5yrs | M | 196 | Association with Kingstown IE Allotment allocation review. Part only? Access. Possible joint approach but road improvements may be required. Deliverable | Mix Pvte Sector & Social Housing Include in Kingstown / Parkhouse Future Management Options? |
| 13 | 112 | Land at Boundary Road/York Gdns | Investment Disposal Programme | 4.70 11.5 | Open space | Primary Leisure, Education & Community | Yes 5-10yrs | L | 94 | Joint opportunity with County. Part Primary Leisure Area. Contamination. May be scope to reconfigure site to retain some open space and allow for limited residential development. | Site for Social Housing. Bring forward longer term with County. Mixed scheme |
| 14 | 103 | Land at Beverley Rise, Harraby | Investment Disposal Programme | 2.15 5.30 | Agricultural land | Urban Fringe Landscape | Yes 0-5yrs | M | 64 | Various potential access points. M6 buffer screening required. Deliverable. | Mix Pete Sector & Social Housing Disposal Programme sale. Bring forward to market in longer term. |
| 15 | N/A | Land at Harraby Community Centre | Operational | 2.92 7.21 | Open space | Primary Leisure Community | No | M | 88 | Harraby Campus Project. Planners to assess in SHLAA. | To assess possibly Mix Pvte Sector & Social Housing |
| 16 | N/A | Land at Greta Ave | Operational | 0.41 1.00 | Former Allotment Vacant | Primary Leisure Area | No | L | 8 | Planners to review in SHLAA. Scope with limited access. Consider allotment status | Site for Social Housing |
| 17 | N/A | Land at Sewell Place, Currock | Operational | 0.353 0.87 | Former Allotment Vacant | Primary Residential | No | L | 7 | Vacant Allotment. Access to overcome. Social Housing scope. | Site for Social Housing |
| 18 | N/A | Currock Bowling Green | Operational | 0.46 1.13 | Former Bowling Green Vacant | Primary Leisure Area | No | L | 9 | Vacant. Review designation. Access restricted, suited to Specialist Housing use? Or small scale open market scheme. | Site for Social Housing unless access can be provided |
| 19 | N/A | Hadrians Gardens, Brampton Road | Operational | 1.14 2.8 | Open space | Not designated | No | L | 22 | Amenity land. Outside scope. Outside Urban boundary. Planners to review in SHLAA | Site for Social Housing or Self Build or other specialist needs |

| LEGEND | Red | No Prospect Housing | Dark Green | Immediate Development Sites | Light Green | Short Term Sites |
|--------|--------|---------------------|------------|-----------------------------|-------------|------------------|
| | Orange | Longer term Sites | Yellow | Miscellaneous Housing Sites | | |