

## **Regeneration, Culture & Environment Overview and Scrutiny Committee**

**26 February 2025**

### **Property Review: Operational Properties**

Report from: Sunny Ee, Assistant Director, Regeneration

Author: David England, Head of Valuation and Asset Management

#### **Summary:**

This report presents phase 2 of the property review in relation to those operational property assets which have been identified as either:

- Suitable for being declared surplus, so that they can potentially be disposed of or in the case of Upper Mount Car park disposed or appropriated for other Council uses, all following appropriate consultation with stakeholders, including the Council's Corporate Landlord Board (CLB.)
- Requiring consultation concerning their future, with the results of this consultation being brought to a future Cabinet meeting, so that Cabinet can then decide the way forward.

This report is being presented to this Committee for pre-decision scrutiny prior to consideration by the Cabinet on 11 March 2025.

#### **1. Recommendations**

1.1 The Committee is asked to make and submit comments on the proposals set out in the report to the Cabinet and to note that the Cabinet will be asked to approve the following recommendations on 11 March 2024:

- 1.1.1 The Cabinet is asked to declare surplus the properties which are listed in the first table below and listed in more detail in appendices 1 and 2 to this report.
- 1.1.2 The Cabinet is asked to delegate authority to the Director of Place, in consultation with the Corporate Landlord Board (CLB) to dispose of the properties, or in the case of Upper Mount Car park, to dispose of it, or appropriate it for other Council uses and to agree the method of disposal for each property, in order to obtain the best consideration reasonably obtainable:

	<b>Property</b>	<b>Risk Rating (See exempt appendices.)</b>
	Hopewell Drive Business Centre, Hopewell Drive Chatham. (This property will be sold subject to the existing occupiers other than Unison and the GMB who will be relocated before the property is sold.)	Medium
	St George's Centre, Chatham Maritime and the adjoining leasehold car park to the east. (This property will not be sold until the Council Chamber has been relocated and an audit of the historic assets within it has been carried out and where appropriate measures are taken to secure the future of these historic assets.)	Medium
	Offices 17 High Street Rochester. (The seven staff which are based here will be relocated to other Council premises).	Medium.
	Strood Cemetery Lodge, Cuxton Road Strood. (This property will not be sold until the service tenant who occupies it no longer works for the Council and the Council has	Low

	vacant possession of this property.)	
	Britton Farm Undercroft Car Park, Arden Street, Gillingham.	Medium
	The Brook Multistorey Car Park, Chatham.	Medium
	Upper Mount Car Park Chatham. (Cabinet is asked to delegate authority to the Director of Place in consultation with CLB to dispose of this or appropriate it so it can be used for other Council functions.)	Low
	Lower Stoke Car Park, Cuckolds Green Road. (This is let Stoke Parish Council.)	Medium
	Car Park 240-244 High Street Rochester.	Medium
	Car Park Albatross Avenue Strood.	Medium

1.1.3. That Cabinet asks officers to undertake consultation concerning the future of the properties listed below, with the results of this consultation being brought to a future Cabinet meeting, so that Cabinet can then decide the way forward:

<b>Decision number.</b>	<b>Property</b>	<b>Risk Rating (See exempt appendices.)</b>
	Upnor Castle, High Street Upnor. (This is not Council owned, but it is managed by the Council under a Local Management agreement with English Heritage (EH.)) The initial consultation will be with EH and the need for further consultation will	Medium

	be informed by the outcome of this initial consultation with EH.	
	Public Toilets Rainham Shopping Centre, Rainham.	Medium
	Public Toilets, Cooling Village Hall, Main Road Cooling. (These are not Council owned.)	Medium
	Public Toilets, The Street, High Halstow. (The Council has a leasehold interest in these.)	Medium

Details of the above properties are contained in the two exempt appendices:

Exempt Appendix 1 car parks.

Exempt Appendix 2 other operational properties.

Plans of the properties are attached at Appendix 3.

1.1.4. The Cabinet is requested to authorise the Council's legal department to conclude the resultant contractual documents.

1.2. The Committee is requested to note:

a) The progress on the property review so far and understands the next steps.

b) That as a result of the property review so far:

- Thirty non-operational properties with an estimated value of over £34.273M have been identified for possible disposal, where Cabinet Authority is needed to dispose of them. Cabinet agreed to declare these properties surplus at its meeting on 29 October 2024. The sale of some of these properties, will result in a reduction in rental income of £1.589M pa, however, this will be more than compensated for by the saving in debt interest of £2.707M pa once the capital receipts from the disposals are used to repay debt. (Net gain of £1.118M pa.)
- Over £600,000 worth of non- operational properties, with a value of under £100,000 each have also been identified for disposal, these can be disposed of using delegated powers. This includes nineteen assets where the net rental income is £17,500pa, but the saving in borrowing costs will be around £48,700pa, so an annual saving of around £31,200pa.

- Six car parks with an estimated value of around £1.1M have been identified for disposal, which will result in revenue savings of around £12,500pa and reduce required maintenance by nearly £4.3M (this is from Britton Farm and the Brook Multi Storey Car Park alone.) Details of these are included in the Exempt Appendix 1.
- Eight other operational properties, (details included in Exempt Appendix 2) with a value of around £2M have been identified for disposal or consultation concerning their future. If these are all disposed of, this will result in revenue savings of around £175,000pa and reduce required maintenance by around £366,000. Some of these properties have a value of under £500,000 per property and can therefore be disposed of using officer's delegated powers, however as most of these properties are operational and these will need to be closed prior to disposal, Cabinet should make this decision rather than officers.

## 2. Budget and policy framework

- 2.1 Disposal of properties with a value that exceeds £500,000 per property are matters for Cabinet.
- 2.2 The closure/cessation of Council services is a matter for Cabinet.
- 2.3 Disposals with a value of over £1,000,000 per property are reported after completion to Full Council for information.

## 3. Background

- 3.1 CIPFA in its report dated January 2024, amongst other things recommended that the Council should carry out a property review to identify surplus non-operational property assets, which can be disposed of to reduce debt, and that the Council should also identify other property assets, including operational properties, which are attractive to the market and where their sale could contribute to Medway's longer-term financial sustainability. The aim of this review is to generate £20M from capital receipts over the next 5 years.
- 3.2 The first phase of the review, focussed on non-operational and let properties and Cabinet at its meeting on 24 October 2024, agreed that:
  - Just over £34.273M worth of non- operational properties are declared surplus, so that they can be disposed of.
  - Financial provision of up to £400,000 pa be made available to pay for the additional staff resource that will be needed to deal with the disposals of the surplus properties. This money will need to be added to the Council's Revenue budget, either by Full Council or by using the Chief Executive's Urgency Powers.
- 3.3 Since then, the Chief Executive has exercised his urgency powers to add a provision to the Revenue Budget of up to £400,000 pa for up to three years to pay for the additional staff resource that will be needed to deal with the

disposals of the surplus properties and two new officers have now joined the Council's property team.

- 3.4 The review of the operational portfolio which includes seventy-two car-parks and seven hundred and ninety-two (792) other operational properties has now been completed and the properties which are recommended for disposal or consultation are set out in the two tables at 1.1.2 and 1.1.3 above and in the exempt appendices 1 and 2 to this report. This review has been considered by the Council's Corporate Landlord Board (CLB) and Corporate Management Team (CMT) and they are in agreement with the recommendations as set out above.
- 3.5 Exempt Appendix 1 covers car parks and Exempt Appendix 2 covers other operational properties. The exempt appendices include more details of the properties which are recommended for disposal or consultation, and they also include comments from the relevant Service Managers, the Council's planning team and from CLB.
- 3.6 The disposal value from these properties is only an estimate, as unlike the non-operational properties, for accounting reasons, the valuations for the operational properties and especially the assets which are not car parks, are revalued less regularly and due to the method of valuation used, often bear no relationship to the likely disposal value of the assets.
- 3.7 However, it is considered that the capital receipts and savings that will be generated from the disposal of all of the properties set out in the recommendations at paragraphs 1.1.2 and 1.1.3 above are set out in the table below:

<b>Type of saving</b>	<b>Amount of saving</b>	<b>Comments</b>
Revenue savings from the disposal of car parks. (Interest on debt.)	£12,549 pa	The difference between the income from running the car parks and the amount of savings that can be generated by using the capital receipts to pay off debt.
Revenue savings from the disposal of other operational properties.	£92,943pa	Saving in running and staff costs etc.
Revenue savings from the disposal of other operational properties. (Interest on debt.)	£82,533 pa	The difference between the income from running the properties and the amount of savings that can be generated by using the capital receipts to pay off debt.
<b>Total Revenue savings pa</b>	<b>£188,025 pa</b>	

Capital cost savings from the disposal of car parks.	£4,291,535	e.g. Cost avoidance from not having to carry out required maintenance on the properties which are recommended for disposal. (Brook MSCP and Britton Farm.)
Capital cost savings from the disposal of other operational properties.	£365,964	e.g. Cost avoidance from not having to carry out required maintenance on the assumption that all properties which are recommended for disposal or consultation are disposed of.  Nb: The condition surveys which the costs of required future maintenance are based on generic surveys, not detailed, specific surveys. Also, they do not include furniture and equipment.
<b>Total future Capital cost saving</b>	<b>£4,657,499</b>	It is important to note that excluding Gun Wharf, this is a saving of 20.58% of the estimated costs of required maintenance in respect of the operational property portfolio.
Estimated Capital receipts from the disposal of the car parks.	£1,131,200	This figure does not include:  Britton Farm, as this car park will be included in the sale of the shopping mall.  The Brook MSCP, as the cost of demolition, at £3M exceeds its value.
Estimated Capital receipts from the disposal of other operational properties.	£1,995,100	On the assumption that all the properties which are recommended for disposal or consultation are disposed of.
<b>Total capital receipts</b>	<b>£3,126,300</b>	

3.8 The car parks have been assessed in a similar way to the non-operational properties, with the car parks that produce a return of over 7.9% pa (the current cost of debt for the Council) being recommended for retention. For the purposes of this exercise, the land value component of the asset valuations for the car parks, rather than their replacement cost (the latter includes land and the cost of building the car parks, so does not represent the disposal value) and the net income from the car parks, has been used to calculate their annual percentage return and potential disposal value.

3.9 When reviewing the other operational properties, the following factors have all been considered:

- The cost of required maintenance (unfortunately, this is not available for assets without buildings on them, including surface car parks.) It is important to note that the condition surveys which the costs of required future maintenance are based on are generic surveys, not

detailed, specific surveys. Also, these surveys do not include furniture and equipment or areas of land which are not built on.

- Whether the function that is run from the property is mandatory or discretionary.
- Whether the function that is run from a property is likely to reduce long term pressure on Council services, for example Youth Clubs and Children and Families Hubs/Wellbeing Centres.
- The running costs and any income generated from the properties (including the cost of the services that are operated at and from the properties) and the usage of the properties.
- Opportunities to rationalise and combine properties, which will lead to efficiencies and better services.

3.10 Officers are currently working on a programme that is looking at how best to best deliver and maximise the positive impact of frontline services for residents. This should be completed by the end of 2025 and officers will work closely on the results and recommendations in respect of this work.

3.11 It is considered that very little/nothing will be gained from the disposal of schools, open spaces, parks and allotments, so these assets have not been considered in as much detail as the other assets in this review.

#### 4. Options

4.1 Option 1- The Council could decide to take no action in respect of the property review. However, this would be contrary to CIPFA's recommendation and would not deliver capital receipts, capital savings and revenue savings, which will help to put the Council in a more sustainable financial position.

4.2 Option 2- The Council notes the contents of this report and agrees to the recommendations set out in paragraphs 1.1.1 to 1.1.4 above.

4.3 **Option 2 is the recommended option.**

#### 5. Option 2 –Advice and analysis

5.1. The Council needs to be able to set a sustainable budget and the capital receipts, capital savings and revenue savings that can be delivered from this property review will help the Council to do this.

5.2. The Council has the power to dispose of property (including the granting of easements) under s123 of the Local Government Act 1972. However, the Council has a duty to obtain best consideration, which the proposed transactions will deliver.



- 5.3. Managing its general fund property portfolio in parallel with the challenges which are identified in the CIPFA report, will help the Council to set sustainable budgets.
- 5.4 Plans of the properties which are recommended for disposal are attached to this report in Appendix 3 and further details of these properties are set out in Exempt Appendix 1 and 2 to this report.
- 5.5 Phase 2 of the property review has identified £3.12M worth of operational properties for possible disposal where Cabinet authority will be required.
- 5.6 Following consideration at the Corporate Landlord Board, the Director of Place will decide whether to use his delegated authority to dispose of any operational properties, which are declared surplus by Cabinet and these decisions will be published as officer executive decisions.
- 5.7 A Diversity Impact Assessment has been undertaken on the Strategy, which is set out at Appendix 4 to the report.

## 6. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The £20M target is not achieved.	An inadequate supply of properties is made available for sale, or the properties do not achieve as much as they are currently valued at.	<p>Just over £34.873M has already been identified from the disposal of non-operational properties and a further up to £3.12M from operational properties.</p> <p>Ensure that properties are declared surplus.</p> <p>Ensure that the property function is resourced to deal with the disposals.</p> <p>A robust review of the operational portfolio has now been carried out.</p>	CII
There is a net loss in revenue after the disposals.	The loss of revenue from income producing properties, resulting from the sales, exceeds the saving in servicing debt.	<p>Where appropriate, negotiate directly with tenants to secure the best price for assets.</p> <p>Include suitable “reserve” prices in any sale, to ensure that the saving in debt from selling the properties exceeds the rental income.</p> <p>A robust review of the operational portfolio has now been carried out.</p>	CII

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
The closure and disposal of operational properties becomes contentious.	There are objections to the closure and disposal of operational properties.	The rationale for the closure and disposal of properties (i.e. the need to be financially sustainable) needs to be clear and meaningful consultation should be carried out with stakeholders.	BII

<b>Likelihood</b>	<b>Impact:</b>
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

## 7. Consultation

- 7.1 Regeneration, Culture and Environment's DMT, Children and Adult's (C&A) DMT, the Council's finance and legal teams and the relevant Service Departments have all been consulted.
- 7.2 Feedback from the various Service Managers and property managers whose services use the properties which are recommended for disposal/consultation about their future or further review is contained in the Exempt Appendices 1 and 2.
- 7.3 CLB and CMT have considered the Property Review, and both are in agreement with the recommendations set out above.

## 8. Climate Change Implications

- 8.1 There are no direct climate change implications, as the properties will remain in use after disposal and any that are developed will have to be developed in a sustainable way in line with current planning and development control requirements. The Council's carbon footprint will reduce, as a result of using less operational property.

## 9. Financial implications.

- 9.1 These are set out in this report and the exempt appendices to this report.

## 10. Legal implications

- 10.1 The Council has a duty under Section 123 of the Local Government Act 1972, to obtain best consideration when it disposes of or grants leases for over seven years or more of land and property.

Lead officer:

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Appendices:

Exempt Appendix 1 listing car parks that are recommended for closure and/or disposal.

Exempt Appendix 2 listing other operational properties that are recommended for closure and/or disposal and consultation concerning their future.

Appendix 3 Plans of the properties, which are recommended for closure and/or disposal or consultation concerning their future are available on request.

Appendix 4 Diversity Impact Assessment.

Background papers

[Cabinet report dated 29 October 2024, concerning the review of non-operational properties.](#)

[Cipfa report dated January 2024.](#)