Glasgow City Council
Executive Committee
Report by Director of Development and Regeneration Services
Contact: Steve Inch Ext: 76006

Generating Capital Receipts

Purpose of Report:
To advise members of the approach to, and progress being made in, generating capital receipts from the disposal of surplus land and property assets.

Recommendations:
It is recommended that the Committee:

a) Notes the importance of the generation of capital receipts to the implementation of the Councils capital programme
b) Notes the capital receipts targets to which DRS is currently working;
c) Notes that good progress is being made against the capital receipts targets.

Ward No(s): Citywide: 
Local member(s) advised: Yes No  Consulted: Yes No

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1 CAPITAL RECEIPTS

1.1 Members will be aware that the Council is progressing a very extensive capital programme, which includes a large number of projects designed to promote the economic, social and cultural regeneration of the city. The total approved gross expenditure on the main programme, as reported to the Executive Committee on 18 August 2006, was £810m (including commitments from previous years).

1.2 The financing of this programme requires the Council to maximise the utilisation of external grant funding where available, and to utilise its own surplus assets. Within the Council DRS has responsibility for the generation of capital receipts from the disposal of surplus land and property assets to support the Council’s capital expenditure programme.

1.3 The capital receipts which DRS is working to secure are divided into various categories, are as follows

- General capital receipts (ie generally receipts for smaller sites or groups of sites) – where the target for the period 2005/06 - 2007/08 is £63 million
- Exceptional receipts (ie generally receipts for larger projects) – which are expected to bring in £90 million over the period 2004/05 to 2007/08
- Surplus schools – which are expected to generate around £40 million by 2008/09

2 GENERAL CAPITAL RECEIPTS

2.1 The General Receipts target for 2005/06 was £20.5 million. The receipts actually secured totalled £20.7 million. The target was therefore met. The main receipts secured were as follows :-

- M74 related sites £5.4 million
- St Andrews Road £1.9 million
- Manse Brae £1.8 million
- Woodside Road £1.7 million
- Cheapside Street £1.3 million (1st payment)
- Cardross £1.2 million

2.2 As at 3 August 2006, a total of £4.1 million had been ingathered towards the 2006/07 target of £22 million, with the main transactions being

- Queens Park Secondary £2.2 million
- Cheapside Street £0.5 million
- Saughes Road £0.5 million
- Blackhill Road £0.5 million

2.3 A number of significant transactions are expected to be concluded during the remainder of 2006/07, which should result in the annual target being exceeded. The transactions are expected to include :-

- Strathclyde House 3,4,11 £6.9 million gross
- Queen Victoria Drive £6.0 million gross
- Kelvindale Depot £4.5 million gross
- Netherton School £3.9 million gross
- Broomlea School £3.3 million gross
- Minor disposals £2.0 million (eg individual shops, minor sites etc)
2.4 In addition to actual receipts generated a number of sites have been disposed of the Glasgow Housing Association at no cost. The estimated market value of these sites was £4.2 million.

2.5 A total of £63 million of additional disposals (including those detailed above) have either been approved by the DRS Committee or are subject of reports currently being prepared for consideration either under delegated authority or by this Committee. This will form the bulk of the receipts to be generated in 2006/07 and 2007/08. It is considered therefore that there are sufficient receipts in the pipeline to meet the DRS 3-year general receipts target.

3 EXTRAORDINARY RECEIPTS

3.1 Extraordinary receipts are, by their nature, fewer in number, generally large and more complex in nature, often involve the resolution of matters such as water/sewerage, often come in the form of staged payments, and are more likely to be ‘called in’ by the Scottish Executive at the planning stage given the Council’s financial interest. The working target is to generate £90 million over the period 2004/05 - 2007/08.

3.2 During 2004/05 and 2005/06 a total of £48.3 million was ingathered, with the main transaction being:-
- Auchinlea
- Pollok Shopping Centre payment 1
- Oban Drive (former school site)
- Woodside School
- Central penile
- Queenspark ACAD Payment 1

3.3 As at 3 August 2006 a further £11.1 million had been ingathered from the following two projects :-
- Pollok Payment 2
- Queens Park Acad Payment 2

3.4 Other potentially significant receipts anticipated during 2006/07 include the following: -
- Crookston £11 million gross

3.5 DRS Committee have approved a number of major disposals which are still at the early stages of settlement, but which will generate substantial payments over a phased period. The most significant are the Drumchapel New Neighbourhood (£42 million over 7 years), Standburn Road Robroyston (£28 million gross), and the City Centre Car Parks (figures still to be agreed by Committee)

3.6 Overall it is anticipated that the 4 year target of £90 million will be exceeded

4 SCHOOLS DISPOSALS

4.1 The pre 12 schools replacement programme is partially funded by capital receipts generated by the disposal of surplus school properties. School receipts are not accounted for separately and, depending on the scale of receipt, disposals are either counted against the ‘general’ or ‘exceptional’ receipts targets. The disposal programme is expected to generate around £40 million once complete.

4.2 School sites present a number of disposal challenges. The portfolio is very diverse, and includes
- Sites or properties with clear development potential in their current state, and therefore capable of early marketing and disposal
• Sites which are better incorporated within larger development opportunities which meet wider Council regeneration objectives – school sites within the Drumchapel and Garthamlock New Neighbourhoods are good examples.
• Sites which are constrained by known water/sewerage problems
• Schools which contain ‘listed’ buildings
• Sites which are being ‘reserved’ for disposal to GHA or Housing Associations or to meet the Council’s own requirements.

4.3 There are also some specific challenges which are unique to the disposal of school sites – by far the most significant being:
• Possible increased ‘listing’ of former ‘School Board schools, make redevelopment more difficult to achieve
• The increasing reluctance of SportScotland to approve planning consent for alternative uses on former school sites without formal proposals for adequate compensatory provision being in place. This matter is being advanced through the Pitches Strategy being developed by the Director of CLS.

4.4 Progress has been slower than envisaged as a result of the above factors. The programme is now however starting to generate some momentum and it is estimated that around 50 sites will have closing dates in the current year. Full details are given in Appendix 1, and summarised below:-
• 4 sites sold or leased since the initial programme commenced include Lourdes, Woodside Campus (part), Oban Drive and Ashley Street
• 3 sites are in the active disposal process
• 13 sites are being progressed through negotiated disposals
• 12 sites are in the marketing process
• 7 sites are being retained for possible disposal to Housing Associations
• 7 sites are being held for inclusion in larger developments
• 5 sites are withdrawn from the programme as they are required for the replacement programme
• 1 site has been allocated to another Service within the Council.

4.5 The majority of the pre-12 sites now have end uses identified, and are moving through the sales process.

5. PROJECTIONS

5.1 Overall there is some £200M of surplus assets currently programmed for disposal within the timescales outlined above.

5.2 An exercise is currently underway to review all land and property assets currently listed as surplus or unoccupied - which will include sites which have been formally declared surplus to requirements, which have been identified as not forming part of their original purpose (eg redevelopment schemes) , or are on the vacant and derelict land register.

6 RISK FACTORS

6.1 The above programmes are clearly ambitious and the targets set, or sales figures expected, are at record levels for the Council. There are however a range of risks involved in the delivery of this scale of programme – the most significant of which are:
• Market capacity – placing too many sites on the market could deflate site values
• Development timetables – as the majority of sales are for residential development placing a volume of land on the market could lead to developer landbanking, and potentially to sites remaining vacant for extended periods

• Site constraints – water and drainage capacity is already an issue in many areas of the city. Development on fragmented sites is likely to have the lowest priority in terms of Scottish Water investment and could lead to smaller school sites being less attractive and more likely to remain undeveloped

• The need to balance the up front financial benefit of an active sales programme against, the loss of control to deliver other objectives. If the Council were to have no surplus land, then it might not have the assets to include in delivery of some of its main regeneration programmes

• Sportscotland – see above

6.2 The appropriate risk management measures are being out in place to manage this. The most appropriate form of risk management is, however, continually assessing market trends and assessing disposal prices achieved against initial valuations – and regulating the flow of sites onto the market accordingly.

Development and Regeneration Services
SI/AY
28 August 2006
APPENDIX A

PRE-12 DISPOSAL STATUS

Fifty properties currently with closing dates up to December 2006. The current status of these is:-

<table>
<thead>
<tr>
<th>Status</th>
<th>Properties</th>
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<tbody>
<tr>
<td>Sold or leased:</td>
<td>Lourdes Primary School</td>
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<tr>
<td></td>
<td>Ashley St Gaelic School</td>
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<td></td>
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<tr>
<td>In the disposal process:</td>
<td>Holmlea Primary School</td>
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<td></td>
<td>Netherton Primary School</td>
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<td></td>
<td>Broomlea Primary School</td>
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<td>In the marketing process:</td>
<td>Ruchazie Primary School, Cranhill</td>
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<td>St Philips Primary School, Cranhill</td>
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<td>St Modens Primary School, Cranhill</td>
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<td>St Elizabeth Seton Primary School, Cranhill</td>
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<td>Lamlash Primary School</td>
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<td>Kelvin Special School</td>
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<td>St Julies Primary School, Castlemilk</td>
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<td>Leithland Primary School</td>
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<td>Bonnyholm Primary School</td>
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<td></td>
<td>Mcgill Primary School</td>
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<td></td>
<td>Lamlash Nursery School</td>
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<td></td>
<td>Carnbooth</td>
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<td>In negotiation:</td>
<td>Haghill Primary School</td>
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<td>London Rd. Primary School</td>
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<td></td>
<td>Clutha Nursery School</td>
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<td>Lochgoin Primary School</td>
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<td>Drumchapel Day Nursery</td>
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<td>Halgreen Nursery School</td>
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<td>St Pious Primary School, Drumchapel</td>
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<td>Garthamlock Primary School</td>
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<td>Croftgoin Primary School</td>
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<td>Broadholm Primary School</td>
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<td>Garthamlock FLC</td>
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<td>Pinewood Primary School</td>
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<td>Summerhill Primary School</td>
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<tr>
<td>Held for possible sale to Housing</td>
<td>Barrowfield Primary School</td>
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<tr>
<td>Association:</td>
<td>Bellrock Nursery School</td>
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<td>Bishoploch Primary School</td>
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<td>Maryhill Primary School</td>
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<td>St Roberts Primary School, Pollok</td>
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<td>St Edmunds Primary School, Pollok</td>
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<td>Temple Primary School</td>
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Held for inclusion in larger developments:
- St Benedicts Primary School, Easterhouse
- Westerhouse Nursery School
- Machrie Nursery School
- Drumry Primary School
- Saracen Primary School
- St John's Primary School, Laurieston
- Oatlands Nursery School

Allocated to another Department:
- Keppoch Nursery School

Withdrawn being required for replacement programme:
- Langlands Primary School
- Knockburn Primary School
- St Clares Primary School, Easterhouse
- Braeside Primary School
- Barlanark Primary School