

**Report To:** Cabinet

**Date of Meeting:** 2<sup>nd</sup> October 2023

**Report Title:** Call in recommendations

**Report By:** Coral Harding (Continuous Improvement and Democratic Services Officer)

**Key Decision:** N

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### **Purpose of Report**

This report sets out the recommendations of the Overview and Scrutiny committee and management response following a 'Call In' meeting on 15<sup>th</sup> August 2023. This was regarding the Cabinet decision 'Land and Property Disposal Programme' from the Cabinet meeting held on 7<sup>th</sup> August 2023.

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### **Recommendation(s)**

- 1. Overview and Scrutiny recommend that future reports regarding land and asset disposal contain the following information;**
  - a. As recommended at recent training conducted by CIPFA that reports concerning capital strategy contain the following or an explanation if not relevant;**
    - Legal power for a scheme to be undertaken
    - Evidence of robust option appraisal work
    - Consideration/quantification of sensitivity analysis outcomes
    - Impact on revenue budget and balance sheet resources
    - Section 151 Officer to vouch for skill-sets of external consultants
    - Councillors to be adequately briefed on any material risks
  - b. Before the asset management strategy is completed, future reports should contain a top level assessment against the current RAG system the council uses.**
  - c. That the report demonstrates in line with the Local Government Act 1972 it requires that land and asset disposals be evaluated against 'best consideration'. The definition of this needs to be contained within the report or an appendix.**
  - d. Costs of disposal need to be made explicit and should include an estimate for Officer time to reflect true costs.**
  - e. Any impact on future borrowing costs should include within the report an estimate on the councils MRP as part of the revenue budget.**

**f. If the loss of land or assets impacts the objectives of the Corporate Plan.**

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**Reasons for Recommendations**

Overview and Scrutiny recognise the council's financial situation and the need for land and asset disposal. Any proposed land and/or assets for disposal must be identified through a robust process and decisions must be made with clear information for both Councillors and the public to view.

## Introduction

1. At the Cabinet meeting held on 7<sup>th</sup> August 2023 the item 'Land and Property Disposal Programme' recommendations were agreed.
2. The decision was to seek approval to sell 4 Council owned sites to generate capital receipts estimated at more than £3 million. The sites included;
  - Land at rear of 419 to 447 Bexhill Road
  - Mayfield E
  - 12/13 York Buildings
  - Land at Upper Wilting Farm
3. Overview and Scrutiny committee 'called in' this decision on 8<sup>th</sup> August 2023. They believed that the recommendations needed to be reconsidered.

## Call In

4. Call In is a procedure that Overview and Scrutiny can use to delay the implementation of a Cabinet key decision. It allows for key decisions to be reconsidered.
5. The legislation that guides Overview and Scrutiny and Call In is contained in the Local Government Act 2000 in section 21 and can be found [here](#).
6. The legislation states that local authorities with Executive arrangements (Cabinet) must have an Overview and Scrutiny committee. Overview and Scrutiny must have the power to review and scrutinise any key decision made by Cabinet.
7. The constitution contains the Councils procedure for Call In in Part 4 section 29.15 and can be found [here](#).
8. As part of the Call In procedure Overview and Scrutiny are required to hold a meeting within 8 working days of the notification of Call In. The Call In meeting took place on 15<sup>th</sup> August 2023.
9. The agenda, decision notice and minutes for this meeting will be available on the councils website [here](#).

## Call In meeting

10. The Overview and Scrutiny Committee believed that the original report was missing key information for the decision to be made. This included;
  - More financial information. It was appreciated that this would be commercially sensitive and may need to be in a Part 2 report that the public and press would not be able to see.
  - How the 4 sites were selected given the ongoing development of the council's asset management strategy.
  - How the disposal of would impact the objectives of the Corporate Plan including delivering 500 affordable homes

11. Overview and Scrutiny drafted questions prior to the meeting based on the original report. The Property & Commercial Assets Manager and the Chief Executive answered these and the committee's additional questions and queries at the meeting.
12. Overview and Scrutiny were concerned that this report did not contain information recommended by CIPFA (Chartered Institute of Public Finance and Accountancy) in relation to capital strategy. These are;
  - Legal power for a scheme to be undertaken
  - Evidence of robust option appraisal work
  - Consideration/quantification of sensitivity analysis outcomes
  - Impact on revenue budget and balance sheet resources
  - Section 151 Officer to vouch for skill-sets of external consultants
  - Councillors to be adequately briefed on any material risks
13. Officers advised that RAG rating (Red, Amber, Green) has been identified as part of briefing for Asset Management Strategy. Overview and Scrutiny stated they would like to see a top level assessment against these RAG ratings for future reports.
14. Overview and Scrutiny stated they would like to see it made clear that in line with the Local Government Act 1972 land and asset disposals are evaluated against 'best consideration'. Best consideration needs to be made clear that this can involve options such as selling land or an asset at a lower price to a social housing provider. This needs to be contained within the report or an appendix.
15. The original report referred to Homes England grants being paid back. The amounts were substantial at £460,000. Overview and Scrutiny believe that these amounts should have been stated and made clear if the estimated £3 million return was before or after the costs had been deducted.
16. Overview and Scrutiny believe that costs of disposal need to be explicit in future reports and should include an estimate of the amount of officer time involved to reflect the true costs. For example, considerable officer time must have been expended trying to deliver both York buildings and housing on Bexhill Road and Mayfield East.
17. A reason for selling the land at Bexhill Road and Mayfield East is to reduce our future borrowing requirement. Overview and Scrutiny believe there should be a figure to estimate the impact on our MRP (Minimum Revenue Provision) in the revenue budget that results from reducing our borrowing requirement.
18. Overview and Scrutiny would like report to show the impact of any disposal of land and asset has on the Corporate Plan.
19. Overview and Scrutiny were concerned how the loss of 54 affordable homes from disposing of these sites would affect future temporary accommodation costs in case these are not built by the new land owners.

## Meeting Outcomes

20. At the meeting Overview and Scrutiny were required by the constitution to choose one of the following options;
  - A. The matter does not need to be referred back and the original Cabinet decision can be implemented;

B. Refer the decision back to Cabinet for reconsideration;

C. Refer the decision to Full Council if they believe the decision is contrary to the Budget and/or Policy Framework

21. Overview and Scrutiny agreed to option A which meant that the original decision could be implemented. In addition, they made recommendations concerning information needed for future asset disposal reports for key decisions. The committee agreed to the proposed recommendations.

## Management Response

22. The Chief Executive and Property and Commercial Assets Manager were grateful to the Overview and Scrutiny Committee for their engagement and questions on this item.
23. It was explained at the meeting that the information O&S requested had not been provided in the Cabinet report due to expediency reasons. Whilst officers agree that best practice should be followed, given the immediacy of the financial situation facing the council, the decision was taken to bring forward these assets for disposal based on the information available as a matter of urgency and pace (as advised by the LGA Finance Peer Review) and before the completion of the full asset management strategy.
24. It was acknowledged that this approach had not achieved the desired effect, and the disposal programme had been delayed regardless. Therefore, a better balance will be applied to future disposal recommendations and more time taken to provide information.
25. The Committee were also advised that the CIPFA consultants are undertaking the business analysis and organisational impact analysis of the councils' assets. Any asset disposal recommendations that arise from their work will cover all of the areas recommended by O&S as well as the criteria set out in their brief which assesses a number of calculations including:
- cost of retaining and maintaining the assets
  - if assets were disposed - what investment in new homes could be achieved and what reduction in TA costs could this achieve or borrowing avoided for other capital programme items
  - what the asset loss will mean in terms of additional surplus revenue lost to council
  - what the impact would be of early loan repayment penalties
26. The consultants have also been asked to identify other potential quick wins against the agreed criteria, and the team are using this formula to create a RAG report against each asset which will form the template for any recommendations to be included in their report.
27. Officers answered a number of the committees other detailed questions, however the commercially confidential nature of them meant that these discussions were had in private session.
28. During the meeting, officers accepted the committee's recommendations, and committed to ensure that the information requested is included in future reports on disposals.

## Timetable of Next Steps

29.

Action	Key milestone	Due date (provisional)	Responsible
Report for Cabinets consideration	Report to Cabinet	2 <sup>nd</sup> October 2023	Continuous Improvement and Democratic Services Officer

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## Wards Affected

N/A

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## Policy Implications

Reading Ease Score:

### Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Y
Crime and Fear of Crime (Section 17)	N
Risk Management	Y
Environmental Issues & Climate Change	Y
Economic/Financial Implications	Y
Human Rights Act	Y
Organisational Consequences	Y
Local People's Views	Y
Anti-Poverty	Y
Legal	Y

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## Additional Information

Cabinet 7<sup>th</sup> August 2023 - Land and Property Disposal Programme report found [here](#).

Overview and Scrutiny 15<sup>th</sup> August 2023 – Call In- Land and Property Disposal Programme report and minutes found [here](#).

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## Officer to Contact

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