Mayoral Combined Authority Board

14 November 2023

Disposal of Ashes Building and Associated Land (Former Bus Depot/Truck Depot)

Is the paper exempt from the press and public?	No
Reason why exempt:	Not applicable
Purpose of this report:	Policy Decision
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

Director Approving Submission of the Report:
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Executive Summary

This report seeks delegated authority for the statutory officers of the MCA to enter into arrangements for the disposal by sale of the former bus/truck depot site known as Ashes Building, Halfway, Sheffield.

What does this mean for businesses, people and places in South Yorkshire?

Efficient and effective management of the MCA's asset-base is an important part of the MCA's overall approach to ensuring that resource is targeted at key priorities.

Recommendations

1. Delegate authority to the statutory officers to make arrangements for the disposal by sale or lease of the Ashes Building site in the most efficient and effective manner possible.
2. Hold any receipt from sale in reserve to support future capital investment.

Consideration by any other Board, Committee, Assurance or Advisory Panel
None

1. Background

1.1 As part of its legacy asset portfolio the MCA owns a former bus/truck depot known as Ashes Building, Old Lane, Halfway, Sheffield.

1.2 The site consists of aged portacabin office accommodation and bus sheds and was constructed over 40 years ago. The site came into the hands of the MCA following the liquidation of the former SYITA Properties Ltd company. SYITA Properties Ltd held the property under the Scheme of Transfer for de-regulation in 1986 and further internal transfers.

1.3 Following bus de-regulation, the site was leased to a trucking company, generating a small financial return that supported the MCA's revenue budget.

1.4 In August 2023 the tenant indicated that they will be vacating the site, having sold the business. The new owners do not wish to continue with the site and notice was provided to the MCA as per the lease conditions.

1.5 The building and overall site is in poor condition, and after many years of vehicle maintenance, the land is likely contaminated with various substances, including oil and diesel.

1.6 Following an internal review it has been determined that the MCA has no strategic rationale for retaining the site. Consideration has been given to the potential for using the site as a depot under any bus franchising arrangement, but this has been discounted due to the relatively small size of the site and limited scope for expansion.

1.7 As such, this report proposes that the MCA should seek to mitigate the identified risk and cost by divesting itself of the asset.

1.8 This report seeks delegated authority for the statutory officers to make the necessary arrangements for the disposal of the site in the most efficient means possible.

1.8 Disposal could be affected as an open-market sale of the asset in either its current state or as a cleared site. Valuations have been sought to help determine an appropriate open-market price, and it is realistically expected to achieve around the £375 to £400k mark if sold, and £20k p/a if leased prior to remedials, potentially £30k p/a following remedial works.

1.9 The report proposes that any receipt generated be held in reserve. Receipts could be used to support future transport capital investment.

2. Key Issues

2.1 The Ashes Building and associated site was transferred to the MCA in 2016 as part of the liquidation process for the former property holding subsidiary – SYITA Properties Ltd as fully set out in 1.2 above

2.2 Since this point the site has been generating leasehold income that has covered the MCA's costs and provided a small contribution towards the overall revenue budget. The site has been retained due to this contribution and in consideration of potential future uses.

2.3 The loss of the current tenant has precipitated a review of this position, particularly in the context of the potential need for depot sites in the event of a commitment to bus franchising.

2.4 Transport officers have reviewed this possibility but consider that the size of the site plus the limited opportunity for expansion make it unsuitable for this use.

2.5 Consideration has been given by officers to a further lease arrangement, a disposal, or securing the site, undertaking remediation works, and holding it vacant.

2.6 Holding the site vacant has been discounted due to the ongoing revenue costs that would be incurred and the likelihood of security issues that would have a detrimental impact on neighbouring businesses. The cost of cleaning the site would likely be material, with no budget provision set-aside for this work.

2.7 Given the likely cost of remediation works and market conditions, officers recommend an immediate disposal of the site in its current condition.

2.8 Market testing conducted over the summer indicates that there is an active market for the site.

2.9 This report recommends that the Board delegate authority to the statutory officers to affect a disposal of the site in the most efficient means possible.

3. Options Considered and Recommended Proposal

3.1 **Option 1**

Delegate authority to the statutory officers to make arrangements for the efficient and effective disposal of the asset.

3.2 This option will allow the MCA to quickly resolve the divestment of the asset and realise any capital receipts and/or revenue savings.

3.3 **Option 1 Risks and Mitigations**

Disposal of the asset will reduce the MCA's asset portfolio and could be at the expense of yet unidentified future policy requirements.

3.4 Disposal of the aged and contaminated site would generate resource which could be reinvested.

3.5 **Option 2**

Retain the site in its current state, offering short term lease of up to 5 years with a 3-year break, and including 3 month rent free period to offset any remedial works needed to be undertaken by the lessee.

3.6 This would have financial implications in relation to site remediations, given the age and condition of the location and the garage/office building.

3.7 **Option 2 Risks and Mitigations**

Retaining the site in its current state without a new tenant would leave the MCA exposed to the reputational and liability risk inherent in the ownership of a deteriorating site.

Retaining the site without a new tenant would also require the MCA to a make budget provision for upgrade works plus revenue (security) costs of c. £14k per month until works are completed, and a leaseholder found.

3.8 **Option 3**

Clear the site and retain.

3.9 Clearing the site would remove some of the reputational and liability risk associated with the building infrastructure.

3.11 The cost of demolition would be in the region of >£300k, resource for which is not included within the MCA’s capital programme.

3.11 **Option 3 Risks and Mitigations**

Clearing the site but then retaining would require the MCA to commit material capital receipts and continue to pay revenue costs through business rates and security.

Whilst some of the reputational and liability risk would be mitigated, owning a cleared site could still lead to risk around unauthorised access, occupancy, and anti-social behaviour.

3.12 **Recommended Option**

Option 1

4. Consultation on Proposal

4.1 Internal teams have been consulted on potential future requirements. The site is too small to be a strategic plot for bus franchising and we have no future foreseen use for such a small site.

5. Timetable and Accountability for Implementing this Decision

5.1 The Executive Director Resources & Investment would be responsible for implementing this decision.

5.2 The decision would be implemented as soon as practicably possible to limit ongoing revenue cost.

6. Financial and Procurement Implications and Advice

6.1 This report notes the ongoing revenue budget provision for the costs of the site, and the potential to avoid them into the future through a sale.

6.2 The report notes that no budget provisions have been made to upgrade/refurbish this site or to support the potential costs of a demolition exercise. This will be a direct cost and a further pressure on budgetary constraints.

6.3 Finally, the report notes that any receipt received from a sale would be available for reinvestment into the Region for further manufacturing/ incubation / small business (up to 16,000 sq ft) premises.

7. Legal Implications and Advice

7.1 S.123 Local Government Act 1972 requires any disposal to be for a consideration not less than the best that can reasonably be obtained to demonstrate value for money.

8. Human Resources Implications and Advice

8.1 None

9. Equality and Diversity Implications and Advice

9.1 None

10. Climate Change Implications and Advice

10.1 None

11. Information and Communication Technology Implications and Advice

11.1 None

12. Communications and Marketing Implications and Advice

12.1 None

List of Appendices Included

A None.

Background Papers

None.