# University of Liverpool

## Facilities, Residential and Commercial Services

# PROPERTY DISPOSALS POLICY

V2.0 – June 2021

# Contents

# 1.0 Introduction

### 1.1 Purpose:

The purpose of this policy is to set out the requirements for the disposal of property assets. This is to ensure:

- A disposal meets the needs of the University;
- Aligns to current or emerging strategies;
- Advantages and Disadvantages of a disposal are fully assessed;
- Appropriate due diligence is satisfied;
- Procedures are transparent;
- Best Value for the University is achieved.

The policy will be fully embedded within the University Estate Strategy and Masterplan frameworks to ensure alignment with longer term principles to support the University's strategic interests – known or potential.

### 1.2 Considerations/Objectives:

The University's property assets are key to the University's business and operating model. Land and buildings offer staff and students a place to live, work and learn, assisting the delivery of wider strategic objectives in the process.

It is not in the University's best interests to hold property assets which are no longer useful, where they cannot be redeployed for future use through redevelopment or refurbishment. The management and cost associated with maintenance, risk, security, and insurance are avoidable, and disposals should therefore be made expeditiously where they meet the criteria of this policy.

University property assets are considered essential, and therefore disposals should be considered carefully against wider University objectives. However, disposals are an inevitable part of the estates process and will contribute to the progression and improvement of the estate portfolio over time.

Offloading property liabilities allows focus on core assets which are more relevant to University strategic functions.

Consideration should be given to the property's operational and financial value to the University, assessing the balance of retention against disposal.

Property asset disposals should only be considered where they contribute to driving economic and operational growth for the University and avoid unnecessary ongoing liabilities.

Property disposals will be influenced by other associated policies and strategies which aim to shape the future of the University.

For the purposes of this policy, a disposal of a property asset means a freehold disposal by sale or exchange of land in perpetuity, or by the grant of a lease for a period greater than 10 years. Leases of 10 years or less are not covered by this policy.

It is important that a disposal is treated on its own merits and nothing in this document will bind the University to a particular course of action.

# 2.0 The University's Property Assets

**2.1 University Estate Portfolio**

The University Estate Portfolio currently extends across a number of Core sites throughout Liverpool and Wirral, these are:

- Main Campus (City Centre)
- Leahurst Campus (Wirral)
- Ness Gardens (Wirral)
- Greenbank Student Village
- Carnatic Halls of Residences
- Wyncote Sports Ground

The University owns and leases a number of other properties in miscellaneous locations to form the wider operational estate.

Assets will have been procured through an array of different channels and for various purposes throughout the University's lifespan. It is important that assets be maintained during their period of tenure with the University, and where this is no longer viable (financially and operationally) the asset should be considered for disposal in line with this Policy.

**2.2 Review of Property Assets:**

The University takes a continuous approach/ongoing assessment to reviewing property assets within the estate portfolio. This recognises the evolving demands on property assets, as well as the changes and requirements from the University community.

Where disposals are concerned, this will entail proactive planning through estate strategies as well as reactive approaches to unforeseen or accelerated change to land or buildings.

Assets are to be considered on MICRO and MACRO levels:

- Individual land and buildings (MICRO);
- Clusters of land and buildings throughout Core sites (MICRO-SITES);
- Core Sites/Campus as a whole (MACRO).

2.2.1 Non-Operational Land or Buildings

Occasionally, as the University Estate Portfolio progresses and improves, land and building lifecycles will inevitably result in parts of Core sites (or other miscellaneous properties) becoming non-operational.

The approach to non-operational land or buildings is to be holistic, considering the wider operational and future prospects to the University.

If the 'non-operational' allocation is considered to be temporary, with anticipated future use or redevelopment, asset retention prevails. However, if there is no discernible future prospect through redeployment or strategic channels, asset disposal is considered in line with this policy.

2.2.2 Recognition of Intrinsic Value

With a continuous review of property assets, land and buildings should also be considered on their intrinsic value.

Intrinsic value appraisals can evaluate the benefits of retention or disposal based on asset parameters and the University's objectives at a given time.

Some assets may be considered a development or investment opportunity through various mechanisms of disposal. This could prove financially and operationally valuable to the University by creating capital receipts for reinvestment, or redevelopment to create new or improved assets.

If the investment or development prospect of an asset is considered to be particularly valuable (through disposal or redevelopment mechanisms) this should be reviewed on its own merits and considered accordingly through appropriate governance channels.

2.1.3 Asset Classification:

In line with the above review process, assets are classified as one of the following:

| | 1) Operational | 2) Development | 3) Disposal |
|---|---|---|---|
| **CRITERIA** | - A functioning asset for the University;<br>- Valuable to the University as its current function;<br>- Serves a purpose for University use without wholesale changes;<br>- No fundamental change envisaged or set out in Estate Strategy. | - Functioning or non-functioning;<br>- Earmarked for future change through refurbishment, redevelopment or demolition (to achieve cleared site for development prospects);<br>- Serves a future purpose to the University once developed;<br>- Valuable to the University through development prospects. | - Functioning or non-functioning asset where value can be generated through disposal;<br>- Functioning assets only considered where Intrinsic Value substantially benefits the University without damaging other assets or future strategic value to the University;<br>- Non-functioning assets where considered non-operational and no discernible future use or strategic view.<br>- Demolition considered in circumstances where a cleared site would mitigate risk and/or achieve a higher capital receipt. |

# 3.0 Disposal Identification & Strategy

## 3.1 Disposal Identification Process

### 3.1.1 Analysis, Reporting & Approvals

- Property Assets will be reviewed and classified in accordance with this Policy.
- If an asset is not considered to be either 1) Operational, or 2) Development by members of the Property team (and/or any other departmental or faculty leads as appropriate), the asset should be included in the *Property Report to Capital Investment Planning Group (CIPG)* to ratify classification as 'Disposal'.
- In special circumstances (Property Asset Review process to prevail), if an Operational property asset is believed to have a distinct Intrinsic Value which could be achieved through a disposal, the opportunity is to be explored. An example being Sale and Leaseback & Joint Venture agreements. Where circumstances permit, and a disposal appears rewarding to the University, this will be included in the *Property Report to CIPG* for consideration.
- In circumstances where a property disposal is included within a Property Report to CIPG, this shall include an *Options Summary* concerned with the property asset. This shall comprise of retention options, (i.e. possible future use by the University), disposal options (i.e. outline available disposal method/strategy), reason for the disposal, and advantages and disadvantages.
- Upon endorsement by CIPG to classify the property asset as 'Disposal', a *Disposal Strategy Report* shall be prepared. As a minimum, this shall be submitted to FRCS Senior Management Team (SMT) for consideration, then CIPG and then Formal Senior Leadership Team (FSLT) for endorsement. Further governance committees to ensue (as appropriate based on value of disposal) – see Appendix 2 for governance channels relating to value.
- Upon endorsement of the Disposal Strategy Report, the property asset shall be included as part of the University's Disposal Plan – liaison with Finance to ensue to allow financial planning.
- Once the disposals process has been actioned, a Bid/Offer Acceptance Report is to be submitted to CIPG (further governance committees as appropriate).
- Governance for Property Disposals is covered further in Appendix 1.
- A Disposals Plan will be prepared and reviewed on an annual basis. This will outline the sites identified for disposal, forecast value, disposal route and estimated timescales. This will be submitted to Capital Investment Planning Group, Formal Senior Leadership Team and Finance and Resources Committee.

## 3.2 Disposals Strategy

A Disposals Strategy Report will be prepared in line with the above processes.

The report should cover, but not limited to, the following:

- Most appropriate disposal method (Tender, private treaty, agent etc.);
- Identify Marketing and Advertising Channels;

- Identify any internal or external communication required (e.g. staff, local residents etc.);
- Identify Value;
- Due diligence - pre-disposal/post-disposal actions and considerations (relevant items only to be reported);
- Timing;
- Risk Analysis (relating to disposal method, value, timings etc.).

3.2.1 Disposal Method

The method of disposal will be considered on a case by case basis, specific to the property asset. The characteristics of the property asset shall be acknowledged and will influence method of disposal. Approval from FRCS SLT shall be sought for method of disposal (following Options and Disposal Strategy Reporting).

Main options (straight sale):

- *Informal Tender (Best Offers/Bids)*
  Transaction where the marketing is made public through appropriate channels and platforms, informal offers or bids are invited that meet a particular specification or criteria. The University may then negotiate further, specify more detailed terms with one or more individuals who have submitted the most advantageous bid or bids (for best and final offers).

- *Formal Tender (Sealed Bids)*
  Transaction where marketing is still made public through appropriate channels and platforms, bids invited should meet an increasingly prescribed specification, with terms and conditions of sale and a predetermined legal pack that should be binding. There is no opportunity to change or increase bids after submission. Should lead direct to a contract for sale. Highest bid is to be accepted unless otherwise stated.

- *Private Treaty*
  Transaction with more flexible timing and free negotiations without commitment to the open market, for example – engaging with a single party who are considered credible, able to perform in preferred manner and best value is achieved from the disposal. Considered a private and confidential negotiation between the parties.

- *Auction*
  Property asset is publicly advertised in advance of a set auction date. This method of sale would only be deemed appropriate in circumstances where property assets need to be disposed of within strict timescales to release capital or the property asset has been placed for sale with limited interest. Binding legal agreement created upon bid acceptance.

- *Instructing an Agent*
  In circumstances where the University does not have the resources or capability to deliver a disposal, an agent shall be instructed to action the disposal. This will occur in circumstances where the market is unknown to the University (i.e. local occupiers/developers or investment/funds where there is no pre-existing relationship or knowledge of the market). Procurement procedures shall be satisfied for the appointment of an agent, dependent on final value and fee payable – the number of fee quotes and marketing appraisals required will be determined by final fee value.

Alternative Options:

- *Joint Ventures*

  A Joint Venture is any situation where two or more people or organisations combine resources or skills to execute a project to maximise efficiency and output whilst minimising financial risk. The objective is to enter a mutually beneficial arrangement with a party who can add technical or practical skills or financial backing to a project to complement the University's resources.

  The University might consider entering such an arrangement in the case of the construction of a new building, the redevelopment of an existing building or the repurposing of an existing building. For example, the University could partner with an affiliate organisation to construct a new building with the occupation then shared by both or an existing building which is surplus to requirements could be managed by a specialist company dealing with space lettings. In any event, the nature of the transaction could action a 'disposal'.

  A primary consideration in the setting up of a Joint Venture arrangement is in relation to the implications of taxation. Another factor is whether it would be appropriate to set up a separate company/vehicle for the purposes of the Joint Venture. External independent advice should be sought to consult on such matters prior to entering any arrangement.

  As the Joint Venture agreement may be in place for a long period it is essential that all parties are certain of the standing of the partners involved and the advantages and disadvantages to the use of this mechanism. These should be outlined in the Options and Disposals Strategy Reports, as required.

  If a Joint Venture were to be instigated with a construction/development mechanism, initial consideration and options should be given to self-build opportunities – ULCCO or otherwise and duly compared against a Joint Venture agreement.

- *Sale & Leaseback*

  Sale and Leaseback is a financial transaction which allows a party to lease a building or other asset after selling it to a third party. Under the transaction the asset originally owned by the seller is sold to another party and then leased back to the original owner on a long-term basis. The transaction thus allows a person/company to use an asset whilst not owning it and raising a capital sum for the sale.

  This type of property transaction is beneficial to both parties as the first owner (becoming the lease tenant) receives a cash influx and retains use of the property, whilst the new owner (becoming the lease landlord) gets a long-term income stream and a secure investment.

  Clearly the terms of the sale and leaseback aspects of the transaction need to be commercially driven to achieve best value on the University's part. This will involve maximising the capital receipt and having the most favourable lease in terms of the amount of annual rent payable and other tenant's obligations in terms of repair etc. The University may also want to include regular break clause options within the lease terms for flexibility.

  The sale aspect of the transaction may be on the basis of a freehold disposal or a sale which is solely for the term of years of the lease with the building reverting back to the University at the end of the lease duration.

Note – there are other alternative models and mechanisms for disposal, which could manifest themselves depending on the specific asset and negotiations with a purchaser/partner. Joint Ventures and Sale & Leaseback agreements are some of the most familiar mechanisms where there is a common interest between two or more parties.

3.2.2 Marketing & Advertising

Unless deemed to be sensitive or confidential, property assets taken forward for disposal are to be advertised using appropriate channels – commensurate with the characteristics of the asset.

Advertising boards should not be displayed at the property unless expressly required through the instruction of an agent.

The Property team shall liaise with UoL Press Office to determine channels that can be satisfied with their involvement. If any further channels are required (such as sector/industry specific publications) this will be undertaken accordingly and further marketing budgets allowed for.

Where an agent is to be instructed, marketing channels should be advised and instigated by the agent, with a pre-agreed marketing strategy prior to commencement of marketing.

3.2.3 Communication - Internal & External

The wider impacts of a disposal are to be considered in order to satisfy relevant communications. If the disposal is considered to impact staff or students, internal communications will be required to inform parties of the decision and impact. External Relations, Marketing & Communication to be involved where internal communications are concerned.

Where a disposal may concern any third party, or a collective group of individuals who could share a common interest in the property asset, communication channels should be determined alongside UoL Press Office and issued accordingly at appropriate stages. If any consultation is required, this should be considered accordingly in line with the disposal strategy.

3.2.4 Valuation

Initial Valuation advice is to be provided by the Property Team in the infancy of the disposals process. The Property Team shall rely on existing formal valuations and professional expertise to formulate a guide valuation for the disposal.

Where an agent is to be instructed, a guide valuation shall form part of their marketing appraisal for the property, which shall then be checked against internal opinion of value.

Best Value to the University will be considered to be Open Market Value. This shall be satisfied from the sales process in circumstances where property assets are formally marketed (agents instructed), are subject to an appropriate advertising campaign and receipt of bids in line with the agreed disposal strategy.

A RICS Red Book compliant valuation will be undertaken by a 3rd party, independent surveyor for all property disposals, to verify that the University will be achieving Open Market Value, except where:

a) An agent has been instructed, the property is formally taken to market, and a valuation has been provided by an alternative reporting method, such as a property assessment/ marketing appraisal;
b) Where a disposal takes place, which is not an arm's length transaction and is required for a 3rd party's operational requirements and aligns with University Strategy (e.g. Network Rail, Utilities Infrastructure, Wayleaves etc.);
c) Where a disposal takes place to an adjoining landowner to acquire non-developable land which is surplus to University operational requirements, and where value does not exceed £50,000 (e.g. – extension of garden/arable land, for parking rights or other low value use);
d) Where a disposal is considered and consideration for the sale/transfer does not exceed £50,000 in any event.

Where an alternative disposal method is concerned, Valuation advice should be sought accordingly. If this is outside the Property Team's area of expertise (or for increased certainty on a more complex disposal approach), a 3rd party, independent surveyor or other industry expert will be instructed to perform a valuation exercise and any further associated work to satisfy due diligence.

If the agreed monetary exchange involved in the disposal transaction is considered to be less than Best Value to the University, reasons for this are to be included in reporting to FRCS SLT. For example – alternative disposal methods, wider collaborative working with stakeholders, agreements for either party to deliver future service/arrangements to the University forming part of the wider transaction.

3.2.5 Due Diligence

Prior to the disposal of a property asset, sufficient due diligence is to be carried out. This will form both 'Pre-disposal' and 'Post-disposal' actions and considerations:

Pre-Disposal

- *Planning* – if the University will benefit from achieving any planning changes, these are to be considered. E.g. – outline planning on development opportunity, or change of use. Planning matters that could adversely impact a sale – pending applications, rights of way, highways proposals etc.
- *3rd Parties* – should consider if any other party is affected by the disposal, occupants or otherwise. Terminate any contractual relationships where required – input by Legal.
  Example – sub-tenants or other occupational agreements, contracts directly through 3rd party providers i.e. management/maintenance.
- *Community Impact Assessment* – To assess the consequences of the disposal, consideration will be given to community impact. This would include internal University community (i.e. staff and students) and also the external community, directly or indirectly connected (e.g. neighbouring residents, local counsellors, tenants and resident groups etc., as considered appropriate).
- *Communication* – As considered appropriate following the community impact assessment, with input from External Relations, possibly UoL Press Office where required.
- *Security* – for non-operational assets, liaison with Campus Support to determine security and patrol measures.
- *Insurance* – inform insurance manager if there is any change to property status/use

- *Vacant possession* – ensure this is fulfilled on non-operational property prior to disposal. Determine if any input is required from Design Group or Capital Projects for project management and removals. Full clear out of fixtures and fittings if required.
  Determine if any input is required from CSD – any IT infrastructure that needs removing, networks to be removed etc.
- *Empty building rates* – liaise with local authority or Valuation Office to allow for void periods.
- *Energy Performance Certificates* – will be required for the sale of a property.
- *Data Protection issues* – check if there is any sensitive data as part of the transaction.
- *Legal due diligence* – liaise with Legal on title, covenants, impact of searches, contract structure, CPSE's.
- *Finance due diligence* – liaise with Finance on financial reporting, timescales, value of capital receipt, tax efficiencies.
- *Making Good/Repairs* – any remediation works to be actioned prior to sale, assess benefit vs. reward to these and if necessary (i.e. will anything deter purchaser).
- *Warrantied or Guarantees* – collate any relevant records/documents which are still applicable.
- *Health & Safety / Operation & Maintenance Manuals* – to be transferred as part of transaction.
- *Purchaser/Partner Vetting* – Sufficient checks to be carried out by the University, the agent, and/or by Legal representatives as part of risk mitigation. Checks to be carried out include:
  - Companies House checks;
  - Creditsafe checks, including Anti-Money Laundering and Know Your Customer (KYC);
  - Internet and media searches to assess possible reputational issues;
  - Assess associated or connected persons;
  - Track record – previous delivery of similar transactions;
  - Consult with known professionals to ascertain views on character and integrity;
  - Proof of Funds – ensure financial stability and ability to complete. Assess reliability of documentation.

  The approach to purchaser/partner vetting will be specific to, and determined by, the nature of the party, however, maximising checks and due diligence should prevail for any disposal.

  Having regard to the status of the company or individual is of utmost importance:

  - Transacting with Public Limited Companies would infer surety through robust procedures and status, however appropriate checks will still be required to satisfy due diligence. A more concentrated approach could be appropriate in circumstances where transacting with companies of public listed status, or companies with whom the University has previous dealings or pre-existing relationship;
  - Where transacting with a Limited Company, Limited Liability Partnership, or an Individual, checks and due diligence will be maximised to ensure risk mitigation. Increased vetting should occur where there is no pre-existing relationship or previous dealings with the persons or parties involved.

Post-disposal:

- *Meter Reads* – on day of completion (Gas, Water, Electric) if possible/where required;
- *Council Tax/Business Rates* – transfer/deletion;
- *Land Registry transfer* – (if not completed on completion).

3.2.6 Timing

Consideration shall be given to the proposed timescales of a transaction prior to disposal, and the alignment to University objectives.

If timescales are significantly increased by a particular method or strategy, the overall benefits (risk vs. reward) will be assessed against the possible delivery of other options (if any). University objectives shall prevail.

3.2.7 Risk Analysis

Each disposal option will be assessed against its own individual risk analysis. This should be formed by way of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), or similar, to illustrate the advantages and disadvantages – not only to the disposal of the property, but also the strategy and mechanisms chosen to deliver.

### 3.3 Disposal Terms

The terms of disposal will be considered on a case by case basis and reflect the characteristics and proposed disposal mechanism.

Terms may be set prior to the disposal being actioned, however, different terms may be negotiated throughout contract negotiation prior to exchange.

Items to consider:

- *Long-leasehold disposal* – the University may wish to retain overall control over the land with a long lease, as opposed to a straight freehold sale. This may be more appropriate on land or buildings located on, or nearby, strategic locations such as Main Campus where certain terms can be imposed on the disposal.
- *Payment Profile / Deposits* – consider appropriate payment stages that align with the method and mechanism of disposal, including University objectives – ensuring payments are received in a timely manner.
- *Overage* – defined as a method to capture "an element of improved development value where there is a general uplift in the market or where market value of the end development is not known at the time of sale". An uplift in value of a property asset can be achieved by implementing asset management strategies, the University may not have the time or resources to action prior to disposal. To protect against this, an overage provision should be considered to ensure the University benefits from any uplift in value achieved.

### 3.4 Timeline of events

1. Property Review Process (continuous);
2. Property Report to be submitted (following review and consideration of property classification, to include Options Summary);
3. Upon endorsement, Disposal Strategy Report to be submitted;
4. Disposal Strategy Report approved by relevant FRCS/UoL committees (see Appendix 1 & 2);
5. Commence with proposed Disposal Strategy, including all due diligence;
6. Bid/Offer acceptance report to be submitted;

7. Bid/Offer Acceptance Report approved by relevant FRCS/UoL committees (see Appendix 1 & 2);
8. Engage with purchaser / partner further and instruct solicitors;
9. Continue dialogue with all stakeholders during contract drafting and agreement;
10. Exchange Contracts;
11. Pre-conditions of Contract (if any) are satisfied;
12. Completion.

# 4.0 Policy Review

This policy will be reviewed on a periodic basis to ensure that it aligns with the University's wider strategic objectives.

It will be reviewed in consideration of other associated policies, directly or indirectly.

Review of the policy will be in conjunction with the continuous approach/assessment to the Property Asset Review, amendments or re-issue will be actioned accordingly and submitted to FRCS SMT for consideration and approval.

# Appendix 1

**Disposal of Property Governance**

The aim of the procedure is to enhance governance and communication by ensuring a documented process and audit trail for the approval of Property Disposal decisions.

**Initial Proposal for Disposal of Property**

The Property Manager shall include in the Property Report to Capital Investment Planning Group (CIPG), any proposed Disposals for consideration. Upon endorsement by CIPG the Property Manager should then arrange the preparation of the Disposal Strategy Report.

**Disposal Strategy Report**

The Disposal Strategy Report shall be considered once all policy actions have been followed and a disposal recommendation is available.

The Property Manager shall submit an FRCS SMT approved Disposal Strategy Report to a CIPG meeting to recommend for approval to SLT, F&R and Council (as appropriate based on value of disposal).

- Report to Capital Investment Project Group (CIPG)
  The Property Manager shall present a report to CIPG, for approval or recommendation if <£2m

- Report to Senior Leadership Team (SLT)
  The Property Manager shall present a report to the SLT, for approval or recommendation to F&R/Council if £2m = or <£5m

- Report to Finance & Resources Committee
  The Property Manager shall present a report to the F&R, for approval or recommendation to Council if >£5M to £15m

- Report to Council
  The Property Manager shall present a report to the Council, for approval if >£15M

The authorised Disposal Strategy Report shall be the authority to proceed to disposal and indicate the intention to include the confirmed disposal as part of the University's Disposal Plan and include within the University Financial Plan/Forecasts the Profit/Loss on disposal & Cashflow.

**Bid/Offer Acceptance Report**

The Property Manager shall submit an FRCS SMT approved Bid/Offer Acceptance Report to a CIPG meeting to recommend for approval to F&R and Council (as appropriate based on value).

Under exceptional circumstances, there may be a need for the CIPG to request that the Chair of F&R and/or Council approves the Disposal on behalf of the Committee.

**Amendments to anticipated proceeds and/or policy information advised**

The Property Manager shall advise CIPG of any amendment to the total proceeds and/or changes to the policy as outlined to committee in the Disposal Strategy Report by issuing a revised Disposal Strategy Report to FSLT and subsequently UoL committee structure if deemed appropriate.

## Appendix 2

# Disposal Policy