

Nottingham City Council

Overview and Scrutiny Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 8 June 2022 from 2.04 pm - 3.50 pm

Membership

Present

Councillor Samuel Gardiner (Chair)
Councillor Georgia Power (Vice Chair)
Councillor Carole McCulloch (Vice Chair)
Councillor Merlita Bryan
Councillor Patience Uloma Ifediora
Councillor Corall Jenkins
Councillor Gul Nawaz Khan
Councillor Jane Lakey
Councillor Anne Peach
Councillor Angharad Roberts
Councillor Andrew Rule

Absent

Councillor Sajid Mohammed

Colleagues, partners and others in attendance:

Councillor David Mellen - Portfolio Holder for Strategic Regeneration and Communications
Nancy Barnard - Governance and Electoral Services Manager
Nicki Jenkins - Director for Economic Development
Sajeeda Rose - Corporate Director for Growth and City Development
Kate Morris - Governance Officer

10 Apologies for absence

Councillor Sajid Mohammed – Work Commitments

11 Declarations of interests

In relation to agenda item 3 Asset Rationalisation (minute reference 13), in the interests of transparency the following Councillors made the following declarations:

Councillor Georgina Power stated that she is a member of the Leen Valley Community association, who use a building rented from Nottingham City Council, a Director on the Bestwood Partnership, and a Director of Nottingham City homes.

Councillor Carol McCulloch stated that she is Director of the Aspley Partnership a community group that rents a building from Nottingham City Council.

Councillor Jane Lakey stated that she is a member of the Snapewood Community Association, who use a building rented from Nottingham City Council.

Councillor Anne Peach stated that her partner was a former member of the Clifton Advice Centre, and a former Director of Nottingham City Homes.

Councillor Andrew Rule stated that he was a Member of the Parkgate Community Centre Management Committee and the Good Companions Management Committee who both rent buildings from Nottingham City Council.

These declarations did not prevent them from participating in the discussion.

12 Minutes

The minutes of the meeting held on 6 April 2022 and 11 May 2022 were confirmed as a true record and were signed by the Chair.

13 Asset Rationalisation

Councillor David Mellen, Portfolio Holder for Strategic Regeneration and Communication introduced the item on Asset Rationalisation to the Committee. Nicki Jenkins, Director of Economic Development and Property provided additional information. With a presentation they gave the following information:

- (a) The Council has so far reduced its overall debt by around £250million thanks to the contributions already made by the Asset Rationalisation programme;
- (b) Through a voluntary agreement with the government the Council is not able to borrow more money, any new projects need to be funded either by grant funding or through capital receipts from sale of property or land;
- (c) All assets are assessed prior to being sold and the Council is required to achieve the best consideration for them.
- (d) There are a number of assets that the Council invested in years ago that are no longer appropriate to own, a number of farms across the East Midlands for example have been sold;
- (e) The asset portfolio of the Council is around £1billion. The Asset Rationalisation programme focuses on those properties that fall into the general investment pool. It does not look at properties owned by the Bridge estate, or the Housing Revenue Account;
- (f) The Asset Rationalisation Board (ARB) was established 2 years ago involving Councillors and Officers to provide oversight of the programme. It feeds into the Improvement and Assurance Board to provide assurance that the Council is achieving best consideration for each property. Assets are only considered by the ARB once they have been identified as surplus to requirement for the Council;
- (g) The default sale method is through the open market, all properties are advertised on property plus. Auctions have been used in a small number of cases and higher than anticipated sale figures have been achieved;
- (h) There are three processes to identify surplus assets, by working with services and reviewing operational properties, asset by asset review looking at the smaller properties and establishing if they still generate income or whether

they require significant capital outlay, and by reviewing the larger investment properties, and establishing if the revenue they generate still outweighs the outlay, and management costs, whether there is a market for the sale of such properties etc;

- (i) Properties currently in the pipeline for disposal amount to around £90million, this is then monitored against the capital programme and split over the years according to when the capital receipt is expected to be received;
- (j) The Council has received £30.7million in capital receipts to date, which is more than was predicted for this timeframe. The anticipated receipts are risk adjusted so the forecast and the actual receipt total will differ;
- (k) The forecast for this year was higher than subsequent years as a small number of high value assets were identified for sale giving a bigger than expected total receipt;
- (l) Risk is monitored regularly, with high value assets being assessed monthly and reported to the ARB for escalation if necessary. Forecasts are also reviewed on a regular basis;
- (m) The asset review programme is well underway and the process is identifying properties that will expand the pipeline. Focus is currently on assets that can offer quick disposal time;
- (n) To complete the Asset review as quickly as possible the team capacity has been increased in the short-term. A new model is being implemented to focus the way property is managed. The newly implemented Disposal Policy has provided a framework and governance structure to ensure that the disposal process is open and transparent which builds on the work done by the ARB to ensure the correct legal and financial advice is in place throughout the process;
- (o) Further to the Disposal Policy the team is in the process of drafting a Community Asset Policy, specifically geared to the assets used by community groups. This draft Policy aims to provide consistency alongside a clear framework for decision making;
- (p) A review completed by CIPFA reinforced the Council's decision to move to a Corporate Landlord model of property management which will draw together asset management under the property services function providing cohesive and strategic overview of the property portfolio;

Through questions and comments from Committee members the following further information was highlighted:

- (q) The assessment process of assets includes both for sale and renewal of leases, many of which have not been reviewed for a number of years. It is difficult to add covenants to sales as this lowers the market price and the Council has a duty to achieve best value. However, it can be built into the

- business case to accept a lower financial receipt if it is measurable value to the community;
- (r) The use of disposal through Special Purchaser can occur, where the property does not reach the open market and the transaction takes place with one buyer. This would be the case where the special purchaser sees a higher value in the asset than would be realised on the open market, an adjoining land owner or a sitting tenant for example. There would need to be a specific and thorough business case presented to the ARB demonstrating that best value is being achieved for this to be the disposal route however;
 - (s) There are around 3600 properties within the Councils asset Portfolio. Most of these are smaller buildings, and located within the city boundaries, however there a small number of larger investment properties and pieces of land that sit outside the city within the Midlands. These were bought by the Council when the Government was encouraging commercialisation as a route to increasing income. Four of these properties have already been assessed and sold bringing in capital receipt this year. This has meant that the borrowing has been paid off and the service charge for that debt has been eliminated;
 - (t) Where an asset is identified for disposal and it is used by community groups those groups form part of the consultation process around disposal. Opportunities for community groups to purchase the assets are explored with the groups. In the past this has been ad hoc and has not been consistent, however the Community Asset Policy, currently being developed will address this and will provide clear timelines for expressing an interest. There will be a full assessment of the expression of interest, but the Council is legally bound to achieve best consideration and so anything less than market value has to be offset within the business case with measurable social value. The assessment will also ensure that the community group making the purchase will be able to sustain the asset and that it can be managed for the community use;
 - (u) The Community Asset Disposal Policy is not fully developed at this time, however the Asset disposal process is following the general principals it will set out. When a community asset is identified for disposal there will be consultation with the community and consultation with Ward Councillors.
 - (v) Consultation on the Community Asset Disposal Policy runs through into the summer. September 2022 is the earliest time it could be formalised and the policy adopted. The committee requested that a copy of the final policy, prior to it being adopted, be presented to the Committee for comment;
 - (w) The Council is increasingly using private agents to assess market conditions as they have more extensive and expert knowledge of the relevant market. However it is important to establish a balance in this direction of travel. Staff turnover with the property team has been high recently and so knowledge has been eroded;
 - (x) Committee members asked for examples of properties disposed of through each different method. The community Centre in Sneinton went to auction

after advice, and a much higher than expected price was received through that sale method than would have been achieved through open market sale. A tender process is used on bigger sites, such as Waterway House, achieving higher than expected offers. An example of a sale by private treaty was not provided as one was not immediately obvious. The Director of Economic Development and Property assured the committee she would check this and circulate an example if one exists;

- (y) Properties are advertised in a number of different places in order to maximise exposure and increase the chance of achieving best value. Minimum time scales for advertising are not set in stone, however it is not beneficial for the process to be extended with long advertising times;
- (z) There are a large number of smaller, community assets in the Council's portfolio and the Council is keen to work with groups to ensure that their provision can continue to serve the community, however the Council has to protect itself from large maintenance costs and is no longer in a position to be able to offer peppercorn rents, whilst still providing significant repairs to buildings;
- (aa) Where an operational property is currently in use by a community group the service in which it sits will consult rather than the property team. This will change when the Corporate Landlord model is implemented and will help to provide consistency across all assets;
- (bb) Where a community group expresses interest they have around 2-3 months to make that expression, the Council will work with and support the organisations to make a strong business case, but the ability to help them bid for grant funding etc has had to be removed as part of cost savings. Third sector organisations can access funding not available to the council and there is expert help for organisations to bid. An extended grace period could be considered to help a consortium of groups of individuals to ensure their finances and business case in place prior to sale, however in the interests of openness and transparency the assets are also be offered on the open market;
- (cc) The Nottingham City Council Procurement strategy is to, where possible, procure locally, however this is not reflected in the sale of assets. The Council is bound by law to achieve best consideration from asset sales and this does not allow the Council to specifically accept lower financial value from a local group. When the Council does sell to non local groups or consortiums there is a number of checks around the number of jobs it may provide to local people, or whether it will then rent the property to local groups at a fair rate etc;
- (dd) The Council's situation is such that achieving best value for assets sold is essential. The Council has to be able to demonstrate that best consideration was achieved for all asset sales, and assigning financial value to social return is very difficult to achieve;
- (ee) The Council would always prefer that a community asset is sold to a local group who will be able to maintain it and ensure the use for community

activities. Committee members highlighted that many communities see the loss of community assets as far more than a financial loss, and that the value they put on the asset remaining in the community is more than the capital receipt. The Portfolio Holder agreed that ideally community assets would not be sold however, the position is such that there is little choice, and that the Council is bound by law to achieve the best consideration for assets sold;

- (ff) It is sometimes difficult to put a market value on a property until it is tested on the open market, in order to obtain best value in most cases it is necessary to put properties on the market to test market appetite and establish a real time value. This is why direct offers cannot be accepted in many cases;
- (gg) Implementation of the Corporate Landlord model will be delivered in two phases. The first phase is to bring together the core services such as repairs and maintenance. The second phase will bring all property management back to property rather than sit within individual services. The whole process will take around 12-18 months and is being delivered as part of the transformation programme to ensure the integration of budgets, systems and policies. There will be a further period of “bedding in”;
- (hh) The Corporate Landlord model will improve customer response times, facilities management will be more streamlined and services who are currently managing properties will have that time back to focus on their core work. The focus of the model is to provide better, more streamlined and effective management of property across the Council;
- (ii) The national Assets of Community Value policy, a separate process to the Community Assets policy being developed by Nottingham City Council, gives a 6 month period for consideration of when a community group wishes to buy a property designated as an Asset of Community Value. Consideration will be given to whether using this time frame would work for the Council’s policy for all community assets;
- (jj) At the start of the Asset Rationalisation programme the Improvement and Assurance Board felt that the estimates given for capital receipts were inflated and so these were adjusted. The Board is pleased with the figures achieved through capital receipt and the progress the programme is making;
- (kk) It is important that the final decision maker does not have a conflict of interest when agreeing property sales. This needs to be the case with officers as well as members and the policy being developed should address this. There needs to be an awareness that officers and members work closely with community groups and that this should not influence decisions made around sale of assets. Recognition of interests should be acknowledge by the ARB should they exist;
- (ll) Current debt stands around £950million, a reduction of around £250million since the start of the transformation process. Costs of servicing this debt have been reduced by around £2million a year;

(mm) The challenge for Nottingham City, as a Core City, is to continue development across the city. In order to continue development, assets have to be sold to generate the capital receipt to pay for projects. Officers and Members have ambitions for the city, and want to see it grow and prosper, but behind that is a need for capital, which can only be achieved by sale of assets;

The Portfolio Holder thanked members of the Committee for their suggestions and comments. Ward level input was welcomed around the proposals for a Community Asset Policy.

The Committee thanked the Portfolio Holder and the Director of Economic Development and Property for their attendance and the information shared. They also thanked everyone involved with the Asset Rationalisation programme for their continued hard work to bring in the much needed capital receipts.

Resolved to request that the following recommendations be considered:

- 1) To provide all Councillors with the opportunity to comment on the draft Community Asset Policy as part of the consultation process.**
- 2) Consult with this Committee on the finalised draft Community Asset Policy prior to it being adopted;**
- 3) To consider the following points for inclusion in developing the Community Assets Policy**
 - a) A clear timeline set out for community groups expressing an interest in purchasing an asset with consideration given to the timeframe set out within the national Asset of Community Value Policy;**
 - b) Where possible, within the constraints of the requirement to achieve best consideration, to build in measures to encourage “Sell Local” with increased time frames to allow local groups or consortiums to establish sufficient finances**
 - c) Built in controls to ensure no conflict of interest for members and officers can influence sale of assets**
 - d) Ensure adequate consultation with relevant Ward Councillors and Community groups prior to the sale of community assets**
- 4) To develop and maintain a public register of assets sold by private treaty**
- 5) To consider further increasing the use of private agents to assist with current capacity issues within the property team**

14 Work Programme

The Chair introduced the Work Programme to the Committee, reminding members that there was no meeting in July.

Committee members requested an update on the Community Asset policy return to the Committee prior to formal decision making to implement the Policy.

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Additional items for the rest of the municipal year were laid out on the Work Programme, and will also need to include Budget consideration and Culture improvement.

The Committee agreed that an item on weed spraying across the city was not an item that should come to the committee in full, but requested a letter from the Portfolio Holder updating the committee following changes to the implementation of the programme.

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