

# External Valuer Procurement Proposal 2022-2023

## Additional Information

### Background

In accordance with the Code of Practice on Local Authority Accounting and International Financial Reporting Standards (IFRS) Nottingham City Council is required to complete revaluations of its operational and non-operational assets including:

- Investment Properties
- Surplus Assets
- Assets Held for Sale
- Council Dwellings
- Operational Property
- Specialised High Value Plant and Equipment

The valuations are completed on a number of bases including:

- Fair Value
- Existing Use Value
- Depreciated Replacement Cost

The Council holds / controls a wide variety of property types from incinerators to high value retail parks. The Property Trading Account whilst primarily located in Nottingham has assets in Newcastle and the West Midlands which requires specialist external input.

In addition to the geographical locations and mix of property types, ongoing audits of previous years accounts by Grant Thornton has raised queries around specialist properties which require external valuation.

The Voluntary Redundancy process of 2020, and subsequent difficulty retaining and recruiting new staff to vacant posts within a new structure is also causing issues within the Property team. Currently there are only 3 RICS Registered Valuers on the permanent staff, and 4 Chartered Surveyors in total. Valuation expertise across all Property positions is also limited. Coupled with increased scrutiny of income generating activities through the Property Trading Account and the Capital generation through the Disposal Programme, this means that Property Services cannot guarantee meeting the Statutory deadlines in place for delivery of the asset revaluation programme.

### Proposal

The Capital Accounting Teams have produced a list of assets which require valuation in the current financial year. Some of these will be best placed being undertaken in-house valuers for expertise, cost or knowledge purposes and the rest, expected to be around 450, will require being completed by external valuers.

Once agreed between Property Services team Leaders and the Finance teams, the list will be included in the procurement pack and sent to numerous valuation companies for quote via existing Framework Agreements in accordance with Procurement rules and supported by Procurement Officers.

The valuations will need to be completed in line with the agreed timetable, ideally by the end of February 2023. The valuation date for all valuations is 31<sup>st</sup> March 2023.

The properties proposed to be valued externally rather than in-house have been determined on a variety of factors including (but not limited to) location, high value, and specialism. Those which will certainly need to be sent out include the Investment Properties over £1million in value or that are located outside of the city's political boundaries.

### Other Assets not included

Other assets that require valuation are listed below, but do not form part of this procurement exercise (this is included for completeness of information only):

#### Depreciated Replacement Cost

DRC Specialist valuations are required on properties where a market otherwise does not exist for them or they contain specialist layout or equipment. These are covered in Delegated Decision 4377.

#### Farms

All agricultural assets have been outsourced for management and valuation purposes for a number of years. The relevant skills to value these asset are not held in-house. The Council has a current instruction in place with Savills to value these.

#### Housing Beacons

The Council's Housing stock is valued using circa 180 representative properties, known as Beacons. These require a full valuation including inspection every 5 years with restatement taking place in the intervening years. Consultants familiar with the property types and having relevant local knowledge of the market will be sought out to assist in the valuation of these.

The cost restating the Beacon properties is a true cost to be covered by an HRA budget. A separate approval to the Director of Property for the award will contain appropriate input from Housing colleagues.

### Likely Expenditure

A budget pressure of £500,000 was recognised as existing for this valuation work at the start of the financial year and remains in forecasts.

Quotes will be sought from companies with relevant expertise in valuing assets of this nature, who appear on Framework Agreements identified by Procurement. Given the sheer number

needing to be completed, it may be necessary to appoint more than one party to complete the exercise within the statutory timeframes.

The estimated cost for the valuation of the assets stated is hoped to be in the region £375,000 to £400,000.

The current value of all assets to be assessed, including those proposed to be done in-house is some £498.4 million.