

Housing and City Development Scrutiny Committee

18 December 2023

Asset Rationalisation - Policy and Process

Report of the Statutory Scrutiny Officer

1 Purpose

- 1.1 To scrutinise the policy and processes behind the Council's Asset Management Programme to generate capital receipts by selling surplus property assets to meet the current commitments within the Capital Programme and reduce the Council's level of borrowing, and to seek assurance on the way in which assets are properly identified for disposal.

2 Action required

- 2.1 The Committee is asked to:
- 1) consider whether it wishes to make any comments or recommendations in relation to the policy and process elements of the Council's Asset Management Programme;
 - 2) note that a report on Asset Rationalisation - Delivery and Future Strategy will be brought to a future meeting of the Committee; and
 - 3) identify any next steps in the further scrutiny of this issue.

3 Background information

- 3.1 This issue falls within the remit of the Portfolio Holder for Skills, Growth, Economic Development and Property.
- 3.2 The Council is a major owner of property assets from which services and Council Plan priorities are delivered. Asset Rationalisation represents the process of reorganising the Council's property to improve operating efficiencies and boost the bottom line, using strategic planning and analysis to determine the best use of property and to identify assets potentially surplus to requirement.
- 3.3 Assets owned by the Council are public resources, so the Council should demonstrate a clear benefit in holding a given asset. The reasons for holding an asset should contribute to the delivery of the Council Plan and meet at least one of the following objectives:
- a) to directly deliver services such as leisure centres, day centres, museums, etc., to citizens;

- b) to provide necessary support to direct service delivery through administrative buildings, depots, etc.;
 - c) to generate a financial return for the Council to help fund services through commercial properties; or
 - d) to meet the Council's wider economic or strategic objectives.
- 3.4 The ability to deliver a level of capital receipts has a direct impact on the Council's cashflow and borrowing requirements. Therefore, it is recognised that all Council property is a corporate resource even when occupied by a specific service, held for strategic purposes or used for income generation. When property assets become surplus there is a presumption for disposal unless there is a strong business case approved for alternative use. However, although the disposal of surplus assets is partly about achieving capital receipts, it also ensures that the Council considers efficiencies in terms of the assets that it uses to deliver best value.
- 3.5 A comprehensive Asset Management Strategy to govern how the Council's significant operational and non-operational buildings will be managed, prioritised for investment or ultimately disposed of if surplus to requirements is being developed. In the meantime, it is necessary for the Council to operate an interim Asset Disposals Policy to ensure that property decisions are made with clarity, transparency and integrity. This work is being undertaken in the context of the need to generate significant capital receipts from surplus property holdings to finance the Council's Capital Programme and reduce Council debt, having regard to the Council's voluntary Debt Management Strategy.
- 3.6 The disposal of land held by the Council under the General Fund is subject to statutory provisions, in particular to the overriding duty under Section 123 of the Local Government Act 1972 to obtain 'Best Consideration'. The Council must not dispose of assets for "a consideration less than the best that can be reasonably obtained", and Best Consideration is generally interpreted as being the best price achievable in the open market. However, this does not necessarily require the highest offer to be accepted as certain other factors may be considered as part of the Best Consideration.
- 3.7 Once a property asset is identified as surplus the Head of Property, as the Council's professional lead, will instigate the process to dispose. Properties are only sold after a full options appraisal has taken place. Once the options appraisal has been completed a clear recommendation is developed and, if this is to dispose, the appropriate method is also established. Recommendations are drawn up via a relevant working group and then agreed by the Corporate Property Asset Management Group. Final approval to dispose is done in accordance with the Council's formal governance arrangements.
- 3.8 A report on the policy and process in relation to Asset Rationalisation is attached.

4 List of attached information

- 4.1 Report: Asset Disposals Policy

5 Background papers, other than published works or those disclosing exempt or confidential information

5.1 None

6 Published documents referred to in compiling this report

6.1 None

7 Wards affected

7.1 All

8 Contact information

8.1 Adrian Mann, Scrutiny and Audit Support Officer
adrian.mann@nottinghamcity.gov.uk