

Executive Board – 19th December 2023

Subject:	The Disposal of Investment Property Assets from the Property Trading Account
Corporate Director(s)/Director(s):	Sajeeda Rose - Corporate Director for Growth & City Development
Portfolio Holder(s):	Cllr Steve Battlemuch - Portfolio Holder for Skills, Growth, Economic Development and Property
Report author and contact details:	Beverley Gouveia - Disposals & Development Manager - Strategic Assets & Property Beverley.gouveia@nottinghamcity.gov.uk
Other colleagues who have provided input:	Christopher Cocks – Disposals Surveyor - christopher.cocks@nottinghamcity.gov.uk Paul James – Disposals Surveyor - Paul.James@nottinghamcity.gov.uk Glenn Hammons - Interim Finance Lead – Technical Finance – glenn.hammons@nottinghamcity.gov.uk Thomas Straw – Senior Accountant (Capital Programmes) – Thomas.straw@nottinghamcity.gov.uk Sarah Baker – Senior Commercial Business Partner (Corporate Landlord) sarah.baker2@nottinghamcity.gov.uk Geetha Blood – Interim Finance Business Partner – Geetha.blood@nottinghamcity.gov.uk Mick Suggett – Team Leader, Conveyancing – mick.suggett@nottinghamcity.gov.uk Jonathan Whitmarsh – Corporate Procurement Officer – Jonathan.whitmarsh@nottinghamcity.gov.uk
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a)	<input type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Type of expenditure:	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital - N/A
If Capital, provide the date considered by Capital Board Date: - N/A	
Total value of the decision: Exempt from Publication	
Section 151 Officer expenditure approval	
Has the spend been approved by the Section 151 Officer? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Spend Control Board approval reference number: 1222	
Wards affected: Berridge, Bestwood, Castle, Dales, Hyson Green & Arboretum, Lenton & Wollaton East, Meadows, Radford, and St Ann’s. One asset is located within Rushcliffe District Council area.	
Date of consultation with Portfolio Holder(s):	
Portfolio Holder consultation was undertaken on the 16 th November 2023.	

The recommendations contained in this report and exempt appendix were discussed with the Corporate for Growth & City Development and the Corporate Director for Finance & Resources/Section 151 Officer on the 22nd November 2023.

Relevant Council Plan Key Outcome:

Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Healthy and Inclusive	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input type="checkbox"/>
Financial Stability	<input checked="" type="checkbox"/>
Serving People Well	<input type="checkbox"/>

Summary of issues (including benefits to citizens/service users):

In response to the Council's Together for Nottingham Recovery and Improvement Plan refresh 2022, the Council commenced a review of assets within the Property Trading Account which could be considered for disposal.

The assets proposed for disposal have been reviewed in accordance with the "Asset Rationalisation Programme" and endorsed as being suitable for disposal.

The proposed disposals support the Council's Together for Nottingham Recovery and Improvement Plan refresh 2022 and would provide a capital receipt.

Does this report contain any information that is exempt from publication?

The appendix to this report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the strategic management of the Council's Surplus Property Assets and in particular contains commercially sensitive information relating to asset management and disposals. Having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because disclosure of the information will compromise the Council's negotiation strategy in the event of a disposal, and this may adversely impact the revenue/capital the Council could receive.

Legal comments contained in the exempt appendix are exempt from publication under paragraph number 5 of Schedule 12A to the Local Government Act 1972 because it contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings relating to a proposed transaction and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

It is not in the public interest to disclose this information because it contains confidential legal advice in respect of the proposed transaction and disclosure could prejudice the Council's position.

Recommendation(s):

1. To make the assets detailed in the exempt appendix surplus to the requirements of the Property Trading Account.

2. To approve the disposal of the surplus assets detailed in the exempt appendix on terms to be agreed;
3. To delegate the approval of the asset management and/or method of sale to the Director of Economic Development & Property;
4. To delegate approval of the final terms of sale to either the Director of Economic Development and Property or the Corporate Director for Growth and City Development in line with constitutional value bands.
5. To note spend of £130,000 on associated disposal fees has been approved by the Section 151 Officer
6. To appoint sales agent(s) or any other required consultant via a procurement compliant process (tender/framework/quotation) to facilitate the disposals process.
7. To delegate the approval of any licences/agreements or required legal agreements to facilitate a sale to the Director of Economic Development & Property;

1. Reasons for recommendations

- 1.1 The disposals will generate significant capital receipts which can be used by the Council as considered appropriate. It will also mitigate potential future financial risks arising from capital and revenue expenditure required to meet the council's repairing and statutory obligations and remove resource-intensive assets from the Council's ownership, and remove any costs associated with voids/re-letting and refurbishment.
- 1.2 Property specific reasons are contained in the exempt appendices.

2. Background (including outcomes of consultation)

- 2.1 In response to the Council's Together for Nottingham Recovery and Improvement Plan 2021-2024 - Refresh 2022, the Council is reviewing its property assets held within the Property Trading Account (PTA) which could be considered for disposal.
- 2.2 The assets proposed for disposal have been reviewed in accordance with the, "Asset Rationalisation Programme" as being suitable for disposal. The assets have been reviewed using a decision matrix which considers key property and finance inputs relating to condition, future capital and revenue liabilities, energy performance ratings, management of the asset, performance of the asset and marketing. Financial considerations include capital/revenue and capital financing implications. Each element has been scored with the results being endorsed by Senior Officers in both Strategic Assets & Property and Finance. The results of the decision matrix are set out in the exempt appendix.
- 2.3 The assets identified are a mix of property types comprising, industrial estates and premises, licensed leisure, retail, and office premises. Assets have been identified for sale based on their individual characteristics. Asset specific issues are referenced within the Exempt Appendix.
- 2.4 Local Ward Councillors have been advised of the proposal to dispose of the assets which form the subject of this report, and no objections have been received at the time of writing this report.

3 Other options considered in making recommendations

- 3.1 **Not to sell the assets.** This option has been rejected as retention of the assets could present a financial risk to the Council. It would also forego a potentially significant capital receipt which could be used by the Council.

- 3.2 Significant Capex is required on the vast majority assets proposed for disposal, to ensure compliance with the Council's contractual and statutory obligations. This expenditure is necessary to preserve existing income streams and protect the value of an asset.
- 3.3 Required expenditure includes repairs to buildings for which the Council is liable, and compliance with statutory requirements, most notably works to satisfy minimum energy efficiency standards (MEES) and obtain valid Energy Performance Certification (EPC)
- 3.4 In the absence of a valid EPC certificate, the council is prevented from letting assets which fail to meet required legislation. EPC requirements are becoming increasingly stringent, with the next major uplift in standards being implemented on 1st April 2027.
- 3.5 Failure to expend monies will result in fines, loss of income, reputational damage and incur void costs and impairment in capital value.
- 3.6 It is also anticipated market sentiment will turn negative on non-EPC compliant assets in advance of the 1st April 2027 deadline.
- 3.7 Currently no provision to implement EPC compliance works exists within the Capital Programme and urgent Budgetary provision is required to comply with impending legal requirements. It is considered unlikely that Capex on EPC and repair works will generate increased rental income, as compliance with contractual lease obligations and legislation is expected.

4 Consideration of Risk

- 4.1 Failure to dispose of the assets identified in this report resents a business risk to the Council as the assets require capital investment to protect and maintain existing income and maximise future potential income.
- 4.2 In the absence of a valid EPC certificate, the council is prevented from letting assets which fail to meet required legislation. EPC requirements are becoming increasingly stringent, with an impending major uplift in standards due for implementation on 1st April 2027.
- 4.3 Failure to expend monies will result in fines, loss of income, reputational damage and incur void costs and impairment in capital value.
- 4.4 Void holding costs are currently being incurred pending re-letting of some assets identified for disposal.
- 4.5 A sale will remove a significant amount of revenue from the Property Trading Account, and this will need to be mitigated.

5 Finance colleague comments (including implications and value for money/VAT)

- 5.1 The Finance team comments are contained in the exempt appendix.
- 5.2 Finance comments provided by Glenn Hammons 29th November 2023.

6 Legal colleague comments

6.1 The Legal comments are contained in the exempt appendix.

6.2 Mick Suggett; Solicitor and Team Leader – Conveyancing – 29th November 2023.

7 Other relevant comments

7.1 Strategic Assets and Property

7.2 The Strategic Assets and Property comments are contained in the exempt appendix.

7.3 Beverley Gouveia; Disposals & Development Manager - Strategic Assets & Property – 29th November 2023.

8 Procurement Comments

8.1 As the report is concerned with disposals of land & property, the majority of the value of the decision falls outside of the Public Procurement regime with the value of spend on appointing sales agents and other consultants to represent the Council estimated to be less than £114,100. Such appointments made in support of this decision must comply with Contract Procedure Rules and the relevant provisions of the Public Contracts Regulations 2015.

8.2 Jonathan Whitmarsh – Corporate Procurement Officer – 28th November 2023.

9 Crime and Disorder Implications (If Applicable)

9.1 Not Applicable.

10 Social value considerations (If Applicable)

10.1 Not Applicable.

11 Regard to the NHS Constitution (If Applicable)

11.1 Not Applicable.

12 Equality Impact Assessment (EIA)

12.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because: the decision does not impact Council policy or procedure.

13 Data Protection Impact Assessment (DPIA)

13.1 Has the data protection impact of the proposals in this report been assessed?

No



A DPIA is not required because there are no issues arising from the release of information held by the Council in respect of the existing tenants as:

- a). The information is required for the purposes of entering into a contract with a prospective purchaser.

b). The information is required for the purposes of legal proceedings- i.e. the conveyancing process.

14 Carbon Impact Assessment (CIA)

14.1 Has the carbon impact of the proposals in this report been assessed?

No



A CIA is not required because: The decision will not impact on carbon production by the Council.

15 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

15.1 None.

16 Published documents referred to in this report

16.1 None.