

# Housing and City Development Scrutiny Committee

## 22 January 2024

### Asset Rationalisation – Delivery and Future Strategy

1. This report follows on from the report on Asset Rationalisation – Policy and Process presented to the Committee meeting on 18 December 2023, which outlined the process and policy underpinning the Council's Asset Rationalisation Programme.
2. The Asset Rationalisation Programme is intended to ensure best value through the use of the Council's assets by using strategic planning and analysis to determine the best use of property and identifying assets potentially surplus to requirements. In doing so, it is aimed to generate sufficient capital receipts by selling property assets to meet the current commitments within the capital programme and reduce the Council's level of borrowing.
3. As a theme within the 'Together for Nottingham' Plan, the Programme aims to accelerate the sale of those properties currently declared surplus and in the pipeline, increase the number of assets for disposal onto the Programme, and provide assurance on the way in which the Council sells its assets.
4. The Strategic Assets and Property team has accelerated the review of assets and disposal of assets over the past two years, with £64 million in receipts being achieved since the 2021/22 financial year. The review and disposal process has mature governance and corporate oversight. The emphasis going forward is on accelerating the process in line with the Council's financial requirements.
5. Performance of the Programme is managed through the production of a three-year forecast, which sets out the level of capital receipt expected to be achieved each year. A risk adjustment based upon the complexity of the sale and the distance from completion is applied for each asset. The forecast as at the first of April each year is used as the target for team performance for that year, although it has to be recognised that the forecast fluctuates throughout the year due to market changes or progress/delays in the sales of assets.
6. The current forecast for 2023-26 is as outlined below, with a total pipeline of £74.3 million.

	Total Pipeline (Non risk adjusted, less costs)	Most Likely Risk Adjusted Receipt (less costs)
2023/24	-26.551	-11.575
2024/25	-31.027	-13.558
2025/26	-0.864	-0.086
<b>Total</b>	<b>-58.442</b>	<b>-25.220m</b>
Additional high value assets	-15.905	-6.993
<b>Total</b>	<b>-74.347</b>	<b>-32.213</b>

7. Performance against the April forecast is also outlined into the table below which shows that, for this financial year, a £8.4 million capital receipt has been achieved to date against a target of £13.6 million.

Year	RA Forecast in April	Amount Secured
2020/21	£11.9m	£12.9m
2021/22	£7.9m	£17.8m
2022/23	£33.8m	£25.1m
2023/24	£13.6m	<b>£8.40m</b>
<b>Total Secured to date</b>		<b>£64.2</b>

8. This year's target is expected to be met due to an additional £1.8 million in the current pipeline still expected to complete and an additional 18 properties which were approved to go to auction in January and February 2024.
9. In order to accelerate the disposals process, a number of actions have been taken to address identified challenges. These include:
- implementing the Disposals Policy, which addressed the concerns raised with regards to assurance and provided a clear decision-making framework;
  - reviewing the decision-making process, with all unnecessary steps removed;
  - increasing the use of auctions as a quicker route to market;
  - recruiting additional Disposal Surveyor Capacity; and
  - initiating a series of review processes across the property portfolio.
10. Increasing the number of assets in the pipeline is crucial to maintaining a sustainable flow of capital receipts, particularly in light of the Council's current financial circumstances. Consequently, a full review of all assets within the property portfolio has been undertaken to identify assets that no longer meet the 'best value' requirements of the Council. This review has been broken down into a number of themes and asset classes, with specialist expertise commissioned to undertake the reviews to provide a credible market assessment. The reviews are as follows:

- Investment Properties: the review was concluded in 2022, and properties for sale agreed in January 2023 over a phased period of three years. The first sale was completed in November 2023.
  - High Value Asset Review (properties valued at over £750,000): this review concluded in autumn 2023, with the first properties to come forward to auction in January and February 2024, with the remainder now been considered for the forward plan.
  - Agricultural Assets: nine assets have been reviewed and recommendations are expected in March 2024.
  - Operational Estate: a review is currently ongoing with 90 properties considered, and is expected to conclude in early January 2024.
  - Ongoing Portfolio Review: a review of smaller commercial assets is underway to consider their ongoing performance.
11. There are a number of ongoing risks and challenges that are being actively managed, which have the potential to affect the Council's ability to deliver sufficient capital receipts within the timescales required.
  12. When looking to sell commercial properties that generate an income for the Council, consideration has to be given to any potential loss of revenue alongside the potential capital receipt to be achieved. In order to address this, a new decision matrix has been developed, working with Finance colleagues. This matrix assesses the full financial impact, including income loss against future potential capital expenditure and the risk of futures voids, etc. Priority is given to those properties that are either void or have limited impact on revenue budgets. In addition, the operational asset review is aimed at identifying surplus properties that are not income-generating.
  13. Recruitment to professional qualified surveyor roles continues to be a challenge, and this issue is being experienced across the whole Local Authority sector. In order to maintain the level of capacity required, vacancies are filled on a temporary basis with interim support, so all roles within the team are currently filled. To increase the level of capacity available, two additional Disposal Surveyor roles were also developed and recruited to, which was the maximum number possible within the budgets available. An ongoing recruitment programme is also underway.
  14. The Property team is not the only team crucial to the disposal process that is experiencing recruitment difficulties. Both Legal and Finance have similar challenges. In order to make the best use of capacity and skills available, additional support has been provided into the Legal team (funded through the capital receipts received) and an ongoing dialogue with both teams about priorities is taking place.
  15. Once into the disposal process, there are often unforeseen factors that can arise as part of the legal due diligence process. These can take many forms and are usually unique to the asset, but some examples would include discovering that property titles have previously been unregistered or that there is some form of legal challenge to the ownership or sale. Little can be done to avoid this,

however, ensuring that a review of the title is undertaken early on in the disposal process to prevent any abortive work being undertaken has been implemented.

16. Changes to the property market is one further factor that can impact any disposal programme. Changes in the market can affect the value of properties or the ability of buyers to raise sufficient funds. While the cause of this is outside of the Council's control, the Property team monitors sales on a weekly basis and prioritisation is given to higher-value assets that would have greater impact on the programme should they fall through, and consideration to market conditions is built into the asset review process. Where necessary, specialist external advice is also sought.