Audit Committee – 26th July 2024

Title of paper:	Update on Theme 2 Asset Management of Together for Nottingham Plan and IAB Instruction 2.8.	
Director(s)/ Corporate Director(s):	Sajeeda Rose – Corporate Director for Growth and City Development	**Wards affected:** All
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Does this report contain any information that is exempt from publication? No		
Brief Summary This paper sets out for Audit Committee Members the progress made on implementing Theme Two (Asset Rationalisation) of the Together for Nottingham Plan and implementing the IAB Instruction - Bring forward a credible and risk assessed plan for additional pipeline of capital receipts linked to the implementation of the corporate landlord model		
Recommendation(s):		
1	For the committee to note the work undertaken to successfully deliver the action plan under Theme Two (Asset Management) of the Together for Nottingham Plan and IAB instruction 2.8.	

1 Reasons for recommendations

This paper sets out for Audit Committee Members the progress made on Implementing Theme Two of the Together for Nottingham Plan and the related IAB Instruction 2.8.

2 Background

2.1 Asset Management was identified as a theme within the Together for Nottingham Plan, with a particular focus on delivering a flow of capital receipts to fund the capital programme, transformation and to reduce the Council's debt.

2.2 The improvement theme focused on three areas, as follows;

a) The acceleration and expansion of the capital receipt pipeline.
b) Improving assurance and governance of decision making relating to property transactions.
c) Implementation of the Corporate Landlord model for the management of property assets.

2.3 The early priority for the programme (and area of focus for the IAB) was ensuring that we generated enough capital receipts in year and that targets set were met. However, in February last year it was recognised that a more sustainable approach needed to be taken to the pipeline development and a longer-term pipeline, over the duration of the MTFP needed to be established.

2.4 As a result the IAB issued the following as an additional instruction with a Sept 30th 2023 deadline;

'Bring forward a credible and risk assessed plan for additional pipeline of capital receipts linked to the implementation of the corporate landlord model '

Capital Receipt Pipeline

2.5 The Council's approach to asset rationalisation aims to ensure best value through the use of assets, by using strategic planning, and analysis to determine the best use of property in the context of the Council's Best Value duty and identifying assets potentially surplus to requirements.

2.6 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 is also added to the forecast process, based upon the complexity of the sale and the distance from completion for each asset.

2.7 The forecast as at the 1st 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.

2.8 Performance over the last 4 years against the April forecast is outlined in the table below;

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	£24.25m
Total Secured to date		**£80.05m**

2.9 The target for 2022/23 was not achieved due to two very high value assets being delayed due to external factors, including the last minute listing of one asset and the impact of the increase in interest rates on development values impacting the other, resulting in both sales not proceeding. While both of these were due to factors outside of our control, in order to mitigate the impact on the forecast should these assets not sell when expected, they were subsequently removed from the forecast.

2.10 In line with the need to increase the level of capital receipts, this years target has increased to £30.8m, with performance to date currently resting at £5.026m and a total pipeline of £77m.

2.11 Increasing the number of assets on the pipeline is crucial to maintaining a sustainable flow of capital receipts. Consequently, a review of assets within the portfolio commenced in summer 2023, with a view to identifying assets that no longer met the Best Value requirements of the council.

2.12 This review was broken down into several themes/asset classes, with specialist expertise commissioned to provide a credible market assessment.

2.13 Those themes/asset classes were as follows;

- **Investment Properties:** review concluded in 2022, and properties for sale with an indicative value of £44.4m agreed in Jan 2023, over a phased period of 3 years. First sale completed in November 23 and the remaining properties are now being revisited to determine whether the original conclusions still stand and whether further properties can be identified for disposal.
- **High Value Asset Review (properties valued at over £750k)**: concluded in autumn 2023, and identified 39 properties for potential sale.
- **Agricultural Assets (Farms)**: concluded in the autumn, and reviewed 9 assets, with recommendations to sell 7.
- **Operational Estate**: Reviewed 93 operational properties currently utilised for delivering council services, comprising of a mixture of Communities, Children's, Culture + Libraries, Sport and Leisure, Depots, Adults and Natural Environment Assets. Outcomes of this review are now being used to inform the delivery of budget savings bought forward through the Duties and Powers process.
- **Ongoing portfolio review**: internal review of smaller commercial assets to consider ongoing performance on an ongoing basis.

2.14 As part of this process, each identified asset is considered for its economic, social and financial impact to the council and working with the Finance Team is processed through a 'disposal matrix', which provides an assessment of the financial impact of disposing/retaining a property.

2.14 As a result of this work, an additional £66m over the next four years was added onto the potential pipeline of capital receipts by the deadline date of 30th Sept, thereby meeting the requirements of the IAB instruction.

Assets Action Plan

The Together for Nottingham plan identified three core projects for delivery under the assets theme,

a) Asset Disposal
b) Corporate Landlord
c) Community Assets

2.15 Progress against each of these has been positive, with a summary of progress as follows.

a) *Asset Disposal*
The overall purpose of this project was to ensure there is a robust forecast of capital receipts, ensuring the subsequent delivery of capital receipts and that appropriate assurance is in place throughout the decision-making process.

All actions have been completed and as outlined above, we have been successful in delivering £80m of capital receipts.

b) *Corporate Landlord*
The Corporate Landlord project recognised that an improved model for property management across the Council was needed to ensure that benefits were maximised and the Council continued to hold an estate that met its needs.

All actions have now been completed. The Corporate Landlord model was implemented following the merging of the FM/Building Services team and Strategic Assets and Property Team. Property management functions within services are now in the process of being transferred.

c) Community Assets
This project aimed to change the approach to community asset leases to ensure values are maintained, community assets are fully utilised and community organisations are clear in term of roles and responsibilities.

2.16 Of the three actions, all have now been completed, with the Community Asset Policy now approved.

Risk Management

2.17 In order to manage risk throughout the programme, a traditional risk management Approach has been used, with a risk register rated on severity, which is reviewed and updated on a quarterly basis.

2.18 There are a number of high rated risks identified, the mitigations for which were incorporated into the theme action plan where appropriate.

Future Requirement for Capital Receipt and the Councils Improvement Plan

2.19 Following the successful application to Government for Exceptional Financial Assistance (EFS), the requirement to generate capital receipts has significantly increased in order to 'pay back' the EFS in addition to funding transformation costs, to reduce our debt and fund a future capital programme.

2.20 Consequently, there is a need to further increase the pipeline, both within year and for future years. As a result, Asset Rationalisation work will be reviewed in line with the emerging Exit Plan from the Commissioners and will be a theme within the Council's new Improvement Plan. Building upon the work started last year, a new disposals plan is currently being developed, which brings forward assets for review on a phased basis to ensure an increase in the capital receipt pipeline.

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

3.1 None

4 Published documents referred to in compiling this report

4.1 None