

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:	5194
Author:	David Smeeton
Department:	Growth and City Development
Contact:	David Smeeton (Job Title: Interim Disposals Surveyor, Email: david.smeeton@nottinghamcity.gov.uk, Phone: +447785253059)

Subject: To request approval to dispose of the property known as Ayr Street Studios Ayr Street NG7 4FX

Total Value: See Exempt Appendix (Type: Nil)

Decision Being Taken: 1. To declare the premises known as Ayr Street Studios, surplus to the Trading Account and to make the freehold available for disposal. No alternative operational, regeneration, community or other requirements have been identified (Officer Operational Decision). 2. To grant delegated authority to the Director of Economic Development and Property to approve the method, disposal price and terms of sale of the freehold interest in this property as set out in the exempt appendix. The receipt will be held as a corporate capital receipt and used in accordance with the Capital Strategy (Portfolio Holder Decision). 3. To delegate authority to the Director of Economic Development and Property to appoint, via a procurement compliant procedure, and pay appropriate fees associated with any external resource required to dispose of the subject property to achieve Best Consideration and comply with the Council's adopted disposals policy.

Reasons for the Decision(s) 1. The Council had faced a budget gap of over £50M for 2024/25 due to issues facing Councils across the country including increased demand for children's and adult's social care, rising homelessness presentations and inflation. This has meant savings of over £36M need to be made between 2024/25 to 2027/28 to set a balanced budget, which is a legal requirement for all Councils. In addition, the Council, has been granted Exceptional Financial Support (EFS) from the Government of up to c.£66.143M - £25M for 2023/24 and £41.143M in 2024/25. EFS is not additional funding from Government but allows the Council to use capital resources, including from asset sales to fund revenue costs for services. 2. Asset rationalisation is also a significant part of the Council's Improvement Plan 2024 and Budget strategy. 3. The property comprises a Victorian era factory/warehouse, in very poor physical condition, requires considerable repairs and is located in a tertiary commercial area. 4. The property is highly management intensive, with 75% of the space vacant due to its poor physical condition. 5. Some 33% of the units are non-compliant with current EPC requirements and all units will be non-EPC compliant by 2027. 6. The property is highly management intensive and requires significant capital expenditure to generate future income. There is no strategic reason or requirement to retain the property.

Other Options Considered:

1. Do nothing:-a) Risk - this option has been rejected as retention of the asset presents a financial risk to the Council in terms of capital expenditure for repairs, maintenance and compliance works. Retaining the asset would also forego potentially significant capital receipts. this is not a viable option as the property could become management intensive. b) Risk mitigations - Ensure a successful disposal is achieved. Ensure the asset approved for disposal is marketed effectively, at the earliest opportunity, to ensure sufficient exposure, generating a high level of awareness amongst potential purchasers. Adoption of an asset-specific marketing strategy to ensure the asset is targeted at specific market segments to maximise likelihood of successful a disposal. Use of auction process provides increased certainty of securing a disposal within a defined timescale, and on an unconditional basis. Allocate dedicated specialist resource with significant experience of commercial property disposal transactions.

2. Retain the property:-a) Risk - this option has been rejected as this is a poor quality asset requiring capital expenditure and is likely to underperform in the future. It is unlikely a pro-active asset management approach would materially enhance the asset and is unlikely to be an effective and efficient use of resources. b) Risk mitigations - successfully dispose of the property (see 1b above).

Background Papers:

Published Works:

Affected Wards:

Hyson Green and Arboretum

Colleague / Councillor Interests:

Any Information Exempt from publication:

Yes

Exempt Information:

Description of what is exempt:

Details of valuation information and the expected capital receipt. An appendix (or appendices) to this decision is exempt from publication under the following paragraph(s) of Schedule 12A of the Local Government Act 1972.

An appendix (or appendices) to this decision is exempt from publication under the following paragraph(s) of Schedule 12A of the Local Government Act 1972

3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because it contains commercially sensitive information concerning property valuation and the expected capital receipt.

Documents exempt from publication:

18.07.18 Exempt Appendix Ayr Street StudiosNG7 4FX TS SFB.doc

Consultations:

Date: 08/07/2024

Ward Councillors: Liaqat Ali, Sana Nasir, Naim Salim

No feedback has been received to-date on this proposed disposal from the Cllrs. Those not consulted are not directly affected by the decision.

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications:

There are no Crime and Disorder implications arising from the disposal.

Equality:

EIA not required. Reasons: Reasons - The decision does not include changing principles, services or functions.

Relates to Council Property Assets:

Yes

Decision Type:

Portfolio Holder

Subject to Call In:

Yes

Call In Expiry date:

29/10/2024

Advice Sought:

Legal, Finance, Procurement, Property

Commissioner Comments: The Commissioners are content with this decision

Legal Advice:

1. Legal Services is not qualified to provide valuation advice or to comment on whether the consideration for a transaction meets the best consideration requirement in s.123 of the Local Government Act 1972. Trends relating to current or future market demand are also outside the knowledge of Legal Services and the Council must rely on the valuation and marketing advice from Property colleagues, who are properly qualified to provide this advice.
2. Given this proposed disposal is at an early stage, there are no agreed heads of terms available for review and Legal Services has not yet carried out any due diligence or preparatory work to establish if there are any title defects or other problems which would need resolving to allow a sale to proceed.
3. Legal Services raises no objection to the proposed sale of the Property provided that suitable terms for the disposal can be agreed and Legal Services is given adequate opportunity to carry out due diligence to identify and, to the extent possible, mitigate any title defects ahead of the sale.

Advice provided by James Christian (Solicitor) on 02/08/2024.

Finance Advice:

This advice is exempt from publication and is contained within an exempt appendix

Advice provided by Sarah Baker (Senior Commercial Business Partner - Property) on 27/08/2024
Advice provided by Tom Straw (Senior Accountant - Capital Programmes) on 02/08/2024

Property Advice:

The property has been assessed by both Strategic Assets & Property and Finance and is recommended for disposal. Sale will be undertaken in line with the adopted Disposals Policy and any refresh. An appropriate method of sale will be recommended to ensure the Council's best consideration obligations are achieved and the sale completes in a timely period. Ant revenue pressure created by the sale will be offset using allocated funding. The disposals team will work with Legal Services to ensure the sale is progressed at pace.

Advice provided by Beverley Gouveia (Head of Property) on 29/07/2024.

Procurement Advice:

This decision raises no procurement concerns as the property will be auctioned off to the highest bidder via the contracted Auctioneer

Advice provided by Paul Ritchie (Procurement Manager) on 12/09/2024.

Signatures

Ethan Radford (Exec Member - Skills, Growth, Economic Development)
SIGNED and Dated: 22/10/2024

Nicki Jenkins (Corporate Director of Growth and City Development)
SIGNED and Dated: 17/10/2024