

# Housing and City Development Scrutiny Committee

## 18 November 2024

### Asset Rationalisation Programme - Delivery Progress

1. This report follows on from the papers on the Council's Asset Rationalisation Programme presented previously to the Committee at its meetings on 18 December 2023 and 22 January 2024, which outlined the process and policy underpinning the Programme.
2. The Programme systematically reviews the Council's property assets to ensure best value is achieved in the use of those assets for the delivery of services and the generation of both revenue and capital receipts. The process also analyses assets to determine their best use and identify those that are surplus to requirements. A central aim is to generate sufficient capital receipts by selling property assets to meet the current commitments associated with Exceptional Financial Support (EFS), the capital programme and the reduction of borrowing levels.
3. Programme 6 of the Council's Improvement Plan relates specifically to Corporate Landlord and Asset Sales. The purpose of this programme stream is to "centralise property management for the Council's operational, commercial and community properties to reduce duplication, ensure safety compliance and deliver cost-efficient services, supporting a leaner, more efficient organisation. It will identify opportunities for asset disposal, which will feed into an Asset Sales Programme that is reviewing all capital assets to identify opportunities for generating capital receipts to help balance the near-term budget while maintaining acceptable income levels and ensuring the Council's property estate meets current and future needs. The asset sales programme will help close the gap between expected capital receipts and the requirement to repay Exceptional Financial Support, borrowings and reinvest in the capital programme. This involves increasing both the number and pace of property sales." As such, a main aim of the programme is to accelerate the sale of assets, increase the number of assets for disposal and provide assurance on the way in which the Council sells its assets.
4. Since reporting to the Committee in December 2023, the 2023/24 financial year ended with £35.517 million of capital receipts. This included £11.27 million of receipts ringfenced to repay borrowing. Between the period commencing 2021/22 to 2023/24, total capital receipts were £77.830 million. The Strategic Assets and Property team has accelerated the review of assets and disposal of assets over the past two years and 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 multi-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 risk adjustment is applied to the gross figure less a contribution to disposal fees. For 2024/25, the requirement set out by Finance was £38 million. This has now reduced to £32.98 million. Strategic Assets and Property monitor requirements and capital receipts through a joint tracker system and any forecast fluctuations are built into this monitoring process. The sale of assets can be difficult due to their illiquidity and factors outside the control of the Council (such as economic and financial) can impact capital receipts.

6. The current forecast for 2024-28 is as outlined below and shows a total risk adjusted pipeline of £141.4 million. This is shown across the general EFS receipts, properties with debt and ringfenced school sites.

Summary	2024/25	2025/26	2026/27	2027/28	TOTAL
EFS Receipts (General + High Value)	42,518,433	35,530,172	17,218,896	1,944,000	<b>97,211,501</b>
Properties with Debt	11,874,989	17,053,459	10,104,480	0	<b>39,032,928</b>
School Sites	0	3,888,000	1,296,000	0	<b>5,184,000</b>
<b>TOTAL</b>	<b>54,393,422</b>	<b>56,471,631</b>	<b>28,619,376</b>	<b>1,944,000</b>	<b>141,428,429</b>

7. To date, receipts total £13 million (including a carryover from 2023/24). There is approximately £20 million of assets progressing through auctions across the remainder of 2024/25. The remaining sales are being progressed through informal tender and private treaty routes.
8. This year's target is expected to be met, but there are significant challenges associated with resource in Strategic Assets and Property, Legal Services and Finance. Financial approval has been granted to enable additional resource in all three areas, but this is subject to the Council's Human Resources approvals and recruitment, meaning that the impact on the 2024/25 financial year may be minimal. The extra resource will put the disposals pipeline in better stead for 2025/26 onwards.
9. In January 2023, Strategic Assets and Property reported to the Committee that, to accelerate the disposal process, the following actions had been taken:
- implementation of 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. By way of a further update, Strategic Assets and Property has completed the following actions in relation to the above:
- The Disposals Policy has been fully implemented and a review/update is underway – this is covered in more detail, below.
  - The decision-making process has been refined with the Matrix Review, feeding into an Asset Rationalisation Panel that comprises key officers from

Strategic Assets and Property and Finance (Corporate Leadership Team / Director level). This provides key input and endorsement of recommended retains/disposals. Further refinement of the process is being considered with options around increased delegations to key officers and the possible creation of a Disposals Board being considered.

- c) The use of auctions has increased significantly for appropriate assets. It is estimated that approximately £20 million of the 2024/25 receipts will be sold using this method of sale.
  - d) The recruitment of additional resource within the Disposals team, Finance and Legal Services has been endorsed by the Section 151 Officer and approvals for formal appointments will now progress. The Disposals team operates with mostly interim staff, which presents some challenges in terms of staff retention, and there has been turnover that has impacted progress. The key position of Team Leader has now been filled on an interim basis by a permanent member of staff, which is providing much needed increased stability. Recruitment to all posts within the Strategic Assets and Property team remains a significant challenge, but this is common across many areas of the Council and in the private sector. Recruitment in the key partners of Finance and Legal Services is also key as they are an integral part of the asset review and disposal process. Additional resources in these areas are key to maintaining and increasing the disposals pipeline.
  - e) The timetable set out in Appendix 1 shows the asset review timetable. This sets out how the asset base is being reviewed. This process is open to change, depending on the performance of the property market and available resourcing.
11. Increasing the disposals pipeline and undertaking sales comes with several risks. 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 in the disposal process to prevent any abortive work being undertaken has been implemented.
12. Changes to the property market can also impact any disposal programme. Changes 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.
13. The Strategic Assets and Property team is in the final stages of reviewing its adopted Disposals Policy (attached as Appendix 2), which was implemented in September 2021. The changes largely centre on updating references in the policy to ensure coherence with other key Council policies such as the Improvement

Plan. Other updates include incorporating updated governance and asset review processes. The most significant change has been made to the approach with regards to off-market sales to Special Purchasers. The criteria that are used to identify and (more importantly) justify a sale to a Special Purchaser has been made clearer and much more robust. This will emphasise that this is an exceptional method of disposal that will only be used in unique circumstances. It is expected that the revised Policy will progress to Executive Board for approval early in 2025.