

Somerset Council
Scrutiny Committee – Corporate and Resources
– 4th January 2023



Report of the Task and Finish Group for Commercial Investment Asset Realisation – November 2023

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1. Summary

1.1 To provide a progress update on the Scrutiny committee – Corporate and Resources Task and Finish Group on Commercial Investment Asset Realisation.

2. Issues for consideration/recommendations

2.1 That the Committee consider and comment on the update.

3. Task and Finish Group membership

3.1 Members: Cllr Peter Seib (Chair), Cllr Martin Lovell, Cllr Lucy Trimnell, Cllr Nick Cottle, Cllr Richard Wilkins.

3.2 Officers: Robert Orrett Commercial Property Land Development Manager, Ollie Woodhams Service Manager Strategic Asset Management, Brendan Fisher, Jamie Jackson Governance Manager Scrutiny, Stephanie Gold Democratic Services Officer.

4. Background

4.1 At the meeting of the Scrutiny Corporate and Resources committee held on Thursday 6th July 2023, under item 12 Introduction to Strategic Asset Management members heard that: -

“The Council’s Investment and Commercial Assets were being reviewed. Values have slumped at present and any new leases are being assessed and reviewed before continuing or setting up. It was noted that the Audit process had changed

and there was a much more robust approach towards the operational buildings and valuations”.

And that: -

“It was agreed that the committee would have a proactive role in the programme and that 2 areas that could be considered in the near future would be Commercial Assets and rationalisation, also assessment and disposal of assets, this could be via working groups or task & finish groups”.

- 4.2** Subsequently, at the meeting of the Executive held on Wednesday 8th November 2023, under Item 7 Financial Strategy Update the Executive agreed to a number of actions in response to the financial emergency facing Somerset Council including.
- d.** To approve the disposal of the commercial investment portfolio, delegated the appointment of external agents to the Director of Strategic Asset Management in conjunction with the Lead Member for Economic Development, Planning and Assets, and uses the Property & Investment Executive sub-committee to oversee the disposal programme.
- 4.3** Although the start point for this Task and Finish Group was overtaken by events (the Executive Decision to dispose of Commercial Assets held principally for return), members pivoted to scrutinise the asset portfolio, the factors driving disposal value and the work being done to prepare for sale.
- 4.4** Members noted that the present market environment and the nature of SC’s portfolio mean that individual property values may be being adversely influenced by temporary factors, and that in some cases further work (or planned timing) will improve yields. Any work would have to be carried out alongside business as usual.
- 4.5** Once disposal is committed, some parts of the market expect a very short turnaround for exchange and completion. Sale under these conditions involves significant additional preparatory effort (Title Deeds located, EPCs, legal searches, planning searches, etc.) which is complicated by legacy of five previous Councils’ record keeping and archives. These accelerated timescales are a challenge for any democratic process, and achieving best value may require delegated decisions.
- 4.8** To enable a safe delegation, even with member involvement, members recommend a comprehensive Disposal Strategy to clarify the specific aims (is it to maximise individual yield or to achieve a specific total return profile against budget?) and the leeway for deferring certain disposals (e.g. assets with regeneration potential, where disposal would harm the MTFP or where there are special circumstances such as a wrapper lease).

4.8 Recognising these complexities and the limited capacity of SC's existing Property Management team, members recognise the advantage of appointing specialist external advisors to progress sales (within the Strategy).

4.9 I would like to thank all of the participating members for their contributions and the Officers who supported this Task and Finish Group.

5. Consultations undertaken

5.1 Members of the Task and Finish Group met with specialist Somerset Council Officers on three occasions throughout the course of the review -

Meeting Number	Date	Area of focus
One	8 th November	Introduction to Commercial Investment Asset Portfolio
Two	16 th November	Market issues and categorisation of commercial investment assets
Three	22 nd November	What should we do first?

6. Implications

6.1 None

7. Background papers

7.1 Due to the commercially sensitive nature of Commercial Investment Asset Management, the Powerpoint presentations and background papers associated with this Scrutiny Task and Finish work are strictly private and confidential.