

Update on Surplus Assets Review

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Executive Lead Member: Cllr Ros Wyke, Lead Member for Economic Development, Planning and Assets

Division / Local Member: n/a

1. Summary

1.1 The purpose of this report is for the Scrutiny Committee to review the progress on surplus assets : -

- a) To note the estimated range of values of capital receipts potentially deliverable before 31st March 2025 through the sale of assets that have been declared surplus by the Asset Management Group to date, as set out in paragraph 4.1 below.
- b) To note the further work planned to review assets and add to the pipeline of assets already declared surplus.
- c) To note the target for the sales from in-flight disposals is in the range £15m-£20m for the financial years 2023/24 and 2024/25 which will feed in the Medium Term Financial Plan.

1.2 At the Scrutiny Committee on the 7th of September 2023, Members approved to set up a Task and Finish Group to consider the disposal of assets. It is proposed that this group of members considers the list of assets that have been declared surplus by the Asset Management Group which are currently in-flight for disposal.

1.3 Somerset Council's Asset Management Group is responsible for the overseeing the implementation of the Council's adopted Asset Management Plan, agreeing when land and property assets are surplus to the Council's operational use, and for agreeing the approach and strategy for asset disposals as a pre-cursor to formal decisions under the Council's decision-making framework. The Asset Management Group is also responsible for the development and oversight of

related asset management policies. The group is not a formal committee of the Council and does not have decision making powers. The scope of the Asset Management Group's oversight includes all land and property assets with the exception of assets held within the Housing Revenue Account, and investment assets held for the sole purpose of yielding income.

- 1.4** The disposal of the commercial investment portfolio is outside of the scope of the work of the Asset Management Group and is not considered in this update report. This report also excludes Housing Revenue Account Assets, Academy Conversions (leases to Academy Trusts and statutory transfers), Community Asset Transfers and any asset that has been identified as eligible for the proposed Service and Asset Devolution policy to City/Town and Parish Councils.

2. Background

- 2.2** Somerset Council has c. 1,300 material individual land and property assets, as well as a large number of much smaller parcels of utility land. This figure includes a large number of assets which cannot be disposed of in the short or medium term - for example, schools, libraries, and a range of other assets supporting the council's statutory operational functions. It also includes a wide variety of income-generating assets (for example, car parks, crematoria, and assets leased to tenants including the council's investment property portfolio) where any decision to dispose of an asset could have an adverse impact on the revenue budget position which could increase the council's medium term budget gap. Finally, some of the land and property assets held by the council are subject to overage, grant clawback or other legal constraints which make the disposal of these assets more difficult or financially unviable - this group includes a number of building assets funded by specific government or European grant funding, land subject to Homes England grant funding conditions, and assets acquired through compulsory purchase.

- 2.3** Somerset Council's Asset Management Strategy and Plan were approved by the Council on the 22nd of February 2023. The document sets out the Council's strategic objectives for property asset management, the approach the Council will take to managing its property assets, and a series of high-level commitments to guide property asset management decisions and policy making. The Asset Management Strategy sets out an objective to ensure that the council's estate is financially sustainable, efficient, and effective; the financial challenges facing Somerset Council bring this objective into focus.

- 2.4** The main opportunities being explored to dispose of assets in the short to medium term relate to: -

- **Non-operational assets** that are leased out at relatively low yield, assets formerly leased out which are currently void or vacant, or assets leased

out at higher yields where there are particular reasons to consider disposal. This group includes a range of non-operational property acquired historically by the five previous district and county councils, or in some cases the pre-1974 district or borough councils.

- **Operational assets** where there are opportunities to rationalise and reduce the amount of space used to support operations. Currently the main focus in this area is the council's office estate, as well as other specific assets that are no longer required for service use. In due course as services are aligned and transformed in the new unitary authority there will be opportunities to rationalise depot sites and work has started on a review of this area. Further opportunities to dispose of assets in this category will also arise if the scope of the council's operational requirements changes as a result of savings proposals put forward by service areas, or as a result of wider organisational transformation.
- **Land held for development.** This covers sites originally acquired for regeneration purposes as well as land already subject to various option or promotion agreements.
- **Small parcels of surplus land** with development potential or hope value. We have an ongoing programme reviewing small amenity land parcels with limited strategic or operational value.

2.5 Asset Management Group will continue to identify further options for asset disposal across all of the categories set out in paragraph 2.4 above, with a view to declaring further groups of assets as surplus at their regular meetings.

3. Consultations undertaken

3.1 The Council's Policy for the Disposal of Assets was brought to this Scrutiny Committee on the 7th of September 2023 and the policy was approved by the Executive on the 8th of November 2023. This policy has been published and is available on the Council's website. Where an asset has been declared surplus by Asset Management Group there will be engagement with local councillors at an early stage, as well as discussions with City, Town, and Parish Councils where appropriate.

4. Implications

4.1 The timing and value of capital receipts is very hard to predict, particularly where sale agreements are subject to planning consents, which in turn are often dependent on phosphate mitigation solutions. Conditional asset disposals of larger, more complicated sites may take a number of years to progress to

completion. The table below sets out a forecast range of sales for the current financial year (including sales already completed) and 2024/25, to provide an indication of capital receipts that may be available from the assets that have been declared surplus to date.

Low / Medium risk pipeline:	
Sales achieved to date in 2023/24	£4.7m
Further potential sales achievable in 2023/24	£2.9m
Further potential sales achievable in 2024/25	£8.5m
Total	£16.5m
Higher risk pipeline:	£5.6m

Whilst £15m-£20m might be achieved from the current pipeline of surplus assets, there is significant uncertainty even at the lower end of this range and financial planning assumptions need to mitigate against the risk of a considerable shortfall against this best estimate.

- 4.2** A significant risk to the programme of asset disposals relates to the achievability of capital receipts and reductions to revenue running costs. Progress in the delivery of capital receipts will be monitored by the Asset Management Group and reductions to revenue running costs will be monitored through the council's regular budget monitoring process.
- 4.3** The legal work to progress the land and property disposals will be conducted through the Council's in-house Legal Services team who will draft the necessary legal documentation for the proposed disposal and will provide legal advice and support to ensure that the Council's interests in respect of the same are protected. Where required supplemental external legal support may be brought in to provide additional capacity to progress sales transactions.
- 4.4** The Council is at risk of a Section 114 notice. There is a risk that if a Section 114 notice is issued, the Council may be forced to cede local control over decisions on asset disposals, with the risk that the Council's strategic and asset management objectives may not be achieved. Stepping up our disposal programme is an important part of mitigating that risk.

5. Background papers

Asset Management Strategy and Plan and Policy for the Disposal of Assets

<https://www.somerset.gov.uk/planning-buildings-and-land/council-buildings/>