

## **Property and Investments Executive Sub-Committee**



Forward Plan Reference: FP/24/06/05

Decision Date – 10 July 2024

Key Decision – yes

Confidential Information – Appendices A, B, and C

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### **Disposal of Investment Property**

Executive Member: Lead Member for Economic Development, Planning & Assets

Lead Officer: Oliver Woodhams, Strategic Asset Management Service Director

Author: Robert Orrett, Head of Commercial Investments

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### **Summary / Background**

1. Somerset Council is committed to a rationalisation of its property and land portfolio to reduce costs and achieve capital receipts which will help to bridge significant budget gaps for 2024/25 and 2025/26. In response to our requests for exceptional financial support, the Government is minded to agree a capitalisation direction – which can be funded either by borrowing or sale of assets. Government have encouraged us to sell commercial investments and use the receipts to fund essential services; following discussions with DLUHC in autumn 2023, the Executive at its meeting on 8 November 2023 approved the disposal of the commercial investment portfolio. At the same meeting the Executive noted and approved the decision of the Leader of Council to establish a Property and Investments Executive Sub-Committee to respond to the anticipated volume of work and level of business scrutiny required for the disposal programme. A key objective from the disposal project is to achieve the best sale prices reasonably obtainable. It was recognised at the outset that this programme would need responsive decision making for which the Sub-Committee approach was suitable. Also, that briefings and recommendations on individual asset matters would need to be within confidential appendices or reports and the Sub-Committee discussion of them and decisions would need to take place in confidential session as it contains sensitive financial information.

2. This report:
  - a. Provides a briefing on individual commercial investment assets;
  - b. Recommends the actions on disposals, and seek approval to proceed with sales subject to meeting or exceeding a minimum price; and
  - c. Advises the Sub-Committee on the risks identified for the disposals and the mitigation measures.

These are all contained in the confidential appendices to this report.

### **Recommendations**

3. The Sub-Committee agrees
  - a. To consider passing a resolution under Schedule 12A of the Local Government Act 1972 to exclude the press and public from the meeting, on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, within the meaning of Schedule 12A to the Local Government Act 1972:  
Reason: Information relating to the financial or business affairs of any particular person (including the authority holding that information).
  - b. To approve the recommendations set out in the confidential Appendices A, B and C.
  - c. To delegate authority to make all necessary arrangements and agreements to conclude the sales by the 31 March 2025 to the Service Director for Strategic Assets Management in consultation with the Lead Member for Economic Development, Planning and Assets.

### **Reasons for recommendations**

4. The intention of the Council is to dispose of its commercial investment properties (the investment property assets listed in Appendix B of the report to the Property and Investments Executive Sub-Committee on 21 December 2023 as subsequently amended). A key objective from the disposal project will be to achieve the best sale prices reasonably obtainable. The programme approach intended to achieve this objective, and the criteria for selecting assets to be offered for sale in each year is set out later in that report (Paragraphs 21-34).

5. The programme to dispose of the commercial investment properties is subject to a number of risks. A general review of risks is reported at the Property and Investments Executive Sub-Committee under item 5. Specific risks on this matter are covered in the confidential appendices to this report.
6. The commercial investment property market has its own dynamics, which differ significantly from other segments of the property market. The recommendations are designed to ensure the Council obtains best value from these dynamics and minimise any risk that buyers might seek to renegotiate for a lower price or allow the competitive environment to go cold.

### **Other options considered**

7. Other options are reported in the confidential appendices to this report.

### **Links to Council Plan and Medium-Term Financial Plan**

8. The disposal of these assets is in line with current Financial Strategy and the Medium-Term Financial Plan (MTFP).

### **Financial and Risk Implications**

9. The revenue impact of the phased sale of the properties has been estimated and included in the MTFP agreed by Council in February 2024. It shows net income budget from the investment properties reducing annually, with it fully removed by 2026/27. As this is expected to be a dynamic process, the income forecast will be updated as the sale of the properties progresses.

### **Legal Implications**

10. Each sale will be transacted by means of standard property sale contract documentation. The legal resource needs will be met by an external firm of solicitors. Under section 123 of the Local Government Act 1972, the Council has a general power to dispose of interests in land provided the disposal is at best consideration and complies with UK subsidy control rules.

### **HR Implications**

11. There are no associated HR implications.

### **Other Implications:**

#### **Equalities Implications**

12. There are no associated equalities implications

#### **Community Safety Implications**

13. There are no associated community safety implications

#### **Climate Change and Sustainability Implications**

14. There are no associated climate change or sustainability implications

#### **Health and Safety Implications**

15. There are no associated health or safety implications

#### **Health and Wellbeing Implications**

16. There are no associated health or wellbeing implications

#### **Social Value**

17. There are no associated social value impacts

#### **Scrutiny comments / recommendations:**

18. This report has not been considered by a scrutiny committee. The Chair of Corporate & Resources Scrutiny Committee commented that the reports show the council following through on its prior decision to dispose of all commercial assets inherited from the former district councils. The council needs to ensure that best returns are secured and loss in revenue is adequately accounted for.

#### **Background**

19. The role of the Sub-Committee is to ensure the Council has appropriate governance arrangements in place to protect and maintain the value of the Council's non-treasury and commercial investments, and to deal with real and personal property disposals or acquisitions and other matters within the scope of the Non-Treasury Management Investment Strategy (the Strategy). The Executive has previously taken the in-principle decision that the commercial investment portfolio is to be disposed of. The current Capital Strategy relies on the implementation of that decision.
20. All further background is set out in the confidential appendices to this report.

### Background Papers

21. None.

### Appendices

22. Confidential Appendix A, B and C.

### Assurance checklist

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	27/6/2024
Communications	Peter Elliott	24/06/2024
Finance & Procurement	Jason Vaughan	24/06/2024
Workforce	Alyn Jones	20/06/2024
Asset Management	Oliver Woodhams	24/06/2024
Executive Director / Senior Manager	Jason Vaughan	27/06/2024
Strategy & Performance	Alyn Jones	20/06/2024
Executive Lead Member	Cllr Ros Wyke, Lead Member for Economic Development, Planning and Assets	27/06/2024
<b>Consulted:</b>	Councillor Name	
Local Division Members	N/A	
Opposition Spokesperson	Cllr Mark Healey for Prosperity, Assets and Development	Sent 24/6/2024

Scrutiny Chair Corporate & Resources	Cllr Bob Filmer – Scrutiny Committee – Corporate & Resources	24/06/2024
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