

## **Disposal of Non-Operational Assets**

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

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### **Summary / Background**

1. Scrutiny Committee are asked to consider the draft report attached as Appendix A, which outlines the proposals to dispose of a number of non-operational buildings and small parcels of land. This report is due to be considered in final form by the Executive in August. The sites set out in the report have been identified following the ongoing review of surplus assets, in accordance with the approved Asset Management Strategy and Plan and Policy for the Disposal of Assets approved by the Executive on the 8<sup>th</sup> of November 2023.
2. In response to our requests for exceptional financial support, the previous Government agreed a capitalisation direction – which could be funded either by borrowing or the sale of assets. The previous Government encouraged Somerset Council to sell non-operational assets (along with commercial properties) and use the receipts to fund essential services. The draft report that Scrutiny Committee are asked to consider is part of a commitment to rationalise Somerset Council's property and land portfolio to reduce holding and management costs and achieve capital receipts which will help to bridge a £80m funding requirement in the current financial year and a £100m budget gap for 2025 / 2026.
3. A key objective in our disposals programme is to achieve the best sale prices reasonably obtainable. This being the case, commercial information relating to individual asset disposals is set out within a confidential Appendix B which contains sensitive financial information.

### **Recommendations**

#### **Scrutiny Committee are asked to:**

4.
  - a. Consider the recommendations set out in the draft report at Appendix A

- b. Make any recommendations and or comments for consideration by the Executive

### **Reasons for recommendations**

5. 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.
6. The Council's Asset Management Strategy (AMS) and Plan were approved by the Council on the 22 February 2023. This document sets out the Council's key objectives for the property management, the approach the Council will take to manage its property assets and a series of high-level commitments to guide property asset management decisions and policy making. The AMS sets out an objective to ensure that the Council's estate is financially sustainable, efficient, and effective; the financial challenges facing the Council bring this objective into focus.
7. The Policy for the Disposal of Assets was approved by the Executive in November 2023, and establishes the basis upon which the Council disposes of its property assets. For this policy, disposal of land means any freehold disposal, by sale or exchange or the grant an option, of Council-owned land or buildings. The Executive at its meeting of the 8<sup>th</sup> November 2023, tasked the Asset Management Group to bring forward asset disposals, and the report for consideration is one output of this ongoing work.

### **Other options considered**

8. Other options are set out in Appendix A to this report.

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

9. Disposals of surplus non-operational assets will support the Medium-Term Financial Plan and the delivery of the Somerset Council Plan 2023-2027 priorities.

### **Financial and Risk Implications**

10. The terms of any asset disposal will be appraised on an individual case-by-case basis, with the overall objective of maximising the financial return to the Council: either directly via capital receipt, through rental income or through a reduction in financial liabilities. Restrictive covenants, uplifts, and clawback clauses will be applied as appropriate to any sales, with the exact form of these agreements to be decided on a case-by-case basis.

## **Legal Implications**

11. Each sale will be transacted by means of standard property sale contract documentation. The legal resource needs may need to be supplemented by external firms 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**

12. There are no associated HR implications

## **Other Implications:**

## **Equalities Implications**

13. There are no associated equalities implications.

## **Community Safety Implications**

14. There are no associated community safety implications.

## **Climate Change and Sustainability Implications**

15. There are no associated climate change or sustainability implications.

## **Health and Safety Implications**

16. There are no associated health or safety implications.

## **Health and Wellbeing Implications**

17. There are no associated health or wellbeing implications.

## **Social Value**

18. There are no associated social value impacts.

## **Scrutiny comments / recommendations:**

19. This report has not previously been considered by a Scrutiny Committee.

## **Consultation**

20. The Strategic Asset Management team has engaged with the housing enablement, economic development, climate and planning services, as well as a range of other service areas to assess whether there is a rationale for retaining these sites to support statutory services or strategic objectives. Further engagement with local members, town and parish councils is underway and feedback will be highlighted for consideration by the Executive.
21. All further background is set out in the appendices to this report.

## **Background Papers**

22.

Scrutiny Committee - Corporate and Resources 4<sup>th</sup> January 2024

Item 9 – Surplus Assets Review

<https://democracy.somerset.gov.uk/documents/s22241/Scrutiny%20Committee%20-%204th%20January%202024%20Surplus%20Asset%20Review.pdf>

Executive - 8<sup>th</sup> November 2023

Item 64 – Policy for the Disposals of Assets.

<https://democracy.somerset.gov.uk/documents/s16516/Report%20-%20Policy%20for%20the%20Disposal%20of%20Assets.pdf>

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

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

## **Appendices**

23. Appendix A – Draft Executive Report