

## Decision Report

Committee: Property and Investments  
Executive Sub-Committee  
Meeting Date – 29 October 2024  
Key Decision – yes

---



### Disposal of Investment Property

Chair of Committee: Councillor Bill Revans - Leader of the Council  
Executive Member(s): Cllr Mike Rigby - Lead Member for Economic Development, Planning & Assets  
Local Member(s) and Division(s) affected: None  
Executive Director: Alyn Jones - Executive Director - Resources, Strategy & Transformation

### Executive Summary

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 seeks 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 appendix 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 and B.
  - c. To delegate authority to make all necessary arrangements and agreements to conclude the sales by the 31 March 2025 to the Executive Director for Resources, Strategy and Transformation in consultation with the Lead Member for Economic Development, Planning and Assets

## **Reasons for Proposals**

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.

Report Author: Robert Orrett, Head of Commercial Investment,  
Contact Details: 01935 462075, Robert.Orrett@somerset.gov.uk

**Background and purpose of report**

7. 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.
  
8. All further background is set out in the confidential appendices to this report.

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

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

**Other options considered**

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

**Key considerations for the Council**

**Scrutiny comments / recommendations:**

11. The Task & Finish Group set up to scrutinise the plans for the disposal of the commercial investment portfolio met three times during October and November and a report of their findings was submitted to the 4th January Scrutiny Committee for Corporate & Resources. [Report of the Task and Finish Group for Commercial Investment Asset Realisation – November 2023](#).

**Consultation and feedback**

12. None

**Financial and Risk Implications**

13. 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 and Procurement Implications**

14. 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 / Workforce Implications**

15. There are no HR implications.

### **Equalities Implications**

16. There are no associated equalities implications.

### **Community Safety Implications**

17. There are no associated Community Safety implications.

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

18. There are no associated Climate Change and Sustainability implications.

### **Health and Safety Implications**

19. There are no associated Health and Safety implications.

### **Health and Wellbeing Implications**

20. There are no associated Health and Wellbeing implications.

### **Social Value**

21. There are no associated Social Value implications.

## Background Papers

22. None

## Appendices

- Confidential Appendix A

## Report assurance

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	17/10/2024
Finance & Procurement	Nicola Hix	17/10/2024
Workforce (*)	N/A	
Asset Management (*)	Alyn Jones	17/10/2024
Executive Director	Alyn Jones	17/10/2024
Executive Lead Member	Cllr. Mike Rigby	17/10/2024
<b>Consulted:</b>		
Local Division Members	N/A	
Opposition Spokesperson(s)	Cllr Mark Healey for Prosperity, Assets and Development	Sent 17/10/2024
Relevant Scrutiny Chair(s)	Cllr Bob Filmer – Scrutiny Committee – Corporate & Resources	Sent 17/10/2024