

## Audit Summary – Corporate Property Disposals Review

### Background and Context

- 1.1 Bristol City Council's Corporate Landlord function is responsible for managing the Council's investment and operational estate, including decisions to acquire or dispose of properties. Following financial review, the Council decided to complete two tranches of property disposals in the 2022-23 financial year, the first of which was approved by Cabinet in April 2022. The Council has set a target to reduce its estate by around 50%, therefore a robust approach to disposals is essential to ensure that target can be achieved.
- 1.2 This review considered the processes and controls in place within the Corporate Landlord function to identify, approve, and manage the disposal of properties.

### Scope and Objectives

- 2.1 The scope of the assignment included the following areas:
  - Consideration of the Council's processes for identifying properties to dispose of and how rationale for disposal is documented
  - Assessment of governance arrangements in place to review, approve and monitor asset disposals and whether these are consistent with the Council's disposals policy and/or Scheme of Delegation
  - Assessment of the processes for bringing properties to market in a timely manner following approval to dispose, and how effectively the Council engages with external agencies in the sales process.

### Audit Opinion

- 3.1 Overall, Internal audit obtained **limited assurance** that effective processes for property disposal were in place.

### Key Messages and Findings:

- 4.1 We reviewed the design and operating effectiveness of controls regarding property disposals in the Corporate Landlord service. While outline processes for property disposal were complied with there are key areas of the process which need to be improved, such as the updating of the property strategy, formalisation of procedures, establishment of criteria to proactively drive identification of properties with potential for disposal, sufficient information to track them to disposal, and more robust documentation of decisions and actions.
- 4.2 Properties identified by the Corporate Landlord Team with potential for disposal are shared across the wider Council to ensure that business need is considered prior to a decision to dispose. The Executive Director of Growth and Regeneration has delegated powers to approve corporate property disposals, but additional transparency and oversight is achieved as all disposals are approved by Cabinet.
- 4.3 While there are governance structures which are ensuring adequate review and approvals in asset disposals, these structures have not been formalised through documented terms of reference and meeting records to enable effective monitoring of disposal performance. Meetings have not been at a regular frequency to enable prompt decision-making, and information to inform decision-making is not always detailed enough, such as outcomes of discussions on sign-off processes that were not minuted and actions without assigned due dates.
- 4.4 The Council has a corporate property strategy, but changes in governance structures and objectives have meant this strategy is out of date and should be updated to reflect current operations.

- 4.5 A complete list of properties under Council ownership is in place. However, clear criteria or performance triggers for identifying properties with potential for disposal and which align to the corporate property strategy objectives do not exist. Information on Council properties can be incomplete or dated. Though a high-level disposal process is documented, formal documentation of key processes to cover process flow from identification to final disposal are not in place.
- 4.6 Agents are appointed to market and sell properties approved for disposal, but the Council has no clear procedure for the appointment and performance management of agents, such as using procurement frameworks or standing agreements with third parties.
- 4.7 We raised one high and three medium priority findings. These related to:
- A lack of formal criteria to identify properties for potential disposal, and incomplete information on the Council's disposals tracker
  - An out-of-date property strategy and disposals procedures that are not sufficiently detailed and lack formal approval
  - Inadequate recording of decisions and action tracking
  - Lack of a process to appoint and manage performance of sales agents.

### **Management Response**

- 5.1 The findings have been accepted by management who have agreed management actions to address them. These include:
- Develop a new Property Strategy for approval by the end of 2023/24
  - Review, revise and update the disposals process and gain approval for this from the Estates Strategy Board
  - Re-build the property capital tracker to enable effective decision-making to realise savings and accurately forecast capital receipts
  - Establish a new governance process for the Corporate Property Programme, re-define scope and responsibilities of the Estates Board and the introduction of a new Programme Board
  - Review the process for the appointment of sales agents in liaison with colleagues in Procurement and Contract Management.