

Report of:	James Bromiley, Strategic Director of Finance, Governance & Support Cllr Chris Hobson, Executive Member for Finance & Governance
Submitted to:	Corporate Affairs & Audit Committee [07 February 2020]
Subject:	Estates Strategy – Asset Disposals Update

Summary

Proposed decision(s)
That the Corporate Affairs & Audit Committee notes the continuing implementation of the Council’s Estates Strategy and progress with the disposal of assets during financial year 2019/2020.

Report for:	Key decision:	Confidential:	Is the report urgent?
Update	Yes – impacts upon all wards	No	No

Contribution to delivery of the 2018-22 Strategic Plan		
Business Imperatives	Physical Regeneration	Social Regeneration
The Council’s Estates Strategy provides a decision making framework from which the Council can work effectively to support both physical and social regeneration across the Borough.	Implementation of Asset Disposal Policy will help ensure balanced decisions are taken by the Council – where judgement is required to consider providing facilities that enhance the reputation of Middlesbrough and create opportunities for its people.	Implementation of the policy enables the Council to put in place protocol designed to regulate the process of asset disposal – from which the Council can stimulate economic activity for the benefit of people living and working within the Borough.

Ward(s) affected
All Wards

What is the purpose of this report?

1. To provide an update on the implementation of the Council's Estates Strategy and report on asset disposals during the financial year 2019/2020.

Why does this report require a Member decision?

2. The implementation of Asset Disposal Policy forms part of the Council's Estates Strategy and has the potential to impact upon all wards.

Report Background

3. Middlesbrough Council holds a significant asset portfolio that is used to deliver services, support businesses and contribute to the well-being of the Town.
4. The acquisition and disposal of assets is essential to enable the Council to update its asset portfolio to meet the changing needs of Middlesbrough.
5. A significant level of audit trail clarity is needed as an asset moves through either the acquisition, or the disposal process.
6. Asset disposals are an essential part of the delivery of the Council's Estates Strategy, which is intended to support the Mayor's priorities around people, place & business in addition to delivering the Council's Strategic Priorities of:
 - Physical regeneration
 - Social regeneration
 - Business imperatives
7. In accordance with the standing Asset Disposal Policy operated by the Council during financial year 2019/2020, any proposed disposals or transactions with a value over £150,000 were considered and decided by Executive Committee. According to value, any proposed transactions below that threshold were decided by either the Strategic Director of Finance, Governance & Support, or by the Head of Financial Planning & Support.
8. The Estates Strategy Board, chaired by the Strategic Director of Finance, Governance & Support, met on a bi-monthly basis during the same period, in order to monitor the progress with and implementation of the Council's Estates Strategy.

Asset Disposals

9. The disposal of Local Authority assets is governed by the General Disposal Consent (2003) under the Local Government Act 1972. This consent gives Councils the power to dispose of assets for market value, or for less than the market value for the following reasons;
 - The promotion or improvement of Economic well-being
 - The promotion or improvement of Social well-being
 - The promotion or improvement of Environmental well-being
10. This power to dispose of assets at an undervalue has not been utilised in the financial year 2019/2020. Should the Council take any decisions to dispose of its assets under these powers, it will be reported in subsequent disposal updates.

11. In the financial year 2019/2020, the following disposals were agreed:

Delegated Responsibility	No. of Transactions	Capital Receipt	Valuation
Head of Financial Planning & Support	10	£234,986	£187,700
Strategic Director of Finance, Governance & Support	1	£100,000	£135,000
Executive Committee	2	£3,515,000	£1,787,000
Total	13	£3,849,986	£2,109,700

12. Further detail in respect of the individual transactions summarised above is set out in Appendix 1.
13. The variance in value between a number of the Capital Receipts and Valuations set out within Appendix 1 has been caused by a number of factors – including the strict financial approach adopted by the Council in respect to abnormal cost deductions being different to that adopted by Buyers, fluctuation in market values, the occurrence of unplanned windfall disposal opportunities and the accounting basis under which the Council classifies surplus highway land within its Estate Portfolio.
14. In order to mitigate the financial and business planning implications of such variance, the Council adopts a structured cyclical approach to the revaluation of its assets in order to better understand, monitor and adjust the value of its Estate Portfolio.

Implementation of the Estates Strategy

15. In response to comments made by the Council’s External Auditors in previous years, further work to satisfactorily embed the Asset Disposal Policy was carried out in the financial year 2019/2020 in order to ensure compliance.
16. Following the issue of a VFM ‘unqualified’ opinion by the Council’s External Auditors during the financial year 2018/2019, the Council has maintained progress and looked at further aspects of the Estates Strategy – in order to improve the efficiency of the Valuation & Estates Service, and maximise the benefit that the Town can derive from the Council’s Property Portfolio.
17. In addition to the renewal of the standing Asset Disposal Policy and the production of a new Asset Acquisition Policy, the Council has further invested in its Valuation & Estates Team, completed the transfer of its records to an integrated cloud based data storage system and is currently in the process of reviewing the performance of its income producing Commercial Estate.

What decision(s) are being asked for?

18. That the Corporate Affairs & Audit Committee notes the continuing implementation of the Council’s Estates Strategy and progress with the disposal of assets during financial year 2019/2020.

Why is this being recommended?

19. In the interests of appropriate governance, it is desirable for Members of the Corporate Affairs & Audit Committee to be brought up to date on all asset disposals decided by the Council.

Impact(s) of recommended decision(s)

Legal

20. The disposal of assets is governed by the Council's standing orders and government legislation.
21. Implementation of the Asset Disposal Policy does not create any specific legal issues, although the process actions and any subsequent steps to implement the policy would need to be undertaken within the Council's legal framework.

Financial

22. There are no direct financial implications to report – the disposal of Council assets will continue to be progressed in accordance with the delegation of responsibilities outlined within the Asset Disposal Policy.

Ward

23. Implementation of the Estate Strategy & the Asset Disposal Policy will potentially impact on all wards over the duration of the policy.
24. Members will be consulted on subsequent proposals made in respect of specific asset acquisitions & disposals within their ward boundaries, as part of the normal planning process.

Policy Framework

25. The proposal does not require any change to the Council's existing policy framework.
26. The decision aligns to the Mayor's priorities around people, place & business, by putting in place a process that ensures the Council works as effectively as possible in support of physical and social regeneration.

Equality and Diversity

27. A Level 1 (Initial Screening) Impact Assessment (IA) will be carried out on individual asset disposals, if deemed appropriate.

Risk

28. Implementation of the Asset Disposal Policy will help address risk and remove potential for challenge by the adoption of a robust and responsive, fit for purpose decision making framework.

Actions to be taken to implement the decision(s)

29. Further update reports will be brought forward in due course.

Appendices

Appendix 1 – Asset Disposals 2019/2020

Background papers

No background papers were used in the preparation of this report:

Body	Report title	Date
N/A	N/A	N/A

Contact: David Velemir, Valuation & Estates Manager

Email: david_velemir@middlesbrough.gov.uk

Appendix 1 – Asset Disposals 2019/2020

Delegated Responsibility	Transaction	Capital Receipt	Valuation
Head of Financial Planning & Support	Middlehaven [Plot D]	£43,400	£43,400
	Bell Street [No.10]	£2,000	£1
	Applegarth [No.54]	£3,800	£1
	Dipton Green [No.05]	£5,000	£1
	Riverside Park [AV Dawson]	£37,500	£37,500
	Parkville [Kingston Street]	£46,460	£35,000
	Sandy Flatts Court [No.14]	£500	£1
	Middlehaven [CT & T]	£46,500	£46,500
	Marsh Street [LK]	£23,200	£1
	Middlehaven [Jetty]	<u>£26,626</u>	<u>£25,295</u>
		£234,986	£187,700
Strategic Director of Finance, Governance & Support	Eastside [No.15]	<u>£100,000</u>	<u>£135,000</u>
		£100,000	£135,000
Executive Committee	Denmark Street [NSOA]	£315,000	£387,000
	Marton Avenue	<u>£3,200,000</u>	<u>£1,400,000</u>
		£3,515,000	£1,787,000