

MIDDLESBROUGH COUNCIL

EXECUTIVE REPORT

Review of Non-Strategic Assets

Executive Member for Resources

Executive Director of Regeneration

4 April 2012

PURPOSE OF THE REPORT

1. To update Executive Sub-Committee for Property on the ongoing review of the Council's non-strategic assets and to seek agreement on arrangements for any disposals of land and property agreed following the consideration of recommendations from Detailed Business Cases by the Sub-Committee.

SUMMARY OF RECOMMENDATIONS

2. That Executive Sub-Committee for Property notes the objectives, governance and timescales of the Review of Non-Strategic Assets.
3. That the proposed disposal process outlined at paragraph 16 is considered and approved.

IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

It is over the financial threshold (£150,000)	<input type="checkbox"/>
It has a significant impact on 2 or more wards	<input type="checkbox"/>
Non Key	<input checked="" type="checkbox"/>

DECISION IMPLEMENTATION DEADLINE

For the purposes of the scrutiny call in procedure this report is:

Non-urgent	<input checked="" type="checkbox"/>
Urgent report	<input type="checkbox"/>

BACKGROUND AND EXTERNAL CONSULTATION

Background

4. The Council has established with Mouchel a programme to explore jointly the transformation of services under the scope of the existing partnership contract.
5. Currently the programme comprises three projects, one of which is a comprehensive review of the Council's non-strategic property assets. The Executive Director of Regeneration is the sponsor for this project.

Definition and categorisation

6. 'Non-strategic assets' are defined as land and property that the Council does not use for service delivery purposes.

7. Ten categories of non-strategic assets have been agreed:

Agricultural property	Business Centres
Ground leases	Shops and commercial properties
Residential Development Sites	Car parks
Industrial Sites	Way leaves and easements
Industrial Units	Miscellaneous other

8. Under the terms of the Partnership contract, the Council has requested that Mouchel prepare a series of confidential Detailed Business Cases outlining potentially economically advantageous options for disposals of land and property under each category.

Analysis

9. Each Detailed Business Case (DBC) will be based upon a thorough understanding of:

- the town's development needs and the current Local Development Framework;
- the current and likely future capital and revenue value (and cost) of each asset; and,
- the current and likely future market options for each asset.

10. From this each DBC will make proposals on:

- which assets could be disposed in the short term in order to maximise their economic potential *and* without prejudicing future development;
- which assets could be disposed in the medium term, particularly where doing so could enhance their disposal value, and,
- which assets should be retained in the longer term.

Quality assurance

11. Each DBC will be prepared in conjunction with a range of Council services including Development, Valuation and Estates, and Strategic Resources via a Working Group comprising relevant representatives prior to presentation to Transformation Board.

Approval process

12. The agreed DBC approval process is as follows:

- consideration by the joint Transformation Board with Mouchel – if agreed, then
- consideration by the Corporate Land and Property Panel – if agreed, then
- presentation of disposal proposals to Executive Sub-Committee for Property for approval.

13. It should be noted that individual/identifiable proposals for disposal will be treated as confidential items under paragraph 3 of Schedule 12a of the Local Government Act 1972, as per the normal process for commercially confidential information.

Timescales

14. The first four DBCs (Agricultural Property, Ground Leases, Residential Development Sites and Industrial Sites) are already completed and are presented to Sub-Committee for consideration alongside this report. The remainder will follow over the course of the rest of the financial year and into the early part of 2013/14.

Disposal process

15. Where disposals are recommended, the Sub-Committee will be asked to approve that the disposal can proceed. Disposal will be based on securing an agreed reserve price as set out in the DBC. Consideration of the financial benefits of disposal will include the costs of sale.

16. In terms of the subsequent process, the following is recommended to ensure that the agreed sums are achieved as quickly as possible:

- the Assistant Director for Regeneration (Economic Development, Culture and Communities) will be the strategic lead for disposals, in line with the post's responsibility for the Valuation and Estates service;
- disposals will be undertaken either by the Council's Valuation and Estates service or Mouchel acting on behalf of the Council, at the discretion of the strategic lead. Given capacity constraints within the Council it is inevitable that Mouchel will handle a significant proportion of disposals. A commercial model has been agreed with Mouchel based on a percentage fee rate. The model is structured so as to share risks between the Council and Mouchel and incentivise Mouchel to maximise the value of any disposal;
- if offers at or in excess of the reserve price are achieved, the strategic lead will be able to finalise the disposal of the asset in agreement with the Chief Executive, who has Delegated Authority to sign-off disposals resulting from this review;
- if offers at or in excess of the reserve price are not achieved then the Corporate Property Panel will re-consider the disposal and either not proceed with the sale or accept the lower price, with approval through Delegated Authority to the Director of Strategic Resources.

Consultation

17. The disposal process outlined above has been agreed by the Deputy Mayor (who sits on the joint Transformation Board).

18. Appropriate briefings will be undertaken to support the disposal process based on existing good practice. This will involve briefing ward members and/or the general public, dependent on the nature and scale of the disposal being progressed.

IMPACT ASSESSMENT

19. Not applicable to this report, but impact assessments may be necessary for some proposed disposals.

OPTION APPRAISAL/RISK ASSESSMENT

20. Given the Council's financial position it is vital to assess its use of assets and maximise the value it receives. There are risks associated with this, including disposing at a time when property values are low, and of disposing of assets that might have a higher value longer term. It is also self-evident that assets can only be sold once, and that the Council has a

responsibility not to leave a legacy of an inadequate asset base. However, these risks can be taken into account through the DBC consideration process, and balanced on a case-by-case basis.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

21. **Financial implications** – Capital monies accrued from this process will be used by the Council to repay or avoid capital borrowing and so improve the Council’s revenue position by avoiding interest payments.
22. **Legal implications** – There are no direct implications from this report, DBCs will outline any legal implications for specific disposals.
23. **Ward Implications** – There are no direct implications from this report, but DBCs will cover land and property across Middlesbrough.

RECOMMENDATIONS

24. That Executive Sub-Committee for Property notes the objectives, governance and timescales of the Review of Non-Strategic Assets.
25. That the proposed disposal process outlined at paragraph 16 is considered and approved.

REASONS

26. To ensure that the Council drives the maximum value from its asset portfolio and that agreed sums for disposals are achieved as quickly as possible.

BACKGROUND PAPERS

- Project Brief – Non-Strategic Assets (Confidential)

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