

**EXECUTIVE SUB-COMMITTEE FOR PROPERTY**

A meeting of the Executive Sub-Committee for Property was held on 7 December 2016.

**PRESENT:** Councillors M Carr (In the Chair), J Brunton, T Harvey, J Rostron, N J Walker and L Young

**OFFICIALS:** J Bromiley, B Carr and I Wright

**APOLOGIES FOR ABSENCE:** Councillor C M Rooney, Councillor M Thompson

**DECLARATIONS OF INTERESTS**

None Declared

**16/15 APPOINTMENT OF CHAIR**

In the absence of the Chair, nominations were sought for the Chair of the Executive Sub Committee for Property pro tem.

**AGREED** that Councillor Carr be appointed as Chair of the Executive Sub Committee for Property for the meeting.

**16/16 MINUTES - EXECUTIVE SUB COMMITTEE FOR PROPERTY - 13 JULY 2016**

The minutes of the Executive Sub-Committee for Property held on 13 July 2016 were taken as read and signed off by the Chair as a true record.

**16/17 ASSET DISPOSAL - REVISED POLICY**

The Strategic Director for Finance, Governance and Support submitted a report, the purpose of which was:

1. To clarify options open to the Council when choosing to dispose of assets, and to provide a framework for decisions to be considered in light of the responsibility to support communities and stimulate activity in Middlesbrough.
2. To seek approval for consolidated arrangements for the disposal of Council Land and Property assets.

The report stated that the external audit opinion of the Council's Value for Money Statement had been qualified in 2014/15 and 2015/16, and in both years the opinion made reference to issues with regard to the asset disposals process. The external auditors specifically pointed to the need for greater clarity in the evidential audit trail in respect of the disposal of an asset. It was highlighted however that in relation to the disposal of assets, there had been no finding of wrong doing by officers or members, nor was there any criticism of values realised for assets.

It was commented that the policy was aligned to the information presented to Members at a recent Members' Briefing with regard to asset disposals. When disposing of assets, the authority had a wider responsibility to the town as a whole and could have one or more of the following objectives:

- To generate revenue streams;
- To generate capital receipts;
- To stimulate economic activity;
- To support communities;
- To deliver operational services.

The report stated that the disposal of local authority assets was governed by the General Disposal Consent (2003) under the Local Government Act 1972. The consent provided

councils with 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 and/or;
- The promotion or improvement of environment well-being.

It was key, that when consideration was given to disposing of an asset, that the aims and objectives of that disposal were clearly understood and documented in order that the most appropriate method of disposal could be selected, and the correct factors taken into account when making decisions about disposals.

The report advised that the Council's property assets would be kept under active management and be assessed, with those properties that were the most appropriate being brought forward for disposal and the process would be overseen by the Council's Asset Management Team. A list of potential reasons for disposal was included within the report.

Once a decision was made to dispose of an asset, a Disposal Business Case (which was attached at Appendix 1 to the report) would need to be completed, in order to establish the preferred use of the asset. The business case would need to take account of any regeneration plans in the area, the market value of the property, together with any other outcomes required from disposal e.g. social value offered from the sale such as job creation or community benefits etc.

The Disposal Business Case would be authorised in the first instance by the Head of Asset Management to ensure that the disposal of the asset was in line with the Council's overall Estates Strategy. The disposal would then be approved as follows, depending on the estimated value of the asset:

- Head of Financial Planning and Support up to £50,000
- Strategic Director of Finance, Governance and Support up to £150,000
- Executive Sub Committee for Property over £150,000.

The report highlighted that the existing use of an asset must be confirmed at the point of the decision to dispose. Where appropriate, the Strategic Director of Finance, Governance and Support should request a professional valuation via the Valuation and Estates Team for potential alternative uses for a site/property that may provide an improved return for the Council, than that of the existing use.

It was also important for the Council to assess if some investment in the property e.g. around ground investigations or planning consents, would be likely to increase the potential income from disposal of the property.

It was highlighted that the Council was not bound to make decisions around disposals based purely on financial criteria, it was however essential that the financial position was clearly set out so that the opportunity cost of delivering other factors could be properly understood. It was important that future revenue streams such as Council Tax, New Homes Bonus and Business Rates were properly factored into the equation when assessing the potential benefit to the Council of a transaction. Any assessment of a disposal must take into account the medium to long term and pick up these issues alongside the capital receipt and any short term liabilities.

Any proposed sale that was less than the asset value for current use determined in the Disposal Business Case would require the approval of the Strategic Director of Finance, Governance and Support in his role as Section 151 Officer and the Head of Legal and Democratic Services as Monitoring Officer prior to any authorisations taking place.

This would apply to any proposed sale:-

**For Assets valued below £50,000**

£10,000 variance from asset value

**For Assets valued between £50,000 and £150,000**

Above 20% variance from asset value

**For Assets valued above £150,000**

Above 20% variance from asset value or £150,000 variance from asset value

All new leases, renewals, variations and associated rent reviews would be signed off by the Valuation and Estates Manager.

A copy of the Disposal Process for assets was attached at Appendix 2 to the report.

The report contained guidance and information in relation to embedding the disposal process. It was envisaged that the embedding work would be completed by February 2017 and it was proposed that the Internal Audit Service would be asked to carry out an independent assessment of the effectiveness of the embedding process to assess if further work needed to be carried out.

A consolidated Asset Disposal Control Document of all current asset disposals would be maintained by the Valuation and Estates team. A sample of the document was attached at Appendix 3 to the report. The document would need to be signed off by the Strategic Director of Finance, Governance and Support in his role as S151 Officer on a monthly basis and the Strategic Director of Finance, Governance and Support advised that this process was already in operation. The document would be circulated monthly to key senior officers as a cross reference to ensure that no work was being carried out in relation to asset disposal outside of the Council process and that the valuation teams understanding of the current position was correct and up to date.

No options were detailed within the report.

**DECISION**

- 1. That Executive note that the Council is able to dispose of assets for the purposes of supporting communities, stimulating economic activity and generating funds for the delivery of services, and that they are able to balance these factors when considering disposals.**
- 2. That the proposed Asset Disposal Process be approved together with the proposed scheme of delegation.**

**REASONS**

The decision was supported by the following reason:

**To ensure that the Council has an asset disposal process which is responsive, fit for purpose and allows the Council to clearly demonstrate Value for Money in relation to asset disposals.**

16/18

**BACKGROUND PAPERS**

The decision(s) will come into force after five working days following the day the decision(s) was published unless the decision becomes subject to the call in procedures.