

Report of:	Ian Wright, Director of Finance Cllr Barrie Cooper, Executive Member for Finance & Governance
Submitted to:	Corporate Affairs & Audit Committee [28 April 2022]
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 2021/2022.
That the Corporate Affairs & Audit Committee recommend to Executive that the Asset Disposal Policy be amended to ensure that the 3% community benefit contribution is directed to benefits whereby expenditure is limited to local authority direct or procured provision only.

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		
People	Place	Business
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.	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.	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.

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, report on asset disposals during the financial year 2021/2022 and update standing Asset Disposal Policy.

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 the financial year 2021/2022, 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 Director of Finance, or by the Valuation & Estates Manager.
8. During the same period, the Director of Finance and the Valuation & Estates Manager have met on a monthly basis, 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 during the financial year 2021/2022. 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 2021/2022, the following asset disposals were recorded as having been approved:

Delegated Responsibility	No. of Approvals	Capital Receipt	Valuation
Valuation & Estates Manager	9	£299,340	£334,502
Director of Finance	2	£210,000	£98,001
Executive Committee	6	£3,543,336	£3,612,500
Total	17	£4,052,676	£4,045,003

12. Further detail in respect of the individual asset disposal transactions recorded as having legally completed & reached financial close is set out in Appendix 1.

13. The variance in value between a number of the Capital Receipts and Valuations set out within Paragraph 11 & 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 during the financial year 2021/22 in order to ensure compliance.

16. On 13th April 2021, Executive approved the release of 3% of the value of any asset disposed of above market value as a financial contribution to be made available for the benefit of the ward in which the subject asset was based.

17. Policy was amended to reflect this change, and as a result a process was introduced which determined that once the 3% community benefit contribution was triggered, the respective Ward Councillors in which the subject asset was based, would be invited to submit their proposals to the Director of Finance and the Executive Member for Finance & Governance would then consider, and agree, the ward expenditure.

18. Since inception, two disposals have triggered this process, namely the disposal of Middlesbrough Warehousing in North Ormesby and Nunthorpe Grange Farmhouse.

19. The Asset Disposal Policy was not explicit in regard to the works that the 3% contribution could be spent on within the designated wards, however there was an assumption that this would be works that the local authority would progress / carry out.

In the case of North Ormesby, the community benefit contribution assisted a third party organisation that provides significant community support.

20. Initially, the 3% community benefit contribution was intended to support the delivery of the following types of enhancements within local community areas:

- Enhanced physical environment – physical decoration, planters, resurfacing & play equipment.
- Expanded community facilities – additional street furniture, litter bins & dog waste bins.
- Improved security measures – additional lighting & security equipment.

21. The enhancements set out above are illustrative, but not exhaustive.

22. Should the original intention to contribute to such local enhancements be progressed, the Asset Disposal Policy attached at Appendix 2 would need to be further amended to reflect this. Suggested wording for inclusion within the policy would be:

- In the eventuality that an asset achieves a price in excess of the projected market value, 3% of the capital receipt will be made available for local community use for the ward in which the asset was located.
- The funding will be retained by the Finance Directorate, only direct local authority, or expenditure procured by the local authority in line with procurement rules will be spent within wards and agreement for use will be determined by the Director of Finance in consultation with the following parties:
 - Executive Member – Finance and Governance
 - Ward member(s) in which asset was situated

In the event of the expenditure being deemed a key decision then the expenditure would be determined by Executive in line with normal decision making procedures.

What decision(s) are being asked for?

23. 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 2021/2022.

24. That the Corporate Affairs & Audit Committee recommends to Executive that the Asset Disposal Policy be amended to ensure that the 3% community benefit expenditure is directed to benefits whereby expenditure is limited to local authority direct or procured provision only.

Why is this being recommended?

25. 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

26. The disposal of assets is governed by the Council's standing orders and government legislation.
27. 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

28. With the exception of the retention by the Council of contributions equating to 3% of qualifying above market asset disposals, there are no direct financial implications to report.
29. The disposal of Council assets will continue to be progressed in accordance with the delegation of responsibilities outlined within the Asset Disposal Policy.

Ward

30. Implementation of the Estate Strategy & the Asset Disposal Policy will potentially impact on all wards over the duration of the policy.
31. 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

32. The proposal does not require any change to the Council's existing policy framework.
33. 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

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

Risk

35. 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)

36. That Corporate Affairs & Audit Committee recommend to Executive that the Asset Disposal Policy be amended in line with paragraph 22 to ensure that the 3% community benefit contribution is directed to benefits whereby expenditure is limited to local authority direct or procured provision only.
37. Further update reports will be brought forward in due course.

Appendices

Appendix 1 – Asset Disposals 2021/2022

Appendix 2 – Asset Disposal Policy

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