

<b>Report of:</b>	Executive Member for Finance and Governance Director of Finance
<b>Submitted to:</b>	Executive
<b>Date:</b>	8 November 2022
<b>Title:</b>	Community Benefit Arising from Asset Disposal
<b>Report for:</b>	Decision
<b>Status:</b>	Public
<b>Strategic priority:</b>	Physical environment
<b>Key decision:</b>	Yes
<b>Why:</b>	Decision(s) will have a significant impact in two or more wards
<b>Urgent:</b>	No
<b>Why:</b>	Not Applicable

**Executive summary**

The report seeks an Executive decision to approve an amendment to the Asset Disposal Policy that ensures local communities will continue to benefit financially when a Council owned land or property asset is disposed of above market value within their locality.

The report sets out the formal process for claiming community benefit contributions and clarifies that the 3% payment is directed to benefits whereby expenditure is limited to local authority direct or procured provision only.

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

## **Purpose**

1. The purpose of the report is to seek approval for revision to the Asset Disposal Policy that further clarifies the process for claiming community benefit contributions and ensures that expenditure linked to this is limited to local authority direct or procured provision only.

## **Background & relevant information**

2. Middlesbrough Council holds a significant asset portfolio that is used to deliver services, support businesses and contribute to the well-being of the Town.
3. The acquisition and disposal of assets is essential to enable the Council to update its asset portfolio to meet the changing needs of Middlesbrough.
4. The Asset Disposal Policy sets out a comprehensive framework and governance structure for the disposal of the Council's land & property assets.
5. Operation of the Policy ensures that all disposals have clear objectives, decisions are made based on full information and that there is a full audit trail leading to any disposal.
6. The standing Council Asset Disposal Policy was approved by Executive in April 2021.
7. In some circumstances, an asset that is disposed of may attract a price that is considered to be in excess of open market value, and as such, amendments have previously been made to the Asset Disposal Policy to allow local communities to benefit should such circumstances arise.

## **Policy implementation**

8. 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.
9. On 13<sup>th</sup> 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.
10. The Asset Disposal Policy was subsequently 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 whom would then consider, and agree, the ward expenditure.
11. Since inception, a number of disposals have triggered this process, namely the disposal of Middlesbrough Warehousing in North Ormesby and Nunthorpe Grange Farmhouse.
12. 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 intention that this would be works that the local authority would progress / carry out.
13. In the case of North Ormesby, the contribution assisted a third party organisation that provides significant community support.

14. 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.

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

16. It is recommended that the original intention to contribute to such local enhancement should be progressed, and the Asset Disposal Policy attached at Appendix 1 amended accordingly:

- 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 is located.
- The funding will be retained by the Finance Directorate, only direct local authority, or local authority procured expenditure will be spent within wards and agreement for use will be determined in consultation with the following parties:
  - Director of Finance
  - Executive Member – Finance and Governance
  - Ward member in which asset was situated

#### **What decision(s) are being recommended?**

17. That the Executive approves the proposed revisions to the Asset Disposal Policy to:

- a) Further clarify the process for claiming community benefit contributions; and,
- b) Ensure that expenditure is limited to local authority direct or procured provision only.

#### **Rationale for the recommended decision(s)**

18. To ensure that the Council continues to have an asset disposal process which is responsive, fit for purpose and allows the Council to clearly demonstrate Value for Money in relation to the disposal of council owned assets, but also a policy that reflects support to local communities.

#### **Other potential decision(s) and why these have not been recommended**

19. Do nothing - The Asset Disposal Policy could remain unchanged, and any assets disposed of above market value would have a positive impact in terms of an enhanced capital receipt. However, the Council is committed to locality working and the revisions proposed are an opportunity to further stimulate investment at ward level.

#### **Impact(s) of the recommended decision(s)**

#### ***Legal***

20. The disposal of Council owned assets is governed by the Council's standing financial orders and Government legislation.

21. Adoption of the policy amendments, outlined in paragraphs 17 & 18 of the attached asset disposal policy (Appendix 1) does not create any specific legal issues, although the process actions and any subsequent steps to implement the policy amendments would need to be undertaken within the Council's legal framework.

### ***Strategic priorities and risks***

22. 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.

### ***Human rights, equality and data protection***

23. There will be no negative, differential impact on protected groups and communities.

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

25. The proposed decision does not involve the collation and use of personal data.

### ***Financial***

26. Except for the retention by the Council of contributions equating to 3% of qualifying above market asset disposals, there are no direct financial implications to report.

27. The assumed capital receipt is based on a market valuation. If an asset disposal should achieve a figure higher than the projected market valuation, this amended aspect of the policy will apply.

28. The disposal of Council assets will continue to be progressed in accordance with the delegation of responsibilities outlined within the Asset Disposal Policy.

### **Actions to be taken to implement the recommended decision(s)**

Action	Responsible Officer	Deadline
Adopt the policy amendments from the date of determination	Valuation & Estates Manager	September 2022
Revise all necessary documentation	Valuation & Estates Manager	October 2022

### **Appendices**

1	Asset Disposal Policy
2	
3	

## Background papers

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

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

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