

Report of:	Ian Wright - Director of Finance Councillor Chris Hobson - Executive Member of Finance and Governance
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Submitted to:	Executive - 13 April 2021
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Subject:	Community Benefit Arising from Asset Disposal
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Summary

Proposed decision(s)
That Executive approves an amendment to the Asset Disposal Policy to facilitate local communities benefiting whereby a council owned asset is disposed within their locality above market value.

Report for:	Key decision:	Confidential:	Is the report urgent?¹
Decision	Yes	n/a	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
Supporting locality working, working with local communities and working with partners.	To make Middlesbrough look and feel amazing, working closely with local communities.	Introducing an era of openness and transparency

Ward(s) affected
All wards

What is the purpose of this report?

1. To seek approval for revisions to the asset disposal policy. The amendments outline a community benefit clause which states in the event that an asset is disposed of above the projected market value, 3% of the value is made available for local community use.

¹ Remove for non-Executive reports

Why does this report require a Member decision?

2. In accordance with the Council's scheme of delegation this revision affects 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. 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 assets.
5. It 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 asset disposal policy was approved by Executive in January 2020.
7. In some circumstances an asset which is disposed through open market may attract above market value, as such amendments have subsequently been made to the asset disposal policy to allow local communities to benefit should such circumstances arise. These amendments include:
 - 3% of the disposal price is made available to the ward for community use
 - The funding is maintained within the Finance Directorate and spend within the community is agreed by Director of Finance, Executive Member for Finance and Governance and the relevant ward councillors. This will ensure any capital receipt expenditure will meet accounting requirements.

What decision(s) are being asked for?

8. That Executive approves an amendment to the asset disposal policy to facilitate local communities benefiting whereby a council owned asset is disposed of within their respective locality above market value.

Why is this being recommended?

9. 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 decisions and why these have not been recommended

10. 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 local authority is committed to locality working and this is an opportunity to stimulate investment at ward level.

Impact(s) of recommended decision(s)

Legal

11. The disposal of council owned assets is governed by the Council's standing orders and government legislation.
12. Adoption of the policy amendments, outlined in clause 17 of the attached asset disposal policy (Appendix B) 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.

Financial

13. A valuation is required because the valuation of an asset on the Council's balance sheet is likely to be different to its market value. For accounting purposes the valuation used for the balance sheet is usually based upon the replacement cost to the Council of the asset, rather than what might be achieved if it is sold on the open market. Therefore an open market valuation is required before the disposal process commences. The assumed capital receipt will be based on the market valuation. If the asset disposal achieves a figure higher than the projected market valuation this amended aspect of the policy will apply.
14. In accordance with policy, the disposal of an asset is approved as per the delegation of responsibilities outlined below:
 - Valuation & Estates Manager – up to £50,000
 - Director of Finance – between £50,000 & £150,000
 - Executive Committee – over £150,000

Policy Framework

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

Equality and Diversity

16. A Level 1 (Initial Screening) Impact Assessment (IA) will be carried out on individual asset disposals

Risk

17. There is no identified risk from this policy amendment

Actions to be taken to implement the decision(s)

18. The following actions will be progressed:
 - Adopt the policy amendments from the date of determination
 - Revise all necessary documentation

Appendices

Appendix A – Asset Disposal Policy

Background papers

Body	Report title	Date
Executive report ¹	Estates Strategy – Asset Disposal Policy	21 January 2020

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