

**EXECUTIVE SUB-COMMITTEE FOR PROPERTY**

<b>Report title</b>	Update on Estates Strategy and Asset Disposals	
<b>Executive Member*</b>	Executive Member for Finance and Governance: Councillor Nicky Walker	
<b>Chief Executive or Director</b>	Director of Finance Governance and Support: James Bromiley	
<b>Date</b>	20 April 2018	
<b>Purpose of the report</b>	The purpose of the report is to provide and update on the implementation of the Estates Strategy and on assets agreed for disposal in the financial year 2017/18, and to seek amendments to the Asset Disposal Policy which forms part of the Estates Strategy.	
<b>Summary of the report</b>	A refreshed Estates Strategy, building on the existing Strategy was agreed by officers and the Executive Member was briefed in July 2017. An officer group called the Estates Strategy Board has been meeting since August and it has resolved to provide regular update reports to the Executive Sub Committee for Property. This report is the first of these updates covering the financial year 2017/18, it is envisaged that these updates will now take place quarterly from this date. The aim of the reporting is not to change the decision making process but to increase transparency of those transactions which have taken place and on the ongoing improvements to the governance and operational management of estates and assets.	
<b>If this is a key decision, which key decision test applies?*</b>	Over the financial threshold (£150,000)	
	Amends the Council's policy framework	
	Affects two or more wards	
	Non-key	X
<b>For the purposes of scrutiny call in procedure this report is*</b>	Exempt under s.12a Local Government Act 1972	
	Urgent ( <i>NB this must be approved by the Chair of OSB</i> )	
	Non-urgent	X
<b>If this is a confidential report, which category of exemption(s) from the Schedule 12a of the Local Government Act 1972 applies?</b>		
<b>Decision(s) asked for</b>	<p>That Executive notes asset disposals in the financial year 2017/18 and progress on the implementation of the Estates Strategy.</p> <p>That Executive approves the following amendments to the Asset Disposal Policy as set out in paragraph 8.</p> <p>a) That the monthly Consolidated Asset Disposal Control Sheet should be signed off by the Head of Financial</p>	

	<p>Planning and Support as well as the Strategic Director, Finance Governance and Support.</p> <p>b) That a de minimus level should be set for transactions included on the Consolidated Asset Disposal Control Sheet in order that attention could be focused on material transactions. It is proposed that this level be set at £10,000.</p>
<b>Impact of decision(s)</b>	None

### What is the purpose of this report?

1. The purpose of the report is to provide and update on the implementation of the Estates Strategy and on assets agreed for disposal in the financial year 2017/18, and to seek amendments to the Asset Disposal Policy which forms part of the Estates Strategy.

### Why is this report necessary?

2. In accordance with the asset disposals policy, proposed disposals and other transactions with a value of over £150,000 are already considered and decided by the Committee. Proposals below that value are decided either by the Strategic Director of Finance, Governance and Support or the Head of Financial Planning and Support according to their value.
3. The Estates Strategy Board, chaired by the Chief Executive, meets monthly and monitors progress on the implementation of the Estates Strategy. It also tracks progress on live asset disposals via the Consolidated Asset Disposal Control Sheet.

### Asset Disposals

4. In the financial year 2017/18 the following disposals were agreed:

Decision-maker	Number of transactions	Expected Receipt (£s)	Capital	Valuation (£s)
Head of Financial Planning and Support	9	109,550		113,050
Strategic Director, Finance, Governance and Support	3	365,600		192,000
Property Sub-Committee	2	1,734,750		1,584,750
<b>Total</b>	<b>14</b>	<b>2,209,900</b>		<b>1,889,800</b>

Details attached at Appendix 1

5. Under the General Disposal Consent of 2003 the Council has the power to dispose of assets for less than the best financial consideration for the purposes of;
  - a. Promotion or improvement of economic well-being
  - b. Promotion or improvement of social well-being
  - c. Promotion or improvement of environmental well-being
6. Where the Council has made decisions to dispose relying on these powers it will be reported in these regular updates. In the financial year 2017/18 this power has not been utilised.

### **Implementation of the Estates Strategy**

7. The Council's external auditors, EY, issued a VFM "except for" opinion in respect of the governance of asset disposals for 216/17. They concluded that although there had been good progress, in particular the adoption of a new asset disposals process in December 2016, the policy was not sufficiently embedded during the 2016/17 period. They have commented that they have observed further progress since the end of the last financial year.
8. The first key strand of activity in this period has therefore been to ensure through detailed review that all asset disposals in 2017/18 are compliant with the agreed policy. This has been done through review by an independent officer.
9. In December 2016 Internal Audit carried out detailed testing on the asset disposal process and produced a briefing note for the Strategic Director, Finance, Governance and Support. This testing identified further progress with the policy but made some recommendations around record keeping to further improve audit trails.
10. The internal audit work identified two potential improvements to the Asset Disposal Policy which they felt would improve control and make sure that attention was focused on the correct areas. These were:
  - a. That the monthly Consolidated Asset Disposal Control Sheet should be signed off by the Head of Financial Planning and Support as well as the Strategic Director, Finance Governance and Support. This would give a dual control and strengthen the process.
  - b. That a de minimus level should be set for transactions included on the Consolidated Asset Disposal Control Sheet in order that attention could be focused on material transactions. It is proposed that this level be set at £10,000. Disposals below this level, in terms of BOTH valuation and expected receipt will still follow the Asset Disposal Process but will not be monitored on the consolidated sheet.
11. Following the audit work further resource from the Financial Planning service was identified to support the Valuation and Estates team. This has resulted in a further tightening of records and clear audit trails for active disposals.
12. External audit will undertake their testing in line with their 2017/18 audit timetable and report on the arrangements for asset disposals in due course.
13. The second strand has been to progress a review of the staff structure in Valuation and Estates so that it is fit for purpose in the future, given the growing and changing demands that the Council's strategy is now placing on this service.

14. Progress on this strand has been delayed due to workload pressures within the service area but progress has recently been made. Consultation has concluded on a new Valuation and Estates Manager post, and this post, along with an additional valuer position and an administration support post have been advertised to strengthen the team.
15. There are two other strands of the Estates Strategy around asset acquisitions and commercial properties. Reports on those strands will come forward in due course.

### **What decision(s) are being asked for?**

16. That Executive notes asset disposals in the financial year 2017/18 and progress on the implementation of the Estates Strategy
17. That Executive approves the following amendments to the Asset Disposal Policy as set out in paragraph 8.
  - a) That the monthly Consolidated Asset Disposal Control Sheet should be signed off by the Head of Financial Planning and Support as well as the Strategic Director, Finance Governance and Support.
  - b) That a de minimis level should be set for transactions included on the Consolidated Asset Disposal Control Sheet in order that attention could be focused on material transactions. It is proposed that this level be set at £10,000.

### **Why is this being recommended?**

18. The internal audit work identified two potential improvements to the Asset Disposal Policy which they felt would improve control and make sure that attention was focused on the correct areas. These were:
  - a. That the monthly Consolidated Asset Disposal Control Sheet should be signed off by the Head of Financial Planning and Support as well as the Strategic Director, Finance Governance and Support. This would give a dual control and strengthen the process.
  - b. That a de minimis level should be set for transactions included on the Consolidated Asset Disposal Control Sheet in order that attention could be focused on material transactions. It is proposed that this level be set at £10,000. Disposals below this level, in terms of BOTH valuation and expected receipt will still follow the Asset Disposal Process but will not be monitored on the consolidated sheet.

### **Other potential decisions and why these have not been recommended**

19. It would have been feasible to leave the Asset Disposal Policy unchanged following discussions with internal audit on the practical application of the policy 12 months after approval.
20. Senior officers agreed that a dual sign off added extra continuity and control into the process for little additional resource and therefore was a sensible and desirable addition to the policy.

21. Following consideration it was also felt that a significant number of very low value transactions being included on the Consolidated Asset Disposal Control Sheet distracted time, effort and scrutiny from the higher value transactions and resulted in misplaced resources.

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

22. The recommended decisions should improve the effectiveness and functioning of the Asset Disposal Process.

### ***Legal***

23. The Asset Disposal Policy allows the Council to discharge its responsibilities under the Section 123 of the Local Government Act 1972 as amended by the General Disposal Consent of 2003.

### ***Financial***

24. There are no direct financial implications of this decision.

### ***The Mayor's Vision for Middlesbrough***

25. Asset disposals play a key role in supporting and facilitating Physical and Social Regeneration in Middlesbrough and the smooth and proper functioning of the process underpins this objective.

### ***Policy Framework***

26. The decisions requested are in line with the Council's Policy Framework.

### ***Wards***

27. The Asset Disposal Policy effects all wards in Middlesbrough as the Council owns assets in all areas of the town.

### ***Equality and Diversity***

28. The decisions requested do not have an undue impact on individuals or groups with a protected characteristic.

### ***Risk***

29. Proper asset disposal processes support the Council in its duty to secure Best Value and as such reduce the risk failure to deliver on financial and strategic targets.

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

30. The Asset Disposal Policy would be amended to take account of the decisions immediately.

## **Appendices**

31. Appendix 1 – Provides details of the Asset Disposal decisions made during the financial year 21017/18.

## **Background papers**

32. No background papers were used in the preparation of this report.