

ASSET DISPOSAL PROGRAMME 2016-17

Extraordinary Cabinet	27 September 2016
Report Author	Tim Howes, Director of Corporate Governance
Portfolio Holder	Cllr John Townend, Portfolio Holder (Finance & Estates)
Status	For Decision
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	The decision affects more than one ward
Ward:	All

Executive Summary:

This report sets out the proposed first tranche of asset disposals in 2016-17 and the process being adopted to approve and consult on those disposals.

Recommendation(s):

To approve the disposal of the assets listed in Annex 1 with sale proceeds being used to fund the asset management plan and capital programme.

CORPORATE IMPLICATIONS

Financial and Value for Money

The 2016-17 budget included a proposal to generate £100k of savings from asset management. The Medium Term Financial Strategy 2016-20 includes an assumption that a further £100k will be saved in 2017-18, i.e. £200k per annum from 2017-18 onwards. The recommendations in this report will assist in providing a means of delivering these savings, through a reduction in the maintenance budgets for assets.

In addition, the capital programme assumes a level of funding from capital receipts generated by the disposal of assets. The disposals proposed in this report will assist in providing that funding.

The new Asset Management Plan is being formulated and depending on the proposals in the Plan, there may be some funding requirements, e.g. to acquire assets. If any receipts targets (to fund the capital programme) are exceeded, the proposal is to hold the balance of receipts to fund strategic projects and acquisitions in accordance with the new Asset Management Plan.

Legal	<p>The council may dispose of land held in any manner it wishes but the council shall not dispose of land, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained.</p> <p>There is an exception to this general rule where the council is able to sell a site for less than its market value, but it must seek statutory consent to do so. Specific consent is not needed where the council can demonstrate the land sale will help to secure the improvement of the economic, social or environmental wellbeing of the local area, and the undervalue is only up to £2m less than market value.</p>								
Corporate	<p>The disposals programme is proposed to ensure the delivery of the Medium Term Financial Strategy and funding of the Capital Programme. It is to be delivered within the parameters of the existing Asset Management Plan and disposals policy. During this financial year, there will be a new Asset Management Plan developed and approved. However, the production of the new Plan should not delay the disposals proposed in this report.</p> <p>It is possible that, due to a variety of factors, not every one of the assets listed in Annex 1 will be disposed of in 2016-17. The Portfolio Holder (Finance & Estates) has authority to vary the disposals this financial year, following the existing disposals policy contained in the Corporate Property Asset Management Strategy 2014-2019, that can be accessed through the link below:</p> <p>http://tdc-mgapp-01:9070/ieListDocuments.aspx?CId=151&MID=3451#AI18751</p>								
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1" data-bbox="432 1585 1401 1825"> <tr> <td colspan="2">Please indicate which aim is relevant to the report</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table> <p>Are there any assets that are proposed to be disposed of that are used by staff or the public? No</p> <p>Do they offer facilities which, if removed as a result of disposal, reduce overall access to services for people with protected characteristics? No</p>	Please indicate which aim is relevant to the report		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	✓	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	✓	Foster good relations between people who share a protected characteristic and people who do not share it.	
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	<p>Might the transfer of responsibility for managing an asset increase or decrease access to services for people with protected characteristics? No</p> <p>Would there be consequences for staff or customers if an asset isn't disposed of and deteriorates through lack of funding? Potentially</p>
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CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	✓
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1.0 Introduction and Background

- 1.1 TDC has an ongoing asset disposals programme. In the past, this has been agreed by the Corporate Property Asset Management Group, but this forum ceased to exist last year. Additionally, the Constitution Review approved by Council in February 2016 included a delegation scheme which gives power to dispose of assets to the Portfolio Holder for Finance and Estates.
- 1.2 The existing Asset Management Strategy requires updating: it does not address many aspects of asset management that are required if the council is to pro-actively manage its assets to deliver better services, more efficiently. The new Asset Management Plan will include proposals to better streamline decision-making regarding assets and will include proposals to revise the delegation scheme. It will also propose a new process for disposals. In the meantime, this particular disposal programme will operate within existing policies.
- 1.3 There is a financial imperative to accelerate disposals. The Medium Term Financial Strategy assumes ongoing cost savings in the maintenance of assets, achieved by rationalising the asset base; and the capital programme requires funding from receipts generated from asset disposals. At present there is a significant gap between receipts and capital programme commitments.

2.0 The proposed disposals programme

- 2.1 The proposed list of disposals is attached as Annex1. The criteria used to inform the disposals has been as follows (in no particular order):
- Cost of maintenance. High net running costs (gross costs less any income from rent or licence fees) are a good reason to dispose, as the removal of the asset from the portfolio will reduce the overall maintenance bill and help achieve the budget savings target.
 - Backlog repair. There is sometimes available a reasonably up-to-date condition survey which suggests that there could be a large future repairs bill to maintain the asset's value. There may also be concerns regarding building-related compliance and health and safety issues which, though not causing an imminent threat to staff or customers, would be contributory factors for inclusion on the disposals list.

- Disposal value. A potentially large disposal value will help bridge the funding gap for the capital programme and so it is a factor for inclusion in the disposals list.
- Strategic importance. There may be an asset that could tick a number of the above boxes, but is not included in the disposals list because it is strategically important. The thinking behind this might be because of the location of the asset (e.g. in or near an area the council has earmarked for regeneration), or the category of the asset (e.g. if the council chose to adopt a policy in respect of all car parks, it might not want to dispose of an individual one).
- Operational importance. The buildings that are used by the council to deliver services are not immune from the prospect of disposal, and could be considered for disposal in future, but it would be unrealistic to expect a sale in this year.

2.2 Many of the properties on the asset register list are unlikely to generate a receipt at all, or will generate a small receipt. For example, some of the shelters on the list are in poor condition and incur costs to maintain them. They also occupy a site that means it would be unlikely that a private buyer would be interested in purchase of the freehold or long leasehold. Finally, even though the council would be willing to dispose of them, it would consider transfer to a town or parish council, at nil value, to ensure their continued use as a shelter. Despite these characteristics, these assets are still being referred to in this report as “disposals”.

2.3 Assets that have a potentially limited number of buyers will be likely to generate only a small receipt. Examples include assets where the council owns the freehold, with a single tenant in occupation with an ongoing lease. These sites may be attractive to buyers in general, depending on the site and the length of the lease, but it is quite possible that the most motivated (and potentially only) buyer is the tenant. These assets might still be worth disposing of because of criteria other than disposal value.

2.4 The proposed disposals programme has been assembled with access to the available data. This has resulted in gaps in data which, ideally, would be available to inform decision-making. In particular, the council does not have a comprehensive database regarding the condition of assets, the cost of repairs and the ongoing maintenance costs. Records tend not to be maintained on a property-by-property basis, and surveys are not necessarily up to date. These matters will be addressed as part of the Asset Management Plan and an implementation plan will be established in future, but for this year’s disposals, the criteria are based on available data. The other major source of information on assets is staff, whose knowledge built up over, in some cases many years, has helped inform the disposals list.

2.5 This is an imperfect situation but the alternative is to not take forward any disposals until there is a comprehensive database – this will take time, resources and result in a failure to deliver the savings required. If the 2016-17 disposals programme can be delivered, it will help reduce the pressure on the maintenance budget, deliver budget savings, protect the future of some assets that would otherwise fall into disrepair and ideally provide some breathing space to enable the delivery of the Asset Management Plan.

3.0 Consultation and decision-making process

3.1 The Portfolio Holder (Finance & Estates) has the authority to approve the disposal of assets. In the absence of the defunct Corporate Property Asset Management Group, the Director in consultation with the Corporate Management Team, recommends disposals to the Portfolio Holder. Whilst determined to deliver the disposals programme, the Portfolio Holder recognises the importance to some people of some

of the assets on the disposals list, and wishes to consult on the disposals, without jeopardising the timetable.

- 3.2 As part of the consultation, there was a presentation to members at a briefing session on 5 July. There will also be a period of public consultation in respect of open spaces that are proposed to be disposed of. In addition, a special Member Consultation Group has been established to oversee the development of the AMP. Even though the 2016-17 disposals programme was not, strictly speaking, within its remit, its first meeting on 8 July considered the proposals regarding disposals.

4.0 Options

- 4.1 Members could choose to not dispose of assets, in which case, alternative budget savings of £100k in 2016-17 and £200k per annum in 2017-18 would need to be identified. The £100k saving in 2016-17 was approved as part of the budget decision by Cabinet and Council and forms part of the budget framework. Failure to generate the receipts from disposals could cause the capital programme to be curtailed, leading to reduced investment in assets.

Contact Officer:	Tim Howes, Director of Corporate Governance, Tel: 01843 577071
Reporting to:	Madeline Homer, Chief Executive

Annex List

Annex 1	Proposed list of asset disposals 2016-17
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Background Papers

Title	Details of where to access copy
None	N/A

Corporate Consultation

Finance	Matthew Sanham, Acting Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance