

**Report To:** Communities Scrutiny Committee

**Date of Meeting:** 17 January 2013

**Lead Member/Officer:** Lead Member for Finance and Assets/  
Head of Finance and Assets

**Report Authors:** Principal Property Manager/  
Valuation and Estates Manager

**Title:** Strategic Asset Management

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**1. What is the report about?**

1.1 To consider the Council's Asset Management and Disposal Strategy and the procedures and guidelines that are in place.

**2. What is the reason for making this report?**

2.1 To provide information and seek observations on the Council's Asset Management and Disposal Strategy and the procedures and guidelines that regulates the disposal of Council assets.

2.2 The Committee require an assurance that consideration is given for alternative uses, including community use in all asset disposals and that all disposal transactions are open and transparent and are undertaken in the tax payer's interest.

**3. What are the Recommendations?**

3.1 That the Committee considers the contents of the report and comments on the Council's Asset Management Strategy.

**4. Report details.**

4.1 The Council has been disposing of surplus assets since 1996 with an intensive programme initially focussed on sales of the non operational assets it inherited from its constituent former authorities.

4.2 The Council has continued this policy of ongoing disposals as and when assets are declared surplus. The current programme has a target of £10m for the period from 2010 to 2015. The assets the Council is now disposing of are mostly former operational assets with challenging asset management and site specific problems that require resolution before they can be sold.

4.3 Prior to land and buildings being declared surplus for sale the Council's standard asset management review process is undertaken. This process informs other Council departments that a Service has declared

an asset surplus to requirements at Asset Management Group (AMG). AMG transfer the asset to Corporate pro tem pending a decision on its future. This permits other Services to be consulted on its availability and if an operational use is required then the asset is transferred to that Service. It is at this stage that the asset will be consulted on with the Local Member in which ward the asset is located. In the event that there are no operational requirements then the asset is declared surplus to Council requirements at AMG. This is then approved by the Head of Service, Lead Member Delegated Decision or Cabinet as appropriate.

4.4 The Council scheme of delegated approvals for disposals is as follows;

£0 - £30,000.99 – Head of Finance and Assets (subject to AMG approval)

£30,001 - £499,999.99 – Lead Member for Finance and Assets

£500,000 and over – Cabinet.

#### **4.5 Statutory Compliance on Disposal of Council Land and Buildings, Sec 123, Local Government Act 1972, etc.**

4.5.1 The Authority is a principal council as defined under the Local Government Act 1972. Section 123 of this Act provides that councils may dispose of their land in any manner they wish but that they must not dispose of land for less than the best consideration that can reasonably be obtained.

4.5.2 There are three main options for disposal of surplus land or buildings as shown in Appendix A

#### **4.6 Disposal Strategy**

4.6.1 The Council has strategies to obtain disposals from the Agricultural and Corporate Office and Miscellaneous Property portfolios. A copy of the Agricultural Estate Service Management Plan is attached at Appendix B. The Corporate Office Portfolio in the south of the county has been rationalised and a similar exercise will now be undertaken on the office portfolio in the north of the county. This includes bareland held pending the adoption of the Local Development Plan (LDP).

4.6.2 The Economic Development Estate will have a draft strategy to deliver a managed rationalisation of assets from the property portfolio by April 2013 for discussion and approval and adoption. Part of this strategy will include recommendations for the disposal of assets.

4.6.3 Lifelong Learning has a policy of Modernising Education and this could deliver surplus assets in due course.

4.6.4 Other Services declare assets surplus to requirements as they rationalise their operational portfolios.

## **Member Involvement**

4.7.1 Members are involved in asset disposals in a number of ways:

Cabinet – Authorises disposals above £500k

Lead Member – Authorises disposals between £30k and £500k and chairs the Asset Management Group (an officer group)

The Agricultural Estates Working Group agreed the investment and disposal strategy for the Estate which guides current work (the group is currently being re-formed)

Member Area Groups will shortly be receiving details of all properties in their area

An imminent review of the industrial and business portfolio will involve members

Individual members are consulted on disposals in their ward

## **5. How does the decision contribute to the Corporate Priorities?**

5.1 The disposal of surplus assets generates capital receipts and revenue savings that help assist the delivery of Corporate Priorities which would otherwise remain unfunded. The target of £10m in capital receipts over the period 2010-2015 is a Corporate Priority.

## **6. What will it cost and how will it affect other services?**

6.1 The disposal of assets costs the Council and affects services as follows:

**Additional Resources needed (staffing or financial):** This can be met from the capital receipt and by appointing external agents, consultants and solicitors. The majority of the preparation of assets for the market is done by Council officers and this is time consuming and difficult in the current market.

**Equalities:** Careful consideration should be given when undertaking a disposal to named parties to ensure discrimination of third parties does not occur.

**ICT:** None other than costs to remove and relocate DCC equipment.

**Legal:** Disposals of assets normally involve large amounts of legal work which can be time consuming and therefore expensive to complete.

**Bio-diversity:** The responsibilities placed on the Council by the Natural Environment and Rural Communities Act 2006 are risk assessed and action taken as appropriate when undertaking disposals to comply with its provisions.

## **7. What consultations have been carried out?**

This report seeks Scrutiny's views on the Authority's management of its strategic assets and how the Strategy can assist the Council to mitigate the increasing pressures on its finances.

## **8. Chief Finance Officer Statement**

The disposal of surplus assets generates capital receipts and revenue savings that help assist the delivery of Corporate Priorities which would otherwise remain unfunded.

## **9. What risks are there and is there anything we can do to reduce them?**

9.1 The number of risks involved in the disposal of land and property are wide and varied with many outside the control of the Council or its officers. To attempt to list to them all is extremely difficult. The simple test is the success rate achieved and at present we are continuing to dispose of assets on the open market.

9.2 The Council can best mitigate the risk by understanding the difficulties faced in disposing of assets in the current market conditions. Disposal of assets requires certainty for the buyer and the greater the certainty we can provide for the market then the lower the risk that an asset will fail to sell.

## **10. Power to make the Decision**

10.1 No decision is requested. An assurance can be given that alternative uses to maximise the value to the Council are reviewed as part of the standard due diligence to maximise the value of an asset to the Council.

10.2 All open market and named party transactions are undertaken in a manner that is auditable and compliant with statute and best practice and are capable of being scrutinised both internally and externally.

10.3 When the Council is disposing of assets to named parties, it has to retain the commercial confidences of that third party. The same protocols and ethical standards are maintained to obtain approvals and

independent advice to protect the Council and its officers from allegations and accusations when operating in the commercial world.

10.4 Article 6.3.3 of the Council's Constitution permits Scrutiny Committees to exercise a policy development and review role.

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