

## **Asset Transfer Policy revised to: The Asset Disposal and Community Asset Transfer Policy**

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### **Purpose of the Report**

1. This report is to inform members of a revised policy, with embedded procedure and governance, that streamlines the asset disposals and community asset transfer processes.

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of the 5 April 2018.

### **Public Interest**

3. This report introduces the revised Asset Transfer Policy, which is now the "Asset Disposal and Community Asset Transfer Policy". The aim of this report and accompanying revised policy is to inform the District Executive of the proposed new process and governance for assisting SSDC's Property team to ensure the asset stock is of good quality and fit for purpose in accordance with the approved Commercial Strategy 2017-2021.

### **Recommendations**

4. That the District Executive:
  - a. Approve the replacement of the existing Asset Transfer Policy with the Asset Disposal and Community Asset Transfer Policy;
  - b. To note there is a requirement to change the Financial Procedure Rules to accommodate the financial delegated authority limits in this policy which the Disposal Assessment Group will adopt;
  - c. Recommend to Full Council the acceptance of the changes required in relation to the delegated authority limits to the Financial Procedure Rules detailed in this report (paragraphs 14-16).

### **Background**

5. The purpose of revising the Asset Transfer Policy and creating the new Asset Disposals and Community Transfer Policy is to align it with the Commercial Strategy adopted in August 2017 and to include a process and new streamlined governance for asset disposals on the open market. Historically SSDC have transferred land to the community to facilitate schemes they wished to develop. However, the Commercial Strategy and Performance Management Indicators paper (District Executive March 2018) has also highlighted the need to assess our assets to ensure they are performing well in line with the approved strategy. For the purpose of this policy, assets are deemed as land or property that SSDC owns. For reference, the Ministry of Housing,

Communities and Local Government produced a guidance paper “Local Authority Assets Disposal Guidance March 2016”. The full report can be found via the following link;

<https://www.gov.uk/government/publications/local-authority-assets-disposal-guidance>

6. In light of the Commercial Strategy and Income Generation aspirations it was necessary to ensure the assets are reviewed against Performance Management Indicators. This will enable the Property Team to investigate how an asset performs against nine Performance Management Indicators, which can be found in the Table 1 below.
7. Once assets have been assessed as suitable for Community Asset Transfer or Disposal a clear process will be followed and, if appropriate, approval recommended to proceed by the Disposal Assessment Group (DAG), in consultation with the relevant ward member(s). The DAG comprises the Director of Commercial Services and Income Generation, Monitoring Officer, Section 151 Officer, Commercial Property, Land and Development Manager and the Portfolio Holder for Property, Climate Change & Income Generation.
8. The DAG procedure and governance will allow a recommendation to the Chief Executive, in consultation with the Council Leader, to have delegated authority to approve disposals up to an individual asset value of £250,000 for Non-Investment Properties or up to £10,000,000 for Investment properties (in line with the IAG delegated authority already approved for acquisitions of Investment properties, and enabling effective management of the investment portfolio and its long term performance). Disposals expected to achieve a value in excess of £250,000 for Non-Investment properties or in excess of £10,000,000 for Investment properties would be referred to the District Executive for approval.
9. The DAG procedure and governance will also permit transfers to Registered Social Landlords (RSLs) for social housing or associated parking up to £250,000 per unit. Transfers above this value or outside of policy will require District Executive approval. All delegated disposal decisions will be formally reported through quarterly performance reports and a briefing note to all members prior to any press release.

**Table 1 – SSSDC Property Management Indicators on which to rate assets**

<b>PMI1a</b>	<b>Measure of Operational and Community Property</b> These are properties used for the delivery of direct or indirect Council services.	This measures and compares the Opportunity Cost of the asset by area. The Opportunity Cost is the amount of capital tied up in the asset, and can be based on its current Asset Value as used for accounting purposes.
<b>PMI1b</b>	<b>Measure of Operational and Community Property</b> Measure of investment need per M2/hectare/space (adjusted as above)	This measure looks at what needs to be spent on the property going forward, so a high figure above the average indicates a significant expense compared to other properties within the portfolio.
<b>PMI1c</b>	<b>Measure of Operational and Community Property</b> Measure of revenue opportunity cost per M2/ha/space.	This looks at the market rental that could be secured, if the property were let, against the current income, to identify any hidden cost in terms of revenue foregone, so that this hidden cost can be compared between assets.

<b>PMI1d</b>	<b>Measure of Operational and Community Property</b> Measure of running cost per M2/ha/space.	This provides an indication of the efficiency of the building from an operational point of view. If a building displays high running costs, but is otherwise effective, then this can inform investment decisions to seek to improve its overall efficiency, such as investment in better windows, new boilers etc.
Together <b>PMI's 1 a-d</b> provide an overview of the financial performance of the operational and community asset portfolios, with poor performers identified against each measure. This will enable those performing poorly across all measures to be identified, and for an informed view to be taken where performance is only poor, say, against one of the 4 indicators.		
<b>PMI1e</b>	<b>Measure of Operational and Community Property</b> Measure of occupancy of operational and community property.	This aims to look at whether the property is a suitable size for its current use, and to identify property that is underutilised. To develop a comprehensive baseline will require resources to undertake an assessment of use appropriate to the individual sub-categories of property within the wider operational and community portfolios. This will then enable measurement and comparison to take place.
<b>PMI2a</b>	<b>Measure of investment property</b> Net revenue as a return on investment.	This looks at the % return on investment secured from a property held primarily for investment purposes, and aligns performance with the criteria applied for acquisition and investment.
<b>PMI2b</b>	<b>Measure of investment property</b> Change in capital value over previous year.	This looks at the capital value of the investment year on year against market conditions to see if this is going up or down. The baseline asset values and purchase prices are known, but the assessment cannot be made against the baseline until the next asset valuation is carried out.
<b>PMI3a</b>	<b>Measure of strategically held property</b> Years held, and anticipated time until strategic objectives are achieved	Strategic property is held for a purpose, usually associated with enabling regeneration or wider policy objectives. If nothing is happening, its benefit is not being delivered, therefore the time to achieving the benefit is a reasonable measure of performance. Clearly this may be influenced by wider matters, but will help to highlight areas of activity so interventions can be made, or strategies reconsidered to secure the desired outcomes.
<b>PMI3b</b>	<b>Measure of strategically held property</b> Net holding cost per annum per M2/ha/space.	This can be assessed by dividing the annual revenue costs of the asset by the M2/ha/space as appropriate. This identifies those strategic properties which are costing the most to continue to hold on a comparative basis and coupled with the timescale for delivery of objectives will inform which strategic properties should be prioritised or reconsidered to improve financial efficiency.

## **Key processes**

10. The policy gives delegated authority and a governance structure to the Disposals Assessment Group (DAG) in order to ensure disposals are considered appropriately by a senior team and approved in a timely manner, as to prevent any loss of interest from purchasers or community bodies and to create efficiencies. If delegated authority for disposals isn't granted to the DAG and approval has to wait until the next District Executive meeting there is a risk SSDC cannot meet the required timescales of a sale.
11. Therefore, it is in SSDC's interest to streamline the disposals process but with appropriate checks and balances at a senior level before proceeding, including the important requirement of achieving best consideration. The proposed governance procedure mirrors the Investment Assessment Group that has already been approved by District Executive.

### **The Community Asset Transfer approval process is as follows;**

- I. Community Group to access basic information on Community Asset Transfers from SSDC website. Group contacts SSDC, Locality Team or Commercial Property, Land and Development Manager. Relevant Area Member is informed, and SSDC approaches a community group with an asset offer.
- II. Initial assessment against policy criteria and checklist.
- III. Commercial Property, Land and Development Manager and relevant Locality Officer to provide details to the Disposals Assessment Group for an initial view and agree due diligence required.
- IV. Further work on any issues raised by internal consultants e.g.: improvements to business plan, ensuring appropriate governance and legal structures are in place (e.g. Incorporated Charity Status).
- V. Commercial Property, Land and Development Manager to circulate documents to SSDC Disposal Assessment Group (DAG).
- VI. Commercial Property Team to draft DAG report, consult applicant, Locality Team and other SSDC Officers, Portfolio Holder, Area Chair and relevant Ward Member(s). Report is presented to DAG for approval.
- VII. DAG majority approval of report required in order to submit to CEO for decision, sign off in consultation with Council Leader.
- VIII. Proceed with community asset transfer, Commercial Property Team to lead. Heads of Terms drafted and sent to solicitor. Condition survey completed.

### **The Disposals approval process is as follows;**

- I. Annual review mechanism undertaken by the Commercial Land Property and Development service, highlights property assets for disposal, in accordance with the approved Commercial Strategy.
- II. Commercial Land and Property Manager considers wider policy implications and appropriate method of disposal/route to market, and provides details of the review together with completed Asset Sale Appraisal Forms to the Disposal Assessment Group (DAG) who may agree

disposals in principle, approve or request further information. Area Chair/ward members to be advised and invited to comment.

- III. If appropriate the Commercial Land and Property Manager circulates any additional information requested.
- IV. Commercial Land and Property Manager drafts summary Disposal Assessment Group Report listing assets approved for disposal.
- V. DAG majority approval of the report proposal is required prior to submitting recommendation to Chief Executive. Report makes recommendation to Chief Executive for decision; sign off is in consultation with Council Leader. Except in the case of disposals in excess of £250,000 for Non-Investment Properties or in excess of £10,000,000 for Investment properties which will be referred to the District Executive for approval.
- VI. Proceed with disposal – Commercial Property Land and Development Manager to lead. Heads of Terms drafted and sent to group/solicitor. Condition Survey completed.

## CONCLUSION

- 12. If SSDC are to improve the quality of its portfolio, it is necessary to routinely assess each asset's merits and dispose of stock that is no longer viable, therefore reducing risk and liability to SSDC. Where a community group have aspirations to take on an asset, and can demonstrate the ability to successfully own and manage that asset, we have the ability to support the local communities in their goals. Similarly, where SSDC believe that an asset is suitable for Community Asset Transfer, due to its considered social value or local strategic importance for example, SSDC can choose to offer an asset to the community for transfer.
- 13. Where SSDC have assets that are suitable for disposal on the open market there is the opportunity to generate a capital receipt that could be used for a number of purposes, including investing into new income generating investments or corporate regeneration initiatives. Therefore the purpose of the recommended revised policy is to improve process and governance and facilitate an efficient use of assets in accordance with the approved Commercial Strategy, and to enable effective management and performance of the investment properties portfolio.

## Financial Implications

- 14. There are minimal alterations required to the Financial Procedure Rules, however the levels of delegated authority DAG would hold if the policy is approved, would need to be revised to reflect this policy and report. The S151 officer has been consulted and is in agreement with the changes. Below is a table of disposal limits DAG could authorise subject to approval of delegated authority by Full Council. In addition, it includes information on when District Executive should authorise a Community Asset Transfer or Disposal.

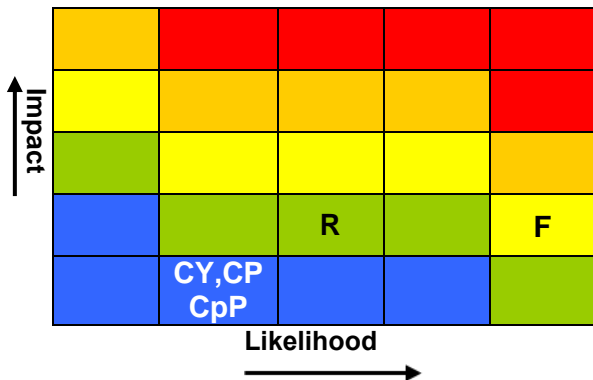
<b>Financial Procedure Rules</b>	<b>Procedural requirements</b>
Disposals of up to £250,000 for Non-Investment Properties except to RSLs, or up to £10,000,000 for Investment Properties	Completion of an Asset Sale Appraisal Form Meet any requirements stipulated by DAG review Approval via DAG Procedure/CEO sign off
Transfers to RSLs up to £250,000 (for social housing or associated parking)	Completion of an Asset Sale Appraisal Form and follow agreed policy Approval from S151 Officer and Portfolio Holder Strategy & Policy Approval via DAG procedure/CEO sign off

Transfers to RSLs above £250,000 (for social housing or associated parking)-	Approval via DAG procedure/CEO sign off Or outside policy - District Executive Approval
Disposals under the Community Asset Transfer Policy	Approval via DAG procedure/CEO sign off Or outside policy - District Executive Approval
Disposals above £250,000 for Non-Investment Properties except to RSLs, or above £10,000,000 for Investment Properties	Completion of an Asset Sale Appraisal Form Meet any requirements stipulated by DAG review District Executive report recommending approval
Disposals at less than best consideration.	<p>With the exception of transfers to RSLs under £250,000 (for social housing or associated parking) or disposals outside of policy, the Commercial Property, Land and Development Manager in conjunction with the relevant Portfolio Holder and Director of Commercial Services and Income Generation, report to the DAG requesting approval to proceed with the disposal.</p> <p>In such circumstances either the use of a specific or general disposal consent is required or a Qualifying Meeting (as defined in General Disposal Consent of 2003) is required before the disposal can be completed. In addition to any other circumstances where the recommendation is to accept a tender which is other than the tender which offers the best consideration reasonably obtainable.</p> <p>Approval via DAG procedure and governance.</p>
Receipts from sales of assets where values less than £10,000.	Net proceeds credited to the appropriate revenue budget.
Receipts from sales of assets where values £10,000 or more	<p>Where permitted under the Statutory Guidance on the Flexible Use of Capital Receipts (updated) March 2016 net receipts can be used to fund revenue costs up to and including 31 March 2022, provided the expenditure meets the requirements for qualifying expenditure under this guidance.</p> <p>After 31 March 2022 or where the proposed expenditure does not meet the qualifying requirements net receipts will then be distributed according to corporate priorities.</p>

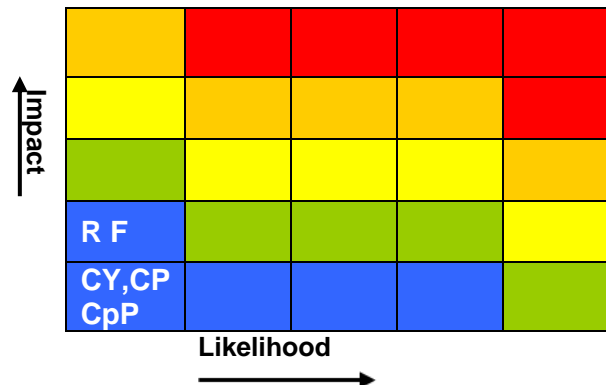
15. The existing, long-standing limits are covered within Financial Regulation 13.2. Currently District Executive approval is required for:
- disposals where estimated value is expected to exceed £10,000;
  - transfers to Registered Social Landlords that are expected to exceed £100,000;
  - all disposals made under the Community Asset Transfer Policy;
  - disposals at less than best consideration, excluding to RSLs.
16. It is recommended that Financial Regulation 13.2 is updated to reflect the revised limits proposed in paragraph 14 above.

## Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



### Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

## Council Plan Implications

17. This revised policy links to the corporate plan's aims to:-

- Protect core services to the public by reducing costs and seeking income generation.
- Protect and enhance the quality of our environment.
- Putting the customer and community first when developing plans and services
- Supporting people and communities, enabling them to help themselves.

## Carbon Emissions and Climate Change Implications

18. By disposing of stock that is energy inefficient removes the carbon consumption debt of the council's property assets. Our aim is to retain stock that is structurally, environmentally and economically efficient.

## Equality and Diversity Implications

19. The Policy is subject to an Equality Analysis Assessment, which is attached.

## Privacy Impact Assessment

20. It is unlikely any personal data will be shared during the disposals policy; any personal data will be protected in accordance with the general Data Protection Regulation May 2018.

## Background Papers

Commercial Strategy - August 2017