

Title of Report	CORPORATE DISPOSAL POLICY	
Presented by	Chris Lambert Head of Housing	
Background Papers	None	Public Report: Yes
Financial Implications	The proposed new consolidated Corporate Disposals Policy will provide a single governance environment to control the disposal of all surplus assets by the Council. This will ensure all disposals take place in a transparent way that maximises the Value For Money return to the Council.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None identified.	
	Signed off by the Deputy Monitoring Officer:	
Staffing and Corporate Implications	None direct staffing or Corporate implications bar those covered in the report.	
	Signed off by the Head of Paid Service: Yes	
Reason agenda item submitted to Scrutiny Committee	To offer Corporate Scrutiny Committee the opportunity to consider and comment upon the proposed Disposal Policy prior to consideration by Cabinet on 2 February 2021	
Recommendations	THAT THE CORPORATE SCRUTINY COMMITTEE CONSIDER AND COMMENT ON THE CORPORATE DISPOSAL POLICY	

1. Background

- 1.1 The Corporate Disposals Policy attached as Appendix 1 to this report has been produced in response to a Capital Accounting internal audit recommendation that we bring together into one document our approach to Disposals of surplus assets.
- 1.2 Historically the Council have operated separate policies for the disposal of Housing Revenue Account (HRA) and General Fund (GF) land and property assets, despite there being considerable overlap in the processes used to arrive at disposal decisions and subsequently the method of disposal. There is also a need to have a documented policy approach to the disposal of other surplus plant and equipment, so bringing these three areas together in one document will provide a consistent governance framework within which to make these decisions, and make clear the delegated authority thresholds applicable to the various types of disposal activity.
- 1.3 The aim of the new policy is to provide a single consistent governance framework to ensure that decisions to dispose of assets are made in a comprehensive and consistent way, and that the disposal process is transparent, and maximises income from sales, to deliver a value for money outcome. Funds released from disposals will be available within the Councils overall budget to support reinvestment in alternative assets or to support service provision.

- 1.4 Corporate Scrutiny Committee are invited to consider the attached Disposals Policy and offer any comments they wish to be considered by Cabinet at their meeting on 2 February 2021.

Policies and other considerations, as appropriate	
Council Priorities:	<ul style="list-style-type: none"> - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes
Policy Considerations:	Replaces HRA Disposal Policy (approved 2015), and GF Disposal Policy (approved 2008).
Safeguarding:	None identified
Equalities/Diversity:	No direct implications identified.
Customer Impact:	Provides a fair and transparent policy environment for disposing of surplus assets to ensure public confidence in the Councils approach.
Economic and Social Impact:	Disposal of assets to maximise income provides a source of funding to for investment decisions in services or other assets to promote the priorities of the Council.
Environment and Climate Change:	No direct implications identified
Consultation/Community Engagement:	None
Risks:	Failure to dispose of assets in a consistent and transparent way introduces a risk of not achieving value for money from disposals and/or negative public perception of the Council.
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CORPORATE DISPOSAL POLICY 2020

Section 1 - Statement of Purpose

- 1.1 The purpose of this policy is to establish a clear framework within which North West Leicestershire District Council (the Council) will dispose of its surplus and under-used assets and ensures that requests to purchase Council owned assets are dealt with in a fair, transparent and consistent manner. Such assets will include Housing Revenue Account (HRA) and General Fund (GF) properties and land, IT equipment, general equipment, machinery, tools and vehicles. The disposal policy will be supported by operational procedures, which will give the details of the process of disposing of the respective assets. It replaces all previous policies covering these issues.
- 1.2 All assets have been acquired to provide a service either as general or specialist needs, housing, business accommodation, public amenity and for use to provide a service i.e. equipment and vehicles used across the Council.
- 1.3 This policy and procedures contained have been produced to provide officers with clear guidance in one place on the required process to follow when disposing of Council assets.
- 1.4 For ease of reference this document is broken down into three distinct groupings;
- A. Land and property assets disposals (the disposal of major capital assets both HRA and GF)
 - B. Surplus or obsolete IT equipment
 - C. General equipment, surplus supplies, machinery and tools
- 1.5 Although this Policy will normally be followed, there will be occasions where the approach may need to be changed, particularly for larger, more complex land/property disposals or when it is significantly in the financial interest of the Council to do so. In essence, each asset disposal is to be treated on its own merits and nothing in this Policy will bind the Council to a particular course of action in respect of a disposal. Alternative methods of disposal not specifically mentioned in this Policy may be used where appropriate, subject to obtaining the necessary authority, which will normally be via Director delegation or Cabinet where outside of these.

Definitions

- 1.6 The definition of an asset are as follows:
- ‘Property’ and ‘Building’ includes part of a building and any structure or part of a structure, but does not include a moveable dwelling or associated structure or part of a moveable dwelling or associated structure.
- ‘Land’ includes any land holding of the council, and its associated titles.
- ‘Machinery’, ‘tools’ and ‘vehicles’ includes any vehicle purchased as the Councils fleet and any machinery and equipment used for council employees to undertake their roles or to maintain or delivery of council services. This includes ICT equipment.
- 1.7 For the purposes of this Policy, “a disposal” of land & buildings means any freehold, by sale or exchange, of Council owned land/property (including buildings) and any disposal

by the granting of a lease or licence for a period greater than 7 years. Leases of 7 years or less or assignment of a term which has not more than 7 years to run are not covered by this Policy, as they are exempt from the statutory requirement to obtain best consideration.

- 1.8 A disposal of other assets means the sale or gifting of any other holding as set out above.

Section 2 - Land and Property Asset Disposals

Overriding Principles & Approach

- 2.1 The Council has wide discretion to dispose of its assets in any manner it wishes, subject to the provisions under sections 123 and 127 of the Local Government Act 1972 and section 87-89 of the Localism Act 2011. For some HRA disposals, the secretary of state's permission is required.
- 2.2 The way the Council manages its land/property assets can have a significant impact both on the quality of services delivered to the public and the local environment. Effective asset management is essential in bringing a flexibility to land and property assets so that the delivery of the Council's goals and objectives are realised in a sustainable manner, at the right time and on budget. This can best be achieved by maintaining an effective and current Asset Management Strategy that in conjunction with this policy should be the main driver in identifying assets for disposal.
- 2.3 The council holds land and property assets under its General Fund and Housing Revenue Account (HRA). Different and specific rules apply to both sets of holdings, however in general the disposal of surplus property is a good thing where it is surplus to requirements. This can be to free up resources to deliver the Council's wider objectives, or indeed, there may be circumstances in which a disposal is considered the best way to achieve the strategic objectives of the Council itself.
- 2.4 There are in general less strict rules on the disposal of General Fund assets. In regards to HRA assets, unless there are exceptional circumstances, the Council will only dispose of HRA land or property to increase capital receipts to support the HRA Asset Management Strategy, or if the disposal will benefit one or more of the following:
- A. The overall investment in the Council's existing HRA stock and assets to maintain good quality homes;
 - B. Strategic housing regeneration, development or redevelopment;
 - C. Investment in new build and/or acquisitions of good quality affordable housing;
 - D. Environmental improvements to housing estates;
 - E. Improved provision of housing services and/or delivery of the Council's Housing Strategy;
 - F. Corporate economic development purposes which benefit Council tenants;
 - G. Revenue or capital income generation;
- 2.5 All dealings in the Council's landed assets shall be conducted in accordance with the Local Government Act 1972 and other relevant legislation. Since the 1972 Act, government policy has also introduced the concepts of Community Asset Transfer, community rights in respect of Assets of Community Value, and recognition of the Social Return on investment. The Localism Act 2011 further extends rights and powers for communities and individuals. Any proposed disposals under the terms of this legislation will be completed through the relevant policies and procedures.
- 2.6 The Council will annually publish details of land/property that it has declared surplus to requirements in compliance with the Local Government Transparency Code 2015.

- 2.7 The day-to-day process for asset disposal will be via the Asset Management Group (AMG) (or an Officer acting under the delegated authority of that Group) and is required for any disposal of land or property. The AMG is made up of representatives from Legal, property & estates, finance and the Director.
- 2.8 When considering potential disposals the Group will:
- A. Satisfy itself that the land or property in question is either surplus or under-used
- AND
- B. Have due regard to the presumptions and priorities of the council.
- AND
- C. Follow the most appropriate legal route to complete the disposal.
- 2.9 The Council Constitution sets out that the disposal of an asset valued under £30,000 needs approval by the Strategic Director of Housing and Customer Service. Any asset over £30,000 needs Cabinet approval. The only exception is where the asset or disposal has been specifically identified in the annual budget and been previously been approved by Council.

The Means of Identification of Surplus or Under Used Land/Property Assets

- 2.10 Through the control of the Asset Management Group (AMG), surplus or under-used land/property may be identified as being suitable for disposal by a variety of initiatives including but not limited to:
- A. Undertaking an asset management review;
 - B. The identification of development opportunities;
 - C. The outcome of a corporate property portfolio review;
 - D. Following a direct approach from an interested party;
 - E. Where a disposal has been identified as helping to deliver other Council objectives such the provision of housing in the District;
 - F. Where management of the land/property is considered suitable for community ownership or has been determined as an 'asset of community value'.
 - G. Through declaring certain sites as being surplus to requirements
 - H. Through approach by a potential purchaser.
- 2.11 For the HRA, the Asset Management Team Manager will be responsible for completing due diligence on HRA properties.
- 2.12 Property Services Manager will carry out due diligence on land and commercial/corporate buildings.
- 2.13 Property Services will action disposals of GF land and properties on behalf of Asset Management Group. The Asset Management Team Manager, in consultation with Property Services will action disposal of HRA property
- 2.14 Under the Local Government Transparency Code 2015, Councils are required to publish details of all their landholdings (with certain exceptions) at least annually.

- 2.15 Land and property asset disposal assessment will normally be made with reference to the matrix below. This will not be the exclusive source of justification a disposal decision if circumstances dictate an alternative approach is more economically advantageous.

Weighting	1	2	3	4	5
Type of Asset	Core Business	Operational	Strategic Holding	Investment	For Disposal
Operational Fit	Excellent	Good	Fair	Poor	Unacceptable
Utilisation	Very High	High	Reasonable	Poor	Unacceptable
Condition	Excellent	Good	Fair	Poor	Unacceptable
Occupation Costs	Economic	Below Average	Average	Above Average	Uneconomic
Best Use Value	Yes	Partly	50/50	No	Inappropriate
Cost of disposal and to vacate	Low	Affordable	Marginal	Unacceptable	Too High
Market Demand	Strong	Good	Marginal	Unlikely	None

- 2.16 Scoring each property asset against the above criteria will produce a weighting that will identify those properties that it would be most advantageous for the Council to consider for rationalisation – the higher the score, the less compelling the case for retention. Within the context of this process the Council will endeavour to realise, within a reasonable timescale, all surplus land and property identified for disposal within its portfolio subject to the following criteria:

- 2.17 To ensure that the disposal does not have a negative impact on the Corporate Plan:

- A. The terms of any transaction are supported by an independent Valuation.
- B. Best financial consideration being obtained unless social, environmental or economic benefits are provided in lieu.
- C. The method of disposal will be determined on a case-by-case basis by the Asset Management Group.
- D. Any leasehold disposal transfers all liabilities to the tenant (Full Repairing and Insuring) wherever possible.

- 2.18 Normally, an Officer acting under delegated powers will choose the method of disposal which provides best consideration unless the Asset Management Group authorises the taking into account of other considerations including social, environmental and economic benefits, which best secure the desired objectives/ outcomes for the land and/ or property.

- 2.19 To support this, an option appraisal will be undertaken to assesses the capital and revenue implications of alternative disposal option that includes the impact of the current economic conditions (e.g. should the asset be held until market conditions improve?) and the taxation implications following advice from the Council's Designated Section 151 Officer or representative.
- 2.20 In undertaking option appraisals for other than routine or low-value disposals, an officer acting under delegated powers will seek advice from Legal Services and external surveyors and/or a valuer, where deemed necessary, on the type and method of disposal.

Due Diligence

- 2.21 Through the matrix scoring shown above due diligence will be carried out by classifying each asset prior to any disposal and will include but not limited to:
- A. The expected revenue loss from the disposal of the asset for future years
 - B. A current market valuation
 - C. The market demand for an asset
 - D. The capital and revenue costs of an asset
 - E. The net savings following the disposal
 - F. The Net Present Value of the asset
 - G. The cost of disposal and to vacate
 - H. The legal title of the property
 - I. Planning and Building Regulation compliance for the existing use and proposed purpose, including the potential designated use in the Local Plan
 - J. The impact upon Zero Carbon delivery

Disposal Options

- 2.22 The process for disposing of an assets shall be determined at the time of the decision to dispose being made, and will represent the most economically advantageous option, having regard to costs of disposal and achieving the best return for the Council
- A. Open market disposal - through an agent or direct marketing
 - B. Formal bids - after advertising
 - C. Auction – online or through auction house
 - D. Private Treaty Sale - negotiating with a single third party to agree terms for the disposal and will be used where there is only one purchaser.

Section 3 - Disposal, Reuse and Recycling of ICT Equipment

- 3.1 The procedure for the disposal, reuse and recycling of ICT equipment is to ensure that the Council fully:
- A. Complies with current legislation

- B. Meets software license obligations
 - C. Reduces risk of sensitive data being released to unauthorised persons
- 3.2 The Council and its employees have a responsibility under several EU Directives including the Landfill Directive, the Waste Electronic & Electrical Equipment Directive (WEEE) and the Hazardous Waste Directive to ensure that the final disposal of all waste electronic and electrical equipment is both responsible and traceable. In order to meet this obligation it is the responsibility of the Council. In the event that these regulations are amended or superseded following the completion of the EU Exit process, the new requirements will apply.
- 3.3 Due to compliance risks associated with inappropriate disposal of electronic equipment, the Council requires items such as desk top PCs, laptops, notepads, tablets etc with data holding capacity to be recorded in the ICT Hardware Inventory and subsequently in the Disposals Inventory when disposed of. This is to record ownership and any subsequent transfer of equipment in order to assist with the traceability of the equipment through the stages of its lifetime and final disposal. It is the responsibility of the ICT Team Manager to maintain the inventories.

Reuse of Surplus IT Equipment within the Council

- 3.4 All unwanted ICT equipment must be returned to ICT. If unwanted equipment is still useable ICT follows a general policy of internal cascading of surplus equipment within the Council. If no use can be found within the Council for unwanted equipment or it is no longer functioning the ICT may use such equipment for parts.
- 3.5 ICT equipment must never be disposed of through other general waste routes. It is illegal to mix computer waste with general waste or to landfill untreated computer waste.
- 3.6 ICT equipment will not be donated to charities unless the disposal company takes on full responsibility for disposal of the equipment because otherwise this puts responsibility and liability on to the Council to ensure that the equipment is kept track of and returned to the Council to ultimately dispose of as it is still legally as being owned by the Council.
- 3.7 If no use can be found within the Council for unwanted equipment it must be disposed of as follows:
- A. The items disposed of must be moved from the ICT Hardware Inventory to the Disposals Inventory with the details of the disposal method, date disposed and authoriser.
 - B. Data storage must have all software and data removed or must be destroyed

Section 4 - Disposal of General Equipment, Surplus Supplies, Plant, Machinery and Tools

- 4.1 Assets which are surplus to requirements, redundant or obsolete can be considered for sale if the item is considered to have some use, although not to the Council.
- 4.2 Plant and equipment should be disposed by one of the following routes detailed below.
- A. Auction House sale
 - B. Online Auction sale (including eBay and Gum Tree)
 - C. Public notice and process of Sealed Bids (for example, advertisement on the Council's website and/or social media, and/or in local newspaper and management of bidding process)
 - D. Specialist disposals contractor
 - E. Donation to Charity

F. Gift to Partner Organisation

- 4.3 The disposal route selected should be based on an assessment of a likely market and the likelihood that the sale proceeds recovered will outweigh officer time in preparing and advertising the asset for sale.
- 4.4 The estimated value of an item and subsequent selling price should be established through market research and identification of similar assets of a similar age and condition.
- 4.5 The decision to dispose of an item of plant or equipment, the fixed sale price (or reserve price) and the route by which the item is disposed should be sought in line with the value of the asset and the council's authorisations limits as set out below.

Value	Authorisation
Above £100k	Cabinet
Up to £99,999	Chief Executive or Relevant Director
Up to £49,999	Heads of Service
Up to £24,999	Team Managers

- 4.6 Items of plant and equipment should be clearly advertised as "sold as seen". For any items where there may be a specific Health and Safety consideration, advice must be sought from the council's Health and Safety Officer.
- 4.7 Items to be advertised for sale via an online auction site should be referred to Property Services who will manage the sale process.
- 4.8 Once a sale of an item has been agreed Finance should also be notified for insurance purposes. The relevant Team Manager should ensure that the relevant inventories are updated with the disposal information so that there is an appropriate audit trail regardless of the disposal method chosen.
- 4.9 All disposal of all other non IT general equipment will be subject to valuation. The value of the item(s) will need to be estimated as accurately as possible to ensure that the correct method of disposal is used. The following methods can be applied to estimate the value of the item(s):
- By obtaining a quotation or preliminary bid.
 - Previous knowledge and experience.
 - Research (internet, trade publications, other reports).
- 4.10 It is important to ensure that details such as values, item descriptions etc., are accurately recorded and evidenced to ensure a clear audit trail of the disposal process.
- 4.11 Once the value of the item(s) for disposal has been estimated, officers need to check this against the conditions set out below.
- 4.12 Re-Use or Relocation - Assets can be re-used or relocated to other departments or service areas within the council. The items can be advertised through the council's internal bulletin board found on the council's intranet site, Council wide email or where appropriate through raising the awareness of the Corporate Leadership Team.
- 4.13 As with the disposal of surplus IT equipment, officers must take reasonable steps to ensure that items to be disposed of are disposed of in such a way that the risk to the council is appropriately mitigated. Risks may include:
- Third party claims (where injury is caused by using the disposed of item).

- B. Breaches of legislation
- C. Reputational damage (arising from adopting environmentally unfriendly disposal routines).
- 4.14 Accurate records must be kept documenting asset disposals. In order to demonstrate good practice a record of all asset disposals by any method must be made and should include the following information:
- A. Item description including the make, model, serial number, etc.
- B. Is an item antique, collectable or a listed building item?
- C. Estimated value of item to be disposed including supporting evidence.
- D. Method of disposal (auction, recycled etc.).
- E. Date of disposal.
- F. Reason for disposal (obsolete, broken beyond economical repair)
- G. Name of officer authorising disposal.
- H. Sale receipts (retained for audit).
- 4.15 Items to be disposed of may be subject to VAT. Generally, VAT is charged at the standard rate of 20%, however, there are exceptions to this, for example when goods are sold to specific types of organisations. Where applicable the VAT element must be recorded. For further information and advice the Finance team should be contacted.
- 4.16 All sales of assets should be accompanied by a receipt and a completed Disclaimer. The Disclaimer should be signed and completed by both the council officer and the supplier, with the original being retained by the council and a copy given to the supplier for their records.
- 4.17 All assets sold or otherwise disposed of must be reported to the Finance team and all income should be paid in to the department's relevant budget code.
- 4.18 All equipment disposals and sales should follow this approved procedure and look to obtain best consideration:

Estimated Asset Sale Value (£)	Category	Procedure to be followed
0 – 5,000	Value for money	<ul style="list-style-type: none"> • Relocation to other service areas within NWLDC • Obtain quotes from outside agents. • Sell to staff by means of a sealed bid (the decision to sell to staff should be authorised by the appropriate Head of Service.)
5,000 – 30,000	Verbal quotations	Officers must seek and document at least three competitive quotes from purchasers or by placing a public advertisement.

30,000 – 100,000	Written quotations	All equipment assets that fall into this category must be notified to Head of Finance (Section 151 Officer) and their approval received before quotations are sought.
100,000 and above	Competitive Tender	Where an equipment asset has a value in excess of £100K Cabinet approval will be required and all such disposals must be reported to the Head of Finance in advance of any action been taken to dispose of the asset.

Section 5 - Disposal of Vehicles

5.1 Disposal of vehicles may be due to the item being over their economic life and costing more to maintain. The Transport Manager will make recommendations for replacing the fleet vehicles in accordance with the Fleet Strategy. Council vehicle disposals will be managed by the Transport Manager with a view to maximising the resale value or minimising the whole of life cost of vehicles. Council owned vehicles will normally be disposed through public auction.

Section 6 – Other relevant considerations

6.1 Money Laundering

All transactions related to HRA and GF land and property and all equipment sales should be carried out in accordance with the Council's Anti-Money Laundering Policy.

6.2 Internal and External Audit

Auditable records of all disposals will need to be maintained and accessible by the Council's Internal Audit function and External Audit to verify actions/values and how the authority made the decision to dispose. Any appointment of a third party consultant during any stage of a disposal process must reserve the right of access to their records in relation to the transaction.

The relevant Director must approve any disposal to an Elected Member, Member of Staff, or a close relative of either prior to completion.

6.3 Equality and Diversity

We aim to ensure that our policies and procedures are fair and transparent; and that we work towards achieving balanced and sustainable communities in accordance with our equality and diversity goals.

6.4 Monitoring and Review

This policy will be reviewed on a triannual basis to ensure it continues to be efficient and effective and in line with the Councils strategy and returns on asset values (Net Present Value calculation).