



## REPORT TO EXECUTIVE

### PORTFOLIO AREA: FINANCE & RESOURCES

---

Date of Meeting: 26 November 2001

---

Public

---

Key Decision: Yes

Recorded in Forward Plan:

Yes

---

Inside Policy Framework

---

Title: ASSET MANAGEMENT PLAN - FUNDING

Report of: DIRECTOR OF ENVIRONMENT & DEVELOPMENT

Report reference: EN 173/01

#### Summary:

This report sets out a number of funding priorities for the existing property portfolio, ahead of a more detailed review through the Asset Management Plan process. Since drafting the report the BV Inspectorate have presented their interim challenge on the service review. Some of the issues, including the key aspect of funding, have been picked up separately in another report on this agenda.

#### Recommendations:

That the financial mechanism and capital allocations be approved.

Contact Officer: David Atkinson

Ext: 7420

## **1. BACKGROUND INFORMATION AND OPTIONS**

### **1.1 Introduction**

- 1.1.1 Members' approved a new Corporate Property Policy on 18 April 2001 (EN 70/01) which stated:

*The Council policy will deliver a sustainable corporate return from its property portfolio by:*

- Setting a clear financial target to generate long term sustainable revenue income;
- Investing in the portfolio through planned reinvestment of capital receipts that have been generated by active property management;
- Accounting for properties as corporate assets;
- Identifying non-financial benefit delivered by property in order to support corporate objectives;
- Disposing of under-performing assets;
- Developing Carlisle as a regional centre through proactive property development;
- Assessing stakeholder priorities through a consultation process;
- Adopting a 5-year business plan in order to implement the policy objectives.

- 1.1.2 The City Treasurer has undertaken considerable work to establish trading accounts for the Property Division after the approval of the Property Business Plan by Members. These are to be closely monitored. A similar arrangement needs to be established for funding of capital works to sustain and enhance the Council's property portfolio over the long term as outlined in this report.

- 1.1.3 In order to deliver the Asset Management Plan, appraisal of the Council's major economic assets is required to set out a five year strategy. Clearly, this is a complex piece of work which could have far reaching consequences, requiring considerable analysis and consultation, managed through the Development Advisory Group. This is to be worked through during 2002.

- 1.1.4 In the meantime, there are specific priorities identified by the Development Advisory Group, where opportunity has arisen to invest during 2002 in order for the Council to begin to optimise the use of its assets to contribute to corporate priorities.

## **2. CONSULTATION**

- 2.1 This proposal forms part of the Asset Management process where consultation has taken place with:

- Senior Members of the Authority;
- Corporate and Joint Management Teams;
- Development Advisory Group;
- Local Chartered Surveyors Focus Group;

- Best Value Inspectorate;
- Government North West;
- Insignia Richard Ellis.

## 2.2 Parkhouse is being marketed by:

- Full exposure to the property market using Insignia Richard Ellis;
- Advertising;
- Cumbria Inward Investment Agency

## 3. STAFFING / RESOURCES

3.1 The Asset Management Plan identifies opportunity to improve the benefit being delivered by the property portfolio. The key theme is sustainability.

3.2 The Council has a choice to adopt one of three strategies:

- Generating income only – unsustainable;
- Generating capital receipts only – unsustainable;
- Generating revenue and capital through a process of sale, investment and acquisition – sustainable only if receipts are reinvested.

3.3 The revenue income from the commercial estate is vital if the Council is to maintain its current levels of expenditure. Investment protects tomorrow's spending ability.

3.4 In the Corporate Property Policy, Members approved in particular:

*To achieve regular and effective investment in the portfolio, property will be ring-fenced from other budgetary pressures through the Asset Management Plan.*

## 3.5 Funding Policy

3.5.1 It is proposed that the following mechanisms be pursued:

CAPITAL ALLOCATION		
02 / 03	03 / 04	04 / 05 and onwards
250,000 Kingstown	250,000	As appraisals determine
30,000 Civic Centre	-	
20,000 Longtown	-	
50,000 Carlisle South	50,000	
50,000 Forward Planning Pot	50,000	
400,000	350,000	Minimum 350,000
FUND		
Capital allocations to asset investment fund 400,000	100% of capital receipts retained	50% of capital receipts retained

3.6 Current capital receipt position from the property portfolio is as follows:

<b>CAPITAL RECEIPTS 2001 / 02</b>				
As at September 2001 (0601)				
<b>General Fund:</b>		<b>% Usable</b>	<b>Amount usable</b>	<b>Amount set aside</b>
<b>Budget 2001/02:</b>				
Various Land Sales	<u>150,000.00</u>			
Per Fin memo 128	<u>150,000.00</u>			
No provision made for Airport				
<b>Actual 2001 / 02:</b>				
Land Sales:				
Jesmond Street	60,000.00	100%	60,000.00	0.00
Newtown Road	85,000.00	100%	85,000.00	0.00
Airport	1,000,000.00	100%	1,000,000.00	0.00
Airport Land (Site 1)	14,000.00	50%	7,000.00	7,000.00
<b>General Fund</b>	<b>1,159,000.00</b>		<b>1,152,000.00</b>	<b>7,000.00</b>
<b>Summary General Fund</b>				
<b>Budget</b>	<b>150,000.00</b>			
<b>Actual</b>	<b><u>1,152,000.00</u></b>			
<b>Surplus</b>	<b><u>1,002,000.00</u></b>			

<b>HOUSING REVENUE ACCOUNT</b>				
		<b>% Usable</b>	<b>Amount usable</b>	<b>Amount set aside</b>
<b>Budget 2001/02:</b>				
Usable capital receipts	<u>520,000.00</u>			
Per Fin memo 128	<u>520,000.00</u>			
<b>Actual 2001 / 02</b>				
RTB Sales	1,765,315.00	25%	441,328.75	1,323,986.25
RTB Sales – associated costs	-	25%	0.00	0.00
1 Lightfoot Drive	12,500.00	50%	6,250.00	6,250.00
	<b>1,777,815.00</b>		<b>447,578.75</b>	<b>1,330,236.25</b>

3.7 **Capital Strategy**

- 3.7.1 All capital allocations will require appraisal and design work before expenditure is tendered and assessed – and this will form part of the Council's new system for capital strategy and its links to the Asset Management Plan as approved by Members at Corporate Strategy and Performance Review Sub Committee on 30 July (CS 89/01).

3.7.2 The forms for this are appended.

### **3.8 Database**

3.8.1 Members approved an allocation of £120,000 for a property database, as recommended by the District Auditor on 2 July 2001 (PR 125/01).

3.8.2 Although £30,000 was allocated for spending in 01 / 02, it is now likely that the bulk of all this capital will be spent in 02 / 03.

## **4. CITY TREASURER'S COMMENTS**

4.1 The bid for additional resources to fund asset management initiatives will need to be reviewed in the light of the Best Value Interim Inspection report and in the light of anticipated available resources, priorities and outstanding commitments on the Council's capital programme. A further report on the capital programme for 2002/03 will be submitted to the Executive for consideration at the meeting on 17 December, when it is expected to be able to report on the notification by DTLR of the Council's borrowing allocation for 2002/03.

## **5. LEGAL COMMENTS**

5.1 The Council's ability to participate in and facilitate regeneration and improvement schemes in partnership with other stakeholders should be assisted by the new powers now available under the Local Government Act 2000 to do anything likely to achieve the promotion or improvement of the economic, social and environmental wellbeing of the area.

## **6. CORPORATE COMMENTS – DEVELOPMENT ADVISORY GROUP**

6.1 In view of the timing the detailed and systematic review of assets is likely to commence early in 2002 however a number of priorities have arisen to date and a recent meeting of the Group has defined the following initial priorities for capital funding.

### **6.1.1 City Corridor**

A new policy to fund environmental improvements to the Council's corridors into the City. The broad aims shall be to:

- Adoption of highways on individual estates.
- To enhance asset value.
- Visually improve the approaches into Carlisle.
- To herald and identify clearly Industrial Estates, particularly in the face of competition from Kingmoor Park.
- To provide amenity areas and focus screen views.
- To enhance the setting of existing and new properties and businesses.
- To resolve some of the pedestrian and vehicular conflicts.
- To encourage proper use of footpaths, verges and business frontages.

- To provide opportunities for clear, concise signage.
- To create a more distinct sense of place
- To identify development opportunities.

#### **6.1.2 Appraisal of the Civic Centre**

To look at the future of the building and alternatives. To identify and assess development opportunity in and around the Civic and possible alternative locations – in partnership with other agencies, in order to explore shared use to provide a better service to the community.

#### **6.1.3 Regeneration of Longtown Study**

Investigate schemes on Council land to assist the Market Towns Initiative. The Council owns considerable land holdings in Longtown, most of which will require partnership with the private sector to develop. To identify development opportunity to improve the quality of life for the local community, including the provision of sites for social housing through the form of public / private initiatives.

#### **6.1.4 Regeneration of Carlisle South**

As part of the best value investigation into regeneration, the emphasis being on this area requires an acquisition and development fund to aid environmental and economic development. In particular, to identify employment generating development opportunity in tandem with the North West Development Agency and County Council in tandem with environmental improvements to Council owned land at Leabourne Road and the Cosmo.

#### **6.1.5 Fund for Future Strategy**

In particular, to appraise opportunity as it arises in order to promote additional employment generated on the older industrial estates such as Willowholme and Durranhill along with workshops, through a new City-wide strategy involving both the public and private sector. This, and other, strategy and schemes shall be prioritised and agreed through the Development Advisory Group in conjunction with the portfolio holder.

### **7. ENVIRONMENTAL IMPLICATIONS**

**7.1** Property was acquired by or gifted to the Council for social / environmental and economic benefit. The development of the portfolio has been service led – as a pump primer for the local economy and to facilitate delivery of corporate and statutory functions. There is a vast range of benefits that are additional to the financial return.

- Pursuance of statutory functions;
- Quality of life;
- Diversity;
- Prosperity;
- Sustainability;



- The economy, regeneration and development pump primer;
- Inward investment;
- Community development;
- Street scene;
- Delivering better services;

## **8. RECOMMENDATIONS**

- 8.1** That the financial mechanism be approved and that initially the funding priorities for 2002/3 be considered as part of the budget process.

## **9. REASONS FOR RECOMMENDATIONS**

This enables the corporate property policy to begin to be implemented.

**M BATTERSBY**  
**DIRECTOR OF ENVIRONMENT & DEVELOPMENT**