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| <b>REPORT TO EXECUTIVE</b>                     |               |                                  |     |
| <b>PORTFOLIO AREA: FINANCE &amp; RESOURCES</b> |               |                                  |     |
| <b>Date of Meeting:</b>                        | 25 March 2002 |                                  |     |
| <b>Public</b>                                  |               |                                  |     |
| <b>Key Decision:</b>                           | Yes           | <b>Recorded in Forward Plan:</b> | Yes |
| <b>Inside Policy Framework Yes</b>             |               |                                  |     |

**Title:** **ASSET MANAGEMENT PLAN – IMPLEMENTATION  
SURPLUS PROPERTY GUIDANCE NOTE**

**Report of:** **DIRECTOR OF ENVIRONMENT & DEVELOPMENT**

**Report reference:** **EN 039/02**

### **Summary:**

This report sets out the background and outlines a new guidance note to appraise whether land and property is surplus to the Council's requirements as an intrinsic part of implementing the new Asset Management Plan.

### **Recommendations: It is recommended that:**

1. The surplus land and property guidance note be approved as outlined in this report;
2. Officers make recommendations to Members after an initial appraisal of potentially surplus assets according to the guidance note at a future meeting of the Executive.

**Contact Officer:** David Atkinson

**Ext:** 7420

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

## 1. Introduction

1. The Council owns a number of assets which are potentially surplus to requirements.
2. To identify whether such assets are surplus, a guidance note has been prepared for Members' consideration. This is written as a guide to assessing whether it is likely that the Council will want to own a particular parcel of land or property to deliver a service or not.
3. In the Council's Corporate Property Policy approved by the Policy and Resources Committee in April 2001, it was agreed that under-performing assets should be assessed.
4. The ethos behind this part of the implementation of the Council's new Asset Management Plan is in order:
  - i. to create capital receipts so that the Council's Capital Strategy can be funded in order to pursue improved service delivery from existing assets and to develop new schemes; and,
  - ii. to create capital receipts in order to provide an asset investment fund to help improve the Council's asset base, particularly to underpin the sustainability of rental income from the property portfolio.
    1. A guidance note is required in order to judge whether certain assets are under-performing – in advance of making recommendations about whether to declare them surplus to requirements.
    2. By under-performing, it is meant that:
      - a. they are no longer required to deliver a service;
      - b. they are too expensive to maintain delivery of a service: or,
      - c. they are not used or unlikely to be required to deliver a service in the future.
1. This report sets out the national context and a criteria for Members of this Authority to consider.

## 1. National Guidance

1. "Hot Property" is the national report of an Audit Commission study of Local Authority asset management. One of its main recommendations – which has been encompassed in the Best Value Review of Property Services, following a District Audit report into asset management at this Authority; says:
 

***"review assets and challenge whether they need to be retained. Dispose of assets that do not support core service objectives or fail to make an adequate return on investment".***
2. In respect to this Council's Asset Management Plan, the key challenge, as with all Authorities, is to move away from "planning" to "doing". This message was given to the Council by officials of the DTLR recently as part of the feedback into our Capital Strategy and plan – as attached at

## Appendix 1.

2. This Council's Current Property Review

1. A review of surplus assets commenced systematically at this Authority in 1996, although progress was restricted by 1999 due to other urgent corporate priorities, ie Kingmoor Park, Lanes extension, Airport etc.
2. This resulted in a number of receipts being generated, such as the McDonalds deal at Kingstown, many single house plots disposed for owner / occupation, and the sale of the Airport.
3. A review of this approach is now recommended in advance of work commencing for the more strategic appraisal of the Council's major assets. A corporate officer group has been established to support this process.
4. The more complex asset reviews can only be prioritised once the corporate plan is approved in support of City Vision.
5. However, as stated by the Audit Commission in "Hot Property", a possible first step is:

***"to target 'easy hits' – for example, vacant land".***

6. The guidance note outlined at Appendix 2 provides Members with a framework and matrix for considering whether land and property is vacant – and surplus – or whether a more detailed appraisal is needed to ascertain whether they are still required in support of corporate objectives.
7. Members are recommended to approve this. Work will then begin on a sieve of sites and properties in order to make recommendations about whether they should or should not be declared surplus to requirements and then sold.
8. A more scientific approach can commence once the Council acquires a database.

3. Proposed Timetable for this Work-

| DATE                 | TASK   | COMMENT   |
|----------------------|--|---|
| 2001 - 2006          | Asset Valuations for all Council assets to accord with CIPFA guidance.     | Terms of Reference agreed with City Treasurer and District Audit.       |
| January / March 2002 | Potentially surplus sites have been identified for valuation and analysis. | Many sites already on the open market but marketing strategy to review. |

| DATE | TASK | COMMENT |
|------|------|---------|
|      |      |         |

|                     |  |   |
|---------------------|--|---|
| March / April 2002  | Tender to private firms in order to undertake asset valuations – 31 March 2002                                       | Tenders received and work awarded – fees to be paid are within the current budgetary arrangements for the property service. Work to be completed by April 2002.           |
| April / May 2002    | Analysis of valuations to identify those assets readily available for disposal.                                      | To include an analysis of operational properties in the light of the Disability Discrimination Act to see whether adaptations are value for money.                        |
|                     |  | Officers to analyse valuations and judge assets against new matrix, to then be considered by Members.   |
| May 2002            | Members to consider surplus declaration recommendations.   | If Members so wish, to agree surplus land declarations and a marketing strategy.  |
| June 2002           | Award disposal programme to private practice.  | Marketing strategy to agree.  |
| July 2002           | Capital Strategy and Asset Management Plan to be submitted to DTLR.  | Members to consider new documents.  |
| August 2002 onwards | Marketing of surplus sites.  | Potential capital receipt target is £200,000 / year for the next 3 years.   |
|                     | Further reports concerning the more strategic sites to be considered by Members, according to Asset Management Plan. | Work to commence once the new corporate plan is known and database acquired in order to analyse property requirements in accordance with Council objectives and financial |

|  |  |              |
|--|--|--------------|
|  |  | information. |
|--|--|--------------|

#### 4. Conference

1. Each asset will have to be reviewed on its own merits.
2. In advance of the work commencing on the more complex appraisals, and before further recommendations are made to Members' about further implementation of the Asset Management Plan, it is recommended that a conference be held to discuss the strategic issues and how property ownership can deliver and implement the new corporate plan in support of City Vision and Corporate Plan. This would take place in the Civic Centre in May and further details will be circulated in due course after consultation with the portfolio holder.

#### 5. Database Procurement

1. In the budget cycle for 2002 / 03, Members' allocated £100,000 for a corporate database to assist the review of assets as recommended by the District Auditor.
2. This procurement of a database is being considered by a corporate officer group representing various departments of the Council and recommendations shall be brought forward shortly.

#### 6. Conclusions

1. In meeting the challenge of a new Asset Management Plan in order to finance the Capital Strategy, this Council is adopting a more strategic approach.
  2. This approach is about:
    - reviewing all property assets by challenging their current use.
    - finding ways to use current property assets more efficiently and effectively.
    - saving costs, increasing the sustainability of income flow and raising capital receipts.
    - improving service delivery by investing capital receipts in asset improvements or using property in different ways, such as shared use with other agencies.
    - in order to finance a capital strategy that delivers services that the people of Carlisle want.
1. The surplus land guidance note – reviewing whether sites are currently surplus to the Council's requirements – is just one element of this.
  2. It should free up a number of assets in order to generate capital receipts.
  3. In respect to the overall Asset Management Plan process and its links to the Capital Strategy and City Vision, a conference is recommended for

Members' consideration.

4. A revised Capital Strategy and Asset Management Plan is required for submission to DTLR by 31 July 2002 and further reports shall be presented to the Executive by Officers for consideration.
5. A more scientific appraisal of Council assets can only be undertaken once a proper database is up and running.

## **1. CONSULTATION**

1. To date:

- Government Northwest of the Department of Transport Local Government and the Regions.
- Best Value Inspectorate.
- District Audit.
- Historic Cities Group.
- Cumbria Best Value Property Group.
- Insignia Richard Ellis.
- Carlisle Chartered Surveyors' Forum.
- Officers & Members of the Council, including the City Treasurer and Head of IT Services.
- Associate of Chief Estates Surveyor

1. Proposed: As above plus individual service heads with focus groups.

## **1. STAFFING / RESOURCES**

1. In the 2002 / 3 budget cycle, Members' resolved to increase funding of the Property Team both during this year and for the following 2 years in order to close the current under-funding gap.
2. The Property Business Plan envisages that there will be a percentage of savings and receipts retained to deliver service. In the first year of trading, the fee level is running at about £130,000 – above the target of £100,000.
3. A capital sum of £100,000 is identified for the database.
4. A mixed economy of internal staffing and external consultants are being used to deliver this strategy, using appropriate skills balance.
5. The size of the Asset Management Plan and Capital Strategy task should be set in the context of other corporate priorities.
6. Capital receipts for 02 / 03 projected to be about £200,000 or thereabouts, estimated on current performance but there are "one off" deals in the pipeline which might raise considerably more.

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

The City Treasurer has been consulted.

## **3. LEGAL COMMENTS**

Not required.

#### **4. CORPORATE COMMENTS**

The Officer Group for this area of work has been established and consulted.

#### **5. RISK MANAGEMENT ASSESSMENT**

1. The service implications are incorporated in the Asset Management Plan.
2. Demand in the market place in order to generate the capital receipts available to fund the Capital Strategy is the ultimate factor that will drive the disposal of surplus sites.
3. Surplus assets are one-off opportunities to raise money and will eventually run out.

#### **6. EQUALITY ISSUES**

Not required.

#### **7. ENVIRONMENTAL IMPLICATIONS**

1. Incorporated with the Asset Management Plan.
2. Further analysis will be appraised with each asset on a case-by-case basis.

#### **8. CRIME & DISORDER IMPLICATIONS**

Not required at this stage.

#### **9. RECOMMENDATIONS - It is recommended that:**

1. The surplus land and property guidance note be approved as outlined in this report;
2. Officers make recommendations to Members after an initial appraisal of potentially surplus assets according to the guidance note at a future meeting of the Executive.

#### **10. REASONS FOR RECOMMENDATIONS**

1. To begin moving from planning the Asset Management Plan process to "doing".

### **APPENDIX 1**

**Mr P Stybelski,**  
**Chief Executive,**  
**Carlisle City Council,**  
**Civic Centre,**  
**CARLISLE,**  
**Cumbria.**  
**CA3 8QG.**

**28<sup>th</sup> January 2002.**

Dear Peter,

## **SINGLE CAPITAL POT (SCP) 2002-03 – FEEDBACK to LOCAL AUTHORITIES.**

Details of your capital allocation for 2002-03, the first full year of the SCP process, will have been sent to you from GONW and DTLR on 13<sup>th</sup> December. This letter contains feedback on the results of our assessments of your Capital Strategy (CS) and Asset Management Plan (AMP).

The scoring system for the CSs and AMPs was done using a simple three-point scale – Poor, Satisfactory or Good. The assessment process was the subject of wide consultation. The eventual criteria we used in assessing the plans were published in advance on the DTLR's website. Broadly similar scoring methods were applied to both CS and AMP. Any document fulfilling a set of Primary Requirements was classed as "Satisfactory". If it went on to provide clear evidence of achievement in at least 75% of a set of Secondary Requirements then it was classed as "Good". Any documents that did not fulfil all the Primary requirements were classed as "Poor". It should be stressed that these descriptions are purely arbitrary – in Housing terms you may think of them as equating to Above Average, Average and Below Average.

As you will be aware, the assessments for your Authority were:

|                              |             |
|------------------------------|-------------|
| <b>Capital Strategy</b>      | Good        |
| <b>Asset Management Plan</b> | <b>Good</b> |



The reasoning behind our assessments was:

## Capital Strategy

Carlisle has a well thought out and documented corporate approach to Capital and Asset planning. There is evidence given of its commitment to improvement through Best Value and benchmarking. The Council has very substantial investment holdings generating almost £4 million per year income. Carlisle sees the continuation of a mixed capital and revenue earning asset base as being essential to its future levels of expenditure on services. All Primary Requirements and over 75% of the Secondary Requirements are covered and so the assessment is "Good".

The Council's wholehearted adoption of the Best Value process is admirable, with clear actions set out to address any weaknesses highlighted by the reviews. The BV Inspectors particularly commended the way that elected members have been involved in the process and are committed to the improvements. This made it all the more disappointing that the Best Value report on Economic Development was critical of the Council's corporate approach to property.

Performance Measurement is one area of relative weakness in the Council's documentation, identified as such also by the Best Value inspectors in their report mentioned earlier. Some of the DTLR's Property PIs have relevant data provided (within a table in the AMP rather than the Strategy) but apparently no information is available on others. We note that work is under way to rectify these shortcomings and hopefully more evidence will be available by 2002-03.

Regeneration is one area where a multi-disciplinary approach could be beneficial, involving the Council with residents' groups, business partners, the Police and the Health Service. Hopefully the developing role of Carlisle Vision will become evident here.

## Asset Management Plan

Experience throughout the country, not just the North West, suggests that District Councils have found it hard to produce an Asset Management Plan of sufficient quality to be assessed as "Good". This makes Carlisle's achievement all the more satisfying. The only apparent weakness in your data collection is under the performance measurement heading. Even here your AMP fulfils the necessary minima to pass the Primary Requirements, with tabular data against several indicators. In most other respects the plan exceeds the Primary Requirements comfortably. The AMP is well set out, very readable and gives details of the current situation and future plans in every area.

The cross-service aspects of Asset Management planning are well understood and demonstrated. Carlisle's AMP indicates that results from consultations are being incorporated into future plans. The Asset Management Team has already invited stakeholders to attend its meetings.

The system for dealing with surplus assets has been in place for some time now and has produced good results. More evidence is needed on the use of PIs to identify surpluses, and of the corporate consideration of shared use as a possible alternative to disposal. Indeed, as mentioned earlier, Performance Measurement is a comparatively weak spot in Carlisle's Asset Management system. There is clear evidence, with tabular data in the Context sheet, that some PIs are in place but no information is available on others within the DTLR's Property PIs. Unlike most other aspects of the AMP, there is not a clear timetable or plan for ensuring that these gaps are filled.

In summary, therefore, it is very pleasing to be able to assess both your documents as "Good". Any questions you may have about these matters should be referred to Arnold Lee. Tel No. 0151 224 2940

Yours sincerely,

pp Liz Gill,

Cumbria Area Team Leader.

## **SURPLUS PROPERTY GUIDANCE NOTE**

### **1. Strategy**

To maximise the generation of capital receipts from within the Council's existing property portfolio in order to finance the Capital Strategy to meet the needs of the Council in support of the Corporate Plan and City Vision.

### **2. Supporting Policies**

2.1 The following work shall support this Strategy:-

- The Property Review shall ensure that all property held by the City Council is wholly, necessarily and primarily needed for Council purposes;
- Property Services shall ensure that property which is or may become surplus

shall be properly identified and appropriate arrangements put in place for disposal;

- Where property will or may become surplus, full and proper investigations shall be made as to alternative uses as a basis for sale on the open market and all necessary consents obtained.
- Disposal shall be by the means of tender, private treaty, auction or direct negotiation and shall be the most likely to generate the best consideration that may be reasonably obtained at the time that assets are disposed;
- Capital receipts so generated shall be treated as corporate receipts, available for distribution at the discretion of the Executive of the Council in support of the Capital Strategy, and Asset Management Plan.

2.2 The City Council gives a high priority to the generation of capital receipts to assist its funding.

- It is important to demonstrate clear links between capital receipts from property disposals and a reinvestment programme for assets.
- Structure Plan and Local Plan policies are important in determining value. The Authority needs to carefully balance its strategic planning role and its interest in managing capital assets through the Code of Conduct in Planning matters.

### **1. Criteria for Designating Surplus Property**

3.1 A judgement shall be made in respect to each asset in Council ownership, for Officers to then make recommendations to Members as to whether they are held for purposes where there is or is not a direct link to delivery of the Council's objectives as defined by the Corporate Plan and City Vision on a case-by-case basis.

3.2 A matrix shall be used, as attached, in order to provide an appropriately defined basis for making recommendations.

## **SURPLUS PROPERTY DESIGNATION MATRIX**

**ASSET ADDRESS:**

**ASSET DESCRIPTION:**

|  |                 |
|--|-----------------|
|  | <b>YES / NO</b> |
|--|-----------------|

| QUESTION   |  |
|--|--|
| 1. Is the asset currently being used for direct service delivery?  |  |
| • Is the asset likely to be required for direct service delivery in the next 10 years.   |  |
| • Is the asset likely to be required to assist supporting the City Vision partners in relation to:.  |  |
| <ul style="list-style-type: none"> <li>• Health and wellbeing.</li> <li>• Communities.</li> <li>• Economic prosperity.</li> <li>• Infrastructure, environment and transport.</li> <li>• Celebrating Carlisle.</li> </ul> |  |

| PROPERTY SERVICES ANALYSIS        |    |
|-----------------------------------|----|
| 1. Current use value              | £  |
| 2. Alternative use value          | £  |
| 3. Current rental income          | £  |
| 4. Potential future rental income | £  |
| 5. Current management costs       | £  |
| 6. Likely disposal fees           | £  |
| 7. Estimated net capital receipts | £  |
| 8. Date when receipt expected     | // |

| CONCLUSIONS                           |          |
|---------------------------------------|----------|
| Is this asset recommend for disposal? | YES / NO |

# **Property Services**

**March 2002**