



PORTFOLIO AREA: FINANCE & RESOURCES

Date of Meeting: 23 January 2006

Public

Key Decision: No

Recorded in Forward Plan: N/A

Inside Policy Framework

Title: CORPORATE ASSETS - REVIEW PROGRESS
Report of: DIRECTOR OF DEVELOPMENT SERVICES
Report reference: PS 02/06

Summary:

The asset review – focusing initially on those held for economic purposes – is reaching some broad conclusions ahead of the submission of the 2006 Asset Management Plan. This report appraises the Executive of current progress in the light of Carlisle Renaissance, and seeks approval to the funding of the next steps in the development of the business case.

Recommendations: It is recommended that:

1. The Executive note the progress being made.
2. Funding from the Asset Review of £100,000 be released to undertake further work, subject to the agreement of detailed proposals with the Portfolio Holder.
3. The report be referred to the next special Corporate Resources Overview & Scrutiny Committee for discussion as part of their work.

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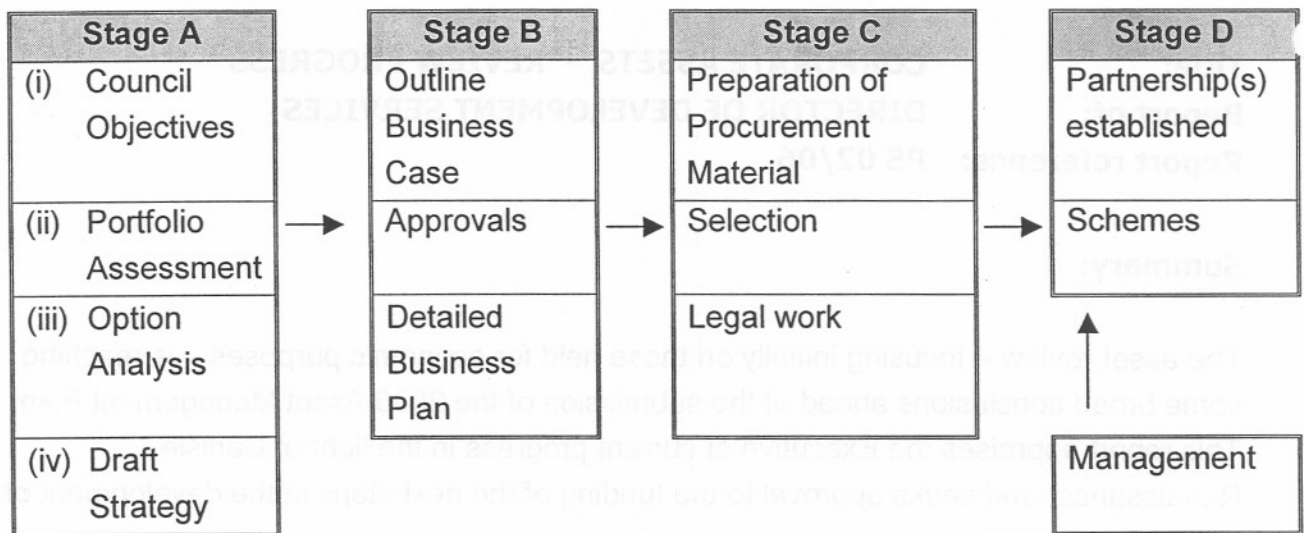
Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: Asset Management Plan 2006/07

1. BACKGROUND INFORMATION AND OPTIONS

1. Due to the extent of the Council's property ownership, and work on other priorities, progress concerning the asset review is steady if slow.
2. It is intended that the Asset Management Plan for 2006/07 will encompass the broad recommendations of the review. In the meantime, and relating to the work being undertaken in support of Carlisle Renaissance, it is timely to appraise Members and seek additional funds for further work.

Process

3. The Process can be best described in chart form below:



4. So far, we are completing Stage 'A'.

Stage A (i) Council Policy Objectives

5. A draft set of policy objectives and the strategy which may arise is attached at Appendix 'A'.
6. Members of Corporate Resources Overview and Scrutiny have spent time discussing them.

7. If the Executive is happy to proceed with the broad principles, subject to any further requirements, this is an opportune time to do so – in advance of more detailed work.

Stage A (ii) Portfolio Assessment

8. A high level 'root and branch' assessment has delineated the Council's asset ownership into various categories using sustainability criteria.
9. The categories are defined at Appendix 'B' (each individual asset is not listed at this stage in the review).
10. This has also included an overall assessment of liability and the production of a 5 year maintenance programme.
11. Further work on this stage is ongoing, particularly assessments of value and income projection.

Stage (iii) Option Analysis

12. The portfolio assessment will inform the details but broadly speaking, the Council has a number of options for each asset as outlined at Appendix 'C'.
13. Indeed some assets could potentially help realise value in another, so it is vital not to fix options too early on in the process.
14. There is no "one size fits all" solution. However, the next stage is to examine those properties in the portfolio assessment which are either likely to make a significant contribution to new schemes – such as Carlisle Renaissance – or are problems of significant weight that they merit special analysis in order to reduce maintenance backlog.

Stage (iv) Draft Strategy

15. Suggestions are outlined in Appendix 'A' alongside the draft policy.
16. Following the principle that shared accommodation should be embedded as part of the asset strategy, work is also being undertaken in respect to this aspect through Carlisle Voluntary Services.

17. However all this work is at an early stage and requires further resource in order to inform a Business Case, to be produced in tandem with the Asset Management Plan.

Resources

18. An acquisition fund is being established as part of Carlisle Renaissance and added to the existing asset reserve. Any proposed acquisitions will have to be negotiated and then reported to the Executive in the usual way according to appropriate criteria and a budget for maintenance. The Asset Reserve is otherwise earmarked for the industrial estates, once the Business Plan is finalised.
19. £100,000 is required to be released to undertake specific work, being:
- ◆ Engaging surveyors to undertake acquisition negotiations on behalf of the Council, particularly Carlisle Renaissance;
To provide the required capacity and expertise, one alternative is to appoint a local firm of private chartered surveyors to assist the in-house property team undertake specific negotiations on acquisitions. This fund would be a “starter” whilst the majority of the work will have to be financed through the acquisition fund as part of those costs.
 - ◆ Engaging surveyors to review some of the Council's operational accommodation where it is required for Carlisle Renaissance;
A key aspect for Renaissance and the identified ‘Transformational Projects’ is a fundamental review of the Council's operational requirements. This is a specific piece of work which may require procurement of a specialist firm of chartered surveyors.
 - ◆ Engaging surveyors to continue to assist with the asset review process;
Members have allocated funds to assist the in-house team with previous work and it is proposed to continue with this approach to arrive at a Business Case model. Further procurement funds may then be required depending upon the outcome of the options appraisal.
 - ◆ Providing legal, financial, planning and other specialist advice which may be required.

20. This work will then be reported back to the Executive, once it has been consulted upon by the Corporate Resources Overview and Scrutiny Committee.

Conclusions

21. A number of 'Beacon' and 'Excellent' Council's are following this approach in order to review assets. Similar processes have been successfully concluded for the development agencies which are creating private partnerships focussed on regeneration schemes. The ODPM are supportive of this approach and are keen to find best practice examples in the local authority sector.
22. It is recommended that this Council continues down this route which was started through the Best Value Review of Property Services in 2002.

2. CONSULTATION

Consultation to Date

- 2.1 Carlisle Chartered Surveyors forum (10 November 2005).
Corporate Resources Overview & Scrutiny (16 August 2005);

Consultation proposed

- 2.2 Corporate Resources Overview and Scrutiny, Industrial Estate Business tenants and through the Carlisle Renaissance process in 2006.

3. RECOMMENDATIONS – It is recommended that:

- 3.1 The Executive note the progress being made.
- 3.2 Funding from the Asset Review of £100,000 be released to undertake further work, subject to the agreement of detailed proposals with the Portfolio Holder.
- 3.3 The report be referred to the next special Corporate Resources Overview & Scrutiny Committee for discussion as part of their work.

4. REASONS FOR RECOMMENDATIONS

To report progress about the asset review and earmark resources for the next steps in the process.

5. IMPLICATIONS

- Staffing/Resources – The Council has a minimal in-house staff resource and additional funding is required for Chartered Surveyors to assist.
- Financial – The Council has earmarked an Asset Investment Reserve. The Reserve currently stands at £1.1m and there is a recommendation to increase this Reserve by an additional £1m for strategic property purchase relating to the Renaissance Project as part of the current budget proposals. The request is to release £100,000 from this Reserve to support additional work required to progress the Asset Review.
- Legal – Procurement of any external surveyors will need to be undertaken in accordance with the Council's Financial and Contractual Procedure Rules.
- Corporate – all assets are owned as a corporate resource.
- Risk Management – Any schemes will be assessed for risk – including doing nothing.
- Equality Issues – Accessibility is an all important consideration.
- Environmental – Well maintained assets are essential to support a Cleaner, Greener, Safer Carlisle.
- Crime and Disorder – See above.
- Impact on Customers – Property assets have a profound effect on impact to service delivery.

Economic Development Asset Review

Property Categories within the Review and their Definitions

1. The Council's property falls into one of the three categories below;
 - **Category A - 'Non operational'** land and premises, [including commercial property, land, industrial estates, agricultural land, surplus land etc], broadly in line with ODPM definitions¹. This has been subdivided to identify those assets held principally for investment, where development opportunities exist, etc
 - **Category B 'Operational'** land and premises² used for the delivery of Council services. Land used for car parks and allotments is included within this category, as is property occupied by an agency delivering services on behalf of the Council.
 - **Category C 'Community assets'**³ - including Parks, amenity areas, playing fields etc. These include all of the Council's other land holding and are not scheduled individually as part of the review. However, where individual parcels of land are considered to have development potential or major liabilities these are included but identified clearly as Community Assets.

2. The future management of the Council's portfolio will be based on subdivisions of these three categories of properties. Inclusion of any property within the subdivisions below depends on:-
 - [a] The reason or need for continuing Council ownership
 - [b] The 'sustainability' of the property in terms of its yield, income potential, liability and investment needs.
 - [c] The opportunities offered in the future to achieve Council objectives.

¹ **Non-operational assets** -are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment

² **Operational assets** - are fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.

³ **Community Assets.** This is a local category of use adopted for the purposes of this review

CATEGORY A1**KEY NON-OPERATIONAL ASSETS HELD FOR INVESTMENT & TO INFLUENCE DEVELOPMENT****Definition:**

These are mainly core strategic assets that are held primarily for rental income and for their importance to Carlisle, particularly in the retail and education sectors where the Council has been instrumental in facilitating development. These properties are sustainable in terms of likely future demands on Council financial resources. Continued Council ownership is recommended in order to safeguard income to the Council and to influence development in line with Council aspirations for the future of Carlisle.

CATEGORY A2**SUSTAINABLE NON-OPERATIONAL ASSETS WITH POSSIBLE DEVELOPMENT OPPORTUNITY****Definition:**

These are assets where it is recommended that they continue to be held for economic development purposes, but where there may be potential for further development or intensification of use over time in line with Council priorities. None of these sites has major investment needs in order to be maintained in its current use and as such can be regarded as sustainable assets. Where opportunities arise Council investment may be needed.

CATEGORY A3**UNSUSTAINABLE NON-OPERATIONAL ASSETS****Definition:**

These are assets that require decisions on future management and ownership in order to safeguard future potential income, and/or to achieve economic development objectives. They are not sustainable without intervention, and may well involve loss of business confidence and/or unavoidable expenditure, unless there is investment and development.

CATEGORY A4.**SURPLUS ASSETS****Definition:**

These assets are either currently [end 2005] being marketed for disposal or are not required to support the Council's key priorities of Learning City / Cleaner, Greener, Safer Carlisle. They are not likely to be required for rental income generation or to influence economic development in the short or long term.

CATEGORY B1

**SUSTAINABLE OPERATIONAL ASSETS WITH
DEVELOPMENT OPPORTUNITY**

Definition:

These assets are capable of being held for long term service delivery, being suitable and sufficiently fit for purpose, but have developmental pressures due to location.

CATEGORY B2

SUSTAINABLE LONG TERM OPERATIONAL ASSETS

Definition:

These are core service assets that are suitable and sufficient for the purpose for which they are used in order to directly deliver the city Council's services.

CATEGORY B3

**UNSUSTAINABLE OPERATIONAL ASSETS REQUIRING
REVIEW WITH POSSIBLE INVESTMENT NEEDS**

Definition:

These assets will require decisions on their future fitness for long term service delivery, either because the nature of their service use is changing or because the property itself is [or may become] unsuitable and unfit for purpose.

CATEGORY C1

**COMMUNITY ASSETS WITH DEVELOPMENT
POTENTIAL**

Definition;

Land currently in use for amenity or recreational purposes that have development potential

CATEGORY C2

SUSTAINABLE LONG TERM COMMUNITY ASSETS

Definition:

Land in long term use for amenity or recreational purposes.

CORPORATE PROPERTY POLICY & STRATEGY

Statement of Policy Objective

To set out the Council's policy on its use of property in one consistent policy expression, and to have a flexible approach to property ownership in securing a portfolio of the right size, quality, cost and location to support its objectives, be responsive to service needs, and be managed under best value principles.

Draft Property Policy Statements:

- To own and manage property assets as a key corporate resource for the City
- To ensure that all property resources make the optimum contribution to the Council's strategic aims and priorities
- To realise continuous improvement in the management of property related services.
- To optimise expenditure on property assets
- To ensure an excellent standard of building design, construction, maintenance and sustainability
- To ensure service properties are fit for purpose, and effectively located for optimum service provision
- To release value from property through efficiencies in management and running costs
- To provide property as an efficient asset, that is capable of cost effective management
- To contribute to the Council's Medium Term Financial Strategy by using property assets to promote Economic Development projects, combined with providing a sustainable income stream
- To dispose of assets that do not support council objectives, and selectively acquire assets when appropriate to support priorities.
- To use public / private partnership to deliver its strategy where appropriate
- To reduce the asset maintenance backlog

1. *Operational Property Strategy*

- ☆ The Council will own a highly rationalised portfolio of property to deliver services and which provides users with a good standard of efficient, accessible accommodation and facilities by making buildings Cleaner, Greener and Safer in the right location and at the right price.
- ☆ All Council service property will be efficient and effective in supporting delivery of the council's priorities including one main location for City Council governance.
- ☆ The Council will occupy freehold property where appropriate.
- ☆ The Council will hold leasehold property only when necessary to deliver accommodation required on a flexible basis, or when freehold is not available.
- ☆ The Council will develop partnership working with other local authorities, public sector bodies, the community and voluntary sector to co-locate services.

The following policy principles are to be applied to enable delivery of the service property strategy:

Investment principles

Investment should be made only through a 5 year programme where:

- The property is required for the medium or long term use of the Council, and
- The investment
 - enhances service delivery
 - improves sustainability
 - improves utilisation
 - increases efficiency
 - adds value
- It addresses statutory obligations

2. *Non-Operational Property Strategy*

- ☆ The Council will own property that helps to deliver the corporate priority of a Learning City
- ☆ The Council will investigate new medium and long term development opportunities that will support delivery of Carlisle Renaissance and economic development policies.
- ☆ The Council will own property that provides a regular and sustainable income stream, as a key component of the Medium Term Financial Strategy.
- ☆ The Council will strive to improve the performance of the income stream and reduce liability through partnership working and grant assistance where appropriate.

The following policy principles are to be applied to enable delivery of the non-operational property strategy:

Investment principles

Commercial property will only be held where:

- It provides an acceptable financial return
- There is potential for Council involvement to deliver economic development objectives
- It contributes effectively to the delivery of other Council priorities
- It improves future sustainability of income
- It addresses legal or contractual liabilities and obligations
- It delivers measurable economic development objectives

3. Surplus Property Strategy

- ☆ The Council will dispose of assets that it does not require on the open market on a freehold and leasehold basis at best consideration.

The following policy principles should be applied to enable delivery of the surplus property strategy:

Surplus property

All operational and non-operational property will be sold unless:

- It is occupied efficiently and effectively for services in the right location, at the right price.
- It can be used to develop Learning City Carlisle and / or a Cleaner, Greener, Safer Carlisle.
- It can be used to deliver social, economic or environmental benefits.
- It is a long term strategic investment.

4. Property Acquisition Strategy

- ☆ The Council will only acquire assets if there is a business case to support the improvement in service delivery in the Capital Strategy.
- ☆ The Council will acquire assets that assist with the delivery of Economic Development policy if there is a business case in the Capital Strategy.
- ☆ The Council will develop opportunities, in partnership, to assemble sites to deliver Council objectives, particularly its priorities of Learning City, a Cleaner, Greener and Safer City and Carlisle Renaissance.

The following policy principles should be applied to enable delivery of the property acquisition strategy:

Property acquisition

Property will only be acquired in the following circumstances:

- Where the service cannot be efficiently delivered without it
- Where it is required to deliver Economic Development policy
- Where it is required to support the delivery of other Council priorities

OPTION EXAMPLES

EXAMPLE 1	The City Council establishes a single joint venture to which all the non-operational properties are transferred, managed and developed.
EXAMPLE 2	The City Council retains most of the assets and selects appropriate site by site joint ventures for the private sector to undertake schemes.
EXAMPLE 3	The City Council acts as a developer itself by buying old buildings and brownfield land, refurbishing and creating additional income.
EXAMPLE 4	The City Council divests some or all of the non-operational assets and their management to provide capital to invest in other priorities. ¹
EXAMPLE 5	The City Council retains assets as they are now.
EXAMPLE 6	The City Council establishes a strategic property partnership which covers the management and development of both the operational and non-operational assets.
EXAMPLE 7	The City Council establishes a partnership for the management of all its assets.

¹ There was a fundamental review of surplus assets in 2002 which established the process for the current policy which is now generating substantial receipts.