

Cabinet Report



Report of Head of Development and Regeneration

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Wards affected: All

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To:

JOINT SCRUTINY COMMITTEE – Tuesday 14 September 2021

SOUTH CABINET – Thursday 30 September 2021

Strategic Property Review

Recommendations

That Cabinet:

- a) notes the update on the Strategic Property Review
- b) approves the Land and Property Asset Disposal policy
- c) approves the council approach to transfer of assets from developers
- d) notes that in line with proposed processes set out in the Land and Property Asset Disposal Policy an Asset Management Group (AMG) an advisory non-decision making group will be set up to review, check and challenge the recommendations from the Strategic Property Review prior to formal decision being taken on disposals of assets

Purpose of report

1. Officers have recently completed a Strategic Property Review (SPR; Appendix 1), which provides an overview of all council assets and the alignment of council business, capital and property asset strategies to ensure that the organisation's property assets are optimised to meet the council's corporate plan objectives.

2. Underpinning the delivery of the SPR outcomes is the Land and Property Asset Disposal Policy that will provide the council with an agreed documented process to support dealing effectively with its land and property assets.

Corporate objectives

3. The SPR asset challenge process will help identify assets that are underperforming, assets that are surplus to requirements, assets that are not fit for purpose, assets that can be re-purposed and assets that are suitable for new income generation or disposal (including transfers to parish and town councils where appropriate) or to fulfil other corporate plan priorities.
4. By implementing the Land and Property Asset Disposal Policy there will be a number of tangible benefits including:
 - ability to implement Corporate Plan aims relating to the climate emergency.
 - maximising capital and/or revenue from existing assets
 - reducing the costs associated with managing the portfolio
 - understanding potential financial risks/liabilities in holding Council-owned assets in the short, medium and long term
 - improved efficiency in running the estate, thereby contributing to financially effective delivery of services
5. This will, in turn, assist with delivery of a number of strategic aims of the councils' through their Corporate Plan (2020-24), namely:
 - Protect and restore our natural world
 - Action on the Climate Emergency
 - Homes and infrastructure that meet local needs
 - Investment and innovation that rebuilds our financial viability.

Background

6. The property management function was outsourced in 2016, and then brought back in-house in 2018. Accordingly, the historic property database for the council's property assets was not accurate and an exercise needed to be undertaken to establish certainty on property ownership.
7. This has highlighted the need for a full SPR, as this has provided an improved understanding of the councils' property asset portfolio and an opportunity to 'challenge' each and every asset. The suitability for purpose, condition, level of utilisation/occupancy, health and safety compliance, statutory compliance, lifecycle costs and how it meets the council's Corporate Plan objectives are now fully understood.
8. In order for the council to make informed decisions and recommendations on the portfolio, the property team have established key information for each asset in order to:
 - provide an overview of the council land and property estate, thereby providing an improved understanding of the council's property asset base

- establish priorities for the ongoing management and development of the council's estate as a corporate resource for the residents of the district
 - ensure the council's estate fully supports the council's Corporate Plan by providing the right property in the right location to meet service needs
 - provide a framework for rationalisation and disposals of the council's land and buildings where appropriate
 - secure efficiencies by considering the promotion of joint working
 - promote land use for stimulating development and growth
 - better enhance income and reduce costs
 - better understand the costs of managing and owning the council's estate
 - identify and reduce risk.
9. As part of this process, capital receipts and revenue from the disposal of council-owned property can be maximised whilst the risks /liabilities to the council (in terms of health and safety, statutory obligations, and financial liabilities) can be identified, understood, and minimised. This will allow the council to benefit from quantifiable improvements to its financial position which, in turn will link in with the aims of its Corporate Plan.
10. Our ambition is for the council to be amongst the leading public sector organisations for development, property, and asset management with a proactive approach to deriving the best from our asset base and service delivery. This can be done by ensuring it makes the best use of its land and property assets to generate significant cost savings and revenue in order to protect the council's front-line services, in addition to capital receipts which can be realised from the disposal of surplus stock.
11. An on-going asset challenge process is intended to be introduced in order to review each asset on a rolling programme before financial decisions are made regarding their continued use, in order to ensure that only those buildings providing best value are retained in the future and to ensure that every pound we spend is done so in the right way.

Headline Findings

12. Following a review of the 307 assets the key findings can be found below:

<u>Category</u>	<u>Number of assets</u>
Premises held for investment and long-term leases	11
Potential disposals	129
Potential housing	52
Potential opportunities to tackle the Climate Emergency	130
Strategic sites	2
Retain	112
Retain for operational purposes	31

Definitions

- Premises held for investment and long-term leases are held for investment purposes through both market and long-term leases. Further work may be needed to re-classify these assets.
- Potential disposals have been identified as surplus to Councils' requirements and will be subject to further discussion via the AMG.
- Potential housing are sites which may be suitable for housing. They are subject to further review with Legal and may ultimately not be considered suitable for a number of reasons.
- Potential opportunities to tackle the Climate Emergency are assets where there may be opportunities to improve ecological factors in order to meet the councils' climate change objectives.
- Strategic sites are subject to further review by external strategic advisors.
- Retain refers to properties which are to be retained in the near future. They will be subject to further review, and are subject to other council strategies.
- Retain for operational purposes refers to properties which are being retained as operational assets, e.g, parks, car parks.

Corporate Plan (2020-24) – Key Themes

13. The SPR can support the delivery of the council's Corporate Plan, for example, identifying opportunities to improve the energy efficiency of council-owned and occupied buildings and introducing projects to undertake the same will help the council move towards achieving its own zero carbon target by 2025. The alignment of the strategies for each property asset with local community initiatives for 'greening' of the council-estate (i.e., the pilot Tiny Forests initiative and community/third-party planting of woodland/wildflower meadows) that will further assist the council with its actions to tackle the Climate and Ecological Emergencies.
14. The SPR will also assist with the initial identification of potential development sites for affordable housing infrastructure that meets local needs. The disposal of larger surplus sites for potential residential development will also assist with this aim, as well as bringing in capital receipts (either directly or indirectly) to fund this and other council policies/objectives.
15. Finally, the SPR will be the beginning of a process to consolidate strong stewardship of all council owned assets and investments, thereby improving the council's financial viability and performance - to the benefit of the residents in the district.

Strategic Property Review – Governance

16. As part of this review, it is apparent that there is currently no formal, cohesive disposals policy relating to the council's surplus assets. This policy will provide the council a clear and defined process in making property decisions going forward and will assist with driving efficiencies in the way the council's property assets are

managed and streamlining the process by which the recommendations of the SPR are implemented.

17. A decision has been made to implement an advisory Asset Management Group. Whilst this will not be a decision-making group, the purpose of the group is to ensure that all Corporate Plan objectives are considered and decisions are made with a council-wide perspective. This AMG should meet on a regular basis to review the Property teams' recommendations. The AMG would be comprised of the Deputy Chief Executive - Place, Head of Legal and Democratic, Head of Finance, Head of Development and Regeneration, and two Cabinet Members to be nominated by the Leader. Other Heads of Service would be invited should the assets being discussed directly impact their service.

Land and Property Asset Disposal Policy

18. As part of the SPR work conducted, it was identified that the council does not have a disposals policy to outline the process that is to be followed in the event that a council-owned asset is identified for disposal. The disposal or relinquishment of surplus or underperforming Council land and property assets is a key part of council strategies to meet the aims outlined in the Corporate Plan.
19. The Disposal policy document (see Appendix 2) provides a framework by which the council might consider how surplus or underperforming assets within its existing land and property asset portfolio can deliver and maximise capital receipts and/or income revenue, to facilitate the council's provision of existing and future services and locality needs.
20. This policy will ensure that a consistent, robust disposal and governance process is adopted in order to support effective property disposal decision making within the council and to ensure that requests to purchase council-owned assets are dealt with in a fair and consistent manner.
21. Under the current Constitution, the Head of Development and Regeneration is able to authorise the disposal of surplus land and property assets with an estimated value of up to £10,000, (although consultation, evidenced in writing, with the Cabinet member is required for disposals of land and property with a book value of over £5,000).
22. Under the current Constitution, disposals of land and property assets above £10,000 must be authorised by the relevant Cabinet member or by Cabinet .

Transfer of Assets to the Council from Developers

23. As part of the planning process and negotiations on major developments the council takes a positive approach to securing land and buildings through S106 agreements, such as public open space and community buildings with appropriate commuted sums. Where the council is successful in this approach with developers this can enable the council to manage its assets in line with SPR. In addition this will allow the council to work with the community when they want to take on these assets.

Options

24. Consideration has been given to not creating a disposal policy. This has been discounted for the following reasons:
25. It has been realised that there is a need to ensure that all relevant services are included in Property-making decisions. The AMG ensures exemplary internal governance and enables inclusivity for cross council service delivery. Formal decisions will be taken in accordance with the council's constitution.
26. A clear disposals policy is required to ensure that all disposals are completed in the most transparent manner.

Climate and Ecological Impact Implications

27. The SPR will help embed a culture of innovation that maximises best use of appropriate technologies that support new ways of working and protects the environment by utilising available financing to support implementation.
28. Part of the review process will involve an asset challenge process which, amongst other considerations, will encourage a continuous rolling programme of responding to climate change and environmental implications of the council's estate.
29. With the Climate and Ecological Emergencies forming a major consideration as part of the asset management and ongoing review process for the council's property asset portfolio, measures will be introduced for the enhancement of building sustainability, reducing water consumption, cutting waste and improving energy efficiency in new developments and refit/refurbishment projects.
30. There will therefore be an opportunity through the ongoing/continuous property asset review process to align individual action plans for the council's land and properties with the climate and ecological emergency objectives.

Financial Implications

31. The outcome of the SPR and continuous rolling programme for challenging council assets will identify asset rationalisation and disposal opportunities to support the council's Medium-Term Financial Plan (MTFP). By making financial efficiencies through the effective management of our land and property assets, to ensure they provide the right space in the right place and on the best terms. This should lead to a reduction in the costs associated with running the portfolio and will also align a planned future maintenance programme for the estate within financial budgets.
32. Any council decision that has financial implications must be made with the knowledge of the council's overarching financial position. For South the position reflected in the council's medium-term financial plan (MTFP) as reported to Full Council in February 2021 showed that it is due to receive £4.3 million less in revenue funding than it plans to spend in 2021/22 (with the balance coming from reserves including unallocated New Homes Bonus).
33. The funding gap at the council is predicted to increase to over £5 million by 2025/26. As there remains no certainty on future local government funding, following the announcement of a one-year spending review by government, and as the long-term

financial consequences of the Coronavirus pandemic remain unknown, this gap could increase further. Every financial decision made needs to be cognisant of the need to eliminate the funding gap in future years.

Legal Implications

34. The council's Legal team will work alongside the Property team to carry out due diligence/title reports for the council's assets as part of the 'review, check and challenge' to ensure that legal documentation is current and accurate, prior to consideration of reports by the AMG and thereafter formal decisions.

Other Implications

35. The SPR will require an internal AMG to help progress and support delivery of the recommendations made in the SPR. This working group will be a non-executive non decision-making body that will consist of two relevant cabinet Members, Deputy Chief Executive - Place, the Head of Development and Regeneration, Head of Finance and Head of Legal and Democratic with other Heads of Service as and when individual property recommendations impact on their service.
36. It will be appropriate in some circumstances to consult/work with local town and parish councils, possibly through the creation of sub-groups; and also to consult/work with community groups where council assets are identified as possible Community Asset Transfers as an outcome arising from the SPR.
37. There are numerous risks associated with property portfolios and property transactions by the very nature of the asset class. The introduction of an AMG will mitigate the risks associated with these transactions. The mitigation risks for the policy are detailed within the policy document.
38. This may follow where new assets are secured through the planning process (S106 agreements) on major developments.

Conclusion

39. Cabinet are asked to approve the Disposals policy provided in this report to provide robust procedures and processes for dealing with property matters
40. Cabinet are also asked to note that an AMG as referenced in this report will be set up to consider and recommend for approval as set out above items considered by the AMG as part of the rolling asset challenge process. Cabinet are also asked to note the update on the Strategic property review

Background papers

- Strategic property review – South Oxfordshire District Council
- Land and property Asset Disposal policy