

Report of Head of Resources

LAND AND PROPERTY ISSUES

1 Purpose of report

This report is the first step towards developing a property asset management strategy, whilst at the same time dealing with specific land and property operational issues which can be dealt with immediately.

2 Executive summary

This paper identifies a suggested starting point for a council property asset management strategy. It also considers some individual areas of land or property which, if an approach is agreed now, will contribute to the overall preparations for putting a strategy into place.

3 Appendices

Appendices A and B outline the areas of land referred to as suitable for disposal. Exempt appendix C contains details of a proposal from Wellingborough Homes.

4 Proposed action:

4.1 **The committee is invited to RECOMMEND the following objectives for a property asset strategy, forming the basis of a detailed report to members in due course:**

“A. Property acquisitions or disposals will be considered by the council only if there is a clear business case which demonstrates that the proposed action will:

- a. provide revenue income for the council or one of its wholly owned companies; OR**
- b. reduce existing revenue costs and thereby demonstrate best value;**
- AND**
- c. contribute to the regeneration, redevelopment and improvement of the borough.**

B. In order to support the council’s overall objectives, land or property will be identified within the strategy as intended for operational, investment or community use.”

4.2 The committee is invited to RESOLVE to dispose of the following land or property at best consideration in order to gain a capital receipt for the council:

- a. 9/10 Oxford Street**
- b. Land at Milner Road, Finedon**

4.3 The committee is invited to RESOLVE to approve the option of a “land for property swap” with Wellingborough Homes on any suitable sites approved for disposal so long as best consideration is ensured, with a further report to members on whether to retain or dispose of any properties acquired in this way.

5 Background

5.1 In previous years the council has stated its intention to maximise the benefit of property assets and to use its capital resources to ensure assets generate a revenue stream.

5.2 A property asset strategy is in place, but needs to be refreshed given the ongoing changes in the authority’s financial situation and the way in which the council is developing into a more commercial organisation.

5.3 This paper proposes three main aspects to consider, in preparation for work on a detailed property asset strategy to present to members:

- (a) The establishment of objectives which can be applied to recommendations on property management, acquisition and disposal;
- (b) Categorisation of property so that members have flexibility in supporting the local community;
- (c) An option to look at an alternative way of disposing of land to facilitate the development of additional housing, whilst still maintaining best consideration for the council.

5.4 In addition, there is a recommendation to dispose of two assets which the council has no use for, and which can be used to provide further housing.

6 Discussion

6.1 Objectives for a property asset management strategy

- (a) Members have already identified the need for a sustainable approach to the council’s finances. One of the key ways in which this can be done is by taking a proactive approach to its property asset management.
- (b) The council’s property portfolio is valued at approximately £70m, including investment and operational property. In the past this property has been managed and maintained, accepting that it would provide a return without investigating whether or not that return could be improved by more stringent portfolio management, disposing of low-performing assets and

acquiring high-performing assets. This was because the council's financial situation at that time was less challenging and investment in the borough was of more importance than the return on that investment.

- (c) The council's financial situation has changed significantly, making it take a more commercial approach, and any strategy for the future will need to consider which assets to retain and which to dispose of. In order to do this it will be essential to understand how each is performing; there is currently no-one employed to do that, and the current property management contract (with Underwoods) does not provide that service.
- (d) This report therefore recommends some actions which will progress this broad approach, some of which needs member approval at this stage and some of which will be revisited at a later date.
- (e) **Immediate member recommendations** focus on a proposed objective for a property asset management strategy based on stronger portfolio management: to retain or acquire properties which either generate a surplus for the council or reduce existing revenue costs whilst at the same time regenerating or improving the borough. Unless these guidelines are adopted it is likely that both current and future property assets will create a financial burden rather than a benefit.
- (f) **Medium term officer actions:** if members approve this approach, officers will identify a means by which a resource can be employed to review the portfolio and advise which properties are financially viable and which should be considered for disposal. This resource will be initially employed from existing budgets, by making adjustments or savings. However, there may be a need for more specialist advice, and at that time the Head of Finance will be consulted on how best to resource the needs. This is an essential element of any property asset management plan development as without this information the council will not know whether its property is an asset or a liability.
- (g) **Medium term member considerations:** Once members have the data relating to return on investment as outlined above, decisions can be taken in respect of the disposal, development or acquisition of property. It is expected that the review of the portfolio will, once successfully implemented, result in an overall surplus. In these circumstances the council should consider the creation of a property management company to enable it to make a profit. A further report will be presented to members on this option once the information is available.

6.2 Identification of land and property uses

- (a) At present the council has a mix of operational and investment land and property, and it is categorised as such in the property database and on the balance sheet.
- (b) The council is sometimes regarded by local people as an organisation which has "spare" land or property which can be donated to community groups or charities for their use, with no best value consideration .
- (c) The council has no policy on this, and members often want to provide support to local groups, but without any clear way of doing so. Sometimes it is possible to find a means of doing this, such as via community asset transfer (Glamis Hall) or the sale of surplus land at a lower price because it has limited use.

- (d) Any land or property disposal must however stand up to scrutiny, with the default position being the public duty to obtain best consideration in all cases.
- (e) Members may wish to make occasional exceptions to this in order to help local groups. In the interest of transparency and to make the process more manageable, it would be beneficial if some surplus land or property were to be classified for community use in the asset register (ie. property which has not been identified for a specific purpose, or is not financially viable for the council). By doing so it makes it easier for members to deal with the many enquiries made by groups, and it also makes it easier to determine the terms for disposal, if agreed.
- (f) The recommendation is, therefore, that land and property be classified as an operational, investment or community asset in the register.
- (g) For information, members may also be aware that the council receives a number of requests to sell small plots of operational or investment land (usually designated open space) to extend gardens. It is proposed that a policy on this be covered in a property asset management strategy .

6.3 Land disposals

- (a) 9/10 Oxford Street (plan attached as appendix A): this property, close to Morrisons, is in a very poor state. An approach has been received from a local person who wishes to buy the property and develop it into residential accommodation or residential/retail, depending on planning approval. The property has been valued; because of its condition the capital receipt is expected to be low, but a development would greatly improve the street scene in Oxford Street as well as a providing additional housing.
- (b) Land at Milner Road, Finedon (plan attached as appendix B): the council owns land adjacent to Milner Road which has been identified for housing. No action has been taken previously to dispose of the land because of the economic situation and the likelihood of a poor receipt. Now that conditions have improved, and there is focus on the release of additional land for housing, it is recommended that this land is offered to the market for best consideration.

6.4 Wellingborough Homes proposal: exchanging land for property

- (a) The council offered land in Fulmar Lane for sale at auction, as agreed by this committee in July 2014.
- (b) The land did not meet its reserve so remained unsold, but the council was approached by Wellingborough Homes afterwards to express an interest. Discussions took place with Wellingborough Homes, specifically in respect of the requirement by the council to obtain best consideration for the land. As part of that discussion an idea took shape that could enable Wellingborough Homes to acquire the land with no initial capital outlay, but in exchange for property as consideration for the land. Details of the proposal are commercially sensitive and attached as an exempt appendix,C.
- (c) It is anticipated that the council could either sell the property for a capital receipt or retain it as part of its privately rented portfolio which currently consists of a few existing properties in Windsor Road, but will be

increased by the future conversion of Croyland Hall/Abbey. If this approach is approved in principle a further report will be needed on whether a sale or rental approach is recommended.

7 Legal powers

Local Government Acts 1972 and 2003

8 Financial and value for money implications

A strategic approach to the management of the council's property assets is designed to enable the council to obtain best value from those assets, allowing them to make a realistic contribution to the council's financial sustainability.

The sale of the land and property described in this report will provide the council with capital receipts. It will also reduce some current maintenance costs.

In accordance with the council's policy on investment, at least 25% of the income received from the sales will enable the council to re-invest in other investment projects which can produce a revenue return for the council.

9 Risk analysis

Without an agreed approach to the retention/acquisition/disposal of property assets there is the possibility of ad hoc decision making which is detrimental to achievement of the council's objectives and to its financial strategy.

Retention of land or property presents no specific risks, other than the potential for properties to fall into disrepair and become a health and safety hazard or breach listed building requirements.

From a financial point of view this presents a risk, as does the need to provide ongoing maintenance, compliance, and valuation.

10 Implications for resources, communities and equalities

The recommendations outlined above will take time to deliver because of the limited resources within the property service, and because of conflicting priorities. They can, however, be planned and achieved.

Property planned asset management will enable the council to support the local community by providing housing and – potentially – access to other community assets whilst at the same time providing a contribution to financial sustainability.

11 Author and contact officer

Bridget Lawrence, Head of Resources

12 Consultees

Chief Executive
Head of Finance
Head of Planning and Local Development
Principal Property and Facilities Manager
Principal Planning Policy and Regeneration Manager
Principal Solicitor, District Law

13 Background papers

The background papers to this report contain various emails and written documents relating to the council's ownership of land and property.

Appendix A: 9/10 Oxford Street



Appendix B: Land at Milner Road, Finedon

Land at Milner Road, Finedon

Scale 1:1250

