

Committee: Community Services Scrutiny

Date of meeting: **5th December 2019**

Report Subject: **Bridging the Gap - Assets and Property Strategic Business Review**

Portfolio Holder: **Councillor Garth Collier, Deputy Leader / Executive Member Environment**

Report Submitted by: **Richard Crook, Corporate Director Regeneration and Community Services**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
Nov 19	Nov 19	26.11.19			05.12.19		12.12.19	

1. **Purpose of the Report**
 - 1.1 To seek Member's views on the review of the Council's property and land holdings and the proposals identified in the report.
2. **Scope and Background**
 - 2.1 The Council has agreed to a series of cross cutting service reviews as part of the Medium Term Financial planning process.
 - 2.2 The review of property and land included all council owned property, all property used by the Council on a lease/rental basis and all land owned by the Council. The industrial property portfolio will be covered by a separate review. The report has identified a series of proposals that will offer the opportunity for reductions in the cost base of Council Assets over the next 5 years and to change the way the asset base is considered and utilised.
 - 2.3 In terms of the context of the review, the Council sets out in its Strategic Asset Management Plan how it is seeking to use its buildings - over the next 5 years. This now needs to be reviewed in the context of this exercise. As part of this plan, the Council have been actively reducing the number of corporately properties through a range of initiatives such as Work Place Transformation, 21st Century Schools and Community Asset Transfers. Since 2011 the number of buildings owned by the Council has reduced from 431 to 368 showing a 15% reduction over this time period. This programme of managed reduction of operational buildings has

removed the worse performing property in terms of maintenance and energy costs from the Council's asset base.

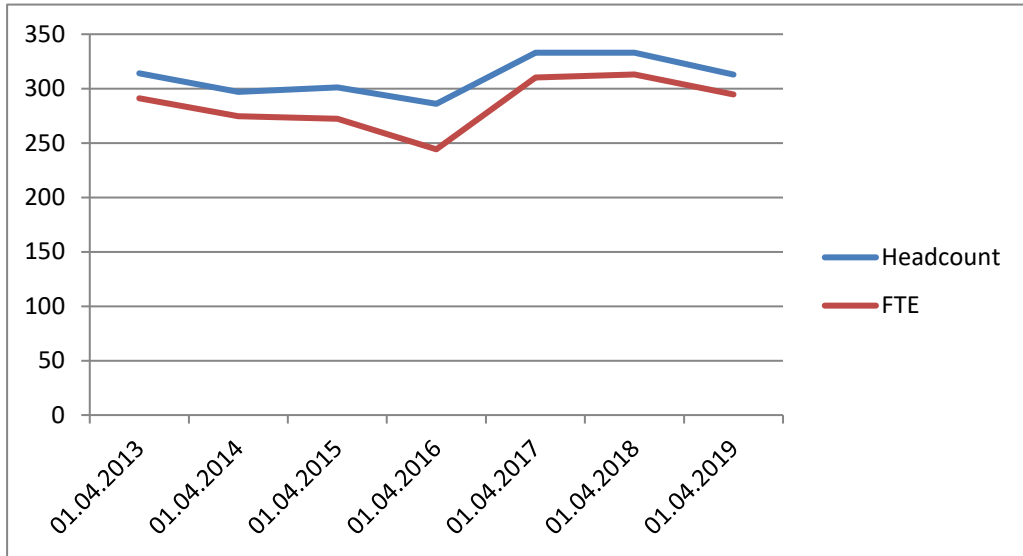
- 2.4 During the same time period the Council's running costs in terms of energy usage and rates have not reduced in line with property reduction due to increasing energy costs and new properties added to the portfolio having revised ratings. These are set out in Table 1

Table 1	2010/2011	2015/2016	2016/2017	2017/2018	2018/19
	£million	£million	£million	£million	£million
Rates	1.281	1.753	1.767	1.455	1.515
Building Maintenance	0.161	3.122	3.475	3.089	2.821
Statutory Testing	0.316	0.166	0.132	0.105	0.111
Grounds Maintenance	0.189	0.188	0.188	0.203	0.225
Energy	1.525	2.127	2.265	2.531	2.621
Gas		0.761	0.838	0.980	1.002
Electricity		1.366	1.426	1.551	1.619
Water	0.334	0.161	0.272	0.278	0.256
Refuse	1.525	0.183	0.211	0.213	0.204
Cleaning		1.277	1.470	1.517	1.510
Insurance	0.416	0.343	0.343	0.343	0.332
Rent	0.282	0.359	0.354	0.370	0.336

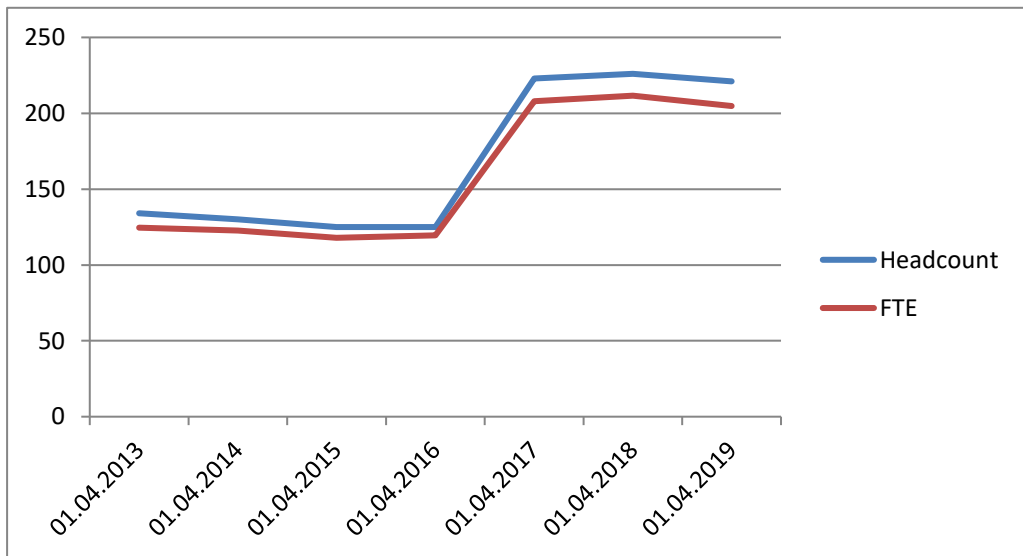
- 2.5 The Council have invested in energy saving measures across all buildings using the ReFit programme, which provides guaranteed energy saving with a payback period of 8 years or less. This will lead to the reduction of energy costs alongside the repayment of the loan and provide a degree of mitigation against increasing energy costs.

- 2.6 When reviewing the operating costs of the Council's property, the two buildings which stand out are the Civic Centre and Anvil Court. This is to be expected given they are the two main office facilities. The two properties raise a set of issues, but one common point is that both buildings are under occupied. A ratio of 7:10 staff was adopted through Workplace Transformation, the current ratio stands at 9:10 This is due to the reduced head count and changing working practice since Workplace Transformation was implemented e.g. the culture of home/flexible working.

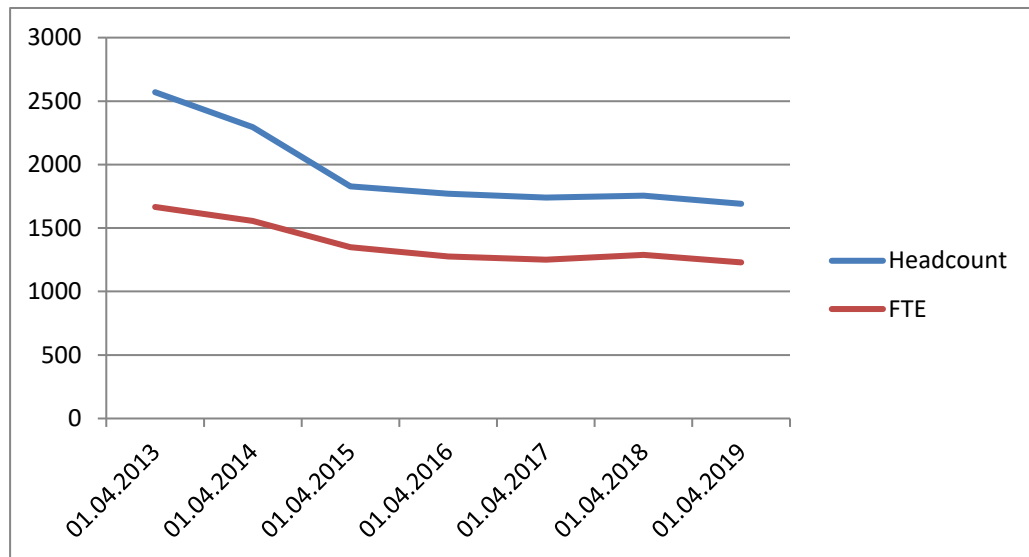
Anvil Court



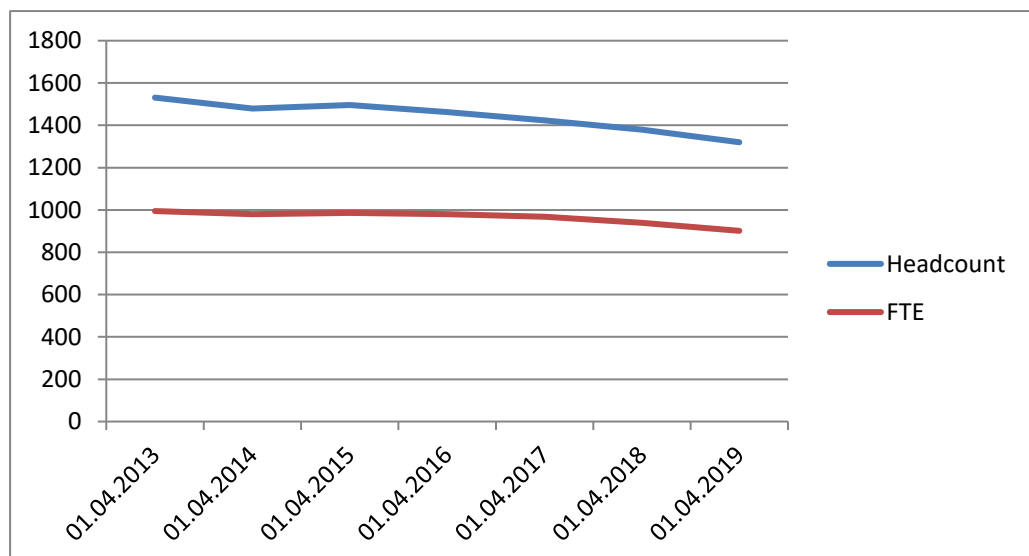
Civic Centre



Corporate Staff (excluding schools)



School Staff



- 2.7 The Civic Centre was constructed in 2 phases in the early 1970's and now has significant maintenance backlog along with a building layout that is no longer fit for purpose for 21st Century Office/Service Delivery. This situation was recognised when the Work Place Transformation investments were made on the basis that the building had a further 5 years of operational life. Therefore there is a need to consider the longer term requirements for the

Council and as per Anvil Court any opportunities that present themselves from sharing space with partners.

- 2.8 Anvil Court is a modern building constructed in the late 1990's and is leased by the Council. There is a growing maintenance backlog which will need to be considered as the lease will need to be renewed by 2025 or dealt with as part of a schedule of dilapidations if the lease isn't renewed. The Council now need to consider the longer term role of Anvil Court in the context of future operational requirements.
- 2.9 The Council undertook a review of office requirements as part of Work Place Transformation based on a desk ratio of 7:10 and with modern working practice this could now be increased to 5:10 across all office space. This needs to be reviewed in the context of the two main Council facilities to determine future requirements. This is a longer term piece of work requiring external support which is currently being secured. This would allow potential financial benefits to be secured in the medium term and would be subject to separate reports.
- 2.1
0 As a result of the drive to reduce office floor space and the significant investments in the 21st Century Schools there are 26 properties that the Council are holding which are surplus to requirements with a number due for disposal. The estimated holding costs which could be saved if all were disposed of could equate to £106,000 (refer to Appendix 1)
- 2.1
1 Alongside the buildings that the Council owns, we currently lease the following premises: Anvil Court, Ebbw Vale Multi Storey Car Park, Church Street, Ebbw Vale, space at Mamhilad in Torfaen (as part of the Social Services collaboration) and space at Abertillery Health Centre. These facilities are occupied on a range of terms and these could offer some short and medium scope to reduce costs. The length of leases and the rationale behind the arrangements does not allow for any short term savings. The Council spends £319,000 per annum on these arrangements (Table 2).

Table 2

Building	Rental / Service Charge 2018/19	Term Remaining/ Break Clause
	£	
Ebbw Vale Multi Story Car park	20,000	51 years
Mamhilad House	42,340	5 years
Anvil Court	218,9473	6 years
20 Church St, Ebbw Vale	7,500	2 years
Flying Start Hub - Abertillery Learning Action Centre	17,039	None
Foxes Lane	14,210	No Information
Total	319,832	

- 2.1
2 The Council owns other property assets such as garage plots, land for grazing, garden land, easements and wayleaves. It derives £130,000 per annum from approximately 350+ acres of land. Reviewing the range of arrangements is a complex exercise and will be undertaken over the next 6 months. The nature of the arrangements may allow for increased income as and when the arrangements need to be renewed allowing for medium term increases in income.
- 2.1
3 As part of the review, the pipeline of property/land disposals that underpins the assumptions in the medium term financial plan has been tested to ensure assumptions made can be delivered. As part of the review, Estates undertook an exercise to assess the level of capital receipts that could be generated from the sale of its surplus property and land with the potential for development. The review identifies that there are Council owned properties and land in the pipe line which could potentially generate in the region of £2,500,000 over the course of the MTFP. See Appendix 2 attached.
- 2.1
4 The review has identified a series of opportunities which could provide short, medium and longer term financial savings or investment opportunities for consideration.

- 2.1
5 Proposal 1 – To dispose of all non-operational buildings currently being held by the Council having regard to any grant clawback or legal obligations that may be in place which may affect its saleability. This could secure capital receipts as well as providing savings to the corporate landlord budget in holding costs as well as reducing/avoid rates on the premises (short term)
- 2.1
6 Proposal 2 – To ensure the rates paid by the Council are minimised by reviewing the accuracy of current rates payments, and the rating of property in the Council’s portfolio and to introduce a systematic approach to regularly review the rates paid on Council premises. The Council are currently securing specialist advise in this area in order to manage its rates position more efficiently.-
- 2.1
7 Proposal 3 – To review the Council’s occupation of properties held on a leasehold basis to establish whether there are any opportunities to reduce payments to landlords. The Council are currently securing specialist advice in this area (short to medium term)
- 2.1
8 Proposal 4 – To review the Council’s current and future requirements for office and civic space to meet forecast future requirements.
- 2.1
9 Proposal 5 – To increase the income derived for land and other assets. All of the Council’s land holdings need to be assessed to identify why land is being held, and the values to the Council in terms of income streams through a series of area reviews. This is an opportunity to not just potentially increase income but to divest the Council of land that may have long term maintenance liabilities (medium term)
- 2.2
0 Proposal 6 – To utilise capital receipts received from the disposals to create an investment fund for use in bringing residential sites forward and other income generating opportunities.
- 2.2
1 Proposal 7 – To secure the energy savings delivered by the ReFit investment in the Councils estate
3. **Options for Recommendation**
- 3.1 Option 1 Preferred Option – To support the proposals 1 to 7

Option 2 – To propose other areas for inclusion in the review for further consideration

4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**
5. **Implications Against Each Option**
- 5.1 ***Impact on Budget (short and long term impact)***

Proposal 1 - To dispose of all non-operational buildings currently being held by the council

The holding costs associated with these building are estimated to be approximately £115,000 per annum. However, these are absorbed within the Corporate Landlord budget and not all properties have a budget associated with them. For 2020/21 savings could be made of approximately £73,000 on buildings that have already been sold / CAT transferred but still have a budget associated with them for rates, insurance etc. However it should be noted that this budget is currently being utilised to offset other pressures on the corporate landlord budget. Other buildings due to be sold or pending a decision to be sold could result in further revenue savings of £73,000 and future capital receipts of at least £940,000.

Proposal 2 - To ensure the rates paid by the Council are minimised

External Advisors are able to assess our rates portfolio on a no win no fee basis. This could provide a reasonable level of savings over the medium term and minimise the increase in the budget line over time.

Proposal 3 - To review the Councils occupation of properties held on a leasehold basis to establish whether there are any - opportunities to reduce payments to landlords

Currently the Council's external rental arrangements cost the Authority £319,000 annually, reviewing these arrangements when they are due to expire or when there is a break clauses could result in the Authority being able to make a significant level of savings.

Proposal 4 – To review the Council’s current and future requirements for office and civic space

Rationalising the amount of office space required by the Authority to meet forecast future demand could result in significant savings / income generation opportunities for the Authority in the medium to longer term. The financial implications would need to be considered as part of a separate business case.

Proposal 5 – To increase the income derived for land and other assets

The Council currently generates approx. £133,000 of income per annum from ground rents, garage rents, wayleaves etc in relation to land. Reviewing these arrangements and possibly looking to put further arrangements in place, given the significant level of land owned by the Authority could result in further income generation opportunities for the Council. As a means of sensitivity analysis a 10% increase in the current level of income would result in further income of £13,000 per year.

Proposal 6 - To utilise capital receipts received from the disposals to create an investment fund for use in bringing residential sites and other income generating opportunities.

The review identifies that there are properties in the pipe line which could generate £2,690,000 over a 5 year period the course of the MTFP. See Appendix 2 attached. Whilst it is Council Policy to pool capital receipts and a significant amount of this will be required to meet capital programme commitments going forward, consideration could be given to setting aside a proportion of this for investment in residential sites.

Proposal 7 – To secure the energy savings delivered by the Re-Fit investment in the Councils estate

The Council have invested in energy saving measures across all buildings using the ReFit programme, which provides guaranteed energy saving to the council with a payback period of 8 years or less. This could lead to the reduction of energy costs of approx. £100,000 for 2020/21.

5.2 Risk including Mitigating Actions

There are a number of risks associated with the report including:

1. The market values associated with the disposals may not be realised if the property market takes a downward trend over the next 6 months as a result of the current uncertainty facing the UK economy. The mitigation is to move quickly and review the prices achieved through disposal and determine whether a holding strategy is required to allow the market to recover. This would need to be balanced against the costs of holding the property
2. The review of the Councils rates position may not yield the maximum levels of reductions available to the Council. The mitigation is to use specialist advice and to risk assess each opportunity to maximise the chance of a successful rates appeal.
3. The Council may not be able to secure reductions in the levels of rent paid to Landlords. The mitigation is to secure the specialist advice to support the Councils review and to ensure the correct negotiation strategy.
4. The risks associated with the development of options for consideration around office space requirements will be identified in a separate report. At this stage the risk is in not considering future requirements when partners may be considering their property options in Blaenau Gwent.
5. There is a risk that the Council does not have the capacity to complete the review of the wider land holding and this will be mitigated by looking to undertake these on a structured area based approach.
6. The risk around using the savings from the REFIT relate to the using of funds which could have been put towards future energy costs, this is mitigated to a point as the Councils position is safeguarded with the guaranteed returns within the contract and the fact that the council will also benefit from further savings if the energy prices rise.

7. There is a risk that if the Council does not create an Investment fund for use in further investments that can generate a return on the investment then income generating opportunities may be lost. This can be mitigated by Council decisions around and Investment Strategy and how it would be funded

5.3 **Legal**

There are a range of legal implications relating to the range and complexity of property arrangements in place and the need to consider the options open to the Council.

5.4 **Human Resources**

There are implications in terms of the need for specialist advice and the work load for the respective staff involved in the process. This will require a prioritised programme and robust project management arrangements to ensure delivery.

6. **Supporting Evidence**

6.1 **Performance Information and Data**

This is contained in the report.

6.2 **Involvement and Integration (consultation, engagement, participation)**

Internal consultation has been undertaken with a project team drawn from Regeneration and Community Services, Resources and OD.

6.3 **Thinking for the Long term (forward planning)**

The overall review has been undertaken on the basis of determining future requirements of the Council and has taken a long term view.

6.4 **Collaboration / partnership working**

The review of our rented property and a option around future Council provision will require partnership working with existing and future occupiers

6.5 ***EqIA(screening and identifying if full impact assessment is needed)***

7. Monitoring Arrangements

7.1 *State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements.*

Background Documents /Electronic Links

-

Anvil Court

Date	Headcount	FTE	Vacant Positions	Vacant Positions FTE
01.04.2013	134	124.5	25	22
01.04.2014	130	122.6	21	20.3
01.04.2015	125	117.9	29	26.2
01.04.2016	125	119.5	18	16.6
01.04.2017	223	208	23	22.1
01.04.2018	226	211.6	22	21.9
01.04.2019	221	204.7	22	21.5

Civic Centre

Date	Headcount	FTE	Vacant Positions	Vacant Positions FTE
01.04.2013	314	291.2	39	36.4
01.04.2014	297	274.6	64	61
01.04.2015	301	272.2	57	41.8
01.04.2016	286	244.2	56	39.6
01.04.2017	333	310.3	31	27.5
01.04.2018	333	313	30	25.2
01.04.2019	313	294.7	34	30.5

BGCBC (Excluding schools)

Date	Headcount	FTE
01.04.2013	2570	1666
01.04.2014	2296	1556.7
01.04.2015	1827	1348.8
01.04.2016	1771	1276.5
01.04.2017	1740	1251.8
01.04.2018	1754	1287.5
01.04.2019	1691	1229.3

School
based

Date	Headcount	FTE
01.04.2013	1531	994.8
01.04.2014	1479	980.6
01.04.2015	1496	986.4
01.04.2016	1463	979.6
01.04.2017	1423	967.5
01.04.2018	1380	938.6
01.04.2019	1320	901.3