

Cheltenham Borough Council
Asset Management Working Group 27th November 2017
Cabinet 12th December 2017
Property Portfolio Asset Review

Accountable member	Councillor Rowena Hay Cabinet Member Finance
Accountable officer	David Roberts Head of Property and Asset Management
Ward(s) affected	All
Key/Significant Decision	No
Executive summary	<p>Property Services has undertaken a comprehensive and thorough review of the Council's property assets with the aim of identifying a potential strategy for each property.</p> <p>The review identifies potential opportunities and suggests recommendations with supporting commentary under the headings retain, review, review-lease/support and dispose. Some properties are already subject to existing reviews which are identified in the asset schedules.</p> <p>Moving forward the review schedule will become an important tool in managing the portfolio. It will be a living and adaptable document constantly updated, which can be used to measure how the portfolio delivers against corporate objectives.</p> <p>Additional resourcing implications and gaps in skillsets have been identified as a result of the review which will be addressed in the structural review of the Property Services division, which is currently underway.</p>
Recommendations	<p>That Cabinet approves</p> <ol style="list-style-type: none"> the recommended strategy for the asset portfolio and the specific recommendations for each of the properties, as set out in the asset review, subject to the completion of the relevant option appraisals and subsequent appropriate approval process.
Financial implications	<p>The resourcing implications will be addressed in the review of the structure of the Property Services division which is currently underway.</p> <p>Contact officer: Paul Jones paul.jones@cheltenham.gov.uk 01242 775154</p>

Legal implications	<p>There are no legal implications arising from the review and report at this stage.</p> <p>Contact officer: Rose Gemmell rose.gemmell@tewkesbury.gov.uk 01684 272014</p>
HR implications (including learning and organisational development)	<p>As detailed in section 2.</p> <p>The estates management team may require additional resourcing and there is an identified development appraisal skillsets gap. Both of these issues will be addressed in the review of the structure of the Property Services Division.</p> <p>Contact officer: Carmel Togher carmel.togher@cheltenham.gov.uk 01242 775215</p>
Key risks	<p>Inability to deliver the growth in property investments or the option appraisals that will lead to developments realising additional income, capital or place shaping opportunities.</p>
Corporate and community plan Implications	<p>The accommodation review is one of the actions outlined in the Corporate Strategy and implementation of the recommendations of the asset review will help meet two key objectives in contributing towards enhancing environmental quality and growing economic vitality.</p>
Environmental and climate change implications	<p>This will be outlined as option appraisals on individual sites are considered in detail following approval of this report.</p>
Property/Asset Implications	<p>As outlined in this report</p> <p>Contact officer: David Roberts david.roberts@cheltenham.gov.uk 01242 264151</p>

1. Background

- 1.1** The investment property report approved by Cabinet and Council on the 6th and 12th December 2016 respectively, recommended making an allocation to the Capital Programme from unapplied capital receipts to deliver key aims and priorities one of which is to ensure the council's land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough.
- 1.2** The report also approved the ring fencing of a minimum of 50% of all future asset disposal proceeds to enhancing the Council's land and asset portfolio. With this in mind, Property Services has undertaken a review of the council's property portfolio with the aim of identifying a potential strategy for each property which:
 - delivers corporate objectives
 - identifies commercial opportunities
 - highlights potential to increase value for money
- 1.3** The review includes recommendations that may lead to a growth in rental income or capital receipt through disposals where the asset is deemed surplus or through the implementation of development opportunities in line with the original intentions of the council report.
- 1.4** The full analysis of the council's extensive and diverse portfolio includes key public buildings and parks and gardens. Many of the properties are used directly by the council, managed by The Cheltenham Trust or occupied by the Third Sector to deliver public services. As such, there is no 'golden egg', quick win and opportunities are constrained by current use.
- 1.5** The portfolio, as set out in the accompanying schedules, has been divided in accordance to the finance category in which the assets are held namely General Fund (GF), Green Space and Housing Revenue Account (HRA) the descriptions below are the classifications used for valuation and finance reporting purposes:
 - Other land and buildings – these assets primarily provide an operational or social economic function but can be income generating too.
 - Surplus – these assets are not held for either operational or investment purposes and certain factors may inhibit immediate disposal but have future opportunities.
 - Investment – these are assets which are held purely for the income they generate. For these assets an initial yield and net yield (net of management costs) has been calculated based on current book values. The council has a target net yield of 5% pa.
- 1.6** The Estates team played a considerable role in the asset portfolio review and are motivated by the prospect of delivering some of the opportunities which have been highlighted.

2. Review conclusion and recommendations

- 2.1** The review resulted in a full analysis of the council's extensive and diverse portfolio which includes key public buildings and parks and gardens. Many of the properties are used directly by the council, managed by The Cheltenham Trust or occupied by the Third Sector to deliver public services. As such, there is no 'golden egg' or quick win and opportunities are constrained by current use.
- 2.2** The review identifies and recommends a strategy for each asset in the general fund and housing revenue account that may present opportunities to grow income or realise capital.
- 2.3** The review identifies and records potential options which may deliver corporate, value for money and place shaping objectives.

- 2.4 The review identifies opportunities for commercial and development opportunities. Many of the opportunities are complex and may take a number of years and additional resource to develop proposal which deliver significant outcomes. The recommendation is to support activity on the progressing the recommendation to **REVIEW** options which include the potential to support the delivery of additional housing.
- 2.5 The review establishes a methodology for measuring yields from investment properties and calculates existing yields.
- 2.6 The conclusion of this review is that, in the short term, resources should be prioritised on activity which seeks to grow the investment portfolio whilst the option appraisals resulting from the **REVIEW** activity is completed.

3. Staffing / resourcing implications

- 3.1 The current team is relatively small with a Senior Surveyor supported by 2 part time Surveyors undertaking a full range of estate management activities. The review has identified the need for additional personnel i.e. an additional estates surveyor to support the implementation of the review including the growth in the investment property portfolio.
- 3.2 In addition, a number of the individual recommendations for specific assets refer to the need for development appraisals a skill set which is currently missing from the team.
- 3.3 Both of these issues will be addressed in the review of the Property Service division which is currently underway. The purpose of this structural review is to ensure that the Division is 'fit for purpose' and is set up to deliver the recommended strategy in the asset review and deliver the councils aspiration to grow and manage its investment property portfolio in order to support the councils Medium Term financial Strategy.

4. Reasons for recommendations

- 4.1 The proposed strategy will support the aspiration to ensure that the council's assets make a contribution to place shaping aspirations and the MTFS.

5. Alternative options considered

- 5.1 Do nothing, which would mean that opportunities would be considered in a less structured way and would not give confidence that the portfolio is being managed and measured against corporate objectives.

6. Consultation and feedback

- 6.1 Executive Board and Informal Cabinet. The Asset Management Working Group considered the review at a meeting on 27th November 2017 and were supportive of the approach and commended officers on a comprehensive piece of work.

7. Performance management – monitoring and review

- 7.1 As part of the ongoing management of the portfolio there will be continual review of the performance of the investment properties, and delivery of appraisals against an agreed programme.

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Asset review
Background information	<ol style="list-style-type: none"> 1.

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If the recommended strategy outlined in the review is not accepted then management of the portfolio and delivery of appraisals is likely to continue in a less structured way	DLR	17/11/17	5	1	5	Accept	Implement recommended strategy	Dec 17		
2	If property services are to make strategic acquisitions, grow the investment portfolio, manage the assets and undertake options and development appraisals then additional resource will be required to deliver the objectives.	DLR	17/11/17	4	3	12	Reduce	Address resourcing implications in the structural review of the Division	March 2018		