

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

14 JULY 2011

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Corporate Management and Finance – Councillor Harrington

BUILDING ASSET REVIEW - UPDATE

1. Summary

This report presents the Asset Transfer Strategy for approval following an extensive consultation process. It also outlines progress on the EIT review of building assets, including identification of some assets which are surplus to requirements.

2. Recommendations

1. That the attached Asset Transfer Strategy be approved.
2. Approve the retention of the Commercial Properties within Council ownership.
3. Agree to advertise Wrensfeld House for transfer.

3. Reasons for the Recommendations/Decision(s)

To update Members on the progress of the Asset Review and approve the Asset Transfer Strategy.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same

purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;

- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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SUMMARY

This report presents the Asset Transfer Strategy for approval following an extensive consultation process. It also outlines progress on the EIT review of building assets, including identification of some assets which are surplus to requirements.

RECOMMENDATION

1. That the attached Asset Transfer Strategy be approved.
2. Approve the retention of the Commercial Properties within Council ownership.
3. Agree to advertise Wrensfield House for transfer.

BACKGROUND

1. The Report to Cabinet on 17 March 2011 outlined the aims, principles and baseline information for the EIT Review of Assets. The overall aim of the review is to focus on the Council's building estate to ensure that properties are being utilised efficiently and effectively. This includes developing a strategic overview of facilities in the Borough and considering opportunities for rationalisation, re-location and combining of facilities. The potential opportunities linked to any known or planned service developments will also be considered.
2. The report outlined the Council's approach to Community Asset Transfer and approved a draft strategy for consultation. This report presents the findings of the consultation process and presents the strategy for approval.
3. Members are reminded that the review has a target saving of £1m by 2014/15 and this report provides an update on the various strands of the review. The community buildings aspect of the review will be influenced by a number of service reviews and this review will be undertaken alongside those reviews and the building implications incorporated.

DETAIL

Asset Transfer Strategy

4. Following the agreement of members in March 2011, a comprehensive consultation process has been undertaken to gauge reaction to the draft strategy. This included:
 - Workshops with representatives of the Voluntary and Community Sector
 - Presentations to Area Partnership Boards

- Members Seminar
 - Visibility of strategy on the Council website.
5. It was stressed during the consultation process that the purpose of the strategy is for the Council to have a strategic approach to Asset Transfer and to work proactively to ensure that this works for the benefit of the Community and the Council. Part of this planned approach is a clear process for dealing with ad-hoc approaches from organisations.
 6. The consultation has resulted in significant level of feedback and this has been considered in finalising the strategy. Many of the comments re-enforced the points included in the strategy and recognised that the Council was being proactive in responding to the Localism agenda and that there were potential benefits to all concerned. There were however some concerns and the strategy has been revised to incorporate the points made. The main amendments are :
 - Document has been restructured with National Framework brought to the beginning.
 - Clarification that the Strategy relates to the Voluntary and Community Sector and not other public bodies.
 - Clarification that the Strategy includes land as well as buildings. This was added with the caveat that where they are required for Council purposes they would not be available.
 - Where a building is currently subject to lease arrangements, including those awaiting renewals:
 - No third party could take ownership or transfer the asset without agreement of the current leaseholder
 - Given the point above, there would be no requirement or benefit of advertising such a property to a wider market for transfer.
 - 3 years for a business plan was considered potentially difficult for some VCS organisations and this has been reduced to 2
 - The need for any prospective transferring organisation to demonstrate robust consultation with users of the building, organisations involved in the management of the building, the wider local community and ward members.
 - Strengthening of governance requirements, e.g. insurance and compliance with the Council's safeguarding policy
 - The timescale was considered unachievable and this has been amended.
 7. A proposed Strategy incorporating the amendments is attached at **Appendix A** and it is recommended that cabinet approve this Strategy.
 8. The Consultation process identified a significant level of interest in support to the voluntary and community sector to support organisations potentially wishing to explore transfer. The Council itself would not be able to offer direct support do to potential conflicts of interest, however we have organised a workshop for all interested parties on 26 July. We will also consider incorporating this requirement into any potential future community support specification.

Office Accommodation Strand

9. The report to Cabinet in March identified a number of buildings that the Council would look to vacate. Those buildings are:

Wrensfield House
Alma House (already approved)
Billingham Council Offices
Gloucester House
16 Church Road
10. Work has progressed well in planning numerous staff moves and relocations across the Council to reflect:

- Changing service requirements following EIT reviews
 - The need for some services to be relocated within certain geographical areas (e.g. Social care)
11. The plans have also taken into account the long term plans to vacate buildings and the Council will be able to vacate Alma House, Wrensfield House and Billingham Council Offices within the next 12 - 18 months. This will save the Council approximately £200,000 per year which will contribute to the savings target associated with this review.

Once vacated, Wrensfield House will be surplus to the Council's requirements. The building suffers from flood risk, and as such there is minimal resale value. The options open to the Council are to demolish the building or explore the possibility of asset transfer, subject to the strategy being approved. Given that this would potentially create a community use of the building. It is suggested that this be explored and the asset advertised in line with the strategy.

Members will be aware that unfortunately we will not now receive PFI credits to support the proposed Integrated Health Facility in the town centre. The Council, along with the PCT are considering options and potential alternative schemes and the future use of the Council offices will be considered as part of this process.

12. Work has also progressed in vacating Gloucester House. Whilst it would be possible to completely vacate this building in the near future, we would need to be mindful of having an empty property to manage. The potential future use of the building and value to the Council will be influenced by the Town centre regeneration programme and it is therefore suggested that a presence be maintained in this building until a time where disposal is appropriate. Once we are able to vacate this building, this will save an additional £60,000.

Community Buildings

13. The report to Cabinet in March outlined the approach reviewing community buildings. Fundamentally, the review is considering the utilisation of current buildings, the potential for improved utilisation and shared facilities and the most appropriate facility from which to deliver Council and Community based services. Buildings which are considered as part of this category include:
- Branch libraries
 - Youth and Community Buildings
 - Surestart childrens buildings
14. Work is still ongoing and this review will be influenced by a range of service reviews. Elsewhere on this agenda, a consultation paper is being launched on the future models of delivering Childrens Centre's and once the outcome of the consultation paper is known, this will inform this review.
15. Where potential opportunities are identified for rationalisation, improved utilisation or potential asset transfer, there will be initial consultation with any external organisation managing or occupying facilities prior to recommendations being made to cabinet.
16. There are a number of facilities that are leased to and operated by community groups, with the leaseholder effectively being a trustee on behalf of the groups, and many are out of date. These arrangements will need to be reviewed and whilst this would not preclude any potential transfer, the Council would need to be mindful of the current arrangements and express agreement would be required from the organisation benefiting from the lease (should it be a different organisation wishing to explore transfer)

Commercial Properties

Baseline information

17. A review has been undertaken of the commercial property portfolio. Baseline information has been gathered on the properties within the portfolio including data on current rents, annual outgoing and estimated freehold value.
18. The Council maintain a portfolio of commercial properties. A brief explanation of the property types falling within this portfolio is set out below:
- Industrial Ground Rents – The Council holds the freehold on a number of industrial sites and grants ground leases on those sites.
 - Garages – Five garage blocks are held within the commercial property portfolio.
 - Estate Shops – A number of estate shops were transferred as part of the housing stock transfer arrangement, but 14 were retained by the Council.
 - Small Industrial Units – 41 individual units are held in five locations, Glasgow St, Thornaby, Mary St, Riley St, Light Pipe Hall Rd and Phoenix Sidings, Stockton. These are let to small businesses, with 3 being internal lettings.
19. Summary information is set out in the table below:

Property Type	Number of Properties	Current Annual Rent – Excluding Vacancies (£)	Annual Outgoings (Non-Staffing/Non Recoverable) (£)	Estimated Capital Value (£)
Industrial Ground Rents	19	124,000	0	1,930,000
Garages	5 Blocks	7,000	5,000	48,000
Estate Shops	14	67,000	7,000	683,000
Small Industrial Units	41 Units in 5 Blocks	123,000	16,000	1,115,000
Total		321,000	28,000	3,776,000

Assessment of Options

20. An assessment has been undertaken to determine whether or not there is a financial/commercial case to dispose of the commercial property portfolio. Disposal of all of the assets would generate a capital receipt of approximately £3.8m but would create a revenue pressure of £293,000 per year. On the basis of estimated property valuations, and in the context of the current property market, it is not considered to represent good value to dispose of the commercial property portfolio at the present time. Investment of estimated sale proceeds would generate around £155,000 per annum, significantly less than the current rental income. The other option to the Council would be to utilise the capital receipt to avoid future prudential borrowing, should it be required. The cost to the Council of prudential borrowing of £3.8m would be approximately £280,000, a similar figure to the current income levels.
21. The rental income stream is relatively stable as the majority of the properties are let to tenants on a long-term basis. Currently eleven individual properties/units are vacant and are being actively marketed for re-let. The requirement for active management of the properties is limited due to the long term nature of the majority of the lease arrangements.
22. It is recognised that circumstances can change with regard to such an assessment and therefore it is recommended that a further review of the portfolio take place in three years time (or earlier if circumstances dictate). However, where individual properties fall vacant in the

meantime it is recommended that all options are reviewed including both re-letting and sale of the freehold interest.

NEXT STAGES

23. The review of community buildings will be undertaken alongside Surestart services and will report to Cabinet in November 2011.

FINANCIAL IMPLICATIONS

24. Contribute to the EIT savings of £1m per annum.

LEGAL IMPLICATIONS

25. None directly associated with the report.

RISK ASSESSMENT

26. This is considered to be a low to medium risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

27. Contributes to the Council's support mechanisms for the Voluntary & Community Sector.

EQUALITIES IMPACT ASSESSMENT

28. None required by this report.

CORPORATE PARENTING

29. None

CONSULTATION INCLUDING WARD/COUNCILLORS

30. Significant consultation undertaken as part of the Asset Transfer Strategy development.

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