



Strategic Asset Management – Property Rationalisation and Disposal Programme Update

SUMMARY

- 1.1 On 20 March 2013 Council Cabinet approved the initiation of a Property Rationalisation Programme and subsequently at their meeting in August 2013 approved a five stage approach to the undertaking of strategic asset reviews to support the objectives of the Programme.
- 1.2 Following on from this Cabinet approval, an exercise was undertaken to gather and analyse information on 382 properties from within the Council's portfolio. This analysis identified the requirement for a more detailed service review to be undertaken in order to provide a better understanding of how the properties were being used by services. The amalgamation of both property information and service review information is fundamental to establish whether there are opportunities to deliver services in different ways, which could subsequently lead to a more efficient and effective use of the Council's portfolio.
- 1.3 Whilst work is continuing with services regarding these service reviews they are proving to be a complex and time consuming process as the services themselves are influenced by the on-going budget setting process.
- 1.4 Since March 2013, 25 properties have been disposed of generating approximately £4.4 million in capital receipts and resulting in an annual revenue saving of £715,000.
- 1.5 The Board is asked to note the progress of the Property Rationalisation and the Disposal Programme.
- 1.6 A confidential presentation will be delivered to the Board to further consider this issue.

RECOMMENDATION

- 2.1 To note the content of this report.

REASONS FOR RECOMMENDATION

- 3.1 To provide an update on the Property Rationalisation and Disposal programme.

SUPPORTING INFORMATION

4.1 Background Information

On 20 March 2013 Council Cabinet approved the initiation of a Property Rationalisation Programme.

The fundamental aims of the Property Rationalisation programme are:-

- To deliver a saving in the property maintenance budget
- To reduce running costs across the portfolio
- To generate capital receipts/maximise financial return
- To allow redundant buildings be brought back into economic use
- To ensure a property portfolio that is fit for purpose, enabling service areas to provide the highest quality of service from suitable premises.
- To minimise/extinguish future liabilities around the Council's property portfolio
- To provide regeneration opportunities, i.e. contribution to the City Centre Masterplan

4.2 The Council's property portfolio comprises over 1300 properties (an area by which a collection of land and buildings are known). This figure does not include the residential stock managed by Derby Homes.

4.3 These properties comprise of both operational and non-operational properties. Operational properties are those premises used for direct service delivery such as community centres, children centres, homes for older people, parks; and non-operational properties are premises not used for direct service delivery including leased out properties, small areas of open space, rights of way etc.

At the outset of the Asset Rationalisation Programme the decision was taken to focus efforts on the 382 properties included within the operational category. It was recognised that the non-operational portfolio would need to be subject to review at some time in the future and will form a later phase.

4.4 The main element of the delivery of a property rationalisation programme is the undertaking of an asset challenge process which seeks to challenge the Council's use of a particular property or asset. The best way to achieve this is through the undertaking of strategic asset reviews.

At its meeting on 14 August 2013 Cabinet approved a five stage approach to the undertaking of strategic asset reviews. The respective stages are set out below.

a) **Information** – Information is gathered on the relevant asset and service requirement.

b) **Analysis** - The information gathered in the first stage is reviewed and analysed through the use of such techniques as a scoring matrix or balanced scorecard, allowing properties to be ranked accordingly.

c) **Options** – Using the results from the analysis stage options are generated and assessed against the objectives and aims of the review. A recommendation is then made as to the preferred option.

d) **Decisions** - Approval is obtained to progress with the recommended option.

e) **Implementation** – Based on the approved option an implementation plan is agreed and implemented.

4.5 As part of the first two stages of the review process information on and analysis of the identified 382 assets have been undertaken.

4.6 To ensure the analysis stage was carried out in a consistent and transparent manner, an evidence based approach was established through the adaptation of a common set of assessment criteria. The criteria adopted took into account both the physical aspects of the building and how well it was performing in its ability to support service delivery.

4.7 To ensure that this process was undertaken in a systematic manner the City was split into 8 areas with each area being looked at on an individual basis.

4.8 In undertaking this work, it became clear that the assets require a more detailed analysis to gain a greater deeper understanding of how the properties are being used by services.

4.9 To achieve a better understanding of how the properties are being used by Services, detailed service reviews are continuing. These reviews will look at in detail how the property is currently being used; the cost of operating the property; future service delivery models and assessing whether the operation of the property can be undertaken in a different way including whether there is an opportunity to use the building for joint service provision.

4.10 The key output from these service reviews will be a series of outline business cases which will provide a firm, transparent, defensible basis for:-

- Decision making by Cabinet on the disposal and retention of buildings;
- Implementing future models of service delivery in retained buildings;
- Further work needed to implement Cabinet's decisions.

4.11 This process is on-going, however, it is proving to be a complex and time consuming process as it requires input from the service area regarding their future model for service delivery, which in turn is linked to the current budget setting process.

4.12 **Council's Disposal Programme**

As a result of the work undertaken on the Rationalisation Programme, since March 2013, 25 properties have been disposed of generating approximately £4.4 million in capital receipts. The most recent transactions include the sale of the Wetherby Centre via auction in October 2016 for a consideration of £445,000 and the subsequent sale of Mount Road Garage site for a consideration of £52,000 in November 2016.

The table below shows an overview of the disposal programme since initiation of the Asset Rationalisation Programme.

Financial Year	No of properties sold	Capital Receipts (£)
2013/2014	12	£608,000
2014/2015	7	£1,007,000
2015/2016	4	£2,293,000
2016/2017	2	£497,000
Total	25	£4,405,000

An overview of the full Disposals Programme is attached in Appendix 2 of this report.

4.13 Savings Achieved to date

The annual budget savings agreed in relation to Property Rationalisation and the years in which they were applied is shown below, alongside the progress made towards these savings as a result of Property Rationalisation.

The table below shows that a revenue saving of £715,000 per annum has been achieved so far against an initial target of £1,131,000.

	Total Savings
2013/2014 Savings Targets	£116,000
2014/2015 Savings Targets	£1,015,000
Total Targets applied (13/14 & 14/15)	£1,131,000
Annual Saving from Property Rationalisation to date	£715,000
Savings to be achieved	£416,000

It is important to note that the £1,131,000 budget provision was removed from Property Design & Maintenance's (PD&M) budget however properties have not been disposed of quickly enough to meet the required target. As a result of this, PD&M are focussing on essential maintenance only and subsequently there is a backlog of property maintenance work building due to the lack of sufficient maintenance investment.

A further £730,000 has been identified in the most recent MTFP as a saving in 2018/2019 and is dependent on further Asset Rationalisation. A confidential presentation has been prepared and will be delivered to the Board on 29th November to further consider this issue.

4.14 Key Challenges & Risks

Resources

The main challenge surrounding the delivery of both the Asset Rationalisation and Disposal programme is staff resources within the Strategic Asset Management & Estates (SAM&E) service.

Due to staff shortages and the urgent nature of the Council's Asset Valuation programme, key senior asset management officers have been redeployed away from the Rationalisation Programme which has resulted in a delay in the delivery of the Asset Rationalisation Programme. Should this situation continue there is a risk that key savings targets will not be achieved and subsequent further maintenance costs will be incurred.

In order to mitigate this risk, temporary resource has been brought into the service whilst a longer term plan is being developed.

Maintenance Backlog

As detailed in section 4.13 of the report, Property Design & Maintenance are focussing on essential maintenance only to properties whilst decisions are made on the future of assets. This makes the risk of more significant reactive maintenance risks being required in the intervening period.

- 4.15 The Board are asked to note the progress of the Property Rationalisation and Disposal Programme.

OTHER OPTIONS CONSIDERED

- 5.1 To make decisions on the future of properties without carrying out a review process which is linked to the Council's strategic objectives, would not provide for a robust, transparent and evidence-based decision making process.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Emily Feenan, Principal Lawyer Amanda Fletcher, Head of Finance – Communities & Place Liz Moore, Strategic HR Manager Jayne Sowerby-Warrington, Head of Strategic Asset Management & Estates. Greg Jennings, Acting Director of Regeneration, Property & Housing Phil Derbyshire, Head of Property, Design & Maintenance
For more information contact: Background papers: List of appendices:	Jayne Sowerby-Warrington 01332 643337 Jayne.sowerby-warrington@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Property Disposal programme

IMPLICATIONS

Financial and Value for Money

- 1.1 As the report aims to provide an update on the Property Rationalisation programme, there are no financial implications as a direct result of this report. The details of the financial progress of the programme are contained within the main body of the report.
- 1.2 Capital receipts generated from the sale of assets are applied in accordance with the corporate capital receipts policy and used for the overall benefit of the capital programme.
- 1.3 Delays in Property Rationalisation Savings create revenue budget pressures within the Property, Design and Maintenance service.
- 1.4 A Property Rationalisation reserve has been established in order to ensure the upfront costs of getting property to a ready state for disposal are met.

Legal

- 2.1 None directly arising from this report, however officers are aware of the overriding requirement under Section 123 of the Local Government Act 1972 to obtain the best consideration reasonably obtainable on disposal of assets.

Personnel

- 3.1 Progressing Property Rationalisation is dependent on addressing staff shortages in SAM&E and a planned approach is being developed.

IT

- 4.1 Where properties due for disposal have IT network links then in order to exit these we may have to pay termination fees on the unexpired voice or data network contracts. The cost of any such early termination will be offset by the income achieved or the reduced operational maintenance and energy costs. The minimum contract length for both voice and data networks is 36 months. The Information Systems Department will liaise with property services on a case by case basis.

Equalities Impact

- 5.1 The potential relocation of services could give rise to equalities issues which need to be addressed as they progress.

Health and Safety

- 6.1 A delay to Property Rationalisation Programme has implications on PD&M revenue budget as maintenance backlog is growing. PD&M budget is focussed on minimum essential repairs.

Environmental Sustainability

- 7.1 The disposal of surplus buildings will allow redundant buildings to be put back into economic use and assist in the regeneration of the surrounding areas.

Property and Asset Management

- 8.1 The relevant Property and Asset Management comments are incorporated into the report.

Risk Management

- 9.1 The approach will reduce the number of buildings within the council's portfolio and that should minimise the associated risk.

Corporate objectives and priorities for change

- 10.1 The maintenance savings that are gained via the disposal of properties will contribute towards the required budget savings for the period of 2013-16.

Appendix 2

Disposals Achieved through Property Rationalisation

Address	Description	Status	Sale Price	2013/14	2014/15	2015/16	2016/17	Comments
Glossop St	Land	Sold	£0.00	x				Sale to Strata Homes as part of the OSCAR regeneration Scheme
Land at Elton Rd	Land	Long Lease	£0.00	x				Leased to Derby Homes Ltd. As part of the OSCAR regeneration Scheme
Mandela Centre Pear Tree Rd	Day Centre	Leased out	£0.00	x				Community Asset Transfer
40 West Ave	House	Sold	£97,500	x				Sold by Private Treaty
55 Wilson St	House	Sold	£80,000	x				Sold by Private Treaty
85/89 King St	Retail	Sold	£121,000	x				Sold by Auction
101 Pear Tree	Shop/Office	Sold	£203,000	x				Sold by Auction
Sinfin Lane Public Conveniences	Toilets	Sold	£17,200	x				Sold by Auction
Former Stable and Bake House Darley Park	Listed Building Complex	Long Lease Granted	£0.00	x				Regeneration of dilapidated building
26 Humbleton Drive	Retail	Sold	£86,500	x				Sold by Auction
Wayzgoose Lane	Land	Leased out	£0.00	x				Site leased to adjoining owner
Grange Av Site B	Residential Development	Long Lease Granted	£0.00	x				Extra Care Development

Address	Description	Status	Sale Price	2013/14	2014/15	2015/16	2016/17	Comments
Chesapeake Family Centre	Offices	Sold	£70,000		x			Sold to Derby Homes Ltd - Redevelopment for housing
714/716 Harvey Rd	Shop	Sold	£97,000		x			Sold by private treaty to occupiers
1064 London Rd	Hostel	Sold	£127,000		x			Sold by Auction
Coach House Kedleston Rd	Office	Sold	£138,000		x			Sold by Auction
Land at Parcel Terrace	Land	Sold	£43,500		x			Sold by Auction
Land at 1-5 Brook St	Land	Sold	£95,000		x			Terms agreed with Adjoining owner
Rosehill Business Centre	Managed Work space	Sold	£436,380		x			Joint sale with co-owner of Business Centre
Roman House	Office	Sold	£1,200,000			x		Conversion to Student Accommodation
63 Duffield Rd	Office	Sold	£613,000			x		Sold in conjunction with 63a Duffield Rd
63a Duffield Rd	Office/PRU	Sold				x		Sold in conjunction with 63 Duffield Rd
Raynesway	Land	Sold	£480,000			x		Sold for Industrial Development
Wetherby Day Centre	Day Centre	Sold	£445,000				x	Sold by Auction (LSH)
Mount St Garage Site	Garage Site	Sold	£52,000				x	Sold by Auction (SDL Graham Penny)