

Bath & North East Somerset Council

MEETING:	Resources Policy, Development and Scrutiny Panel.
MEETING DATE:	26 March 2012
TITLE:	Property Board Operation and Direction of Travel
WARD:	ALL

AN OPEN PUBLIC ITEM

List of attachments to this report:

Appendix 1 – Draft Property Board Terms of Reference 2012

Appendix 2 – Draft Corporate Asset Management Plan 2012

Appendix 3 – Schedule of projects past, present and future identified by Property Services to add financial value to the property portfolio.

1 THE ISSUE

1.1 To set out the basis upon which the Corporate Asset Management Plan has been framed and understand the role of the Property Board in the delivery of that plan.

2 RECOMMENDATION

The Resources Policy, Development and Scrutiny Panel are asked to note:

2.1 the Corporate Asset Management Plan 2012 and

2.2 the role of the Property Board and

2.3 the projects either undertaken or proposed to be undertaken by Property Services to add financial value to the property portfolio.

3 FINANCIAL IMPLICATIONS

3.1 There are no financial implications as a direct result of this report. The Asset Management Plan will lead to revenue savings due to the further rationalisation of the property portfolio and the generation of capital receipts from the disposal of surplus assets. Over the last 6 years £56million has been raised from the disposal of surplus property assets and developments.

4 THE REPORT

4.1 The Property Portfolio.

The Council owns a property portfolio comprising approximately 1,200 property assets. At 1st April 2010, this portfolio had an asset value of approximately £475million. The Council has registered its title over all its property assets.

The Council currently holds and manages these property assets in either its Operational or its Commercial Estates.

The Operational Estate - The property assets used by the Council in the delivery of its services are held within the Operational Estate. This estate was valued at 1st April 2010 at £247million.

The Commercial Estate - The Council owns a large and influential portfolio of investment property, mainly retail premises in the centre Bath, but also elsewhere including those planned for the Keynsham town centre development. At 1st April 2010 the capital value of this estate was estimated at £227million.

4.2 Alignment with the Council Vision

The purpose of the corporate asset management plan is to ensure that Bath & North East Council strives to own and retain only those properties which play a specific and clearly defined role in delivering the Council's objectives, whether these are as an operational or commercial property asset.

Accordingly, Property Services, through its asset management plan, has in place a continuous and cyclical review of all these property assets geared around ensuring that the property estate is rationalised and fit for purpose in delivering or supporting the delivery of the new Council Vision.

4.3 Governance arrangements

All property whether owned or leased by the Council is held corporately and the authority to acquire, dispose and manage property is delegated to the Chief Property Officer (CPO), who in turn delegates specific activities relating to these functions to officers either within Property Services or other services within the Council. The scheme of delegations, by the CPO, is formally embedded within Property Services and it is the intention that a similar scheme will be implemented across the Council, to replace the informal arrangements which currently exist.

4.4 Role of Property Board

The role of Property Board is to review performance and make recommendations in respect of the management, administration and development of the Council's Property Portfolio. The draft revised Terms of Reference of the Property Board for 2012 are attached at **Appendix 1** and are due for consideration at its next meeting on 29 March 2012.

The Property Board is not part of the formal decision making process of the Council. The management of the property portfolio is an Executive function and the extent to which decisions relating to property may be delegated is a matter for the Cabinet to decide. Decisions are made by the Chief Property Officer, within the policy framework set by the Council and the requirements of the Cabinet and the Cabinet Member for Community Resources.

The general objective in the management of the Property Portfolio is to achieve best financial return in terms of both capital and revenue.

The Board in particular provides challenge and direction in relation to the following specific areas:

- Property portfolio – objectives, policy reviews, strategic analysis and strategic plans
- Asset Management – programming and monitoring of AMP related activities
- Capital receipts - from the disposal of surplus property and delivery of the Council owned property developments.
- Revenue - Income generation, void levels and debt management
- Asset acquisitions, disposals, developments and investment opportunities – strategic and high level tactical options, medium term plan and regular updates of progress
- Performance reports

4.5 The Corporate Asset Management Plan

Any organisation may hold a property portfolio which has been acquired mainly in response to specific need rather than as part of a strategic plan. Over time this collection of property will eventually contain buildings possessing varying degrees of sufficiency and suitability in addressing the organisations operational and corporate needs.

Accordingly, unless there is a robust programme of systematic review in place to ensure that this estate is continuously challenged there is a risk that the portfolio will start to comprise property which has become surplus to service needs or obsolete in its construction or design. In certain cases the retention of property without good reason could be financially detrimental to an organisation.

The Corporate Asset Management Plan has been refreshed for 2012 and is currently in draft form. The entire document is comprehensive, running to some 70 pages, with some elements not yet published. The core Plan itself comprises 4 sides and this can be found at **Appendix 2**.

The remainder of the mechanisms and processes flow from the core Plan. These are also set out in **Appendix 2** and include the following:

- The vision for the overall asset base.
- Details of how the total asset register has been segmented and the objectives that apply to those portions.
- The challenge process which informs decisions on retention, Management or disposal.
- The work programmes that manage much of the day to day work of Property Services.
- The Property Protocol which sets out roles and responsibilities and the practical arrangements associated with the occupation of Council land and buildings.

The draft revised Corporate Asset Management Plan 2012. This AMP has yet to receive formal approval and its consideration by the Resources Policy, Development and Scrutiny Panel forms part of the consultation process.

The purpose of the AMP is to ensure there is programme of review and challenge for each and every property asset, which is either informed by or results in the various supporting or consequential programmes listed below including:

Programmes which inform asset reviews

- condition surveys of all buildings within the portfolio;

- Suitability and sufficiency surveys of operational building managers/users
- assistance with service areas to develop service and resource plans, which identify property needs to support service delivery and improvement

Programmes flowing from asset reviews

- capital receipt planning arising from surplus asset disposals and property developments.

Programmes in relation to the management of the portfolio

- capital and revenue planned maintenance across the entire portfolio;
- asset valuations; insurance valuations; rating valuations
- income profiling and monitoring of income generation – including rent review; lease renewal; debt management; voids and new lettings.

4.6 Emerging external challenge on Investment Portfolio, within the Commercial Estate

The recent property review exercise undertaken by Drivers Jonas Deloitte identified the benefits to be gained from engaging the services of a strategic property asset management function to work alongside the in house team within Property Services as part of its asset management of the commercial estate. Following debate at Property Board, the Chief Property Officer will be seeking to procure the services of such an adviser to work with the in-house team with the following outline specification of roles:

- An adviser to supplement the Council's professional skills base in areas where it is considered limited expertise / capacity exists.
- Work with in-house team to establish and develop key objectives and investment strategy for the Commercial Estate.
- Identify, examine and determine external and internal risks associated with holding the Commercial estate; and find ways of mitigating the identified risks and provide options to meet the key objectives which should include a clear means of re-investment, where appropriate.
- Provide support and advice in the review process and act as a sounding board for challenge and critique where necessary throughout the process.
- Using market knowledge to assist the in-house team in the development of key performance indicators, based on market practice, which may be used to demonstrate property performance in terms of management of the estate and the performance of the Department/teams involved.
- Assist in devising a strategy which will meet the Council's objectives for the retailing centre, and will include the delivery of the most appropriate tenant mix for identified areas of the City, using specialist retail knowledge.

4.7 Recent property projects past, present and future with added financial value.

Appendix 3 sets out a schedule of projects undertaken by Property Services, which have either added or have been identified to add financial value to the property portfolio. The current and future projects listed, which are the product of the review of property assets under the asset management plan, will be the subject of monitoring by Property Board and will be reported, as appropriate to other corporate working groups/boards within the Council.

This schedule does not include those properties which were the subject of straight freehold disposals, but which equally contributed towards the £56million generated to date.

It should also be noted that Appendix 3 does not include work or projects led by external service areas, which do not improve either the operational or commercial estate but where Property Services provide the property advice. It also excludes schemes which are specifically directed at improving operational service delivery, including new construction projects. All these areas of work, however, are the subject of monitoring by Property Board, where appropriate.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 CONSULTATION

6.1 Cabinet Member; Section 151 Finance Officer; Chief Executive; Monitoring Officer

6.2 Consultation was undertaken through the circulation of draft papers

7 ADVICE SOUGHT

7.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Tom McBain – Chief Property Officer, Divisional Director Resources, Property Services Richard Long – Estates Manager, Property Services
Sponsoring Cabinet Member	Councillor David Belotti, Cabinet Member for Community Resources
Background papers	None
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