

Property Services

**Presentation by the Chief Property
Officer to
Resources Policy, Development and
Scrutiny Panel
26 March 2012**

***“Property Board Operation and
Direction of Travel”***

The Property Portfolio

- » 1,200 Property assets - £475million
- » The Operational Estate - £247million
- » The Commercial Estate - £227million
- » Community/Infrastructure/Non-operational portfolio
- £1million

(01 April 2010)

**All property assets (with the exception of Schools
and Heritage buildings) are corporately held**

Property Board Operation and Direction of Travel – Terms of Reference

The board reviews performance and makes recommendations in respect of the management and administration of the Council's Property Portfolio. The Board provides a steer in relation to three key areas, in relation to this portfolio :

- » Objectives, policy and strategy
- » Opportunities for added value
- » Asset management related programmes

Property Board Operation and Direction of Travel – Policy and strategy

- » Objectives, policy and the strategic direction of the property portfolio – **The Corporate Asset Management Plan**
- » A Placemaking Group has been created to take an over view of both property and development, each of which will have its own separate board.

Corporate Asset Management Plan

What is the Corporate Asset Management Plan?

The AMP introduces a regular process of challenge to ensure the portfolio is demonstrating best financial return measured in terms of :

- » suitability and sufficiency for operational buildings and
- » internal rate of return for its commercial stock.

Corporate Asset Management Plan

What has the AMP delivered to date?

- » £56million released over the past six years
- » Capital generated with no loss of revenue to the Council
- » The capital value of the corporate and commercial estates has increased over the same period.

Corporate Asset Management Plan

What is the future value of the AMP?

- » As access to releasing capital from surplus property becomes more difficult to identify from a fixed asset base, the role of the AMP in continuing to realise potential disposals is becoming critical
- » Not only is capital generated but revenue savings will be released through the continued challenge and identification of opportunities for co-location, rationalisation and disposals of surplus or obsolete property assets.

Property Board Operation and Direction of Travel – Opportunities for added value

Options for acquisitions, disposals, development and management of the property portfolio

Appendix 3 to the main report 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 will be the subject of monitoring by Property Board and reported, as appropriate, to other corporate working groups / boards within the Council.

Property Board Operation and Direction of Travel - Programmes

The Board monitors and receives reports which consider asset management related programmes and activities including:

- » Condition Surveys
- » Repair and Maintenance
- » Asset Review - Challenge of asset performance
- » Capital receipt programme – surplus property disposals and enabled developments
- » Revenue programme – Income, debts and voids

Condition Surveys

Every asset owned by the Council is subject to a five yearly full elemental condition survey, which form the base intelligence for asset reviews and where appropriate prioritisation of repair programmes.

- » Corporate property condition backlog of £11.5million
- » DDA backlog now stands at £1.5million

Repair and Maintenance

- » Capital planned maintenance programme - £905,000 for 2012/13
- » DDA programme - £552,000 for 2012/13
- » Revenue planned & responsive maintenance and contractual servicing programme - £2.4million per annum. (This excludes the Commercial Estate, where the majority of R&M is recoverable from tenants).

Repair and Maintenance initiatives

“Living in Context” is a new and innovative educational partnership instigated by Property Services working with UWE to give its Building Surveying students access to live projects, providing them with first hand experience of working in an heritage environment

Asset Reviews

The challenge of asset performance is the practical application of data intelligence against benchmarks to assess the retention or alternative use strategy for Council owned buildings, through the application of performance modelling.

Performance models

The performance models are set out within the AMP. Current property objectives revolve around the concept of best financial return. The models assess:

- » Operational Estate – Efficient and effective use of assets in terms of suitability, sufficiency & condition
- » Commercial Estate – The internal rate of return

Asset Reviews

Asset reviews are built around 6 key themes:

1. A model that treats all assets strategically and corporately
2. Property demonstrates fitness for purpose and VfM
3. Development potential is realised
4. Collaboration and sharing is encouraged
5. Promotion of sustainable assets
6. Non-operational properties demonstrating acceptable returns

Capital receipt programme – disposals

- » £56million in capital generated in last six years from the disposal of surplus property assets and enabled developments.
- » £30million in capital receipts (approx.) targeted for realisation over next six years
- » There is a joint project with Development and Major Projects to determine the costs and benefits of the growth agenda. This is known as the PAFF Group.

Capital receipt programme

Disposals of key sites to enable third party development include:

- » Riverside, Keynsham
- » Sawclose
- » K2
- » Bluecoat House
- » Cattlemarket / Cornmarket
- » Manvers Street
- » Bath Quays (South)

Revenue programme

- » £15million rent roll of income generated per annum, despite prevailing market conditions
- » £300k average debt representing 2% of rent roll, substantially below market indicators
- » An average 3% void property rate, again well below market indicators
- » The estate management service is delivered by Property Services at a fee of less than 5% of the gross rental income.

Future Asset Management Priorities for 2012

Corporate asset management plan

Embedding the Corporate Asset Management Plan across the Council, instilling the approach that all property assets are corporately owned

Future Asset Management Priorities for 2012

Cross-departmental property champions

The engagement of cross-departmental property champions:

- » in the recognition of property as a corporate asset
- » embedding the principles of asset management planning across Council departments
- » reflecting asset utilisation within Service Actions Plans.

Future Asset Management Priorities for 2012

The recent external review by Drivers Jonas Deloitte:

- » acknowledged the very high level of work undertaken by the Council in-house team in relation to the day-to-day management of the Commercial Estate.
- » identified the benefits to be gained from appointing a strategic adviser to work alongside the in-house team. The process of engagement is underway.

Future Asset Management Priorities for 2012

- » Maintenance of the property portfolio is effectively self-funding from disposals
- » In addition to providing capital funding for delivering other capital programmes as directed by the administration, the capital receipts programme provides the funding to ensure buildings are maintained and remain open to deliver front-line and back office services.

Future Asset Management Priorities for 2012

- » With reducing opportunities for easily identifiable receipts, the AMP becomes more critical in facilitating the identification and release of surplus assets to generate capital and realise revenue savings.

Activities beyond the scope of this report but delivered by Property Services

- » Workplaces
- » Design-build construction projects
 - Including new-build projects at Bathampton Primary School; Moorlands Infant School; Newbridge Primary School
- » Other externally lead projects
 - Solar panels on school roofs; 11/12 Abbey Churchyard (former Binks unit)