

Report of the Strategic Director of Regeneration to the meeting of Regeneration & Economy Overview & Scrutiny Committee to be held on 24th October 2016

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Subject:

Estate Management

Summary statement:

This report provides the committee with an update to the report outlining the functions of Estate Management presented to committee on 17th November 2015 and addresses specific queries raised by the committee.

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Overview & Scrutiny Area:

Regeneration & Economy

1. SUMMARY

This report provides the committee with an update to the report outlining the functions of Estate Management presented to committee on 17th November 2015 and addresses specific queries raised by the committee.

2. BACKGROUND

2.1 Service Update

2.1.1 Following a restructure of service areas within the Regeneration Department earlier in 2016, the Estate Management Service together with Facilities Management, Building and Technical Services and the Energy and Climate Change Unit now comprise the Estates and Property Service.

2.1.2 The Estates Management service area continues to be arranged in two teams; Operations and Programmes however staff numbers have decreased across the service from 39 to 32 during the last year. At the same time workload has increased as the Service is increasingly called upon to support other areas of the council to achieve service reconfiguration and budget savings.

2.1.3 The Estates teams provide pro-active and strategic asset management advice and are essential enablers offering corporate support and strategic functions across the Council. This work is split into two broad remits which is to provide strategic and day to day management of the council's operational property, led by Steph Moore, and the Programmes Team and the Operations Team led by Belinda Gaynor providing day to day advice on the non-operational investment estate and surplus land and buildings, dealing with acquisitions and disposals, rent reviews and lease renewals and asset valuations.

2.1.4 The Council needs to ensure it is maximising the efficiency and potential of its assets. To provide some context, the Council is the largest land owner in Bradford with holdings in excess of 5,500 hectares, representing 13.75% of the entire district. Given the current unprecedented reductions and financial pressures in public sector funding, it is now more pressing than ever to ensure an effective and holistic use of public assets.

These changes have resulted in an increased demand upon Asset & Estate Management services, for example: the number of School Academy conversions; Youth Service review; Children's Services clusters; Adult Services review; Environment & Sport strategic review e.g. Trust status; The Localism Act – Community Asset Transfers; Self-management; Assets of Community Value; this list is not exhaustive of the changes requiring property related advice and action. For example, the number of legal instructions issued to Legal Services from Estates has trebled over the last 12 months from 350 to 1,100, the service is currently

processing and progressing 51 Community Asset Transfer requests, and 23 Academy conversions

2.2 2015/16 Activities

2.2.1 A summary of the main work carried out within the service during the last year is set out below.

Activity	Description	Outcomes
Disposals	The sale of surplus land and property	2015/16 £2.2m
Property Management	<p>The day to day management of land and property 'held by Estate Management'</p> <p>The provision of an Estate Management Service to other property holding Service areas</p> <p>Invoicing</p>	<p>The management of 3,856 leased properties – generating income of £2.864m in 2015/16 against a target of £2.621m</p> <p>Letting vacant non operational property.</p> <p>The management of a programme to reduce the council's business rates liability.</p> <p>Public Open Space – maintenance, fly tipping, dealing with antisocial behaviour.</p> <p>Market shops lettings; ongoing management of Childrens Centre lettings; Parks & Landscape lettings</p> <p>Total income billed 2015/16 £5 m</p>
Valuations	Asset Valuations	The completion of a programme of 1,468 valuations for inclusion in the council's 2015/2016 Financial Statements.
Acquisitions and Disposals	The acquisition, management & disposal of properties on behalf of the Empty Homes Team	<p>Financial Year 2015-2016</p> <ul style="list-style-type: none"> • 6 properties sold • 12 acquisitions <p>81 valuations undertaken and 4 disposals</p> <p>The acquisition of land in Silsden for</p>

	The disposal of properties to recover unpaid council tax	use as a new school site. Supporting the recovery of income owed to the council.
Academies	Negotiation of property arrangements for the conversion of schools to Academy status	2015/16 3 completed
Childrens Centres	The negotiation and completion of tenancy agreements for leased in childrens centres and third party occupations	3 Clusters – tender exercise complete – supports Children's Centres efficiency saving targets.
Highway Schemes	Hard Ings and Harrogate Road schemes	Acting as intelligent client for the Council by liaising with the external surveyor appointed to negotiate land acquisition.
Housing development	Identification of sites for future development Disposal Support to council's own housing development programme.	Helping the council to meet the district's requirement for new homes whilst generating capital receipts to support district priorities.
Office Accommodation	Rationalisation of space through consolidation supported by introduction of flexible working and electronic document management.	Completion of MMT Vacation of Jacobs Well Refurbishment of Argus Chambers Reconfiguration of Britannia House Relocation of approximately 2,200 staff.
Estates Strategy	Strategic planning and implementation of capital projects. Acquisition of capital funding on 'invest to save' principle. Project management from inception to delivery. Business Transformation.	Depot Strategy – Proposed consolidation of 3 depots onto 1 freehold site. Shipley – Refurbishment of the former library and integration of services into shared premises creating a Council hub with multi service delivery and releasing surplus property for sale.
Community Asset Transfer's (CAT's)	Managing/encouraging applications for transfers of property on lease to third party/community groups to	55 applications have been received for 86 properties. 41 applications are progressing through the transfer process.

	ensure continued community benefit and reduced Council liability and expenditure. Providing management support and information. Negotiation and completion of tenancy agreements.	
Allotments	Management and day to day operational provision of the Councils Allotment Service.	Transfer of 3 sites to Bingley Parish Council with effect from 5 th September. Encouraging CATs/self-management currently profiling a further 10% reduction in Sites to manage by year end.
Public Sector Hubs	Co-location of publically funded services to demonstrate service and financial efficiencies from rationalisation of property.	Effecting where possible opportunities for economic growth e.g. releasing sites for housing / jobs etc. Enhanced public accessibility to Services.
Libraries Review	Acting as an Enabler to support the proposals in the Libraries review.	Negotiation of lease and transfer arrangements as applicable. Reducing Council costs and liabilities.
Assets of community Value	The management and administration of applications to register.	Ensuring compliance with current legislation including administrating within strict timescales.
Sports Trust	Acting as an Enabler to support the feasibility study.	Provision of property data / info, costs and liabilities. Ensuring proposals are aligned with the wider strategic asset management plan.

2.3 2016/17 Key Work Priorities/Programme

Key activities that the service is undertaking during the current financial year include;

Activity	Description	Outcomes
Property Management	The day to day management of land and property across the district including tenanted operational property.	Income generation Maintenance of open spaces
Investment Estate	Strategic Review	Increase rental income and realise capital receipts through the sale of underperforming assets.
Disposals	The sale of surplus land and property.	Circa £6.5 m forecast for 2016/17
Childrens Services	On-going management of third party occupations of Childrens Centres	The support of continued service provision facilitating Childrens Services budget savings
Highways Projects	Transport Fund Schemes	Supporting the delivery of Harrogate Road Junction improvements, Hard Ings, Canal Road and Tong Street schemes.
Housing	<p>The identification of council land for housing development</p> <p>The provision of on-going support to the Empty Homes Team</p>	<ul style="list-style-type: none"> • Supporting the achievement of the council's new homes target through either the sale of land suitable for development or the identification of land suitable for the council's own housing building programme. • Continuing the current programme of acquisition and sales to bring empty homes back into use - Financial Year 2016 – 2017 ; • 3 properties sold • 12 properties currently being marketed for sale • 18 potential acquisitions being progressed

		<ul style="list-style-type: none"> 14 valuations carried out on behalf of Empty Homes Team
Academies	The negotiation of lease terms and property arrangements for the transfer of schools to academy status.	Supporting the completion of statutory transfers meeting deadlines set by the DFE. 2016/17 to date; 17 completed 25 in negotiation
Youth Service	Property arrangements to support service reconfiguration and commissioning of services	Service transformation
Libraries	Property arrangements to support service reconfiguration and commissioning of services	Service transformation
Adult Services	Property arrangements to support service reconfiguration and commissioning of services	Service transformation
Valuations	Asset Valuation Programme	The annual revaluation of the council's assets for inclusion in the council's Financial Statement
Strategic Priorities	Support to priorities led by other services	Eg., Oastler Centre Transport Mills Affordable Housing Programme
Office Accommodation	Rationalisation of space through consolidation supported by introduction of flexible working and electronic document management.	Continued churn of the office accommodation recognising organisational change. Completion of outer district area reviews to capture opportunities.
Estates Strategy	Strategic planning and implementation of capital projects. Acquisition of capital funding on 'invest to save' principle. Project management from inception to delivery.	Depot Strategy – On site delivery. Museums – Progress on-going review of existing property provision and service need, enabling business transformation and enhancing estate.

	Business Transformation.	
CATS	Managing/encouraging applications for transfers of property on lease to third party/community groups to ensure continued community benefit and reduced Council liability and expenditure. Providing management support and information. Negotiation and completion of tenancy agreements.	Continued progress of existing and new applications.
Allotments	Management and day to day operational provision of the Councils Allotment Service.	Progress strategy to promote CAT and self-management. Working with COMA – Community Ownership & Management of Assets Group to achieve multi asset transfer of sites remaining. Continued Site Rep Training schedule to encourage on site operational management.
One Public Estate	Public Sector Hubs Co-location of publically funded services to demonstrate service and financial efficiencies from rationalisation of property. Feasibility Study of Integrated Health and Social Care model in Airedale District.	Progress delivery of programme. Effecting where possible opportunities for economic growth e.g. releasing sites for housing / jobs etc. Enhanced public accessibility to Services. Funding bid submitted to finance feasibility.
Libraries Review	Acting as an Enabler to support the proposals in the Libraries review.	Negotiation of lease and transfer arrangements as applicable. Reducing Council costs and liabilities.
Assets of community Value	The management and administration of applications to register.	Ensuring compliance with current legislation including administrating within statutory timescales.
Sports Trust	Acting as an Enabler to support the feasibility study.	Provision of property data / info, costs and liabilities. Ensuring proposals are aligned with the wider strategic asset management plan.

2.5 The Objectives of the service are:

- to ensure that the Council's operational estate is occupied as efficiently as possible and supports the delivery of good outcomes both now, and in the future:
 - to reduce the running costs of Council's buildings;
 - to work with the Third and private sectors to ensure better use of assets to achieve district priorities;
 - to promote the One Public Estate philosophy to work with third sector/public partners to achieve service and accommodation synergies.
- to support regeneration across the district, including delivery of new housing and economic growth:
 - to minimise the number and impact of underused, empty and derelict Council owned buildings including listed and other heritage buildings;
- to maximise the performance of the Council's investment portfolio, generating additional revenue to support the Council's finances;

3. OTHER CONSIDERATIONS

The Committee has asked officers to address matters set out below;

Questions raised by Committee;

3.1 What steps can the council take to reduce the number of empty shops in the City centre through compulsory or voluntary acquisition?

3.1.1 Consideration has been given by the Planning Service to take enforcement action against properties that have fallen into disrepair and need urgent maintenance to bring back into use. However this approach has resulted in limited success due to absent owners and default action with the financial liability resting with the council. It is considered therefore that a more proactive approach by working with owners and incentive funding through schemes such as the proposed City Centre Townscape Heritage Initiative would be more effective in bringing buildings back into use.

3.2 Is the service on target to make savings as per the budget & can you include figures to show how the service has performed over the last 3 years?

3.2.1 Estate Management was set two budget saving targets as part of the 2016/17 budget setting process. These related to reducing the amount of rental subsidy granted to voluntary and community group tenants of council buildings and increasing allotment rents to achieve a breakeven service.

3.2.2 The proposed budget saving of £300,000 to be achieved through the reduction of rental subsidies was, following concerns raised by the Executive, reduced to £150,000 pending the outcome of a review of the cumulative effect of changes to premises related support currently administered by Service areas across the council. The review of premises related support encompasses;

- Rental subsidies (*Estate Management*)
- Business Rates Relief (*Financial Services*)
- Financial support for community centre core costs (*Neighbourhood & Customer Services*)
- Community development funding (*Neighbourhood & Customer Services*)

A review of the strands of financial support listed above has been carried out jointly by officers within Environment and Sport, Financial Services and Regeneration. Proposals for the separate support strands to be replaced by a single support/funding pot are due to be consulted upon shortly.

Because of the need to consult about and seek approval to the proposed new scheme Estate Management will not achieve the savings target during 2016/17.

3.2.3 Estate Management’s second budget saving of £7000 is in relation to the review of concessions and increased prices over inflation to achieve a break even Allotment Service. The allotment budget has been reduced through the introduction of annual rental increases in accordance with inflation and increased income from the reinstatement of formally unusable plots.

3.2.4 **Revenue Income**

The outturn figures for income generated by Estate Management are set out below. Revenue targets were rebased in 2015/16 to take account of the effect of the disposal of income producing properties and the reduction in the value of geared rents receivable.

Year	Income target	Actual Income	Outturn
2013/14	£3,882,400	£2,156,478	-£1,226,341
2014/15	£2,621,100	£2,864,093	£61,689
2015/16	£2,450,100	£2,515,660	£210,309

3.2.5 **Capital Receipts**

The capital receipts programme is regularly reviewed and monitors potential capital receipts over a 3 year period. Each site/property is assessed on the likelihood of selling in any particular year and classified as ‘agreed’, ‘likely’, ‘possible’ and ‘maybe’.

Those sites/properties categorised in the ‘agreed’ and ‘likely’ sections of each year are considered most likely to complete in year. Those in the ‘possible’ and ‘maybe’

sections may not complete in that year and could slip to the next or future years. Although the disposals are closely monitored, sales can fall through at any time resulting in the remarketing of the land or property which could push completion back 1 or 2 years.

The current 3 year capital receipts forecast is set out below;

Year	Completed	Agreed	Likely	Total of Completed, Agreed & Likely	Possible	Total
16/17	£2,034,130	£3,426,500	£1,100,000	£6,560,030	£600,000	£7,170,630
17/18			£3,710,000	£3,710,000	£5000	£3,715,000
18/19			£3,800,000	£3,800,000		£3,800,000
Total						£14,685,630

The 3 year forecast will change as the potential realisable value of surplus assets is explored and properties come forward for sale as part of the review of the non-operational estate. It should be noted that assets may be withdrawn from the disposal programme if an approved council use is identified for it prior to disposal.

3.2.6 Reduction in the size of the council's estate

Work is on-going to reduce the size of the council's estate helping to achieve both revenue savings and capital receipts. The size of the of the council's estate has reduced over the last seven years by 78,000m² (840,000 ft² approx.)

	2009/10	2014/15	2015/16	Work in Progress
Operational Estate 000m2	311	242	223	206
Non Operational 000m2	27	26	37	37 (Increase due to Asset reclassification)
Total Estate 000m2	338	268	260	243

- £5.8m per year gross saving to date
- £21.4m cumulative saving from 2008/09 to 2015/16
- £42m savings projected to the end of the property programme in 2018/19
- 3500 employees equipped for Agile Working
- 3000 staff trained to be Agile Workers

3.2.7 **Land Management**

Estate Management regularly receives requests to cut grass, cut back or remove trees and vegetation and deal with fly tipping or other antisocial behaviour on council land. We are conscious that a decision not to carry out the request can be upsetting to residents and when assessing whether to action such requests regard is had to the availability of budget, health & safety implications and the advice of specialists such as arboriculturalists.

The Service is responsible for the direct management of 1590 (30%) of the council's assets. Estate Management's total maintenance budget for these assets in 2016/17 is £286,000 which is allocated as follows;

Non operational land	£218,700
Agricultural land and property	£21,000
Allotments	£47,000

Of the budget available for maintaining land £165,000 (75%) is committed to pay for grass cutting 10 times a year on 242 sites across the district. The remaining £53,700 is used to deal with emergency repairs such as fallen trees following a storm, repairs to damaged walls, removal of horses, cutting back bushes and hedges not on the grounds maintenance contract and, the removal of flytipping.

The Service strives to spend within budget. Due to the budget available combined with the fact that the need to carryout emergency works to trees, structures or land cannot be predicted we unfortunately are unable to agree to carry out all requests for work on land managed by Estate Management but do our utmost to ensure that matters that present a potential danger to people or property are dealt with.

3.3 **Recent property sales seem to indicate that properties are being considerably undervalued, could you explain why is this happening?**

3.3.1 Property offered for sale by the council is, in the main, valued by using comparable evidence. This involves assessing information derived from the sale of similar properties with adjustments made to take account of differences such as size, condition, use, lease terms, title restrictions, construction and location to arrive at an opinion of market value.

3.3.2 Valuation is not an exact science and whilst evidence of recent market activity is taken into account to assess the market value of a property to ensure that a property is not undersold what cannot be factored in to the valuation is the unknown existence of a special purchaser(s) prepared to pay above market value.

3.3.3 The council disposes of most of its property via auction. Guide prices are assessed by reference to market evidence and agreed between the council's in house chartered surveyors and chartered surveyors employed by the auction house who are able to take account of sale activity at recent auctions. Guide prices are set to attract prospective purchasers whilst reserves are set to prevent the property from

being sold below the jointly assessed opinion of market value. Given the nature of auctions it is not unknown for competing bidders to push up the sale price to a level significantly higher than the assessed market value.

- 3.3.4 In addition to auction, surplus assets are sometimes sold by informal tender whereby the property is advertised without a guide price and interested parties are invited to submit offers. This method of sale allows the market to set the value of the property and also allows the council to take account of prospective purchasers' proposals for the future use of the property. As with auctions, the property is valued prior to marketing by reference to comparable market activity and a value is set below which the property will not be sold.
- 3.3.5 Where the council enters into direct negotiations for the sale of a property to a special purchaser such as a tenant, the council obtains external valuation advice as to market value. We also occasionally use external agents to sell properties on behalf of the council.
- 3.3.6 Whilst Estate Management cannot guarantee the amount that an asset will sell for we do our utmost to ensure that properties are not sold below market value, that opportunities to generate maximum receipts are pursued and that best value is achieved.

3.4 **What are the main issues that may have detrimental impact on the regeneration plans of the council?**

In terms of property and its effect on regeneration the amongst the main issues of concern are around matters of uncertainty for example;

- **Brexit**; Uncertainty around the economic impact of Brexit potentially resulting in a slowdown in investment, businesses leaving the UK and/or a lack of consumer confidence and affecting the demand for and value of property in the district. In a worst case scenario the number of vacant properties might increase and take longer to let and developers' appetite to build new houses may decrease if jobs and consumer spending are affected.
- **2017 Rates Revaluation** ; the impact of the new business rates assessments on the amount that businesses will have to pay and consequently the total cost of occupying premises is currently unknown as are the government's proposals for transitional relief.

In addition to the above the number of absent/remote landlords of both commercial and residential properties can have a significant impact on the council's ability to implement, progress and maintain regeneration initiatives.

3.4 **Has a site been identified for Arnold Laver, if not what is being done?**

The New Bolton Woods regeneration scheme is led by Economic Development which has provided the following update;

The Council's Joint Venture Company Canal Road Urban Village Ltd., (CRUVL) is

concentrating its efforts on delivering new phases of development within the New Bolton Woods (NBW) regeneration scheme that received Planning Committee approval in December 2015. At the moment this includes the delivery of new retail development as part of the new Local Centre element of the scheme including:-

- (i) A 1750 sq m food store - CRUVL are at an advanced stage of negotiation with a national operator and which is due to commence on site in 2017.
- (ii) A 280 sq m food outlet - a lease agreed with a national operator and which will also commence on site in spring 2017 a 962 sq m retail unit – that has not been let/sold as yet but which will be delivered simultaneously with the other units above.
- (iii) A 960 sq m retail unit – that has not been let or sold as yet but which will nevertheless be delivered simultaneously with the other units referred to above.

At the same time CRUVL is also in advanced negotiations with a nationally recognised House Builder in respect of delivering a next phase of residential development of up to 150 new homes commencing on site possibly as early as late 2017. However these discussions are also exploring the possibility of the same House Builder being engaged to deliver the majority of the new housing within the NBW scheme over a longer 5-8 year period.

The development phases of development described above do not impact on the existing Arnold Laver production facility within the NBW scheme which site within that part of the regeneration area earmarked for mixed-use commercial/retail and residential and intended to be part of the longer term delivery strategy. At the moment therefore a particular site has not been identified for the Arnold Laver relocation, and there is no pressing corporate or commercial requirement for the Company to achieve such a move in the short term. However, CRUVL and the Company are continually monitoring this situation in terms of the development of the NBW scheme, the availability of potential relocation sites and the strategic business requirements of the Company itself in order that appropriate action might be triggered should the need or opportunity arise at the time”.

3.5 Public Sector Hub at Jacobs Well Update

In February 2015 the Council entered into an ‘Option Agreement’ with a private sector Developer Consortium consisting of Chiltonington Land Ltd and McClaren Property Ltd to construct a Public Sector Hub on the Jacobs Well site. To develop up to 200,000sqft of flexible, BREEAM ‘Excellent’ office space in two buildings, which would provide a shared front desk, bookable meeting rooms and conference facilities.

The driver for the project is that HM Government is seeking to rationalise and improve the cost efficiency of property assets occupied by the Public Sector through the ‘One Public Estate’ initiative, which will see civil service jobs concentrated into a small number of ‘Public Service Hubs’. Jacob’s Well Public Sector Hub will ensure

that the District and the City Centre in particular, is best placed to capitalise on these opportunities.

The Council has relocated all of the staff based in Jacob's Well to other city centre offices on New Ways of Working, and the building formally closed 31st July 2016.

Heads of Terms have been submitted to a government department to occupy circa 55,000 sq ft in the first building, which if accepted will see a planning application submitted early 2017 for the development to commence construction later in the year with completion anticipated 2018/19.

4. FINANCIAL & RESOURCE APPRAISAL

The council has significant resource invested in the land and property that it owns.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

Property transactions are conducted in accordance with the provisions of the Disposal Policy, S.123 of the Local Government Act 1972 and the Localism Act 2011

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

None

7.2 SUSTAINABILITY IMPLICATIONS

The sustainability of the estate will continue to be improved through rationalisation and investment.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

Estate Management works with the Climate Change Unit to minimise the impact of property on the council's carbon footprint.

7.4 COMMUNITY SAFETY IMPLICATIONS

None

7.5 HUMAN RIGHTS ACT

None

7.6 TRADE UNION

None

7.7 WARD IMPLICATIONS

Estate Management undertakes activity across all wards

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

The committee is asked to note the report.

10. RECOMMENDATIONS

Recommended -

That the committee note the report

11. APPENDICES

None

12. BACKGROUND DOCUMENTS

The Report of the Strategic Director of Regeneration to the Regeneration Overview & Scrutiny Committee 17th November 2015. Agenda Item K