

Report to: Place Scrutiny Committee

Date of meeting: 11 June 2019

By: Chief Operating Officer

Title: Vacant and Surplus Property Update

Purpose: To provide Place Scrutiny Committee with an update on processes and activities supporting vacant or surplus assets.

RECOMMENDATIONS

- 1. The Committee notes the contents of this report.**
 - 2. The Committee is requested to consider and recommend any actions that should be taken in response to the contents of this report.**
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Background

1.1 The County Council's property estate has a balance sheet value of circa £550m. As previously reported, much of this value is held in relatively illiquid assets, which includes land and building interests across our schools estate. Other assets include service based assets (administration offices, libraries, depots, care facilities) plus non-operational land holdings (non-highway land and a few houses).

1.2 Asset and estate management is about supporting the delivery of the strategic goals and objectives, highlighted in the Council Plan, through the effective use and management of property assets.

1.3 At the individual asset level, action plans evolve from need or opportunities that support this direction of travel whether for operational, collaborative or investment purposes. All reflect the Core Offer principles around agreed priorities, local knowledge, evidence of need and demand, and Members' ambitions for East Sussex.

1.4 Aligned to this are several themes around optimising the current estate portfolio; challenging service utilisation; defining growth or locality based strategies; joining up public service delivery; managing a corporate landlord model and; integrating asset management activities with wider regeneration agendas, whilst ensuring our legal title to assets supports future activity.

1.5 Against this background, assets are often identified as either becoming fully surplus, or to be vacated by the service pending further decisions. Once an asset has been identified as surplus, option appraisals and opportunities can be considered and taken forward through business case or Member led decisions.

1.6 This report provides a summary review of the process around surplus assets and provides an update on several key sites, as well as highlighting some of the dependencies, hurdles and issues being addressed.

Supporting Information

2.1 The County Council has a current list of 16 properties listed as surplus to service needs, or vacant. This includes:

- temporarily surplus: where assets are held for alternative service use; or
- permanently surplus: where an asset is not required for any service use.

2.2 Where an asset is identified as becoming available the first step is to assess any current or wider service needs. If it is not recycled, or the property is not fit for purpose, it will be assessed as a development, disposal or 'strategic hold' opportunity. There is scope for some commercial development, but only 2 sites are currently identified for this purpose. A summary list of vacant or surplus assets is provided under a later item on the agenda.

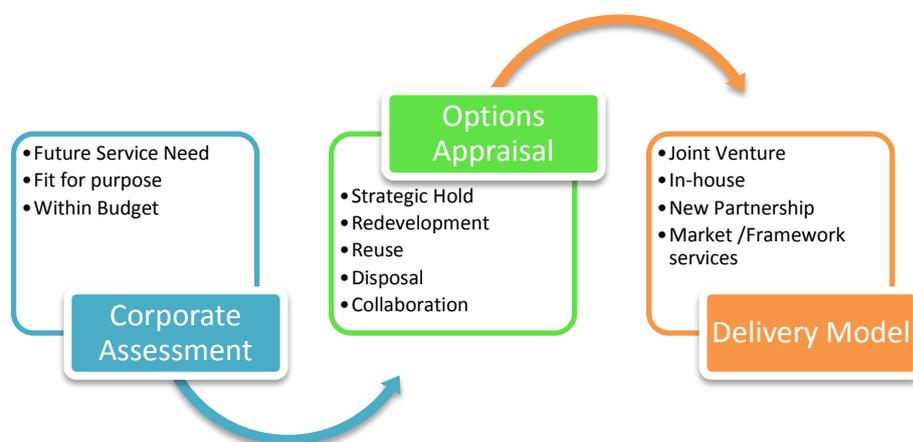
2.3 The principles underlying this process suggest that the Council should only retain an asset if:

- it is identified as having/could have development potential within the local plan, or within a realistic timescale (deliverability);
- It can be re-let/intensified for revenue generation;
- the Council wishes to develop the site itself or through a partnering arrangement;
- it has strategic value (i.e. land to support future expansion of adjacent operational or investment assets);
- sites will unlock a development in future (within a specific timescale); and/or
- there is an identified service requirement.

2.4 The working principle is that the Council should not continue to hold assets that do not meet one of these criteria. Assets that are therefore high cost/low performance or yield are prioritised through this process to ensure that best value is secured.

2.5 As part of this process, we continue to improve liaison with public partners through groups such as SPACES to share opportunities.

2.6 The high level process around surplus properties is noted below in diagrammatic form and noted within part of the draft updating to our current Asset Management Plan 2014-2018.



2.7 Property may continue to be declared surplus following service reviews, transformation plans or related consultations. In each case the above process is used to capture, plan and analyse the site for future options. The key to this is to start the process as early as possible in order to plan for the future, to reduce the amount of time a property is vacant and reduce holding/security costs.

2.8 In so doing it is important to highlight the different approaches and hurdles that may need to be addressed depending on the type of asset that becomes surplus, for example:

- For operational assets, it is important to ensure the legal title to the asset enables forward use or disposal. Land that was, for instance, originally acquired under compulsory purchase powers or funded via grant agreement may have to secure third party agreement before disposal or redeployment of capital.
- School assets are protected under various statutes such as the Academies Act 2010 and the School and Standards Frameworks Act 1998 which protect disposal of former education land - in both cases consent is required from the Secretary of State.
- In other cases any re use of the asset, or development opportunity, may require submissions to Local Planning authorities either by way of securing land allocations through the Local Plan process, or involve a specific application to support pre planning and ultimate submissions for town planning consents.

2.9 There is scope for some commercial development, but only 2 sites are currently identified for this purpose.

2.10 Arising from either Service or asset reviews, the Council will continue to create lists of opportunities, building on the current prioritisation process, ensuring these are based on acceptable risk, speed and extent of delivery of revenue income or capital benefits, or other desired outcome (care, community transfer, collaborative working etc.). Using the review process outlined also informs, or determines, the best delivery method for a sale or development including:

- direct market delivery; or
- joint venture /collaboration/partnership arrangements possibly with a public sector partner.

2.11 As part of any review, it has been necessary to identify initial assets that are planned, or which could form the initial core of a programme. The capital receipts programme has remained the source to date.

2.12 Whilst some sites continue to be taken forward through feasibility and /or onto planning stages, further reviews of assets across the Estate will continue as part of the wider Core Offer agenda, particularly as asset rationalisation programmes may arise.

2.13 The process of site and asset reviews /challenge is a continual process and needs to be set against Corporate priorities, which themselves can change over time. It is important for the Council to establish the likely benefits and track the outcomes it expects to deliver from any surplus asset review /investment process. Where the outcomes sought have a higher level of social value benefit over and above a targeted financial return, it provides the opportunity to identify assets that could then form part of an opportunity for a Community Asset Transfer.

2.14 Programme and Project governance around activities is managed primarily through the Asset and Estates teams, working with the Capital Board which already involves officers across the Council. This Board remains an important gateway review mechanism for any evolving business cases, and further consideration can be given to sub boards needed to provide specific programme management support as matters evolve.

2.15 In developing any business case it is necessary to undertake a full assessment of an opportunity to support a recommended delivery option. In support of feasibility and options appraisal stages, a resource of up to £200,000 has been identified to support the small team of officers involved in the programme.

2.16 Consideration is always given to relevant legal issues (Title, ownerships, covenant, grant clawbacks) within each property project at the time and addressed accordingly but there are a number of current projects where delays and slippages have arisen due to such constraints or even challenge to our ownership and ability to contract.

2.17 The activities noted in this report highlight the need for the County Council to ensure capacity and capability is available to ensure delivery, and this mirrors a number of strands across the life cycle of property – whether for investment, development or operational estate portfolio activities. This includes:

- Formation of the overall delivery strategy;
- Assessment of In-house skills and capacity;
- Stakeholder engagement and communications plan;
- Establishment and oversight of quality assured project processes i.e. business cases, gateway reviews, sign off procedures etc.;
- Coordination of data for validation of project scenarios;
- Oversight of the preparation of project briefs;
- Oversight of the preparation of budgets, business plans;
- Management of the appointment of consultants and contractors to projects;
- Management of risk assessments and mitigation plans; and
- Monitoring and reporting on progress of overall delivery of programmes and budgets.

3. Conclusion and recommendations

3.1 The current asset base of the County Council includes a number of surplus assets which are seen as opportunities to resource capital receipts, or added value activities through redevelopment of sites whether for ongoing service use or wider market development returns.

3.2 Surplus assets form the basis for work around, and remain a key theme of, the Property Asset Disposal & Investment Strategy with this report outlining some of the key processes.

3.3 The Committee is invited to note and comment upon the core principles and activities highlighted in this report.

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