

Report to: Audit Committee
Date of meeting: 6 November 2020
By: Chief Operating Officer
Title: Property Asset Disposal and Investment Strategy (PADIS)
Purpose: To provide Audit Committee with an annual report on the progress and implementation of the Strategy

RECOMMENDATIONS

It is recommended for Audit Committee to:

- 1. note the contents of this report;**
 - 2. consider, and recommend, any actions that should be taken in response of the contents of this report;**
 - 3. note that progress continues against the background of wider operational and market uncertainties, and the need to support capacity to ensure delivery; and**
 - 4. identify any new or emerging items for consideration.**
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1. Background

- 1.1 The County Council's strategic framework for investment supports the development of income and funding streams to enhance the financial resilience of the Council. In April 2018 Cabinet resolved to approve a Property Asset Disposal and Investment Strategy, as part of its suite of activities and this Committee requested that an Annual Report be brought back to this Committee.
- 1.2 The Strategy provides the Council with three principle activities:
 - i) the ability to drive added value from its current estate from disposal activity;
 - ii) the option to retain assets to support corporate or service needs; and
 - iii) enable investment in new assets or projects in support of economic growth opportunities.

The County Council had determined not to follow the route of purchasing income generating property assets to support its operational funding activities – ie through taking on PWLB loans to acquire commercial investments. This decision, given the market dynamics seen over the past 12 to 18 months, together with the economic shocks arising from COVID, remains fully justified as commercial property

centric investment risk remains high.

- 1.3 Programme and Project governance remains primarily through the Capital Board, which remains an important gateway review mechanism for any evolving business opportunities and review of the capital receipts programme.
- 1.4 The recent period has seen a mixed, but generally positive, picture of progress across income generating, investment and disposal activities of the Council, as new transactions have come to the fore, (generating new income streams), with anticipated completion of a number of land transfers and assets, which support some of our wider education and local community development needs.

Whilst there is a notable level of increased caution from the private sector markets, interest in bidding has not waned significantly to this point, save for some of the more secondary locations or particularly complex sites where local town planning uncertainties continue.
- 1.5 The County Council's Capital Strategy has been updated as part of the RPPR Process for 2020/21 with a new 20 year strategy, supported by a 10 year planned Capital programme. This programme will continue to be reviewed annually as part of the RPPR process to ensure it reflects Service need, and County Council priorities

The Capital Strategy links strategies, and plans, for investment with Departmental service plans, which themselves are subject to ongoing transformational reviews. In some instances this may hold back our ability to fix the future outcome for a particular asset.
- 1.6. As reported in November 2019, a revised Strategic Asset Management Plan for the period 2020 to 2025 had been drafted, and this was adopted in the early part of 2020 to support strategic, operational and service led improvements across our estate functions. Whilst progress has been made in key areas, such as the procurement of a new data management system (now in implementation stage) and completed procurement of new frameworks to fully support both our maintenance, service to schools and audit valuation and rating work, our capacity has continued to be constrained with much activity re directed to support the Covid emergency response of the Council. Covid has, however, opened up some opportunities for the Council in so far as there has been a greater sharing and collaboration of activities and notably, from a property perspective, several agreements now in place to lease

our vacant space to NHS and CCG partnerships in support of our own income generating needs.

- 1.7 To bring sites forward, revenue and people resource continues to be required to support added value, stakeholder engagement and individual project led activities. Whilst we have been able to resource on an interim basis over the recent past, we have continued to experience ongoing constraints in capacity due to some key staff being diverted to cover for absent staff, or diverted to other Covid led priorities.
- 1.8 The Council has successfully appointed a new Assistant Director Property - Nigel Brown who started this week (1 November 2020), who will be tasked to bring forward plans on rebuilding capacity and capabilities.
- 1.9 The Council has nevertheless continued to progress work across individual sites with many subject to their own specific constraints, issues, risks and opportunities. Timing across most sites is always difficult to predict but close monitoring of projects benefits and financial outcomes remain key. Whilst the below is a summary of activity over the past 12 months, a more detailed summary of activities, concluded and in hand is provided in a later agenda item (Part 2 Exempt).
- 1.10 A highlight of completed activity across key sites include:
 - a) Marketing and terms agreed to lease over 15,500 sq ft of space at our office investment, at Sackville House Lewes, to Health partners on a 10 year+ arrangement (Sept 20), to bring the building up to almost full occupancy.
 - b) Marketing and terms agreed to lease all vacant space (3,500 sq ft) at Warwick House Seaford to Health partners on a 10+year lease (Sept 20)
 - c) Transfer of the former Helenswood Upper school site Hastings to the Dept for Education to enable the development of a New Free Special School (Sept 20)
 - d) Agreement to lease land to the Department of Education at Cross levels way Eastbourne for the development of a free special school (Oct 20)
 - e) Contracts exchanged to dispose of the Isabel Blackman Centre to a consortia of local community groups (June 20) with planned completion on 8th December.
 - f) Transfer of the Rye Creative Centre, Rye, (plus 30+ tenants) under a new long term lease to locally based community interest/property management company (Jun 20)

- g) Sale of land at Winchelsea with the benefit of planning consent for 4 houses (Feb 20)
- h) Land at former HWRS site, Wadhurst – Marketing and terms agreed to sell (Sept 20)
- i) Successful receipt of detailed planning consent for 39 houses, remarketing, and acceptable bid under negotiations in respect of a joint land sale with a private Trust for lands at Westfield Down (at previously forecast levels)
- j) Bid received and under negotiation to dispose of land at Moorhurst at Westfield conditional upon planning for a 70 bed care scheme

1.11 A core focus of activity, up until the end of the financial year 19/20 was around options for our leased Corporate Office estate, where operational leases at Eastbourne and Hastings are due to expire within the short term (12 to 24 months). A plan to modernise the workplace and rationalise our estate through acquisition and/or refurbishment work, whilst facilitating greater co sharing opportunities, had to be placed on ice as COVID impacted, and we saw the structural shift toward more home working.

Whilst the principles and drivers for savings and opportunities has not changed, a review of post COVID workstyles is now underway, as a corporate project, and thus shorter term plans are being proposed for the current leased offices, ahead of longer term reviews and locality decisions.

1.12 Key sites identified for disposal within our established capital receipts programme remain part of a four-year target to deliver £16m of receipts to support the current Medium term financial plan by 2023/4. Disposals largely remain on target, with almost half the targeted receipt potentially available against one specific site which is now being marketed at Hastings.

2. Supporting Information

2.1 The current emphasis remains on land sales as against new investment per se, largely due to the nature of the assets and the market conditions. Some sites, previously identified for sale may be withdrawn, where levels of demand or market bids do not reflect fair value, and the County will continue to take a long term position.

2.2 The level of opportunities already identified, or in hand, continue to offer considerable encouragement, and outcome benefits.

3. Conclusion and recommendations

3.1 Audit Committee is asked to note the contents of this report and the further information provide in the later agenda item and consider and recommend any actions that should be taken in response to the contents.

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Local Members: All

Background Documents: None