

Meeting Date	8 October 2014
Report Title	Property Asset Strategy – progress report
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance
SMT Lead	Mark Radford
Head of Service	Anne Adams
Lead Officer	Anne Adams
Key Decision	No
Classification	Open
Forward Plan	Reference number:

Recommendations	<ol style="list-style-type: none">1. Note the progress made against the Property Strategy Action Plan,2. Note the 2013/14 Property Performance Indicator results.
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1 Purpose of Report and Executive Summary

- 1.1 The purpose of this report is to provide members with an update on progress against the Property Strategy Action Plan and to report the outcome of the annual Property Performance Indicators for 2013-14.
- 1.2 The focus during 2013-14 was around the strategic review process. This is now well underway and work during 2014-15 is focused on the delivery of actions identified in the review process. This means that, whilst some of the performance figures remained static between 2012-13 and 2013-14, it is anticipated that greater improvements will be seen during 2014-15. However, there was a marked improvement in the level of rent arrears due to a more proactive approach by both the Finance and Property teams.

2 Background

- 2.1 The Property Asset Strategy 2012 – 2015 was presented to Cabinet in March 2012. A revised and updated version was then presented to Cabinet in April 2013. Since then, there has been significant progress made against the Action Plan. The key areas that are the subject of this report are:
 - The outcome of the strategic review of non-operational property (property that is occupied by a third party organisation and not directly delivering a Council service),
 - Progress against the Action Plan following the review of operational property,
 - The 2013/14 Property Performance Indicator results,

- Progress with the transfer of community assets,

3 Review of Non-Operational Property

3.1 The strategic review of non-operational property was completed in 2013/14 in accordance with the objective set out in the Property Services Service Plan. The outcomes will be translated into an Action Plan which will inform future decisions regarding disposals, investments or community asset transfers.

3.2 A summary of the outcomes is set out below:

Type of Property	Summary of review
Surplus land & buildings	Most of the Council's surplus land and buildings are awaiting the completion of options appraisals to determine the most appropriate action. There are two closed public conveniences, a number of small vacant sites with possible development potential and some more complex sites requiring a significant level of resources to realise any potential. With the upturn in the property market seen recently it is now considered appropriate to invest resources into further investigating these sites and preparing an up to date schedule for disposals. Work has begun on this and further reports will be presented in due course.
Tenanted community & leisure buildings	Most of these properties are let to voluntary and community sector organisations either under the VCS Lettings Policy or the Community Asset Transfer Policy. Where there are historic arrangements in place that are due for review these will be identified and prioritised to ensure that the arrangements are meeting the Council's corporate objectives. There are a number of historical long term ground leases of 50 or 99 years with little scope for review unless requested by the tenant.
Depots	There are two depot sites, both with regeneration potential. The Princes Street depot is earmarked for redevelopment as part of the Spirit of Sittingbourne proposals and the Bridge Road Sheerness site may have potential if KCC decides to relocate its household waste recycling facility.
Shops	Most of the Council's shop premises are generating a good rental income. However, options appraisals should be carried out to ensure that there is no alternative use that could have a greater financial benefit to the Council. The poorly performing shops at Rushenden Road are to be transferred to AmicusHorizon for the development of social housing.
Offices	The Council has three premises that are let as offices and these are currently occupied by the Citizens Advice Bureau, Age UK and Queenborough Town Council. All will be reviewed at the end of their current leases or if the tenant wishes to vacate prior to the end of the lease.

Industrial sites	The Council's leasehold interest in the two industrial sites at New Road Sheerness will be terminated at the end of the current leases. This is because the rental arrangements mean that the Council is unable to generate any income from the leases. The freehold interest will be retained.
Investment properties	There are thirteen industrial ground leases that generate a good rental income. The initial review has concluded that these should be retained and rent reviews continue to be implemented in accordance with the lease terms to ensure that income is maximised.
Grazing land	Grazing land generates very little income for the Council and can result in high management costs. Detailed reviews will be carried out of each site but it is likely that, unless the land has potential for some alternative use, the conclusion will be that the land should be sold.

4 Review of Operational Property

4.1 The strategic review of operational property was completed early in 2013 and an Action Plan was prepared which is reviewed quarterly by the Asset Management Group.

4.2 The key actions are set out below:

Type of Property	Action
Cemetery buildings	In addition to the chapels, storage and rest facilities are provided for ground workers. Funding is being sought for installation of a permanent electricity supply to Love Lane chapel in Faversham and all other buildings will continue to be managed to support the cemeteries service.
Council managed community halls, sports pavilions and lifeguard huts	Reviews are taking place to assess current and future need for these community and leisure buildings and feasibility of asset transfer or disposal. More detail is provided in the report on community asset transfer referred to in paragraph 6.3 of this report.
Offices	A report about the utilisation of Swale House was circulated to Cabinet members on 16 July. The options around a new civic building have been discussed with Cabinet members and the views expressed will be used to inform a more detailed options appraisal to be completed in due course.
Public toilets	Options appraisals are being carried out regarding transfer of toilet facilities to community groups and parish councils.

Leisure centres	Accessibility improvements are being made to the entrances of Sheppey Leisure and Swallows Leisure centres.
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5 Property Performance Indicators

PI 1 Condition – this measures the condition of properties for which SBC has a maintenance responsibility

TABLE 1 – Numbers and percentages of properties in each condition category				
	A – good	B– satisfactory	C – poor	D - bad
2011	2 (4%)	27 (59%)	15 (33%)	2 (4%)
2012	2 (3%)	32 (53%)	25 (41%)	2 (3%)
2013	2 (3%)	35 (59%)	21 (36%)	1 (2%)
2014	4 (7%)	35 (60%)	18 (31%)	1 (2%)

TABLE 2 – Total and percentage gross floor area in each condition category				
	A – good	B– satisfactory	C – poor	D - bad
2011	223 m ² (0.6%)	21,119 m ² (63%)	12,058 m ² (36%)	145 m ² (0.4%)
2012	223 m ² (0.7%)	12,129 m ² (36.8%)	20,501 m ² (62.1%)	100 m ² (0.4%)
2013	223 m ² (0.7%)	17,000 m ² (52.6%)	15,024 m ² (46.4%)	100 m ² (0.3%)
2014	3032 m ² (9.4%)	19,838 m ² (61.5%)	9,313 m ² (28.8%)	100 m ² (0.3%)

PI 2a Accessibility – this measures the accessibility of buildings which are open to the public, which are managed by the Council or its agents.

TABLE 3 – Numbers and percentages of properties in each accessibility category				
	A – fully accessible	B– fully accessible with assistance	C – partially accessible; reasonable improvements can be made	D – not accessible; improvements can not be made
2013	1 (3%)	21 (34%)	3 (10%)	4 (13%)
2014	1 (3%)	21 (34%)	3 (10%)	4 (13%)

PI 2b Suitability - this indicator summarises the suitability in relation to location, space utilisation, and cost in use for assets managed by the Council

TABLE 4 – Numbers and percentages of properties in each suitability category				
	A – good	B– satisfactory	C – poor	D – bad
2013	5 (14%)	23 (64%)	7 (19%)	1 (3%)
2014	5 (14%)	23 (64%)	7 (19%)	1 (3%)

PI 2c Statutory compliance- this indicator records the level of compliance for operational assets which are not occupied by third parties and for which the Council is fully liable for complying with health and safety legislation.

- 5.1 Compliance against statutory maintenance requirements is reviewed regularly. Table 5 below summarises a snapshot of the situation as at 1st April.

TABLE 5 Statutory compliance				
Statutory duty	Percentage of properties fully compliant 1/4/12	Percentage of properties fully compliant 1/4/13	Percentage of properties fully compliant 1/4/14	Comments
Duty to manage asbestos	25%	99%	100%	

Legionella	68%	76%	81%	An issue with water temperature testing of cleansing and cemetery sites was identified and resolved so compliance is now 100% for 14/15.
Gas safety	100%	29%	100%	Drop in compliance in 1/4/13 was due to gas safety contractor going into liquidation just before servicing was due
Fixed electrical safety	100%	100%	100%	
PAT	100%	100%	100%	
Fire safety	98%	97%	100%	

PI 3a Running costs

- 5.2 Table 6 summarises the running costs for each category of property, less any relevant income, with Table 7 showing the same information per metre squared of the properties.
- 5.3 Community halls spend has reduced due to the disposals of Alexander Centre and Borough Hall and Offices spend has reduced following the closure of the Sheerness District Office. The peak in spend in Community Halls in 2010/11 was due to refurbishment works at Kemsley Hall.
- 5.4 Where sports pavilions and seafront are showing a low or minus cost, this is due to the income generated at these sites. The peak in spend for Seafront buildings in 2011/12 was due to an underground water leak resulting in high water charges, part of which were refunded in the following year.

TABLE 6 Net cost of buildings				
	2010/11	2011/12	2012/13	2013/14
Cemetery buildings	£11,560	£10,362	£13,050	£15,913
Community halls	£149,555	£53,913	£33,115	£39,102
Sports pavilions	-£7,342	£25,473	£2,540	£13,650
Seafront	-£36,119	£49,407	£1,858	£2,877
Heritage buildings	£15,231	£21,578	£33,410	£18,209
Offices	£309,115	£481,540	£411,302	£311,804
Toilets	£309,693	£327,527	£286,978	£304,824

TABLE 7 Net cost per m² of buildings				
	2010/11	2011/12	2012/13	2013/14
Cemetery buildings	33.31	29.86	37.61	46
Community halls	58.08	20.94	19.71	48
Sports pavilions	-0.67	2.33	0.23	9
Seafront	-26.00	36.00	3	4
Heritage buildings	18.40	26.06	40.35	22
Offices	35.92	55.95	47.79	39
Toilets	411.73	435.44	381.53	405

PI 3b Environmental performance

- 5.5 The calculation for carbon dioxide emissions alter each year, dependent on the conversion factor provided by the Department of Energy and Climate Change. This figure and its calculation may result in an increase in the calculation of CO₂ emissions, even if usage of gas and electricity falls.
- 5.6 The marked increase in electricity at Kemsley Hall has been attributed to the building being used during the day for a nursery from January 2012 and to the installation of external lighting. In general there was a reduced requirement for heating in 2011/12 due to the milder winter.

TABLE 6 Total CO₂ emissions (Kg)			
Swale House	Electricity	Gas	Total
2010/11	216,450	147,480	363,930
2011/12	239,590	95,729	330,319
2012/13	264,572	144,576	409,149
2013/14	246,008	137,909	383,917
Kemsley Hall			
	Electricity	Oil	Total
2011/12	6,448	26,679	33,127
2012/13	23,172	40,820	63,992
2013/14	21,298	37,394	58,692
King George Pavilion			
	Electricity		Total
2011/12	3,405		3,405

2012/13	5,173		5,173
2013/14	6,100		6,100
Toilets			
	Electricity		Total
2011/12	39,721		39,721
2012/13	19,975		19,975
2013/14	42,562		42,562
Heritage buildings			
	Electricity	Gas	Total
2011/12	8,451	13	8,464
2012/13	11,941	37	11,978
2013/14	16,829	21	16,850

PI 4b Void rate

TABLE 7 Void rate			
	1 April 2012	1 April 2013	1 April 2014
Shops	27.27%	27.27%	27.27%
Offices	0%	0%	0%
Investment assets	6.67%	6.67%	0%
Miscellaneous properties	0%	0%	0%
Land held pending development/ disposal	25%	0%	0%
Depots	0%	0%	0%
Community/leisure properties	7.41%	3.7%	3.7%
Central House offices	10%	0%	0%
New Road industrial estate phase 1	7.14%	0%	0%
New Road industrial estate phase 2	15.38%	15.38%	15.38%
Overall void rate	9.73%	6.19%	5.36%

PI 4c Rent arrears

TABLE 8 Rent arrears			
	1 April 2012	1 April 2013	1 April 2014
Shops	41.26%	30.49%	22.71% *
Offices	0%	0%	0

Investment assets	16.29%	9.37%	8.19%
Miscellaneous properties	1.6%	2.45%	0.95%
Land held pending development/ disposal	6.83%	8.29%	6.63%
Depots	0%	0%	0%
Central House offices	1.76%	0%	0%
New Road industrial estate phase 1	11.38%	14.76%	11.99%
New Road industrial estate phase 2	36.34%	43.31%	11.67%
Percentage arrears/gross rental income	14.3%	10.7%	8.1%

* This has now been collected via bailiffs

PI 5 Contribution to Corporate Priorities (new PI for 2013/14)

Corporate Priority	Percentage of properties 2013/14
Not contributing to any corporate priority	1.6%
Contributes to one corporate priority	60.5%
Contributes to more than one corporate priority	37.9%

6 Progress with the transfer of community assets

6.2 Since the Property Strategy was presented to members in April 2013 the following community assets have been transferred to voluntary sector organisations under the Community Asset Transfer Policy:

- Milton Regis Court Hall,
- Kemsley Community Centre,
- Borough Hall, Queenborough,
- Thistle Hill Community Centre.

6.2 In addition, the following community assets are in the final stages of a transfer with the legal formalities still to be completed:

- Faversham Community Gymnastic and Activity Centre,
- Minster Abbey Gatehouse,
- Leysdown Football Pitch.

6.3 A review of the Community Asset Transfer Policy has recently been carried out and the draft revised policy was presented to the Policy Development and Review Committee on 3 September. Where appropriate, the comments made by the

committee will be incorporated into a revised version of the policy and this will be presented to Cabinet on 5 November 2014.

7 Alternative Options

- 7.1 There is no realistic alternative option to having a Property Asset Strategy and CIPFA guidance states that it is good practice to manage assets at a strategic level.

8. Consultation Undertaken or Proposed

- 8.1 The Property Asset Strategy has been developed in consultation with the Asset Management Group, the Cabinet member and key Heads of Service and officers within the authority.
- 8.2 Wider consultation with the community and the users and occupiers of the Council's property portfolio forms part of the property review process that is set out in the strategy document.

9 Implications

Issue	Implications
Corporate Plan	The strategy document demonstrates clear links with the corporate priorities of localism, open for business and healthy environment. In addition, the Community Asset Transfer policy is key to meeting the objectives within the localism priority.
Financial, Resource and Property	All financial, resource and property implications are set out in detail within the strategy document.
Legal and Statutory	None identified at this stage.
Crime and Disorder	None identified at this stage.
Sustainability	Sustainability issues are addressed within the strategy document.
Health and Wellbeing	None identified at this stage.
Risk Management and Health and Safety	All relevant risk assessments are carried out as part of the review process set out in the strategy document.
Equality and Diversity	A Community Impact Assessment was completed and forwarded to the CIA Group for approval when the Property Strategy was prepared.

10 Appendices

None.

11 Background Papers

None.