

Meeting Date	7 October 2015
Report Title	Property Asset Strategy – annual 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	Yes

Recommendations	<ol style="list-style-type: none">1. Note the progress made against the Property Strategy Action Plan2. Note the 2014/15 Property Performance Indicator results.
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1 Purpose of Report and Executive Summary

- 1.1 This report provides members with an update on progress against the Property Strategy Action Plan and reports the outcome of the annual Property Performance Indicators for 2014/15.
- 1.2 The report demonstrates that good progress was made during 2014/15 with several community asset transfers being agreed, a review of surplus landholdings having started and a number of key decisions being made regarding life expired assets.

2 Background

- 1.3 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. A further progress report was presented in October 2014 which reported the outcome of the annual Property Performance Indicators for 2013/14.
- 1.4 Since then, there has been further progress made against the Action Plan. The key areas that are the subject of this report are:
 - Progress with the review of surplus landholdings,
 - Progress against the action plans for operational and non-operational properties,
 - Updates on Community Asset Transfers, and
 - Property Performance Indicator results for 2014/15.

- 1.5 A fully revised and updated Property Asset Strategy 2016 – 2019 will be drafted and circulated for consultation within the next four months. This will reflect the changes to the Council's Corporate Priorities, include updated versions of all related documents and contain a fully revised Action Plan for the next three years.
- 1.6 Also during 2014/15 the Community Asset Transfer Policy was reviewed and updated and the revised version was approved by Cabinet on 5 November 2014. The key changes were in connection with (1) clarification as to when the policy should be applied, (2) links with other policy documents, (3) forms of tenure for asset disposals, (4) rent and rent reviews, (5) arrangements for heritage assets, (6) valuations, and (7) the decision making process.

2 Landholdings Review

- 2.1 The first phase of the landholding review project is now complete and the appointed planning consultant has provided initial high level reports on 21 landholdings.
- 2.2 Some of the sites have potential for land assembly which will involve negotiation with owners of adjoining land. Where there is no potential for future development, sites are either recommended for open market sale or targeted sale to adjoining land owners.
- 2.3 Land which is part of the public realm and has no potential alternative use is recommended to be held. Land is also recommended to be held if it has constraints that require further investigations.
- 2.4 10 of the sites are considered to have some potential for development subject to resolving a number of constraints. These include issues such as land assembly, flood risk, access and local planning policy. With the exception of one site at Minster Cliffs, all of the sites are small, mostly with potential for only 1 or 2 dwellings.
- 2.5 A more detailed study has been carried out for the site at Minster Cliffs. This is thought to have potential for around 50 – 60 dwellings but the constraints on the site have so far prevented this potential from being realised. The key constraints are:
 - The land is now densely vegetated and is likely to have a high habitat value which Planning Policy have advised may make it unsuitable for development,
 - The access roads through the site are in private ownership requiring an agreement to be reached with the land owners before the site could be developed,
 - The site is designated for housing in the current local plan but is unlikely to be designated in the emerging local plan due to the questions about deliverability and the fact that there are other more deliverable development sites identified. It is also above the recommended distance to a GP surgery and primary school. However, this will not necessarily prevent a planning application from

being approved provided that it can be demonstrated that the constraints have been overcome.

- 2.6 An options appraisal on the Minster Cliffs site has been carried out by the planning consultants and this will be considered further in due course.
- 2.7 For the remaining sites, the second phase of the study will commence shortly. Where sites are recommended for land assembly, negotiations will take place with the owners of adjoining land to identify opportunities for a joint venture or other mutually advantageous arrangement. For some sites, the consultants have recommended that further feasibility work is carried out potentially leading to the submission of a planning application prior to disposal of the site.
- 2.8 Further updates on this review work, together with further details about the individual sites, will be presented to members in due course and Cabinet approval will be sought prior to any disposal of land.

4 Non-Operational Property Action Plan

- 2.9 Non-operational property is generally defined as land and property that is held other than for the direct delivery of Council services. This includes surplus/vacant property, investment properties, industrial sites, offices, shops and miscellaneous tenanted community and leisure properties.
- 2.10 The review of non-operational property has led to the following actions that were delivered during 2014/15:
 - Landholdings review work detailed in section 3 above,
 - A car park in Teynham currently the subject of a short term lease to the Parish Council has been approved for a community asset transfer,
 - A pavilion at Beachfields, Sheerness, currently the subject of a short term lease to Sheppey Matters (and used for the delivery of the Sheppey FM radio station) is being considered for a community asset transfer,
 - Terms have been agreed with the Faversham Community Gym and Activity Centre for a 125 year lease of the Queen Elizabeth II Jubilee Centre, Faversham. This will replace the previous 25 year lease.
 - Terms have been agreed with the Sheppey Local History Society for a new 25 year lease of the Minster Abbey Gatehouse museum to replace the previous short term lease,
 - The leases at New Road Industrial Estate have now ended, reducing the Council's outgoings by around £30 - £35,000 per annum. The landlord has served claims for dilapidations for both phases 1 and 2 and a specialist dilapidations surveyor has been appointed to act for the Council and ensure that its liability is minimised,
 - A land swap agreement has been completed at Faversham Pools between SBC, The Faversham Pools Trust and the Arden Theatre trust which regularises the various land ownerships,

- A 125 year lease on Iwade Barn has been agreed and is ready to be completed subject to the trust receiving confirmation from the Charity Commission of their charitable status.

5 Operational Property Action Plan

5.1 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.

5.2 The progress made since the last report can be summarised as follows:

- An electricity supply has been installed at Love Lane Cemetery Chapel,
- The transfer of Seager Road football pitch to Range Rovers Football Club and the demolition of the dilapidated pavilion is nearing completion,
- The disused lifeguard shelter at Leysdown is shortly to be demolished,
- The disused lifeguard shelter at Minster has been leased on a short term basis and re-opened as a traditional sweet shop. The longer term future of the building is currently under consideration.
- An options appraisal looking at the future of the Queenborough Guildhall and rear compound area is underway,
- An agreement has been reached with Sheppey Promenade to enter into a new 25 year lease on the former Sheerness Heritage Centre, to be operated under the new name of Rose Street Cottage of Curiosities,
- The existing dilapidated Quinton Hall is shortly to be demolished and options are being considered for the future use of the site,
- A trust has been established to manage the Meads Community Centre which is currently under construction and due to be completed in November 2015,
- Terms are currently being agreed to transfer allotment sites in Faversham and Queenborough to the respective town councils.

6 Progress with the transfer of community assets

6.1 The community assets that are in the process of being transferred under the Community Asset Transfer policy are detailed in sections 4 and 5 above. The assets are:

- Car park, Teynham
- QEII Jubilee Centre, Faversham
- Minster Abbey Gatehouse
- Rose Street Cottage, Sheerness
- Seager Road playing field and pavilion
- Iwade Barn
- The Meads Community Centre

- Faversham allotments
- Queenborough allotments

7 Property Performance Indicators

7.1 The detailed results for the following 2014/15 performance indicators are set out in Appendix I.

PI 1: Condition
 PI 2a: Accessibility
 PI 2b: Suitability
 PI 2c: Statutory compliance
 PI 3a: Running costs
 PI 3b: Environmental performance
 PI 4b: Void rate
 PI 4c: Rent arrears
 PI 5: Contribution to Corporate Priorities

7.2 The following provides a summary of the results but if members have detailed questions about any of the figures, further explanations can be provided after the meeting.

Condition

7.3 The majority of the Council's buildings remain in a satisfactory condition. The two sites shown as 'bad' condition are Seager Road pavilion and Rushenden Road shops, both of which were awaiting demolition. Five of the sites shown as 'poor' condition are under review for disposal or refurbishment.

Accessibility

7.4 All possible improvements to accessibility have now been completed resulting in over 90% being either fully accessible or accessible with assistance.

Suitability

7.5 The suitability indicator has remained static for the last three years but will be subject to improvement over the longer term as changes are made to the property portfolio to ensure that it is meeting the ongoing operational requirements of the Council.

Statutory compliance

7.6 This indicator is showing a close to 100% outturn, only failing to reach 100% due to a timing issue with the date of reporting.

Running costs

7.7 Table 6 summarises the running costs for each category of property, less any relevant income. The figures sometimes fluctuate year or year due to the cyclical nature of

repairs and maintenance. For example, the running cost of the offices in 2012/13 was high due to roof replacement work carried out at Central House that year.

- 7.8 The drop in the net cost of community halls can be attributed to the transfer of Kemsley Hall and the increase in fee income for King Georges Pavilion.
- 7.9 The reduced spend on toilets is due in part to a refund of electricity costs, as well as reduced planned maintenance spend, awaiting the outcome of the review on toilets being carried out by the Contracts and Procurement Manager.
- 7.10 The increased net cost of the Seafront properties is due to a reduction in income from moorings at Queenborough Harbour caused by the transition period between the charging of individual users and the commencement of the new lease with the Harbour Trust.

Environmental performance

- 7.11 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.
- 7.12 The reduction in electricity use in Swale House can be attributed to the carbon reduction measures put in over the past two years and the reduction in electricity use in Heritage buildings is in part due to the closure of Rose Street Heritage Centre and partly due to a significant reduction at Oare Gunpowder works.

Void rate

- 7.13 The increase in void rate for shops is due to the shops at Rushenden Road which are all vacant pending a transfer to Amicus Horizon for redevelopment.

Rent arrears

- 7.14 Investment assets – the increase in arrears rate is caused by the tenant of a significant asset being two quarters in arrears as at 1 April rather than the normal one quarter.
- 7.15 Land held pending development/disposal – the increase in arrears rate is caused by one quarter's arrears of £2,050 for one property which has subsequently been paid. There are only four properties in this category, three of which are included within the Sittingbourne town centre regeneration plans.

Contribution to Corporate Priorities

- 7.16 For comparison purposes, the figures for 2014/15 are based on the same corporate priorities as for 2013/14. In 2015/16 this indicator will be revised to reflect the new corporate priorities.

8 Alternative Options

- 8.1 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.

9 Consultation Undertaken or Proposed

- 9.1 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.
- 9.2 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.

10 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

Appendix I: Property Performance Indicator results

11 Background Papers

None

Property Performance Indicator results

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%)
2015	4 (7%)	36 (63%)	15 (26%)	2 (4%)

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%)
2015	3185 m ² (10.6%)	17613 m ² (58.6%)	8816 m ² (29.3%)	452 m ² (1.5%)

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%)

2015	1 (3%)	26 (90%)	0	2 (7%)
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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%)
2015	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.

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	Percentage of properties fully compliant 1/4/15	Comments
Duty to manage asbestos	25%	99%	100%	98%	Two tenants had not provided access to inspect by 1/4/15 but were completed subsequently.
Legionella	68%	76%	81%	100%	An issue with water temperature testing of cleansing and cemetery sites was identified and resolved in 2014.
Gas safety	100%	29%	100%	100%	Drop in compliance in 1/4/13 was due to gas safety contractor going into liquidation.
Fixed electrical safety	100%	100%	100%	100%	

PAT	100%	100%	100%	100%	
Fire safety	98%	97%	100%	100%	

PI 3a Running costs

TABLE 6 Net cost of buildings					
	2010/11	2011/12	2012/13	2013/14	2014/15
Cemetery buildings	£11,560	£10,362	£13,050	£15,913	19,111
Community halls	£94,056	£14,098	£33,115	£39,102	£3,353
Sports pavilions	-£7,342	£25,473	£2,540	£13,650	£18,200
Seafront	-£976.24	£49,407	£3,270	£2,877	£8,624
Heritage buildings	£15,231	£21,578	£33,410	£18,209	£16,843
Offices	£431,768	£407,667	£453,929	£396,568	£427,226
Toilets	£309,693	£327,528	£286,978	£304,824	£300,757

PI 3b Environmental performance

TABLE 7 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
2014/15	222,737	149,055	371,792
King George Pavilion	Electricity		Total
2011/12	3,405		3,405
2012/13	5,173		5,173
2013/14	6,100		6,100
2014/15	6,077		6,077
Toilets	Electricity		Total
2011/12	39,721		39,721

2012/13	19,975		19,975
2013/14	42,562		42,562
2014/15	23,510		23,510
Heritage buildings	Electricity	Gas	Total
2011/12	7,429	13	7,429
2012/13	10,671	37	10,671
2013/14	15,025	21	15,025
2014/15	4,598	20	4,598

PI 4b Void rate

TABLE 8 Void rate				
	1 April 2012	1 April 2013	1 April 2014	1 April 2015
Shops	27.27%	27.27%	27.27%	36.36%
Offices	0%	0%	0%	0%
Investment assets	6.67%	6.67%	0%	0%
Miscellaneous properties	0%	0%	0%	0%
Land held pending development/ disposal	25%	0%	0%	0%
Depots	0%	0%	0%	0%
Community/leisure properties	7.41%	3.7%	3.7%	3.7%
Central House offices	10%	0%	0%	0%
New Road industrial estate phase 1	7.14%	0%	0%	N/A – lease terminated
New Road industrial estate phase 2	15.38%	15.38%	15.38%	7.69%
Overall void rate	9.73%	6.19%	5.36%	6.12%

PI 4c Rent arrears

TABLE 9 Rent arrears				
	1 April 2012	1 April 2013	1 April 2014	1 April 2015
Shops	41.26%	30.49%	22.71%	22.80%
Offices	0%	0%	0%	0%

Investment assets	16.29%	9.37%	8.19%	16.51%
Miscellaneous properties	1.6%	2.45%	0.95%	0
Land held pending development/ disposal	6.83%	8.29%	6.63%	13.94%
Depots	0%	0%	0%	0%
Central House offices	1.76%	0%	0%	0%
New Road industrial estate phase 1	11.38%	14.76%	11.99%	N/A – lease terminated
New Road industrial estate phase 2	36.34%	43.31%	11.67%	5.45%
Percentage arrears/ gross rental income	14.3%	10.7%	8.1%	14.2%

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

TABLE 10 Contribution to Corporate Priorities	Percentage of properties 2013/14	Percentage of properties 2014/15
Not contributing to any corporate priority	1.6%	1.6%
Contributes to one corporate priority	60.5%	54.0%
Contributes to more than one corporate priority	37.9%	44.4%