



**Cabinet
1 June 2015**

**Report from the Strategic Director of
Regeneration and Growth**

Wards affected:
ALL

Property and Asset Strategy 2015-19

1. Summary

- 1.1 In 2011 Brent adopted its first Property and Asset Strategy 2011-21, setting out a direction and action plan for maximising the impact and value of the Council's land and property assets. A critical focus was the Council's operational portfolio - those buildings which the Council uses in order to deliver its services and corporate priorities. The strategy continued the direction of travel towards a single municipal portfolio, managed corporately and consistently.
- 1.2 Four years on, many of the key actions have been delivered. The new Civic Centre is complete and has been occupied for over 18 months. The new library at Willesden Green is on site and will open later in 2015. Sufficient school places have been provided year on year so as to offer a place to all Brent Children, despite the population increases. Work to maximise the use of Council assets in respects of regeneration has progressed in South Kilburn, Church End, Stonebridge and Alperton. And substantial capital receipts have been secured for building within the operational portfolio that have become surplus to requirements.
- 1.3 Much has changed since 2011 and a refresh of the strategy was required. With the climate for ongoing austerity, local authorities increasingly need to innovate and create new ways of both sustaining services and generating income. Within London in particular, land and property assets are extremely valuable and this provides a real opportunity to think differently about their future use.
- 1.4 The proposed new Property & Asset Strategy is attached at Appendix 1. It aims to find ways of capturing the inherent value and value growth of land and property in Brent in order to help contribute to the delivery of Brent's Borough Plan aspirations. Fundamentally the strategy moves away from a presumption to dispose outright of property towards one of retaining and acquiring assets with a view to maximising revenue potential. The strategy also recognises the importance of social value, rather than just monetary value. It introduces

proposals for Community Asset Transfer as a way of promoting both social value and community resilience.

2. Recommendation

- 2.1 That Cabinet provides approval to The Property & Asset Strategy 2015-19 as set out in Appendix 1, including proposals in respect of Community Asset Transfer.

3. Detail

- 3.1 The proposed Property and Asset Strategy 2015-19 sets out the Council's headline level approach to property for the next four years. The main drivers for this are threefold – the priorities contained in the Borough Plan, the priorities contained within the Regeneration Strategy (and in particular Priority 1 which seeks to deliver transformational change in the Borough's identified Growth Areas), and the need to respond to the prevailing climate of austerity.

Baseline

- 3.2 The starting point for the Property & Asset Strategy is the Council's existing General Fund Portfolio valued at circa £179m. This can roughly be divided into three distinct portfolios:
- (i) *Operational Portfolio* – this includes community centres, libraries, leisure centres, children and adult centres and comprises of 48 buildings (42 freeholds and 6 leaseholds – the latter costing some £285,000 per annum.) The main focal points are the new Civic Centre in Wembley and the soon to be complete Library at Willesden Green.
 - (ii) *Parks Portfolio* – this includes 119 buildings spread across 20 parks, open spaces and cemeteries. Approximately 50% of these buildings currently generate income for the Council, totalling some £245,000 per annum; and
 - (iii) *Commercial Portfolio* – the Council has a relatively modest commercial portfolio comprising of 73 assets, valued at £12m, generating an annual income of £1m. A significant number of these assets have been sold on long leases and include telecom lettings often on roof spaces of operational buildings.
- 3.3 The Property & Asset Strategy does not include land held within the Council's Housing Revenue Account (HRA), which is the subject of a separate property strategy driven by the priorities of the Council's Housing Strategy 2014-19. The delivery of this aspect is overseen by Brent Housing Partnership.

Objectives

- 3.4 The new Property & Asset Strategy proposes four key objectives:
- 1. *Supporting the delivery of the Borough Plan*
To use and maintain assets to enable and support service delivery and transformation in pursuit of the Borough Plan priorities

2. *Promoting community resilience*
To proactively explore the community transfer of assets in support of the Borough Plan priorities
3. *Value generation*
To maximise value generation in respect of the property portfolio, with a focus on increasing ongoing revenue generation
4. *Supporting the delivery of the Regeneration Strategy*
To promote investment and acquisitions in areas of long term value growth in support of the Borough's regeneration, housing agenda and planning for new school places.

Key Initiatives and Operating Principles

- 3.5 Underpinning the delivery of these objectives are some key initiatives and operating principles, each of which signals a significant change in the way that the Council's thinks about and manages its property portfolios and estate. These are set out below:

A consistent approach to maintenance

- 3.6 The work underpinning this strategy has helped to establish a baseline condition survey at headline level for each building. For buildings the Council will continue to hold the following priorities for investment are proposed, providing for a consistent approach to maintenance:
1. Ensuring full compliance with relevant legislation.
 2. Ensuring the Councils contractual or legal obligations is met.
 3. Preserving asset life.
 4. Income/efficiency, investing where there is potential to generate income.
 5. Corporate objectives, making changes to meet service demand.
 6. Business continuity and minimising the risk of asset failure.

Community asset transfer

- 3.7 The Borough Plan acknowledges that in many cases the Council will not be best placed to deliver improved outcomes in line with the priorities contained within that document. It points towards new ways of promoting community resilience and delivering things 'better locally'. Community asset transfer is one way of achieving this – essentially by introducing a mechanism for the transfer of property assets to community organisations who are committed to delivering the priorities contained within the Borough Plan. Community Asset Transfer has the potential to deliver many advantages. As well as stimulating the potential for new ways of delivering services it could also open up sources of funding and finance that the Council may not have access to. The Council will proactively seek community asset transfer opportunities where the following principles are met:

1. Community asset transfer will support the priorities in the Borough Plan;
 2. Organisations that benefit from transfer need to be credible, constituted, financially viable with a clear business plan;
 3. The services and buildings need to promote equality and community cohesion;
 4. All opportunities should be advertised; and
 5. Buildings should be transferred on a repairing leasehold basis.
- 3.8 The routes leading to transfer and the top level process is as detailed in the appendix to the Property & Asset Strategy. Detailed guidance is currently being worked up and will be available in June 2015 if a decision is made to approve the recommendations in this report.

Investment

- 3.9 Across London there remains a real opportunity to invest in land and property to secure both long term capital gains and ongoing revenue income from rents. The Property & Asset Strategy proposes a more proactive approach to investment and acquisition by the Council, primarily focussed on land and property for residential purposes but recognising the need for a balanced portfolio of land uses in order to spread risk. It is proposed that the Council explore the options for establishing a specific investment vehicle in order to take forward this approach, with a clear rationale to both deliver ongoing financial returns and support the Council's regeneration and growth priorities.

Disposals

- 3.10 The general presumption of the new strategy is to retain property within the council's portfolio. However it is recognised that disposals are an important part of good asset management and will sometimes be appropriate. The Strategy proposes that the Council will consider disposing of property and re-investing in the following circumstances:
- i) If the asset no longer makes a positive contribution to the current delivery of Council services;
 - ii) If it is an income generating asset, only if there is greater income potential by disposing and re-investing the resource elsewhere; and
 - iii) If an alternative site could provide a more effective and efficient point of service delivery.
- 3.11 In considering whether to dispose, it is proposed that the following criteria are taken into account:
- (i) Whether the asset has the potential for community asset transfer in pursuit of Borough Plan priorities;

- (ii) Whether the asset has the potential for future strategic regeneration or redevelopment as part of the investment portfolio; and
- (iii) Whether the redevelopment potential is complex and therefore beyond the skill and risk appetite of the Council and therefore better undertaken by a third party.

3.12 Even in circumstances where the Council proposes to dispose of an asset the presumption would remain that this is done on a leasehold basis, with the potential for ground rent fully explored.

Risks

3.13 In taking the Property & Asset Strategy forward to delivery, there are a number of risks which the Council will need to mitigate – as set out below:

- (i) There are a number of ongoing service transformation reviews, for example Youth Services and Brent Start. It is likely that ongoing austerity pressures will require further service reviews. It is crucial that the decision making process for these reviews includes a full consideration of property implications and that these should be considered in the context of the property portfolio as a whole and not in isolation.
- (ii) If the Council pursues a substantial increase in its commercial property investments, there is an associated increased a risk in terms of the market, development and financial borrowing associated with this investment. Appropriate governance and management arrangements will need to be established to properly manage this risk.
- (iii) The preparation work for this strategy has consolidated a considerable amount of property data, but there remains a need for further improvements in the quality and accuracy of the available data (eg. stock condition) and there will need to be ongoing work to ensure that this is rectified.
- (iv) A full valuation review of all assets will be undertaken to ensure all further strategic asset decisions are supported by accurate values.
- (v) The new strategy signals some significant shifts in approach – Community Asset Transfer and Investment for example. This will in turn require different skill sets to oversee successful delivery. Work is underway to review the existing skills available to the Council with a view to identifying gaps and bringing forward arrangements for addressing these gaps – be that through development opportunities and support for existing staff or recruitment.

Next Steps

3.14 The following milestones are proposed in respect of the next steps required to support the delivery of the Property & Asset Strategy:

- June 2015 – publication of Community Asset Transfer guidance
- September 2015 – detailed action plan compiled

- September 2015 – options for establishing a new Investment Vehicle considered by Cabinet, with a view to the vehicle being established before the end of the 2015/16 financial year
- December 2015 – completion of a review of skills and structure within the Property team to ensure alignment with the Property & Asset Strategy.

4 Financial Implications

- 4.1 Operational portfolio: converting 6 leasehold assets could provide for a saving of £285,000 per annum which could then be capitalised and reinvested. A review of the Grade C asset with a five year backlog maintenance programme could mitigate expenditure of £137,325. Marketing of surplus space within operational assets including both the Civic Centre and Willesden Green library has the potential to generate revenue while reducing existing revenue costs. Supporting service with transformations changes: Children Centre, Youth Services Review, Brent Start and Library, could see significant savings through rationalisation of service assets or capital receipts as a result of disposing of surplus asset which can be re-invested.
- 4.2 Parks portfolio: 50% of assets are income producing, maximising the use of under utilised assets will generate additional revenue. An increase in revenue of just 10% would equate to an additional £24,500 p.a. and a 20% increase could generation £49,000 additional income while reducing onerous property costs.
- 4.3 Commercial portfolio: in reviewing the portfolio there is the potential to add value considering options for new homes and school places, delivering increased and new revenue, marriage value and a minimum c. 5% (4% interest and 1% MRP return on capital employed).
- 4.4 By having an asset management plan for hold assets which includes condition survey including maintenance plan, there is the potential to reduce unnecessary expenditure by developing a clear planned maintenance programme.
- 4.5 The community asset transfer process assumes running cost liability transfers providing a potential to eliminate running costs of all assets identified for potential community transfer of c.£327,000 and backlog maintenance of c. £343,000.
- 4.6 Investment proposals aligned with growth areas, business cases will be developed as required to establish potential revenue impact and capital investment required. Potential revenue benefit from known opportunities of approximately £1.6m (of which £0.6m is from Bulge class asset review and £0.3m from potential library transfer). Potential to eliminate / reduce backlog saving £2.1m (of which £0.3m is from Park assets). Where possible securing 'meanwhile uses' by bringing vacant properties into economic use, generating additional income and reducing blight and liabilities and empty rate costs. Additionally capital investment is required to secure strategic acquisitions of those assets targeted for potential buyback.

- 4.7 Review and business cases for surplus assets would provide for capital receipts which can be re-invested and re-cycled as well as potential revenue savings.

5. Legal Implications

- 5.1 There are a number of legal considerations which were raised as part of the strategy development work which will need to be fully assessed.
- 5.2 If the Council pursues the proposal to deliver further residential development and market rented residential accommodation within the Commercial Property portfolio, the Council will need to carefully consider the most appropriate ownership structure to enable these investments, in consideration of the Right to Buy, Localism Act and State Aid regulations.
- 5.3 The Council needs to develop a clear Community Asset Transfer policy to sit beneath the proposed process which will require legal consideration of the appropriate means of asset transfer.
- 5.4 Given the increased focus on residential assets as an investment class; the existing Officer level governance arrangements may need further consideration in order to provide additional Housing representation.
- 5.5 The legal team will be required to support the transaction activities associated with the push towards formalising leases and renewing leases that are currently holding over.

6. Diversity Implications

- 6.1 As per the screening stage analysis, a full equality analysis will be undertaken when projects are defined and developed.

7. Staffing/Accommodation Implications

- 7.1 As per the Borough Plan and the Cabinet report in December 2014 entitled 'budget proposals', staffing and accommodation implications are anticipated, the detail of which will need to be determined as site specific proposals are developed.
- 7.2 As per the risk section in the short term, a skills and structure review will be undertaken of the Property team to align staffing resource with the new Property and Asset Strategy 2015-19.

8. Background Papers

None

9. Appendix

Appendix 1 - Property & Asset Strategy 2015-19 & Appendix 1 Proposals in Respect of Community Asset Transfer

Contact Officers

Sarah Chaudhry
Head of Strategic Property
0208 937 1705
Sarah.Chaudhry@Brent.gov.uk

Richard Barrett
Operational Director of Property & Projects

Andrew Donald
Strategic Director of Regeneration & Growth