



Property & Asset Strategy 2015-19

May 2015

Introduction

In 2011 Brent adopted its first Property & Asset Strategy, setting out a direction and an action plan for maximising the impact and value of the Council's land and property assets. A critical focus of the strategy was on the Council's operational portfolio – the buildings which the Council needed to make use of 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.

The strategy was dominated by the Council's proposals for its own office portfolio – namely the consolidation of its office functions from 14 buildings (owned and leased) into the new Civic Centre at Wembley and the development of a new 'mini' Civic Centre in the south of the Borough on the site of the former Willesden Library. The pervading presumption for buildings that the Council no longer had a use for was disposal for the maximum possible capital receipt, in order to support the costs of the Council's capital programme – not least in respect of the pressure to provide adequate school places to meet the needs of a growing population.

For the first time the strategy also began to develop links between the Council's own assets and the wider regeneration ambitions across the Borough.

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 be 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 respect of regeneration has progressed in South Kilburn, Church End, Stonebridge and Alperton. And substantial capital receipts have been secured for buildings within the operational portfolio that have become surplus to requirements.

Much has changed since 2011 and it is now timely for a review of the Council's Property and Asset Strategy. Within a climate of ongoing austerity, local authorities increasingly need to look at innovative and creative ways of both sustaining services and generating income. Within London in particular, land and property assets are extremely valuable (parts of Brent experienced in excess of 20% value growth during 2014) and this refreshed strategy aims to find ways of capturing this inherent value and value growth to help contribute to the delivery of the Borough Plan aspirations.

The plan is the culmination of a year's work, incorporating condition surveys across the Council's portfolio, workshops to consider the likely future requirements of services and challenge sessions to think about new ways of approaching property so as to maximise its impact. This strategy attempts to align property and the use of property even more closely with the Borough Plan, it introduces the concept of Community Asset Transfer as a way of helping to promote community resilience and it proposes a more commercial approach to investing in land and property as a way of both delivering income to the Council and supporting the regeneration and growth of the Borough. Most fundamentally the strategy moves away from a presumption to dispose of property to a presumption to retain property with a view to maximising its revenue potential.

Objectives

The following strategic objectives are proposed in respect of the Council's property portfolio:

Objective 1 – *Support the Delivery of the Borough Plan*

To use and maintain assets to enable and support service delivery and transformation in pursuit of Borough Plan priorities.

Objective 2 – *Promote Community Resilience*

To proactively explore the community transfer of assets in support of Borough Plan priorities.

Objective 3 – *Value Generation*

To maximise value generation in respect of the property portfolio, with a focus on increasing ongoing revenue generation.

Objective 4 – *Support 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.

Clearly there will be times when these objectives are at odds with each other and decisions will need to be made in respect of individual land or property assets which balance the relative merits of two or more of these objectives. In these circumstances it will be expected that decision makers are provided with options that relate to each relevant objective so they can make fully informed decisions. This document attempts to set out clear and consistent approaches in order to achieve this, namely:

- Establishing a clear baseline condition for all buildings within the Council's portfolio;
- Establishing the potential of each building within the Council's portfolio;
- Establishing a consistent approach to maintenance;
- Proposing an approach to community asset transfer;
- Proposing an approach to new investment; and,
- Proposing an approach to the disposal of surplus assets.

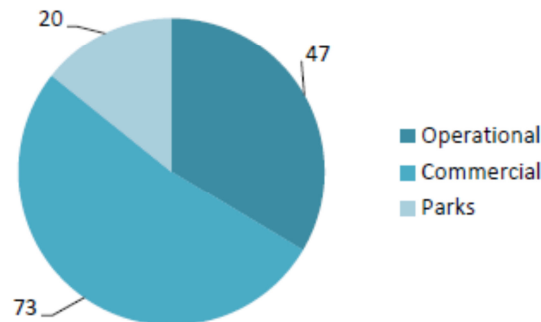
Although this strategy is largely focussed on Council owned land and property there are considerable further public sector assets across the Borough. A concerted effort will be made over the lifetime of this strategy to better align priorities across the relevant public sector agencies through Partners for Brent to try and ensure a more coherent approach to public sector land and assets.

Scope, Baseline & Potential

The Council's existing property portfolio is relatively modest when compared to comparably sized London Boroughs – a consequence of a large disposal programme twenty years ago and an ongoing incremental consolidation and disposal programme ever since.

This strategy focusses on the Council's general fund portfolio, which comprises of 140 assets dispersed over three distinct portfolios, as summarised below:

Total Number of Assets by Portfolio



The overall value of the Council's General Fund portfolio is £179m.

The Council does hold other land and assets, most notably its highways land and housing estates held within the Housing Revenue Account. Both of these portfolios are outside the scope of this strategy, although there is an Asset Management Strategy in place for both.

As part of the baseline work for this strategy a comprehensive survey has been undertaken of each of the three portfolios in scope. The sections below summarise the findings from this baseline exercise and also sets out some of the issues and opportunities within each portfolio.

Operational Portfolio

This includes the Civic Centre, libraries, leisure centres and day care centres. The portfolio comprises of 47 buildings and has reduced substantially as part of the consolidation strategy associated with the move to the new Civic Centre. A majority of the buildings (41) are held by the Council on a freehold basis, with a total asset value of £167m. The rental costs on the remaining 6 buildings are in the region of £285,000 per annum and this strategy proposes to explore the merits of securing freehold premises to replace the leasehold stock.

The freehold portfolio costs in the region of £2.2m per annum to run and these costs are partly offset by a rental income of £545,000 per annum across four of the buildings. Three of the buildings are rated as Grade C in condition terms, signalling the need for critical maintenance or repair work. These buildings are Preston Mall Youth & Community Centre, Gordon Brown Centre and Bridge Park Community Leisure Centre.

The new Library at Willesden Green is excluded from this analysis as it is currently under construction, but once it is complete will have a significant impact on the operational portfolio. It will also provide an opportunity to review the future of spaces

that will become available once services move into the building, including Challenge House and the basement of Grange Road.

The Civic Centre will continue to dominate the operational portfolio and as the Council continues to downsize there is scope to release further office space within the building for external lettings with a view to generating additional revenue income and offsetting facilities management costs.

The remainder of the operational portfolio is likely to see considerable change, with new models of service provision being actively considered for Children's Centres, Youth Service, Libraries and Adult Education. In recent years a number of buildings in this portfolio have also been used to provide temporary classroom provision in order to meet the growth in demand for school places – a situation which the Council is keen to address as part of future permanent school expansions.

Parks Portfolio

This includes 20 parks, open spaces and cemeteries, within which are 119 buildings. Many of the buildings in this portfolio are of extremely low value due to significant restrictions on their use and operation. Nevertheless, 50% of these buildings do currently generate income for the Council, totally some £245,000 per annum.

Buildings within this portfolio may often lend themselves to community asset transfer, which may ensure the ongoing provision of sports and recreation facilities (eg. changing rooms) and open up new investment streams to support their upkeep and maintenance.

There is scope to consider the re-planning and re-provision of the combined sports facilities at Vale Farm and there may be scope to consider similar opportunities in Roe Green and King Edward Parks. In addition there are a small number of open spaces across the Borough which remain under-utilised and potentially are a maintenance liability and this strategy proposes a review of this with a view to exploring their potential for either alternative uses in line with Borough Plan and Regeneration priorities, or alternatively Community Asset Transfer.

Commercial Portfolio

This includes assets held for investment and/or regeneration purposes and includes offices, retail, industrial and residential properties. Although this is the largest part of the Council's portfolio in terms of number of premises (73) it is of comparably modest value – just £12m. A significant proportion of the assets within this portfolio are sold on long leases (often with BHP housing on the upper floors) and only a small minority of assets are genuine commercial assets delivering market rents on shorter term lease periods. This portfolio also includes telecom lettings, often on the roof spaces of buildings in the operational portfolio.

The total annual income within the portfolio is £1m. It is estimated that £422,000 of rent is at risk over the next five years. The vacancy rate is relatively high (12.6%).

The Council is currently significantly under-utilising the potential of a commercial portfolio. This strategy proposes a step change in approach as a means of meeting the twin objectives of value generation (both in terms of revenue return and capital growth) and supporting the delivery of regeneration. In particular there is scope to develop the investment portfolio within the residential market (where the highest

growth potential exists) in order to both support endeavours to meet housing need and deliver a revenue return.

A Consistent Approach to Maintenance

The work underpinning this strategy has helped to establish a baseline condition survey – at headline level – for each of the buildings within the Council’s portfolio. For the buildings which the Council continues to hold, it is important that the Council develops an intelligent repairs and maintenance strategy so that it can minimise unplanned reactive expenditure, improve the sustainability of the estate as a whole, maximise value, reduce running costs, and thereby risk and liability. In having a planned and proactive approach to maintenance the following priorities for investment are proposed:

1. Ensuring full compliance with relevant legislation - this includes DDA, health and safety, fire regulations, legionella and asbestos;
2. Ensuring the Council’s contractual or legal obligations are met in respect of repairs and maintenance obligations detailed in leases or management agreements;
3. Preserving asset life - protecting heritage assets and minimising obsolescence on existing assets;
4. Income/ efficiency - investing in assets where there is a clear potential to generate income as a consequence of by improving the quality of the asset;
5. Corporate objectives - making improvements required to meet changing service demand i.e. new facilities, new fit-out, in support of community resilience; and
6. Business continuity - minimising the risk of asset failure causing unexpected interruptions to service delivery.

A revised repairs and maintenance programme will be developed using this framework, but recognising the finite resources that are available at any given time.

Community Asset Transfer

The Borough Plan emphasises the need to support greater community resilience. This signals a significant change in the way that the Council needs to think about the provision of services. It means that the Council will move much more towards an enabler of improved outcomes for citizens and communities rather than a direct provider of services. This in turn requires different ways of thinking about the way the Council makes use of its property portfolio to support this approach.

Community asset transfer has the potential to deliver many advantages. Often community organisations (and especially charities) have access to forms of funding and financing that the Council is unable to access – and this funding could both be revenue (to support the delivery of a service, or an activity) or capital (to support investment and improvement in the asset). The transfer of an asset could in some

circumstances support the delivery of services or outcomes which otherwise would be unaffordable in the current climate of austerity. And the transfer of an asset could allow local community ideas and energy to be harnessed in a way which a more traditional and municipalist model of service delivery often stifles.

This strategy proposes a clear framework for community asset transfer. The next stage will be for clear guidelines to be worked up in support of the principles outlined below:

- Community asset transfer should support the priorities outlined in the Borough Plan – in making decision to transfer a building the Council should reassure itself that the building should be making a clear contribution to the things which have been identified as most important in making a difference across the Borough;
- Organisations that benefit from community asset transfers need to be credible, they need to be properly constituted to be able to take on the responsibilities associated with a lease, they need to be financially viable and have a clear business plan;
- The uses and activities in the transferred buildings need to be openly accessible to the community in its widest sense and need to promote equalities and community cohesion;
- All opportunities for community asset transfer should be advertised to ensure that there is equal opportunity for any organisation to express their interest; and
- All buildings to be transferred on a repairing leasehold basis with terms to be negotiated appropriately.

It is envisaged that there are three possible routes leading to a Community Asset Transfer – those initiated by a community request, those initiated by a service review or transformation and those initiated by a building becoming surplus to requirement with no other uses being identified. Appendix 1 outlines the top level processes for decision making in each scenario. Essentially the strategy attempts to promote a ‘why not?’ approach to Community Asset Transfer as opposed to the more traditional ‘why?’ approach.

It is unlikely that there will ever be only one option in respect of any given asset within the portfolio, so it is important that when considering Community Asset Transfer proposals decision makers are absolutely clear on all possible other options so as the relative merits of each can be considered.

Investment

Within London there remains a real opportunity to invest in land and property in order to secure both long term capital gains, but also to deliver shorter term revenue returns from rents. This strategy proposes that the Council builds on the skills and confidence it has acquired through leading the South Kilburn Regeneration programme in order to build a more substantive and high performing investment and commercial portfolio.

Although this portfolio should reflect a diverse range of property types in order to manage and spread the commercial risks – including industrial and retail – the largest component should be residential land and property as it is here where the income and value growth potential is the highest. In developing its approach to investment the Council should seek to deliver on the twin goals of delivering a financial return and supporting regeneration and housing priorities. This means that sometimes the financial return will be by way of increased income (eg. through acquiring private rented properties) and at others it will be in terms of making cost savings (eg. through providing new social homes that allows the council to discharge its homelessness duty and is so doing reduce temporary accommodation costs).

The following table identifies the areas within the Borough proposed for investment, based on commercial advice and regeneration and growth priorities.

Buy now to reduce CPO cost for regeneration	Buy now for investment returns
<p style="text-align: center;">Church End Stonebridge South Kilburn St Raphaels North Circular area</p>	<p style="text-align: center;">Alperton Harlesden Stonebridge South Kilburn Wembley</p>
Buy assets for future service delivery	Support regeneration through planning only
<p style="text-align: center;">All areas (schools)</p>	<p style="text-align: center;">Burnt Oak Chalkhill Park Royal</p>

At this stage out of Borough investment has not been considered.

The Council will need to consider the level of investment which it wishes to make, as well as the level of return it wishes to see on that investment and the payback period for the initial outlay. In addition the Council needs to consider whether it wishes to be the sole investor or whether there is merit in finding an investment partner and in so doing share both the risks but also the rewards of that investment.

This strategy proposes that work commences immediately on honing the objectives for new investment and bringing forward proposals for an appropriate investment vehicle to achieve this.

Disposals

Notwithstanding the proposed presumption to retain property within the Council’s portfolio, disposals are an important part of good asset management – whether that be disposals of surplus property or disposals as part of a commercial strategy.

It is proposed that the Council will consider disposal in the following circumstances:

- If the asset no longer makes a positive contribution to the current delivery of Council services;
- If it is an income generating asset, only if there is greater income potential by disposing and re-investing the resource elsewhere; and
- If an alternative site could provide a more effective or efficient point of service delivery.

In considering whether to dispose, it is proposed that the following criteria are taken into account:

- Whether the asset has the potential for community asset transfer in pursuit of Borough Plan priorities;
- Whether the asset has the potential for future strategic regeneration or redevelopment as part of the investment portfolio; and
- Whether the redevelopment potential is complex and therefore beyond the skills or risk appetite of the Council - and therefore better undertaken by a third party.

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

Skills

This strategy signals a significant shift away from the current approach to property and asset management. In moving to an alternative way forward there will need to be a thorough review of the skills, expertise and attitude of the teams currently responsible for Property within the Council with a view to ensuring the availability of the best possible advice to decision makers and a fit for purpose team responsible for delivery.

This review will be undertaken as soon as the strategy is agreed, in order to assess where the skills gaps lie, and a subsequent proposal will be drawn up to address any areas of weakness.

Appendix

Appendix 1 – Community Asset transfer Process