

Shadow Dorset Council

Date of Meeting	14 th January 2019
Lead Member	Cllr. Jeff Cant – Lead Member for Property and Assets and Leader of Weymouth and Portland Borough Council
Officer	Jason Vaughan – Interim S151 Officer, Dorset Council
Subject of Report	Strategic Property Issues
Executive Summary	This report outlines the work that is being undertaken by the Land and Buildings sub-group, in particular to quantify and scrutinise the capital receipts that are anticipated in the first year of the new authority. It details some of the ongoing property initiatives and highlights the need for early consideration to be given to the formulation of a strategic plan for the management and operation of the new property estate. Finally, the report details the extent of capital receipts projected for the next year but highlights that there are risks associated with realising them.
Impact Assessment:	Equalities Impact Assessment: The report does not contain any new strategies.
	Use of Evidence: Not applicable
	Budget: This report informs the Shadow Executive Committee that capital receipts of £24.5m has been identified from the disposal of surplus properties across the six existing authorities in the first year of the new authority. However, some of those funds have already been allocated elsewhere, therefore a maximum of £18.0m may be available.
	Risk Assessment: Having considered the risks associated with this decision using the LGR approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk LOW
	Other Implications: None identified.

Recommendation	It is recommended that work is commenced on the formulation of a strategic plan for the management of the new authority's assets, and that the Committee considers and comments on other matters set out in this report.
Reason for Recommendation	A well-managed Council ensures that the best use is made of its assets in terms of optimising service benefit, minimising environmental impact and maximising financial return.
Appendices	Exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972
Background Papers	None
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1 Introduction

- 1.1 In the lead up to the formation of Dorset Council, a working sub-group has been established to exercise member oversight of the workstream focused on land and buildings. In the limited time available, the sub-group will be focusing on identifying efficiencies and benefits that can be realised from the combined property estates of the six existing authorities and scrutinising the capital receipts that are projected to be generated in Year One.
- 1.2 It is deemed important that an operating model for property is formulated at an early stage of the new authority to enable revenue savings and capital receipts to be generated and to legitimise the various property initiatives that are in train. The sub-group can assist with this by providing political input into the development of new authority's land and buildings rationalisation strategy once the operational strategy for the new authority has been agreed.
- 1.3 Going forward, it is considered that whatever structure the new authority takes it would be beneficial to retain an officer and member working group to oversee the authority's property asset management strategy. This would enable a collaborative approach to be fostered and engagement to take place with all relevant members, particularly those that have a significant input into policy and resource strategies and where there are issues that may be contentious or politically sensitive.

2 Ongoing Property Initiatives

- 2.1 The need for a cohesive property strategy is demonstrated by the range of different initiatives that are ongoing across the six authorities, some of which conflict with each other. In recent years all the authorities have sought to maximise the use of their assets to extract maximum value from them and to seek the most advantageous method of disposal. This may not necessarily entail disposing of the asset at the highest price being offered, although that is the default option. But there is now a greater awareness that repurposing surplus assets can add greater value in the long term.
- 2.2 Some of the ongoing property initiatives across the authorities are as follows:

- 2.2.1 **Creation of joint venture partnerships.** Dorset County Council (DCC) and the three authorities that make up Dorset Councils Partnership have entered into joint-venture arrangements with an organisation called Public Sector Plc (PSP). The purpose behind this is to de-risk and add value to surplus assets prior to their disposal. Approximately 6 properties are currently committed to PSP, but there is no obligation to use the partnership beyond these disposals.
- 2.2.2 **Promoting housing development.** West Dorset DC has created a standalone housing company, Homes Dorset, to develop affordable housing and generate profits for the authority. The need for more housing, especially affordable housing, is a key Government priority and Homes England has funds available to facilitate this.
- 2.2.3 **Care initiatives.** DCC has launched an initiative called Building Better Lives. The programme takes a strategic approach to asset development to bring about transformational change in how people are accommodated and supported and therefore how their outcomes are met. Two sites have been committed to the programme to date and further sites are sought that may be suitable for the development of any one or more of the range of accommodation types that are identified in the programme (such as extra care housing and supported living).
- 2.2.4 **Educational initiatives.** Children's Services have a need for sites to promote the delivery of educational services, in particular for children with special educational needs, where the only alternative provision may be expensive out of county placements.
- 2.2.5 **Asset rationalisation.** Both DCC and the authorities in DCP have ongoing programmes to reduce the running costs of their operational estates; DCC's programme has generated in excess of £900,000 of revenue savings in five years. There is still potential to realise further revenue savings, but this will require Services to reconsider the way that they occupy their accommodation and provide services, including partnership working with local communities.
- 2.2.6 **Joint asset management.** For several years Dorset has had a Joint Asset Management Board which includes representatives from all Dorset authorities, Health, Blue-light services and Central Government departments. This group has successfully submitted two bids to the One Public Estate programme for funding to promote joint working. Going forward, it is envisaged that there will be ever increasing opportunities to work closer with Health on key property initiatives.
- 2.2.7 **Community working.** As the need to reduce costs increases, all authorities have sought to maintain service delivery through divesting the running of certain assets to community bodies. This can be extremely successful where the community groups are properly constituted and funded.
- 2.3 Whilst all these are excellent initiatives, sometimes there is a conflict between revenue savings benefits that are gained from re-purposing assets, and the short-term need to maximise capital receipts to fund the capital programme, which in itself may offer other revenue saving opportunities for key council services.

3 The Need for a Property Operating Model

- 3.1 It is recommended that a workstream is put in place as soon as possible, ideally prior to the creation of the new authority, to carry out a strategic review of the combined property estates to identify:

- Core Operational Estate requirements, including office accommodation – driven by service delivery objectives
- Core Non-Operational Estate requirements – driven by regeneration and community-based objectives
- Core Property Investment requirements – driven by financial targets and risk
- Disposal opportunities and capital receipt generation – driven by the above.

3.2 Such a review would help to shape the composition of the new authority's property estate, the budget and resources required to manage and operate it and importantly the opportunities, including capital receipts, that could be derived from it. It would also inform the production of an Asset Management Plan for the new authority. It is important that an Asset Management Plan is developed at an early stage to bring a cohesive structure to Dorset Council's property estate. The formulation of this document should also be a conduit through which members are able to input into the operating principles of the new combined property estate. By establishing the key principles of the future operating model of the new property estate, it is hoped that a clear asset management strategy can be established, with buy-in from members and local communities.

4. Current Forecast of Capital Receipts

4.1 One of the initial tasks of the Land and Buildings sub-group has been to identify the assets that are held for disposal across the six authorities, with a view to determining the likely extent of capital receipts that could be generated in the first year of the new authority. The schedules detailing these assets are appended to this report.

4.2 There is a potential to generate in the order of £32.0m from the sale of property assets over the next 15 months. Of this sum approx. £7.4m should be generated in the current financial year (on top of capital receipts already banked) and £24.5m in 2019/20.

4.3 However, it is important to note that of the 25 disposals planned for the next financial year, only 7 are not subject to a planning consent prior to sale. Hence there is a significant degree of risk that some of these disposals will slip. 2 sales, amounting to receipts of £3.185m are identified as red risks (defined as a high degree of uncertainty that the sale will be achieved within the anticipated timescale), 21 further sales, amounting to receipts of £16.145m are identified as amber risks (defined as medium degree of uncertainty that the sale will be achieved within the anticipated timescale) and only 5 sales amounting to receipts of £5.190m are deemed to be green, or low risk. These risks, to some degree, reflect current uncertainty with the planning process and the delays that developers are experiencing in taking complex schemes through planning.

4.4 It should also be noted that £13.8m of these capital receipts are already allocated; either to other projects or programmes to which the disposal is associated, or in the case of DCC as part of the 11.7% payable to BCP on assets held for sale as at 31.03.19. Hence, a maximum sum of £18.0m is available from capital receipts.

4.5 There are still opportunities though to bring forward further disposals. If the level of capital receipts required is identified early enough, it should be possible to tailor the disposals programme to meet this need.

