

REPORT TO CABINET - 14 JANUARY 2014

ASSET MANAGEMENT STRATEGY 2015/16 to 2017/2018

Submitted by: Executive Director (Regeneration and Development)

Portfolios: Planning and Assets; Economic Development, Business, Town Centres and Customer Services and; Finance and Resources

Ward(s) affected: All wards within the Borough

Purpose of the Report

To seek Cabinet approval for the Asset Management Strategy (2015/16 to 2017/2018).

Recommendation

- (a) That Members approve the Asset Management Strategy (2015/16 – 2017/ 2018).
- (b) That Officers take the necessary steps to explore the development potential of the sites listed in Appendices 2 and 3 at the earliest opportunity.
- (c) That Officers report back the outcome of recommendation (b) to Cabinet at the earliest appropriate time.

Decision required

Do Members wish to respond to the issue raised at the joint Economic Development and Enterprise and Finance, Resources and Partnerships Scrutiny Committee to consider inclusion of the seven former Newcastle Development Partnership sites in the Asset Management Strategy review of sites?

Reasons

The Strategy is a key document, which along with the Council's Capital Strategy and Medium Term Financial Strategy, forms the basis of the Council's Use of Resources. More particularly this Strategy seeks to deliver the Cabinet's expectation that the Capital Programme will be funded as a first resort from the realisation of capital receipts derived from the disposal of land for which the Council has no demonstrable need.

1. **Background**

- 1.1 The Council's Capital Strategy and Asset Management Strategy are key documents evidencing the Council's approach to its Use of Resources. This Strategy provides a clear framework for understanding the value and condition of property owned by the Council so that, in turn, investment decisions can be taken to optimise the use of the said land/property to meet the needs of the Borough's residents, businesses and visitors. This Strategy along with the Council's Capital Strategy seeks to demonstrate alignment with, and delivery of, the Council's ambitions as set out in the Council Plan.
- 1.2 As an important evolution in the overall process of reviewing capital expenditure the Cabinet agreed at a meeting in October 2014 the principle that the Council, as a first resort, would seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is

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capable of, and appropriate for disposal.

- 1.3 In November 2014 Cabinet approved a list of Council owned sites (see Appendix 4 of the Strategy) to be submitted to the Local Planning Authority following its request for sites through the "Call for Sites" which has the potential to satisfy demand for future housing, employment and other needs such as recreation and leisure.
- 1.4 A joint Finance Resources and Partnerships Scrutiny Committee and Economic Development and Enterprise Overview and Scrutiny Committee reviewed the Strategy on 16th December 2014.

2. **Issues**

- 2.1 This Asset Management Strategy seeks to provide a robust and formal approach to the management and use of the Council's land and property assets. The Strategy explains the types of property we own and the rationale for so doing. It also summarises the potential ways in which investment can be funded highlighting the manner in which the Council invests in both its operational and commercial portfolios to meet the Council Plan's objectives. The Strategy also explains the structures/systems relating to management and decision-making.
- 2.2 Furthermore, it identifies the importance of maintaining and repairing the Council's property portfolio and it contains a summary of the cost of works required as a result of a stock condition survey.
- 2.3 As indicated above in October 2014 the Cabinet established an important overarching principle linking the function and purpose of this Strategy with the Council's Capital Programme and that it should be funded as a first resort from the receipts derived from disposal of land that is no longer required to meet strategic and/or operational needs.
- 2.4 The strategy sets out in Appendix 1 a list of sites, which Cabinet has approved for disposal previously, (with an update on the current position) in order to assist the planning of capital programme expenditure. Appendix 2 sets out further sites for which approval is being sought to explore alternative uses or development and Appendix 3 lists sites which the draft Playing Pitch Strategy has identified as being surplus to operational requirements and approval is being sought to explore options for alternative use or development of these sites too.
- 2.5 It is estimated (subject to the granting of planning permission, there being no significant abnormal costs and to the sites selling at open market value) that the capital receipts likely to be generated in respect of the sites identified in Appendices 1-3 is approximately £16m. For the sake of clarity approval is being sought at this meeting for Officers to explore the potential for alternative use or development of the sites in Appendices 2 and 3 only (the sites in Appendix 1 having been approved previously).
- 2.5 At Appendix 4 a list of sites is included for information purposes that Cabinet has agreed to submit in response to the local planning authority's Call for Sites. In due course the local planning authority will consider the appropriateness of the Council's land alongside third party land, for alternative use or development. This assessment will be criterion-based and seek to identify a wide range of land uses such as housing, employment, open space and so on. No new decision is required in this regard but it is highlighted for the reason of clarifying the point that the Town Planning processes are considered to be best placed to determine the merits or otherwise of future land uses (taking account of relevant strategies, evidence, etc.).
- 2.6 At the joint Scrutiny Committee meeting of Finance, Resources and Partnerships and Economic Development and Enterprise (on 16th December 2014), Members reviewed draft copies of both the Asset Management Strategy document and this draft Cabinet report. In addition a separate scrutiny report was provided to Members setting out some key lines of

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enquiry in order to facilitate a comprehensive review of the Strategy and these questions are reproduced below:

- (i) *Are Members satisfied with the broad thrust of the Strategy (section 2)?*
- (ii) *Are Members satisfied with the site selection criterion used to identify potential sites for disposal (see para. 5.8)?*
- (iii) *Are Members satisfied that the proposed disposal programme will be adequate to meet future known capital programme needs – i.e. for the next three financial years – (see Appendices 2 and 3)?*
- (iv) *Do Members wish to identify any further sites for disposal?*
- (v) *Do Members agree with the principle of disposing of council-owned land where there is no strategic or operational reason for retaining it (para. 2.25 and 5.7)*
- (vi) *Do Members consider that the consultation process is adequate (and with the related principle that amenity considerations should be addressed through Town Planning processes) (paras. 5.19 to 5.21)?*
- (vii) *Are Members in agreement with the principle that the Local Plan process should determine the most appropriate use of the sites identified in the response to the Local Plan “Call for Sites” (paras. 5.15 to 5.17)?*
- (viii) *Are Members satisfied that adequate consideration is being given to maintaining the Council’s property assets and minimising risks from a health and safety perspective (see paras. 3.20 to 3.25)?*

2.7 In addition Members were recommended to resolve as follows:

That, taking account all of the matters addressed in response to the above questions, Members recommend to Cabinet approval of the Asset Management Strategy 2015/15 to 2017/18.

2.8 The Scrutiny Committee resolved to approve the above recommendation. In addition, in response to question 4, a motion was put to a vote asking that:

“The 7 former Newcastle Development Partnership sites should be brought into the Asset Management Strategy process for review in accordance with the Scrutiny review process previously undertaken in that regard.”

Whilst the motion was not supported by a majority of members, the Chair confirmed that this issue would be referred to Cabinet.

2.9 At this stage it is the policy of the Council that the said sites should not be disposed of (Cabinet resolution July 2012). Officers can confirm that it does not appear necessary to bring these sites forward at this time in order to fund the requirements of the capital programme for the next three financial years. However Cabinet may wish to address the issue which was raised by some members of the joint Scrutiny Committee.

2.10 Two other issues raised by the Scrutiny Committee that merit reporting are set out below:

(a) the status of the two potential brownfield employment sites (referred to at Appendix 2) was questioned and should be clarified in view of the prioritisation afforded to such sites in this and previous Asset Management Strategies.

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- 2.11 In the case of the land off Brick Kiln Lane (Chesterton) officers can confirm that this site has been identified in response to known developer interest in recent months regarding a significant employment development scheme. Whilst the site is identified as semi-natural open space in the current Green Spaces Strategy officers consider there may be scope to re-provide much of this at a nearby location (funded from any development of this site). Of course this would have to be addressed in any such development proposal.
- 2.12 With regard to the site at Apedale Road this forms part of a wider employment site that was established some years ago following a Government-funded land reclamation scheme, although this particular parcel of land was never identified as a specific plot. There are accessibility issues and there may be ground condition issues which will constrain the site's developability. However your officers consider that there is merit in exploring at least the partial development of the site to expand employment land provision in such an established location.
- 2.13 In both cases the reason for promoting the sites is to provide much-needed employment land in advance of any sites that may be identified in the forthcoming Local Plan.
- (b) the basic principle of local authority land disposal was questioned and in particular the community or public interest/rights was raised. This point is addressed at section 7.
- 2.14 For the sake of clarity it should be noted that minor textual changes have been made to the draft Strategy since it was considered by the joint Scrutiny Committee held on 16 December 2014 (no substantive revisions).

3. **Options Considered**

3.1 **Option 1 – Do nothing**

- 3.2 If the Council did not prepare an Asset Management Strategy and Plan it would not be possible to either manage assets dynamically or demonstrate the rationale for investment; thereby exposing the Council to criticism that it had a weak approach to the management and use of its physical resources.
- 3.3 If capital receipts are not generated through the disposal of assets or there is a delay in this happening, this will mean that it will be necessary to either abandon, or postpone investment in the capital programme or to find an alternative source of funding, most likely to be borrowing (the revenue consequences of which would need to be addressed as part of the General Fund budget setting process).

3.4 **Option 2 – Prepare Asset Management Strategy / Plan**

- 3.5 The preparation of a Strategy enables the Council to establish some key principles about managing assets both strategically and dynamically in the context of Council Plan priorities. Having an Asset Management Plan provides a clear programme to optimise property investment in the context of the Strategy.
- 3.6 The capital receipts generated from the disposal of the assets set out in Appendices 1, 2 and 3 in the Strategy (subject to the granting of planning permission, there being no significant abnormal costs and to the sites selling at open market value) will fund the future Capital Programme.

4. **Proposal**

- 4.1 Option 2 is proposed.

- 4.2 That Members approve the Asset Management Strategy 2015/16 to 2017/2018 and that officers be authorised to explore the potential for alternative use or development of the sites listed at Appendices 2 and 3, reporting back to Cabinet at the earliest opportunity.

5. **Reasons for Preferred Solution**

- 5.1 This strategy embodies current Government thinking in respect of asset management and enables the Council to demonstrate the prudent use of its physical resources.
- 5.2 The capital receipts generated from the disposal of the assets set out in the Strategy (subject to the granting of planning permission, there being no significant abnormal costs and to the sites selling at open market value) will fund the Capital Programme for the next three financial years.

6. **Outcomes Linked to Corporate Priorities**

- 6.1 The Asset Management Strategy enables achievement of priority outcomes in all four of the Council's corporate priorities.

7. **Legal and Statutory Implications**

- 7.1 The Council has a duty, both fiduciary and operationally to utilise its Assets for the benefit of the Community.
- 7.2 Local Government Act 1972 (as amended) – Section 123 - the Council may dispose of land held by it in any manner it wishes but has a duty to achieve "best consideration" for its assets.
- 7.3 Local Government Act 2000 - powers to promote the economic, social and environmental wellbeing of the Borough.
- 7.4 Localism Act 2011 – this Act includes provisions in relation to the "Community Right to Bid" but these do not override the S.123 requirement to achieve "best consideration" in any disposal of local authority land.

8. **Equality Impact Assessment**

- 8.1 Planned investment in the Council's operational portfolio will achieve compliance with the Disability Discrimination Act 2005.

9. **Financial and Resource Implications**

- 9.1 These are set out in the document in terms of planned investment in the operational portfolio and possible capital receipts through the disposal of land and property.
- 9.2 The capital receipts generated from the disposal of the assets set out in Appendices 1, 2 and 3 in the Strategy (subject to planning permission, there being no significant abnormal costs and to the sites selling at open market value) is estimated to exceed £16m and will therefore fund the Capital Programme requirement for the next 3 financial years.
- 9.3 Provision has been made within the draft capital programme contained elsewhere on your agenda for fees associated with the submission of planning applications in relation to three of the larger or more complex sites listed at Appendix 1. It is intended that the in-house team of Property officers will prepare and submit planning applications in relation to other disposal sites. The capacity to do this will be prioritised in their work programme and any associated fees (both for the planning applications and any necessary supporting technical assessments) will be funded from income derived from land disposals.

10. **Major Risks**

- 10.1 That failure to prepare an Asset Management Strategy and Plan will adversely affect the Council's ability to demonstrate optimum use of its physical resources (assets).
- 10.2 A major risk is if land is not approved for disposal or if land approved for disposal is not sold or there is a significant delay in so-doing. In particular there has to be sufficient market demand at the time of marketing and there may be a shortfall against the Council's valuation. There may be some situations where the grant of planning permission is either not secured or that there are significant costs arising from the imposition of conditions. Additionally the necessary legal and administrative processes must be completed by both parties and this can sometimes cause delays.
- 10.3 In the event that insufficient capital receipts are generated as they are needed or there is a delay in this happening, this will mean that it would be necessary to either abandon, or postpone investment or to find an alternative source of funding, most likely to be borrowing (the revenue consequences of which would need to be addressed as part of the General Fund budget setting process).
- 10.4 If projects included in the capital investment programme are not carried out a number of other risks may arise, depending on which projects are concerned
- Service continuity suffers or service may not be able to be provided at all
 - Customers, staff and the general public are exposed to unacceptable health and safety risks, e.g. from unsafe buildings and structures;
 - The Council fails to fulfil its statutory responsibilities;
 - The Council fails to meet its legal obligations, e.g. with regard to property leases;
 - Income is lost because commercial properties become unlettable or cannot obtain acceptable rentals.

11. **Key Decision Information**

- 11.1 The report is referred to in the Forward Plan.

12. **List of Appendices**

- 12.1 Asset Management Strategy 2015/15 to 2017/18

13. **Background Papers**

- 13.1 Various reports and guidance documents from Government and the Audit Commission relating to Asset Management.

14. **Previous relevant Cabinet or Committee resolutions**

- 14.1 Joint Economic Development and Enterprise and Finance, Resources and Partnerships Scrutiny Committee meeting on 16 December 2014.
- 14.2 Cabinet 12 November 2014 – items regarding both land disposals and Call for Sites response.
- 14.3 Cabinet 15 October 2014 – item regarding “Funding the Council's Capital Programme”.