

## ONE COUNCIL PROPERTY APPROACH

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### 1.0 EXECUTIVE SUMMARY

- The Council Estate comprises over 1,700 buildings and parcels of land.
  - The combined nominal or book value of our Estate is over £600m. This is not a value that can be realised in full.
  - The Council is landlord to over 160 businesses and generates over £650k in commercial rent per annum.
  - The Council has generated over £5.5m from surplus property since 2016.
  - The Estate includes airports, supermarkets, windturbine sites, ferry terminals, schools, landfill sites, farmland, car parks, offices, cemeteries, offices and farms.
- 1.2 This paper sets out proposals for a change in approach to the management of the Council's land and buildings from a static or reactive position (where properties are considered to be held or owned by individual services) to a proactive property development service. This would mean that that all heritable property owned by the Council would be held corporately and not by individual "holding" departments, as has been the case to date, to enable the Council to take a more consistent and strategic corporate view across all heritable property it owns.

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### 2.0 INTRODUCTION

- 2.1 This paper sets out proposals for a change in approach to the management of the Council's land and buildings from a static or reactive position (where properties are considered to be held or owned by individual services) to a proactive property development service. This would mean that all heritable property owned by the Council would be held corporately and not by individual "holding" departments, as has been the case to date, to enable the Council to take a more consistent and strategic corporate view across all heritable property it owns.

### 3.0 RECOMMENDATIONS

- 3.1 Members are asked to recommend to the Council at their budget meeting on 22<sup>nd</sup> February that
- 3.1.1 The "One Council" approach be adopted
  - 3.1.2 Provision of £130k be made in financial years 2018/19 and 2019/20 to resource the taking forward of the new approach, as per paragraph 4.7.4.3
  - 3.1.3 The Executive Director Customer Services bring forward further reports to the Policy and Resources Committee as required in relation to (a) any procedural or process issues which arise from implementing this proposal and (b) progress implementing change and delivering benefits therefrom

### 4.0 DETAIL

#### 4.1 Transformation Board

The Transformation Board was established by the SMT to provide clear focus and governance for taking forward all elements of the Council's Transformational activities. It supports the Council in delivering the transformational approach required of local authorities by the Accounts Commission to deal with the forecast significant reductions in budget allocations. The Scottish Government and the Commission have expressed a clear direction of travel for Councils to move away from the historical "salami slicing" method of achieving savings to a more strategic change in character and form. This undoubtedly presents

challenges within an annual budgeting cycle and requires an effective collegiate approach across the senior management of the authority. The Board operates on Prince 2 principles to ensure accountability and transparency in the management of public finances and there is a clear audit trail of all activities to meet the expectations of external audit.

- 4.1.1 The proposals set out in this paper have been considered by both the Transformation Board and the Council's Strategic Management Team. Their view is that the approach recommended would require initial funding over a two year period to make the necessary changes to existing arrangements but that by year three increased income would be available for use by the Council arising from both (a) one off capital receipts from sales and (b) increased rental income from leased out properties.

## 4.2 Objectives

To better enable the effective and efficient utilisation of all the Council's heritable property; its current and future use and occupation; the rationalisation of land and buildings; respond to property enquiries in a consistent and informed manner; budget appropriately for property issues; the acquisition and disposal of property; the development of commercial opportunities for property development.

## 4.3 Rationale for the Proposal

The One Council approach would be a step change in the way that the Council views its property portfolio. At the moment land and buildings owned by the Council are "held" by individual services who may or may not appreciate the number and type of assets that the Council "hold" and the nature and extent of their use, type and occupation.

- 4.4 The current approach to heritable assets has led to individual services accruing many properties that are held by them but are not necessarily used for operational purposes or do not relate to their core service.

For example:

Housing – the Council's Strategic Housing function now sits under Planning, Housing and Regulatory Services. Strategic Housing have around 90 properties such as retail units, garages, grazing fields and vacant land. Many of these assets may no longer contribute to day to day operational activities of Housing.

Economic Development, Roads and Education – these services hold dozens of property assets that are not occupied by the service for operational purposes and have limited direct relation to the service.

At present holding departments must also assume responsibility for maintenance, insurance and decisions relating to the assets held on their account which means, in theory, officers in each service require a level

of property management experience / knowledge. There are very few services that currently budget for non-operational property matters and inconsistent approaches between departments can arise. For example, individual services may instruct differently in response to fallen trees or a request to position a hot take away van on their land.

4.5 This proposal would mean that individual services were seen as service providers rather than property holders bringing a better focus to the idea of “services not buildings”. This would enable the central services who have a direct role in the asset management of assets to take a more proactive role in looking at the effective use of the Council’s properties through property rationalisation, asset transfer to third sector, the reduction of the cost base associated with the Council’s land and buildings through to the development of commercial opportunities for better capital and revenue returns.

#### 4.6 **Benefits and Returns**

4.6.1 The projected return from the sale of heritable property in the years 2017/18 and 2018/19 is estimated at £4.1m and £3.9m, respectively. In addition the Council receives an annual revenue return on rental property of approximately £650,000.

4.6.2 Capital receipts are generally returned to the corporate centre, although there have been exceptions. Examples include Capital receipts being allocated to a holding service (e.g. Education) or to an area. The One Council approach would mean that all new capital receipts from the sale or lease of Council properties would be dealt with on a corporate basis at the centre providing members and senior management with transparency on the Council’s properties, their commercial performance and commercial return.

4.6.3 The Estates and Property Development Team (EPDT) are actively engaged in looking at commercial opportunities in a number of areas with the principal objective of maximising commercial returns preferably on an ongoing revenue basis rather than a one off capital return. Some of the areas being considered are:

- Potential commercial development of land at Duck Bay, Loch Lomond;
- Potential serviced sites in Campbeltown;
- Development of car parks in Oban (where there is a known commercial interest) for potential hotel development (on an undercroft basis) to retain car parking and multi storey car parking; and
- Develop new business land opportunities in Dunoon, Helensburgh and Oban

## 4.7 Resources

- 4.7.1 The “One Council” Property approach would facilitate a more engaged and proactive approach in the more effective utilisation of land and buildings for operational use and commercial return. This would be particularly beneficial to the various assets that departments currently hold but do not form part of their ‘operational’ activities or relate to their day to day service provision.
- 4.7.2 Services would still engage in the current service planning and asset management processes. It would also require services to more actively engage in reviewing their use and occupation of current land and buildings and identifying their future needs and requirements.
- 4.7.3 The EPDT has moved from Facility Services to the Customer Services Directorate where it sits within the Special Project Team. In the last 12 months there has been work ongoing to take the team from a traditional transactional estates function to one which undertakes transactional work in a more effective way while developing capacity to proactively develop the Council’s land and buildings for commercial return. The “One Council” Property approach would synergise that development work but would mean a requirement for additional resources to enable that role and the commercial potential to be realised.
- 4.7.4 To facilitate this approach would require an additional resource or re-allocation of existing resource to ensure that the EPDT can proactively;
1. Identify and pursue opportunities for property development;
  2. Better manage the current property portfolio to ensure capital and revenue returns are maximised;
  3. Ensure that the Council’s property information is accurate and relevant to ensure effective management.

This resource would require to consist of at least two property professionals, at least one of whom is proficient in commercial property development, and at least one technical officer to provide support. Such a resource would mean an additional cost of approx. £130K.per annum.

As advised in paragraph 4.1.1 the new resource would be expected to demonstrate delivery of a commercial benefit to the Council that would offset the cost within 2/3 years of its constitution.

4. Existing property related Budget / Resource would also require to be re-allocated for property maintenance or contingency once assets are held centrally to ensure Council fulfils its obligations. Current arrangements for maintenance budgets are contained within the Central Repair Account (CRA) and individual budget allocations spread among services. The current position is that there is little or no budget for planned maintenance. Such budgets have been

depleted over a number of years and maintenance spend is largely on a reactive basis. The re-allocation of these resources would be designed to begin to address this issue.

5. If this proposal were to be accepted then there would be a requirement to review current budget allocations and arrangements to rationalise all related budgets. It is expected that the EPDT would have a role in the oversight of such any such budget along with Facility Services.

4.7.5 This budget could be ring-fenced from the surplus property account and then part or whole of any return re-invested in that budget when assets are sold or new income is generated through new leases or rent reviews, if members were so minded.

## 5.0 CONCLUSION

5.1 In summary the “One Council” Property approach could:

- Help focus on “services not buildings”;
- Stimulate commercial opportunities through review of all assets – disposals, development or rental;
- Stimulate asset transfers to third sector to generate or save resource;
- Provide consistent and informed property management services;
- Focus on property development on all land – leaving services free to focus on operational activities;
- Provide members and senior management with transparency on the Council’s properties, their commercial performance and commercial return;
- Ensure that windfall returns for properties are not lost in general expenditure, but are clearly identified, captured and held at the centre available to members to provide more flexibility in budgeting in future.

## 6.0 IMPLICATIONS

6.1	Policy	Change in approach to managing Council land and buildings.
6.2	Financial	Upfront costs of £130k PA in 18/19 and 19/20; proposal to be self-funding by 20/12
6.3	Legal	None at this stage
6.4	HR	None at this stage
6.5	Equalities	None at this stage
6.6	Risk	Projects fail to deliver projected benefits
6.7	Customer Service	None at this stage

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