

'One Council' Property Update – April 2018 to March 2019

1.0 EXECUTIVE SUMMARY

- 1.1 In February 2018, as part of the Budget process, the Council approved and commenced the implementation of the 'One Council' property approach. This report aims to update on the implementation of the 'One Council' approach over the first 11 month period and highlight successes and benefits already delivered.
- 1.2 This new approach has seen a change in management of the Council's land and buildings to a proactive property development service. The change aims to enable the Council to take a more effective, consistent and strategic corporate view to optimise value for money. It also allows operational departments to focus on the delivery of their core services and to enable any financial benefit from property or windfalls that may occur to be more transparently reported and captured. The One Council approach also seeks to be more commercially astute towards estate management and disposal through sale or lease of surplus property.
- 1.3 The One Council approach involves a staffing, cultural and accounting restructure that notably has also included the appointment of 3 new members of staff on temporary 2 year fixed term contracts (£130k budget allocated for years 2018/19 and 2019/20). It is expected that these contracts may be extended if demonstrated that the financial and other cashable outputs exceed this salary outlay – in effect creating employees who are focussed and motivated on delivering financial benefits to the Council.
- 1.4 The One Council property approach has already delivered (in the first 11 months – 1 April 2018 to 28 February 2019) over £53k in additional rental income, a further £23k in one off sums and £3m in capital receipts this financial year. An additional £2m of property is currently under offer.
- 1.5 **Recommendation**
Members are asked to note the progress in delivering the One Council property approach.

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2.0 INTRODUCTION

2.1 The purpose of this report is to update members on the first 11 months' of delivery of the 'One Council' property approach. The new approach was agreed and commenced by the Council in February 2018, as part of the budget 2018/19 process. Whilst budget and approval was given to the 'One Council' approach in April 2018 it must also be considered that, following a recruitment process to fill the necessary posts, staff only joined in June 2018.

2.2 The Council agreed the aim of the One Council Approach as:-

Make the most positive and efficient use of our property for the benefit the Council and our communities and to partnership with other landowners to realise potential in our area.

2.3 And also the objectives as:-

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.

2.4 Officers and management have been laying the foundations of the new commercially focused process and communicating its principles and messages both inside and outside of the Council during the first eleven months of implementation of the new approach. The 'One Council' approach was a natural progression in looking at the effective re-structuring of the Estates Team in 2017/18, it having moved from Facility Services to the Special Projects Team. To this extent, the small team has undergone a significant transformation over the past 24 months including the additional £130k staff budgeting for 2018/19 and 2019/20 to recruit 3 new temporary posts. A 'One Council' Action Plan (Service Plan) was introduced at the start of 2018 which includes a number of milestones and performance targets which is monitored in regular progress meetings with the Executive Director of Customer Services. As well as recruiting and forming the new team and reviewing the systems and processes utilised by them, there have already been some notable / tangible benefits delivered to the Council and these are outlined in the following sections of this report.

3.0 RECOMMENDATION

3.1 Members are asked to note the progress in delivering the One Council property approach.

4.0 DETAIL

4.1 The 'One Council' Property Service Plan (2018-2020) is broken down into 5 key themes which are:-

- A. **Build a proactive property team** that has the skills, knowledge systems and influence to make informed and commercial property decisions and further develop the Council's Property Development Working Group (PDWG) for benefit of strategic property matters;

Key Success & Benefits April 2018 to March 2019

- 1) Filled new structure (3 new temporary employees and 1 full time vacant post) by 1st June;
- 2) 3 of the new recruits have been resourced via the £130k per annum budget injection until end of 2019/20 on the understanding that the team will generate additional cashable benefits to sustain these posts in future years;
- 3) The focus of the whole team is on an effective and efficient service that delivers increased revenue and capital sums, captures one off savings and efficiencies where relevant, relieves cost pressures where possible captures non cashable benefits;
- 4) Resourcing the team with experienced staff has allowed certain services like estate agency work and valuations to be brought back 'in house' so that spending on external consultants has reduced easing cost pressures by around £45k per annum;
- 5) Developed and integrated document and property management systems like IKEN and Concerto (wider data handling benefits to Council);
- 6) Establishment of the Property Development Working Group (PDWG) with an aim to 'get things done'. We have already used the PDWG for initiation and assessment of offers for the Oban Car Parks Project and Hermitage Park Depot; and
- 7) Contributed to Special Projects Team & Property Development & Estates winning 'Team of the Year Award 2018'.

- B. **Take the Lead** by removing the current 'holding departments' model, where properties are not managed operationally, and allow operational departments to focus on their 'services not buildings'. Introduce a culture of commercial, consistent and efficient property management for our existing estate.

Key Success & Benefits April 2018 to March 2019

- 8) Budget and management responsibility for non-operational properties is being re-aligned to new 'One Council budget code' – includes non-operational land / buildings and property not forming core part of operational service such as Small User Sites (SUS), retail premises and strategic land bank This approach will enable members and senior management to have more transparency on property income and unbudgeted “windfall” benefits that might otherwise have fallen to and been spent by services;
- 9) The Estates Team is also focused on property management issues to ensure income from property is maximised and to foster better tenant relationships;
- 10) The team is engaging across the whole Council estate to identify opportunities. This has led to the sale of land at Tighnabruaich to Fyne Homes to build 15 new homes (construction now commenced) to bring financial benefit to the Council and assist Fyne Homes and the Council in delivering on SHIP commitments;
- 11) The team has also led on the setting up of contracts and licences to utilise our estate for new opportunities such as Tighnabruaich Pier as a wedding venue and, in partnership with D&I, supporting film crews to scope out locations for filming such as Blairvadach.
- 12) There have been strong responses to the new 'in house' property marketing approach (minimising reliance and expenditure on 3rd party estate agents) using new methods such as social media and property platforms including zoopla, rightmove and onthemarket.com with drone video and photographs. Properties include Hermitage Park Depot, St Clair Road Ardrishaig and former Visit Scotland properties in Campbeltown & Inveraray.
- 13) The One Council property approach has already delivered (in the first 10 months – 1 April 2018 to 28 February 2019) over £53k in additional rental income, a further £23k in one off sums and £3m in capital receipts this financial year. An additional £2m of property is currently under offer.

C. Challenge all aspects of property use to ensure our assets are utilised effectively. Review all opportunities that can make the most of space, revenue generating opportunities, disposals, sharing resources and fiscal savings;

Key Success & Benefits April 2018 to March 2019

- 1) Assisting D&I with Depot Rationalisation options and project delivery – valuations, site appraisals and option assessment;
- 2) Planning upcoming Office Rationalisation with opportunities in Oban and Dunoon programmed for 2019;
- 3) Leading on challenging rating revaluations for Council owned properties with around £10k saved so far and more expected in 2019/20. Insurance valuations also programmed to be reviewed;

- 4) Reviewing the Council's leased in premises to divest where possible and, as part of this process, assisting Development & Infrastructure to quit 'leased in' premises at Kilmory Industrial Estate Enterprise Centre to reduce spend on premises by Business Gateway with potential for £15k per annum saving;
- 5) Commercial leasing of desk spaces within existing offices – Small Communities Housing Trust, Skills Development Scotland and Visit Scotland.

D. Be Commercial in all aspects of our business, having a focus on generating revenue and exploiting known market / demand opportunities on our land or buildings or in partnership with others;

Key Success & Benefits April 2018 to March 2019

- 1) Negotiated purchase of 1 West Clyde Street, Helensburgh (former Mariners Public House) from Sainsbury's at below market value;
- 2) Successfully undertook marketing exercise for commercial opportunities in Oban Car parks. Process now moved to discussion with preferred developers for potential hotel / car park opportunities;
- 3) Assessed development opportunities for revenue return for Loch Lomond Landscape Park (Duck Bay) and Witchburn Road (Campbeltown). Now developing strategy that can be taken to market;
- 4) Commenced systematic review of new commercial opportunities to focus on known markets and geographic locations on Council owned land. A Property Development & Estates Workplan for 2019/20 has been prepared and includes the following project leads:-

2019/20 – Commercial Property Development Projects

Location	Target Market / Use
H&L	
Loch Lomond Landscape Park (by Duck Bay)	Mixed use / tourism
Helensburgh Waterfront Development	Retail
Hermitage Primary Annex	Unspecified
Stronafyne, Arrochar	Tourism
B&C	
Dalintongart, by Dunoon	Business & industry
Strone	Housing
Strachur	Housing
Office Rationalisation	Office
OLI	
Former Millpark Depot, Oban	Business & industry use
Soroba Road, Oban	Unspecified
North Connel & Benderloch Masterplan	Mixed
Oban Airport	Business & Industry
Tobermory & Baliscate, Mull	Mixed
MAKI	
Witchburn Road, Campbeltown	Housing
Kilmory 2, Lochgilphead	Business & Industry

- E. Quantify the outcomes** from One Council approach into financial and qualitative outputs that can be reinvested and considered by Members as they see fit.

*Key Success & Benefits April 2018 to March 2019 is shown in **Appendix A**.*

5.0 CONCLUSION

- 5.1 This report outlines the progress that has been made to date in regard to recruitment and restructuring of the team and the planned steps to make the most positive and effective use of the Council's heritable property to include the financial benefits that are being realised as set out in Appendix A. The Estates team are now moving at pace to fully implement the "One Council" approach, seeking to be more commercially astute towards estate management to increase revenue and capital returns to the Council. There are also steps to aggressively divest property where surplus.

6.0 IMPLICATIONS

6.1	Policy	This is in line with the Council's budget decision in February 2018.
6.2	Financial	Financial benefits (revenue and capital) outlined at Appendix A .
6.3	Legal	None.
6.4	HR	None.
6.5	Fairer Scotland Duty	None.
6.5.1	Equalities	None.
6.5.2	Socio Economic Duty	None.
6.5.3	Islands	None.
6.9	Risk	None.
6.10	Customer Service	None.

Douglas Hendry, Executive Director of Customer Services
28th February 2019

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For further information contact:

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Appendix A

One Council Financial Impact April to March 2019

Fig 1 – Total Capital Receipts from Sales previous years

	2014/15	2015/16	2016/17*	2017/18
Total Capital Receipts	£508,085	£349,840	£1,523,725	£5,767,191

* denotes first departmental change from Property Services to Special Projects Team.

Fig 2 – Capital Receipts at March 2019

Capital Receipts	Total to March 2019	Anticipated 2019/20 onwards
Income to date	£3,022,871	
Dunaros HFE, Salen, Isle of Mull		
Unit 1 Ferry Road, Rosneath		
Site of former Ardrishaig Pool		
Land to north east of School Road, Tighnabruich - Fyne Homes		
Hermitage Academy, Helensburgh		
Garage No. 4 Inveraray		
Under Offer with income anticipated		£1,774,500
Hermitage Park Depot, Helensburgh		
48-50 Sinclair Street (Office) , Helensburgh		
Former town Council Chambers, District Court, Hall 1 East Princes Street & 48 Sinclair Street, Helensburgh		
Land at Former Police Station, Garelochhead		
Former Kerrera Primary School		
Plot of ground, Pilot Street, Dunoon.		
Dunclutha Children's Home, Dunoon		
Former Dunoon Library		
Balance of funds due from	£237,000	£310,000
Castle Toward, Dunoon		
Hermitage Academy, Helensburgh		
Total anticipated capital receipts	£3,259,871	£2,084,500

Fig 3 – Revenue impact & Cost Pressure Savings as at March 2019

Revenue Impact	Annual Impact as at March 2019		One off monies	
Rental Income				
Rent Reviews - additional annual income	£45,805		£6,492	
New Rentals	£7,250		£492	
Backdated - termination rent	£0		£15,736	
Rental Income - sub total		£53,055		£22,720
Non Domestic Rates - Cost pressure savings				
Non Domestic Rate Savings				
Non Domestic Rates Appeal Savings	£9,650			
Non Domestic Rates - Cost pressure savings - sub total		£9,650		£0
Valuations - Cost pressure savings				
In house insurance valuations	£5,000			
In house valuations for year-end reporting	£40,000			
Professional Fees & Charges			£2,500	
Valuations - Cost pressure savings - sub total		£45,000		£2,500
Total		£107,705		£25,220