

Report to: CORPORATE ISSUES SCRUTINY COMMITTEE

Date: 15.10.07

Report of: DIRECTOR OF CORPORATE RESOURCES

Report No: 13

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Report Title: A review of the land and property Key Performance Indicators and an overview of the council's Non-Operational property portfolio

Confidential / Non Confidential:

Non Confidential.

Purpose:

1. To advise members on the Key Performance Indicators being used by the council to manage the performance of its land and property portfolio.
2. To provide an overview of the council's non-operational (i.e. Investment) estate.

Recommendations:

1. The consider the suite of Key Performance Indicators currently being used for land and property management, together with the performance data detailed within the 2007 Corporate Asset Management Plan, in particular the out-turn results for 2006/07.
2. To consider those assets classified in the Non-Operational (i.e. Investment) category.

Decision:

Background Doc(s):

1. Corporate Asset Management Plans for 2005 and 2006.

Signed:

Leader / Executive Member

Monitoring Officer

Date:

Summary:

This report advises members on the Key Performance Indicators being used by the council to manage the performance of its land and property portfolio. The out-turn performance results for 2006/07 for the current suite of indicators are detailed in the draft 2007 Corporate Asset Management Plan (AMP), which is appended (Appendix 1). The AMP highlights the main achievements in terms of the performance of the council's land and property portfolio since the 2006 Corporate Asset Management Plan and also outlines the proposed asset management programmes for the current financial year.

Section 7.0 of this report provides information relating to the council's assets falling within the Non-Operational (i.e. Investment) portfolio.

Financial impact

There are no direct financial consequences of the 2007 Corporate Asset Management Plan but it does form an important part of the council's Policy Framework, integrating with the Capital Investment Strategy.

1.0 Introduction

The purpose of this report is:

- a) to provide members with details of the suite of Key Performance Indicators being used by the council to manage the performance of its land and property portfolio; and
- b) to provide an overview of the council's Non-Operational (i.e. Investment) portfolio.

The out-turn performance results for 2006/07 for the current suite of key performance indicators are detailed in Appendix 3 of the draft 2007 Corporate Asset Management Plan (AMP), which is attached as Appendix 1 to this report. The AMP highlights the council's key successes and performance improvements in asset management terms over the last year, and looks ahead to what further improvements the council aims to achieve, in conjunction with its partners, over the next twelve months and beyond. The Property Holding Model (as detailed in Appendix 2 of the 2007 AMP) classifies the council's land and property assets into:

- a) Operational assets; and
- b) Non-Operational assets (i.e. Investment Estate). This category is further sub-divided into 'Non-Operational assets linked to Council Objectives' and 'Assets held for pure investment purposes'.

The AMP was produced in accordance with the latest guidance from the Royal Institution of Chartered Surveyors (RICS) and in full consultation with and input from the council's Corporate Asset Management Group (CAMG).

2.0 Background

At the Corporate Issues Scrutiny Committee meeting on the 25th June 2007 it was resolved that reports on the council's non-operational property and the development of further Key Performance Indicators for property be added to the work programme of the Committee for its meeting on the 15th October 2007.

3.0 Corporate Asset Objectives and Key Performance Indicators

The council first developed a suite of formal Key Performance Indicators for land and property management as part of its 2001 Corporate Asset Management Plan. It subsequently introduced a set of formal Corporate Asset Objectives as part of its 2005 Corporate Asset Management Plan, which linked to its wider corporate objectives and the key themes/priorities within the 2003 – 2012 Community Strategy. The Bolton Vision Partnership has since developed the new Sustainable Community Strategy 2007 – 2017. Accordingly, the council's Corporate Asset Objectives and their associated performance indicators have been reviewed and re-aligned to the main aims/priority themes of the new Strategy (refer to Appendix 1 of the 2007 AMP).

4.0 Performance Results

Appendix 3 of the draft 2007 Corporate Asset Management Plan provides a position statement in respect of the performance of the council's land and property assets, which includes performance out-turn data for the last three financial years (where available) and establishes performance targets for 2007/08.

Section 5.2 of the 2007 AMP reports on the council's performance in relation to the Corporate Asset Objectives. The headline performance results are highlighted below:

4.1 Corporate Asset Objective 1: Enhanced customer and stakeholder satisfaction

- **Required Maintenance** – The outstanding condition surveys were completed in 2006/07 and a data from surveys undertaken prior to 2006/07 updated in respect of building cost inflation to bring the value of maintenance of these assets in line with price levels prevalent at the end of 2006/07. The resulting Required Maintenance value across the council's property portfolio stands at £68.72m (at 31/03/07), which has reduced by £1,005,000 based on the 2005/06 out-turn value.
- **Staff satisfaction with the standard of operational property office accommodation** – the result of the 2006 staff satisfaction survey (undertaken in conjunction with Sheffield Hallam University) for a selected number of administrative buildings, show that 73% of staff are satisfied with the standard of their accommodation compared with the target of 60%, which demonstrates a significant improvement since 2004/05 (i.e. 58.80% staff satisfied). Corporate Property Services aims to widen the survey in 2007/08 to additional buildings.

4.2 Corporate Asset Objective 2: Affordability

- **Asset Valuations programme** – the council accelerated its five-year programme during 2006/07 so that asset valuations originally planned for year 5 (i.e. 2007/08) were completed by the end of 2006/07.

4.3 Corporate Asset Objective 3: Compliance with Statutory/Regulatory Codes

- **Access to public buildings** – the council's 2006/07 submission in respect of Best Value Performance Indicator (BVPI) 156 reported that 36.36% (i.e. 36 out of its 99 existing public buildings [falling within the definition of BVPI 156] were fully accessible to and suitable for disabled people. For 2007/08 the target has been set at 50.00%.

4.4 Corporate Asset Objective 4: Improved Corporate Management

- **Office accommodation strategy and rationalisation** – the 2006 AMP target to reduce the amount of office space used by the council by 5% by April 2007 was achieved by:
 - releasing a number of leased-in offices at various locations (e.g. Units at Bolton Technology Exchange, Spa Road and space at Paragon House, Horwich); and
 - Greater Manchester Police vacating prominent accommodation at Le Mans Crescent, which has been remodelled/refurbished for use as office accommodation for the council's Revenues & Benefits Service.

4.5 Corporate Asset objective 5: Environment

The following examples show how the council has improved the environmental performance of its property portfolio over the last three years:

- **KPI 10 – Energy consumption Kwh per m2 Gross Internal Area** – shows a positive trend reducing from 284 (2004/05) to 219 (2006/07);
- **KPI 12 – Water consumption cubic volume per m2 Gross Internal Area** – shows a positive trend, reducing from 0.79 m3 (2004/05) to 0.60 m3 (2006/07);
- **KPI 13 – CO2 emissions in tonnes of carbon dioxide per m2 Gross Internal Area (for Operational Property)** – have reduced from 0.07 (2004/05) to 0.03 (2006/07) – this in part reflects the purchase of 'Green Energy';
- **KPI 15 – Number of council assets producing renewable energy sources** – has increased from 2 (2004/05) to 4 (2006/07) against a target of 5.

4.6 Corporate Asset Objective 6: To serve the council's key aims

- **Capital receipts** – the budget set for 2006/07 required £3,000, 000 to be raised from the disposal of surplus land and property. Completed useable receipts for the year amounted to £3,456,296. However this figure was adjusted to reflect a deficit of £803,884 carried forward from 2005/06, resulting in an actual useable receipt for 2006/07 of £2,652,412. A deficit of £347,588 is therefore carried forward into 2007/08. The disposal of land and property assets can be a protracted and complex process – disposal plans can be impacted by delays, resulting in the planned capital receipt being achieved in a subsequent financial year. For 2007/08 it will be necessary to achieve a useable receipt of £3,347,588 to satisfy the budget requirement. Progress in respect of the Capital Receipts Programme is reported separately to the Executive Member for Corporate Strategy and Finance on a quarterly basis.
- **Review of Operational Assets with Buildings in the South and East Wards of the Borough and Blackrod (December 2006)** – this review was undertaken as the first in a series of property reviews in support of the strategic review of the council's Access Points across the borough.

4.7 Corporate Asset Objective 7: To use the council's land and property assets to achieve strategic development and regeneration opportunities within the borough – the examples in Sections 3.1, 3.1.2 and 3.1.3 of the 2007 AMP highlight the council's progress against this objective.

From October 2007, the Director of Corporate Resources proposes to submit a comprehensive six-monthly Property Performance Report to the Executive Member for Corporate Strategy & Finance. Subject to availability, it is intended to incorporate within the Property Performance Report the results of the following benchmarking exercises that have been undertaken since the 2006 AMP:

- Association of Chief Estates Surveyors (ACES) benchmarking exercise in relation to the COPROP Property Performance Indicators;
- The Department of Communities and Local Government (DCLG) Survey 2007 – this focussed on the development and implementation of corporate capital strategies and asset management plans by local authorities.

5.0 Result of the Sustainable Development Appraisal of the Draft 2007 Corporate AMP

The Bolton Vision Partnership has adopted sustainable development guidelines as part of the new Sustainable Community Strategy 2007 – 2017. All future supporting strategies and plans (including the Corporate Asset Management Plan) will use the guidelines to help ensure that they support the priority themes and aims of the Sustainable Community Strategy. The draft 2007 AMP was subjected to a formal Sustainable Development Appraisal in September 2007.

The observations and recommendations from the appraisal are summarised below:

- there is significant potential for community/decentralised heating schemes;
- the council's Access Points can provide communities with all sorts of information but the buildings themselves should be best practice examples in order to reinforce the sustainable development information/message on resource efficiency, health, recycling, sustainable travel etc.;
- for those occupying council investment property, energy information and tenant packs on key issues would be good practice;
- some green infrastructure/assets could be made more accessible and linkages with health, nature conservation issues e.g. planning for cycle routes/trails, health walks etc.;
- flagship assets like the Smithills Estate have huge potential on all fronts: biodiversity, leisure, health and fitness;
- the council's Building Schools for the Future programme should take into account the learning potential of school buildings and their grounds. Also, outside space is essential: sport, play and wildlife areas are a must;
- the Framework contracts currently being procured by Corporate Property Services need to include clear requirements on a range of sustainable development issues;
- there is potential to more fully utilise sustainable technologies. Although some pilots are operational and well established these should be used to inform a more systematic roll-out;
- energy prices are likely to continue to rise. Secure supply/self sufficiency is the ultimate opportunity for the council;
- a list of sites, including farms, with biodiversity potential may be a useful management tool;
- the Corporate Asset Management Plan can assist the transformation of Bolton Council in moving towards being a low carbon dioxide emitting, well adapted and future proofed authority;
- the Corporate Asset Management Plan should have a sustainable development appraisal every year, but core strategic objectives like Access Points, and inevitably climate change proofing, should take a longer view;
- existing partnerships perform and fulfil desired outcomes but need to keep abreast of changes e.g. sustainable development issues.

6.0 The asset management programmes for 2007/08

Tables 1 – 3 within Section 8.2 of the 2007 AMP detail the asset management programmes for 2007/08. The key tasks within the programmes are summarised below:

6.1 Strategy tasks

- Implementation of a Corporate Property Management Model by April 2008. This will deliver improved corporate management as a consequence of a more corporate approach to the use of land and property assets and more effective corporate and cross service working;

- A further office accommodation reduction of 5% by April 2008 based on the out-turn figure for 2006/07;

6.2 Business planning tasks

- Implementing Framework Agreements for building and maintenance work by April 2008;
- Provide internet access for clients to property data via the council's new asset management software system by April 2008.

6.3 Asset performance improvement tasks

- Review of the operational buildings in the north east of the borough by December 2007;
- A further reduction in the Required Maintenance liability on the Operational Estate by 5% based on the out-turn figure for 2006/07;
- Improve physical access to the council's public buildings – 50.00% of public buildings (falling within the definition of BVPI 156) fully accessible to and suitable for people with a disability by April 2008;
- Achieve the capital receipts target of £3.35m;
- Increase the performance of the Investment (Non-Operational) Estate;
- Develop/implement a three year planned maintenance programme;
- To continue to use the council's land and property assets to achieve strategic development and regeneration opportunities within the borough.

7.0 The council's Non-Operational Portfolio

Appendix 2 of this report provides an overview of the council's non-operational portfolio and highlights those assets sub-categorised as follows:

- Category 1 – Non-Operational assets contributing to council objectives
- Category 2 – Non-Operational assets held for pure investment purposes.

The Key Performance Indicators relevant to the Non-Operational portfolio are detailed on page 40 of the draft 2007 AMP.

8.0 Conclusion

The 2007 Corporate Asset Management Plan details many initiatives where the council's land and property assets contribute to the fulfilment of its strategic aims and objectives. It sets out how the council's second most expensive resource (after staff) is being performance managed using the current suite of Key Performance Indicators and developed in such a way as to provide value for money and property that is fit for purpose and relevant for the council's customers in 2007 and beyond.

9.0 Recommendations

The Corporate Issues Scrutiny Committee is requested to

- a) consider the suite of Key Performance Indicators currently being used for land and property management, together with the performance data detailed within the 2007 Corporate Asset Management Plan, in particular the out-turn results for 2006/07.
- b) consider those assets classified in the Non-Operational (i.e. Investment) category.

APPENDIX 1

Refer to the Draft 2007 Corporate Asset Management Plan.

APPENDIX 2

NON-OPERATIONAL PROPERTY PORTFOLIOS - CATEGORIES

Category 1 – Non-Operational assets contributing to council objectives:

Assets in this category support the service provision of public markets, provides starter industrial/office units on flexible terms to fledgling businesses to aid economic development, the recreational uses support the provision of leisure opportunities in the Borough, provides community type groups with accommodation to deliver a range of activities in support of Council objectives.

Markets

The Market portfolio includes the Boroughs main traditional indoor and outdoor market complex, located within the town centre which is supplemented with three additional market properties situated within the outlying districts of Farnworth, Westhoughton and Horwich.

The main Market is self contained with on site parking and provides both indoor and outdoor stalls and retail units. The accommodation provides a complementary mix of casual pitches and leased stalls for a diverse range of uses including fruit & vegetable, fish and miscellaneous uses. Office accommodation is available at first floor level with storage accommodation being provided in the basement.

The outlying district market properties in Westhoughton and Horwich are of timber construction and the Farnworth market comprises of an open air arrangement providing outdoor stall canopies and units. These markets are currently being considered for enhancement works or for being relocated to provide more modern facilities.

Industrial Units

a) Industrial Portfolio

There are 6 industrial estates which comprise of a total of 67 small units ranging from 370 sq ft – 1,690 sq ft and are all within 3 miles of the town centre. Built between 1982-92 to a low- medium specification. Generally low end secondary type units in locations which are challenging from a security perspective. They are primarily for small start up businesses and manufacturing users, let on easy in easy out terms which leads to a moderate occupier turnover.

b) Enterprise Centre

Bolton Enterprise Centre is a converted mill building located in the Deane Valley area of Bolton and provides a range of managed offices, workshops and bespoke units for creative industries (FUSE) available to lease on flexible terms.

Bolton Council occupies space within i.e. for the Regeneration and Economic Development Division (REDD). In addition to the main mill building complex there are modern industrial units divided into smaller units and let as part of B.E.C as the ' Micro Workshops ' and a vacant parcel of land known as the Laundry Site. Consideration is being given to enhancing and extending Bolton Enterprise Centre subject to funding being sourced.

Recreational Use

A grouping of leases, ground leases and licences embracing variety of recreational/community uses typically let to Sports Clubs and voluntary sector organisations. They include land only and land and buildings with many of them being located in the open space areas of the Borough.

Community Centres

Leases of buildings or part of buildings where the use is by a voluntary sector organisation providing services to the community. The rents receivable may be historically at nil, covered by a book transfer from a “sponsoring” Council department, paid out of Council grant funding or paid by the voluntary organisations themselves.

Church/Mosque.

Land let on ground leases for the development of building for religious purposes. Most of the leases are on fixed rents without rent reviews with capital considerations having been paid on the grant of leases.

Service Pipes.

A miscellaneous grouping of easements for pipes and cables across and under Council land. Many on low fixed annual considerations. Many will be supply pipes, cables drains etc serving neighbouring Council land such as housing estates and schools etc.

Electricity.

Essentially electricity sub station sites on 60-99 leases at fixed rentals. Some at nil rentals where premiums taken at lease commencement. Installations which serve the network generally and a proportion will serve Council properties e.g. housing estates.

Gas Governors.

Gas installations on long leases most with nil rentals with premiums having been taken at lease commencement.

Category 2 – Non-Operational assets held for pure investment purposes;

Assets in this category are held primarily for investment purposes (i.e. rental returns and capital growth) but can contribute towards development opportunities e.g. land assembly purposes for the Central Street redevelopment scheme; the ability to restructure industrial ground leases has brought investment/job creation, the Smithills Estate underlies the Smithills Country Park leisure/tourism provision and has realised substantial capital receipts over many years to benefit the Council's capital programmes. Leases often have user restrictions, which give the council a degree of control over land and property use and which might not be available under planning powers.

Market Place Shopping Centre

Will now include the former Market Hall, currently being redeveloped, to form an enlarged shopping centre with the council receiving a proportion of rents receivable from Centre occupiers.

Town Centre Properties.

A small number of retail and office properties located in the town centre, mainly of a secondary or tertiary nature and including the Octagon Court Kiosks and 1 Newport Street. Typically let on short to medium term leases and some on long ground leases at nil rents. Some properties are partly used for Council service delivery and partly leased out e.g. The Wellsprings.

Industrial Plots

a) General Plots

Industrial ground leases in a number of locations. A mixture of lease types – some at fixed rentals without rent reviews, and many with reviews at varying review patterns. Some of the earlier 1950's/ 60's leases become subject to surrender and renewal negotiations.

b) Tonge Bridge Plots.

Industrial ground leases on 50 or 90 year terms with typically 7 yearly review patterns on the 50 year leases and 5 yearly on the 90 year terms.

Industrial - St Marks.

A single industrial estate of 3 No. 2000 sq ft units let on 3 and 5 year terms.

Agriculture.

The main component is the Smithills Estate, alternatively known as Smithills Country Park. (This could also sit in the Category 1 Portfolio as the Estate contributes significantly to the delivery of the leisure aspect relating to the Country Park) This is a 2000 acre estate comprising of 11 agricultural lettings. Many surplus properties have been sold from the estate since the council acquired it in the 1930's leaving a small number of retained farmhouses/farmsteads serving the retained farm land. Ownership comes with a liability for estate infrastructure such as roads, culverts, drainage, water supply provision and ponds etc. Significant environmental works have been carried out by the council such as large tree planting schemes, pond creation and wildlife habitat development. Some of the farm tenants have contributed to the leisure provision by the development of visitor facilities e.g. a visitor farm and café provision. The land is mainly hilly and poorly drained.

The small number of remaining farms are scattered across the Borough. Lostock Hall Farm is currently vacant with the majority of the land having been disposed for a football academy or pending disposal for a golf course extension. Atkinson's Farm is tenanted but is being considered for a large extension of the adjoining cemetery. The tenancy on Earls Farm in Harwood is being terminated for the provision of educational buildings.

Montcliffe Quarry

The Council receives a share of the mineral extraction royalty rights from the operator of this working quarry. The quarry now has a limited operational life and will revert to an intermediate lessee after quarrying ceases until it reverts back to the council in about the year 2090 at the expiry of a long lease granted many years to the council acquiring the freehold.

Scrap Yards.

A grouping of leases of varying length from 3- 125 year terms of land and buildings let for scrap yard type purposes.

Grazing Licences.

A sizeable number and acreage of units of mainly low quality land scattered across the Borough let predominantly for horse grazing purposes. Typically land protected from development by planning policies and forming green spaces in the urban area. The flatter sites in this category come under scrutiny as potential sites for relocating sports clubs being displaced by development proposals.

Medical Uses.

Mainly long leasehold lettings at nil rents with premiums having been taken, typically ground leases for Doctors surgeries. Approx 4 No shorter term leases at reviewable rentals.

Garden Tenancies.

A large number of predominantly short term leases/tenancies of small portions of land used by residents for extensions to existing gardens. Rents on the short term tenancies are reviewed annually by reference to the RPI.

Clubs/Cinema.

A small portfolio of ground leases ranging from 99-4000 year terms with approx 50% of them having reviewable rents. Mainly Labour and Conservative Clubs and Working Mens Clubs, which are giving rise to some development opportunities as the popularity of these clubs declines.

Public Houses.

A portfolio of sites of public houses on long term ground leases, many dating back to the nineteenth century and only a small portion having rent reviews.

Fishing Rights.

A small number of licences to Fishing Clubs on short to medium term tenancies of typically small reservoirs or lodges and generally providing poor quality fishing facilities. The Fishing Clubs play a part in the maintenance of these lodges.

Access Agreements.

A portfolio of short term agreements covering rights of access across Council land.