

Executive

28 September 2017

Report of the Director of Economy and Place

Portfolio of the Executive Leader (incorporating for Finance and Performance)

Asset Management Strategy 2017-2022

Summary

1. This report sets out a refreshed and updated Asset Management Strategy for the Council for the period 2017-2022. It sets out work undertaken over the last 2 years to improve the financial performance and social outcomes arising from the Council's land and property assets and sets out the developing principles that will drive future decision making on our assets. The report also recommends further Scrutiny Committee consideration of these principles and the work we are doing to develop detailed asset plans for all aspects of our property assets.

Recommendations

2. The Executive is asked to :
 - a) Agree the principles and approaches set out in the Corporate Asset Strategy and to use these to shape future asset decisions;
 - b) Agree to refer the Asset Management Strategy to Economy and Place Policy Development Committee to review and provide input and to bring back a report to Executive in the new year;
 - c) Agree the approach to developing a Community and Operational Asset Strategy;
 - d) Agree to use of contingency funding of £165k to fund the proposals set out in paragraph 22.

Reason: To establish clear principles to guide and shape future use of our assets and set out a programme of work to develop comprehensive plans for all Council assets.

Background

3. Executive agreed the Housing Revenue Account (HRA) Asset Management Plan in February 2016 which covers all social housing assets held in the Housing Revenue Account and which sits outside the General Fund. An updated HRA Business Plan will be brought to Executive in November 2017.
4. The current Asset Management Plan 2011-16 needs updating to make it relevant for the next 5 years and to make it more specific and actionable. The key principles that have driven work to date are:-
 - a. Make best use of publicly owned assets across York
 - b. Encourage shared use of property resources
 - c. Minimise cost of occupation of land and buildings
 - d. Ensure the assets comply with the Council's Sustainability policies including the Carbon Management Policy.
5. Whilst these principles remain relevant they do not go far enough to lead our decision making about the future of our assets. The new strategy needs to respond to the Corporate Strategy with a new context, new delivery models and new methodologies for engaging customers and communities, all of which have changed and evolved significantly since 2011.
6. We can see this evolution by looking at work already underway on :-
 - a. **Council accommodation** – in 2012 we moved from 17 buildings into 2, supporting service integration with partners and reducing costs by over £1m pa with a target of generating rental income and contribution towards running costs from West Offices in excess of £1m pa.
 - b. **Regeneration of key city centre areas** to make them economically and socially active e.g. York Central and Castle Gateway.
 - c. **Finding new economically viable uses for historic buildings** – e.g. West Offices and The Guildhall.
 - d. **Investing in important historic buildings** to make them fit for purpose for the next generation e.g. Mansion House.

- e. **Proactive expansion and commercially focussed management** of our Commercial Estate which generates over £4.28m pa revenue to support Council service delivery.
- f. **Strategic acquisitions of high performing commercial assets** (such as Swinegate) and the disposal of poor performing assets (e.g. Stonebow House).
- g. **Disposal** of a number of surplus assets to generate capital receipts.
- h. **Older People's Accommodation** – remodelling of service provision around the need to move away from provision of general residential accommodation to increasing the private sector supply of specialist dementia nursing provision with our focus on enabling support at home and provision of more extra care beds – leading to an overhaul of the Older Persons Accommodation estate and a disposal and reinvestment model.
- i. **Libraries** – the development of library premises into multi-use community facilities (the Centre@Burnholme, New Earswick Folk Hall, and Haxby Memorial Hall) to provide a more holistic offer to communities, whilst seeking income generating models like Rowntree Park Reading Cafe.
- j. **Community Centres** – Undertaking community asset transfer where there is a strong voluntary group with a compelling business case. For those community groups not ready for a full asset transfer, a medium term lease has allowed them to still take control with limited liability. This approach has allowed voluntary groups to flourish and increase activity, improve outcomes and attract external funding. Closure of older community centres has created opportunities to create multi-use facilities. For example; Clifton's residents support the closure of Burton Stone Community Centre to develop more extra care homes whilst integrating a small community centre for use by all the community.
- k. **Young People's Services** – Youth Centres have moved from direct CYC delivery to create community capacity allowing voluntary and charitable youth providers to use CYC assets.

sector estate and identifies opportunities for collaboration and synergy. The board has also given greater focus to the opportunities for joint working on health and social care and opportunities are already being worked upon.

Strategic Objectives and Principles

9. From this work we have developed three objectives and a set of principles to drive future asset planning. The Objectives are:-
 1. To use our assets to deliver policy goals;
 2. To operate our estate efficiently and dynamically to support the effective delivery of council services;
 3. To use council assets to generate maximum income in order to support the delivery of council priorities.

10. These objectives are broken down into more detailed principles which guide our activity planning and decision making, the principles are :-
 - a. We will use our assets to maximise positive outcomes for our communities;
 - b. In order to protect direct services we should reduce the overall cost of the estate through:-
 - I. rationalisation of assets
 - II. disposal of poor quality assets
 - III. exploiting commercial opportunities
 - IV. co-location of Council and other public sector services (inc Health, care, police, education);
 - c. We will use our commercial assets to generate income to support service delivery;
 - d. We will use our assets to create efficiencies and reduce service costs, for example to reduce reliance on out of city placements for people with complex needs;
 - e. Assets should support CYC and partners to achieve joined up services and improved outcomes - buildings should not be exclusive to one particular service and community spaces should where possible be flexible and adaptable to support a range of uses.
 - f. We will acquire or hold assets to drive economic development or regenerate an underperforming part of the city;
 - g. We will use assets to deliver and accelerate housing provision in the city.

- h. We will ensure assets comply with the Council's Sustainability policies and we will explore opportunities, where financially viable, to reduce the carbon footprint and water use across our retained estate;
- i. Assets should be operated by the community where a community group is best placed to deliver outcomes;
- j. We should use assets to support area based working - through a three zone city model;
- k. Where schools become Academies we will work to maximise the use of education land to the benefit of education and wider community use.

Our Estate

11. The councils' property estate is large and extremely varied with 1250 assets with a value of £367m (including schools valuing £188m) generating an annual income of £5.29m. This estate can be classified into three separate blocks:-
 - Operational and Community Assets
 - Commercial portfolio
 - Surplus land for housing delivery

Operational and Community Assets

12. In addition to our core administrative buildings at West Offices and Hazel Court, council staff operate out of a number of buildings in community settings. In addition we own and operate community facilities in the same communities, some of which are operated by the council whilst others are operated by other organisations such as community groups.
13. These arrangements are largely historic but over the last few years we have implemented programmes of service change which have led to remodelling of the asset base e.g. Children's centres and Older People's Accommodation.
14. The rationalisation of administrative and community buildings and centralisation of staff, coupled with the letting of office space in West Offices to achieve income generation, have placed a pressure on council space in the building. A further report will be brought back to Executive setting out plans for core office provision for staff and the delivery of the income target.

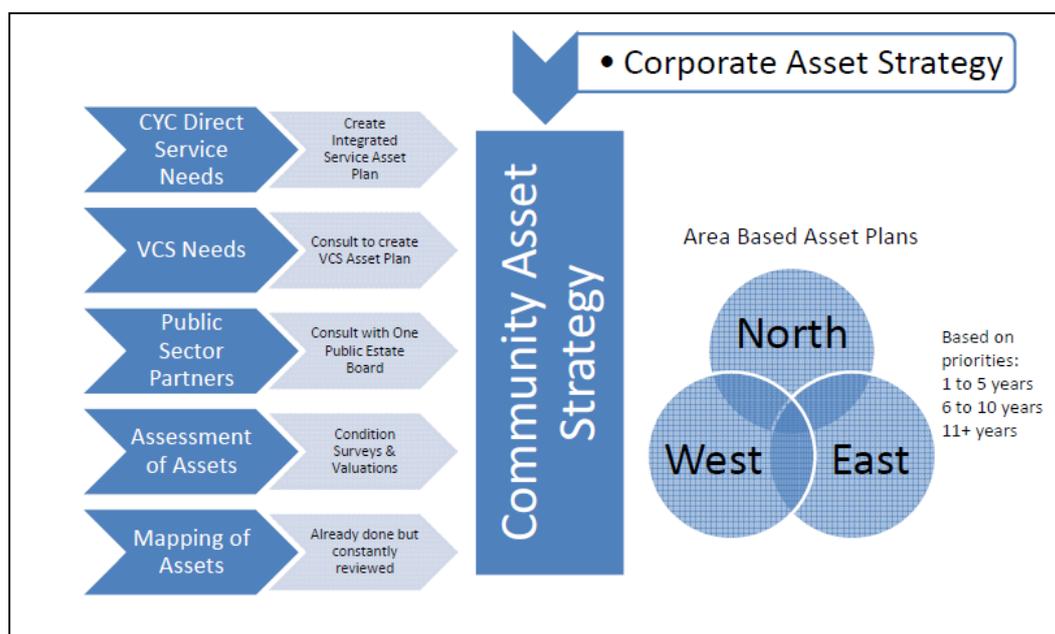
15. There are however still a large number of staff working out of community settings and we need to develop proposal for the future location of staff in community settings that align with community provision in those same areas. As we develop our future plans we want to apply the principles set out in this report to maximise the positive impact of our estate and to ensure a cohesive plan for the location of CYC staff and the effective operation of community assets.
16. We have continued to transfer assets to the community where a community group are able to use the asset for improved community or social outcomes but this process is most effective when it is developed in partnership with communities to develop shared visions, collaborative proposals and when we ensure that groups taking on the responsibility for operating assets have the support and capability to do this successfully. This can be a resource intensive and time consuming process carefully managed and properly resourced.
17. There is not a one size fits all solution to shape community provision. Each area has a different starting point and has different needs. Rather than devising a high-level, theoretical vision and then trying to apply this top down approach across a range of different localities with different needs and starting points we need to do a more detailed piece of work to understand :-
 - Changing service delivery models in our people and place based services
 - The potential for collaboration with our partners in the city especially health and specifically GPs
 - The state of our estate, the future liabilities and the potential of our assets.
 - Through engagement with our communities, to better understand what they value and what they need.

Developing detailed plans for Community Assets

18. The principles set out in this report need to be built into a comprehensive plan for our community assets. In order to create this plan we need to :-
 - a. Update our intelligence on our current estate – undertaking up to date condition surveys and valuations

- b. Capture service needs and build into an integrated CYC service strategy
- c. Work with partners to develop ideas for co-location and integrated service delivery
- d. Pursue options within the OPE programme for specific exemplar projects with partners
- e. Escalate the importance of asset strategy with partners and seek top level commitment to joint working on specific projects.
- f. Develop a programme of community engagement in three zones to develop our understanding of community capacity, strengths, needs, aspirations and opportunities.
- g. Develop a high level business plan and phasing plan to deliver the Community Asset vision. This will potentially require investment which will need to be delivered by some disposals and will also need to deliver some ongoing revenue savings. This may be expressed as a series of opportunities that will be decided upon on a case by case basis as each proposition is worked up in detail.
- h. Revise the Administrative Accommodation strategy for the next 5-10 years. In order to achieve budget income targets from leasing desk space out at West Offices.
- i. The development of a Community Asset Strategy will require additional resources estimated at £165k over 2 years to fund staff resources, surveys and valuations.

19. The diagram below shows how the Community and Operational Asset Strategy can be developed through a sequential process of identifying needs through to the completion of three area based community assets plans.



Indicative Programme

20. The development of the Community Asset Strategy will take time to coordinate and evolve through community and partner conversations. It is important to note that this will be an iterative process that will require flexibility in terms of application. The speed of delivery and results will highly depend on the volume of resources targeted to this work stream. The programme shown below is only indicative but sets out an early view of how phasing this project could be achieved.

No.	Indicative Programme	2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Create Integrated Service Asset Plan												
	Review Library Service Asset needs												
	Review Children's Service Assets needs												
	Review Adults Service Asset needs												
	Review Housing Service Asset needs												
	Review Public Health Service Asset needs												
	Other service reviews to be determined												
2	Creating a central data base on assets												
	Mapping assets												
	Space appraisals												
	Condition & valuations												
3	Consultation with Voluntary Community Sector												
	Community engagement - North area												
	Community engagement - East area												
	Community engagement - West area												
4	One Public Estate Partnership Consultation												
	OPE Partners Meetings												
5	Area Asset Based Plans Created												
	North Area Draft Community Asset Plan												
	East Area Draft Community Asset Plan												
	West Area Draft Community Asset Plan												
	Consultation on draft plans												
	Short, Medium and Long term priorities set												
6	Implementation												
	Resources identified to delivery projects												

Phases	One
	Two
	Three
	Four

Resources

21. This is a significant programme of work which will require investment to deliver and cannot be accommodated from within existing limited staff resources. The management of this work stream will be the responsibility of the whole Corporate Management Team.
22. This work is substantial and cannot be achieved within existing staff resources his will require a full-time project manager to drive the work streams, have responsibility for creating the community relationships that are needed if this approach is going to be successful and report progress back to the Corporate Management Team. In addition, a part-time surveyor will be required from the Asset Management Team to coordinate all the space appraisals and building condition surveys. The estimated cost over two years is £115k based on 1.5 FTE at grade 9. A budget will also be required of approximately £50k to commission building condition surveys

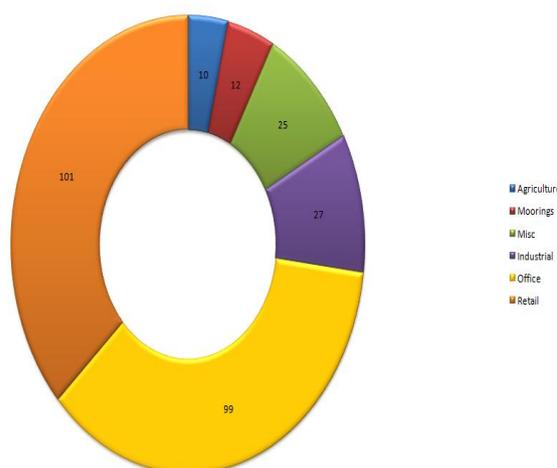
and valuations to inform the strategy, giving a total budget requirement of £165k.

23. It is proposed that the one off costs of preparing the strategy are met by contingency. The council's contingency currently stands at £926.6k and this allocation will reduce the value to £761.6k.
24. The strategy will give rise to a series of business cases which may deliver ongoing savings but may require investment in order to do so which could be funded from the potential disposal of surplus assets.

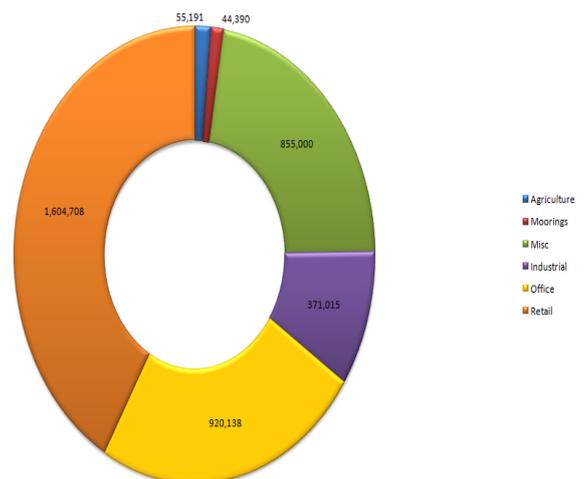
Commercial Assets

25. Our Commercial Estate is an essential income generator. The council owns 492 commercial assets and there are 1,074 occupational commercial agreements relating to those assets. The portfolio generates £4.28m pa, rising to £5.29m when you include West Offices. These figures do not yet include the newly acquired Swinegate properties which are subject to contract and which will substantially increase the portfolio's annual income. The assets range in use with the majority office and retail with some use types such as retail generating higher yields than others such as agricultural. The graphs below illustrate the property portfolio by asset use. These figures exclude minor agreements as well as operational property such as school and community lettings and the income from West Offices.

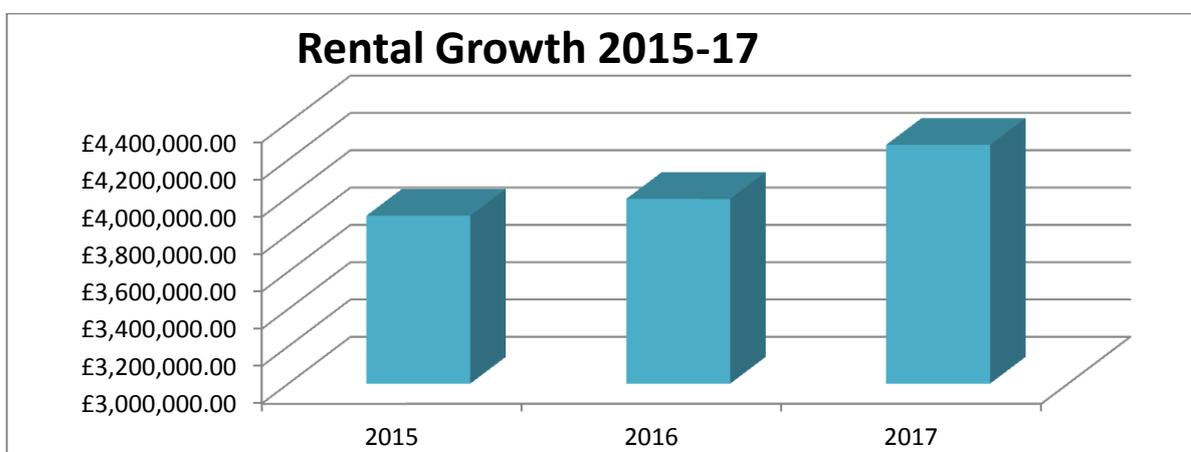
No's of Asset by Type



Asset Type by Annual Income



26. The Estate was assembled over a long period of time often to safeguard buildings at risk (the Shambles) or to prepare for large capital schemes. We purchased a number of premises on Gillygate for an aborted inner ring road scheme in the 1960s. Many of these assets deliver a good financial yield and the income is an important part of our overall financial strategy.
27. The long term financial strategy identifies an increased income target of £1m pa over 4 years (excluding West Offices for which there is an additional target of £1m pa.) This has been achieved to date and through strategic acquisitions such as Swinegate and Hospital Fields Road and plans are in place to deliver the full target. The graph below shows the increase in commercial rental income over the last 2 years.



28. It is proposed that the Commercial Asset team continue to explore further commercial investment opportunities and bring back to members opportunities to generate further income whilst enabling the improvement and regeneration of areas of the city that may be struggling to maintain their character or economic vibrancy.
29. The Commercial Asset team recently took the management of the Eco Centre at Clifton Moor back in house from an outsourced contract and through effective management have managed to turn a fairly significant loss into a small surplus. When the Guildhall opens it is proposed that that will also be internally managed to ensure the council take the full financial benefit from the scheme.

Assets for Housing Delivery

30. In March 2017 Executive considered a report setting out the principle of using surplus public sector land assets to increase the volume and accelerate the pace of housing delivery in the city. The report identified that York needs more homes to address the shortage of supply across all tenures and to address a local housing market that is characterised by high

demand and high prices. The existing market dynamic of mismatched supply and demand leads to :

- Difficulty in providing affordable housing for those in greatest need (high land prices)
- An inflationary impact upon private rent levels creating an affordability gap even for those on middle incomes
- Escalating house prices meaning that the option for home ownership is out of reach even for those on median incomes

31. This in turn impacts upon the long term health and growth potential of our economy which requires a readily available and diverse housing supply at different price points. There is a strong need for affordable housing in York, both because house prices (to buy and to rent) are higher than regional averages and incomes are lower than regional averages:

32. Executive agreed to :-

- Enter into a Memorandum of Understanding (MoU) to establish a strategic partnership for housing development and investment with the Homes & Communities Agency.
- Agree that a detailed business case for council-led housing development, including project management, governance, funding arrangements and risk assessments be presented for Executive approval.
- Agree that the council will explore partnership and funding opportunities to deliver accelerated housing on public land.

33. A Memorandum of Understanding (MoU) has been agreed with the Homes and Communities Agency (HCA) and the HCA have selected 5 CYC sites to go through to the next round of the bidding process for the Accelerated Construction programme. This will involve the development of site by site business cases prior to a further stage of evaluation which may eventually lead to some upfront enabling financial support and risk sharing.

34. The detailed business case work is ongoing and a report will come to Executive in November setting out the business case and analysis of different delivery mechanisms, the relative timescales of each of these approaches, the legal advice regarding our powers to develop housing outside the HRA. It is likely that the council will need to establish an arms length trading company in order to either directly deliver housing outside the HRA or enter into a joint venture to do so.

35. The November report will also identify which sites will be recommended for consideration for housing development and which will be proposed for disposal to generate a capital receipt. It will summarise financial commitments already agreed by Executive based upon earmarked capital asset receipts and will demonstrate how these will be delivered.

Consultation

36. The Asset Management Strategy is an important area of long term policy development and would benefit from cross party input before detailed plans are devised. It is therefore recommended that the Economy and Place Policy Development Committee are asked to consider the Asset Management Strategy as part of their work plan for the year, and to bring back to Executive any suggested amendments to this strategy. In the meantime the principles set out in this report will continue to inform decision making.
37. The next stage in the development of the Community Asset Strategy will require significant public engagement and consultation.

Council Plan

38. The strategy will assist in the creation of a Prosperous City for All, and be a Council that listens to residents particularly by ensuring that :
- i. Everyone who lives in the city can enjoy its unique heritage and range of activities.
 - ii. Residents can access affordable homes while the greenbelt and unique character of the city is protected.
 - iii. Visitors, businesses and residents are impressed with the quality of our city.
 - iv. Local businesses can thrive.
 - v. Environmental Sustainability underpins everything we do.
 - vi. We are entrepreneurial, by making the most of commercial activities.
 - vii. Engage with our communities, listening to their views and taking them into account.

Implications

39. Financial - The budget strategy has identified that additional budgetary targets are to be set relating to increasing revenues from the council's commercial portfolio and West Offices. The need for an updated and refreshed asset strategy is a key tool in being able to deliver these increased revenues.

Human Resources (HR) – Recruitment to new posts will be undertaken in line with HR policies

Equalities – There are no equalities implications

Legal – There are no legal implications

Crime and Disorder – Crime and disorder implications for individual assets and community facilities will be considered as part of the development of the Community Asset Strategy.

Information Technology (IT) – There are no information implications.

Property – Implications are included in this report.

Risk Management

40. The risk of not developing an Asset Management Strategy would leave the Council with a very short term view of its own assets and will not fully consider the range of possibilities for their future use and may endanger the achievement of financial targets associated with the council's property portfolio.
41. New service delivery models such as; Local Area Co-ordination and Local Area teams are seeking efficiencies from tactically moving into community buildings to not only save money but to provide better outcomes. Without this overarching strategy there is a risk that services may not be able to make the savings they have identified based on new delivery models.

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Report
Approved



20.09.17

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Wards Affected

All



For further information please contact the authors of the report

Background Papers:

[Corporate Asset Management Plan 2011 – 2016](#)