

Executive

20 November 2007

The information in the attached report on the council's Commercial Property Portfolio is regarded as exempt information pursuant to paragraph 3 of part 1 of schedule 12A of the Local Government Act 1972 (as amended) being information relating to the business affairs of the commercial tenants of the council.

Report of the Corporate Landlord

Review and Strategy for the Commercial Property Portfolio

Summary

- 1 Further to the introductory report to Corporate Services EMAP on 11 September 2007, attached to this report is the exempt full report on the review of the Commercial Portfolio. Performance has previously been monitored by the Resources Scrutiny Board.

Background

- 2 The review forms a **Service Asset Management Plan** linking to the council's approved Corporate Asset Management Plan. It relates to commercial properties in two categories:
 - a) Non Operational. Properties not directly part of a service, for example Shambles shops or Hospital Fields Industrial Estate, and
 - b) Operational. Properties ancillary to service use, for example housing estate shops
- 3 The report was also considered by the Executive Member for Corporate Services and Advisory Panel, on 30th October. The Executive Member Resolved to accept and endorse the following principles;
 - (1) That the report be received and the performance of the Commercial Portfolio be noted;
 - (2) That a yearly report on Performance Indicators as identified in the report be received;
 - (3) That any proceeds received from selling any of the properties suitable for disposal (excluding those receipts already committed to fund the approved capital programme) should be put into a fund to be used for future acquisitions and investments;

- (4) That the views of Members expressed at the meeting be referred to the Executive on 20th November to inform the council's future policy on its non-operational and operational Property portfolios.

4 **The aims of the report** are summarised as follows:-

- a) To identify the properties. Some 220 properties in all are referred to.
- b) To examine the background to current ownership and establish criteria for holding these premises in the future linked to Corporate Strategy.
- c) To establish benchmarks and to audit performance for the period 2000 to 2005. Full asset valuations were undertaken in each of these years to enable growth and performance indicators to be assessed.
- d) To recommend an action plan for the future to improve performance including setting performance indicators.

5 The **main focus** of the review is the non-operational Property Portfolio. Attached to the report are fact sheets on each group of non-operational properties setting out the benchmarks, voids and write-offs which may have occurred and recommending future policy in respect of the property. The main report summarises the outcomes and lists those properties which may be subject to review.

6 **The recommended objectives for holding property** in the future are:-

- a) Generation of revenue income to support council budgets.
- b) To improve asset value and generate capital receipts where appropriate.
- c) To provide opportunities for small businesses to support the local economy.
- d) To provide property for operational requirements and partners.
- e) To influence land use, for example retaining areas for employment use.

For operational properties, there are also the following:-

- f) To retain property in a beneficial use, for example the City Wall Museums.
- g) To support the service.

7 The recommended **performance indicators for future management** are:-

- a) Improve revenue income.
 - i) Increase the rent roll by 2½% per annum net of sales.
 - ii) Reduce the cost of management (now 20% in total). 15% is the first target figure.
 - iii) To increase the percentage of rent collected within the quarter due (currently 98%).
- b) Improve asset value:

- i) To complete 20% of condition surveys for each of the next 5 year to assess repair backlogs.
 - ii) To monitor capital receipts through the Asset Management Group.
 - iii) To revalue 5 yearly.
- c) To provide small business opportunities.
- i) To maintain full occupation – keeping the void rate to less than 3% of properties.

Consultation

- 8 Corporate Services EMAP – On the 11 September 2007. Members accepted the introduction to the report and noted that this report followed previous examinations of the Commercial Property Portfolio by the Resources Scrutiny Board.

The Head of Housing Services – Wishes to retain the housing flats situated above several of the non-operational shop properties.

Director of Resources – incorporated within the report

9 **Options and Analysis**

Options and analysis relating to policy in respect of the properties will be discussed at the meeting. Any properties which may be suitable for disposal will be the subject of an individual report, as this review focuses on performance and policy only.

10 **Corporate Priorities**

The council's commercial properties contribute to the following priorities as referred to in the current Best Value Performance Plan:

- Improve the street scene.
- Improve employment prospects.
- Improve efficiency to free resources.
- Improve partnership working to delivery better services for people in York.

Implications

- 11 Financial - There are no financial implications linked to this policy review. Detailed financial implications would be given on any follow up reports concerning individual properties.
- Human Resources - There are no HR implications.
- Equalities - There are no equalities implications.
- Legal - There are no legal implications to this policy review.
- Crime and Disorder - There are no crime and disorder implications.

- IT - There are no IT implications
- Property - Property implications are included within the exempt report attached.
- Other - There are no other implications.

Risk Management

12 There are no known risks associated with this report.

Recommendations

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Executive

- 1 That the report be received and the performance of the council’s operational and non-operational portfolios noted
- 2 That the Executive be recommended to approve the summary of recommendations included in paragraph 10 of Annex A (exempt report) and that recommendation d) of paragraph 10 be considered further by the Corporate Asset Management Group and a report brought back to the Executive Member for Corporate Services outlining the investment strategy.

Reasons:

To provide Members input to the Commercial Property Review, to set targets for future performance and to identify actions on individual properties as determined at the meeting.

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Specialist Implications
Officers Consulted
None

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 Report Approved Date

Wards Affected: All

For further information please contact the author of the report

Background Papers: None

Annex A

Exempt report entitled 'Service Asset Management Plan 2007 – 2012 – Commercial Property Portfolio'.

25 September 2007

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