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|  Executive 12 February 2014 | | Agenda Item No. 8 |
| Title | Assets Review - Call-in of Executive Decision | |
| For further information about this report please contact | Graham Leach, Civic and Committee Services | |
| Wards of the District directly affected | All | |
| Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006? | No | |
| Date and meeting when issue was last considered and relevant minute number | O & S Committee 7 January 2014 Executive 11 December 2013 Council 22 January 2014 | |
| Background Papers | Report to Executive 11 December 2013 "Assets Review". Minutes of the meeting of the Overview & Scrutiny Committee 7 January 2014 and the Executive 11 December 2013. | |

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| Contrary to the policy framework: | No |
| Contrary to the budgetary framework: | No |
| Key Decision? | Yes |
| Included within the Forward Plan? (If yes include reference number) | Yes (Ref 549) |
| Equality & Sustainability Impact Assessment Undertaken | n/a |

| Officer/Councillor Approval | | |
|---|------|---------------|
| Officer Approval | Date | Name |
| Chief Executive/Deputy Chief Executive | | Andy Jones |
| CMT | | |
| Section 151 Officer | | |
| Monitoring Officer | | Andy Jones |
| Finance | | Jenny Clayton |
| Portfolio Holder(s) | | |
| Consultation & Community Engagement | | |
| | | |
| Final Decision? | | Yes |
| Suggested next steps (if not final decision please set out below) | | |

1. **SUMMARY**

- 1.1 On 11 December 2013, the Executive made decisions on a report: item 8 "Assets Review". This decision was called into Overview & Scrutiny Committee for consideration and subsequently referred to Council for consideration on 22 January 2014.
- 1.2 On 22 January 2014 Council considered the matter and referred it back to Executive for consideration without any comments.

2. **RECOMMENDATION**

- 2.1 That in respect of the resolution 11 December 2013 made by the Executive on the "Assets Review", the Executive takes one of the following actions:
 - (i) to confirm the decision made by the Executive on 11 December 2013 without any amendment(s); or
 - (ii) to amend the decision made by the Executive on 11 December 2013.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 The recommendation is in line with the procedure set out in the Council's Constitution under Council Procedure Rules for call-ins.
- 3.2 It should be noted that if the Executive amended the decision of 11 December 2013 in anyway then it would be subject to the call in procedure.

4. **POLICY FRAMEWORK**

- 4.1 A call-in is simply the referral of a decision made, but not yet implemented, to the Overview and Scrutiny Committee. It is a key way of holding the Executive to account. A called-in decision cannot be implemented until it has been considered by the Overview and Scrutiny Committee, which can examine the issue and question the decision maker on the reasons for the decision.

5. **BUDGETARY FRAMEWORK**

- 5.1 Budgetary implications have been detailed in the reports that went to the Executive on 11 December 2013.

6. **ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 There is no requirement for alternative options because a call-in requires that a set procedure is followed.

7. **BACKGROUND**

- 7.1 On 10 December 2013, the Overview and Scrutiny Committee considered the report that would be decided by the Executive the following day. This was listed on the Executive agenda as Item 8 – Assets Review.
- 7.2 The Summary of the Scrutiny comments were as follows:

"The Finance & Audit Scrutiny Committee accepted that £30,000 was the maximum cost of market testing for the three properties in question, expressed a desire to see free public access to the Pump Rooms in future in one form or

another, noted that a report due in February 2014 would estimate the cost to the budget and supported the recommendations in the report.

The Royal Pump Rooms is part of the heritage of Royal Leamington Spa and has a museum showing the history and culture of the Town. As a Council we have a responsibility to heritage. Therefore because of this and the significant amount of public money that has been spent on the building the Overview & Scrutiny Committee made a recommendation to the Executive as detailed below.

The Overview & Scrutiny Committee also emphasised the importance of factoring in relocation costs and continued service provisions to the same current standards to the overall costs of the projects.

Priory Park and Abbey Fields in Kenilworth were not listed as assets and the Committee felt that the Executive should ensure these ruins were included.

The Overview & Scrutiny Committee recommends that recommendation 2.2 should be amended to include "maintaining full and free access to the building".

- 7.3 On 11 December 2013, the Executive met and made its decision on the report. Appendix 1 is an extract of the minutes of the meeting which shows the decisions made by the Executive in respect of the report.
- 7.4 On 13 December 2013, Councillors Boad, Copping, Gifford, Mrs Goode and Wreford-Bush called-in the report because the Royal Pump Rooms is at the heart of the cultural heritage of Royal Leamington Spa; the building was extensively refurbished as an Art Gallery, Museum and Library in 1997-1998 at public expense in excess of £7 million. They considered that the maintenance of full and free public access must be a condition in any market testing of its commercial potential that is undertaken, and not to be considered as an afterthought.
- 7.5 On 7 January 2014, the Overview and Scrutiny Committee resolved to refer the decision to the Council for debate.
- 7.6 On 22 January 2014, Council debated the proposals and referred it back to Executive for consideration without any comments. It should be noted that the vote for this item was recorded and will be detailed within the Council minutes. However the motion was won by 20 votes to 19 with no abstentions.

Appendix 1 – Extracts from the draft minutes of the Executive 11 December 2013

98. ASSETS REVIEW

The Executive considered a report from the Deputy Chief Executive (BH) and the Head of Finance updating members on the outcomes of the asset review undertaken by the Strategic Asset Group. The report provided details of the financial liabilities associated with the Council's current asset portfolio together with options as to how those liabilities might be met.

The report outlined the total costs of maintaining the Council's current asset portfolio, in its current condition and without any improvements over a 5 and 30 year period.

The report also proposed that officers be permitted to market test the commercial potential for alternative usages of the Royal Pump Rooms, the Town Hall and the Jephson Garden restaurant. The market testing would cost up to a maximum of £30,000 and this would be funded from the Contingency Budget.

The Strategic Asset Group (SAG) completed a major exercise to determine the financial liabilities associated with the Council's current asset portfolio and had categorised the Council's assets into 3 main groups; operational assets; non-operational assets and open spaces.

Although there were a number of budgets (and unallocated reserves) associated with the Council's assets, the full extent of the Council's financial liabilities had not previously been mapped in this way. The major exercise undertaken by SAG therefore allowed for these liabilities to be assessed and included within the Medium Term Financial Strategy (MTFS).

Appendix one to the report showed that the total known financial liabilities arising from the current asset portfolio over the 5 year period 2013/14 to 2017/18 (i.e. April 2013 to March 2018) was £7.109m.

Appendix two to the report demonstrated that a significant amount of costs were attributable to a small number of properties. The repair costs associated with the top ten highest cost operational assets over the first 5 years amounted to £3.939m, 55% of the £7.109m total costs over this period. Likewise, the repair costs associated with the top ten highest cost operational assets over the full 30 year list amounted to £16.206m, 51% of the £31.934m total costs over this period.

Appendix three to the report set out the financial position in relation to the Play Area and Green Space Strategies and proposed that an update report be submitted to February's Executive meeting.

With regard to some of the high cost operational properties, officers felt it would be prudent for the Council to explore options to defray or minimise its future liabilities, provided that this did not comprise service delivery.

The financial liabilities associated with the Council's current asset portfolio meant that to 'do nothing' was not a viable option. It was felt that a potentially financially viable option was to fund all liabilities over the next 5 years, the level of unfunded costs over the full 30 year period would require the Council to borrow significantly, when it also needed to achieve significant financial savings.

However, the Council remained in a strong financial position and did not need to consider urgent or wholesale disposals. A range of alternative options existed as to how the Council could address the issues presented by its assets and these would be explored further in a subsequent report in February 2014.

The Finance & Audit Scrutiny Committee accepted that £30,000 was the maximum cost of market testing for the three properties in question, expressed a desire to see free public access to the Pump Rooms in future in one form or another, noted that a report due in February 2014 would estimate the cost to the budget and supported the recommendations in the report.

The Royal Pump Rooms is part of the heritage of Royal Leamington Spa and has a museum showing the history and culture of the Town. As a Council we have a responsibility to heritage. Therefore because of this and the significant amount of public money that has been spent on the building the Overview & Scrutiny Committee made a recommendation to the Executive as detailed below.

The Overview & Scrutiny Committee also emphasised the importance of factoring in relocation costs and continued service provisions to the same current standards to the overall costs of the projects.

Priory Park and Abbey Fields in Kenilworth were not listed as assets and the Committee felt that the Executive should ensure these ruins were included.

The Overview and Scrutiny Committee recommended that recommendation 2.2 should be amended to include "maintaining full and free access to the building".

Councillor Coker reminded Members of the history of the Pump Rooms and a working party that had existed to rejuvenate the building in the early '90's. He also highlighted that, at present, the building ran at a loss to the ratepayer annually.

Members agreed that the buildings in question should be dealt with sensitively and applauded the opportunity for the Council to review its assets regularly.

The Leader of the Council, Councillor Mobbs, advised that maintaining the continuity of services was key and reminded Members that they were committed to providing best value to residents.

Having read the report and having heard the representations from the Scrutiny Committees, the Executive decided to agree the recommendations as printed.

The Executive did not agree the recommendation put forward by the Overview & Scrutiny Committee because Members felt that officers should be given a free hand to investigate all options. The Executive accepted that special care and attention was needed for these facilities and did not want officers to be restricted at the exploratory stage.

RESOLVED that

- (1) the total costs of maintaining the Council's current asset portfolio, in its current condition and without any improvements, over a 5 and 30 year period, as set out in appendix one to the report, are noted;

- (2) the commercial potential for alternative usage(s) of the Royal Pump Rooms is market tested;
- (3) the commercial options in relation to alternative usage(s) of the Town Hall and the Jephson Garden restaurant, are explored;
- (4) expenditure of up to a maximum of £30,000 from the 2013/14 Contingency Budget to cover the costs of the market testing, is agreed;
- (5) refinement of the costs identified in the appendices should be undertaken together with assessments of the potential to realise capital receipts from the disposal of non-operational assets and/or land owned by the Council, to enable further discussion to be held with the Member Reference Group prior to a further report being brought back to Executive in February 2014;
- (6) the financial position in regard to the Play Area and Green Space Strategies is noted, as set out in appendix three to the report, and the proposed February report will include an update on these issues; and
- (7) the overall funding strategy for the assets will be considered as part of the Budget Setting report in February 2014.

(The Portfolio Holder for this item was Councillors Coker, Cross, Hammon, Mobbs and Shilton)

(Forward Plan reference number 549)