

 <b>Executive 12 February 2014</b>		<b>Agenda Item No.</b>  <b>9</b>
<b>Title</b>	Assets Review – Update Report	
<b>For further information about this report please contact</b>	Bill Hunt Deputy Chief Executive 01926 456014  Mike Snow Head of Finance 01926 456800	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Executive 11 December 2013 Minute Number 101	
<b>Background Papers</b>	Assets Review report , Executive December 2013; Feasibility Study of Leamington assets report , Executive 30 May 2012; EC Harris study, internal asset reviews and costings held in Finance and Housing & Property Services, Strategic Asset Group minutes	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive		Bill Hunt – Joint Author
Head of Service		n/a
CMT	21/01/14	Chris Elliott, Andrew Jones
Section 151 Officer		Mike Snow – Joint Author
Monitoring Officer	21/01/14	Andrew Jones
Finance	22/01/14	Jenny Clayton
Portfolio Holder(s)	27/01/14	Councillors Mobbs, Hammon, Shilton, Cross, Coker
Consultation & Community Engagement		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

## 1. SUMMARY

- 1.1 This report is an update to the Assets Review report considered by Executive in December 2013. That report was the subject of a call-in to Full Council on 22 January 2014, primarily in respect of a specific recommendation to *market test the commercial potential for alternative usage(s) of the Royal Pump Rooms*, the outcome of which is reported elsewhere on this agenda.
- 1.2 However, another recommendation was for Executive to note that the overall funding strategy for the Council's assets would be considered as part of the Budget Setting report in February 2014. Officers have subsequently reviewed this recommendation and determined that the funding strategy warrants a separate discussion and report.

## 2. RECOMMENDATIONS

- 2.1 That Executive agree that details of the Asset Review work to be funded in 2014/15 will be included in the March Corporate Property Repairs and Improvement Programme report, together with request to release funding for this work from the Corporate Asset Reserve.
- 2.2 That Executive agree that detailed feasibility studies are undertaken on the potential merits of selective land disposals at the sites listed in **Appendix One**, and that a review of further options relating to land holdings is undertaken.
- 2.3 That Executive agree that detailed feasibility studies are undertaken on the potential merits of selective non-operational property disposals, as set out in **Appendix Two**, and that property specific business cases for investment expenditure to enhance the revenue potential of individual non-operational assets are developed.
- 2.4 That Executive agree that further reports will be received over the course of the financial year 2014/15 as these studies are completed, allowing informed decisions to be made on potential disposals, retentions, alternative uses and investment opportunities, in order to allow the development of a long term funding strategy for subsequent years as part of the 2015/16 budget setting process.

## 3. REASONS FOR THE RECOMMENDATION

- 3.1 The December 2013 Assets Review report considered the future maintenance liabilities of all the Council's existing assets, other than those owned by, or assigned to, the Housing Revenue Account (HRA) and therefore considered within the HRA Business Plan. The corporate assets have been categorised into 3 groups; *operational assets*, i.e. buildings from which the council delivers services or which support that delivery; *non-operational assets*, i.e. shops and other buildings that the Council owns; and *open spaces*, primarily parks, open land or surface car parks.
- 3.2 That report identified a funding shortfall on the maintenance liabilities for the current asset base of £4.29m to March 2018 and £22.79m for the 30 year period to March 2044, as set out in **Appendix Three**. In addition the Play Area and Green Space Strategies, fundamentally linked to the open space category of assets, have, together, a funding shortfall of £796k to March 2018 and £8.14m to March 2044, as set out in **Appendix Four**.

- 3.3 Since December further verification of the cost models has confirmed that the costs attributable to the Victoria Park Bowls Pavilion and Oakley Woods Crematorium account for the current capital investment programmes. Whilst it should be noted that the cost models will remain dynamic, with costs changing over time and detailed appraisals, for example, that currently being undertaken in respect of the paddling pools in Victoria and St. Nicholas' parks becoming available, officers conclude that the current costs are the best possible estimate for use in preparing a funding strategy.
- 3.4 However, officers have subsequently concluded that it is premature to develop a full long-term funding strategy. This is partly a consequence of the call-in of the December 2013 report which meant that all the work, to explore potential alternative uses for a number of Leamington assets, that would have fed into the strategy was placed in abeyance but as a result of the identified need to undertake further feasibility studies on potential disposals and investment opportunities, as detailed within this report.
- 3.5 It is therefore proposed that a short term funding strategy is implemented for the period up to March 2015 whilst further detailed feasibility studies are undertaken.
- 3.6 As the Play Area and Green Space Strategies are fully funded until financial year 2016/17 (from the Public Amenity Reserve) this approach only requires the maintenance liability shortfall to be funded. This shortfall amounts to £1.115m for the first year of the 30 year period, i.e. 2014/15 and can be funded from the Corporate Asset Reserve. This work should be managed alongside the Corporate Property Repairs and Improvement Programme, for which a report on 2014/15 works is due to come to Executive in March.
- 3.7 To allow a long term funding strategy to be developed it is proposed that Executive receive a series of reports from the Strategic Asset Group over the course of the coming financial year. Amongst the suite of reports proposed would be the feedback from any market testing of potential alternative uses for the specified assets that were the subject of the call-in process.
- 3.8 Another report will focus on the disposal potential of open space assets. Members should note that the disposal of such assets is unlikely to reduce the funding shortfall significantly, as this is primarily attributable to the costs of maintaining operational assets, but could realise capital receipts that could be utilised as an element of the overall funding strategy, for either the assets generally or the Play Area and Green Space strategies specifically.
- 3.9 The initial focus of this work will be on those sites identified in **Appendix One**. This list was based on an assessment of those open spaces classified as being of low value within the Council's Green Space Strategy and where a potential disposal would not significantly impact on the overall provision of open space across the district. However, a further study will be commissioned as the Local Plan proposals are finalised to understand if there are other sites, in proximity to proposed new housing site allocations, where a potential disposal could be offset by enhanced re-provision within the new allocation.
- 3.10 Of particular interest, in monetary terms, of those sites listed at Appendix One is land at Champion Hills. The monetary value is based on the full extent of the Council's land interest and would be reduced considerably as not all of the area

is potentially suitable for development. The site is also within the Green Belt and exceptional circumstances would need to be demonstrated if development were to be considered. Nonetheless, officers consider that a detailed assessment of this site should be prioritised and considered as part of the assessment of regeneration options at Lillington (as a stand-alone HRA Business Plan initiative alone or in conjunction with the future development of the proposed Red House Farm allocation within the emerging Local Plan).

- 3.11 One other site within the Green Belt, at Lapworth, has been identified and it is proposed that assessment of this site is also prioritised. It is therefore anticipated that options at these two site will be dealt with separately from the remaining sites in Appendix One and considered through the Local Plan process.
- 3.12 Further reports will focus on the Council's non-operational assets. These will cover a detailed assessment of the merits of disposing of some or all of the properties listed in **Appendix Two**. Potential disposals in this category require careful consideration as most properties not only have lower average maintenance liabilities than the operational properties but also generate a revenue stream. However, some selective disposals to release a capital receipt may be appropriate, either for a direct financial contribution to support the overall funding strategy or for investment in new assets that will deliver a greater future revenue return.
- 3.13 In conjunction with the consideration of potential disposals individual business cases will be developed in respect of properties where it is considered that additional investment will generate increased revenue. The first such business case is being developed to assess the potential for converting an empty non-operational property at Hamilton Terrace into a business incubator unit for the gaming industry.
- 3.14 The short term funding strategy proposed at 2.1 will be replaced by a comprehensive future strategy as part of the 2015/16 budget setting process, informed by the various reports referred to above.

#### 4. **POLICY FRAMEWORK**

- 4.1 **Policy Framework** – A sound financial strategy is critical to the ability of the Council to function effectively. The Council therefore produces an annual budget (for consideration elsewhere on this agenda) and a 5 year rolling Medium Term Financial Strategy (MTFS). The MTFS is one of the 'bedrocks' of the Council's policy framework and the basis used for planning the approach to many of its activities. The 2014/15 funding strategy and the work programme outlined contained within this report will enable a coherent and long term financial strategy to be developed in relation to the Council's corporate assets to support both the MTFS and the overall long term financial position of the Council.
- 4.2 **Fit for the Future** – The Fit for the Future (FFF) policy framework, originally approved by Council in October 2010, was refreshed in late 2013 and this latest iteration approved by Council in January 2014. This report is entirely consistent with the FFF policy framework and the recommendations contribute to all 3 strands of FFF as the way that the Council uses its corporate assets is fundamental to the delivery of its services.

## **5. BUDGETARY FRAMEWORK**

- 5.1 The recommendations within the Budget Report, elsewhere on this agenda, will result in the establishment of a Corporate Assets Reserve of £1.338m that can be utilised to start funding the identified costs of the Council's current assets. This balance is sufficient to fund the Year One costs identified in Appendix Three.
- 5.2 Executive will receive the Corporate Property Repairs and Improvement Programme 2014/15 report at its March meeting. This will include recommendations over the release of funding from this reserve, in respect of the Year One programme of work.
- 5.3 The Year One costs of the Green Space and Play Area Strategies, as set out in Appendix Four, are already fully funded.

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

- 6.1 The alternative option of determining a funding strategy for the full 30 year period was deemed to be premature given the need to assess the outcome of the detailed feasibility studies proposed at 2.2 and 2.3.