WARWICK DISTRICT COUNCIL	**Executive – 3 September 2015**	**Agenda Item No.** **4**

Title	Review of the Council's non-operational assets – Part A report
For further information about this report please contact	Bill Hunt Deputy Chief Executive bill.hunt@warwickdc.gov.uk 01926 456014 Duncan Elliott Senior Project Coordinator duncan.elliott@warwickdc.gov.uk 01926 456072
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	Executive, 5 November 2014, minute number 71, Executive,12 February 2014 Executive, 12 December 2012, minute numbers 102 and 120.
Background Papers	Future use of the Warwick Limited Liability Partnership, 5 November 2014; Assets Review Update Report, Executive, 12 February 2014; Assets Review, Executive, 11 December 2013; Proposals for a Limited Liability Partnership (LLP) to support asset management and regeneration, Part A and Party B, Executive, 12 December 2102; LLP Operations Board papers and minutes; LLP Members Board, papers and minutes.

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, reference 721
Equality Impact Assessment Undertaken	No
The future use of non-operational assets will not impact in a way that requires one	

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Deputy Chief Executive (BH)		Author

Head of Service		n/a
CMT	13/8/15	Chris Elliott, Bill Hunt, Andrew Jones
Section 151 Officer	13/8/15	Mike Snow
Monitoring Officer	17/8/15	Andrew Jones
Finance	13/8/15	Mike Snow
Portfolio Holder(s)	17/8/15	Cllr. Mobbs; Cllr. Cross; Cllr. Whiting
Consultation & Community Engagement		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. **Summary**

1.1 At its meeting on 5 November 2014 Executive approved the recommendation for the Warwick Limited Liability Partnership (LLP) to undertake a review of Council owned non-operational asset and land holdings. This report sets out the outcome of that work and reports back the conclusions of the LLP.

1.2 There is a separate Part B report on the agenda that sets out specific recommendations arising from this work that are commercially confidential. The two reports should be read in conjunction.

2. **Recommendation**

2.1 That Executive notes the schedule of the Council's non-operational properties that have been considered by the LLP under this exercise, as set out at **Appendix One.**

2.2 That Executive notes the broad conclusion reached by the LLP as set out in paragraph 3.6.

2.3 That Executive agrees that, on an on-going basis, officers will continue to look at further opportunities within the Council's property portfolio and regeneration projects and that this will include continuing to work with the LLP to identify any new 'added value' opportunities. If any LLP propositions emerge as having further merit they will be reported back to Executive for consideration.

3. **Reasons for the Recommendation**

3.1 Members will recall that Executive considered and approved a proposal to create a Limited Liability Partnership (LLP) between Warwick District Council and Public Sector PLC (PSP) in December 2012. As a result, the Warwick LLP was established in early 2013 as a vehicle to unlock regeneration and assist the Council's asset management.

3.2 The list of the significant assets (including Housing Revenue Account (HRA) owned non-residential assets) that the Council owns is set out at **Appendix One**. Various initiatives are already underway to review the majority of the operational assets so the LLP's review was restricted to those non-operational assets highlighted in bold. The Council's non-operational portfolio of assets generates approximately £900,000 per year in rental income. The LLP was asked to review this portfolio to establish whether there were any opportunities for it to add value to this asset base in some form. Officers worked closely with the LLP's specialist staff, employed by PSP, on this feasibility work.

3.3 The LLP assessed the Council's non-operational building assets (the shops and buildings the Council owns but which are not used for delivering services) and evaluated their potential for:

- Disposal, to create a capital receipt and/or increased revenue stream and/or reduction in future maintenance liabilities;
- Inclusion in a regeneration scheme;
- Alternative use to maximise revenue income;
- Investment to maximise revenue income

The Council's land assets were also evaluated to determine their potential for:

- Housing development
- Inclusion in a regeneration scheme

- Disposal, to create a capital receipt and/or increased revenue stream and/or a reduction in future maintenance liabilities.

3.4 The methodology adopted by the LLP was to categorise the land and building assets into four sub-sets:
Income producing assets
This group contains 59 assets generating approximately £550,000 income per annum. The vast majority are either small offices or shops but this category also includes two cafes, three car parks, some leisure and clubhouse buildings and a few leases of open land.
Potential development site assets
This group contains 29 assets, all but four of which generate no income and most of which are open land. Income from the remainder is circa £16,000 per annum. Whilst the Council does own small tracts of open land this is typically public open space where development would is likely to be inappropriate and potentially undeliverable.
Ground rent assets
This group comprises some 78 assets and generates some £77,000 per year.
Local shopping centre assets
This group comprises some 50 assets spread across seven or eight different centres. It generates circa £261,000 per annum.
(NB: The income figures are based on gross rents and do not reflect the cost of collection, management of the properties or any arrears.)

3.5 The LLP's full report, which contains several commercially confidential elements, is set in the confidential Part B report elsewhere on the agenda.

3.6 The LLP's main conclusion is that the Council's portfolio is not substantial in terms of size of income and presents limited commercial opportunities where they could 'add value'. Although the LLP considers that it could not add general value at present the Part B report does contain three specific recommendations for areas where they consider the Council could use the LLP to create additional value that would otherwise potentially remain unlocked.

3.7 Although the review has identified relatively few value creating opportunities this will be kept under review on an on-going basis and where appropriate further advice will be sought from the LLP. The Warwick LLP is part of national LLP group of other 8 other Councils, each with its own LLP established with the same commercial partner, PSP. One of these LLP's is devoting considerable time and energy to see how the LLP might be able to add value to HRA non-residential properties, where the challenge is to for any external party to legally gain flexible and effective commercial control over a mixed housing and retail HRA block. If an attractive LLP proposition was to emerge it could potentially be applied to the HRA owned assets in Appendix One.

3.8 In tandem with this officers will also continue to identify and assess possible commercial opportunities involving the council's non-operational assets as and when they emerge. For example, this could include opportunities for, say, a new supermarket proposal being created out of a number of under-performing HRA shop units.

4. Policy Framework

4.1 The Council's Fit for the Future programme designed to ensure that the Council meets the challenges of decreasing finances, increasing expectations and changing demand.

4.2 The recommendations in this report are fully consistent with the Fit for the Future programme's principles. More efficient use of the Council's assets will enable service delivery to be reconfigured to the benefit of customers, facilitate behavioural change amongst the Council's workforce to the same end and deliver financial savings.

4.3 The principle of using assets efficiently and seeking regeneration opportunities is also consistent with the Council's vision and Sustainable Community Strategy's general focus of furthering economic, social and environmental well-being for the district and the specific focus on the town centres of Leamington, Warwick and Kenilworth to underpin and develop economic activity.

5. Budgetary Framework

5.1 There are no direct budgetary consequences arising from this report.

5.2 However the Assets Review report, presented to members in December 2013 and the subsequent Assets Review Update Report, presented in February 2014, 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.

5.3 Consequently, all potential opportunities to increase the returns from non-operational assets and/or minimise future maintenance liabilities will continue to be explored.

5.4 The maintenance liabilities of the existing asset base, including non-operational assets, are currently only funded to the end of the current financial year. Officers will be presenting proposals for the funding of these liabilities in future years in a separate report to Executive later this year.

6. Risks

6.1 There are no risks arising from this report. The risks arising from the specific recommendations contained in the Part B report are examined in that report, elsewhere on this agenda.

7. Alternative Option(s) considered

7.1 No alternative options have been considered in respect of this report.