

BRIDGEND COUNTY BOROUGH COUNCIL
REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

5TH OCTOBER 2017

REPORT OF THE CORPORATE DIRECTOR COMMUNITIES

RATIONALISING THE ESTATE: SMARTER USE OF RESOURCES

1. Purpose of Report

- 1.1 This report provides the Committee with a briefing on Rationalising the Council's Estate which is a key project relating to Corporate Priority 3: Smarter Use of Resources.

2. Connection to Corporate Improvement Plan / Other Priorities

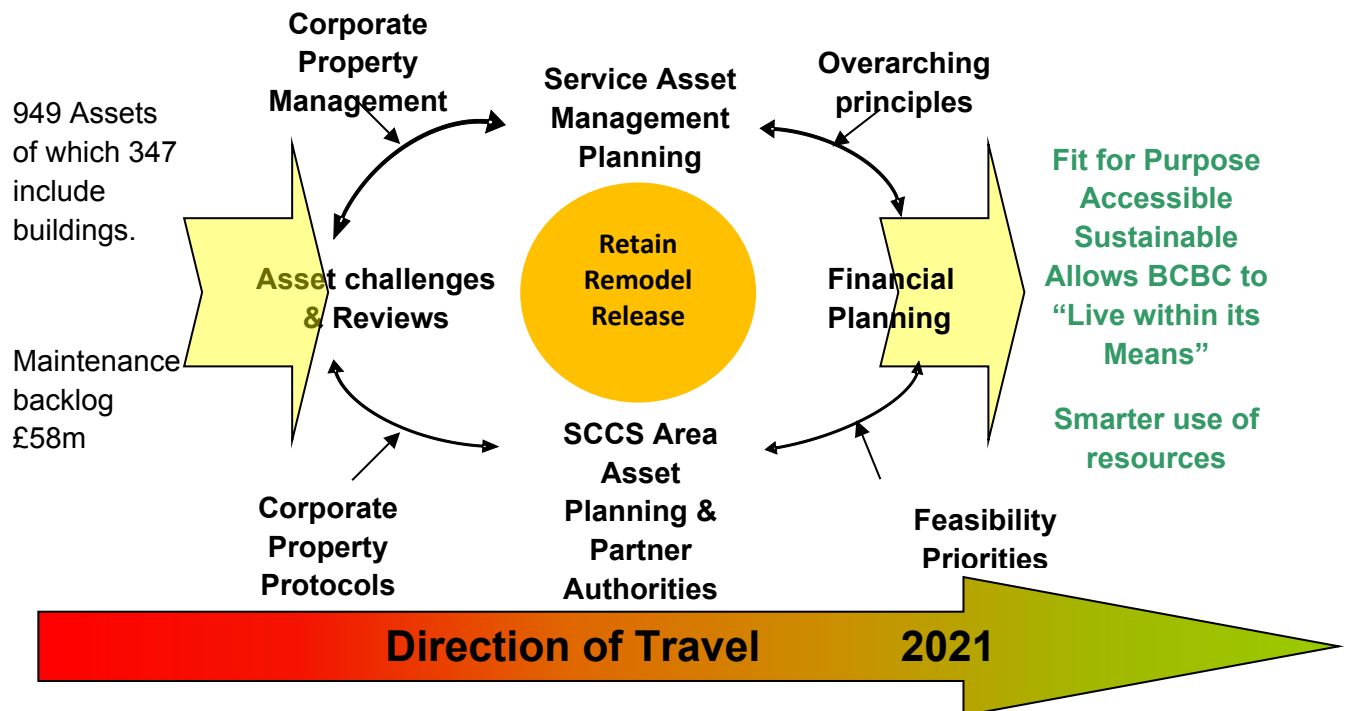
- 2.1 Smarter use of resources is one of the Council's three corporate improvement priorities.

3. Background

- 3.1 The Council has an eclectic property portfolio absorbing significant capital and revenue resources. Sound management of the Council's physical assets contributes to the achievement of the Council's Corporate Plan 2016-20 as reviewed for 2017-2018.
- 3.2 The 2021 Asset Management Plan (2021 AMP) sets out a coherent approach to the management of the Council's assets. The Welsh Audit Office Corporate Review published in 2016 identified that "*The Council has an effective approach to corporate asset management and is on course to achieve its long-term goals*"
- 3.3 The tools and processes put in place by the AMP 2021 provides a rational methodology to support programmes and projects to facilitate:
- **Release** of surplus underperforming properties **Rationalising the estate**,
 - **Remodelling** of our property portfolio to meet 21st century needs
 - **Retaining** and maintaining fit for purpose property.

Basic Asset Strategy diagram:





3.4 Through Rationalising the Council’s estate by disposing of assets and, where appropriate, transferring assets to communities to manage while making the most of the assets we retain, the Council has successfully delivered a number of projects including: Disposal of Sunnyside Offices and Glanogwr Offices, Community Asset Transfer of the former Town Centre Library, Carnegie House and transfer of assets to Halo and Awen Cultural Trust. These projects have not only helped the Council to reduce operating costs but have also made significant improvements and efficiencies to the way that it works, whilst also protecting front line services.

4. Current Situation

4.1 Current Asset Make up

- Total Asset Value: circa £418m Dec 16
- Gross internal Floor area: 363,284m²
- Total Number of Assets: 949 assets of which 347 include buildings
- Total number of operational assets 553 assets of which 221 include buildings
- Total number of non-operational assets: 396 assets of which 126 include buildings

4.2 Current Maintenance Backlog

Priority 1 Urgent to prevent immediate closure	Priority 2 Essential, i.e. within 2 years	Priority 3 Desirable, i.e. within 3 to 5 years	Priority 4 Long term, i.e. 5-10 years. For planned, cyclical and forecasted works	Total
£2,551,053	£23,038,968	£21,101,296	£11,470,516	£58,161,833

4.3 Income generation

The non-operational portfolio comprises a mix of assets made up of commercial and non-commercial elements, including industrial, markets, garages, allotments, vacant land, miscellaneous holdings and an Office Centre acquired in 2014 held purely for investment purposes. The main income producing assets are summarised in the table below, generating a gross income of circa £1.5 million per annum.

Number	Description
79	Industrial Units
80 acres	Industrial land (70 acres subject to ground leases)
2	Enterprise Centres
180	Garages / garage bases
2	Bridgend Science park
1	Innovation Centre
2	Markets
1	Office Centre

A project group, which comprises Property Officers linking with Finance Officers, was set up in 2016 to review opportunities to increase income from the commercial portfolio including potential acquisition of a further investment asset, to clarify the legal and financial context of operating a property investment portfolio within a local authority, review options and identify investment criteria. Consultation has been carried out with both Chartered Institute of Public Finance and Accountancy (CIPFA) and external advisors Alder King.

In summary it has been identified that:

- The current portfolio is generally performing well
- The majority of investments are high yielding with an overall financial yield of 8%, however this is pulled down by Bridgend Market and the Innovation Centre where there are substantial head/ finance lease commitments.
 - A specialist review is recommended in respect of Bridgend Market and financial consideration of potential early redemption of the finance lease in respect of the Innovation Centre.

- Releasing assets would generate capital but an improved income stream from reinvestment of the capital generated is unlikely.
- The current portfolio is in need of ongoing investment to sustain income in terms of both repairs and maintenance and updating to meet market expectations.
- There are currently live European Regional Development Fund (ERDF) funding opportunities that need match funding to generate new income including:
 - Development of industrial units at Pyle
 - Innovation Centre ERDF funding to provide small start-up space
- Any new investment acquisition should ideally be:
 - Good secondary property. (Whilst prime property is typically classed as property of the highest quality, with a high specification, found in the best locations and let to strong tenants, good secondary property is a more diverse range of properties that could include property that is 'almost' prime but falls short of one criteria to allow it to be deemed prime) for example location, condition etc.
 - 6 - 8% initial yield bracket
 - Good covenant, long unexpired term, strong re-letability and low management.
 - Consideration should be given to widening geographical boundaries.
 - Potential funding required for an investment to generate circa £200,000 per annum would be £2.5m to £3m. Therefore consideration needs to be given to making more money available for property investment:

4.4 Disposal Programme

One of the key objectives of the Council's Asset Management Plan 2021 is the review and release of surplus assets. The enhanced disposal programme was identified as a means of driving forward release of assets identifying the potential for the Council to realise up to £21 million in capital receipts by 2020.

The project is managed through the Property Services Disposal Board and reports to the Strong Communities Connecting Services Board and School Modernisation Programme Board. Cabinet approval or delegated authority is always sought for any disposal.

Over 80 sales have been completed since 1 April 2014 realising circa £15.7 million and annual revenue savings of £540,000.

The enhanced disposal programme exceeded its target in 2016/17 by generating £5.625m of capital receipts. The key disposals for the School Modernisation Programme were the sale of the former Ogmores Comprehensive school fields, former pupil referral unit, as well as the release of surplus education land at Maesteg and Tondy. These sales have not only provided a critical source of match funding to enable new school delivery, but also provided the opportunity to develop 2 new extra care facilities within the Borough. The sale of the landmark Jennings Building has enabled further enhancement of the

Porthcawl harbour quarter and the release of land at Coychurch Road in Bridgend will deliver much needed affordable housing in the town. The disposal strategy will be reviewed next year to reflect the need to generate revenue as well as capital receipts.

The current priorities for the enhanced disposal programme have been identified as:

1. Major Projects: Parc Afon Ewenni and Porthcawl Regeneration;
2. 21st Century Schools Programme - delivery of match funding (to date £4.5m has been generated from the release of surplus school assets identified for match funding);
3. Releasing assets in line with Strong Communities Connecting Services Programme Reviews

Property Services is continuing to pursue the disposal programme rigorously, but is facing ongoing difficulties in staff recruitment which has reduced capacity.

4.5 **Strong Communities - Connecting Services**

'Strong Communities - Connecting Services' (SCCS) is a partnership Board hosted by Bridgend Council and chaired by the Corporate Director Communities, with the aim of working with key partners (e.g. ABMU, South Wales Police, Bridgend College) to maximise the potential to deliver effective integrated services within communities with a particular focus on assets. The current work programme relates to the identification of opportunities for an integrated approach to:

- asset rationalisation,
- disposal including Community Asset Transfer,
- accommodation sharing
- identification of economic and social development opportunities
- Joint and shared service provision

Since its establishment in 2009 the SCCS Programme has facilitated the delivery of:

- The release of 165 assets (including HALO and Cultural Trust Assets);
- £18.19 million capital receipts (£15.7 million since April 2014);
- The release of these assets has resulted in rental and property running cost savings of £1.58m pa of which £457,000 pa relates to rental paid on leased properties
- Maintenance backlog reduction from released assets of £18.75 million

Overall Totals to date from the 2009 base line					
Total Assets Released (including HALO & Cultural Trust)	Annual Property Running Costs including rental	Total Rental Saved	Capital Receipts Generated	Maintenance Backlog Reduction from released assets	CO2 Emissions reduction from released assets
165	£1,582,365	£457,365	18,189,950	£18,756,816	6398

4.6 **Community Asset Transfer (CAT)**

CAT has traditionally been undertaken by the Council in line with the AMP 2021: 'Community Asset Transfer Guidance Document', which has seen the successful delivery of CATs including Carnegie House and Porthcawl Museum with ongoing projects including the land for the proposed Maritime Centre.

This guidance was updated in 2015 to ensure that the policy reflected operational processes on the ground and introducing a phased approach with priority 1 assets including: sports pavilions, community centres, bus shelters and public conveniences.

Following the recruitment of the Community Asset Transfer Officer in November 2015 progress has been made in relation to priority 1 assets including:

- 74 community organisations have contacted Bridgend County Borough Council (BCBC) in respect of 61 different assets with sports clubs and associations continuing to be the predominantly interested parties seeking self-management of pavilions and playing fields.
- Town and Community Councils (Bridgend, Llangynwyd Lower, Pencoed, Porthcawl and Pyle) are progressing applications including public toilets, pavilions and playing fields, and bus shelters.
- 26 applications are currently "live" and subject to the development of formal expression of interest, business case or seeking final approval.

At its meeting on 25th July 2017, and following a review of CAT, Cabinet considered a report to seek approval for changes to the Authority's Community Asset Transfer (CAT) policy to ensure that Priority 1 asset transfers can be progressed efficiently and effectively. The changes related to: the basis of allocating £1 million (of which £110,000 has already been awarded to Bryncethin RFC) of capital funding set aside to refurbish sports pavilions; and mechanism for approving CAT expressions of interest, standard / complex business cases, and funding applications. Cabinet approved recommendations that:

- The remaining £890,000 be used to assist CATs to a maximum contribution of up to £50,000 towards repairs or refurbishment works per CAT transfer is set to enable individual CAT projects to be progressed, subject to business case approval, while a formal funding mechanism is established. However, where the argument for increased levels of

funding is clearly presented in a strong business case then amounts in excess of £50,000 may also be considered.

- The CAT Steering Group should also have responsibility for reviewing and approving the financial assessment of the Business Case undertaken by the Finance Department and the Heads of Terms for the transaction prepared by Property Services.
- Approval for a CAT transfer and associated funding should be made by the Corporate Director (Communities) in conjunction with the Section 151 Officer.
- It is hoped that these measures will help unlock some of the issues that have been experienced by organisations and groups engaged in the CAT process so far and accelerate the number of community asset transfers, including other facilities in due course not listed in the phase 1 prioritisation.

4.7 Administrative Estate Rationalisation

The Council has been rationalising its administrative estate for a number of years and since 2010, has reduced the number of administrative offices in its estate (and particularly those leased) from 27 to 7 achieving revenue savings of over £1m per annum.

Specific objectives met include:

- Release of Sunnyside Offices generating £750,000 capital receipt, revenue saving of £320,000 per annum from 1 April 2016, and a 261 ton reduction in carbon emissions
- Improvement to external elements of Civic Offices has made them watertight and warm with improved energy performance. This includes a new roof and window refurbishment/replacement.

Remodelling work at Civic Offices has now been completed and there is a developing culture of open plan working, delivering a range of office use opportunities, including: optimising use of desks, touchdown, and flexible team/group-working space. An options appraisal is being prepared in respect of Ravens Court to identify the preferred way forward for BCBC. Originally, the Council's strategy was predicated upon the letting of Ravens Court and it was anticipated that after completion of a lease, the majority of staff would be transferred to Civic Offices operating at a staff/space ratio of 3:2.

Marketing of Ravens Court has been active since May 2015 with the appointment of Agents JLL and the strategy has been to target a single occupier inward investment. Despite a number of enquiries and two serious offers over the past two and a half years, it has not been possible to let Ravens Court Offices, due to contract and business reasons of the interested parties. The premises remain on the market which has now prompted a review of the original strategy and current options.

Consideration will be given to the possibility of capturing further savings through vacating remaining secondary offices, optimising the future use of Civic Offices and the possibility of retaining all or part of Ravens Court for future use by BCBC.

The appraisal will form the basis of the office accommodation strategy phase four which will also include the exit strategy for the release of Sunnyside House. This building is currently occupied by the Council under a lease which expires in 2021, and the total running costs of the building are £283,000 per annum.

4.8 Parc Afon Ewenni Programme

The Council's landholding at Waterton, currently occupied by the Council's main operational Highways Depot and previously by County Borough supplies, forms a substantial part (approximately 22.5 acres/9.1 hectares) of a larger residential led, mixed use strategic regeneration site on one of the main gateways into Bridgend, known as Parc Afon Ewenni. The site is allocated in the adopted Local Development Plan (LDP) for up to 650 residential units (including 130 affordable homes), local retailing, community, business and recreation uses, together with improvements to the transportation network. The overall site is in multiple ownership, with, as well as the Council owned sites, additional landholding from South Wales Police and other private landowners.

The total brownfield site, stretching along the corridor of the A473 comprises 66.2 acres or 26.8 hectares. The site was redesignated in the LDP from employment land, of which there is an over-supply in Bridgend, to residential led land, with a subsequent increase in value. Full remediation and sale of the site will enable much needed capital receipts to be obtained, as well as removing significant environmental and asset liabilities. In overall terms it is considered that the careful regeneration of the site will raise the image of the whole of this route into Bridgend and create much needed homes, jobs and other community and commercial opportunities, in an enhanced landscaped environment. It will however also create other issues such as the need for additional school places in the area.

For the reasons outlined above, the Council has therefore gone about seeking to vacate its operational usage of the Waterton site, including the following actions:

- Fleet maintenance has already been relocated to a joint vehicle maintenance facility, shared with South Wales Police at Brackla Industrial Estate.
- The operational highways depot has been significantly reduced in footprint.
- County Borough Supplies Building has been demolished following the decision to cease trading.

These actions, together with the demolition of many of the buildings at Waterton in the poorest state (estimated maintenance backlog was £2 million with many buildings in urgent need of investment) have allowed an initial area of land to be released and potentially marketed and then to be developed. In addition the private land owner to the west of the Council owned site has already submitted a planning application to develop that area of land.

The reduction of the amount of land the Council requires at Waterton has already resulted in significant revenue savings . Some re-investment has been required to bring the Council's other main operational depot in Bryncethin up to the appropriate standard and allow some services to move there.

While these measures provide an interim solution, possibly for the next 5 years, and partially release some of the available land, it will be necessary in the longer term for the Council to consider how it intends to move all of its operational depot based services elsewhere and vacate the Waterton site if it wishes to develop the areas in the way set out in the LDP. Alternatively the Council will have to invest further on the remaining footprint at Waterton to keep the depot services there but ensure that the depot retains and meets all of the relevant environmental legislation attached to the operational practices at the site.

Both of these options are likely to be at significant expense. Other neighbouring authorities have built new depots in recent years at costs of up to £8 million, and already the Council has explored numerous options to move elsewhere in the County Borough but the costs have been prohibitively expensive compared to the current capital budget allocation (cost estimated at £6.5m to £7.5m in 2016 to include the purchase of a suitable new site and all of the necessary work to ensure full compliance with environmental legislation, and so is likely to be even more expensive than that now and moving forward). However, some of the anticipated cost would be offset by the reduction in maintenance liability and improved operational efficiency, so in the medium term the development of a 'future proofed' fit for purpose depot will need to be explored by the Council.

The current depot at Waterton is very dated. Therefore to make the reduced footprint at Waterton a permanent solution will also likely require multi-million pound investment. The temporary solution currently being developed, using temporary buildings, should allow the services to remain operational and efficient for an interim period during which it is hoped future plans for the delivery of services and regional collaboration opportunities will become clearer, to inform strategic direction.

4.9 Depot Rationalisation

The Parc Afon Ewenni programme and the impact on Waterton and Bryncethin depots has allowed a broader review of the Council's operational depots to be

carried out. This review has encompassed the main Parks and Bereavement Services depots at Pandy Park, Porthcawl and Maesteg, with all of the functions undertaken at these sites due to be relocated during 2018 to Bryncethin. This has resulted in a significant reduction in the overall footprint of the Council's main operational depots, including the demolition of life expired buildings in Maesteg which were beyond economic repair. The review will also enable the relocation of the Cleansing Teams based at Glan Road, Porthcawl to the Parks depot at Griffin Park when this is vacated. The depot at Glan Road will then become available to commercially let.

The principle outcomes of this review to date are set out below: -

- Reduction in accommodation requirements and running costs at Waterton
- Vacation and demolition of County Borough Supplies building
- Maximising use of space at Bryncethin and investment within this facility
- Release of depots at
 - Maesteg Cemetery – poor buildings demolished
 - Pandy Depot – reutilised for corporate use
 - Griffin Park Depot, Porthcawl
(The above 3 x facilities will relocate to Bryncethin Depot)
 - Glan Road Depot will relocate to Griffin Park, Porthcawl
 - Glan Road Depot will transfer to Property Services to be leased out to generate an income and will form part of the non-operational estate

The rationalisation, release and remodelling of these assets will provide fewer but better buildings. The budget savings are still being assessed but likely to equate to circa £275,000 per annum.

5. Effect Upon Policy Framework & Procedure Rules

5.1 There is no effect upon policy framework or procedure rules in this report.

6. Equality Impact Assessment

6.1 There are no negative equality implications to this report.

7. Financial Implications

7.1 There are no financial implications arising from this report which is for information only.

8. Recommendation

8.1 The Committee receives and considers the report and provide comments and recommendations in line with their overview and scrutiny role.

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