

# Overview & Scrutiny Committee

## Non-housing Property Management Update Wednesday 17<sup>th</sup> January 2024

### Report of Chief Officer Housing and Property

#### PURPOSE OF REPORT

To provide the Overview & Scrutiny Committee with an update on the management of the non-housing property portfolio

**This report is public**

#### RECOMMENDATIONS

- (1) This report is for noting

#### 1.0 Introduction

1.0 Lancaster City Council has a large non-housing property portfolio comprising of a diverse range of assets including land, corporate, and commercial assets. To ensure that this portfolio can continue to meet the challenges facing the council, some significant activity has taken place during the past year which is summarised within this report.

1.1 This Committee asked for this report at its meeting on 6<sup>th</sup> September 2023 as, under its terms of reference, it is able to scrutinise decisions relating to the discharge of the Cabinet functions after they are put into effect.

#### 2.0 Details

2.0 The council has a diverse non-housing portfolio of over 1,300 assets, ranging from car parks, corporate operational buildings, land of varying sizes, retail units and other non-housing properties. The portfolio is valued in the region of £90million and a summary of the assets are contained in Appendix 1.

2.1 The size and value of this portfolio increases the importance of ensuring that it is effectively managed and to help this process several key activities have been undertaken during the past year which are summarised below:

##### *OBR Phase 1*

2.2 During the 22/23 financial year, a working group of officers and elected members completed a full review of the council's asset base resulting in the identification of several assets which were considered appropriate for disposal. The project also identified opportunities for consolidation within the council's corporate estate which resulted in the closure of Palatine Hall and the relocation of teams into Lancaster Town Hall. Palatine Hall has subsequently been commercially leased to ChipTech. Relocation and

reconfiguration of teams based at Morecambe Town Hall to maximise the commercial opportunities within the building has also commenced, although to date progress has not been as focussed for various reasons.

#### *Property Group Review*

- 2.3 Throughout OBR Phase 1 it became apparent that there was a need to ensure that the officers managing the council's property portfolio are working within a structure that is fit for purpose. The reasons for this include a recognition that the team are working within an increasingly complex area with many legal and regulatory challenges taking place in recent years and planned for the future.
- 2.4 To ensure that the council can meet those challenges, and as part of the Council's implementation of a Chief Officer structure, a review of activity was undertaken with recommendations agreed through the Leadership Team to develop a single dedicated Assets and Compliance Team. The team was established with effect from November 2023, and is responsible for managing the council's full portfolio, including housing, corporate and commercial buildings. The establishment of this team enables clear lines of responsibility and accountability across the entire portfolio and allows for efficiencies and improved knowledge for the officers involved. The focus of the team is:
- Asset Management
  - Property Compliance
  - Estate Management
- 2.5 To date the team has focussed on the introduction of monthly reporting of the team's responsibility with particular attention allowed for improved scrutiny across the key disciplines of asbestos, electric, fire, gas legionella and LOLER, by Leadership Team and Portfolio Holders. Approval for a full stock condition survey has been gained and an interim capital / revenue programme developed (see below for more information). Additionally, the team have been required to prioritise plans as part of the White Lund Depot redevelopment, approved by Council at the end of 2023.

#### *OBR Phase 2*

- 2.6 *OBR Phase 1* provided an initial opportunity to present a review of the Council's property portfolio, and whilst some changes have resulted e.g. closure of Palatine Hall and letting on a commercial basis, as well as suggestions for properties to be disposed of, it was clear throughout the process that it would not be possible for all opportunities and benefits to be both identified and realised quickly. It was therefore noted that a natural progression was the continuation of the team's work into *Phase 2*.
- 2.7 *OBR Phase 2*, launched at the end of October 2023, aims to continue the work of *Phase 1* and allow the team to challenge the current and proposed use of land and buildings held by the council. A key element of this process has been the prioritisation of assets in terms of the financial costs associated with their continued occupation. Assets considered to be of a *High Priority* are those where the costs of their continued occupation are of greatest concern and which offer the greatest opportunities for improvement. Assets which have been classified as *Low Priority* are those which are making a positive financial contribution to the council's finances; although even for these assets there is a recognition that there may be further opportunities for increasing

revenue streams, either through the responsibility of the Asset and Compliance Team or through services directly involved with the management / relationship of those buildings.

#### *Commercial and Corporate Property Capital Programme*

- 2.8 The council will need to ensure continued investment to avoid the costly repairs which arise when buildings fall into disrepair. However, unlike the revenue expenditure which takes into account cyclical maintenance and repair liabilities, the capital forecast is for those stand-alone projects for known work.
- 2.9 To ensure that all buildings are fit for purpose, the Assets and Compliance team has therefore prepared an interim projected capital spend for the period 2024-2034. This forecast is based on the historical Stock Condition Surveys (SCS) which were completed in 2018. The programme has identified capital expenditure which would be required to ensure the buildings under consideration are able to function effectively.

#### *Stock Condition Surveys*

- 2.10 Whilst officers have made every effort to ensure that accurate information is used to evaluate the council's assets and prepare the capital programme, there is a recognition that the calculations related to associated maintenance liabilities are based on stock condition surveys which were completed during 2018. The team are therefore about to embark on a programme of Stock Condition Surveys of all the commercial and corporate estate where the council retains a maintenance liability. The first surveys commence from mid-January. These surveys will give the council estimated cost forecasts for these liabilities and allow for the preparation and profiling of capital programmes and maintenance activities for the coming years. It will also allow for improved reasoned and strategic decisions on the future of assets based on our liabilities. Following the completion of the stock condition surveys this will support the development of a new Asset Management Strategy for the property portfolio which is expected to be presented to Cabinet in Autumn 2024.

### **3.0 Next steps**

- 3.0 In addition to the Teams core day-to-day activity over the coming months a clear focus will be provided to the following:
- As referenced above over the coming months focus continues to centre around the completion of full property stock condition surveys to enable improved reasoned and strategic decisions on the future of assets, as well as supporting the development of a new Asset Management Strategy.
  - Focus needs to be given to the energy usage across the councils property portfolio and better management of such, either through the team or responsible officers across the council.
  - Working alongside the Council's appointed letting / estate agent a priority for the start of 2024, will be to bring forward offers for the current designated disposals following OBR 1. A marketing campaign for these properties commences from 15<sup>th</sup> January. Performance will be monitored within the OBR2 Officer / Member working group.
  - Finally ensuring that the Council achieves best use of its assets / space

available, maximising income wherever possible.

#### **4.0 Conclusion**

- 4.0 Officers are acutely aware of the financial pressures facing the Council at this current time. Nonetheless, effective buildings to allow the completion of council operations is essential to providing the Council's key frontline services as is ensuring the welfare and safety of staff who operate from there. The recent experience of the White Lund Depot, where buildings have been identified as unfit for purpose due to a lack of large-scale capital maintenance, demonstrates the dangers of failing to invest. The creation of the Assets and Compliance Team to ensure a greater focus on the council's portfolio which incorporates all of the elements discussed above, will afford the council greater confidence and control over the entire portfolio which will thereby reduce the burden on capital and revenue budgets in future years.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

This report aims to provide a summary on the management of the council's non-housing portfolio during the last year

#### **LEGAL IMPLICATIONS**

No legal implications directly arising from this report

#### **FINANCIAL IMPLICATIONS**

There are no financial implications directly arising from this report. Any reports on specific issues arising from the work carried out under 'Next steps' will require further consideration of the financial implications.

#### **OTHER RESOURCE IMPLICATIONS**

No other resources implications directly arising from this report.

#### **SECTION 151 OFFICER'S COMMENTS**

The way in which the Council manages its asset base to deliver its services going forward will play a significant part in helping to address the Council's financial pressures. Should assets be identified for disposal any proceeds can be utilised in accordance provisions outlined in the Governments Flexible Use of Capital Receipts Directive as well as used to finance the Council's current and future capital projects.

Members should also consider that although the Council owes and operates several commercial assets it is not a commercial landlord. The current investment portfolio generates an annual gross income exceeding £3M and has made a net contribution to the Council's budget exceeding £1M each year.

#### **MONITORING OFFICER'S COMMENTS**

What, if any, action other than noting this report will be for the Committee to decide in accordance with their powers.

O&S are able to set up Task Groups and – “.. conduct reviews of policy, services and aspects of services where there is an identifiable need, by itself or through setting up a Task Group.”

Rule 10 of the O&S procedure rules goes on to say “Any member of the Overview and Scrutiny Committee and Budget and Performance Panel shall be entitled to give notice to the Chief Executive that they wish an item relevant to the Terms of Reference of the meeting of which they are a member to be included on the agenda for the first available meeting. The meeting will determine whether the issue should be included in its Work Programme based on its relevance as compared to the priorities as set out in the Scrutiny Work Programme.”

Rule 22 covers matters within the remit of more than one Overview and Scrutiny Meeting – “Where a matter for consideration by an Overview and Scrutiny Committee falls within the remit of more than one meeting, the decision as to which meeting will consider it will be resolved by the Overview and Scrutiny Committee”. For example O&S could refer the matter to Budget & Performance Panel to scrutinise “asset management practices” for securing value for money as that site within B&PP terms of reference.

Ultimately any report flowing out of a scrutiny committee could be presented to Cabinet for consideration.

**BACKGROUND PAPERS**

None

**Contact Officer:** Dan Wood

**Telephone:** 01524 582061

**E-mail:** dwood@lancaster.gov.uk

**Ref:** n/a