

**Report to CABINET**

## **Medium Term Property Strategy 2018-22**

**Portfolio Holder:**

Councillor Fielding, Cabinet Member for Economy and Enterprise

**Officer Contact:** Helen Lockwood, Executive Director, Economy, Skills, Neighbourhoods and Deputy Chief Executive

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### **Reason for Decision**

Cabinet approval is sought for the Medium Term Property Strategy 2018-22 to guide and inform future decisions with respect to the Council's property portfolio.

### **Executive Summary**

Best practice strategic asset management recommends that a Property Strategy is prepared that describes the general direction that the Council's property portfolio will take over the next 5 years, the approach to be adopted in getting there and the policies that will be applied to decision making.

Oldham Council's approach is to have a high level Medium Term Property Strategy (MTPS) that incorporates a detailed Asset Management Plan for every property asset / group of assets the Council has and a Commercial Property Investment Strategy to guide and set principles of how investment in property is undertaken and income generated. A summary of the Medium Term Property Strategy, titled The Property Plan 2018-22 is also available.

### **Recommendations**

Cabinet is recommended to approve:

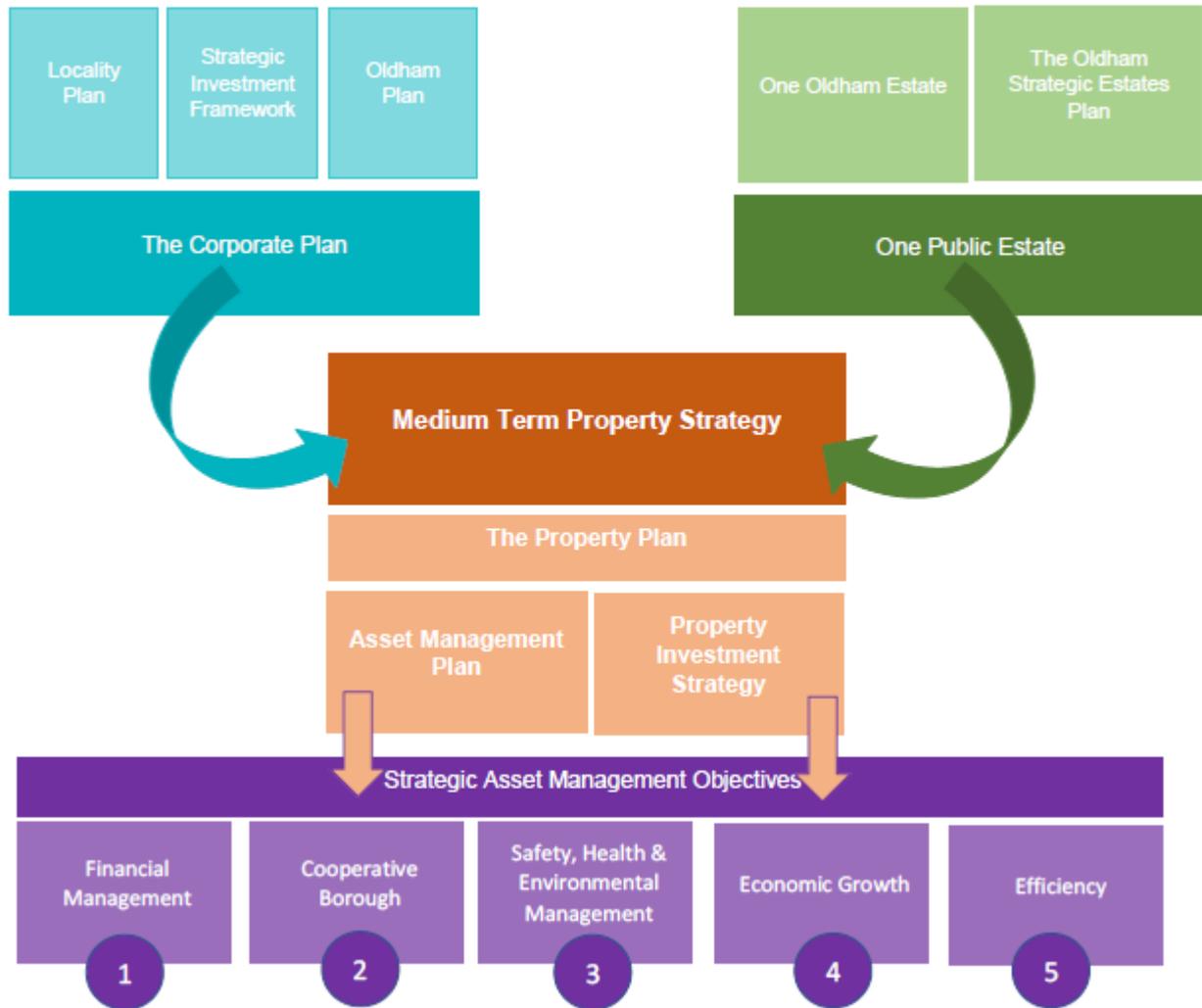
1. The Medium Term Property Strategy 2018-22, as attached at Appendix 1.
2. The Property Plan 2018-22, as attached at Appendix 2.

**Medium Term Property Strategy 2018-22****1 Background**

- 1.1 The Council has a large and diverse property portfolio. It includes land and buildings used to deliver services from; assets held to support development and regeneration and properties that are held to provide an income stream.
  - 1.2 For any organisation with such a diverse portfolio, best practice recommends that a Property Strategy is prepared that describes the general direction that the organisation's property portfolio will take over the next 5-10 years, the approach to be adopted in getting there and the policies that will be applied to decision making. The Property Strategy should reflect the operational and business strategy of the organisation, for Oldham Council this includes the Corporate Plan, '*working for a co-operative borough 2017-2020*'.
  - 1.3 The Council is also faced with unprecedented financial challenges as its funding arrangements change. Accordingly, the requirement to have a Property Strategy that can support the Council with this financial situation is key.
  - 1.4 Central Government is promoting an initiative called 'One Public Estate' which is seeking to secure greater collaboration and cooperation across the public sector property estate. Co-location of services, and sharing resources will deliver financial savings to the public sector and release assets, many of which it is hoped can be used to support residential development, which is a further Government priority. The Property Strategy should therefore also reflect the One Public Estate agenda.
  - 1.5 Oldham Council's approach to this is to have a high level Medium Term Property Strategy (MTPS) that incorporates a detailed Asset Management Plan for every property asset / group of assets the Council has and a Commercial Property Investment Strategy to guide and set principles of how investment in property is undertaken and income generated. Collectively this is referred to as Strategic Asset Management. A summary of the Medium Term Property Strategy, titled The Property Plan 2018-22 is also available.
  - 1.6 Strategic asset management is different to property management. The latter is tactical activity, in effect the day to day operations of a property. Property management is concerned with maintaining and improving the value of a property 'as a property' and includes:
    - Maintenance of the property and facilities
    - Collecting rent and other charges
    - Working with staff and contractors
    - Enforcing rules, regulations, covenants, guidelines
    - Ensuring statutory compliance
    - Preparing budgets
    - Improving the property
    - Management of risk
  - 1.7 Asset management is concerned with the value of the property to the organisation. Accordingly, as a resource, financial matters are more important as is the contribution of the asset to the organisation's objectives. Asset Management is a higher activity in the control principle of real estate and includes:
    - Managing the mission and identity of the portfolio to support the organisation's objectives
    - Determine the value of a property to the organisation and what can be done to increase the value
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- Determine investment strategy, owning strategy and investment return hurdles
- Allocate resources across the portfolio for capital improvements and major expenditures
- Consider asset lifecycles, establishing where in the lifecycle assets will be acquired and to what standard assets will be improved and maintained
- Make determinations as to acquisition and disposal of property
- Prepare long term financial forecasts and perform cash flow analysis and compute internal rate of return in order to determine a property's financial performance

1.6 The interrelationship between the Corporate Plan, One Public Estate and a suite of Strategic Asset Management Objectives that will be used to monitor the delivery of the Property Strategy are illustrated in the diagram below.



## 2 Current Position

2.1 Currently, the Council's property strategy is dated, it was last reviewed in 2010. The Council's property portfolio is costly and not overtly aligned to the Council's priorities. A significant proportion of the stock held for both operational and non-operational purposes is now aging and dilapidated, management intensive, poorly located, unfit for purpose or difficult to let. These factors impact on, backlog maintenance, the rental return and capital value.

2.2 A full review of the Council's property portfolio is being undertaken and which is required to achieve the significant revenue savings targets from 2019/20. The property services

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provided by the Council and Unity Partnership are also being reviewed to provide both property management and asset management as described earlier, aligned to the delivery of the Medium Term Property Strategy.

### **3 Options/Alternatives**

#### **3.1 Do not agree the strategy.**

The Council could choose not to agree the Medium Term Property Strategy, this is not recommended as it does not maximize the potential of the Council's property portfolio.

#### **3.2 Agree the strategy.**

The Council could agree to establish the Medium Term Property Strategy and use this as a framework to manage and rationalise the Council's property portfolio in support of the Corporate Plan

### **4 Preferred Option**

#### **4.1 The preferred option is to approve the Medium Term Property Strategy.**

### **5 Consultation**

#### **5.1 Officers in Property, Legal, Finance and EMT have been consulted.**

### **6 Financial Implications**

#### **6.1 The Medium Term Property Strategy and its implementation will be key to the Council achieving both cost savings and increased income from its estate, which will contribute to the Council's overall budget challenge.**

#### **6.2 Given that 2018/19 will be the first year of the new strategy, there will be a significant amount of benchmarking and work required to develop relevant and robust financial indicators to ensure that the Strategy is fit for purpose and able to achieve its aims and objectives. (James Postle)**

### **7 Legal Services Comments**

#### **7.1 The Council has the power to make this decision.**

#### **7.2 If any consequential amendments are required to the Council's Land and Property Protocols then these will need to be made according to due Council process for amendments to the Constitution.**

#### **7.3 Property transactions for Council assets must be undertaken in accordance with the Land and Property Protocols and any marketing exercise undertaken must be conducted in accordance with the principles of fairness, openness and transparency. (Rebecca Boyle).**

### **8. Co-operative Agenda**

#### **8.1 The Council's property portfolio includes a Cooperative Estate, which is for property held by the Council and occupied by community organisations to deliver community based services. This includes all Community Asset Transfers. In addition income generated from property will support service delivery and is therefore entirely aligned to the Co-operative agenda.**

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9	<b>Human Resources Comments</b>
9.1	None
10	<b>Risk Assessments</b>
10.1	None
11	<b>IT Implications</b>
11.1	None
12	<b>Property Implications</b>
12.1	Fully covered within the report. (Peter Wood)
13	<b>Procurement Implications</b>
13.1	None
14	<b>Environmental and Health &amp; Safety Implications</b>
14.1	Property has to be managed in accordance with statutory regulations relating to health & safety and environmental matters. These are addressed in the delivery of the Medium Term Property Strategy.
15	<b>Equality, community cohesion and crime implications</b>
15.1	None
16	<b>Equality Impact Assessment Completed?</b>
16.1	No
17	<b>Key Decision</b>
17.1	Yes
18	<b>Key Decision Reference</b>
18.1	ECEN-09-18
19	<b>Background Papers</b>
19.1	N/A
20	<b>Appendices</b>
20.1	Appendix 1 – Medium Term Property Strategy 2018-22 Appendix 2 – Property Plan 2018-22

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