

## **Report to: Overview & Scrutiny**

### **Report Title: Medium Term Property Strategy**

**Portfolio Holder:**

Councillor S Fielding, Cabinet Member for Economy and Enterprise

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People & Place

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**Ext. 4028**

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#### **Executive Summary**

This report provides an update to the substance to the philosophy of the Council's Medium - Term Property Strategy (MTPS) approved by Cabinet in August 2018, which outlines the plans, actions and approach that the Council's Property Services will be undertaking in order to meet the objectives as set out in the MTPS.

Highlighted within this report is the proposed first stage (2019/20) to the required £0.5m property efficiency savings that will be developed further into programmes of work for 2020 to 2023, once the work associated with: the review of the Town Centre Master Plan (TCMP), the Accommodation Strategy (AS), the Local Asset Review (LAR) and the Cluster Review approach is completed.

The MTPS strategy is predicated on the principle that the aforementioned work streams will provide new facilities and working methodologies that will deliver wider property efficiency savings, with new income, which will be required to meet MTPS objectives. This first stage of the property rationalisation review has identified a number of premises (as detailed in Appendix A herewith) that are deemed surplus to the Council's Service Delivery Category and subject to required approvals will be disposed of or transferred to other user groups to materialise the £0.5m 2019/20 revenue reduction saving required.

#### **Recommendations**

The Overview and Scrutiny Board is to note the content of this report and progress made to date.

## 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 operational services, development, regeneration and properties that are held to provide an income stream.
- 1.2 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.
- 1.3 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.
- 1.4 On the 20<sup>th</sup> August 2018, Cabinet approved the proposed MTPS, the philosophy of which divided the existing corporate estate into six property categories (as identified in the table below that also includes a narrative of the outcome characteristics).

	Description	Outcome Characteristics
<b>Service Delivery - Direct</b>	Assets occupied by the Council to deliver a Council service.	A safe, flexible, efficient portfolio of assets held corporately, that supports and compliments Council and third-party service delivery. This estate will continually evolve as opportunities are taken to rationalise the assets to provide revenue savings and capital receipts and avoid backlog maintenance expenditure. However, investment to improve efficiency, improve utilisation and service delivery will take place, in particular where further asset rationalisation can result.
<b>Service Delivery - Indirect</b>	Assets occupied by third parties (i.e. tenanted) <u>and</u> delivering a Council service that if not occupied by the third party would need to be occupied by the Council; or property used to support the delivery of a Council objective, (e.g. business incubation).	
<b>Regeneration</b>	To deliver/support Council and/or third party promoted current or future regeneration/development where the primary outcome to the Council is <u>not</u> financial. On completion of the regeneration project the asset will be reallocated to a different category.	A dynamic portfolio of assets held to deliver regeneration by the Council or third parties that will improve Oldham 'place'; will attract investment and encourage enterprise to thrive; provide homes and support healthy and independent lifestyles.

	Description	Outcome Characteristics
<b>Cooperative</b>	Property held by the Council and occupied by a 'community organisation' to deliver community-based services. This includes all Community Asset Transfers.	The Council's ambition for Oldham is to deliver a co-operative future where everyone does their bit to create a confident and ambitious borough. Cooperative assets are those that empower residents to take greater control of their own lives. Community use of assets is the transfer (or temporary use) of land and or buildings from the Council's ownership into the stewardship and/or ownership of third sector organisations. Transfer brings responsibility. Accordingly, the management of risks including those relating to health and safety, finance, reputation, repair and maintenance, insurance to be identified whilst complying with the Council's statutory duties and responsibilities.
<b>Surplus / Vacant</b>	Non-income generation assets that are surplus to the Council's requirements and to be disposed of.	A portfolio of assets that are currently being disposed of or to be disposed of when market opportunities are appropriate. Pending disposal, holding costs to be minimised, with opportunities taken to improve saleability.
<b>Income Generation</b>	Occupied by third party organisations <u>and</u> held to provide a financial return to the Council (income and/or capital).	A diverse portfolio of assets that provides a secure and increasing income stream. Net revenue received is paramount to the Council as is the opportunity to increase the capital value by proactive acquisition and disposal, with reinvestment in this portfolio. Lease events, voids, service charges, maintenance are to be managed to maximise income receivable.

1.5 With the Council faced with unprecedented financial challenges as its funding arrangements change, the development of the MTPS is focused on realigning the Corporate Estate to meeting the Council's Corporate Objectives and Medium-Term Financial Plans. For each of the strategic asset management categories, the following performance targets were set as approved by Cabinet.

- 20% reduction in the number of assets (5% per annum over a 4-year period) to the Service Delivery (Direct and Indirect) estate categories.
- 25% reduction in the number of assets held within the Regeneration estate by December 2018; to be reclassified within the Surplus, Service Delivery, or Income Generation estate categories.
- A 20% increase in the number of assets transferred to community groups through the Co-Operative estate.
- A reduction by 2% per annum in surplus / vacant - residential ground rent (tenancies)
- A 25% increase in income (over a 4-year period) to rent receivable from the current Income Generation estate.
- To reconcile and make service charges more transparent, to achieve a 10% improvement to charges.
- To acquire new income from purchased investments/ assets over a 4-year period.

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- 1.6 The MTPS identified that collectively the targets had the potential to achieve a balanced revenue saving with new income target of £4.5m against the property portfolio by 2022/23.

## **2. Service Delivery Category**

- 2.1 It is proposed that these property efficiency savings will be delivered through several work streams that include: a review of the Town Centre Master Plan (TCMP), the Accommodation Strategy (AS), the Local Asset Review (LAR) and the Cluster Review approach when completed.
- 2.2 The MTPS strategy is predicated on the principle that the aforementioned work streams will provide new facilities and working methodologies that will deliver wider property efficiency savings with new income, which is required to meet MTPS objectives. In response to the Service Delivery Category (Direct and Indirect) performance target, a review of the associated assets has been undertaken, with a view to identifying which assets could be considered for disposal, or transfer to an alternative service provider to meet the 2019/20 £0.5M target requirement.
- 2.3 The review discounted those assets that were considered as essential, or prestige to the Council, which included (i.e. schools, town halls, cemeteries, parks, OCL assets etc.), or, for this exercise had minimal revenue reduction implications; but included analysis of the properties utilisation, backlog maintenance liability and future investment requirement.
- 2.4 The review also included 72 assets (40%), which were transferred from the Regeneration category and reallocated to either the Surplus, or Service Delivery categories. The transfer of these assets released 22 land sites that have been transferred to the Surplus Category, although they have a limited capital value estimated to be in the region of £50k.
- 2.5 It is clear from the review that the Council has for many years been diligently rationalising its Corporate Estate. These previous rationalisation activities have been undertaken to such a degree that in order to achieve the 2019/20 £0.5m there is little flexibility within the proposed 2019//20 disposal programme, which has been developed in line with our current operational plans and strategy.

## **3. 2019/20 Programme Delivery**

- 3.1 The following assets have been placed into the proposed 2019/20 programme, which are currently either: progressing to sale where already approved, are surplus to operational requirements, have significant revenue and backlog maintenance issues, or are vacant properties.
- Brownhill Visitors Centre (site to be sold).
  - Chadderton Precinct and Royton Public Conveniences (to be sold).
  - Charles House
  - Coppice Community Centre (existing Panda tenant to be relocated and site sold).
  - Crossley Playing Fields – Changing Rooms. (to be demolished).
  - Dovestones Public Conveniences (development opportunity).
  - Greenacres Cemetery - entrance archway and adjoining two cottages (site to be sold, or form part of a development agreement)
  - Highbarn House (to be sold for housing development)
  - Limehurst Youth and Community Centre (site to be sold or used for housing development).
  - Millyard Centre (to be sold).
  - Rock Street (existing services to be relocated, site to be sold).

- Royton Town Hall Car Park (possible lease termination)
- Satellite Youth Centre (Community Asset Transfer project)
- Royton Library (to be relocated into Royton Town Hall)
- Sholver Community Centre (Community Asset Transfer project).
- Snipe Clough Changing Rooms (site to be demolished as part of Eco Depot project).
- Temperence Hall (site to be sold).
- Walkers Road Tenant Hall
- Werneth Park Music Rooms (Listed building)
- Werneth Integrated Youth Centre (subject to Charity Commission approval, site to be sold).

3.2 Further details regarding the proposed 2019/20 programme is included herewith in Appendix A, which also includes the potential year end net revenue savings (forecast at £490k). The costs associated with the disposal of the sites will be dealt with either through Unity Estates general work programmes, or via related redevelopment projects.

#### 4. Review Outcome

4.1 The philosophy of the MTPS is based on achieving improved income and revenue savings from the targets highlighted in Section 1.5 as aforementioned. The two critical elements to the MTPS are:

- a 20% reduction in the number of assets (5% per annum over a 4-year period) to the Service Delivery (Direct and Indirect) estate categories, and,
- to acquire new income from purchased investments/ assets over a 4-year period.

4.2 There is an interdependency between the objectives in order to achieve the overall revenue saving target, balanced between new income and efficiency savings. The greater the efficiency savings, the less investment requirement to meet the target variance.

4.3 Further disposal programmes will be developed for 2020 to 2023 once the work streams associated with the Town Centre Master Plan, the Accommodation Strategy, the Local Asset Review (LAR) and the work with a cluster place-based approach to relocating services have been completed. These programmes (along with the first-year programme as set out within this report), will focus on achieving the overall reduced revenue target of £4.5m as outlined in the MTPS by 2023.

#### 5 Progress to Date

5.1

Premise	Comment	Status
Brownhill Visitors Centre	Sold	
Chadderton Precinct and Royton Public Conveniences.	Reviewing ASDA Lease, work in progress.	
Charles House.	To be progressed 20/21.	
Coppice Community Centre.	Reviewing options to relocate existing tenant.	
Crossley Playing Fields.	Under review.	
Dovestones Public Conveniences.	Progressing development opportunity.	
Greenacres Cemetery.	Progressing development opportunity.	
Highbarn House.	Demolished.	

Limehurst Youth and Community Centre.	Reviewing options to relocate the modular building.	
Millyard Centre.	Progressing to sale.	
Rock Street.	Plans in place to relocate existing services to release site for development.	
Royton Town Hall Car Park.	Decision taken to retain this asset.	
Satellite Youth Centre.	Progressing Community Asset Transfer.	
Royton Library.	Dependent on completion of regeneration of Royton Town Hall.	
Sholver Community Centre.	Progressing Community Asset Transfer.	
Snipe Clough Changing Rooms.	Progressing as part of Eco Depot project	
Temperence Hall.	Premise due to demolished.	
Walkers Road Tenant Hall.	To be progressed 20/21.	
Werneth Park Music Rooms.	Under review.	
Werneth Integrated Youth Centre.	Progressing to sale, although capital receipt goes into a separate Charitable Trust Account within the Council's Finances.	

## 7 Consultation

- 7.1 Officers and Ward members have been consulted with in accordance with the Council's Land and Property Protocols.

## 8 Financial Implications

- 8.1 To date £490k of the £500k target has been identified in year and allocated to budgets. However, £200k of the Savings relate to expected income from the purchase of units on Albion St. Should the purchase continue to be subject to a delay, the savings will need to be identified from elsewhere in the estate, which will become increasingly difficult as the year progresses.

The full year effect of part year 19/20 savings in 20/21 is estimated to be £218k and relates to the Carbon Reduction Commitment, Brownhill Visitors Centre and Forge Industrial Estate. These are current classified as amber as they may be required to substitute all or part of the anticipated Albion St incomes.

Work is ongoing to develop financial models around various potential asset acquisitions and development opportunities. (James Postle)

## 9 Legal Comments

- 9.1 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).

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**10 Co-operative Agenda**

10.1 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.

**11 Human Resources Comments**

11.1 None

**12 Risk Assessments**

12.1 Please refer to MTPS Risk Registrar

**13 IT Implications**

13.1 None

**14 Property Implications**

14.1 Fully covered within the report. (Peter Wood)

**15 Procurement Implications**

15.1 None

**16 Environmental and Health & Safety Implications**

16.1 N/A

**17 Equality, community cohesion and crime implications**

17.1 None

**18 Equality Impact Assessment Completed?**

18.1 No

**19 Key Decision**

19.1 No

**20 Key Decision Reference**

20.1 N/A

**21 Background Papers**

21.1 N/A

## 23 Appendices

### 23.1 Appendix A -

Site Image	Year	Site Name	Area	Existing Tenants	Proposed Relocation	Estimated Disposal Costs. Investment. Demolition	Potential Capital Receipt	Revenue Cost / Savings	Impact Rating (RAG Rating)
	1	Brownhill Visitors Centre	Saddleworth North	Mark and Louisa Jane Steward	Sold.			£71,459.85	
	1	Chadderton Precinct & Royton Public Conveniences	Chadderton North	(None on Concerto)				£10,314.32	
	1	Charles House	Failsworth West	Age Concern				£2,655.34	
	1	Coppice Community Centre	Werneth	Coppice Community Panda Preschool				£3,913.93	
	1	Crossley Playing Fields Changing Rooms	Chadderton Central					£21,608	
	1	Dovestones Car Park and Public Conveniences	Saddleworth South	Rangers Station	Revert to RSBP.			£18,457.66	

	1	Greenacres Cemetery	Waterhead	(None on Concerto)	Vacant.				£19,848.44	
	1	Highbarn House	Royton South						£36,979.21	
	1	Limehurst Youth and Community Centre	Hollinwood	(None on Concerto)	Vacant.				£6,670.06	
	1	Millyard Centre	Shaw	(None on Concerto)	Sell.				-£1,483.87	
	1	Rock Street Centre	St. Marys	(None on Concerto)	Staff to be relocated in other Council premises.				£95,014.87	
	1	Royton Town Hall (Car Park)	Royton South	(None on Concerto)					£2,000.00	
	1	Satellite Youth Centre	Saddleworth South	Saddleworth North and South Childrens Centre. Saddleworth Sports Youth and Community Association	Leased out.				£30,283.78	

	1	Royton Library	Royton South						£24,671.98
	1	Sholver Community Centre	St. James	Sholver and Moorside Community Team	Community Asset Transfer.				£17,135.09
	1	Snipe Clough Changing Rooms	Medlock Vale		To demolish as part of the Eco depot scheme.				£640.92
	1	Temperence Hall	St Marys	(None on Concerto)					£1,890.99
	1	Walkers Road Tenant Hall	Hollinwood	(None on Concerto)					£6,381.93
	1	Werneth Park Music Rooms	Werneth	(None on Concerto)					£2,098.32
	1	Werneth Integrated Youth Centre	Werneth	(None on Concerto)	Vacant.				£3,104.74