

Decision Report – Key decision

decision date – TBC

Asset Rationalisation: A Refreshed Approach

Cabinet Member for Finance and Economic Development

Division and Local Member(s): All

Lead Officer: Richard Williams, Commercial and Business Services Director

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	Seen by:	Name	Date
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	Monitoring Officer	Julian Gale	
	Corporate Finance	Kevin Nacey	
	Human Resources	Chris Squire	
	Property / Procurement / ICT	Richard Williams	
	Senior Manager	Richard Williams	
	Local Member(s)		
	Cabinet Member	Cllr David Hall	
	Opposition Spokesperson	Cllr Simon Coles	
	Relevant Scrutiny Chairman	Cllr Tony Lock	
Forward Plan Reference:	<i>[TBC]</i>		
Summary:	<p>This decision report sets out our principles for a refreshed approach to assets and disposals, which includes:</p> <ul style="list-style-type: none"> • Clarity regarding SCC's overall policy of continued rationalisation; • An understanding that SCC's assets are seen as corporate assets rather than belonging to individual services; • A more proactive approach to disposals, working with services, but driven centrally to meet current challenges; • A clear preference for reducing our leasehold estate; • Increased transparency and visibility of property costs and receipts; and • A focus on the future of SCC's property estate as a flexible, low cost, sustainable and revenue generating portfolio. <p>As part of this refreshed approach to our asset strategy and in particular to asset rationalisation, we will review all assets and</p>		

	<p>land holdings to determine the business case for disposal, commercial use or strategic retention over the coming months, with a view to dealing with each asset on a case by case basis through the existing governance structures. This review is expected to be concluded in readiness for decisions to be taken in the Autumn of 2017.</p> <p>In the meantime, any decisions related to asset disposal will continue to be managed through the existing, standard governance routes.</p> <p>It is intended that this decision shall supercede the Cabinet Member Decision dated 18th October 2010 “County Farms Estate – outcomes of farm by farm reviews”.</p>
<p>Recommendations:</p>	<p>That the Cabinet Member for Resources:</p> <ol style="list-style-type: none"> 1. Endorses and confirms that SCC’s policy is to continue to optimise our property estate to reduce unnecessary costs and liabilities to the Council, targeting leasehold properties, under-utilised and surplus buildings and land as priorities. 2. Approves the principles of asset rationalisation set out in this decision report. 3. Approves the review of all assets and land holdings to determine the business case for disposal, commercial use or strategic retention. 4. Authorises the Head of Corporate Property with the Commercial and Business Services Director and the Director of Finance and Performance to carry out a review of budgeting and accounting arrangements related to the Council’s property assets and to agree and implement the changes necessary to improve transparency as set out in this decision report. 5. Approves the establishment of a cross party Members’ Task and Finish Group to review the Council’s remaining farm holdings, encompassing <ol style="list-style-type: none"> a. tenants’ interests, b. the rural economy, c. farming skills, and d. the alternative uses for these assets or their financial equivalents. 6. Confirms that this decision updates the Council’s Policy on County Farms including replacing the concept of multiple lists of holdings.
<p>Reasons for Recommendations:</p>	<p>To respond to current pressures on the capital budgets for SCC.</p> <p>To make full use of the opportunity now available to apply capital receipts to revenue spending on transformation activity.</p> <p>To set out a clear, updated, approach to asset rationalisation for SCC, which takes account of financial pressures, but also seeks to establish a more business-like approach to the management</p>

	<p>of our asset base.</p> <p>To improve transparency regarding the costs and financial benefits arising from the Corporate Estate allowing improved analysis and more informed decision making regarding investment and disposals.</p>					
Links to Priorities and Impact on Service Plans:	<p>These recommendations further the objectives set out in the County Plan as follows:</p> <ul style="list-style-type: none"> - “Sell off buildings we no longer need and use that money to support our other services” - “Reduce the number of buildings we operate to free up funding for frontline services” - “Ensure that by 2020 when Government ends its funding for our day-to-day services, we will be in a sustainable financial position”. 					
Consultations undertaken:	<p>Principles approved through Asset Strategy Group and presented to SLT in Q3 of 2016/17 and Cabinet/SLT in January 2017.</p> <p>Scheduled review at Scrutiny Committee for Policies and Place on 5th September 2017.</p>					
Financial Implications:	<p>No funding is required for this decision.</p> <p>The review referred to at recommendation 3 is prompted by the need to realise increased capital receipts.</p> <p>The long term planned approaches set out in the main body of this report show how improved financial sustainability can be achieved from this refreshed approach to offset the impact of lost rental income in the short to medium term.</p>					
Legal Implications:	<p>Clearly there will be a requirement to ensure that the proper legal processes are followed in relation to the disposals anticipated by this decision report.</p>					
HR Implications:	<p>No HR implications are anticipated.</p>					
Risk Implications:	<p>None identified.</p>					
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Other Implications (including due regard implications):	<p>No implications identified.</p>					
Scrutiny comments / recommendation (if any):	<p>Not applicable.</p>					

1. Background

1.1. This report sets out proposals for a refreshed approach to asset rationalisation for SCC by which we might continue to rationalise the SCC Estate in a more consistent way with organisation-wide considerations taking the lead. It also considers the future direction of our asset strategy in this context.

1.2 SCC's policy is to continue to reduce our property estate to reduce costs and liabilities to the Council, targeting,
(a) leasehold properties,
(b) under-utilised and surplus buildings, and
(c) land
as priorities for disposal.

It is recommended that a review of all property assets is conducted over the coming months with a view to setting out a proposed programme of disposals to be taken forward by the Corporate Property Team over the next two financial years, subject to market changes. This will demonstrate whether there is sufficient available and saleable asset to meet the financial target, but will of course be subject to change, both in composition and timescale as a result of market and other factors.

As part of this review we would also seek to set out a more streamlined disposal process, as will be required to achieve an accelerated rationalisation programme and secure the necessary capital receipts.

1.3 In relation to County Farms, the previous policy from 2010 identified a number of holdings retained for future sale including because of future development potential. It is the right time to consider this list alongside all other holdings when assessing the options for disposal or retention.

1.4 Asset Rationalisation Principles

The principles we recommend applying in pursuit of this policy are as follows:

- That SCC's Property Assets should be viewed as a corporate resource to meet operational need, generate revenue and contribute to the wider aims of the Council in relation to Economic Development. As such, decisions regarding their use, retention or disposal should be taken centrally to ensure a consistent approach and an organisation-wide view.
- Corporate Property should actively seek the disposal of under-utilised properties and not wait for such buildings or land to be declared surplus by services. Where any such asset is in use, Corporate Property will work with the relevant service or services to identify and facilitate moves to alternative accommodation. This will ensure that potential capital receipts (or rental incomes) can be realised more swiftly, whilst recognising service need. It is, of course, essential that the Corporate Estate continues to facilitate and support the delivery of our statutory and core services.

- Lease breaks should be targeted to reduce the number of leasehold properties of which SCC is a tenant. Such arrangements generally tie SCC to greater cost than would be the case in freehold properties and limit the Council's choices related to the property, reducing the flexibility of our Estate overall.
- Where SCC is to be the Landlord, rents (and other charges) agreed with 3rd parties must be at market levels. There will be circumstances where it makes sense as part of a wider commercial deal, or to secure non-financial benefits, to agree terms more favourable to the tenant. However, to ensure transparency of decision-making and to clearly demonstrate the cost of such non-financial benefits, any difference between the market rent (and other charges) and the actual deal agreed should be made up from the relevant commissioning budget. This has the benefit of keeping such arrangements and their impact at the forefront of decision-makers' minds to inform future decisions related to the relevant third party, for example, giving a better understanding of global benefits afforded to the said party and allowing fully informed choices about the value of any benefits in kind. It also ensures that the costs and the benefits of any arrangement sit within the same area of the Council.
- SCC will actively seek to share space with partners where there is a strong business case and subject to the other principles set out above.

1.5 Accounting Arrangements – Transparency

Currently there is no practical way to assess the overall cost and potential of our estate, due to a raft of historic and localised agreements with third parties, differing arrangements for the collection and payment of rent and a lack of central oversight of costs and receipts for our properties. Very many of our property arrangements are managed through service budgets and this makes it much harder to get a global view and to ensure that actions are taken with a full understanding of the asset implications.

A review of our accounting arrangements is proposed to bring all payments and receipts in relation to property through a central point, thereby improving visibility, transparency and cost control. This will allow us to manage our portfolio of properties in a more business-like manner, reporting on overall costs and benefits and taking decisions based on full transparency of comparative cost and investment returns.

1.6 Asset Plans

This section is intended to provide the decision-maker with an overview of our proposed approach to assets, specifically in relation to disposals and the future shape of our property portfolio, with a view to gaining an endorsement of this high level strategy prior to the development of a more detailed Asset Strategy document.

Short and Medium Term:

- Our focus will be on generating capital receipts, where there is a strong commercial case to dispose, whilst meeting operational need.
- We will focus on reducing costs and improving utilisation rates for our properties, applying a corporate, not a service asset view and strategy.
- This will involve targeted disposals including leaseholds and will recognise the need to balance short term receipts with future commercial value.

Medium to Long Term:

- We will seek a portfolio of assets that delivers consolidated flexible spaces and contributes to the Council's sustainability with a commercial approach to a retained asset base that delivers revenue.
- At present we have short term flexibility to use capital receipts to fund revenue spending on transformation. This is partly driving our accelerated disposal programme. However, we can create this flexibility for ourselves in the long term by retaining and shaping a capital asset base that delivers good investment returns in rental receipts to support the Council's revenue spending across the board i.e. not limited to transformation.

2. Options considered and reasons for rejecting them

- 2.1. No alternative has been put forward that would deliver these requirements.

3. Background Papers

- 3.1. None.