



Report to Scrutiny

Item Number:

Contains Confidential or Exempt Information

No

Subject of Report:	Property Assets Review Update
Meeting:	Scrutiny Review Panel 4 – 2018/2019: Future Ealing 5 December 2018
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Scrutiny Officer:	Harjeet Bains
Cabinet Responsibility:	Cllr Bell – Regeneration and Property and Estates Portfolio
Director Responsibility:	Lucy Taylor Director of Regeneration and Planning TaylorL@ealing.gov.uk 020 8825 9036
Brief:	To consider an update on the Council's property assets review which is part of the Future Ealing programme.
Recommendations:	Consider and comment on the information provided about the Council's property assets review; and Make suggestions for further improvements accordingly.

1. Property Assets and Neighbourhood Offer Programme

- 1.1. In July 2018 Cabinet considered an update on the Property Assets and Neighbourhood Offer Programme and approved a series of recommendations intended to make better use of specific assets owned by the Council. The objectives are to improve community outcomes; deliver more affordable homes and generate income and savings. Cabinet authorised the proposed approach and methodology as outlined in the report and agreed that Officers should proceed in completing a number of specific actions – see Appendix 1.
- 1.2. This report is intended to provide Scrutiny Review Panel 4 with a summary of the agreed strategy, progress to date and a review of the methodology and lessons learned from the process.

2. Programme Summary

- 2.1. The Property Assets and Neighbourhood Offer Programme aims to deliver a mixture of financial and non-financial benefits in the short, medium and long term. A key aim of the programme is to make more effective use of the Council's assets. This includes considering their role in delivering community outcomes as well as enabling an effective contribution to the Council's priorities, including affordable housing and generating income and savings.
- 2.2. The approach to this Programme has been to consider the current and potential future use of assets owned by the Council across a range of portfolios and determine what if anything could be done differently with these assets considering the future delivery of services. The programme is phased across the 4 years of the Council's Medium Term Financial Strategy (MTFS) and the types of changes being recommended to take place to assets and asset-based service provision across these four phases include:
 - Co-location and integration of community services to enable more efficient and effective service provision as well as use of property and buildings – this may require some development and refurbishment of buildings.
 - Development of sites for genuinely affordable housing.
 - Conversion of assets and development of land for commercial use, to generate income to contribute towards the Council's Medium Term Financial Strategy.
 - Disposal of the asset on the open market to realise a financial return.

A hierarchy for assessing each property has been developed as follows:

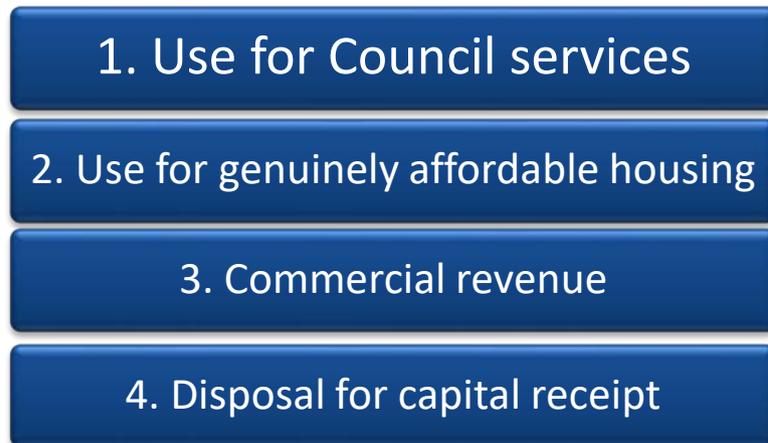


Figure 1 - Hierarchy of considerations

3. Emerging Strategic Opportunities

- 3.1. The Programme's overarching strategy links to other Future Ealing's Outcome Review programmes which are reviewing delivery of services across different neighbourhoods.
- 3.2. It is our intention to ensure that through good communication and oversight of the other outcome reviews will maximise value to be obtained from our properties and assets, whilst balancing the needs and costs of service delivery and outcomes with the Council's budgets requirements.
- 3.3. The recent **successful bid to the GLA** (subject to contract) for the affordable housing grant provides an opportunity to fund the delivery of affordable housing using Council land that has been identified through the Property & Assets Programme. 4 sites have been earmarked for early delivery of affordable housing within the GLA grant programme which will be used to contribute' towards construction costs.

4. Approach/ Methodology Appraisal

4.1. The hierarchy of considerations

- The principal of the hierarchy was to undertake a comprehensive review of assets in the borough, ensuring that any impact was in line with service plans and enabled the contribution towards the programme's outputs. Figure 1 demonstrates the number of assets reviewed and how they were allocated to each of the 4 outputs in the process leading to the July 2018 Cabinet report.

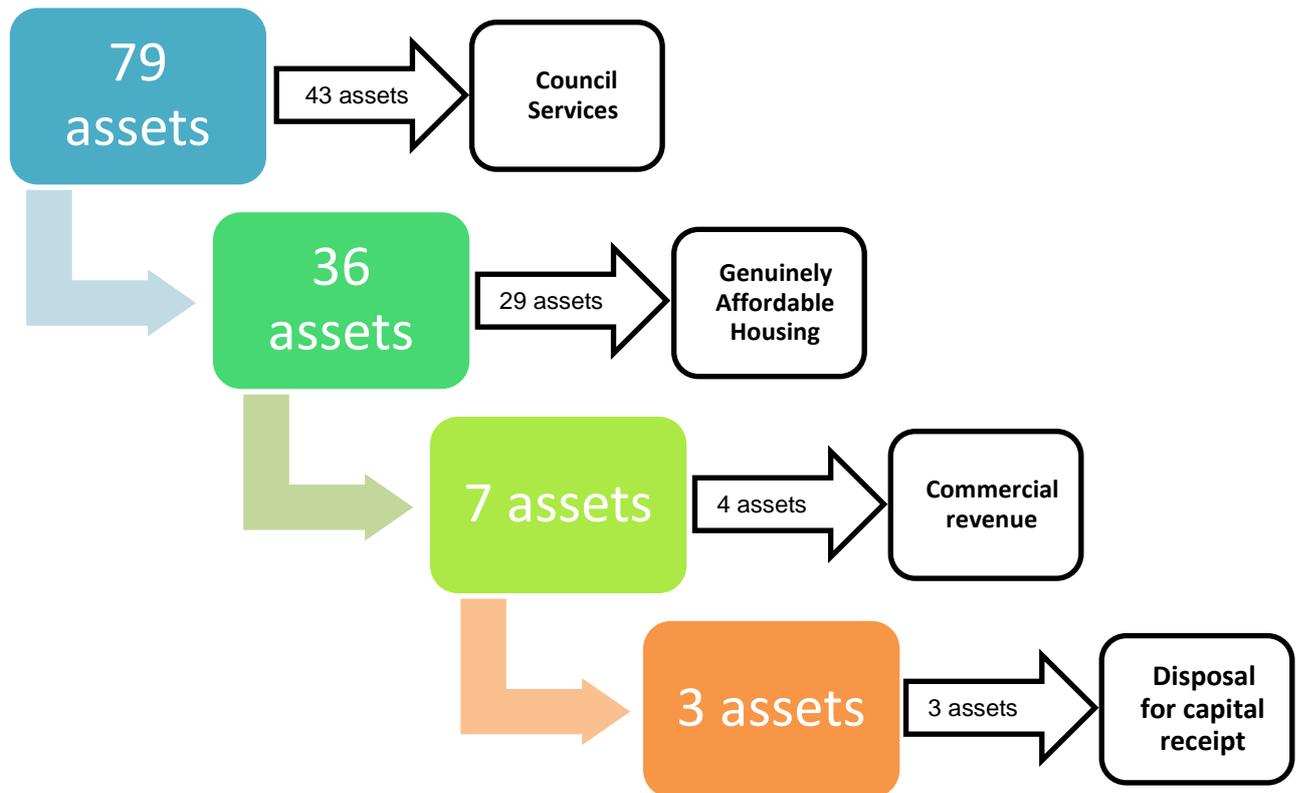


Figure 2 - Hierarchy of considerations - implementation

- Service use** – To ensure that Ealing continues to meet the needs of its residents, the decision was taken to undertake a review of assets from the service perspective initially. This process identified assets that were contributing community outcomes. Service data was used, where available, to inform decision making, specifically about usage, target groups / users and location. These assets were also noted as sites for potential reconfiguration or extension / alteration to include additional services depending on the remaining opportunities.
- Genuinely affordable housing** - The newly released target of the Council for 2,500 genuinely affordable homes by 2022 played a critical factor in how the Programme approached the hierarchy. It is significantly more cost efficient to construct housing on council owned land than through purchasing land from a third party, therefore the decision was made to enhance this opportunity, using the remaining eligible assets where possible. The target was to use the sites marked for genuinely affordable housing to retain service provision where required and seek alternate sites where necessary.
- Commercial revenue** - The decision to prioritise commercial revenue opportunities over those for pure capital receipt were due to suitability, considering location, utilisation and opportunities, and due to how the Council is assessing capital receipts. Currently capital receipts are anticipated to reduce borrowing costs through reducing the need to borrow in the first place. The equation used for this is of the total capital receipt 10% will be attributable to a reduction in borrowing e.g. £1.000m = £0.100m saving. Specifically, on larger sites suited to commercial it

was deemed more advantageous to increase the potential commercial income than sell.

- **Disposal for capital receipt** - The remaining sites were then allocated to be sold to generate savings as no other opportunities were identified.

4.2. Hierarchy of considerations - lessons learned

Work on feasibility studies has started and work on preparing the sites identified in the Cabinet report for disposal has also begun with one site at Florence Road, W5 now on the market. It is early in the process to undertake any evaluation however some emerging learning points can be identified.

Strengths

- The process applied a structured approach to all assets reviewed in the programme leading to consistency throughout the identification of assets.
- Where possible data was used to underpin decision making ensuring a robust approach.
- The approach was not convoluted and was easy to explain and was understood by all services involved enabling them to contribute to the evaluation of assets for services.
- The programme involved utilising Ealing's property consultants in assessing information. This enabled the project to exploit market information whilst considering the best use for assets in the hierarchy of considerations.

Weaknesses

- The process did not look at all Council-owned assets in the first round. 79 assets were reviewed therefore creating the need for a further review of other assets in due course.
- The methodology meant that the majority of this first round of assets were identified by the services rather than a property-led approach.
- Some service strategies considering the future delivery of the service were not available at the start of the project and meant that these had to be considered later in the process when available and included as a later part of the review.
- The Cabinet report in July 2018 outlined the overall approach and what the programme intended to do, however there has been some subsequent feedback from service users / residents who disagree with some of the proposals. This raises the question of when consultation should be included. The report mainly focused on feasibility, however there were some decisions on disposals. It should be noted that with any disposal a full planning application would be required to be undertaken, which would include consultation on future use of the site.

4.3. Service engagement - lessons learned

Strengths

- The approach taken involved multiple meetings with services through individual and mixed groups of services to discuss how individual projects within the programme could be taken forward. The ethos of the meetings was always to ensure that clear objectives were identified, progress tracked, and value added.

This approach eliminated overburdening service representatives with unnecessary meetings, while still feeling engaged in the project.

- Design meetings with services actively engaged them in the decision making and ensured the continuing support for the programme.

Weaknesses

- The agreed approach was not applied consistently to all strands therefore highlighting the requirement for consistency.

4.4. Risks & opportunities

- Officers kept risk registers (including opportunities) and actively identified any dependencies emerging from existing or new council programmes / projects. Each risk / opportunity was then identified, assessed then planned responses were noted and where responses required, implemented. This enabled officers to work with the above noted GLA grant and secure a significant financial contribution to toward the project's construction costs for genuinely affordable homes.
- Management of risk was engrained into the Programme and risk was discussed on a regular basis in meetings and through day to day practice. This enabled officers to identify major risks to the programme that could have potentially severely impacted the outputs during delivery instead of the feasibility stage.

5. Legal Implications

- 5.1. The Council has the power to dispose of property under section 123 of the Local Government 1972 Act the Council in any manner it wishes. This is subject to an obligation to obtain the best consideration that can reasonably be obtained (except for leases of seven years or less) unless the Secretary of State's consent is obtained for the disposal.
- 5.2. If the land to be disposed of includes open space a notice of intention to dispose of the land must be advertised in accordance with section 123(2A) of the Act and any objections to the proposed disposal must be considered before any final decision to dispose of the land is taken.

6. Financial Implications

- 6.1. In addition to the benefits to community outcomes delivered through the protection and enhancement of community services (e.g. through co-location, relocation and integration), a number financial benefits arising from the recommended changes to asset-based provision have been identified which include:
 - Commercial income arising from conversion of assets for commercial use
 - Financial benefits arising from taking a varied and flexed approach to provision of affordable housing (as opposed to provision of housing at market rate)
 - Income generation from leasing properties
 - Savings to the Council arising from disposal of land and/or assets to Broadway Living for housing development

- Cost savings arising from service reduction.
- 6.2. The programme will deliver better value for money by enabling a more strategic and commercial use of the Council's asset base. The methodology applied has assessed assets across portfolios for the different types of value they bring, or could potentially bring, to Ealing residents.

7. Other Implications

- 7.1. The programmes outputs will impact directly on equalities and community cohesion. The impact will be examined through both ongoing work with services and through engagement directly with those affected. Individual services will be responsible for any changes to their own staffing and workforce requirements.

8. Background Papers

- 8.1. Cabinet report 23 July 2018: "Future Ealing: Property Assets and Neighbourhood Offer Programme"

Consultation

Name of Consultee	Department	Date Sent to Consultee	Date Response Received from Consultee	Comments Appear in Report Para:
Internal				
Director	Director of Regeneration & Planning	26/11/2018	26/11/2018	Throughout
Chair	Clr Deirdre Costigan	06/11/2018	06/11/2018	Throughout
Vice Chair	Clr Gary Malcolm	06/11/2018	06/11/2018	Throughout
External				

Report History

Decision Type: For Information	Urgency item? No		
Authorised by Cabinet Member:	Date Report Drafted:	Report Deadline:	Date Report Sent:
	24.11.18	26.11.18	26.11.18
Report No.:	Report Author and Contact for Queries:		
	Charles Blake – Senior Project Officer		
	Adam Whalley - Assistant Director Capital Investment Programme		