ANNEX B TO ITEM 11

PROPERTY SUB-COMMITTEE

3 NOVEMBER 1999

Property Strategy - Operational Issues

210599

The Property Strategy sets down key principles but these will not be achieved fully unless some operational issues are reviewed. Further details are set down following the numbered headings of Strategy:-

1. The Corporate Ownership of Property

Whilst most service departments acknowledge that property is owned by the Council corporately, the issue of the budgets attached to that property and the role of staff in service departments involved in property issues is less clear. It is clear that many service departments wish to continue to have a client role for property issues but there is an in-built duplication of effort as things stand. At present all property budgets are held by service departments. A review of the present arrangements might produce savings.

2. Why the Council owns Property and its Performance

Clear objectives for the Property Review need to be established early on. The Review will establish the historic reason for holding the property, question whether this is still valid and test the performance of the property. The Review should ideally be on a phased geographically based approach and will embrace the requirements of Asset Management Planning. The tight timetable for AMPs to be in place for Education properties will almost certainly mean that the preferred geographical approach to the task will need to be more flexible and focused on schools.

3. Asset Management Planning

Asset Management Plans need to be in place for schools by 2000. This means that the condition surveys will need to be completed by December 1999. The Asset Management Plan will review the suitability, sustainability and condition of each property. The Council will extend the process of Asset Management Planning to cover all corporate property. The scope of the Asset Management Plan will be expanded to include data from the Property Review about the performance of the property.

A condition survey and planned maintenance report will be needed for each property as part of the Property Review exercise. The Asset Management Plan model will provide core data which can be expanded to meet the objectives of the Review. The opportunity could be taken to include the asbestos risk analysis and survey for each property.

Asset Management Plans will be central to the Council's allocation of capital. There will be an obligation on the Council to demonstrate that it has used previous allocations of capital effectively and that buildings have been maintained adequately.

The building surveying section has moved between directorates several times in the last two years. There is now no longer a corporate budget to pay for the work involved in producing condition surveys and planned maintenance reports. The Property Review will be incomplete without information about the properties condition and anticipated running costs. It is vital that this issue is tackled and a budget made available for the necessary work to be commissioned. An estimate of the volume of work has been prepared.

There is a severe problem with the Deeds and Terrier systems. There is no proper schedule of deeds and the properties transferred from Bucks County Council have not been entered on the G.I.S. System. A reliable comprehensive system must be put in place quickly to ensure that information about the Title of the Council's property is complete and accurate.

Information Technology

The implementation of the property strategy will generate information flows on property related issues, initially associated on asset management planning. This information will need to be accessed across MKC with the core property data held in Property for non HRA property. Compatibility of systems, clear ownership of data and the reduction of manual exchanges of information are key to a successful system. The users Property and IT need to work together to determine the most cost effective method of systems integration.

4. Leasing Property

Comments concerning alternative methods of ownership are contained in the Property Strategy. The Capital Finance Regulations mean that leaseholds of 10 years or more count against capital. Leaseholds of less than 10 years can also count against capital if the total costs throughout the life of the lease exceed 70% of the capital value of the property. Leasing is therefore only a short term option which should be taken only if the acquisition of a freehold is not possible or desirable.

Prior to any leasehold property being acquired a full financial evaluation should be undertaken to establish all costs in acquiring, leasing and exiting the property in the 10 year period

5. Decisions about Capital and Surplus Property

Clear terms of reference will need to be given to the Officer working group that will make recommendations about surplus property. This group should be led corporately. If incentives are thought to be necessary to encourage client departments to release property there will be further discussion about the process. It is recognised that incentives are difficult to operate but a link with the priority for future allocation of capital may be worth considering.

It is likely that a planned disposal programme will follow from the Property Review. A schedule of anticipated property disposals will be fed into the Corporate Capital Programme.

It is now clear that the practice of offsetting marketing costs against capital receipts is incorrect in terms of capital accounting. A mechanism or a general budget needs to be put in place to provide funds for marketing of surplus properties ahead of the capital receipt being obtained. It may be possible to fund the cost of marketing from year one revenue savings but advice will be taken from capital and corporate accountants.

6. Lettings to Charities and Voluntary Groups

It is recognised that the proposed transition from the present ad-hoc arrangements may cause concern initially to the voluntary sector.

Discussions however with service departments and the voluntary sector have helped to develop a model for lettings to charities and the voluntary sector. There will be a two stage approach to all new lettings. If the tenant is grant aided and the Council has stated a wish to support the activities of the group a yearly periodic tenancy at a nominal rent will be granted initially. Should the group find the resources necessary by lottery or other funding to be self sufficient and not require grant aid the Council may decide to enter into long term lease arrangements at a rent which reflects the Council's policy for lettings to the voluntary sector at that time. It would be recommended that this would be at a commercial rent.

The benefits to the voluntary sector of annual periodic tenancies is that they have protected tenancies but without long term liabilities. The benefit to the Council is that, for valuation purposes, the letting only has a minor affect on the asset valuation of the property.

The Council and its voluntary sector tenants will need to look at the VAT issue arising from leases at commercial rents. Ideally the Council needs to 'opt' as much of its income as possible to protect its overall VAT position. The tenant will need to register for VAT to ensure that their financial position is neutral if the Council needs to charge VAT.