

THE ESTATE PLAN

March 2024

CONTENTS

- 1 Context**
- 2 Background**
- 3 Estate Policy**
- 4 Estate Strategy**
 - 4.1 The Portfolio
 - 4.2 Asset Review and Rationalisation
 - 4.3 Performance Reporting

1 CONTEXT

Public sector estates across the UK have suffered from decades of under investment and have generally become more of a liability than an asset and a drain on diminishing resources. Colchester City Council (the Council) have taken the brave decision to tackle this issue head on to fully understand the liabilities, risks and opportunities that lie within its estate. In keeping with the organisation's strategic aspiration of 'Fit for the Future', this Estate Plan, will review all assets apart from those properties within the Housing Revenue Account (HRA) and is intended to be adopted for the long term. It has been written to be politically agnostic and use best practice principles of asset management to ensure that the estate operates as an advantage to the Council in the longer term delivering a financially sustainable strategy with cross party support.

The Council is no exception to the fact that its estate has grown incrementally rather than in a planned and strategic way. Built assets are usually in place for over 60 years and designed for a single purpose in mind without much flexibility for alternative use or redevelopment. For the Council, this is a significant issue as circa 30% of its 300 properties are either listed or in conservation areas which, on one hand are part of the identity of Colchester, but on the other adds additional strain on finances and potential opportunity. In addition, the Council has responsibility for over 4500 other structures such as weirs, church walls, quaysides, pontoons, river-beds, monuments etc that have been inherited or become our responsibility due to law (closed churchyards) or been given to, or adopted by the City over time, but all come with the responsibility for managing or maintaining them.

2 BACKGROUND

In 2023 CIPFA were commissioned to draft a Property Asset Management Framework identifying best practice principles. The key recommendation to deliver change and

improvement was the introduction of a Corporate Landlord Model. This was taken forward and approval was given by Cabinet in November 2023.

Under a Corporate Landlord approach the ownership of the asset and the responsibility of its management, maintenance and funding are centralised. The service departments then make a case for the property they wish to change or use, enabling the Corporate Landlord to properly plan and manage space the Council needs, in the right locations. The service department's priority is therefore to plan and deliver the service, and the Corporate Landlord's function is to ensure the service is suitably accommodated and to maintain and manage the asset. Whilst some Corporate Landlord models are concerned with land and buildings only, Colchester City Council has reviewed its estate through the lens of risk and liability, this Estate Plan therefore includes other miscellaneous structures that it has responsibility for across Colchester (as outlined above).

In addition, the CIPFA report suggested a three-tier document approach of:

- A high-level Property Asset Management **Policy**
- A Property Asset Management **Strategy**
- A working Property Asset Management **Action Plan**

This document focuses on the first two tiers as there are significant discovery works underway (at the time of writing this report) in relation to stock condition, risk, commercial performance which will be completed by mid-April 2024. The Action Plan (tier 3) will then be developed and completed by mid-May 2024 following receipt and analysis of information and data.

3 ESTATE POLICY

As outlined above, the Council has agreed to a different approach to managing and investing in its estate. We are adopting several fundamental policies that should remain in place over the next 20 years, even through changes in leadership as they relate to best practice principles for estate management and are intended to support the long-term financial sustainability of the Council. However, it is anticipated that these principles are reviewed and either ratified or refreshed by Cabinet every 10 years.

Longer term policy principles 2024 - 2044

- All financial planning will be based on a whole life cost approach to investing both capital and revenue in the estate.
- Where financial planning identifies issues of affordability on the general fund, disposal or additional income generation/commercial investment opportunities will be considered to ensure fiscal balance.
- Any additionality to the property estate will have a robust business case in place which requires financial approval in relation to long term affordability.
- The commercial property estate will have its own investment strategy and each new commercial opportunity will have a robust business case in place before any decision is taken.
- Decision making will be data driven and encompass risk and benefit analysis.

- External funding will be used purposefully and deliberately to underpin the goals and aspirations of the city and its residents.
- Where assets are underperforming, investment does not provide value for money or are classified as surplus (i.e. no strategic hold value, not suitable for housing or required for service delivery) they will be disposed.

4 ESTATE STRATEGY

The Estate Plan is predicated upon the Corporate Landlord managing and controlling all assets directly apart from those properties within the HRA. It is structured around the operational, non-operational and investment estate and sets out an approach to guide how assets will be utilised efficiently and effectively to achieve the identified objectives and outputs of the Council and its aspirations for the City of Colchester. Decisions made about property will ensure the Council's corporate ambitions and outcomes are fully considered and a 'one council' approach is adopted through the Corporate Landlord function.

The Estate Plan will be aligned to the Council's Capital Strategy to use capital resources, including capital receipts from property sales, for reduction of borrowing costs, reinvestment into existing stock (both corporate and investment), commercial investment and enable the delivery of the rationalisation of the estate where possible so that the reduced number of buildings can accommodate staff and support front line service delivery to the residents of Colchester.

Decarbonisation and sustainability considerations will be a thread throughout the estate planning and continue through careful selection of materials and components via capital and revenue spend. The action plan will also consider the Carbon Management Plan to ensure continuity of approach.

It will be part of the annual business planning cycle, contributing to the development of savings and spending plans as part of the annual Budget, with the objective that the City Council's property is legislatively compliant, fit for purpose and in appropriate condition to deliver good service outcomes or generate income.

The Strategy will be reviewed and either ratified or refreshed by the Estate Board every 5 years (the Estate Board will be established as part of a new governance structure for the day to day and strategic management of the Estate). However, if there are significant changes resulting from risk assessments or the action plan, then this may need to be addressed at that time.

4.1 THE PORTFOLIO

The Council owns a broad range of assets, with a total value of c£238m (identified in 2023 as the property and land value within the CIPFA report). In addition, there are over 4500 number of structures with little or no value (but need to be appraised). All these assets have been segmented into three categories:

Operational Portfolio	Non-operational Portfolio	Commercial Portfolio
Single use for service delivery e.g. depots	Community centres/voluntary sector buildings Miscellaneous structures e.g., walls, pontoons, quayside, weirs	This group of assets is specifically intended to produce a revenue income stream. These properties are held directly by the Council. Used for service delivery and income generation eg the Town Hall, Rowan House, museums, car parks and leisure facilities

a) The Operational Portfolio

Objective: Operational assets are vital for delivery of Council services. Building on the successes and improved efficiency of the estate over the last decade, the Corporate Landlord team will work closely with Council service areas to drive out further opportunities where Council and other public service providers can co-locate enabling rationalisation of the operational stock. Assets will be operated efficiently to provide quality service outcomes and address local needs whilst reducing running costs and the Council's carbon footprint.

The Council's operational portfolio needs to meet several criteria to represent an effective use of the organisations and taxpayer's resources:

- Be an enabler of service delivery to residents and visitors.
- Offer a good standard of operational, office and community buildings and as a priority complying with all relevant Health & Safety and regulatory requirements.
- Be of a suitable standard of repair with regular investment to reduce any maintenance backlog.
- Be affordable to operate.
- Have a low environmental impact and follow good practice in sustainability.
- Be an effective use of resource (capital and revenue).
- Must be accessible to be public, both in terms of physical design and location.

Approach: Key Principles: -

- Co-location where possible of services and other public sector partners, for example, Health, will be strongly encouraged where possible and where timeframes, decision pathways and funding are aligned.
- Assets of historical significance will be assessed to determine how they can be protected and enhanced whilst taking account of the Council's priorities and resource availability.
- Area Planning to be established to ensure social infrastructure and service delivery is enabled by strategic planning of the estate e.g., working with health around primary care, sport and leisure regarding wellbeing, regeneration regarding economic development etc.
- Service led requirements. It is recognised that each of the individual services have their own property requirements. Working with the service, the Corporate

Landlord Business Partner (CLBP) will produce a 3-year plan detailing the asset need, investment requirement (revenue and capital) and outlining any future changes to the model of service that may have an impact on the asset plan.

b) The Non-Operational Portfolio

The current portfolio contains the community assets which are leased to various community and voluntary organisations and the vast number of miscellaneous structures such as monuments, pontoons, weirs, walls, quaysides etc. Currently, this non-operational portfolio is a direct cost with no return to the Council.

Community Assets

Objective: to continue to engage and support communities. The expected growth in the City will also lead to additional social infrastructure requirements.

Approach:

- Establish a council policy for the ownership, use, access and management of the community estate.
- Ensure standard approach in working with community and voluntary groups to demonstrate parity, transparency, and equal footing for all those offering to deliver a service to the residents of Colchester.
- Introduce a mechanism for ensuring and measuring social value outcomes from the community organisations to be transparent and identify the value of service delivered against the public subsidy rental agreements eg peppercorn or below market value rents or if Community Asset Transfer becomes policy.

Miscellaneous Structures

Objective: to ensure these structures are health and safety compliant and where they are associated with public use, they are accessible where possible.

Approach:

- To determine the scale of the liability and challenge ownership/responsibility if possible, with a view to transfer, devolve or dispose where possible.
- Prepare a prioritised plan for health and safety works.
- Manage and invest by exception and prioritisation.
- Review opportunities for external funding to support maintenance costs.
- Strengthen relationships with relevant external stakeholders to review approach to managing these assets in a more strategic, cohesive, and financially sustainable way.

c) The Commercial Portfolio

The Commercial Portfolio consists of assets that have been developed/purchased with a view to pure investment return, and some operational assets that provide revenue income to the general fund.

The current portfolio reflects the City Council's historic accumulation of assets. The Council has a range of opportunities to enter progressive partnerships with developers, investors and occupiers on some of the existing buildings and new

opportunities, for example Colchester Northern Gateway within the investment portfolio.

Objective: The objective is to continue to maintain and develop a commercially driven, financially focused 'Commercial Property Portfolio' which can respond promptly to property market cycles to deliver the highest returns - whilst still fulfilling the obligations of a Local Authority:

- Deliver medium term growth in gross income - recognising there will be a reduction during any period of strategic rationalisation if this occurs.
- Deliver a total return annually in line with property market conditions.
- A Commercial Property Strategy will be produced to clearly identify capital investment required for existing premises and a framework for consideration of new opportunities.

Approach: Through new Estate governance and a decision-making framework (as part of the Corporate Landlord approach) an efficient process to achieve a sustainable and profitable Commercial Portfolio in a risk-controlled manner will be realised:

- At an asset level the portfolio will need to be pro-actively managed to maintain the income, identify opportunities for rental growth and ultimately maximise value.
- Annual inspections by suitably qualified surveyors will ensure compliance with all aspects of lease obligations (including repair, maintenance and health and safety).
- Property asset plans will highlight repair and maintenance issues, including the requirement for 'non-discretionary' (e.g., health & safety, statutory and energy rating works) and 'discretionary' (e.g., refurbishment, energy efficiency) capital expenditure, including rational for refurbishment which will increase income.
- Business case approvals for new investment opportunities to comply with the CCC gateway process.
- Assets of historical significance will be assessed to determine how they can be protected and enhanced whilst taking account of the Council's priorities and resource availability.
- Structuring partnerships for development or investment which require specialism from a Joint Venture (JV) partner who is capable and motivated to bring forward appropriate development in a structured manner.
- Where operational buildings also offer income generation activity, those assets will also be protected in relation to investment to secure commercial advantage.

To deliver these ambitions and maximise returns, the City Council can utilise the following tools:

- Disposal including freehold sales of properties which do not meet the specified criteria for retention. Freehold release should be balanced with the Council's

need to retain property on long leasehold for investment and borrowing purposes.

- Joint Ventures – leveraging expertise and capital.
- Development opportunities, including change of use.
- Conversion of assets to achieve the best income or capital asset growth.

Business cases should be brought forward to the Estate Board (within the new governance structure) on a case-by-case basis where there are opportunities to enhance the portfolio and the income generated by it.

4.2 ASSET REVIEW AND RATIONALISATION

An annual rolling programme of asset reviews will be introduced for all sites across the 3 portfolios (with the exception of the long-term leases within the Commercial portfolio due to limitations imposed by lease agreements). This is to ensure efficiency of use, identify development potential/housing opportunities or disposal where appropriate of assets that do not add value to the portfolio and maintain momentum in the active management of the estate.

The principle underlying this process should be that the Council retains an asset only if:

- there is an identified service requirement.
- it is identified as having/could have development potential within the local plan, or within a realistic timescale (deliverability)
- It can be relet/intensified for revenue generation.
- the Council wishes to develop the site itself.
- it has strategic value e.g., where a piece of land has value due to access to another area for development known as a ransom strip.
- sites that will unlock a development in future (within a specific timescale).
- provides income generation opportunities (which must be identified through the Gateway and Business Case approach).

The proposal is that the Council should not continue to hold assets that do not meet one of those criteria. Assets that are high cost/low performance or yield should be prioritised through this process to ensure that best value is delivered at all times to residents.

4.3 PERFORMANCE REPORTING

The Council needs robust reporting to ensure that Senior Officers and Members have visibility to enable good decision making and to resolve issues, manage risk, support staff, control costs and maximise opportunities as they arise.

The Estate Board is a senior officer forum that will ensure a consistency of approach in the management of property and investment opportunities and will coordinate decisions being presented to Cabinet or made through use of the scheme of delegations. A Member Steering Group will also be established to set direction, enhance engagement and improve oversight

in Estate related matters. The day to day management of property assets and delivery of the Estate Plan will be conducted by the Estate Management Group (EMG) with various specialist sub-groups reporting in e.g. climate change/sustainability, asset planning. Decision making will fit into the existing organisational governance structure and current delegations as set out in the constitution.

Further to this, the Council needs to develop performance monitoring of the overall estate, to monitor consolidation, rationalisation, and income generation. For the operational asset portfolio this could include a series of tests and benchmarks (although it is recognised that not all assets will suit this method). These include:

- Gross and net property running cost (£ per square foot).
- Maintenance backlog - disinvest in all premises with a backlog greater than £20 per square foot.
- Energy rating – disinvest of all premises with a rating of “E” and below (unless robust commercial business case for investment).
- Utilisation of premises.
- Most effective use of capital – identification of operations (undertaken by the Council and other organisations and groups) that occupy valuable assets and determine if the service can be re-provided elsewhere and the value realised.
- Future finances – whole life cost approach to support financial sustainability of the Council.
- Net present value.
- Open market value.

For the commercial estate, this could include a combination of market derived benchmarks, where available, and absolute returns where appropriate. These could include:

- Gross income return
- Net income return
- Capital expenditure
- Capital return
- Total return
- Income profile
- Void %
- Sector weightings
- Outstanding rent reviews
- Outstanding lease/tenancy renewals
- Rent and service charge collection statistics
- Potential and actual bad debts
- Tenant risk (exposure to a single tenant or type of occupier)

end