



# Committee report

Committee	<b>CORPORATE SCRUTINY COMMITTEE</b>
Date	<b>7 FEBRUARY 2023</b>
Title	<b>ASSET MANAGEMENT AND PROPERTY RATIONALISATION</b>
Report of	<b>DIRECTOR OF REGENERATION</b>

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## SUMMARY

1. The council's operational properties are key to the delivery of its services to the Island community. As well as office space for staff it also includes other facilities for residents and visitors such as schools, leisure centres, care homes, libraries, car parks and museums.
2. The council's long term strategy has been to reduce the number of buildings in its operational portfolio to ensure effective service delivery and reduced running and maintenance costs. The pandemic has provided greater emphasis to the property rationalisation agenda, as a result of home and hybrid working, and the council's challenging budget position means there needs to be a continued focus on ensuring the estate is used as effectively and efficiently as possible.
3. The council also has a commercial property portfolio, including a number of investment properties on the mainland which generate revenue income for the authority that is invested back into service delivery.
4. The authority also leases properties to local councils, community based organisations and other groups for the provision of community services in their local area.
5. The council is also responsible for other "assets" that do not generate income but require ongoing maintenance and management such as its parks and gardens, rights of way network and areas of "orphan" land which serves no particular purpose (and have no value) but are outside any existing contractual or management arrangement including with a third party (such as Island Roads).
6. This paper focuses on the operational portfolio of the council and how decisions around the need, use, management and maintenance of the operational portfolio are currently taken.
7. The principles and objectives of the current Strategic Asset Management Strategy have served the council well and are as relevant today as they were a decade ago. Even a more up to date plan would be challenged by the pace of change that has taken place since COVID in early 2020. The council has continued to take a strategic approach to its operational property over this period with a Moves Board supported by Organisational Intelligence and led by the Director of Regeneration making recommendations on the use of the estate to the council leadership team. Recent

decisions include the closure of both Thompson House and Jubilee Stores, the disposal of the Barracks/Civic Centre to the IWNHS (whilst maintaining joint council/health occupation), and a range of other service relocations within the existing estate to make best use of these assets.

8. There is now an opportunity to consolidate this work and review the council's approach going forward into a new strategy to address future challenges.

## BACKGROUND

9. Local authorities require properties and land to deliver the wide range of services they provide to their local communities. Historically, councils have been major landowners and landlords in their local areas but the story of the recent past has been one of rationalisation driven by the need to reduce costs and generate income to help meet continuing budget challenges.
10. Since the formation of the unitary authority in 1995, one of the council's key challenges has been the rationalisation of an operational property portfolio inherited from the previous County, South Wight and Medina Borough Councils.
11. The Strategic Asset Management Plan (SAMP) recognised the council still had too many properties, many of which were in poor condition. At that time there were some 279 premises with running costs of £10m (a large proportion of which related to the schools portfolio) accounting for 7% of the council's net revenue budget. In addition, the building stock had a maintenance backlog of £57m.
12. The SAMP was to ensure that the council unlock the opportunities from its assets, dispose of those not needed, minimise running costs, and ensure that the assets kept were fit for purpose and used effectively in service delivery. The document was set against a backdrop of a poor economic climate, fall in income, very constrained resources, and increasing efficiency targets.
13. Since 2010 the council has "disposed" of a significant proportion of its operational estate including:
  - Youth centres, fire stations, public toilets, secondary schools, tourism information centres, offices, stores depots, leisure facilities.
14. These assets were declared surplus to service requirements and resulted in either a capital receipt or a revenue income where properties were let, and/or on-going savings on running and maintenance costs to the council's revenue budget.
15. Capital disposals since 2010 have resulted in income to the authority of £34m.
16. The council's current operational premises now have running costs of approximately £4.5m.
17. For the council's operational portfolio, the journey is still one of maximising the efficient use of the space required to deliver services, reducing the costs of the space in terms of day to day maintenance and management.
18. The Scrutiny Committee has set out a number of lines of enquiry in regard to the asset management and property rationalisation:

19. Clear lines of monitoring arrangements for a rolling programme of repairs and regular reporting of backlog of maintenance
20. The council currently has a very limited capital budget that is delegated to the property services team to address essential repairs to the estate (see para 26 below). The works are reactive and focus on matters such as boiler replacements, electrical wiring upgrades, fire precaution and building fabric repairs.
21. The budget does not allow for a rolling planned programme of proactive works to the property estate which the undertaking of an up-to-date condition survey would identify and prioritise. In addition, there is no longer the staff resources to carry out a rolling programme of condition surveys.
22. The current limited budget is allocated in discussion with specific services on the sites and buildings they manage and operate, with decisions taken on the basis of need. The focus given the limited budget is on those works required to ensure the council is meeting its statutory obligations in managing safe premises for all users.
23. More substantive capital repair items which cannot be supported from within this limited allocation are the subject of annual bids to the corporate capital programme to be considered alongside a range of other capital requests from across the council.
24. As an example, a bid was submitted on behalf of the library service to replace the roof at Lord Louis Library in Newport. The works are required to address leaks in the roof impacting on customers, staff and equipment in the premises. At the same time the council was considering its approach to the provision of a new archive facility and proposals were costed by the property team for an expanded Lord Louis Library which would address the roof repair and provide for the new archive/records office. This could include grant funding to support the total cost of the project. The works are now being reviewed as the archive project is now being considered as part of the Newport Harbour regeneration.
25. The reality is that a new condition survey is likely to identify a range of works where there is no realistic possibility of a budget allocation to remedy.
26. The works which have been undertaken from the capital repair budget in the current financial year (2022/2023) are:
- Replacement of the Post Room Roof at County Hall (£25k)
  - Replacement of failed skylights at the Somerton industrial units (£30k)
  - Re-configuration of the edge of the roof at Cothey Bottom, Ryde (£70k)
  - Re-construction of the main pool hall roof edge at the Heights Leisure to ensure roof is in a sound state to accept new solar panels (£30k)
  - New security shutters at 11 Orchard St, Newport following repeated vandalism (£4k)
  - Replacement of fire exit door at Westridge, Ryde (£5.5k)
  - Works to front gable end at Guildhall, Newport (£7k)
  - Replacement boiler at the Adelaide care home, Ryde (£6k)
  - Solar PV fitted at Sea Street, Newport (£7k)
  - Replacement of life expired heat pump in Post Room (£5.5k)
  - Replacement heating pump at the Heights (£4.5K)
  - Boiler replacement at Westminster House (£6.5k)
  - Burner unit replacement at Medina Leisure Centre (£8.6k)

Electrical wiring upgrades at:

- Gouldings care home, Freshwater (£10k)
- County Hall, Newport (£8k)
- Westridge, Ryde (£8k)
- Seaclose Park Store, Newport (£4k)
- Corporate Stores, Somerton, Cowes (£3.5k)

Other works:

- Fire door upgrades at the Adelaide, Ryde (£5.5k)
- Fire Precaution works at Westminster House (£4.5k)
- Fire exit route at Gouldings, Freshwater (£8.5k)
- Fire Precaution works at Records Office, Newport (£6k)
- Fire precaution works at Medina Theatre (6.5k)
- Water hygiene works at Westridge gym (£7k)
- Re-plumbing and mains water conversion 4 Daish Way, Newport (£3.5K)

TOTAL £284,600

27. A clear approach and methodology to determine best use of the assets both in the short, medium and longer term
28. The key principles of council's formally adopted Strategic Asset Management Plan are still relevant to decisions being made on determining the best use of its assets.
29. The guiding principles are to ensure the authority has an operational property portfolio that helps the council best deliver its services to the public.
30. In the case of surplus properties, the approach is to firstly identify if there are any other council services that have a property need and if not then seeking to identify the best route for seeking to remove the property from the portfolio.
31. This could be by:
  - Marketing the site for rental income
  - Disposing of the site for a capital receipt.
  - Transferring the asset to a community or third sector organisation.
32. The current priority is to focus on achieving a commercial rent for the council, but not all surplus properties lend themselves to this (no demand, too expensive for the council to put into a lettable condition, or other reasons) so there may still be capital disposals.
33. The council could decide to retain the properties declared surplus, but this would be uneconomic unless it was determined that the site was of strategic importance. This could be its relationship to another council asset or that of a council partner such as the NHS. In this case, the holding costs for the premises would need to be identified and budgeted for.
34. The council has continued its process for rationalising the operational (office) portfolio via the Organisational Intelligence team with decisions being considered by Moves Board, led by the Director of Regeneration with decisions on service moves and implications for the property estate subject to consideration by the authority's leadership teams.

35. Rationalisation has focussed on vacating leasehold buildings to minimise rental outgoings and recent examples include the council not renewing its leases on Enterprise House, Bugle House, and Jubilee Stores, all in Newport, to the respective landlords. In addition, the ongoing review of the existing estate and the rationalisation agenda has led to the closure of Thompson House given the condition of the building, the cost of repair and its accessibility.
36. As part of these decisions, discussions have taken place with impacted services in order to identify relocation options (which generally result in the more efficient use of retained buildings) and ensure smooth transition to new accommodation, minimising impact on service delivery.
37. Pre-Covid, the council was already implementing a process of sharing desks and accommodation originally set out in the SAMP. Since COVID there has been a step change to remote, home and hybrid working which brings further scrutiny to the operational portfolio and how much further the council and other businesses and organisations are prepared to go in reducing the size of their estate.
38. The focus is also on running costs, particularly energy, and the opportunity to “green” the portfolio by introducing efficiency measures which both reduce carbon emissions and costs. The council has managed to successfully bid for financial support from SALIX to deliver capital works to premises the council has committed to maintain as operational buildings. These works have also enabled investment in related projects such as the security and sustainability of the server room in County Hall which are critical to ensure flexible working is available across the council and at remote locations.
39. Rationalisation has also provided for re-use of council property such as Barton School for a homeless shelter and Westridge for COVID community vaccination centre.
40. The process has also brought forward wider opportunities across other public agencies as part of the government's One Public Estate (OPE) programme including the disposal and ongoing joint use of Barracks and Civic Centre complex in Sandown and feasibility work for a new “blue light hub” between fire and police services.
41. The council's One Public Estate Board is attended by key agencies including police, fire and health to work across all public estates, make the best use of assets and free up space for alternative uses such as housing.
42. In collaboration with IWNHS the council is currently working on an OPE project to deliver new homes and hospital step down facilities on land to the North of St Mary's Hospital including the IWC's former Library HQ site.
43. The process has also enabled grant funding to be pursued to enable delivery of regeneration projects such as the £5.8m levelling funding to facilitate refurbishments/improvements at Venture Quays, East Cowes (Columbine Building; Victoria Barracks) including the wider public realm.
44. Rationalisation of the property estate, reduce costs and identify assets that are suitable for disposal or redevelopment
45. As well as the above, the council is working across services to ensure that its property assets are being considered in a wider context, given the council's regeneration objectives. Some examples of this are set out below:

46. The Strategic Housing Land Availability Assessment (SHLAA) process is an important part of the development of the Island Plan and the property team take an active role in ensuring that the authority's estate is considered in identifying residential redevelopment opportunities.
47. The estate is also an important consideration within individual Service's reviews such as the strategic car park review and the property team were fully engaged in the process to ensure that any opportunities for release or reuse of sites were properly understood.
48. The property team have also been working with the IW OPE Board on identifying potential sites for future Brownfield Land Release Fund (BLRF) applications. BLRF is a government fund to enable local authorities to access money to "unlock" their own brownfield sites in recognition that they are not always viable without public subsidy.
49. The council has already been successful in receiving BLRF money including for Thompson House (former office), Island learning Centre, Lake (former school) and Weston Academy, Totland (former school), all of which have been declared surplus to service needs.
50. Sites declared surplus have also presented regeneration opportunities including the award winning development at Branstone Farm (affordable housing, rural business park and brewery) which was a former education facility before being declared surplus by children's services.
51. In some circumstances the council may also acquire land and buildings in order to deliver its wider corporate objectives and recent examples include:
52. Building 41
53. As part of Innovation Wight, the council, together with European Regional Development Funds (ERDF), has established a new co working facility at the BAe complex in Northwood. "Building 41" has been completely refurbished to provide both office and meeting space for businesses alongside the delivery of courses to help new companies establish and grow. It will also enable agencies such as DWP, SLEP and others to engage with island business and become a hub for business support. The leasing and renting of space to individual companies will generate income to sustain its operation beyond the ERDF resources which end in September 2023 with a continuation of delivery via UKSPF. First formal occupation will be in February 2023.
54. Venture Quays (Levelling Up Fund)
55. The council were granted £5.8m from its successful bid to the first round of the Levelling Up Fund (LUF) to bring forward the regeneration of East Cowes Waterfront and create a new marine hub for the island. The project includes the refurbishment of the Columbine (Union Jack) building and the former Victoria Barracks building, as well as public realm improvement at Albany Green.
56. Kingston Marine Park (KMP)
57. The council acquired this site on the river Medina from the Homes and Communities Agency (now Homes England) who had failed to bring forward the site due largely to environmental constraints on accessing the water. The council has recently resolved to dispose of the site to enable its development for film studios. The proposal will regenerate this strategic employment site and create up to 1,000 direct, sustainable,

high value jobs - from camera, lighting, sound and production teams to personnel, catering, location and transport teams, plus designers, carpenters, plasterers, electricians, scaffolders. It will also provide considerable spin-off economic growth in the local travel, hospitality and other sectors. It also presents the opportunity to showcase and market the island for film tourism with the likelihood that many more island locations and venues will appear in film productions.

58. Working with town and parish councils and others

59. As part of the council's area regeneration and place planning work the capacity to collaborate with town and parish councils to review local assets at an area level is increasing and consideration of use of collective assets to help respond to local priorities continues.

60. Notable examples include:

- Newport Guildhall – with support from the “Shaping Newport” place plan partnership and the Heritage action zone project a feasibility study to consider future uses to support potential funding bids for essential works and re-purposing of this key heritage, “at-risk” site.
- Sandown Old Town hall – addressing the dereliction of a prominent local asset through development of alternative uses and identification of funding to support those uses
- Ryde Harbour – transfer of harbour to Ryde town council to manage and improve contributing to wider Ryde Esplanade improvements as part of the Ryde Place plan
- Branstone Farm – close liaison with Newchurch Parish council regarding the vision, planning and implementation of this landmark mixed use development creating a new hamlet, bringing the biosphere to life, on the site of a former farm study centre.

BACKGROUND PAPERS

61. Strategic Asset Management Plan

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