

**TITLE OF REPORT:** Corporate Asset Management – Annual Progress Report

**REPORT OF:** Kevin Scarlett, Strategic Director, Housing, Environment and Healthy Communities

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### Summary

This report provides the progress of the review, management and optimisation of Corporate Assets. The Committee is asked to provide feedback and comment.

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### Background

1. The Council has adopted a 'corporate landlord' approach which brings together the management of both capital budgets for activities such as building rationalisation, statutory maintenance and planned maintenance enhancement projects and revenue budgets for property running costs of the operational portfolio.
2. Key Objectives:
  - Facilitate New Ways of Working within our Communities
  - Enable a 'one front door' for use of our assets
  - Improved customer focus
  - Improved consistent management arrangements
  - Optimise financial income
  - Legally complaint portfolio
  - Improved focused investment
  - Increased opportunities for disinvestment
  - Opportunities to optimise retained assets through multi-agency and locality working
3. This has already led to £970k savings being made and consideration is being given to how greater efficiencies can be achieved to drive further savings. In addition, having taken the management of the Tenanted Non-Residential Portfolio in house the council will also be undertaking outstanding lease renewals and rent reviews as a priority to maximise the income to the council from this portfolio.
4. This is a part of the Council's main themes to drive change across the Council's asset portfolio; to support the achieved of corporate priorities including locality working, new service delivery embedding Smart Working and achieve budget efficiencies and Thrive outcomes.

## Current Position - Operational Portfolio

### Civic Centre

5. There are 2,250 desks within the Civic Centre. Post covid, we set an arbitrary target of 50% reduction in desk space through consolidation and rationalisation of workspace as a result of hybrid working.
6. To date almost 500 spaces have been released. This includes the relocation of into the building from the Dryden Centre.
7. The next phase of the project forward will be to work with the remaining Groups and Services to improve ways of working and release additional space to be let out. We will also be reviewing the effectiveness of the first phase of moves.
8. This is a 40 year old building with life cycle replacement costs over the next 20 years (roofs, windows, fire safety systems etc). However, it has excellent transport links and ample parking which has attracted significant interest from public sector partners and community groups. To date we have interest for over 1,000 equivalent desk spaces from other organisations.
9. Running costs for 23/34 is £1.2m. This is currently offset by external income of £580k. Additional income from any 3rd party tenant will be determined by many factors including the space required, whether modifications to the building are required, operating hours and access and market forces. It is anticipated that each floor of a pavilion has the potential to generate an annual income of £250k - £300k. Whilst negotiation with prospective tenants are progressing we have included a target of £350k in increased income for 25/26. This is subject to increase once we have progressed the rationalisation project to accommodate prospective tenants.

### Depots

10. The main depots are at Park Road, Shearlegs Road, Cowen Road, Penshaw Way and Colgate. The current services delivered from the depots are:
  - Construction
  - Highways
  - Street Scene and Grounds Maintenance
  - Waste transfer station and refuse collection.
  - Minewater harvesting and battery storage
  - Stores
  - CCTV operations
  - Salt storage
11. There are smaller ancillary depots at Garden House Cemetery, Southend Road, Dunston Park, Derwent Park, Saltwell Cemetery, Blackthorn Close and Chopwell Park used primarily for grounds maintenance vehicle storage and welfare facilities. In addition, there is further salt storage at Follingsby.

12. Relative to other comparative Councils there is a lot of depot space. Sites are spread out, poorly laid out and inefficiently utilised.
13. There are significant condition backlog maintenance issues (particular at Park Road). In addition, recent storm damage and recent asbestos incidents have affected staff welfare and frontline operational delivery.
14. There is a proposal to relocate non-operational staff from depots to the Civic Centre and consolidate transport, grounds and winter maintenance, highways, fleet and waste operations onto the Shearlegs Road site with vehicle storage and management being contained on the Park Road. Scheme designs are being developed which will also enable the release of Penshaw Depot, Colegate depot and Follingsby site.
15. Improved efficiencies of frontline service delivery is the main driver for the project and the mitigation of the increasing risks to those services operating out of the existing sites. Whilst there is no target savings for this project until the business case is complete, we are aiming for £200-300k per annum savings based on the closure of Park Road and Penshaw running costs/rental.

Other Operational Assets (Libraries, Family Hubs etc.)

16. The corporate landlord approach is maximising the performance of operational estate through oversight of day to day management and making sensible and targeted investment decisions. There are effective controls over building safety and legislative requirements in maintaining our assets.
17. The Dryden Centre is no longer required as an operational asset with the remaining council services vacating in December 23. Cabinet will consider a surplus declaration and proposal on its future use. This will deliver a further £100k of savings in 2024/25 predicated on retaining the income across the estate.
18. Spaces in our buildings need to support locality working, but also need to be considered alongside the Council's need to reduce costs. There is potential to consider cost savings by working with partners to review the whole public sector estate in Gateshead.
19. At an operational level, colocation of services has commenced throughout the borough with a range of services now operating from the Family Hubs, Birtley Library, Leam Lane, Wrekenton Hub and Blaydon Library. These include the locality teams, housing, Police, Citizens Advice, Mental Health Social Prescribers and a range of VCS partners.

20. The Council is carrying out a zero based budgeting exercise to determine the actual costs of operating a building and ensure letting arrangements are consistent and are maximising the rental income.
21. To date £1.2 m of external income (including HRA) is received in letting of operational space. There is significant interest from public and voluntary sector partners in occupying space within our outlying assets and a conservative target of an additional £50k in income has been targets to offset general fund costs in running our assets.
22. A further financial driver for locality working is early intervention and prevention leading to less costly intervention in service delivery. Equally there are potential efficiencies through promoting greater customer focused 'self-serve' opportunities and a different approach to customer contact for "transactional" service requirements. Both locality working and customer contact need to be considered as potentially complementary to the review of assets.
23. Gateshead outperforms other Councils with our Community Asset Transfers however there is a need to review the effectiveness of the existing CATs and whether they are delivering on outcomes originally agreed.
24. The Service will evolve the 'One Front Door' for use of council assets, additional resource (currently within the budget) will provide a more timely and co-ordinated response for internal/external enquiries for use of council assets.

### **Current position – Non-Operational Portfolio**

#### Tenanted Non-Residential Portfolio (TNRP)

25. In 2022, the management of the Tenanted Non-Residential Properties (factories shops etc.) was brought back in house from an outsourced management arrangement.
26. There are 55 main sites covering 1,937 individual assets. There is a gross income target of approx. -£3.8m. The net surplus target for 23/24 is -£1.2m.
27. The Council is reviewing all non-operational assets to review low yields/rate of return. The primary aim will be to reach the income target and setting an initial target of a prudent net £50k per annum increase in income.

#### Surplus Estate / Development

28. The surplus estate is any site that is not used by the Council to provide services (operational) or is not being held as part of the TNRP to primarily generate an income.
29. The Council has the following buildings which have been declared surplus to requirements (together with the relevant service who responsible for their future use: -

- Former Hallgarth Depot (Residential Growth)
- Former Brandling Hall Community Centre (Major Projects/JV)
- Former Whickham Front Street Primary (Residential Growth)
- Former Prince Consort Road Offices (Property & Assets)
- Dryden Centre (Property & Assets)
- Former Felling Park Depot (Residential Growth)
- Former Tynedale PIC (Residential Growth)
- Birtley Leisure Centre (Public Health)
- Gateshead Leisure Centre (Public Health)

30. Whilst the actual number of surplus buildings are relatively small, the Council has a register of surplus land (which includes potential development sites) with development responsibility across a number of service areas including Property, Assets and Traded Services, Residential Growth, and Major Projects. In addition, there are a number of town centre properties acquired as part of the Town Centre regeneration.

31. The Council is currently reviewing how it manages surplus, regeneration, and development sites. A reassessment of these sites will determine further opportunities for disposal to raise capital receipts.

### Financial Implications – Savings / Growth in Income

Year		Description of Saving	Saving £,000's	RAG
1	2021-22	Staff saving	160	
		Savings in R&M spend	250	
			410	
2	2023-24	Savings in premises costs	250	
		Savings in business rates	160	
		Savings in surplus property holding costs (PCR)	80	
		Savings in Building Cleaning	75	
		564		
4	2024-25	Further savings in R&M spend following closure of Dryden	100	

		<i>Total Savings included in MTFs</i>	<i>1,074</i>	
<i>5</i>	<i>2025-26</i>	<i>Savings in running costs for Civic Centre</i>	<i>350</i>	
		<i>Increase yield in rental income from partners in operational estate</i>	<i>50</i>	
		<i>Savings in Building Cleaning</i>	<i>50</i>	
			<i>140</i>	
<i>6</i>	<i>2026-27</i>	<i>Increase yield in rental income from TNRP</i>	<i>50</i>	
		<i>Savings in surplus property budget</i>	<i>50</i>	
		<i>Total Potential Future Savings</i>	<i>790</i>	