

FALKIRK COUNCIL

Subject: PORTFOLIO MANAGEMENT PLAN UPDATE REPORT
Meeting: EXECUTIVE COMMITTEE
Date: 18th AUGUST 2015
Author: DIRECTOR OF DEVELOPMENT SERVICES

1.0 INTRODUCTION

- 1.1 The purpose of this report is to provide Members with an update on the progress of the Portfolio Management Plan (PMP). The report recommends approval of an updated list of disposals for 2015/16 and provides an update on the Re-investment Plan

2.0 BACKGROUND

- 2.1 The Portfolio Management Plan seeks to sustain and enhance a viable property portfolio for economic development through a phased disposal of existing assets to the investment market, and re-investment of the proceeds in developing new business property. The Council's property portfolio plays a major role in the business property available in the Falkirk area. It accommodates circa 500 businesses and at present the portfolio is 95% let.
- 2.2 The reinvestment is undertaken through a phased programme of development which will provide modern offices, industrial and commercial units in various locations across the Council area. The new rental income generated from these new developments is intended to replace income lost through the phased disposal of the Council's landlord's interest in selected packages or lots of assets from the portfolio thereby making the PMP revenue neutral.

3.0 PMP DISPOSAL PROGRAMME

- 3.1 For the year 2014/15 nine lots were marketed. Of these lots, three are now sold, three are under offer; one failed to complete and two did not receive acceptable offers. The total receipt from the completed sales is £260,000 with another £292,500 expected from the 3 currently under offer. The properties that did not receive acceptable offers will require to be re-marketed at an appropriate time. The property market is showing strong signs of recovering with increased levels in occupier demand. Investors are also returning to the market and are showing interest in PMP properties which is good for Falkirk's property market.
- 3.2 One of the key priorities of the PMP was to ensure the rental income generated from the Council's property portfolio remained in balance. To date, from the properties sold, the Council has lost rental income of £90,130. The rental income currently being generated by developments at Spitfire Way and Central Park is £102,400. There is scope to increase this as one of the two vacant suites at Spitfire Way is under offer at a headline rent of £23,000 pa.

3.3 For 2015/16 a total of 11 lots are programmed for disposal. This includes five lots that are being re-marketed. Appendix 1 shows progress to date on the plan. This includes new properties added to the list of properties for disposal as follows:

- ***Seaview Garage, Bo'ness.***

This property is currently tenanted but in a poor state of repair. The property and its location does not match the image and quality the Council is trying to achieve for its business property portfolio. It requires substantial investment and the private sector is currently better placed to provide this investment.

- ***Plot 3 Central Park, Larbert.***

This site was previously retained as an expansion site for Block 6 Central Park. However, since the Council's lease over this property has been terminated there is no need to hold the site for this purpose. Occupation levels at Central Park have increased significantly following the relocation of ADL, Malcolm Allan, Haven PTS and Tilly's Confectionery and, with land values showing positive movement, now would seem to be a good time to market it for disposal.

- **0.084 Acres at Macfarlane Crescent, Falkirk**

This small site is located at the top of Macfarlane Crescent and is let for car parking. The site is not strategic, generates very little income and does not fit the profile of the Council's business property profile. Again with land values improving now would be a good time to market for disposal.

4.0 PMP RE-INVESTMENT PROGRAMME

4.1 The Council's PMP Reinvestment Programme has successfully developed a two storey office pavilion at 1 Spitfire Way, Wholeflats extending to 8800 sq ft, and seven industrial units at Central Park Avenue, Central Park, Larbert that extend to 9000 sq ft. At present seven companies occupy the Larbert premises generating a rental income of £72,650 per annum which will increase to £94,400 in 2015 and employ 30 people. The £1m contribution to help deliver the regeneration of Denny Town Centre has been committed in delivering this project.

4.2 Appendix 2 sets out the future phasing for the Re-investment Plan with the next phase being the industrial development at Plot 6 at Abbotsford Business Park. This is intended to commence in September 2015 and be complete early 2016, this will see the Council make an investment of circa £1.3m into modern industrial properties at Abbotsford Business Park. In terms of future rental income it is anticipated that this development would generate circa £65,000 per annum. It would also generate a rates income of circa £25,000 per annum.

- 4.3 It was anticipated that the acquisition of this land would be paid for through the existing Joint Venture Agreement (JVA) for Abbotsford Business Park between Scottish Enterprise and Falkirk Council where the value of the land will be netted off future sale proceeds. However, the terms of the JVA do not allow this and as purchaser of Plot 6, the Council is legally obliged under the JVA to pay Scottish Enterprise the full amount for the site of £165,000 plus VAT. Following this transaction the Council will receive its 41.18% share of the receipt. Finance Services has advised that as VAT is payable on the purchase price, Scottish Enterprise will be required to pass on the full VAT amount on the completion of the sale. Anything other than full payment would result in Scottish Enterprise making up the shortfall in VAT. Scottish Enterprise is unable to do this and therefore it is necessary for the Council to proceed with the site purchase.
- 4.4 It is anticipated that the Council's investment in Plot 6 will generate further interest in Abbotsford Business Park. This certainly appears to be the case with one site currently under offer and strong interest being shown in three other sites.

5.0 IMPLICATIONS FOR THE COUNCIL

Policy Implications

- 5.1 The Council's property portfolio plays an important part in maintaining premises available for business to locate and grow in the Falkirk area. The PMP is a key element of the My Future's in Falkirk economic strategy for the Falkirk area and is consistent with the Strategic Community Plan, Single Outcome Agreement and delivery of the Falkirk TIF initiative.

Legal Implications

- 5.2 The programme of PMP disposals is undertaken in compliance with the Council's procedure for the disposal of assets.

Financial Implications

- 5.3 The Council's property portfolio provided an income of £4.495m in 2014/15 to the Council. The programme of disposals and reinvestments has been designed to help maintain this income while modernising the Council's stock. There will be circa £145,000 (not including properties under offer) of receipts available for reinvestment after the phase 1 development at Abbotsford Business Park is complete.

6.0 CONCLUSION

- 6.1 The Council's PMP is proving successful in modernising the portfolio of business properties in the Falkirk area. It is enabling investors to refurbish existing buildings to create modern, fit for purpose, business space for small local businesses to locate, grow and create jobs. The Council's re-investment programme has also enabled the construction and letting of the business space which is assisting business growth in the area. The continued success of the PMP programme depends on the success of the disposal programme. By progressing the updated programme and proceeding with the development at Abbotsford Business Park, the Council will be in a position to attract further investment and assist business growth.

7.0 RECOMMENDATIONS

7.1 It is recommended that the Committee :

- a) notes the performance of the portfolio management plan and the contribution it is making to the local economy;
- b) agrees to progress with the purchase of Plot 6 Abbotsford Business Park for £165,000 plus VAT per the terms of the Abbotsford Business Park Joint Venture Agreement between Scottish Enterprise and Falkirk Council as outlined in paragraph 4.3
- c) agrees to progress with the updated proposals for the PMP disposal and reinvestment plans as set out in this report and detailed in Appendices 1 & 2

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Director of Development Services

7th August, 2015

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LIST OF BACKGROUND PAPERS

1. Portfolio Management Plan Files

Anyone wishing to inspect the above background papers should contact John Smith, Ext 4973

APPENDIX 1

Portfolio Management Plan Disposal Monitoring				
Lot No.	Address	Type	Status	Comments
1	19/21 Cow Wynd 2 Bean Row	Shop/offices	Sold 11/9/09	Sold for £150,000
2	Site at Winchester Ave	Land	Sold 2/9/11	Sold for £178,700
3	Site, Callendar Business Park	Land	Off market	No offers received at closing date, will re-market when office demand improves
4	Site, Wood St	Land	Sold 24/1/14	Sold for £75,000
5	Land, Bute Street	Land	Sold 14/12/12	Sold for £45,000
6	1-3 Dalderse Ave	Industrial	Sold 18/1/13	Sold for £129,000
7	4-5 Dalderse Ave	Industrial	Sold 30/11/12	Sold for £109,000
8	103 Grahams Rd	Shop	Sold 15/11/13	Sold for £45,000
9	103.5 Grahams Rd	Shop	To be remarketed 2015/16	Offer received but fell through
10	168-178 Grahams Rd	Shop	Sold 30/9/11	Sold for £138,000
11	180-182 Grahams Rd	Shop	Sold 8/4/11	Sold for £99,999
12	1-7 Bryson St	Industrial	Programmed for market 2017/18	Checking titles, leases etc
13	1 Meeks Rd	Shop	Programmed for market 2017/18	Checking titles, leases etc
14	20 Cow Wynd	Shop	To be remarketed 2016/17	
15	26 Newmarket St	Shop	To be remarketed 2015/16	
16	28 Newmarket St	Shop	To be remarketed 2015/16	
17	30 Newmarket St	Offices	To be remarketed 2015/16	
18	Garage, Bean Row	Industrial	Sold 4/11/11	Sold for £30,000
19	4 Kerse Lane	Shop	Sold 8/8/11	Sold for £60,250
20	St Crispins Pace	Land	Sold 5/6/15	Sold for £30,000
21	4 Weir Street	Restaurant	Programmed for market 2017/18	Checking titles, leases etc

Lot No.	Address	Type	Status	Comments
22	2 Chapel Lane	Store	Programmed for market 2016/17	Checking titles, leases etc
23	46 Vicar Street	Shop	Sold 20/8/12	Sold for £45,300
24	50 Vicar Street	Shop	Under offer	With Legal Services
25	54 Vicar Street	Shop	Under offer	With Legal Services
26	16 Melville Street	Shop	Sold 16/12/14	Sold for £102,000
27	18 Melville Street	Shop	Sold 16/12/14	Sold for £128,000
28	20 Melville Street	Shop	Sold 21/5/13	Sold for £58,100
29	Store, Melville Lane, Falkirk	Store	Sold 21/6/11	Sold for £25,000
33	1-6 Foundry Road, Bonnybridge	Industrial	Programmed for market 2015/16	Checking titles, leases etc
35	109 High Street, Falkirk	Shop	To be remarketed	Offer fell through
53	14 Dundas St, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
56	12 Dundas St, Grangemouth	Industrial	Sold 31/7/13	Sold for £17,011
57	20 Dundas St, Grangemouth	Industrial	Programmed for market 2015/16	Checking titles, leases etc
58	22 Dundas St, Grangemouth	Industrial	Programmed for market 2015/16	Checking titles, leases etc
59	24 Dundas St, Grangemouth	Industrial	Sold 30/10/13	Sold for £10,100
60	10 Dundas St, Grangemouth	Retail	Under Offer	With Legal Services
61	18 Dundas St, Grangemouth	Industrial	Sold 17/5/13	Sold for £45,575
69	20 Abbotsinch Road, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
70	22 Abbotsinch Road, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
73	28 Abbotsinch Ind Est, Grangemouth	Industrial	Programmed for market 2015/16	Checking titles, leases etc
80	Pilkington Site, Central Park	Development Site	On 3 year option to ADL	Awaiting ADL decision

81	1 Central Boulevard, Larbert	Industrial	Sold 29/11/13	Sold for £1.025, net receipt to PMP £748,000
82	10-14 Union Road, Grangemouth	Shop/office	Programmed for market 2016/17	Checking titles, leases etc
83	4-6 Chapel Lane, Falkirk	Office/Residential	Programmed for market 2016/17	Checking titles, leases etc
84	Seaview Garage, Boness	Industrial	Programmed for market 2015/16	Checking titles, leases etc
85	Pond Site, Central Park, Larbert	Development Site	Programmed for market 2015/16	Checking titles, leases etc
86	0.084 acres, Macfarlane Crescent, Falkirk	Site leased for car parking	Programmed for market 2015/16	Checking titles, leases etc

PORTFOLIO MANAGEMENT PLAN – REINVESTMENT PROGRAMME

Abbotsford Business Park
Industrial Units
Bog Road Industrial Estate
Phase 1 – Industrial Units
Phase 2 – Industrial Units
Wholeflats Road, Grangemouth
Phase 2 – Office
Phase 3 – Office
Winchester Avenue Industrial Estate, Denny
Phase 1 - Industrial Units
Phase 2 – Industrial Units
Central Park, Larbert
Phase 3a – Offices
Phase 3b – Offices *subject to ADL exercising option to purchase site.

Timescales for delivery are dependent on availability of resources arising from receipts and Executive approval.