

FALKIRK COUNCIL

Subject: PORTFOLIO MANAGEMENT PLAN UPDATE REPORT
Meeting: ECONOMIC STRATEGY & DEVELOPMENT COMMITTEE
Date: 18th SEPTEMBER 2012
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 and that the Council's policy for delegation of decision to officers for the disposal of assets be extended to cover the PMP.

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 497 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 2011/12 twelve lots were marketed. Out of these ten lots received acceptable offers and six are now sold, one never progressed and the others are nearing conclusion. The total receipt from these nine sales will be £681,549. The properties that did not receive any offers will require to be re-marketed at an appropriate time. While there are only cautious signs that the property market is recovering the considerable interest shown in PMP properties indicates that investors are evident in the market and interested in Falkirk's property market.
- 3.2 The disposal programme has proved successful in generating capital receipts and has levered in private investment from local investors and landlords in properties that required substantial refurbishment and upgrading. Examples of this are shown in Appendix 1 attached and include:
- ***Shops at 168-178 and 180-182 Grahams Road.*** These properties are on a prominent location on Grahams Road and were in substantial need of refurbishment. It would not have been cost-effective for the Council to undertake the reinvestment required, however the new owners have conducted an extensive refurbishment which has attracted three new tenants to the vacant shops and created five jobs.

- **19/21 Cow Wynd/2 Bean Row.** This town centre property was in poor condition. It is being extensively refurbished to provide a ground floor shop with two flatted dwellings above.

3.3 For 2012/13 a total of sixteen lots are programmed for disposal this includes five lots that are being re-marketed. (Appendix 2). This includes new properties added to the list of properties for disposal as follows:

- **Business Development Site, Central Park (former 'Pilkington Buildings' site)** Consent for demolition has been granted for the listed buildings on this site, creating an opportunity to dispose of the site for development. There is understood to be market interest in the site.
- **10 and 18 Dundas Street, Grangemouth.** These properties were previously occupied by the now defunct Grangemouth Enterprises Ltd, the properties are currently empty and have been generating considerable interest from a variety of businesses.

3.4 It had been planned to dispose of a total of twenty three PMP properties in 2011/12 but due to difficulties in progressing certain sales and the conduct of a review into the PMP disposal procedure it was not possible to progress these disposals. It is important to press ahead with the disposal of the sixteen lots identified in the programme and to secure new investment in these properties. Accordingly it is suggested that future PMP disposals be progressed under the Council's current policy for asset disposal which provides for delegated authority to officers at a level of up to £200,000. This will allow the process to be more streamlined, give reassurance to purchasers over the timescales involved and reduce the prospect for delay. It will also reduce the risk of the Council losing receipts due to potential purchasers losing interest or finding alternative projects to invest in.

3.5 This approach will continue to safeguard the interests of tenants. They will be kept aware of any potential disposal, will receive correspondence informing them of marketing arrangements, timescales and will be advised that their current lease will protect their rights up to the end of the lease. Additionally they will be given the opportunity to extend their existing lease on agreed terms should they wish.

4.0 PMP RE-INVESTMENT PROGRAMME

4.1 The Council's PMP Reinvestment Programme has been progressing well. It includes the successful development of a Phase 1 office pavilion at Wholeflats. The second PMP re-investment project involved development of a terrace of 5 industrial units at Central Park, Larbert. Phase 1 comprises a total floor area of 560 sq m (6000 sq ft) with each unit extending to 112sq m (1200sq ft). The development is complete and fully let and is occupied by 5 businesses who employ a total of 12 people.

Demand for these units has been strong and in order to capitalise on the success of Phase 1, a second phase has been completed and comprises a further 2 units that extend to 140 sq m (1500 sq ft) each, one of these units is now let. The cost of this development was £360,000. This leaves a current total of £880,000 in the PMP account for reinvestment.

4.2 The next proposed development for the re-investment programme is for a £1m contribution to be made to help deliver the regeneration of Denny Town Centre. This will fund the acquisition of the remaining shops, contribute to the next phase of demolition works and commencement of the new build programme. The timing and cost of delivery for further PMP re-investment projects (listed in Appendix 3) will be dependent on securing receipts from the disposal programme and will be the subject of further reports to Committee.

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 and Single Outcome Agreement.

Legal Implications

- 5.2 The programme of PMP disposals is undertaken in compliance with the Council's procedure for the disposal of assets. The proposal to delegate decisions for the disposal of assets priced under £200,000 is consistent with the terms of this policy.

Financial Implications

- 5.3 The Council's property portfolio provided an income of £5.105m in 2011/12 to the Council. The programme of disposals and reinvestments has been designed to help maintain this income while modernising the Council's stock. There is currently £880,000 of receipts available for reinvestment.

6.0 CONCLUSION

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 introducing a streamlined disposal procedure the Council will be in a position to attract further investment and assist business growth.

6.0 RECOMMENDATIONS

6.1 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 the updated proposals for the PMP disposal and reinvestment plans as set out in this report and detailed in Appendices 2 & 3**
- c) agrees that the current process for PMP asset disposal should be amended to match the Council's existing procedure, granting delegated authority to the Director of Development Services to conclude disposals under £200,000, and**
- d) agrees that recommendations b) & c) be forwarded to the Council for approval.**

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Director of Development Services

11th September, 2012

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LIST OF BACKGROUND PAPERS

Portfolio Management Plan Files