

**FALKIRK COUNCIL**

**Subject: PORTFOLIO MANAGEMENT PLAN**  
**Meeting: ECONOMIC DEVELOPMENT COMMITTEE**  
**Date: 25<sup>TH</sup> SEPTEMBER 2007**  
**Author: DIRECTOR OF COMMUNITY SERVICES**

**1.0 INTRODUCTION**

- 1.1 The purpose of this report is to advise Members of proposals to review and update the Portfolio Management Plan (PMP) to take account of progress with other new and planned developments and to reflect changes in the commercial property and investment markets in the area.

**2.0 BACKGROUND**

- 2.1 The Business Property Strategy sets the context for the PMP which is a key action aimed at addressing the shortfall of appropriate modern “fit for purpose” business space in the Falkirk area.
- 2.2 The PMP is a £13m phased programme to reshape and modernise the Council’s business property portfolio funded initially through the Council’s Capital Programme and thereafter from the investment sale of the Council’s landlord’s interest in selected packages or lots of assets from the portfolio.

**3.0 CURRENT POSITION**

- 3.1 Policy and Resources Committee on 10<sup>th</sup> January 2006 endorsed the PMP and instructed the Director of Community Services to develop a detailed plan for consideration by Economic Development Committee.
- 3.2 Details of the disposal and reinvestment plans were presented to the Economic Development Committee in June ’06 but implementation was deferred as initial capital funding of £2m allocated to the project was redirected to facilitate the Alcan project.
- 3.3 Additional funding of £1.5m from the sale of Callendar Sq car park was subsequently allocated to the project and will fund phase 1 of a new office park at Wholeflats, Grangemouth. This project is currently out to tender.
- 3.4 Further phases of the reinvestment plan will be determined initially by the timing of income from the sales of sites at Alcan. Phase 2 at Alcan is now underway with completion of the infrastructure now expected by Spring ’08. Income from site sales is anticipated during the remainder of ’08 and ’09.
- 3.5 To recommence the PMP within these timescales the next step involves revisiting and updating the plan. The initial work upon which the plan was developed, the Business Property Review, commenced in 2004 and, therefore, it is appropriate to review its key components.

## **4.0 REINVESTMENT PLAN**

- 4.1 The reinvestment plan focused on development of the Council's remaining key development sites allocated for business space and identified as part of the business property portfolio.
- Central Park, Larbert
  - Callander Business Park, Falkirk
  - South Bridge Street, Grangemouth
  - Wholeflats, Grangemouth
- 4.2 Development plans were prepared for these sites and initial phases of development at these locations were incorporated into a phased 5 year programme prioritising new investment in a timeframe when it was anticipated business demand would be greatest.
- 4.3 Sites at Bog Road, Laurieston and Murnin Road, Bonnybridge were also considered and together with additional phases at the above key sites were identified as potential long term opportunities subject to future disposals/capital availability.
- 4.4 The review will consider changes in the market and likely pattern of demand particularly given new developments currently underway or anticipated within the likely revised timeframe for the PMP e.g. Alcan, Gateway, Earlsgate Park, Forth Ports, Glenbervie etc. It is critical that the Council's plans complement these other developments and provide a range of options across the area to maximise economic development benefits.
- 4.5 The development plans will be revisited and updated as required to ensure the proposals and timing reflect market demand and will secure the necessary financial returns for the Council's investment. This will involve a review of the design and updating of the financial elements including rental valuations, building costs and cash flows. This approach is consistent with the Council's recently adopted Asset Management Plan 'Better Assets, Better Services'.

## **5.0 DISPOSALS**

- 5.1 The PMP identifies investment sales of packages or lots of associated property as key to delivering a manageable plan and obtaining best price for disposal of the Council's interest (including its interest as landlord) in the properties and ultimately best value in delivering the overall plan.
- 5.2 Two disposal portfolios were approved for sale with the timing linked directly to fund the initial phases of the reinvestment plan. A comprehensive review of the business property portfolio is required to revisit these proposals to ensure the Council is retaining a balanced and effective portfolio as well as ensuring the correct packages of properties for sale are identified given the ever changing commercial investment market.
- 5.3 This will require a review of existing properties in terms of meeting long term financial and economic development objectives as well as providing businesses with "fit for purpose" accommodation. Updating of investment valuations and associated specialist market advice will also inform recommendations in respect of any revisions to the Disposal Plan.

## **5.0 IMPLICATIONS**

- 5.1 Financial – Finance Services has previously carried out financial appraisals to ascertain the likely impact and financial risks associated with the PMP. As part of reviewing the PMP the financial

elements will require to be updated to ensure best value and affordability for the Council. As before, it is intended that rental income levels will be maintained as far is practical throughout the process and phasing of construction will be linked to funding generated through the linked disposal plan.

5.2 Legal – there are no immediate legal implications in respect of the review.

5.3 Personnel – there are no personnel implications for the review, although, it is proposed to reappoint property advisers Ryden Chartered Surveyors who provided specialist advice during the preparation of the original plan. Ryden will update previous valuation and investment advice etc in support of the review.

## 6.0 CONCLUSION

6.1 The current business property portfolio has provided an acceptable level of return to the Council whilst contributing to the delivery of our economic development objectives. However, parts of the portfolio requires significant redevelopment to respond to current and future business requirements. The PMP provides a viable framework to take this project forward in a co-ordinated, consistent and manageable way and given its complexities and importance from a Council finance point of view, it is prudent to undertake a full review and update of the plan prior to making any further recommendations to Committee.

## 7.0 RECOMMENDATIONS

7.1 It is recommended that Committee :-

- (i) Notes the proposal to undertake a comprehensive review and update of the Portfolio Management Plan, as detailed; and
- (ii) Agrees to receive a future report detailing the outcome of the review including revised timescales for delivery.

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Director of Community Services

12<sup>th</sup> September 2007

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### LIST OF BACKGROUND PAPERS

1. DTZ – Business Property Review.
2. Ryden – Portfolio Management Plan.

Any person wishing to inspect the background papers listed above should telephone 01324 590974 and ask for Craig Isdale.