



## Asset Development Programme Update

<b>Corporate Priority:</b>	Delivering sustainable and inclusive growth in Melton
<b>Relevant Ward Member(s):</b>	All
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No

### 1 Summary

- 1.1 The Council approved the phase 1 of the Asset Development Programme (ADP) in January 2021. The ADP seeks to maximise the value of the Council's assets, generating additional revenue or capital income, whilst also creating jobs, building homes and strengthening community facilities.
- 1.2 This report provides an update on the progress so far, sets out the refreshed scope and programme of works and seeks approval for additional resources and the next steps.

### 2 Recommendation(s)

**That Council:**

- 2.1 Notes the update and approves the refreshed scope and programme as set out within para 5.4 and amended plan at Appendix A.
- 2.2 Approve the permanent changes to the establishment as set out in para 9.4 and approves £110k to be set aside from the Regeneration and Innovation reserve to cover the 2 year fixed term employment costs set out in para 9.5
- 2.3 Approve a supplementary estimate of £11,660 in 2022/23 from the corporate priorities reserve to fund the permanent changes to the establishment and note that the additional ongoing cost of £15,550 will be incorporated into later year budgets.
- 2.4 Delegate authority to the Director for Growth and Regeneration in consultation with the relevant Portfolio Holder to make any in-year necessary changes/additions required to the grant agreement(s) to deliver the programme

### **3 Reason for Recommendations**

- 3.1 The Council's Corporate Strategy (2020-24) commits the Council to take a commercial approach to the management of assets to deliver jobs, homes and income. The key focus for priority 3 – Delivering sustainable and inclusive growth in Melton is to confirm plans, secure funding and develop our assets to generate income and provide housing and jobs.
- 3.2 The Council's asset portfolio includes a range of buildings including office, commercial units, leisure centres, community centres, car parks, allotments, parks and open spaces, bridges and footways. The asset development programme is established to achieve efficiency and effectiveness in managing these assets by taking into consideration occupancy and income levels, operational usage, cost of maintenance, liability of repairs and untapped development potential.
- 3.3 The Asset Development Programme has been established to support financial sustainability by taking a strategic and long-term approach, rather than short-term and reactive approach to managing our assets.
- 3.4 This programme will help the Council to develop business cases for commercial intervention across its own assets to leverage investment from the private sector and take proactive actions that address market failure within the borough
- 3.5 Further resourcing and refreshing this work programme will help achieve capital receipts, increase commercial income, reduce liabilities, support economic regeneration, and enhance community benefits.

### **4 Background**

- 4.1 Recognising the need to strengthen in this area, the Council agreed to establish the Corporate Property and Assets team to provide focus on the management and development of all council owned assets (non-HRA). The team was set up during 2020. The team is set up to focus on the three areas of:
- asset management;
  - facilities management and
  - asset development.
- 4.2 Since the establishment of the team, significant progress has been made and the following achievements are particularly noteworthy:
- A comprehensive Assets Register has been established collating key information about each asset in a centrally located database.
  - A property health and safety audit has been undertaken and actions implemented for management of immediate risks.
  - Lease, rent and service charge reviews are on-going with a consistent approach being adopted across all assets.
  - Commercial units at Snowhill are now at 100% occupancy which has resulted in increased revenue income.
  - The Asset Disposal Policy has been approved by the Council and the disposal of surplus assets such as Park Lane toilets, Wilton Road toilets and the access road at Lake terrace depot has been completed, generating anticipated capital receipts in excess of £366,000 in the last 12 months.

- Condition surveys for all assets have been completed and a planned maintenance programme (phase 1) was approved by the Council, prioritising imminent risks.
- Capital projects have started to be implemented such as the drainage works at Lake terrace and Melton Sports Village as well as investment supported at the tennis courts and football pitches at MSV.
- And finally, the Asset Development Programme is progressing and a detailed update is included in this report.

- 4.3 In 2019, the Council commissioned consultants to assess the potential of some of the Council owned sites and buildings for future development potential. This work formed the basis of a successful funding bid to the Business Rates Pool, administered by the Leicestershire Local Enterprise Partnership (LLEP).
- 4.4 In April 2020, Cabinet agreed to formalise acceptance of the successful bid; with £500,000 of Business Rate Pool (BRP) funding secured from the LLEP to support proposals for the development of Council owned sites. Cabinet also approved the provisional allocation of £375,000 from the Capital Programme on the proviso that it was subject to further business cases and formal approvals before confirming specific allocations.
- 4.5 In December 2020, Cabinet further agreed recommendations to commence Phase 1 of the Asset Development Programme, seeking to allocate £285k within the Capital Programme comprising of £163,000 grant funding and £122,000 from the Council's capital receipts. This was approved by the Council in January 2021.
- 4.6 The Council approved Phase 1 to deliver the following project activities:
- Appoint consultants for project and programme management
  - Disposal of North Cattle market in two phases
  - Development options and delivery mechanism for Phoenix House
  - Design and costing for refurbishment of Parkside and The Cove to accommodate relocations from Phoenix House
- 4.7 Key conditions for the grant funding secured include:
- For capital expenditure only
  - For work to enable the development of council owned sites for delivering jobs, homes, leisure and retail development
  - For appointment of consultants for design, costing, marketing, feasibility, site investigations, preparing and applying for planning applications – activities to enhance the value of capital assets
  - For spend within the agreed timescales
  - Each item of spend needs to be approved by LLEP

## **5 Main Considerations**

- 5.1 One of the key recommendations from the LGA finance review (2021) is for the Council to take a more strategic long-term approach to Financial Planning and the delivery of transformation through the use of Council's assets and a requirement to at times take a hard-nosed commercial view.

5.2 In the context of post-pandemic recovery with the new burdens and vulnerabilities the Council is facing, along with the financial uncertainty regarding future Government support, it is imperative for local authorities to explore ways to be financially sustainable.

5.3 Accordingly, key objectives of the Asset Development Programme are:

- Rationalisation, effective utilisation and efficient use of Council owned assets
- Generate capital receipts and commercial revenue income
- Self-sustaining financial model, phased approach to delivery
- Balancing community needs with commercial aspirations
- Use it as a leverage to attract further investment and support regeneration activities
- Support delivery of housing and economic growth and town centre regeneration
- Contribute towards the Council's ambition for being carbon neutral by 2030.

#### 5.4 **Progress so far and Next Steps:**

This report provides an update on the progress made since January 2021 to deliver the activities approved by the Council and also sets out the next steps and proposed direction for each asset as agreed with Cabinet

##### 5.4.1 Grant agreement signed:

Due to Brexit the LLEP had to revise the risk and impact assessments which caused delays in concluding the grant agreement, however this was then signed in September 2021. Following the agreement being signed and sealed, robust project governance arrangements have been established to ensure effective management and delivery of this key project with oversight from the Senior Leadership Team.

##### 5.4.2 Appointment of consultants:

The consultants have been appointed via framework arrangement in January 2022 for design, costing and commercial marketing advice for Phoenix House, Parkside and The Cove community centre, as well as new build options at the cattle market south side Nottingham Road building and Burton Street Long Stay car park, to enable any tenant relocations from Phoenix House. The design options for these assets, associated costs, delivery mechanism, relocation arrangements and cost and benefit analysis will be presented to the Cabinet for approval as part of a detailed business case in November 2022.

##### 5.4.3 North cattle market disposal progressed:

Legal due diligence has been undertaken for the North Cattle Market site and surveys as well as marketing packs are being prepared. A sales agent has been appointed to commence the marketing of this site with an expected disposal date of May 2022. It is proposed to dispose of this site in two phases with the current work related to phase A (1.65 acres). Following the approval from the Council in January 2021, it became apparent that the plan did not reflect the authority given. Appendix A contains an accurate plan which is in line with the previous approval obtained from Council. To ensure a smooth disposal process at the relevant time, approval of this plan is sought from Council to avoid ambiguity. This land is allocated in the Local Plan for residential use and is in freehold ownership of the Council with no or little constraint to the delivery. In accordance with the Council approval in January 2021, the focus for this site to be on maximising commercial value from disposal and therefore an open market disposal will be undertaken, with bids to

be invited from prospective purchasers. It is anticipated that the highest best bids will come from developers on a subject to planning basis. The disposal will be in accordance with the Council's approved Assets Disposal Strategy and will be assessed in adherence of the 'value for money' criteria.

#### 5.4.4 Business case for Phoenix House:

Phoenix House currently accommodates community, charitable and commercial lettings to EMAC, DVSA and Enterprise Cars. The building is running at loss with the current level of income being less than the costs for operation, repairs, business rates and other liabilities. In January 2021, the Council agreed to consider redevelopment options for this site subject to a viable business case being prepared and suitable relocation options are agreed with all occupiers. The steer from the debate at the Council meeting was clear regarding safeguarding the interest of community uses for both Council and its partners and enhancing existing community assets and services, either on site or in alternate locations which remain accessible to the communities they serve. Clearly the financial benefits accruing from such a business case would also need to outweigh the associated costs and any disruption caused.

To support the business case development a condition survey has been completed. A range of conversations have been undertaken with all occupiers of Phoenix House to understand the constraints and opportunities for relocation. The business case for Phoenix House redevelopment will also be informed by the following:

- Current level of cost for maintenance and on-going operation of the building and planned maintenance requirements arising from the condition survey
- Current income levels
- Current leases and agreements with all occupiers
- Relocation preferences, constraints, and opportunities for all occupiers
- Suitability of alternative locations, planning and cost for construction/ refurbishment
- Demand analysis, market trends and community needs assessment
- Future development options, potential income levels, risks involved, benefits received
- Consideration to 'Value for Money' criteria
- Cost and benefit analysis over a 10 to 20 year investment case

The Business case is proposed to be presented to the Scrutiny Committee in September 2022 prior to consideration by the Cabinet in November 2022.

#### 5.4.5 Design and costing of the Cove Community Centre:

In January 2021, the Council approved to undertake refurbishment of The Cove to facilitate the move of all community-based services including Me and My Learning. This will be beneficial to the service as the facility will be based in the locality where it is required, rather than in current town centre location. This will create an opportunity for increased community access to our services and potential community asset transfer as well as 'family hub' models. It is proposed to prepare detailed design and associated cost estimates for this to inform the business case for Phoenix House.

#### 5.4.6 Parkside refurbishment:

In order to implement the Council approval (January 2021), the work has commenced to redesign the layout of Parkside to suit the requirement of the commercial relocations from Phoenix House. Options for accommodating other commercial uses to generate revenue income are also being considered along with the costing for implementation of the changes. This information will be presented as part of the business case to the Scrutiny Committee and the Cabinet later in the year.

#### 5.4.7 Consideration of other sites:

Alongside the assets referred to above within phase 1, it is proposed to extend the scope of the current works programme to include:

- Design and development options for parts of the Burton Street car park (the current COVID-19 test centre location) to assess the development potential of this site. It is proposed to undertake options for design associated costs for this location to be developed into commercial building use.
- The implications of potential loss of parking spaces across our portfolio needs to be understood to help members assess any preferred design option that are presented. It is therefore proposed to undertake a comprehensive car parking needs assessment for Melton town centre. This will also inform the work being undertaken by Leicestershire County Council in preparing the Melton Mowbray Transport Strategy (MMTS) as well as will inform the Town Centre Vision document.

**5.5 Parallel considerations and future phases:** In parallel to the Asset Development Programme, the Council is working on a number of initiatives that will influence the work of ADP. The links and interdependencies are outlined as below:

##### 5.5.1 Melton Mowbray Town Centre Vision:

Steered by the Melton Place Board, a partnership of local stakeholders and businesses, this work is crucial in preparing the Town Centre Investment Plan. A series of stakeholders workshops have taken place and the draft vision is due for public consultation in May 2022. All council owned sites in the town centre will inform the plan and the Council will have a significant role to play in leading the delivery of the vision by developing these sites. The Town Centre Vision is due to be considered by Cabinet in June 2022.

##### 5.5.2 Melton Mowbray Transport Strategy:

Led by Leicestershire County Council, a consultation exercise was undertaken in June 2021. Following the feedback from town centre stakeholders, a range of amendments have been considered in the approach. The proposed car parking needs assessment will inform the options to be proposed for transport and traffic related initiatives to be proposed by the strategy.

##### 5.5.3 Health, Leisure and Well-being Facilities:

Consultants have been appointed to prepare design and costing for a detailed business case for future provision of leisure and health related facilities in Melton. Following consultation, the business case for the preferred option is due to be submitted by the end of 2022. The ADP will support the future phases of development work.

##### 5.5.4 Cattle Market South development:

A masterplan is being prepared for the southern part of the cattle market site with a view to create long term capacity for events infrastructure and adding commercial units to support food production businesses. The ADP can support the next phase of delivery.

## 5.6 Potential future funding opportunities:

- **Levelling Up Fund:** The Round 2 of this fund is now announced with the deadline for submissions by the 6<sup>th</sup> July 2022. The Council is working with Rutland Country Council, the MP's office and other partners to prepare the bid. If successful, this funding will be crucial in delivering the aspirations of the ADP. Details of the Council's bid will be considered by Cabinet in June 2022.
- **UK Shared Prosperity Fund:** The Spring 2022 budget announcement from the Government included initial guidance for this funding. Indicative allocation for Melton is £1,191,970 over a three year period of 2022 to 2025. An Investment Plan outlining how the Council will spend this funding is due for submission to the Government by the 1<sup>st</sup> August 2022.
- **Decarbonisation grants:** The Net Zero Strategy and Heat and Buildings Strategy confirmed that Phase 3 of the Public Sector Decarbonisation Scheme will cover the period of 2022/2023 to 2024/2025. Details are awaited, but this funding can support the ADP in increasing energy efficiency and reducing maintenance costs of our assets.

## 5.7 Additional resource requirements:

5.7.1 As is evident, this programme has the potential to support a range of Council's priorities and maximise benefits for our communities by linking a multitude of opportunities.

5.7.2 The delivery of this programme has been impacted due to the COVID-19 pandemic, capacity within the team and awaiting grant confirmation from the LLEP. Given the strategic importance of this programme of work, it is imperative the Council maintains appropriate pace of delivery. Utilising some of the resources added to the reserves through the budget process, it is proposed to create additional resources within the Corporate Property and Assets Team to free up capacity for senior officers to focus on and prioritise continued delivery of the ADP.

5.7.3 To facilitate and accelerate the delivery, it is proposed to create and fund the following roles:

- One fixed term (2 years) Assistant Valuer role in Corporate Property and Assets team to free up capacity for the Senior Asset Surveyor and the Corporate Property and Assets Service Manager to focus on delivering the ADP;
- One fixed term (1 year) full time post for a Legal Officer in the Legal team to support the work on updating ownership and lease information for all land owned by the Council and updating the digital information on land registry databases;
- One permanent full time post for Senior Projects Delivery Officer in Regeneration team to manage delivery of projects and ensure the benefits are realised by connecting different agendas across the Council. Assumed start date 1 July 2022

## 6 Options Considered

6.1 **Option 1:** Continue delivering the tasks as per Council approval in January 2021, with the resources available within the team. Considering the importance of delivering this

programme, this option is not recommended. The additional resources sought are kept at minimal level and focussed to support the team in short term. The delivery manager post will support the future phases of this programme.

- 6.2 **Option 2:** Approve extension of the scope of works and allocation of additional resources to accelerate scale and pace of delivery. This option will help targeting resources to the gaps in current capacity within the teams. It will also help futureproofing the progress on this programme. This option is recommended.

## 7 Consultation

- 7.1 There is continued and ongoing engagement with all occupiers of the buildings and spaces that form part of the ADP.
- 7.2 A steer has been sought from members of Scrutiny Committee through informal workshops for setting the direction for the programme.
- 7.3 The draft proposals will be presented to the Scrutiny Committee for their comments before being presented to the Cabinet for their approval.

## 8 Next Steps – Implementation and Communication

- 8.1 Next steps:
- Appoint consultants to undertake car parking needs assessment – May 2022
  - Disposal of North cattle market site – May to June 2022
  - Continued engagement with Phoenix House occupiers – May to July 2022
  - Appointed consultants to prepare design options for Parkside, Burton Street Car park, South cattle market - May to July 2022
  - Job evaluation and recruitment of new roles- May to July 2022
  - Outline business case to be considered by Scrutiny Committee for steer and comments to the Cabinet- September 2022
  - Cabinet and Council consideration of business cases– November 2022

## 9 Financial Implications

- 9.1 In April 2020, Cabinet agreed to accept £500,000 of Business Rate Pool (BRP) funding from the LLEP to support proposals for the development of Council owned sites - approving the provisional allocation of £375,000 from the Capital Programme on the proviso that it was subject to further business case approval by members before confirming specific allocations.
- 9.2 In December 2020, Cabinet further agreed recommendations to commence Phase 1 of the Asset Development Programme, seeking £285k of the £875k within the Capital Programme comprising of £163,000 grant funding and £122,000 from the Council's capital receipts. This was approved by the Council in January 2021.
- 9.3 The spend as of 31<sup>st</sup> March 2022 on this project is £20,000.
- 9.4 It is proposed to accommodate the proposed additional items in the revised scope within the current approval of expenditure.
- 9.5 In order to progress the project additional resources are required within the property team. The grant funding is for capital expenditure only and cannot be used to cover staffing costs. The table below sets out the additional resources that are required. It is proposed

that the additional revenue spend be sourced from the Regeneration and Innovation Reserve.

	Activity	Estimated one off cost (subject to job evaluation)	Additional on going costs pa
1	Create one fixed term (2 years) full time post for Assistant Valuer estimated at (£38,460 pa to include base salary and on costs for band 9 post- graduate level, subject to job evaluation)	£76,920	
2	Create one fixed term (1 year) full time post for Assistant Legal Officer estimated at (£33,330 pa to include base salary and on costs for band 8 post – graduate level, subject to job evaluation)	£33,330	
3	Create one permanent full time post for Senior Projects Delivery Officer (this will include deletion of current vacant project officer post, anticipating an increase from band 9 to band 12, subject to job evaluation)		£15,550

9.6 It is proposed that the total additional one off costs of £110k be set aside from the Regeneration and Innovation Reserve to cover the whole 2 years of the employment term. This would not provide for any exit costs (pension strain if applicable and redundancy) should these arise. As such this represents a financial risk at the end of the period. The unallocated balance on this reserve, subject to any minor year end adjustments, is £474k. As such this proposal would leave an unallocated balance of £364k on this reserve.

9.7 The purpose of the Regeneration and Innovation Reserve is “to provide funding for feasibility studies or business cases to unlock external funding or to support projects that will result in economic growth, commercial return or support inward investment. To include the allocation of match funding associated with external funding bids, and; To provide funding to support development and implementation of service improvement and innovation (including improvements in becoming more commercial, digital, and customer-focussed).” This proposal meets this criteria.

9.7 With regard to the ongoing annual costs of £15,550, as set out above, it is proposed that these be built into the base budget from 2023/24 with the additional cost of £11,660 for the part year employment in 2022/23 being met from a supplementary estimate from the corporate priorities reserve.

9.8 The future financial position of the council is currently unknown due to the future funding from central government remaining unresolved following frequent delays in the funding review. The medium term financial strategy approved in February 2022 indicates a potential deficit in 2023/24 of £568k but depending on the funding review could be within a range of a balanced budget to over £1.1m deficit. As such any approval of additional

ongoing expenditure increases the pressure on the budget and the potential for savings to be made from other areas as part of the 2023/24 budget process or later years without this being assessed against other priorities.

**Financial Implications reviewed by: Director for Corporate Services**

## 10 Legal and Governance Implications

- 10.1 The Council has the power to enter into contracts in order discharge its functions (Local Government Act 1972, s111 and the Local Government (contract) Act 1997, s1). In addition to complying with all relevant UK and EU legislation every contract entered into on behalf of the Council must also comply with the Council's Contract Procedure Rules and the Council's Financial Regulations 1
- 10.2 The Council has the power to receive grants from organisations using its general power of competence in section 1 of the Localism Act 2011. Section 1 of the Localism Act 2011 permits a Council to do anything that an individual may do whether or not normally undertaken by a local authority (the General Power of Competence).
- 10.3 Section 123 of Local Government Act 1972 provides the power for Principal Councils to dispose of land at market value. If the land is to be sold at less than market value the consent of the Secretary of State will be required unless a General Consent is applicable.

**Legal Implications reviewed by: Monitoring Officer**

## 11 Equality and Safeguarding Implications

- 11.1 Any proposal for development will be subject to a full equalities impact assessment.
- 11.2 Needs of all current and future users will be considered in the design of all ADP activities.

## 12 Community Safety Implications

- 12.1 Consideration will be given to community safety implications in the design of all ADP activities.

## 13 Environmental and Climate Change Implications

- 13.1 Improving energy performance of the assets included in the ADP will be a key design consideration. Sustainable travel plans will be considered for occupiers of all Council buildings where relevant.

## 14 Other Implications (where significant)

- 14.1 One post will be deleted from the approved establishment however the post is currently vacant therefore there are not known redundancy implications as a result of this report.
- 14.2 The job evaluation process will need to take place to determine the banding and salaries for the roles being created to ensure fair and equitable pay. All other internal HR processes will be followed to recruit and employ into the new posts.

## 15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Non-compliance to grant funding conditions	Low	Critical	Medium Risk
2	Lack of shared understanding of purpose and benefits among stakeholders	Significant	Critical	Medium Risk

3	Timescales are not met and objectives are not achieved	Low	Marginal	Low Risk
4	Lessee resistance to co-location and new premises	Low	Critical	Medium Risk
5	Business cases can't be achieved through current funding	Significant	Critical	Medium Risk
6	The project does not progress to disposal or refurbishment of assets does not proceed leading to design work having to be written to revenue	Significant	Marginal	Medium Risk
7	At the end of the 2 years the council incurs exit costs for which there is no budget	High	Marginal	Medium Risk
8	Increasing the base budget mid year could lead to savings having to be made from other service areas when the 2023/24 budget is set in order for this to be balanced	High	Critical	High Risk
9	The salary costs could rise as the forecasts are estimated and subject to the conclusion of job evaluation process	Low	Marginal	Low Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High		7	8	
	4 Significant		6	2,5	
	3 Low		3,9	1,4	
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	Regular engagement will be maintained throughout the project with the funders to ensure compliance to funding conditions.
2	Stakeholders will be kept informed and engaged through a managed communication and engagement plan
3	Project management and governance are in place in accordance with eh Council's project management toolkit

4	Any movement of the lessee will be in accordance with the current contractual arrangements. Initial dialogue with all occupiers has already been established to assess any blockages.
5	Alternative funding sources will be explored including the one identified in para 5.6 and investment from private sector will be sought to improve viability.
6	The project will be prioritised as it is critical to the delivery of the council's development aspirations and future financial sustainability.
7	Look to mitigate the cost as the work draws to a conclusion through redeployment opportunities and savings elsewhere in other budgets
8	Savings from other lower priority areas will be considered should the budget for 2023/24 not be balanced
9	Salary forecasts are based on similar families of jobs within the Council and in proportion to the current recruitment market.

## 16 Background Papers

### 16.1 Cabinet report - December 2020

<https://democracy.melton.gov.uk/documents/s10535/Item%209%20-%20Business%20Rates%20Pool%20Funding%20Update%20-%20Asset%20Development%20Programme%20FINAL.pdf>

### 16.2 Cabinet report – April 2020

<https://democracy.melton.gov.uk/documents/s9197/Item%207-%20Acceptance%20of%20Business%20Rate%20Pool%20Grant%20Funds.pdf>

## 17 Appendices

### 17.1 Appendix A – Plan for Phase A disposal for North Cattle Market

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