



Strategic Property Review

SRBC Scrutiny Committee Briefing

19 April 2016



Introduction

Agenda

Asset Review Overview

1. Scope
2. Approach
3. Early findings

Neal Riley MRICS

Associate Director

Public Sector Advisory

Manchester office



Scope

Context and Objectives

1. Purpose of a Strategic Asset Review

2. Context

- LA funding pressures
- Public sector collaboration
- Links to City Deal
- Need for independent view and market advice

3. Expected Outcomes

- Whether the Council's estate is fit for purpose
- Future use and management of the estate
- The potential for investment and expansion
- Guidance on values, costs and future maintenance liabilities

4. Phasing

Scope

Properties in focus



Civic Centre, Leyland



Moss Side Depot



Worden Park



Other operational incl. leisure



Commercial portfolio



Leyland Market Hall

Civic Centre, Leyland

Overview

- SRBC's main back office accommodation, plus public facing and civic areas
- Current Utilisation efficiency: **14.3 sq m per person**
- **Future space need** is primarily a function of:
 - Staff numbers
 - Ways of working
 - Corporate space standards
 - Specialist provision
- Potentially require c **40%** less space

Government target:
Average utilisation of **8 sq m per FTE** by
March 2018



Civic Centre, Leyland

Approach & Options

- 1. Base Case
- 2. Retain and Optimise
- 3. Retain and Reconfigure
- 4. Exit and lease
- 5. Exit and new build



**Best overall Value
for Money solution**

... including partner engagement



Moss Side Depot

Overview



- Assessment of the extent to which the asset supports the Council's operations
 - Location
 - Utilisation
 - Cost
 - Condition
 - Potential to create value and/or efficiencies
- Strategic case for change?

Worden Park

Overview



1. Review of existing

- Current income and running costs
- Constraints - Heritage/Listed status
- Sensitivity to other on-site occupiers and public amenity
- Vacant main building represents an ongoing liability

2. Assessment of current condition

3. Market advice on possible alternative uses of main building

1. Option 1 - Convert the wing back to its original use (residential)
2. Option 2 - Small scale creative scheme
3. Option 3 - Wedding Venue
4. Option 4 - Hotel
5. Option 5 - Restaurant

4. Advice on best way forward

Commercial portfolio

Headlines - in scope

92
assets

134,000
sq ft space

£5.7m*
capital value

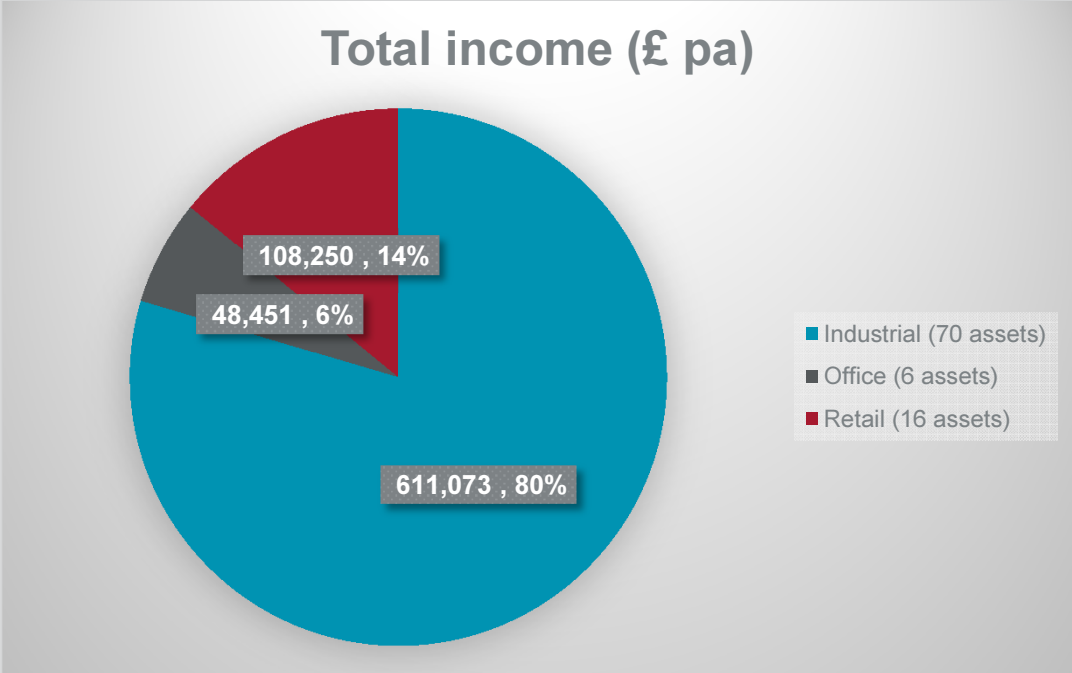
£770,000
pa income

11.6%
average gross yield

6
locations

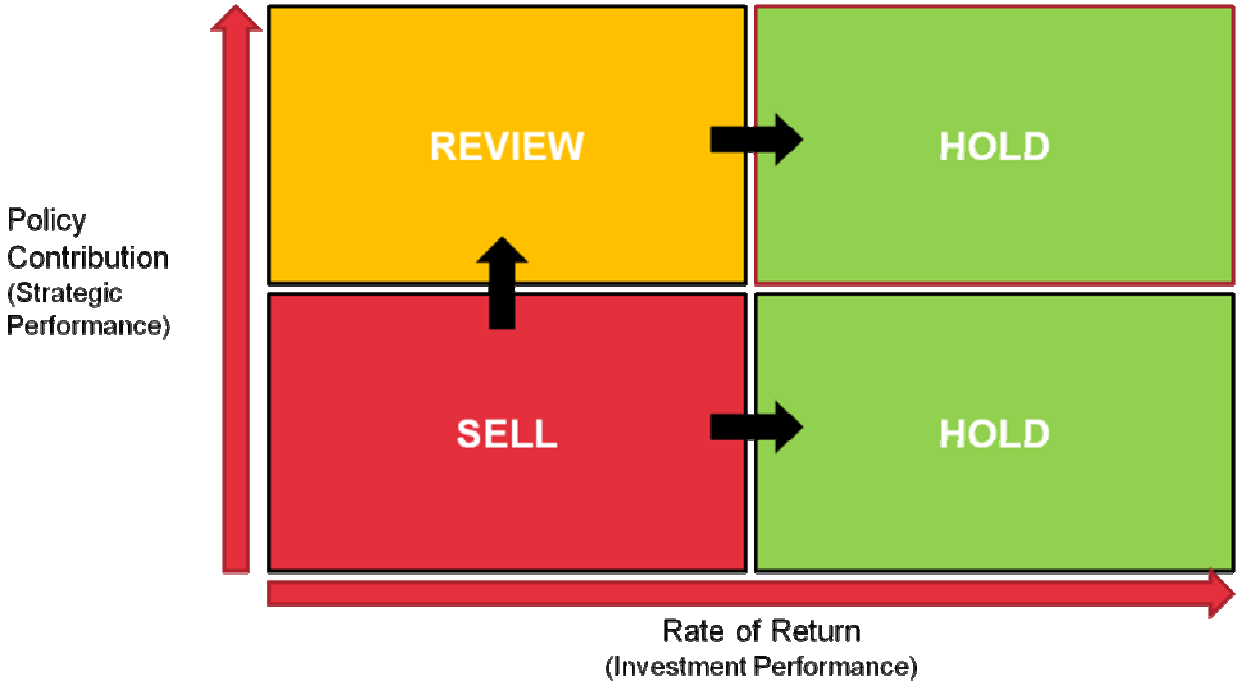
Commercial portfolio

Breakdown



Commercial portfolio

Strategic Framework



Commercial portfolio

Key Performance Indicators

KPI 1 - Strategic Performance

- An asset's role in meeting wider strategic, economic, environmental or social objectives
- Legacy estate
- Focus on financial performance as key driver for future management

KPI 2 - Vacancy Rate

- Measure of total non-occupied floor space as % of total available
- Overall vacant rate = **4%**

KPI 3 - Gross Initial Yield

- A measure of the current income return from the property, ignoring ongoing management costs
- 10.5 to 12.5% range and average **11.6%**.

KPI 4 - Income risk

- WAULT is a metric often used by investors to measure the risk of a multi-tenanted property going vacant
- Average WAULT across all locations is **2.11 years**



Commercial portfolio

Other considerations



- Condition
- Rent arrears
- Market - occupier and investment
- Lease events
- Future investment strategy
- Risk management
- Delivery routes
- Financial implications

Leyland Market

Overview



- **Small but successful** market hall in Leyland town centre:
 - Diverse offer
 - 36 stalls
 - 100% occupancy
 - £140k pa income
- Focus on **maximising income** and potential to **expand provision**
- **Research**
 - The competition
 - 25 other markets
 - Consultation with internal experts
- **Themes** - what works well and what doesn't
- **Future options and initiatives**
- **Key risks**



Strategic Property Review

SRBC Scrutiny Committee Briefing

19 April 2016



Neal Riley MRICS

Associate Director

UK Consulting

T: 0161 235 8991

M: 07876 138 793

E: neal.riley@cushwake.com

A: No.1 Marsden Street, Manchester, M2 1HW