



**Property Performance Report
2017 -2018**

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Introduction

Gateshead's sustainable community strategy, Vision 2030, aimed to improve the wellbeing and equality of opportunity for the people of Gateshead, enabling them to realise their full potential and enjoy the best quality of life.

Whilst the Council Plan adopted in 2015 had proved to be a valuable document in driving forward the delivery of Vision 2030, it was acknowledged that in a time of even greater austerity, and where more was demanded from the Council in terms of service need, the Council needed to develop a new strategy.

After major reflection and consultation, a new approach was developed and launched in 2018 which is underpinned by the principle that Gateshead should be '**a place where everyone thrives**'.

The Council has developed five pledges to help and guide it in making future decisions:

- Put people and families at the heart of everything we do
- Tackle inequality so people have a fair chance
- Support our communities to support themselves and each other
- Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
- Work together and fight for a better future for Gateshead

The new Thrive agenda is supported by a number of corporate and service strategies developed to ensure resources are aligned to meet the Council's priorities. These include:

- The Medium Term Financial Strategy 2018/19 – 2022/23
- Gateshead Economic Growth Acceleration Plan 2014 – 2018
- Core Strategy and Urban Core Plan for Gateshead and Newcastle upon Tyne 2010 - 2030
- Housing Strategy 2019– 2030 (currently in draft and subject to consultation)
- Housing Revenue Account Business Plan 2013 - 2043
- Culture Strategy 2014 – 2017 (to be refreshed)
- Workforce Strategy 2015 – 2020
- Corporate Asset Strategy and Management Plan 2015 - 2020

It is imperative that, with the current budgetary constraints on local government, the Council is confident all the resources at its disposal are deployed as efficiently and effectively as possible.

The Corporate Asset Strategy and Management Plan provides the framework within which the Council can ensure that its property assets are fully utilised in terms of:

- Operating as efficiently as possible in terms of outgoings
- Generation of sustainable income

- Support of service delivery

This report provides an overview of how the Council's portfolio is performing against these three criteria.

Property Performance

Benchmarking is a way of demonstrating how the property portfolio is performing in relation to other, preferably similarly constituted, authorities; it provides a snapshot of performance and compares information to identify areas of improvement and best practice.

Benchmarking has, in the past, been undertaken on a national basis using key, nationally recognised indicators. However, over the last few years, due to budgetary pressures, the opportunity to benchmark with other directly comparable authorities has effectively ceased, as they have withdrawn from the various benchmarking groups, including those administered by national bodies (e.g. CIPFA).

As a result of the lack of national data the Council will continue to rely on its own data and consider its year-on-year performance in areas such as energy consumption, water use and CO₂ emissions.

The Council is a member of the regional One Public Estate initiative. The Partnership was established to identify the potential for shared services and/or shared use of properties and the subsequent release of properties and land for residential and economic development. As well as the potential for capital receipts, any reduction in the number of operational buildings will also give rise to revenue savings due to the reduction in running costs and releases sites/buildings for economic and housing development.

The partnership is currently trying to determine what impact, if any, the North of Tyne devolution proposals are likely to have on the operation of the Partnership.

Whilst there was some improvement nationally during 2017-2018 in the overall economic position, Brexit and events internationally have meant that the economy is not as buoyant as it might otherwise have been. Central government has during 2017-2018 continued with its austerity measures as a result of which local government, particularly in the North East, has not benefited from an upturn in the economy and has therefore been particularly badly affected by funding from central government continuing to reduce year on year. As such, councils continue to function in an environment of decreasing budgets and, as a result of the austerity, increasing pressure on resources, particularly in the areas of children and adult services. Local authorities therefore have had to continue to deliver more with less.

In this context it is important that asset management makes a significant contribution to future strategies. Along with all of the other corporate resources, good management of property assets is even more important in this critical period for public services.

Executive Summary

The Council continues to take a proactive approach to the management of its property portfolio:

- investing in its fabric to ensure its properties are fit for purpose;
- identifying and implementing energy efficiency initiatives;
- ensuring that it is used efficiently and effectively; and
- driving value out of its tenanted non-residential portfolio.

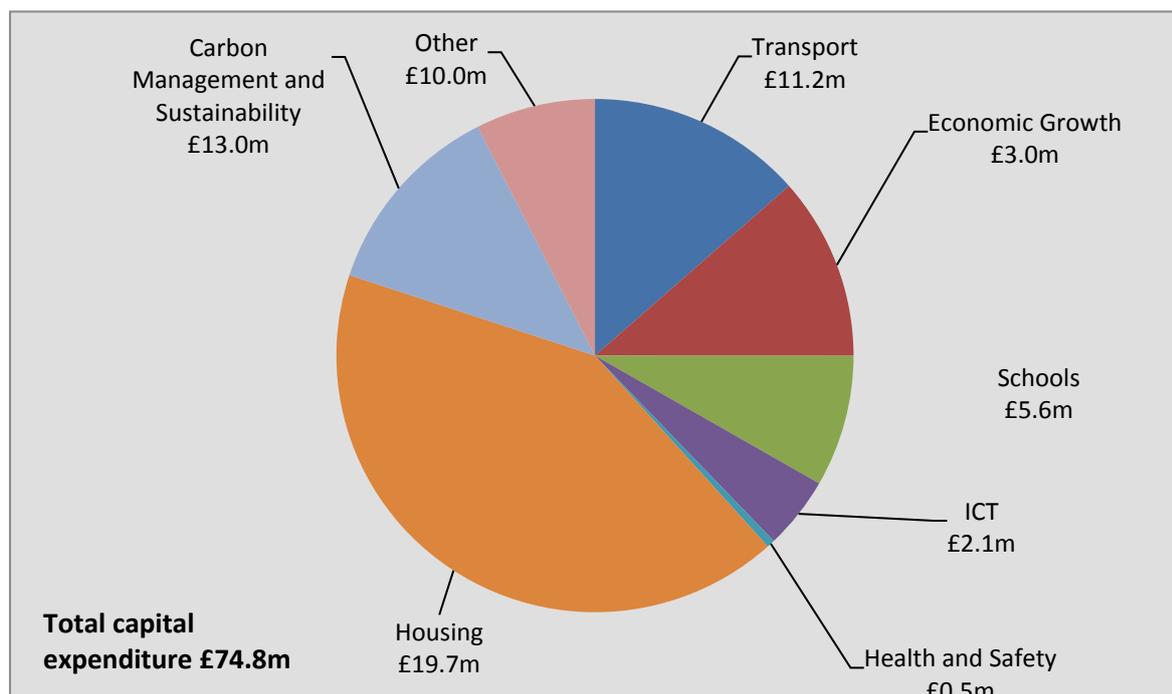
The benefits of which can be seen as follows:

- investing in its fabric to ensure its properties are fit for purpose:
 - the majority of its operational portfolio falling within condition category A and B with a slight increase in 2017/18 in those properties within category A (definitions in paragraph 2.2.1); and
 - Currently 60% of the Council's operational portfolio is considered to be performing well and operating efficiently and supports the delivery of the service and is considered suitable for use now and in the future, whilst 31% of buildings are considered to be performing well but with minor issues. These figures reflect a change since the last suitability survey was undertaken in 2013 when 80% of the portfolio was considered to be performing well and operating efficiently and supporting the delivery of services. Whilst there has been a reduction in the overall satisfaction in the suitability of the property to support service delivery the buildings generally support the delivery of services and would be considered suitable. There is room for improvement in certain areas and the issues highlighted will be reviewed and action taken where it is considered appropriate.
- identifying and implementing energy efficiency initiatives:
 - year on year improvement in terms of electricity usage;
 - in 2017/18 gas usage increased compared to the previous year but this was a reflection of the extreme winter weather as a result of the 'Beast from the East'; and
 - a further reduction in carbon emissions.
- ensuring that it is used efficiently and effectively:
 - co-location of services within buildings officers from Northumbria Police are now co-located with a number of Council services in the civic centre e.g. Children and Families and Trading Standards;
 - reduction in the overall portfolio and therefore building related costs e.g. the release of the bottom depot at Saltwell Park to facilitate the development of Regent Funeral Services and the transfer of the properties used by the Behavioural Support Service to River Tees Multi-academy Trust; and
 - 80% of council buildings now meet the Disability Equality strand of the Equality Act standards (local Indicator 7a)
- driving value out of the tenanted non-residential portfolio:

- reduction in the number of void properties from 12 to 4 within the industrial portfolio and from 8 to 5 in the retail portfolio;
- sustained rental income with an increase in the net income by £117,913; and
- reduction in the number of properties on the surplus property register to 5, thus reducing holding costs

Context

1. Gateshead Council takes a strategic approach to investment in its land, buildings and infrastructure to ensure that it secures the best value from the resources available. The total value of its property assets at March 2018 was approximately £412m (excluding housing stock). The 2017/18 Capital Programme invested a total of £74.8m in capital schemes, £68m being invested directly in the Council's assets of which £18m related to property assets, primarily funded by prudential borrowing.
2. The chart below illustrates how the total Capital Programme was spent across the Council's Services:



3. The Council's vision is for an effective, appropriate land and property asset portfolio supporting the Thrive agenda: Making Gateshead a Place where Everyone Thrives. It is for property that is appropriate for service delivery, fit for purpose, sustainable, provided through a regular systematic challenge of the assets, and delivered through high-quality, flexible asset management.
4. Our Six Key Property Objectives that support this were set out in the CASMP 2012 – 2015 and were reconfirmed in the CASMP 2015 - 2020. They are:
 - **A strategic approach to management of our assets and involving our partners;**
 - **Justification of holding assets based on business need;**
 - **Continuous improvement of the sustainability of our assets;**
 - **Using our property assets to encourage community development;**

- **Using our property assets for economic development and regeneration purposes; and**
 - **To provide properties that are fit for purpose.**
5. Whilst this provides the framework for assessing our assets, it is also important to understand property performance and develop improvement strategies. The efficiency of the property portfolio is reported in Part 2 of this report. Unfortunately, as previously indicated, the Council has been unable to include returns against national performance indicators and comparison with other local authorities. As such the focus of the report must be on the Council's own year on year performance.

Gp2

6. The Council has continued to make progress in developing the corporate property data base: Gp2. The data base holds information on the Council's property portfolios and is bringing together the existing, disparate asset management data sources into a single co-ordinated system, which is also capable of synchronising with other corporate data systems. Gp2 has been methodically tailored for the specific needs of various users and new modules developed by the Corporate Asset Strategy Team to be suitable for the Council's use.
7. The Council's operational buildings, surplus properties and development sites are aligned with the compulsory key attributes specified within the government's transparency agenda regulations. In addition, property data has been added to ePims, the government's property data base, enabling the local authorities involved in the One Public Estate access to property information, to help identify potential opportunities for shared services/shared use of buildings. As the ePims system develops, additional data will need to be uploaded to the system.
8. Gp2 now supports Property Services in being the main source of data relating to the non-operational property management records, and there is now a rolling programme in place whereby records relating to low value assets such as allotments are uploaded on to the system. The Business Centre team has also been approached to add their property management records.
9. The surplus declaration procedure is monitored using the List facility on Gp2 and all energy meter numbers have been added, which has helped streamline systems for surplus buildings and disposals assisting to identify savings. The List facility on Gp2 is also used by the Environmental, Housing and Planning function in Development Transport and Public Protection to help monitor performance in relation to housing growth, and co-ordinate a release programme for the Council's land.
10. The upload of the schools' asbestos data is now 87% complete, and the information is being actively used, with over 70% of the uploaded properties having been re-inspected and updated. A system improvement to Gp2 now

enables survey data to be uploaded directly to Gp2 on site, using an App, which will make the process of data input more efficient.

11. Up to date condition surveys are now available for 65% of the operational portfolio and reports created by Gp2 help with budget setting and the work programme for Strategic Maintenance. Using the App to upload condition survey data on site is also to be explored.
12. The Planned Programme Module is being used by Facilities Management to monitor the compliance testing of their portfolio. The module has also been set up to run the inspection programmes for Display Energy Certificates (DEC), Condition Surveys, Asbestos Risk Assessments and Water Hygiene Risk Assessments. As a result of adding the Buildings Insurance revaluation programme to Gp2 this year, Corporate Finance has been able to identify a saving of £290,000.
13. The alignment of the finance asset register and records on Gp2, which addresses the issue of multiple names/entries for the same property, is being tested while the rolling programme for Asset Revaluation is being set up on the system.
14. The Help Desk and Orders module is in regular use by Facilities Management to monitor the reactive maintenance of their portfolio and by Street Scene for one off jobs. The Helpdesk module is also used by Schools for reporting repairs and there is a link to Gp2 on the Schools' Portal, so that Schools can directly access information relating to their net capacity data, condition survey data and some statutory compliance reports.
15. Following the transfer of Construction Services to The Gateshead Housing Company, Facilities Management took over responsibility for cyclical maintenance and the suitability of using the Planned Programme and Orders modules to run the Cyclical Maintenance programme for all buildings is to be explored.

PART 1: Key Achievements.

1.1 Property Projects Completed between April 2017 and March 2018

- 1.1.1. With completion of the major works to the Civic Centre, as part of the Workspace Strategy in 2015/2016, attention is now focussed on the remaining areas on the ground floor and the public spaces and reception areas.
- 1.1.2. The Registrars area including the facilities available for wedding ceremonies was upgraded in 2017/2018 and the next phase to be refurbished will be the areas occupied by Cemeteries and Crematories, IT Business Support and Occupational Health and Health & Safety. It is anticipated that this work will be completed during 2018-2019. Officers are also looking at how the public spaces might be improved to provide enhanced facilities for both visitors and staff in terms of reception and meeting facilities. Options will be developed for consultation.
- 1.1.3. As a result of changes in service delivery, improved communications technology, and reduction in the workforce, the utilisation of desk space is continually under review.
- 1.1.4. This ongoing review has highlighted the opportunity for the Council to develop the Civic Centre as public sector hub whereby vacant office accommodation can be offered to other public sector/partner organisations. This proposal will enable the Council to secure an income, reduce its running costs for the building, and provide the opportunity for enhanced service delivery through partnership/cross-organisation working.
- 1.1.5. The Council has been supported with the Civic Centre project through the One Public Estate which has provided revenue funding which has enabled the Council to secure additional resource to bring pace to the project.
- 1.1.6. During 2017/2018 the school estate across Gateshead saw further capital investment with a range of works implemented across a number of school sites.
- 1.1.7. The Council will continue to promote energy saving measures across its portfolio when an opportunity arises both through its own resources and SALIX and SEELS finance.
- 1.1.8. Gateshead Energy Centre is now complete, and providing a private wire network to 10 sites including the Leisure Centre Cluster, and the heat supply to 4 commercial customers, with the final touches being added to the Leisure Centre Cluster and around 400 residential properties
- 1.1.9. The Council £2.5m, 3MW, battery storage unit installation at Park Road Depot is now operational, with a number of options open to support the

private electricity network and generate additional income by providing flexibility services to the National Grid.

1.1.10 The HEIGHTS tower block programme is well under way. Regent Court had some tenants supplied by the DHS before the end of March and the entire block will be completed around November 2018. Barford and Stretford Courts, Ripley and Willoughby Courts and Bedale and Acomb Courts are all well under way, with the construction of brand new plant rooms to service the combination of CHP and Ground Source Heat pump technology. The project has secured £4.5m of European Regional Development Funding to support delivery.

1.1.11 All of the above mentioned schemes contribute towards improving the opportunity to access good quality and efficient service provision, a key element of Making Gateshead a Place where Everyone Thrives.

1.2 Assets of Community Value

1.2.1 The Localism Act 2011 provides that the community have the opportunity to have listed and to bid for properties of 'community value'. A report was approved by Cabinet on the 18th December 2012 which set out a protocol for dealing with applications received from groups and associations arising from the legislation.

1.2.2 As there were no new applications received in 2017/ 2018, the list of Assets of Community Value therefore remains at five which are:

- Trinity Church, Gateshead
- The former Lambton Arms, Eighton Banks
- Swinburne Street Offices, Gateshead
- The Black Bull, Blaydon
- The Sun Inn, Swalwell

1.3 Community Asset Transfer

1.3.1 The Council has adopted a very pro-active approach to working with local communities and associations supporting the idea of community asset transfer. In September 2012 Cabinet approved a revised Community Asset Transfer Policy which addressed a number of issues that had been highlighted through the implementation of the earlier policy which had been agreed in 2009.

1.3.2 To date, 22 former community centres have been transferred to Charitable Incorporated Organisations or Sports Clubs with The Winlaton Centre and Emma Memorial Hall being completed in 2017/18. There is now only one community centre remaining to be transferred (Barley Mow) and discussions are progressing with the community group the outcome of which will be reported in next year's performance report.

PART 2: An Efficient Property Portfolio

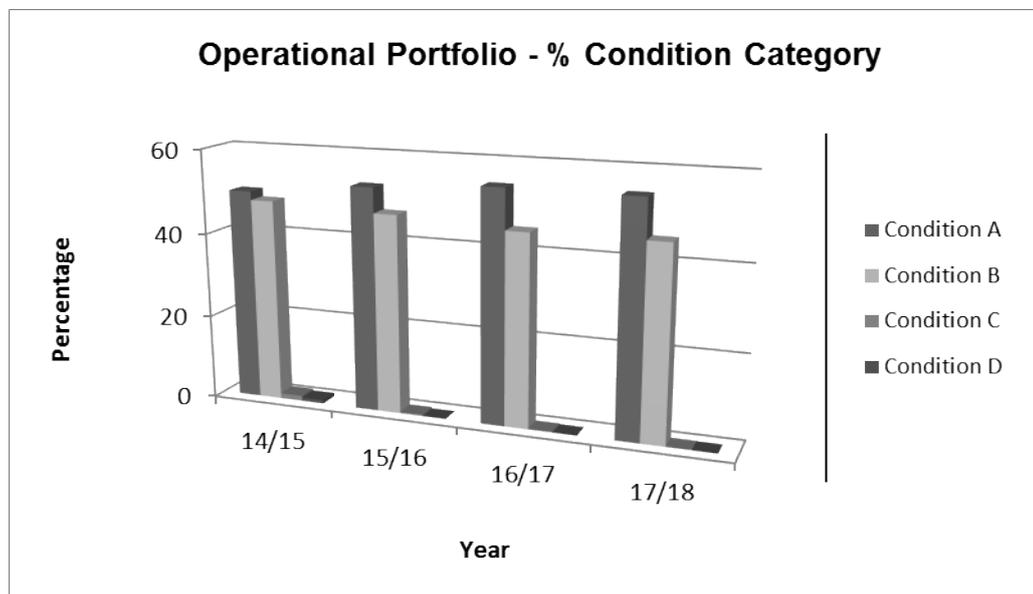
2.1 Objectives

2.1.1 The Council is committed to developing a more effective and efficient property portfolio that is 'fit for purpose'. This will not only reduce the cost of running the property portfolio, but will help to contribute to the delivery of the Thrive agenda. In particular it is:

- Creating and sustaining quality places to work, by addressing issues around condition and maintenance of buildings, by disposing of buildings that are no longer suitable for use and investing in sustainable, well designed, multi-use buildings.
- Promoting wellbeing, health and independence, by making physical improvements to buildings, providing facilities that are easier to access and offering alternative ways of accessing services.
- Managing the environment by implementing measures to improve the energy efficiency of our existing property and, where possible ensuring new buildings use technologies that reduce environmental impact.

2.2. Condition and Required Maintenance

2.2.1 Percentage of Gross Internal Floor-Space in Condition Categories A – D (excluding housing):



Definition of condition categories:

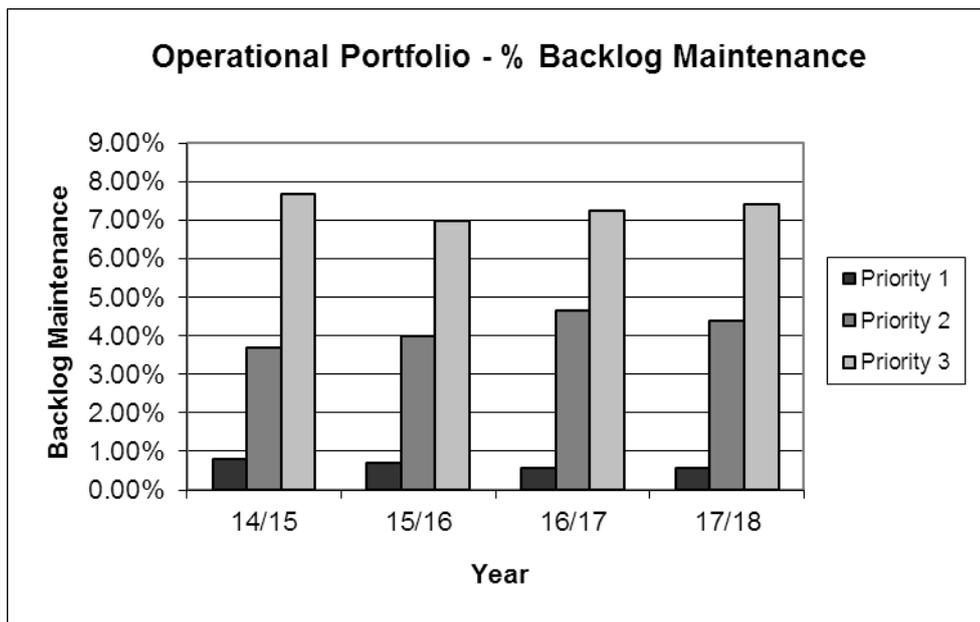
- A: Good – Performing as intended and operating efficiently.
- B: Satisfactory – Performing as intended but showing minor deterioration.
- C: Poor – Showing major defects and/or not operating as intended.
- D: Bad – Life expired and/or serious risk of imminent failure.

Performance

Despite the pressure on budgets, the Council has continued to allocate funds, albeit on a reduced basis, to maintain its operational portfolio to ensure it continues to be fit for purpose. This is reflected in the above figures. There are currently four buildings in category D: Ryton Cemetery Chapel, Garden House Cemetery Chapel and Derwent Park Wooden Pavilion and Saltwell Cemetery Garage, none of which are currently being used for service delivery. The future options for the chapels are now being considered, including change of use with the potential to dispose of the buildings to secure a capital receipt.

There will continue to be fluctuations in the percentage of buildings in categories A and B with the ongoing updating of the building condition surveys, and whilst the Council continues to move from a number of disparate property information systems across the Council into the corporate data base system Gp2.

2.2.2. Percentage of Backlog- Maintenance in Priority Levels 1 – 3 (excluding housing)



Definition of priority levels:

- 1. Urgent** - works that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of the occupants and/or remedy a serious breach of legislation.
- 2. Essential** - work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health and safety of the occupants and/or remedy a minor breach of legislation.
- 3. Desirable** - work required within 3 to 5 years that will prevent deterioration of the fabric or services and /or address a low risk to the health and safety of the occupants and/or a minor breach of legislation.

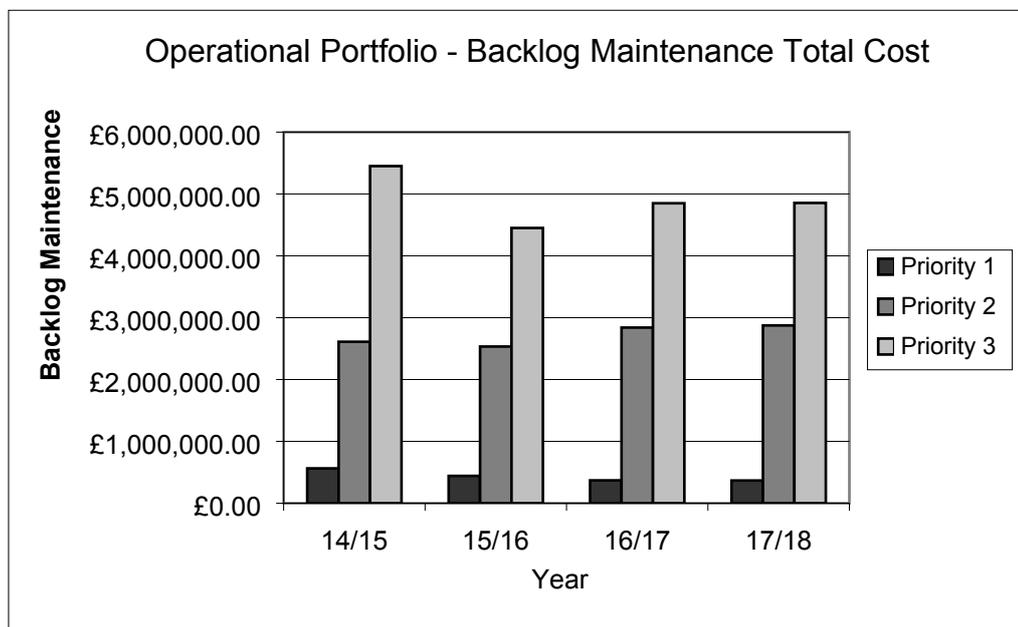
Performance

During 2017/18 the Council continued to target Priority 1 work as a result there are now fewer buildings requiring urgent works. The Council will continue to target such works in the coming year.

The percentage reduction for Priority 1 work is also assisted by the disposal of poorer quality buildings.

The back log maintenance required to the remainder of the operational portfolio does not need to be undertaken within the periods specified in the Priorities 1 – 3.

2.2.3 Total Cost of Required Maintenance



Performance

The cost of backlog maintenance in priorities 1-3 has increased slightly during 2017/2018, rising from £8,059,413 in 2016/17 to £8,096,605 in 2017/2018.

This increase arises in part due to more accurate data and also from additional properties being the subject of condition surveys. It is only now that full condition surveys have been undertaken for the parks which has highlighted that works are required to paths, gates and boundaries.

As mentioned earlier in the report, 65% of the condition surveys have been completed and as the outstanding 45% are completed it is likely that additional works will be highlighted

The Council will continue the process of targeting spend and rationalising the operational portfolio.

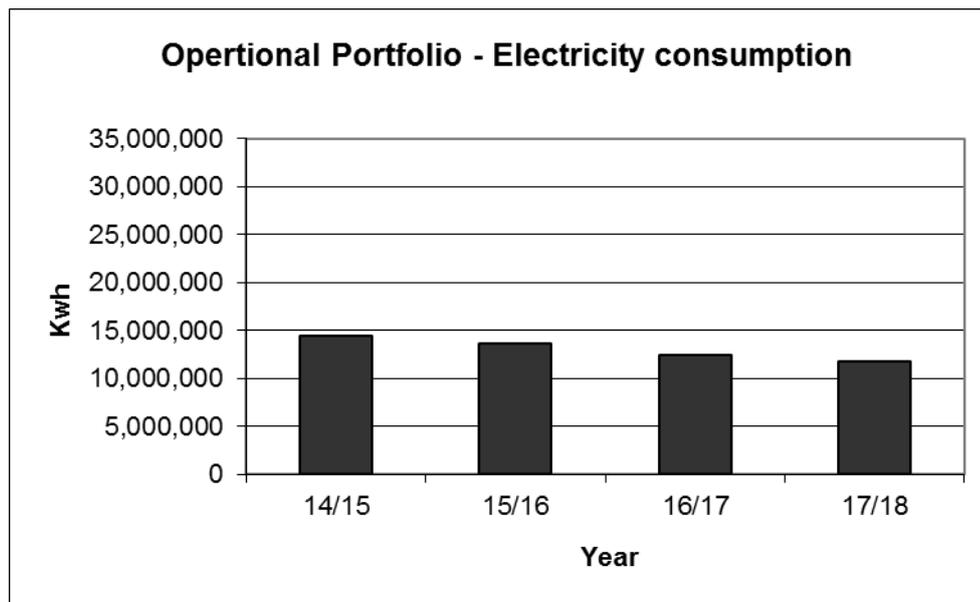
Overall performance

By adopting a proactive approach to strategic maintenance, the Council is ensuring that its properties continue to be fit for purpose. In addition, by undertaking repairs and maintenance works in a timely manner costs can be minimised.

2.3. Environmental Property Issues

2.3.1 The figures used to produce the annual comparison are taken straight from the Council's Energy Management data base. They are imported into the data base straight from supplier EDI (electronic billing) files. The bills are almost completely supported by smart meter readings to ensure accuracy, with only a handful of hard to reach or out of signal supplies supported by manual readings.

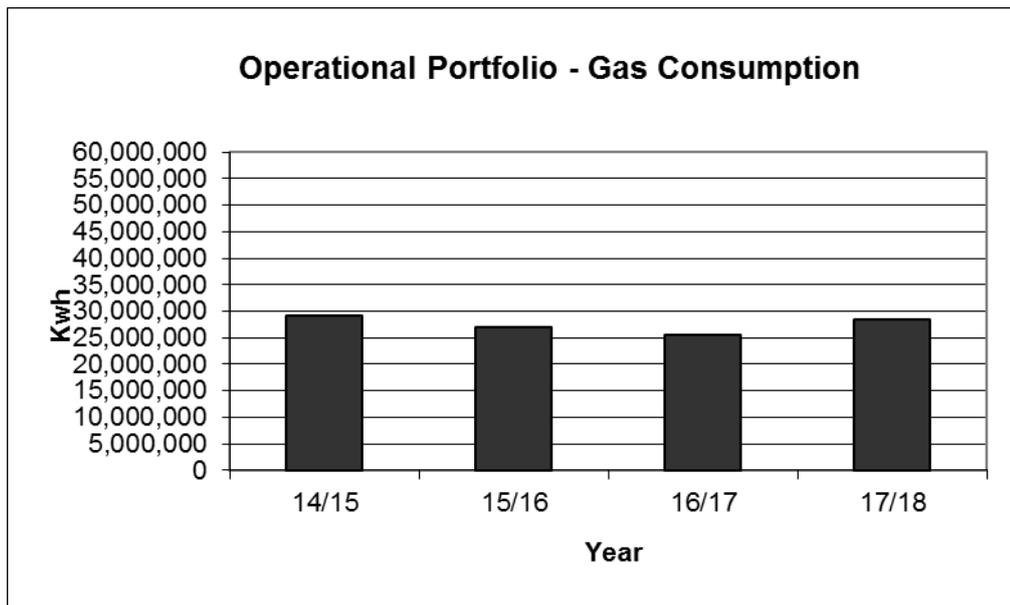
Electricity Consumption



2.3.2 Electricity consumption continues to fall and is down another 3.5% on 2016/17 figures and now by 27% since 2010/11. Consumption reductions in 2017/18 are again aided by the comprehensive solar programme across the borough, which has generated almost 1.7m kWh of electricity this year. The Civic Centre is now also supplied by the private wire network of Gateshead Energy Company, so whilst this will not affect consumption there will be a further cost saving.

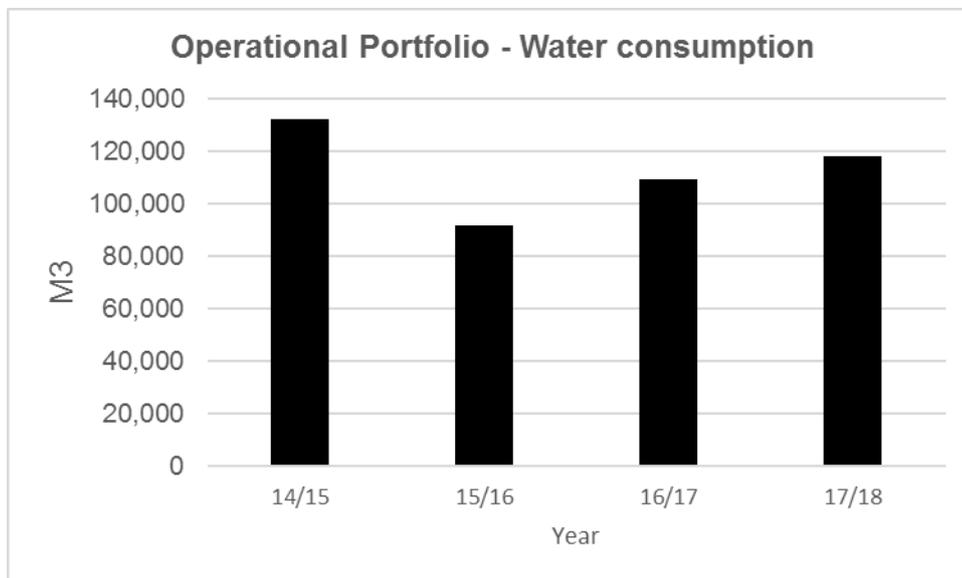
Ongoing investment in other energy saving measures to lighting, pumps and motors, is also reflected in this figure.

Gas Consumption



2.3.3 2017/18 saw gas consumption increase due to the severe winter, and the effect of the Beast from the East, but when weather corrected a further drop of 0.7% had been achieved. The continuing improvements will again be boosted in 17/18 following the migration to the district heating scheme of a number of large council sites.

Water Consumption



2.3.4 Water consumption has increased by around 8.27%. The Council changed suppliers for water, following deregulation of the water market in April 2017 and the new supplier has encountered problems in past and current metering, billing and charging processes which has led to some accounts being charged more in 2017/18 to make up for undercharging in 2016/17. This is now largely resolved and from 2018/19 it will be possible

to determine how actual water consumption has performed and where efficiencies can be made.

Carbon Emissions

2.3.5 In 2009 the Council committed to reducing its carbon emissions by 35%, with a revised deadline of 2016.

2.3.6 As at March 2017 that target has been achieved. The total actual and weather corrected carbon emissions for property and street lighting have decreased by a further 8% and now stand at 44% since 2007. This is due in part to the completion of the 5 year programme to retrofit all street lighting with efficient lanterns (either LED, or high efficiency dimmable lanterns). Street light energy consumption alone has reduced by over 65% since 2010/11 and further savings are still expected.

In addition to this, the expansion of the Gateshead Energy Company private wire network to the Civic Centre and the two depots at Shearlegs Road and Park Road has further reduced carbon emissions.

Tonnes of carbon dioxide emissions per year, from Council buildings and streetlights.

Carbon emissions Tonnes/yr.	2007/8	2016/17	2017/18	%change since 07/08 the baseline date
Actual	21,692	13,221	12,176	-44%
Weather corrected	22,184	13,685	12,061.	-44%

2.3.7 The Energy Service Team provides a full utilities management service, to council buildings, schools and academies as well as providing informal support and advice to community groups. The services include billing, metering carbon management and reporting and energy conservation work.

2.3.8 Using SALIX funding the Council has, during 2017/18, completed an additional £420,000 of energy efficiency projects in relation to the Council's property portfolio.

2.3.9 Key projects delivered in 2017/18 include:

- Major works at Gateshead International Stadium, replacing all lighting with LED, improved efficient sports hall heating, BMS optimisation, other minor energy efficiency measures.
- First phase replacement LED lighting and BMS/ventilation efficiency works at Leam Lane Multi-Purpose Building.
- Replacement of 'zebra crossing' lighting with LED equivalent.
- Replacement LED lighting in the director's car park together with occupancy controls i.e. previously on full-time.

- Replacement LED lighting at Shadon House together with BMS optimisation.

2.3.10 A full report on carbon reduction targets will be provided to the Communities and Place OSC as part of its 2017/18 programme.

2.4. Suitability

2.4.1 Suitability surveys are undertaken on a three yearly cycle the most recent being in 2017. The results are set out in the table below, providing a comparison to the results of the 2013 survey.

2.4.2 The users of the buildings completed an electronic survey, and their responses used to assess the property's suitability. The 2017 survey included some additional questions, regarding external and internal signage, and the occupants' opinion in relation to the property's condition and its suitability for service delivery.

Survey Year	Response level	No. of Buildings	Category A*	Category B*	Category C*	Category D*
2013	71%	134	83.08%	13.24%	3.68%	0%
2017	88%	127	59.8%	31.5%	6.3%	2.4%

2.4.3 There were an additional 35 returns in 2017 whilst no returns were submitted for 40 properties which had been reported on in the 2013 survey, of these; 28 have either been the subject of community asset transfers e.g. community centres, no longer used for direct service delivery and closed e.g. Tynedale PIC or where the service is being delivered by the voluntary sector e.g. volunteer run libraries.

2.4.4 Eight properties which were thought as Good in 2013 were considered to be Poor in 2017 (moving from category A to C). As at the last report covering the period 2016/17 of the 8 properties one had closed and 3 were the subject of a Community Asset Transfer or would be closed. One was subject to the review and three were to be assessed to determine why they are now considered poor. The three remaining properties were to be reviewed during 2017/2018.

2.4.5. Throughout 2017/18 officers have continued discussions in connection with the transfer of the three properties by way of Asset Transfer (Felling Park Bowling club being one such property). Officers have also monitored the facility which was considered to be no longer large enough to deliver the service. Of the three remaining properties which were considered poor one, which was a bowling pavilion, is no longer used; alternative

A: Good – performing well and operating efficiently. The building supports the delivery of the service and is considered suitable for use now and in the future.

B: Satisfactory - performing well but with minor issues. The building generally supports the delivery of the service and would be considered suitable. There is room for improvement in certain areas but the property is fundamentally suitable.

C: Poor – showing major problems and/ or not operating optimally. The building impedes the delivery of services and would not be considered suitable.

D: Bad – does not support the delivery of services at all. The building seriously impedes the delivery of services and would definitely not be considered suitable.

accommodation is being sought for another (Highfield Children's Centre). The third property is the Barley Mow Park Pavilion and officers in the Corporate Asset Strategy Team are working with the Service to determine what appropriate action is required.

- 2.4.6 There are 3 properties which fall into category D, 3 of which are the same properties which fall under category D on the condition category namely: Ryton Cemetery Chapel, Garden House Cemetery Chapel and the wooden pavilion in Derwent Park all of which are not used to support service delivery

2.5. Accessibility

- 2.5.1 The Council is committed to making its services accessible for all residents and visitors. As such it is taking the necessary steps to identify and remove barriers that may prevent people from using our services. It will ensure that where practicable and reasonable its operational buildings are accessible and compliant with equality
- 2.5.2 However, as a result of budgetary pressures the capital funding to progress the Equality Act Upgrade programme was removed in 2017/2018. Despite this removal of funding, the Council is still in a better position than many other local authorities due to the large amount of accessibility upgrade works provided to date.
- 2.5.3 The Council completed its programme of priority schemes during 2016/2017. In light of the removal of the designated Equality Act Upgrade funding, future focus will be to ensure that any new projects will continue to consider the Council's Equality Act obligations and a best practice approach to inclusive design and accessibility provision will need to be adopted.
- 2.5.4 80% of the Council's buildings now meet the Disability Equality strand of the Equality Act standards (Local Indicator 7a) which compared with 76% being compliant as at 2015/16.

PART 3: Generation of Income and Capital

3.1. Non-operational Property Portfolio

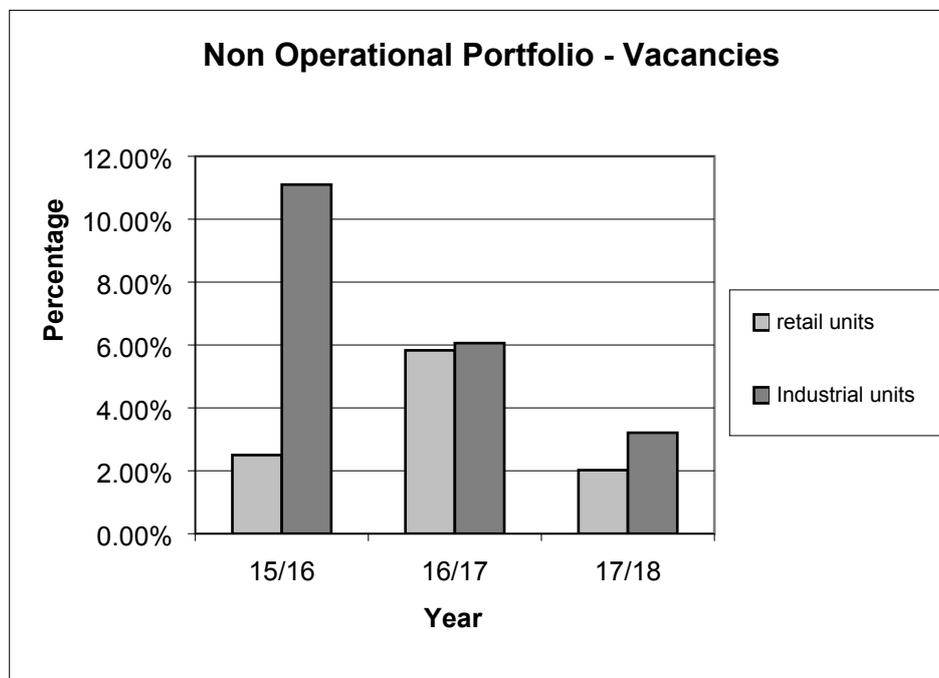
3.1.1 The Non-operational Property Portfolio includes 198 industrial units and 156 shops supplemented with allotments, grazing sites, garages and ground leases. The rent roll over the last 3 years was as follows:

- £3,174,408 in 2015/16
- £3,844,385 in 2016/17
- £3,998,490 in 2017/18

3.1.2 The cost of managing the portfolio at £1,697,938 (which covered maintenance and void costs such as rates and service charges and a sum of £260,509 to on the maintenance and security of the surplus property) was similar to 2016/2017 (£1,661,746) and as such the net income from the non-operational portfolio of £2,300,552 was slightly higher than in 2016/2017 (£2,182,639). This revenue income contributed to the Council's General Fund.

3.1.3 Between 2016/17 and 2017/18 the level of voids for industrial units has fallen from 12 to 4, whilst the level of retail units standing empty has decreased from 8 to 5

3.1.4 The trend over the three year period is shown on the table below:



3.1.7 There are no national indicators to benchmark across as this information does not necessarily demonstrate performance. It is more an indication of

the market conditions and what action the Council is taking to try and mitigate the situation.

3.1.8 Following a strategic review of the Council's non-operational portfolio, a suite of local property performance indicators has been agreed. The highlight for performance in 2017/18 is:

- Nett income from the TNRP was £2,300,552. A total of 26 new lettings, 15 lease renewals and 12 rent reviews were completed over the year.

3.1.9 During the course of 2017/18 discussions continued with Public Sector Plc (PSP), following the establishment of a Limited Liability Partnership between the Council and PSP: 'PSP Gateshead LLP'. The Partnership and Operational Boards have been established and are meeting on a regular basis to identify projects that can be taken forward by the Partnership. The Partners are progressing a transfer of the Council's Tenanted Non- Residential Property Portfolio, to drive property and asset management opportunities.

3.1.10 By way of background, PSP was developed in 1997, to develop relationships between the public and private sector founded on cultural exchange, trust and equality of relationship, rather than the traditional (sometimes adversarial) relationships based strictly on contract. PSP affords the additional opportunity for public sector staff from council workforces to supply resources to unlock this value.

3.1.11 The Company is a funding joint venture underwritten and supported by Cabot Square Capital. However, it is not a Local Asset Backed Vehicle and therefore not an outsourcing model where services are simply bought from and provided by the private sector. PSP prefer to label the approach as "insourcing" in that it works with a local authority, bringing finance, skills and resources, but also utilising, and enhancing if necessary, in-house resources in order to facilitate a project.

3.2. Surplus Land & Property Assets

3.2.1 The Council continues to strive to secure the disposal of surplus assets as quickly and efficiently as possible, as this helps to avoid vandalism or antisocial behaviour associated with vacant property, both of which can pose a risk and cause problems for local residents. It also reduces the holding costs and the amount of maintenance required to the property portfolio. Often early demolition is the most appropriate course of action.

3.2.2 As at March 2018 there were 5 properties, (Gateshead Old Town Hall, former Hookergate School, The Courtyard, Low Fell (former WING building) former Wrekenton multi-purpose building and former Dunston Hill School, valued at £3,580,000 on the Council's surplus property register. Although the economic outlook over the year, and subsequently property values, continued to improve, the ability for the Council to take

advantage of this improvement was limited with fewer opportunities to identify properties which were surplus to the Council's requirements, as a result of the rationalisation programme undertaken in previous years. Details of the capital receipts received over the last three years are as follows:

- 2015/16 - £1,363,436
- 2016/17 - £1,020,452
- 2017/18 - £1,704,708

The capital receipts are used to support the Council's Capital Programme.

- 3.2.3 However, off-setting this reduced opportunity to generate capital receipts from surplus buildings, there have been opportunities in relation to the Council's land holdings.
- 3.2.4 The Council sells land through a variety of channels: e.g. open market, through the Council's Joint Venture Vehicle, to its trading company vehicle (The Gateshead Trading Company). The options are considered at the Land Development Group which is a cross-Council group, with membership comprising officers from, amongst others, Economic Growth, Legal Services, Corporate Finance, Property & Corporate Asset Management, Development Transport and Public Protection.
- 3.2.5 A number of development sites have been included in the Council's Joint Venture Vehicle (JVV), whilst other sites will be brought to market as part of a planned approach to deliver the Housing Strategy and Economic Growth Acceleration Plan.
- 3.2.6 The Council's partner in the JV is Evolution Gateshead (a consortium of Galliford Try and Home Group) who was selected after a full OJEU Procurement process with financial close in April 2012. The JV is now known as The Gateshead Regeneration Partnership (GRP).
- 3.2.7 The Partnership is looking to regenerate 16 sites across the Borough, totalling 65 hectares. Redevelopment began with a bundle of three sites at Saltwell, Deckham and Birtley Northside.
- 3.2.8 The first three sites were transferred in January 2014 and this first bundle currently has planning approval for 309 homes (including 60 affordable homes). Progress is as follows:
- 16 affordable homes have been built and occupied in Deckham
 - Birtley Phase 1 comprising 47 units (of which 8 are shared ownership) is complete with all units now sold
 - Birtley Phase 2 which comprises 147 units (of which a further 8 are shared ownership) is underway, with the first homes on the upper plateau now occupied. The lower plateau will start in late summer

2018. 98 homes remain to be sold. The site will be completed in late 2020.

- The first phase in Saltwell comprises 99 new homes which will all be built out by October 2018. All 18 affordable rented properties are occupied, and seven of the ten shared ownership have been sold. Only 5 out of 71 private sale homes remain to be sold.
- The second bundle is made up of 52 homes on Kelvin Grove, the second phase in Saltwell; 39 homes at Whitehills Drive in Windy Nook; and 23 homes on the former Rowlands Gill Primary School.
- All three sites have full planning permission, and development will start in winter 2019.

3.2.9 The Partnership is currently considering which of the remaining sites will make up the third bundle. As soon as delivery of the three sites in the second bundle is confirmed, GRP will accelerate design and feasibility work on this next bundle.

Significant Land Disposals in 2017/18

- Former Marley Hill school
- Land at Derwent West Bank
- Land at Wrekenton Town Centre

Surplus Asset Declarations

The following are a few of the properties declared surplus to the Council's needs during 2017/18:

- 11 Gladstone Terrace
- 112/114 Kells Lane
- Garages at Garth Farm Road
- Bottom Depot at Saltwell park

Surplus Asset Demolitions

The following are a few of the properties demolished during 2017/18:

- Tower Court shops and maisonettes

Estate Regeneration Demolitions:

- Clasper Village Phase 3
- Residual Properties at Bleach Green
- Chandless Estate Sub-station

PART 4: Supporting Service Delivery

4.1. Office Accommodation

- 4.1.1 The Civic Centre is now the main office location for Council employees. In addition to which there are offices associated with the main depots at Park Road and Shearlegs Road and the training centre at the Dryden Centre.
- 4.1.2 The Corporate Asset Strategy Team continues to review the use of the Council's office accommodation as it is recognised that as a result of changes in service delivery, improved communications, technology, and reduction in the workforce, office needs change.
- 4.1.3 As a result of the changes the space required for Council purposes in the Civic Centre has substantially reduced. It was identified by the Corporate Asset Strategy Team that there was the potential for this vacant space to be used for the co-location of partner organisations to enhance service delivery and generate an income and reduce costs for the Council. It was therefore agreed that the Civic Centre be developed as a public sector hub. Work was undertaken to enable staff to be relocated to create a vacant accommodation to be offered to potential occupiers from across the public and voluntary sector. To date the Council has been successful in securing the occupation of Citizens Advice Bureau's new Trading Standards Advice Service. As at March 2018 discussions were ongoing with Harrogate and District Foundation Trust to take space within the building to deliver the 0-19 Service on behalf of Public Health. These discussions proved successful and the organisation occupied the space from summer 2018. A number of other partner organisations are viewing accommodation within the building which will hopefully lead to further lettings. A further update will be provided in the 2018/19 report.

4.2 Service Strategies

- 4.2.1 As the size of the operational portfolio has been reduced over the last few years, the opportunities to secure further rationalisation will reduce. However, officers in the Corporate Asset Strategy Team will continue to work with Services during the year to identify service specific buildings that are no longer needed as a result of consolidation
- 4.2.2 Service Directors have produced a business plan for the delivery of their Service which should include a section on accommodation need both now and anticipated as budget proposals are implemented and alternative delivery models progressed. By working with Service Directors in connection with their accommodation needs the Corporate Asset Strategy Team can ensure that best use is made of assets to enable running costs to be mitigated whilst ensuring that services are delivered effectively for clients and residents. During 2017/18 the following outcomes were achieved:

- Use of the Council's land to secure additional private and social housing. The Council's Trading Company, Beacon Living is developing the former Derwent House APU as Woodhouse Mews to provide 21 apartments and the former Lyndhurst Centre to provide 36 houses for sale and 6 affordable rent. Sites have been sold to the private sector including the former Ravenswood site and at Crawcrook;
- Working with registered social providers to secure further social housing across the borough an example being the sale of a site at Swanway to Home Group;
- Millway, the former Ravensworth Terrace Primary School building were transferred to the River Tees Multi-academy Trust to support the conversion of the Behavioural Support Service to Academy Status

4.2.3 With regard to the school estate, local authorities continue to have ownership and asset management of school buildings. Local authorities will also continue to manage capital allocations for maintained schools. As schools convert to academies, responsibility for managing their individual condition budgets move from local authorities to academy trusts.

4.2.4 For 2017/18 Gateshead received £1.5m of School Condition Allocation. This amount is indicative of the next two years allocations which will be updated annually to reflect schools converting to academy status. The School Condition Allocations take into account the information collected by the Government through the Property Data Survey programme about the condition of schools and includes a core condition funding component based on pupil numbers.

4.2.5 The funding was allocated to improve and maintain the condition of the school estate maintained by Gateshead, including rewires, boiler replacements, window replacements, roofing schemes etc.

4.2.6 Local authorities have responsibility for ensuring that every child has a school place including the duty to ensure that there are sufficient school, special school and alternative provision places to meet demand. The requirement to provide additional school places is called Basic Need. The Council will determine that there is Basic Need at a school if the forecast number on roll exceeds the top of the net capacity range and there are no suitable alternative places at schools within a reasonable distance.

4.2.7 The Department for Education allocates Basic Need funding each year to local authorities to ensure there are sufficient school places in areas of need. Local authorities are able to use this funding to expand existing schools, including maintained and non-maintained, academies and Free Schools in areas of need. In 2018/19 Gateshead have been allocated £10.9m of basic need funding. In 2017/18 a scheme and estimate was approved to create a new expanded school on a new site to replace the existing Gibside School.

4.2.8 In the second phase of the Priority School Building Programme Gateshead was successful in a bid to replace three demountable classrooms at

Winlaton West Lane Primary with a new build extension. Work will commence on the modular extension during Summer 2018.

4.2.9 As part of the successful Targeted Basic Need bid, in September 2017 Ravensworth Terrace Primary School opened as a 2FE (227 additional places) new build school off Mount Pleasant Road in Birtley.

4.2.10 Across the borough, the Council has considered the potential pupil impact associated with planned housing growth and proposed site allocation in the Core Strategy and Urban Core Plan for Newcastle and Gateshead. The Local Plan provides a strategy for delivering 11,000 new homes in Gateshead. Financial contributions from developers will cover the cost of additional school places where proposed development is likely to result in the generation of additional pupil numbers in excess of that which local schools can accommodate. In 2017, an additional 105 spaces were created at Emmaville Primary from Section 106 contributions to accommodate the housing growth in the Crawcrook area.

4.3 Area Reviews

4.3.1 Opportunities to work with other public sector organisations such as the Northumbria Police, NHS Property Services, the Clinical Commissioning Group (CCG) and individual doctors' practices are considered on an area/locality basis the outcome of which will be a more efficient use of the estate. The Council is currently working with two doctors' practices in the borough together with the Community Health Partnership and the Gateshead Health Trust to deliver two community health hubs which will incorporate a range of health and other public sector services.

PART 5: Future Actions

To ensure that the assets are used to support the Council Plan, officers will, throughout the coming year:

- Play an active role within the OPE Partnership to bring forward opportunities for shared services and property utilisation which supports the Council in rationalisation of its portfolio to support service delivery, generate revenue savings and potential capital receipts.
- Progress development of the Civic Centre as a public sector hub
- Progress the development of the corporate web-based asset management database (Gp2) which will ensure delivery of accurate up to date benchmarking data;
- Monitor the new suite of indicators for the performance of the non-operational portfolio;
- The Corporate Asset Strategy Team will continue to co-ordinate the Strategic Maintenance budget to ensure that spend is focussed on properties to be retained by the Council as set out in the Corporate Asset Strategy and Management Plan 2015-2020;
- Work with Services to enable the continued delivery of services within the areas and neighbourhoods within a reduced level of funding and a smaller portfolio through alternative models of service delivery and the more efficient use of the retained property;
- Identify future funding and implement schemes in relation to the energy saving measures and opportunities for income generation from PV;
- Identify development opportunities for both housing and commercial schemes to assist in driving forward the Council's housing and economic growth strategies.
- Continue to work with PSP to develop a range of projects for consideration by the Council.

Annex 1

Accessibility Indicators definitions:

National & Local Indicators

Local Indicator 007 has been reported since June 2009; soon after its introduction to replace National Indicator BV156 (Many Councils consider that the latter is not a robust indicator of performance)

Gateshead Council has developed a suite of Indicators around LI 007 which will enable performance monitoring across a number of asset types. This data has been passed to the Octopus Group and CIPFA for their consideration as a Benchmarking standard

The suite is as follows

Local Indicator 7 - Accessibility to Buildings and Open Spaces:

7a - The percentage of the authority's buildings open to the public in which all areas (open to the public) are suitable for and accessible for disabled people.

For this indicator the standard for accessible and suitable will be as defined in Approved Document M of the Building Regulations 2004.

7b - The percentage of the authority's schools which are suitable for and accessible for disabled people.

For this indicator the standard for accessible and suitable will be the "one star" standard as defined in the Accessibility Strategy (Education and Schools) 2006 - 2010

7c - The percentage of the authority's residential buildings with communal areas in which all public access areas are suitable for and accessible for disabled people

For this indicator the standard for accessible and suitable will be as defined in Approved Document M of the Building Regulations 2004.

7d - The percentage of the authority's open spaces that have had a disability access audit carried out.

For this indicator the standard for accessible and suitable will be as defined in British Telecom (BT) Countryside for All Standards and Guidelines (1997)