

9. NATIONAL PARK AUTHORITY PROPERTY PORTFOLIO (RG)

Purpose of the report

1. To update members on the overall direction of the property portfolio, the work of the Integrated Property Board (IPB), provide an update on recent progress against the Asset Management Review Action Plan and propose future reporting of overall financial performance.

Key issues

- The Authority received and accepted the findings of an Asset Review by DTZ/Smiths Gore at the 7 February 2014 Authority (minute ref 6/14). Since receiving the asset review the Integrated Property Board has been established to implement a medium term programme of work – progress against this is set out in paragraph 13.
- Since agreeing the Asset Review progress has been made against a number of the specific recommendations in the Asset Management Review Action Plan (agreed at the Audit, Resources and Performance Committee in May 2014) this report updates members on this progress in paragraphs 16 to 26.
- The Asset Management Review Action Plan is based on the aspiration for the whole estate (in the round but excluding Aldern House) to cover all direct and support costs by 2019.
- To establish a process of annually reporting the performance of the property portfolio to Audit Resources and Performance committee March each year.

Recommendations

2.
 1. **Receive the update on the overall progress of the work of the Integrated Property Board and the specific progress against implementing the Asset Management Review Action Plan.**
 2. **Ask for a report on the financial performance of the property portfolio for 2015-16 to be presented to Audit Resource and Performance Committee in March 2015, and annually thereafter.**
 3. **Make an amendment to the Asset Management Review Action Plan to add that the Authority may still acquire property but only as part of a rolling programme of acquisition and disposal to achieve its purposes and where there is a proven business case.**

How does this contribute to our policies and legal obligations?

3. The Authority has acquired a large and varied portfolio over several decades for reasons of conservation, recreational enjoyment and historic arrangements; through a combination of active acquisition and transfer of the Warslow Estate to the Authority in lieu of inheritance tax.
4. Owning a portfolio of property helps the Authority to deliver its purposes and duty and contributes specifically to the national park management plan (NPMP) outcomes, especially helping achieve a 'diverse, working and cherished landscape' and a 'welcoming and inspiring place'. The property portfolio also helps to deliver across all 12 corporate objectives.

5. However, the Authority is having to consider even more how its property achieves its corporate strategy which reflects a need to control of costs, maximise opportunities for generating commercial returns and create ways for people to support the national park. The aim for the property portfolio (excluding Aldern House) to cover all its direct and indirect support costs is part of the overall corporate strategy.

Background

6. The Authority's property assets can be described as a mixed portfolio of mainly rural properties held on a largely freehold basis. In total the Authority owns in the region of 15,000 acres of land (9,000 directly managed by the Authority) within the National Park, which equates to approximately 5% of the total land area. The key property types include:
- the HQ building Aldern House
 - four moorland estates (the Roaches and the Eastern Moors both having been leased to other partner organisations)
 - 125 woodlands
 - 4 visitor centres
 - 17 ranger properties
 - 31.75 miles of trails
 - 3 campsites (only 1 directly managed by the Authority)
 - 4 cycle hire centres (only 3 directly managed by the Authority)
 - 43 car parks
 - 18 toilets
 - 15 concessions
 - 20 minor properties.
7. The property has been acquired over several decades through a mixture of purchase and transfer for the purpose of reducing threats to the landscape, active conservation and ensuring recreational enjoyment. In recent years the Authority has been evaluating both the affordability and effectiveness of its property in the context of achieving its statutory purposes and corporate strategy.
8. External advice was sought from DTZ and Smiths Gore in the form of an asset management review during the last year and the members of the Authority received the advice and recommendations on 7 February 2014. The management response to this review was agreed on 9 May 2014 and thus adopted as the Authority's Asset Management Review Action Plan for 2014-17. The DTZ asset management review carried out an assessment of the overall performance of the property portfolio using the two perspectives of performance against the NPMP outcomes (a qualitative judgement) and the cost recovery ratio (financial performance). This analysis showed that around half of the property types deliver well in terms of their contribution to NPMP outcomes and these would be strongest on conservation and recreational enjoyment. The flip side of this analysis is that the remaining were assessed as making a more limited contribution, although some of these still make a strong financial contribution. The Asset Management Review Action Plan is now providing the basis for making the steps of asset management planning happen.
9. In parallel a review of some of the senior management structure took place during 2012-13 and implementation started on 1 April 2013. This resolved the long-term uncertainty over leadership of property by removing from the organisational establishment the Head of Property and vesting leadership of the property estate with the Assistant Directors and Director of Corporate Resources. This created clarity of purpose and function-led leadership of the property estate. The leadership arrangements are in place and have been supported by a new senior property staff

structure, reflecting broader and more business-like objectives, which has been put in place successfully during 2014. Appointments to key property manager posts have now been made.

10. Since receiving the asset management review earlier in the year the Integrated Property Board has been established to ensure a corporate and strategic approach to asset management. The Programme Board is Chaired by the Assistant Director Policy & Partnerships and includes Assistant Directors, Director of Corporate Resources, property and business managers and the Asset Management Lead Member Representative. Progress against its initial terms of reference and programme of activity was agreed by Resource Management Team in 4 February 2014 and are set out in paragraphs 16 to 25 below.

Proposals

11. The Authority is currently updating its corporate strategy and business plan because the current corporate business plan period comes to an end in March 2015. The future strategy is likely to much more strongly reflect a new diversified and strengthened approach to future revenue sources for the Authority.
12. The property strategy has to support the overall corporate strategy, as property is owned to achieve national park purposes and the Authority's corporate strategy.

This encompasses the aspiration for the whole portfolio (in the round but excluding Aldern House) to cover all direct and support costs by 2019.

The current position (drawn from our Asset Management Review Action Plan and wider corporate strategy) points to a property strategy that:

- Optimises use of the Authority's own operational and HQ bases
- Continually assesses the effectiveness of the property assets needed to deliver the corporate strategy
- Reduces the overall size and complexity of the property portfolio through disposal of the property with the poorest fit to the corporate strategy
- Reduces the costs of some property
- Increases the income associated with some of the properties
- Closes the gap between the cost of the property portfolio and income, and aims for a full cost recovery position in the future (the current target is for full cost recovery by 2019) accepting that some properties may be excluded
- More actively uses our property assets to demonstrate and promote national park purposes and build active supporters of the national park
- Occasionally acquires property and then disposes to achieve national park purposes on a business case basis.

13. The Integrated Property Board (IPB) was set up and tasked with an initial programme of work. Almost all of the specific actions that the IPB was set up to achieve have been delivered. The following shows the progress:

Integrated Property Board to be set up and meet by 28 February	Achieved
Transfer of the Property Support Team to Director of Corporate Resources from 1 April 2014	Achieved
Prepare and hold a member workshop on 4 April	Achieved
Develop specific proposals to ensure the	Estate Rangers will be directly

best possible use is made of field staff linked to properties and this is done to maximise the benefits in integrated Area Teams	responsible to property managers
Prepare a fit for purpose management structure with accountable property managers at its core by April and implement by 31 August	Achieved – implementation achieved by October 2014
Develop business plans for individual sites or groups of sites to be integrated into a single property portfolio business plan by September and the main elements presented to Authority in September	Business plans for operations are being developed with an emphasis on Warslow, North Lees and Visitor Centres in the first instance
Develop new financial targets for the property portfolio for Authority in December 2014	Financial targets are being developed for 2015-16 (including those agreed for North Lees and Aldern House) to be brought to Audit Resources and Performance Committee in March 2015 and targets and performance against those targets for subsequent years will be presented annually
Adopt a new financial model for Authority assets which provides for more integrated and holistic budget management within single sites , by March 2015 with transition starting March 2015	Work is underway to remodel the budgets around place based accountability and to incorporate an updated support services recharge model. To be available in time to enable the financial targets for 2015-16 and to be reported to Audit Resource & Performance Committee in the March 2015
Develop a corporate model for charging property support costs to the property portfolio by March 2015	The proposed support service recharge model incorporates property support costs, as above.
Secure appropriate resources to handle any disposals or property reviews as they arise in the most cost effective way on a case by case basis	Additional resources have been secured until September 2015. In future further capacity may need to be identified from existing budget allocations. Some of the directly related disposal costs may be legitimately met from the capital receipt

14. It is proposed that the financial performance of the portfolio is reported to Authority in February once the site based budgets have been remodelled. The reporting of financial performance for 2015-16 will need to reflect the scope of the portfolio for full cost recovery in the future. For example, Aldern House will not make full cost recovery so should be excluded from the overall portfolio performance and it is possible that it may be decided other properties will not have to make full cost recovery.
15. The Integrated Property Board is now overseeing delivery against the Asset Management Review Action Plan. Progress is underway with the first wave of activity relating to a number of key recent decisions. This activity focuses on the following:
16. **Aldern House** - a project has started to rationalise the accommodation of staff, improve the occupancy levels of the building and identify opportunities for possible income generation from tenants. Staff from outlying offices are moving to the HQ freeing up Losehill Bungalow for disposal creating both a revenue saving and a capital

- receipt. The occupancy of Aldern House is being managed more effectively creating more scope to rent office space to tenants. Increased rental income is expected during 2015-16 and is a proposal in the 2015/16 budget planning.
17. **Disposal of Minor Properties** - the decision has been taken to dispose of Warren Lodge. This is currently progressing and is likely to be marketed in Spring 2015 realising a capital receipt but creating a reduced income from the loss of rental.
 18. **Woodlands** - work is currently underway to establish a basis on which to review the portfolio of woodlands and members were briefed on 21 November 2014.
 19. **Visitor Centres** – work is underway to review opportunities for development focusing on Bakewell and Castleton (in line with the Asset Management Review Action Plan). Discussions are underway with landlords for future operation of these buildings.
 20. **Warslow Estate** – A Business Plan (2011 to 2016) for the estate was written in 2010 to guide the achievement of the then Full Cost Recovery (FCR) by 2012/13. FCR was achieved in 2012/13 and 2013/14. A small surplus over that was also made each year and transferred into the Warslow Moors Estate Reserve. However, following a comprehensive review of the corporate overheads allocated to each area of the Authority's operations, it is envisaged the FCR target will increase so options for addressing this new target for a three year period until 2018/2019 are being considered.
 21. **North Lees Estate** – The vision for the North Lees Estate was refreshed during 2014 as the basis for a new management plan for the estate. In September members received an update on the business plan for North Lees as part of budget planning. Proposals are reflected in the 2015/16 budget planning.
 22. **Trails** – In November members received the management response to the Trails Master Plan Options Study commissioned from Atkins. This report also proposed exploring setting up arrangements to collect donations from the trails, exploring possible commercial partnership arrangements and developing business cases for the development of Millers Dale and Parsley Hay.
 23. **Cycle hire centres** – In November members received a report updating them on the progress towards reducing the deficit of the cycle hire business and agreeing a new action plan for further income generation and to build the business as part of the wider trails development.
 24. **Brosterfield** – A project team has been established to deliver a project plan with the following key milestones – consultation with community on 13 November, submission of a discontinuance order and planning application by 1 December 2014, for determination by March 2015 and development of an interim plan for summer 2015.
 25. **Car parks, toilets, concessions, campsites** – no strategic action has been taken on these property categories as any review work is not due to start before 2015 according to the Asset Management Review Action Plan. Action may be taken forward on a site specific basis however.
 26. The Asset Management Review Action Plan provides a positive step towards an updated asset management plan. Business plans are in place or being prepared for a number of operations at properties including: North Lees (for 2014-15), Warslow (2015-19), Aldern House(2014-18) and Visitor Services (under development). As business plans are prepared for all business units, the asset implications can be updated and planned for. This will enable a portfolio asset plan to be prepared and the financial

performance of the whole portfolio to be better understood over the next few years, along with non-financial performance.

- 29 Under Standing Orders all property powers are administered in accordance with the Authority's Asset Management Plan; this is taken to be the Asset Management Review Action Plan. The Asset Management Review Action plan is focused on properties that the Authority already owns, and does not take into account any possible acquisition. It is proposed that acquisition (and subsequent disposal) of property to achieve national park purposes may still be required in circumstances where there is a strong business case. It is recommended that this action is added to the Asset Management Review Action Plan, which does not make this provision.
30. We are developing the current capital strategy alongside the Asset Management Review Action Plan with a view to:
- Securing capital receipts for assets approved for disposal
 - Obtaining sufficient evaluation and feasibility information to inform which capital investment projects, using the limited resources available, might secure strongest contributions to revenue income and the new corporate strategy.

Are there any corporate implications members should be concerned about?

- 31 **Financial:** This report does not contain any new or specific recommendations or proposals that have a specific impact on finances, however the overall management of the Authority's property portfolio has a significant bearing on the financial position of the Authority and the planned performance for 2015-16 will be reported to Audit Resources and Performance Committee in March 2015.
- 32 **Risk Management:** This report sets out the progress on our property portfolio and a programme of work through the IPB. There are risks associated with property portfolio management and the Board manages risk as a key element of programme management.
33. **Sustainability:** The aim of the property review and its on-going implementation is to ensure the long term sustainability of the property portfolio, in the context of achieving national park purposes and duty, as well as the Authority's corporate strategy. Acquisition of property from time to time may still be a way of meeting our conservation purposes when and where appropriate.
34. **Background papers** (not previously published)
None
35. **Annex None**
36. **Report Author, Job Title**

Rachel Gillis, Assistant Director Policy and Partnerships