Appendix 1

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Real Estate

Middlesbrough Borough Council
Estates Strategy – Non Operational Property Report

March 2014

Contents

1.0 Introduction

Maximising the asset base

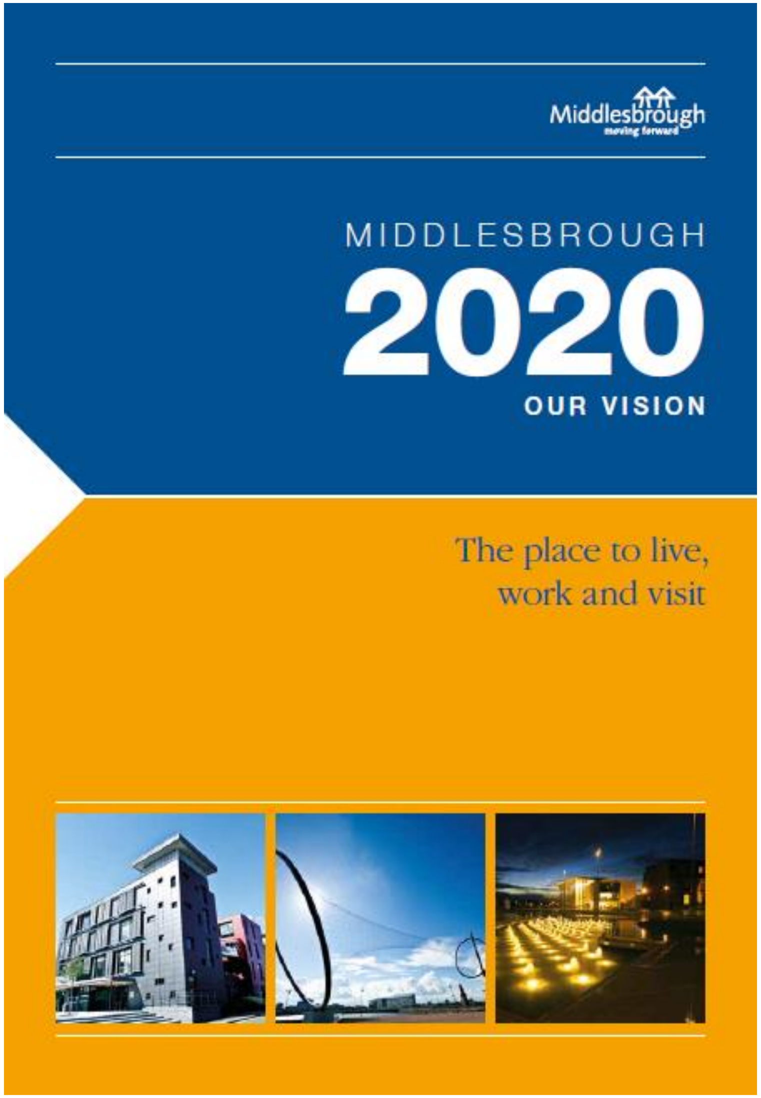
Deloitte Real Estate is instructed by Middlesbrough Borough Council (MBC) to provide a short Estate Strategy document for the non operational estate of the Council.

The Council has a substantial non operational asset base which currently provides an annual revenue stream of circa £2.6m. The estate is made up of a number of asset types including industrial, retail, ground leases and includes a substantial number of assets categorised as miscellaneous which include a number of community uses.

Middlesbrough 2020: Our Vision, sets out the recently reviewed strategic priorities for the Council and the desired outcomes for the town. This document was compiled to drive the investment decisions of MBC and the Change Programme for the Council, of which it is now part way through.

This strategy document considers various options to align and leverage the non operational estate to allow MBC to best manage and utilise this important asset base to contribute to the strategic objectives of the 2020 document along with its commitment to delivering effective and high performing services.

Middlesbrough
moving forward



1.1 Middlesbrough 2020 Our Vision

2.0 Driving Value

Maximising the asset base

Introduction

Local Authorities are under increasing pressure to drive efficiencies and deliver value. One option for this is through the use of property assets, either by direct or indirect application. Additionally changes in government policy have placed a greater requirement on local authorities to develop resilient income streams which will be critical to prudent financial planning and management .

There is also a pressure on local authorities to use assets to enable regeneration projects. The priority for regeneration is often economic benefit rather than just pure financial return, hence the issues involved in reviewing assets and their potential utilisation can be complex.

MBC Objectives

MBC has a non operational portfolio which consists of a variety of property uses but is largely held for income generating purposes.

MBC has not, to date, adopted a pro-active approach to the use or management of its assets. Although it has worked hard to raise occupancy rates and manage costs, it has largely been reactive in responding to enquiries rather than having an investment driven management strategy or a programmed capital receipts portfolio.

We understand from our discussions with MBC that the key targets for the non operation estate are to:

- Maximise revenue from the retained asset base;
- Minimise the costs of managing the estate;
- Maximise value from a targeted disposals programme; and
- Stimulate economic development

MBC has recently been engaged in a rationalisation of the Council's portfolio through the NSAR initiative which has largely been centred on a disposal programme of identified surplus assets to raise capital and reduce costs. This has been on a piecemeal basis with the majority of these assets being sold at auction.

This activity has not materially impacted the estate or its revenue generation to date.

The receipts generated by this process have not been ring-fenced for re-investment into the estate but have been used to reduce the overall budget deficit of the Council.

MBC advise that although the non operational estate provides a substantial income stream there are significant costs associated with the management of the estate.

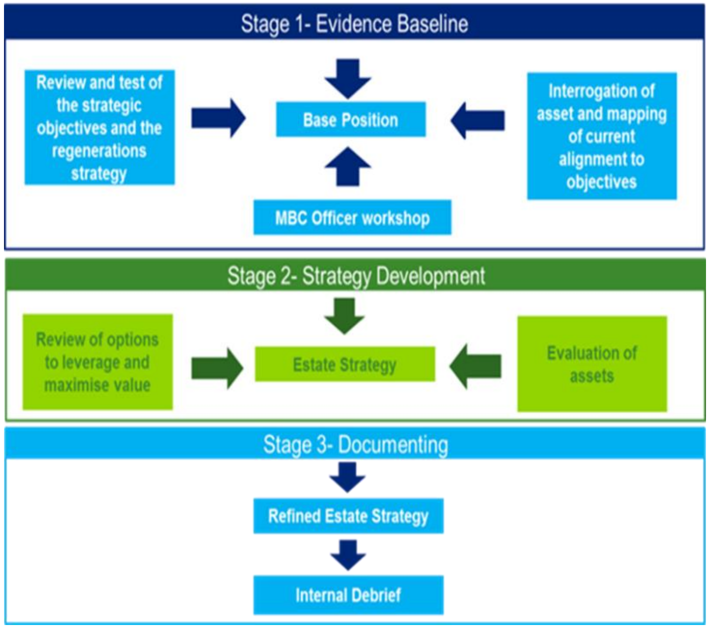
Managing the Estate

The management of the non operational estate is provided largely by the in-house Valuation & Estates team who undertake the letting and estate management functions. Maintenance is undertaken by the in-house Asset Management team who, in addition to providing this service, is also responsible for the extensive operational estate maintenance.

MBC contracts out some property services to Mouchel, the strategic property partner. These services include valuation and disposal support and the provision of additional capacity resource to the in-house team as required.

3.0 Our Approach
Methodology

The diagram below sets out the three stage process we have adopted to undertake this instruction.



3.1:Estates Strategy: outline methodology

The first stage has included a high level review of the non operational assets and the current management arrangements.

Alongside this we have undertaken a number of consultations with the senior management team, including an Officer Workshop, to understand the vision for the utilisation of the assets and the overall challenges faced by MBC.

Consultation has also taken place with the teams responsible for the management of the assets to understand the current drivers and overall make up of the portfolio.

The second stage involved undertaking a high level mapping exercise of the assets to understand how the portfolio could meet the strategic objectives and how this can be maximised.

The third stage is documentation and briefing.

4.0 The non operational portfolio

Key Facts

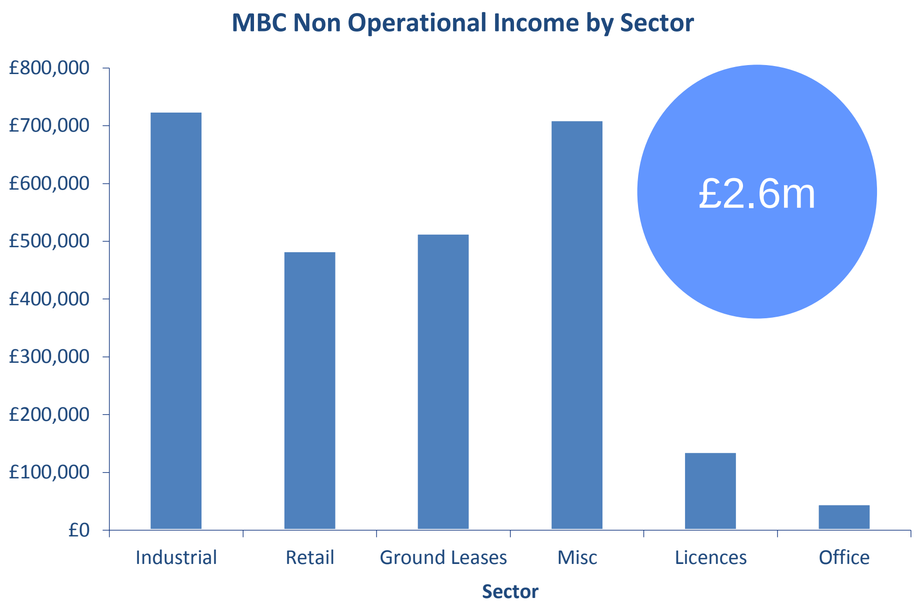
The non operational portfolio is currently split into seven property streams for reporting purposes. The current rental income is circa £2.6m.

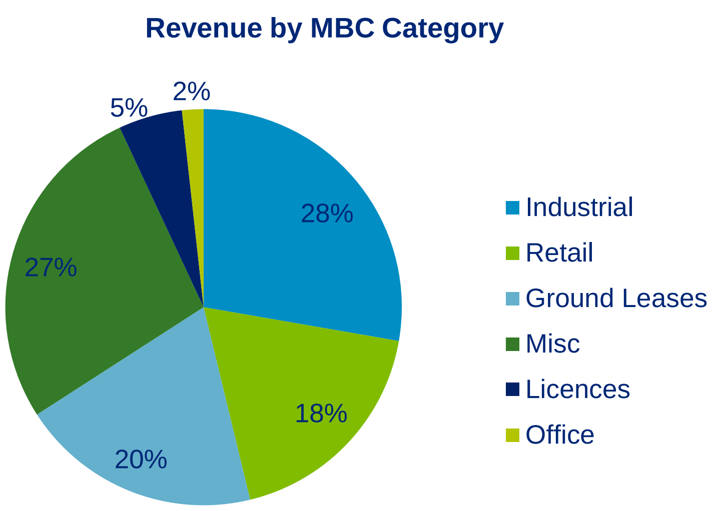
There has only been limited movement in this overall figure since the first data set issued in September 2013 which reported a revenue figure £2.614m with the February 2014 data set reporting £2.608m.

Despite only a £5,505 reduction in overall income there has been an 18% reduction in the income generated by the ground rent asset base due to the active disposal programme. This has been largely offset by modest uplifts in income from the other property categories.

Key facts:

- The largest income per category is derived from industrial category.
- 55% of the industrial income is attributed to the Cannon Park properties.
- In a geographical context 64% of the total income stream is derived from properties located in the Cannon Park environment.
- The retail units let at Middlesbrough Bus Station make up 31% of the total retail category, with the remaining income from neighbourhood centres.
- There is no bespoke management strategy of the categories.
- Performance is only measured on financial KPI's.





5.0 Estate Strategy – Meeting the Strategic Objectives

Maximising asset base through direct provision and maximising income

Maximising the asset base

There are two approaches to aligning the asset base to the identified strategic priorities. This is either through the direct provision of assets for uses which meet the identified strategic priorities or through the generation of an income stream for MBC to reinvest back into service provision for meeting the remaining priorities.

Direct provision of asset for vision objectives

Maximising revenue/capital to fund vision objectives

We have reviewed the Middlesbrough 2020: Our Vision, which sets out the recently reviewed strategic priorities for the Council and the desired outcomes for the town to understand the key priorities for MBC. In addition we have drawn out some key themes and ambitions of the Local Development Core Strategy 2008 where a property portfolio could be used to assist in the delivery of the strategy.

We have summarised key strategic priorities in table 5.1 and highlighted the most relevant policies applicable to the direct provision of property.

Theme	Strategic Priorities
Middlesbrough 2020: Our Vision - The Place to live, work and visit	
A town that is clean, safe and healthy	• Safeguarding children and vulnerable adults • Reducing crime and anti social behaviour • Maintaining streets and open spaces • People living longer and healthier
A learning town in which families and communities thrive	• **Support for families** • **Appropriate skills for children and adults** • **More people in work – especially young people**
A town that continues to transform	• **Regeneration and development of key sites** • **A vibrant and diverse local economy** • Housing that best meets local needs
Middlesbrough Local Development Framework Core Strategy 2008	
Competitive business infrastructure	• **Establish an environment that encourages and supports economic vitality and quality of life that attracts both people and businesses to Middlesbrough.**
Revitalising the housing market	• Create a balanced housing stock that meets the needs of Middlesbrough's population both now and in the future.
Spatial strategy	• **Deliver major regeneration schemes at Greater Middlehaven and Greater Hemlington**
A 21st Century retail and leisure centre	• **Reinforce Middlesbrough Town Centre as the principal centre for cultural, leisure, and civic administration activities.**
Sustainable communities	• To stabilise then reverse population decline through the creation of sustainable communities that create an environment attractive to retaining the existing population and attracting people back into the town.

5.1 Estate Strategy – Meeting the Strategic Objectives

Maximising asset base through two methods

Direct property provision can include the use of assets for community functions such as sports lettings and community facilities through to the provision of employment space which is targeted at job creation and up skilling.

The income generation model seeks to produce income which is then used to support and fund the strategic objectives. Indeed it is not unusual for assets to be outside the administrative or geographic boundary. Such assets are chosen and held for the perceived resilience of income and/or the potential for capital growth.

Data Analysis and Limitations

Through consultation and document review, we consider that MBC does currently provide for both these routes, however, the management and data presentation does not demonstrate this in an explicit manner. There appears to be no clear rationale against which strategic priority is being targeted by individual property application or the level to which it is being achieved.

The estate data is currently collated and analysed by seven categories. These categories do not take into consideration the holding purpose of the property nor therefore does it allow for any bespoke management of the estate. It is difficult therefore to measure the performance of the property as the KPI's do not effectively articulate the desired performance.

For example, the BoHo Centre provides targeted employment space and business support for the digital sector with specific focus on start up businesses. In addition it has links with both the Chamber of Commerce and Teesside University hitting a number of the strategic priorities of the Middlesbrough 2020 Vision.

However, the current data collated states the centre provides a return of circa £30,000 before the internal cost of MBC management is included. This is without any reference to economic performance indicators of the businesses which operate or benefit from the centre such as business start up rates, job creation or GVA.

It is difficult on an individual project therefore to demonstrate the purpose of the non-operational estate and measure the true performance of the assets or management effectiveness.

Baseline Observations

Despite MBC having overall knowledge that there are substantial management costs associated with the non operational estate, interrogation of the cost information has not been possible. This is primarily due to the low sophistication of the process with little allocation of cost, including management time to either an individual property or a category. It is therefore not currently possible to accurately understand the performance of the portfolio and derive at a net income level. This means that both the strategic and day to day decisions are then taken on unconfirmed and potentially inaccurate management information.

The in-house property team is highly knowledgeable of the portfolio although we understand that this inherent knowledge is not robustly captured on an estates software package, rather relying on a paper based system and an excel based information record managed by the property team.

This should be addressed to ensure: efficiencies are recognised: there is no duplication of tasks and true costs are identified as well as ensuring the capture of inherent knowledge.

6.0 A Thematic Property Footprint Approach

An approach to explicitly align the portfolio

Working with the MBC client team we have explored the options for categorising the non operation assets into four identified portfolio sub themes. The agreed categories are set out below and are based on the direct and indirect property provision approach, allowing for the identification of a capital receipts programme for the disposal of properties which do not meet identified holding criteria.

By challenging the rationale to why each individual property is held by MBC the property can be then assessed against a bespoke set of criteria and clear strategic objectives so that performance of that asset is measured appropriately. This approach provides for an understanding of the assets and explicit strategic objective targeting, allowing for different management needs and strategies.

Asset Themes

Investment

- **Non direct strategy provision.**
- Core investment property held for revenue stream to invest into service provision.
- Should target strong revenue generation, demand / occupancy profile.

Economic Development

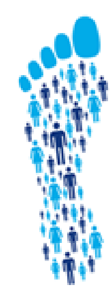
- Asset held for **direct strategy provision**.
- Supporting economic activity and job creation.
- Performance measured on both financial and economic development measures.

Capital Receipts Programme

- Assets which do not meet set holding criteria.
- Programmed for disposal.
- Provides opportunity to ring fence receipts for reinvestment.
- Where value is maximised or future risks identified.

Community Enterprise

- Direct **strategy provision**
- Assets held for the direct provision of community services.
- Asset may not be revenue neutral but required to facilitate/stimulate community services.



6.1 A Thematic Property Footprint Approach

Bespoke value maximising opportunities

Each of the themes presents both bespoke value maximising opportunities as well as the requirement for tailored management and measurement of performance.

In the Economic Development and Community Enterprise themed portfolios, the property is a direct provision to support the corresponding priorities.

Economic Development Portfolio: aligned property to sectors and job creation targets

- Meeting strategic objectives through direct provision of floorspace.
- Goal to actively manage occupiers through a growth plan - not be a provider of cheap space.
- Aligned to locational growth target sectors.
- Allows positioning to target external funding.
- Linked to other stakeholders and providers.

Civic Enterprise: community provision for strategic priorities

- Likely to demand emotive management requirements and sensitivity.
- Focus for MBC on revenue / cost balance.
- Targeted KPI to monitor impact of provision not just income versus cost.
- Continue to pursue community transfer opportunity.

The Investment and Capital Receipt theme provides real opportunity for MBC to leverage the estate to support reinvestment and also maximise value through either participating in development or through undertaking ‘market readiness’ actions.

Investment Portfolio

- Can be used to raise investment into key priorities e.g. funding new development for growth sectors.
- Opportunity to strengthen the income stream but it will require investment.
- Important to reinvest in order to maintain, at a minimum, the existing revenue stream.
- Opportunity to look to acquire investments beyond administrative boundary, to target income resilience and growth potential.
- Understanding relevant performance requirements / benchmarks / KPI.

Capital Receipts Programme

- Opportunity to undertake market readiness actions to increase both the value and market appetite.
- Programmed approach allows for the prudent financial planning for reduction in income.
- Potential to ring fence receipts for reinvestment in either direct or indirect provision.

6.2 A Thematic Property Footprint Approach

Mapped Portfolios

Working with the MBC team we have undertaken a high level test mapping exercise to understand how the current portfolio would be distributed if it was categorised on the suggested themed approach.

This exercise provides, albeit at a high level, some useful data as to the application of the portfolio. For example, it provides visibility of the potential disposal programme, identifying the capital receipts, allowing targets to be set and importantly revenue replacement to be planned. This is valuable information to assist in the budgeting provisions as the test exercise shows that 23% of the total income generating asset base could be earmarked for disposal.

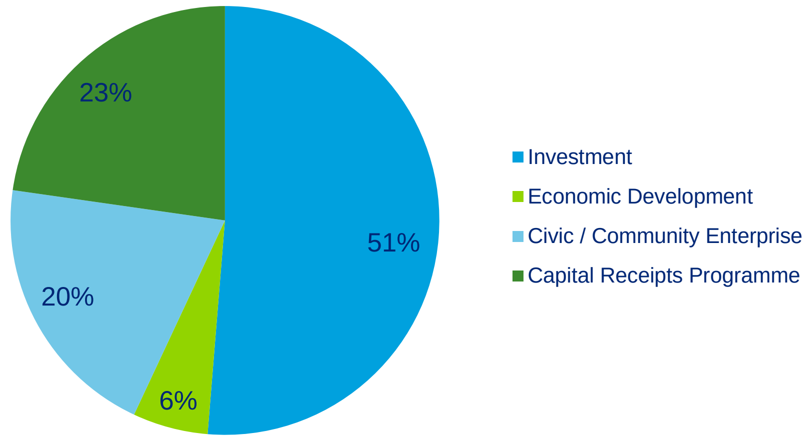
The Investment portfolio provides for 53% of the income but from only 23% of the interests. Whereas the Community Enterprise portfolio provides 23% of the income for 43% of the interests.

The Economic Development portfolio allows identification of service provision and alignment and potential match funding to any forthcoming funding. For example ERDF.

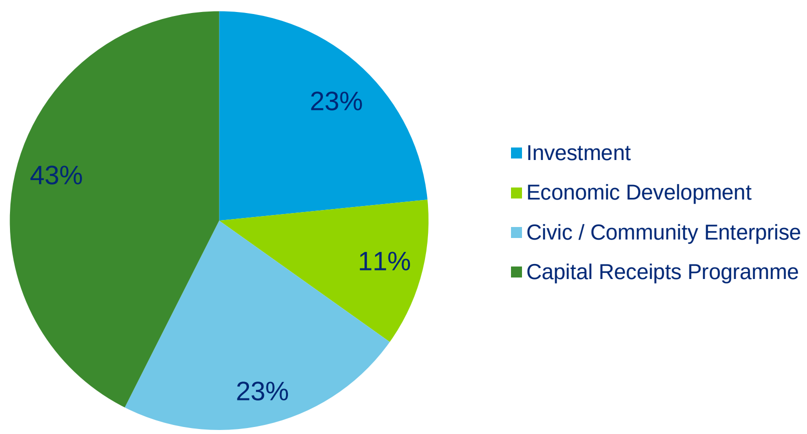
Key Observations

- Without reinvestment the overall revenue will decrease through identified disposals and asset obsolescence.
- With regard to the planned capital receipts programme, can this be ring fenced for reinvestment?
- Replacement of the revenue, consideration of location challenge for reinvestment into new or existing property assets to enhance income.
- Economic development currently appears to be a small proportion of the portfolio – identification and visibility of this allows appropriate action.

Revenue by Theme Portfolio



Number of Interests by Theme



6.3 A Thematic Property Footprint Approach

Investment Portfolio Management

To really drive the performance of the Investment portfolio it is crucial to adopt best practice management and agree a set of clear objectives for the portfolio which will then influence investment strategy, asset management and key performance indicators. Commonly, these might be set around revenue (gross or net), income security, total returns over one, three or five years (capital and income growth), or the IRR.

When the objectives are understood, it is important to establish how performance will be measured against these objectives, and benchmarking can be a useful tool. This can be against pre-agreed targets and / or the wider industry such as the Investment Property Databank (IPD). The objectives for performance will be closely correlated to the risk appetite. If the aim is for very long secure income streams for example, rather than maximising capital growth, then investment strategy, asset management, performance targets and benchmarking should be adjusted accordingly.

When the strategy is applied to the investment property portfolio, a variety of criteria can be established to help shape the portfolio including sector weightings, location, lot sizes, lease length, income security and diversity, yield, rental and capital growth prospects, refurbishment programmes and new development.

These 'investment criteria' must be set in a risk context. Risk analysis is key – awareness and strategy setting to minimise / understand risks across the portfolio and maximise performance within a set of risk parameters.

For example, each one of these portfolio facets will have its own characteristics and measures. If we look at income analysis, one must understand triple net income calculations – rental income less all non-recoverable costs such as empty rates, non-recoverable service charge, management expenses, letting fees etc. It is therefore critical that all the costs are understood and accounted.

As best practice an Investment Committee is now commonplace at major property investors – a streamlined and responsive investment committee to approve acquisitions, disposals and major asset management initiatives is essential. This could be adopted in a local authority environment and we are aware of certain local authorities now adopting a similar culture and operating model. The committee's role is to monitor strategy in the context of the investment strategy and wider economic backdrop, and fulfil a risk monitoring function.

Research, both industry and bespoke, can be used to understand whether an asset is performing against criteria, it could be used to help drive performance.

Another important factor to consider is whether external funding or debt can be utilised? 'Gearing' can change the risk / return profile of an asset or portfolio and is one of the attractions of investing in real estate.

7.0 Options for disposing, holding and leveraging

Maximising value from the estate

There are four main methods which are suitable for leveraging the estate to raise capital for either reinvestment to strengthen the long term income position or to be used as directed by MBC for service delivery to meet the strategic objectives. We have set these out below:

Targeted Disposal

- A relatively quick way to **release value and raise capital** that can be recycled elsewhere. There will be a need to consider how to maximise sale receipts, which assets are most liquid, where strongest investor demand would be and which assets do not contribute towards the delivery of the 2020 vision.

Sale & Leaseback

- A method which allows the Council to remain in occupation of a property but wishes to sell and receive an up-front capital payment. The Council then sets the rent and lease term under which it wishes to remain in occupation, this has a major improvement on the price achievable.

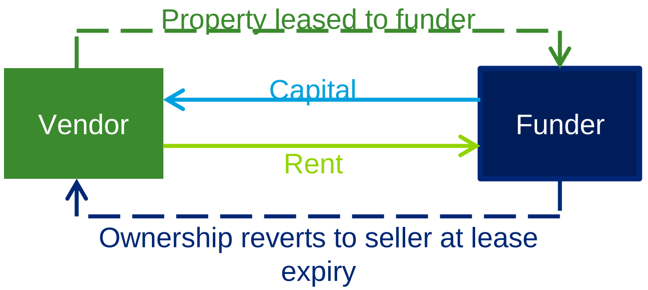
Income Strip

- Where the Council owns a building or site or **an identified portfolio** and wishes to raise an up-front capital sum, but wants to retain a long-term interest in the property with a reversionary interest.

Ground Lease

- Disposal of the freehold interest in the property and retain a long leasehold interest, paying an annual ground rent.

All these methods will have a lesser or greater degree of suitability to different assets and interest structure, including covenant strength and term remaining. We consider that the income strip approach may provide the most suitable method of raising finance in the near-term for reinvestment. Typically this would be done against a proportion of a portfolio's income rather than individual property. The key feature of this approach that is allows for capital to be raised and for the reversionary interest to the Council after the set term.



This provides a way of leveraging against the current estate to raise capital to reinvest into the Investment portfolio to deliver an improved income stream.

Reinvestment

- Reinvestment in strategically identified assets to ensure long term income streams are protected and liabilities are managed.
- This forms an important aspect of the Estates Strategy and will ensure the Council achieves the objectives outlined within the Middlesbrough 2020 Our Vision document through funding of service delivery.

7.1 Options for disposing, holding and leveraging

Opportunity to undertake 'market readiness' actions and participate in development value creation

Market Readiness

Through MBC's ambition to have a planned capital receipts programme and maximise value, it needs to consider the level of pre-development work's to be undertaken for the identified route to disposal / development. This is an important component as generally the greater the uncertainties over future development the lower the price for the asset.

There needs to be a balancing act between the rewards or benefits of additional receipts and the costs and time of removing these uncertainties. In addition, who is best placed to resolve these – a 3rd party, MBC or a combination of the two? Would MBC be better using a corporate vehicle / partnership which could be established on a flexible basis to deal with a variety of assets and opportunities or on a more traditional contractual basis?

In all cases a minimum level of 'market readiness' activity needs to take place before MBC can have a programmed disposal strategy which can capture enhanced value.

These market readiness actions in removing risk and uncertainty can include, but are not limited to:

- planning permission or an endorsed planning and development brief;
- planning related surveys including ecological surveys, transport assessments, flood risk assessment;
- site investigations/site surveys (e.g. topographical / asbestos);
- soft market testing to identify end users and establish market demand;
- title investigations;
- demolition;
- marketing strategy; and
- developer appointment.

We are advised by MBC that currently little, if any, pre-development work is undertaken prior to disposal. Largely this is as a result of working on a reactive basis to enquiries as MBC lacks the in-house expertise and capacity to undertake or manage such works. In addition increasing budget constraints have made it difficult for MBC to invest in such services.

7.2 Options for disposing, holding and leveraging

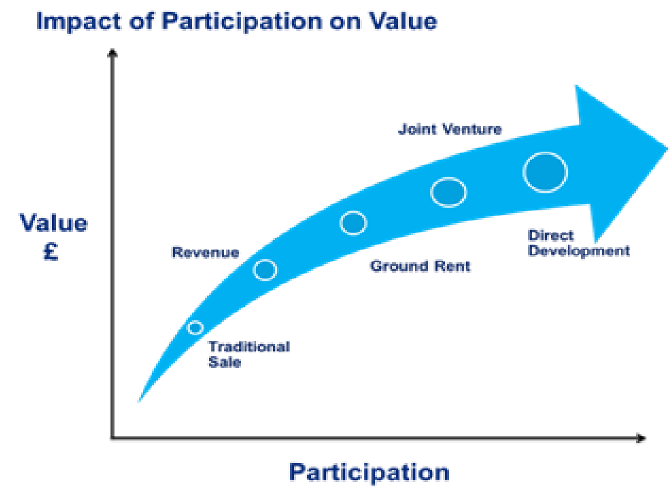
Development Participation

In addition to market readiness there are number of disposal routes available to Local Authorities in disposing of its assets. These various routes allow MBC to achieve a return which is related to the level of risk associated with the project and the desired level of involvement through the development programme. These routes are set out below.

Traditional Sale	• A safe and straight forward process, but has limited ability to capture future value.
Revenue Model	• Works well to participate in value growth, although the majority of the receipt is deferred.
Ground Rent Model	• Has benefits over a traditional process, but introduces an additional layer of complexity.
Joint Venture	• Relies heavily on a good fit with partners and exposes MBC to development risk, but offers a potentially strong return.
Direct Development	• Has potential to deliver enhanced receipts, however, comes with risks and responsibilities.

The graph opposite demonstrates the potential to increase the value / receipt to MBC through increased participation in the development / disposal process.

Not all methods will be suitable for all sites but the ability to share in value enhancement should be a clear consideration for any Local Authority when disposing of assets.



The first action to achieving any enhanced value is in how MBC prepares the sites for market. Undertaking an evaluation of the sites on an individual and a portfolio basis would enable the Council to assess the appropriate level of pre-development work which would be worthwhile undertaking as the costs are considered alongside the benefits of such investment.

We have therefore considered the available methods to achieving this to be through either:

1. An appointed in-house delivery team; or

2. External appointment of advisors in a development manager capacity.

7.3 Options for disposing, holding and leveraging

Disposal options and participation

In addition to achieving maximum value for the Council's land asset portfolio, MBC has in addition, a number of options available to share in the development profits of a scheme through various degrees of 'participation' in any development and therefore capturing enhanced receipts.

The method of disposal and therefore participation in the development process is a key consideration for MBC as the particular method will dictate the ability to access an increased receipt for the asset. The diagram below outlines the key factors on five typical approaches to disposals.

Traditional Sale

Process: A conventional sale by informal tender – typically a 2 stage process. The purchaser completes on an unconditional / conditional basis, potentially with overage in respect of scheme changes and super profit.

Advantages

- A relatively quick and simple process.
- Provides early certainty.
- Risk is limited.
- Attractive to the market.
- Not subject to OJEU procurement regulations.
- Potential to use existing public sector delivery panels.

Disadvantages

- Price is discounted for risk if sold on an unconditional basis.
- Overage is notoriously unreliable.
- Limited control over scheme composition, programme and/or land banking.

Development Partner

Process: MBC procure a development partner to deliver a scheme under a Development Agreement, with returns being linked to actual sales receipts.

Advantages

- Value growth captured through link to actual sales.
- Cost risk guaranteed by partner.
- Attractive to market.
- Opportunity for some up front payment.

Disadvantages:

- Subject to OJEU procurement regulations.
- Management and additional resource requirement to "police" process.
- Delays in obtaining receipt.
- Potential for State Aid and best value issues.

Ground Rent

Process: MBC sell the site subject to a ground rent – typically up to 10% of the scheme's income. The ground rent could be sold as an investment in the future to release equity.

Advantages

- Regular income.
- Opportunity for improved rent and yield.
- Low risk options.
- Not subject to OJEU procurement regulations.
- Relatively short and straightforward process.
- Ability to dispose of investment at later date.

Disadvantages

- No/low receipt on day one
- Some funders may discount Ground Rent.
- Value of Ground Rent influenced by market conditions.
- Limited control over scheme composition, programme and / or land banking.

Joint Venture

Process: MBC enters into a partnership to form a joint venture company through which MBC would work with partner to jointly deliver or de-risk a scheme. Effectively MBC contributes the land while the partner contribute skill, experience, expertise.

Advantages

- The ability to share in the commercial success of the scheme.
- A high level of control over the delivery of the whole scheme.

Disadvantages

- A high level of exposure to development risk on costs, returns and voids.
- The need to provide experienced resource to participate in the process.
- Can be subject to OJEU procurement regulations.
- Potential for State Aid and best value issues.

Direct Development

Process: MBC build out the schemes itself using a Development Manager, selling direct on completion.

Advantages

- No loss of development profit.
- Ability to dictate phasing and sales.
- Ultimate control over scheme.

Disadvantages

- Need to secure Development Manager and funding.
- Requirement to take on important development decisions.
- Full exposure to finance and development risk.
- More difficult to forecast.
- Delay in receiving returns.
- Management intensive.

8.0 Recommendations

Steps to align the non operational portfolio

Through this instruction it is clear there are a number of actions which MBC needs to take to ensure it has maximised the use of its non operational portfolio against its strategic objections.

We have demonstrated that this is through the direct and indirect provision of property with different options to maximise value and ensure effective provision for both.

The current management of the portfolio does not provide for explicit demonstration of how the property is meeting the strategic objectives.

The first suite of actions for MBC are considered to be ‘house keeping’ tasks which will allow for an improved structure of the non operational portfolio and explicit income and importantly costs to been assessed.

We have set out below a series of recommendations:

- Identification of properties which provide either direct or non direct service strategic objective provision, through development of clear and robust selection criteria.
- Clear recording of costs including management cost to strategic priorities and where possible individual interests. This will ensure a true net revenue position is established.
- Adoption of a thematic portfolio approach, with the development of robust selection criteria for portfolios.
- Adoption of appropriate KPI’s to measure performance, this will be a bespoke set of indicators for the individual themed portfolios.
- Consideration of the structure for each portfolio and investigate the suitability of establishing a separate entity for the portfolios.
- Investment into appropriate IT, estate management package software to ensure data capture and effective and efficient estate management
- Investigate the potential to provide dedicated management resource and standardised procedures to the themed portfolios.
- Review alongside the operational optimum footprint and the strategic assets, this will provide identification of the greatest opportunity.
- Adoption of best practice management of the investment portfolio and improvement of the strength and resilience of the income stream.

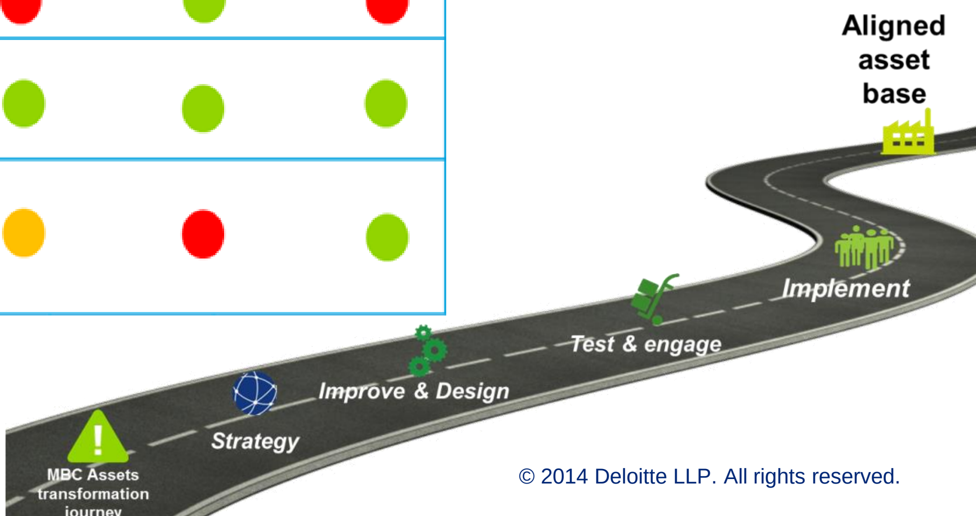
8.0 Recommendations and Next Steps

Steps to align the non operational portfolio

We have set out below a priority matrix for the actions available to maximise the non operational estate.

Option		Investment	Economic Development	Civic / Community	Capital Receipts programme
Market Readiness	Investment in preparation of sites for market to maximise return	High	Medium	Low	High
Raising Capital	Either through complete or part interest disposal	High	Medium	Low	High
Reinvestment Acquisition	Acquisition of revenue generating assets	High	Medium	Medium	Low
Management Assistance	Bespoke management experience	High	High	High	High
Community Transfer	Transfer of assets to a community entity	Low	Low	High	Low
Technological updating	Investment in technology for efficiencies ensuring data integrity	High	High	High	High
Strategic Partner	Engaging market expertise to bring in know how, capacity and investment	High	Medium	Low	High

High Medium Low



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7.4 Options for disposing, holding and leveraging

Options Matrix - Option available to leverage the asset base

Option		Investment	Economic Development	Civic / Community	Capital Receipts programme
Market Readiness	Investment in preparation of sites for market to maximise return	High	Medium	Low	High
Raising Capital	Either through complete or part interest disposal	High	Medium	Low	High
Reinvestment Acquisition	Acquisition of revenue generating assets	High	Medium	Medium	Low
Management Assistance	Bespoke management experience	High	High	High	High
Community Transfer	Transfer of assets to a community entity	Low	Low	High	Low
Technological updating	Investment in technology for efficiencies ensuring data integrity	High	High	High	High
Strategic Partner	Engaging market expertise to bring in know how, capacity and investment	High	Medium	Low	High

High Medium Low