

BRECKLAND COUNCIL

Report of the Deputy Chief Executive Mark Stokes – Regeneration and Policy Portfolio to the OVERVIEW & SCRUTINY COMMISSION 29 APRIL 2010 **(Author: Ralph Burton, Asset Management)**

INVESTMENT IN COMMERCIAL PROPERTY

1. Purpose of Report

To provide members information on the Council's policy in relation to investment in commercial property as per the Overview & Scrutiny Commission Work Programme March – May 2010.

2. Recommendation(s)

Members are requested to note the report.

Note: In preparing this report, due regard has been had to equality of opportunity, human rights, prevention of crime and disorder, environmental and risk management considerations as appropriate. Relevant officers have been consulted in relation to any legal, financial or human resources implications and comments received are reflected in the report.

3. Information, Issues and Options

3.1 Background

3.1.1 The Council's commercial property portfolio exists to generate a revenue stream to offset the cost of the services provided to the public and to meet the Council's overall aims and priorities in particular in relation to:

Entrepreneurial Council – identify and maximise the full earning potential of the Council.

3.1.2 The commercial property portfolio is managed within the Asset Management service. Details about the work areas covered by the Asset Management service are outlined in Appendix 1.

Members may be interested to note the following two items regarding the strong performance of the Asset Management service:

1. In 2009/10 against an income budget of £1,620,000 the actual received income was £1,673,272. Therefore the Asset Management service achieved £53,272 'profit' over and above the agreed income budget.
2. Asset Management also achieved a KLOE Use of Resources Rating for services of 3. This is a high score out of 4. CIPFA reports that out of Districts only 1% achieved a score of 4 and 28% achieved a score of 3 which substantiates the Asset Management's existing strong performance.

3.2 Information

Investment Policy

3.2.1 Currently the Council does not have a specific formal or authorised policy or strategy regarding investment in commercial property; however the Asset Management service continually provides opportunities for the Council to review investment in commercial property. As and when opportunities arise they are presented to the Executive Member for

guidance on future development. Recent examples include Thetford Enterprise Park, A Retail Estate in Thetford and The Coffee Mill in Thetford.

Asset Management Plan 2008

3.2.2 To manage the Council's current physical commercial property asset base the Council has an Asset Management Plan. This is a tactical plan to manage the Council's assets over their economic lifecycle in the most cost effective manner to ensure they are fit for purpose and contribute to the level of service required to continue to support the Council's aims and objectives. The Asset Management Plan 2008 was written by an external consultant (Norfolk Property Services) and currently remains in draft (See Appendix 2). The Asset Management service believes this plan is inadequate for its purpose and has committed to a substantial review of this document in the Asset Management Service Team Plan 2010/11. In quarter 3 the specific milestone target is:

- *Revised Asset Management Plan to set the future milestones and or indicators for condition surveys and maintaining property portfolio*

3.2.3 As part of the development of a new Asset Management Plan the Asset Management Service has also committed to developing a Property Reinvestment Strategy for the Council. This is included in the Asset Management Service Team Plan 2010/11 in quarter 2. The specific milestone target is:

- *High level options for outline Reinvestment Strategy recommended.*

3.2.4 Before a strategy or policy is written the scope needs to be fully investigated to ensure it meets the Council's requirements and contributes to the necessary Breckland Council Corporate Business Plan priorities and objectives. It will therefore incorporate how future aims and targets can be achieved to ensure it enables the Council to achieve where it needs to get to in terms of capital reinvestment and return.

3.3 Options

3.3.1 None

3.4 Reasons for Recommendation(s)

3.4.1 To note the report.

4. Risk and Financial Implications

4.1 Risk

4.1.1 None identified.

4.2 Financial

4.2.1 None identified.

5. Legal Implications

5.1 There are no specific legal issues that require comment here.

6. Other Implications

- a) Equalities – no implications to the best of our knowledge.
- b) Section 17, Crime and Disorder – no implications to the best of our knowledge.

- c) Section 40, Natural Environmental Rural Communities Act 2006 – no implications to the best of our knowledge.
- d) Human Resources – no implications to the best of our knowledge.
- e) Human Rights – no implications to the best of our knowledge.

7. Alignment to Council Priorities

7.1 The matter raised in this report falls within the following council aim and associated priority:

- Entrepreneurial Council – identify and maximise the full earning potential of the Council.

8. Wards/Communities Affected

8.1 All wards.

Background Papers

Lead Contact Officer

Name/Post: Ralph Burton, Asst Commercial Property Manager

Telephone Number: (01362) 656327 Email: ralph.burton@breckland.gov.uk

Key Decision

This is not a key decision.

Appendices attached to this report:

Appendix 1: Asset Management Work Areas

Appendix 2: Breckland Council Asset Management Plan 2008

Appendix 1 Asset Management Work Areas

Services	Work Areas
Estate Management	dilapidations / condition surveys / planned and reactive maintenance / road adoption
Facilities Management	operational & non operational buildings / health & safety requirements / caretaking duties / planned and reactive building maintenance / ad-hoc facilities services & courier function / committee suite management / lease cars / corporate storage
Land Sales	licences / wayleaves / restrictive covenants / consultation / land registration / disposal / monitoring / income
Commercial Property	management of tenants / new leases / rent reviews and renewals / terminations / diversification / promotion / business support / income generation / property register & directory / advice and guidance
Commercial Developments	New / existing - e.g. Dereham High St / Ecotech Estate / Maurice Gaymer Road extension / Thetford Enterprise Park / Victory Park
Car Parks / Roads & Footpaths / Street Lighting	Management / refurbishment / maintenance / street names / health & safety

Appendix 2 Breckland Council Asset Management Plan 2008

Breckland Council

Asset Management Plan 2008

Index

1. Introduction and Context	5
a. Breckland Council	5
b. Corporate Planning framework	6
c. Organisational Framework	7
2. Corporate Asset Policy	8
a. Corporate Asset Objectives	9
b. Objectives for Commercial Services	9
c. How the Asset Management Team Contributes to the Objectives	10
d. Performance Measures	11
e. Property Strategy	12
3. Exiting Portfolio and Performance	12
a. Existing Portfolio	12
b. Data Management	13
c. Performance	14
d. Corporate Office review	16
e. Service Performance	17
4. Improvement Programme	17
a. Maintenance	17
b. Investment	18
c. Developer Contributions	18
d. Partnerships	19
e. Surplus and Underused	19
f. Management	20
5. Asset Programme	20
6. Programme of Actions	20
7. Appendix 1 - Corporate Objectives against Service Objectives	23

1. Introduction and Context

National and local government objectives aim to promote efficiencies in the delivery of services to all customers. Excellent asset management and investment are important factors in achieving the goals, and this Asset Management Plan sets out how the assets will be used and managed to help deliver the Council's corporate vision.

This corporate Asset Management Plan (AMP) provides the overall strategic direction for the management of our property assets, and its implementation will ensure that our land and property assets effectively support our corporate objectives. This AMP forms part of the Council's policy framework, covers a period of **three** years, and will be reviewed annually, and updated as necessary. **(check)**

a. Breckland Council

Breckland is located in the central / southern part of the county of Norfolk, as shown in Figure 1 below.

Figure 1: Breckland Council



Breckland Council covers an area of 1,305km² and is one of the largest rural districts in England. Within the District, there are five main market towns: Attleborough, Dereham, Swaffham, Thetford and Watton. In 2004 Breckland had a mid year population of around 125,423, which equates to 0.96 people per hectare compared with 1.55 for the County of Norfolk and 2.82 for the whole Eastern Region.

In 2006 there were 54,436 households in the district, an increase of 7.3% on the 50,715 households recorded in 2001. The main sources of employment in the District are retail (25%), followed by distribution and catering (23.3%). The Council Tax for Band D in 2007/08 is £1,384.21, of which £61.98 is allocated to Breckland Council. As of March 2006, Breckland had the lowest Council Tax in England.

Most of the district remains rural, given over to agriculture and open heath land, known locally as the 'Brecks'. The size and characteristics of the district have a major impact on service delivery. Approximately half the district population lives in the five main market towns, the details of which are set out in Figure 2 below:

Figure 2 : Breckland population breakdown

	Population Estimate for 2004	Per Cent of Breckland Total
Breckland Total	125,410	
Thetford	22,285	18 %
Dereham	19,120	15 %
Attleborough	10,895	9 %
Swaffham	7,185	6 %
Watton	7,140	6 %
Total for the towns	66,625	53%

b. Corporate Planning Framework – Goals and Objectives

Breckland has a hierarchy of key corporate Plans, the overarching Plan being the Business Plan, supported by the Annual Delivery Plan.

Within the Breckland Business Plan, the Council has developed its priorities and objectives into a high level corporate vision which is to make Breckland:

“a better place with a brighter future for everyone”

Supporting this are three priorities, to make Breckland:

- A well planned place to live that encourages vibrant communities
- A safe and healthy environment
- A prosperous place to work and live

The Leader of the Council opened the Business Plan 2004-2011 with a statement that we will make sure that “we do our jobs efficiently and that the burden on local taxpayers is kept to a minimum. To achieve this, we will develop Breckland as an ‘entrepreneurial council’, making the most of new trading and charging powers that allow us to maximise income generation from the Council’s assets”. This statement really emphasises the critical role the property assets are expected to play in supporting the corporate vision, and is a fundamental driver behind this AMP.

Beneath the three corporate priorities are nine identified objectives, and asset management has a part to play in supporting a number of these. These have not been set out in this section, but details of the corporate objectives, and how asset management specifically supports them are set out fully in Section 2.

Breckland also has a Community Plan, in which it commits to make real improvements in the economic, social and environmental well-being of the residents within the district.

This again is supported by the property portfolio, as Breckland Council is a major provider of commercial accommodation within the district area, and focuses on providing flexible facilities to encourage small and establishing businesses. It currently manages in excess of NUMBER industrial units, and NUMBER office units, details of which are set out in Section 3.

c. Organisational Framework

The Council has sub-divided its functions into portfolios, and has allocated responsibility for each to an Executive Member. The Commercial and Community Portfolio encompasses asset management, and Executive Member responsibility for this falls to Paul Claussen. (Lady Kay Fisher has Executive Member responsibility for the community services element within the same Portfolio).

Meetings of the Commercial Services Portfolio take place monthly and are chaired either by the Assistant Director (Ray Johnson), or one of the Portfolio Members. These are formal meetings for which agendas and minutes are organised and recorded by the committee section. At each meeting, performance against the Services indicators is reported and discussed, together with the minutes of the Capital Asset and Management Working Group (see below).

The Capital Asset and Management Working Group meets every two months, and are currently chaired by the Assistant Director (Ray Johnson). These are formal meetings for which agendas and minutes are organised and recorded by the committee section. The Group receive reports on performance, property acquisitions, sales and the capital programme, and proactively identifies land for disposal from the Asset Management Plan schedule.

The Assistant Director currently holds the title of Corporate Property Officer and assumes the responsibilities that this entails. The post of Head of Assets is currently under recruitment, and when in place, the Head of Assets will take on the role of Corporate Property Officer and chair the Capital Asset and Management Working Group.

The Capital Asset and Management Working Group’s Terms of Reference are:

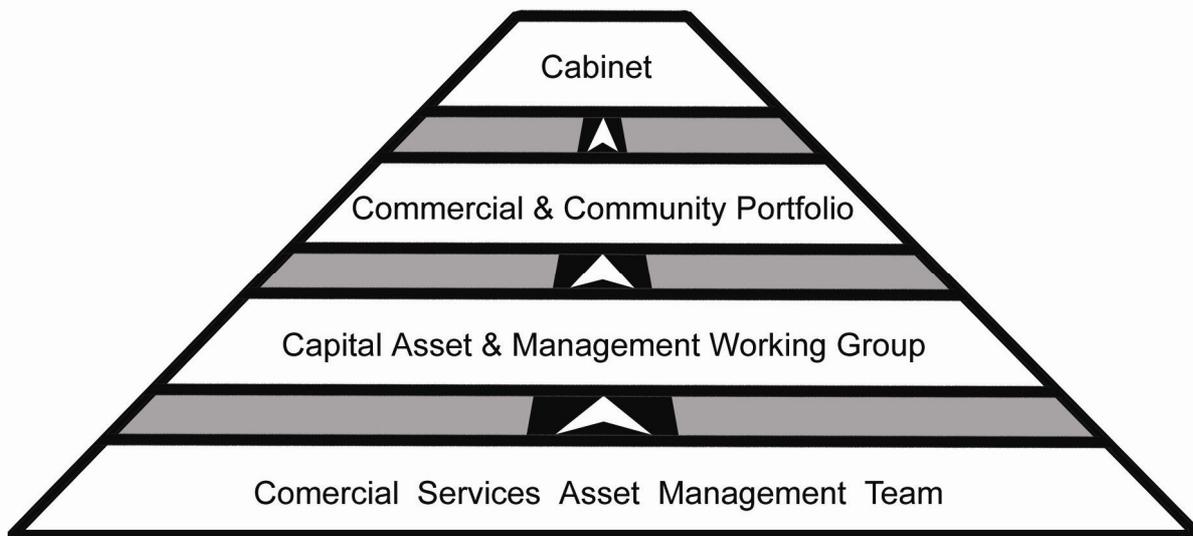
- Property Strategy - Coordinate the needs and understand the overall property and strategic requirements of the Council to enable cross-service strategic direction.
- Five Year Capital Programme - Taking into account the Property Strategy and the Asset Management Plan. Task other portfolios to produce their five year Capital Programme.
- Asset Management Plan - Review the assets against predetermined performance measures.

- Five Year Forward Maintenance Plan - Looking at balancing the annual expenditure.
- Receive and Review Property Performance Indicators.
- Management of Land Acquisition, Maintenance and Sales.

Within the Council's management structure, the Asset Management team sits under Commercial Services, which is headed by Ray Johnson, the Assistant Director. The Asset Management service includes Building Services Management, Project Management and Commercial Property Management. The Asset Management team is responsible for the management of the council's property assets, and to ensure the generation of income and effective utilisation of the facilities. Further detail on the team and its structure is contained in the Service Team Plan 2007/08.

The reporting structure for asset management matters are shown in Figure 3 below:

Figure 3 : Breckland Council Asset Management reporting hierarchy



2. Corporate Asset Policy

This Asset Management Plan details the asset management arrangements and plans to improve corporate asset use .

Asset Management can be defined as:

'The optimum way of managing assets to achieve a financial return in line with the Community Vision'

a. Corporate Asset Objectives

Breckland Council's Business Plan sets out its objectives which are:

1. A balanced housing market
2. Keeping Breckland clean and tidy
3. Vibrant, sustainable and inclusive communities
4. Enhancing Breckland's rural character
5. Contributing to safer communities
6. Promoting healthier lifestyles

7. Learning and skills development
8. Encouraging local businesses to flourish
9. Ensuring organisational effectiveness

Over the year there are a number of challenges which affect property either directly or indirectly and these include:

- Exploring additional property Investments.
- Transfer of Toilets, Play areas and open spaces.
- Implementing the Asset Management Plan.
- Comprehensive Assessment and the Use of Resources.
- Managing the financial impact from the Lyons Review and the 2007 Comprehensive Spending Review, including tougher efficiency targets.
- Data Quality Objectives that will ensure the right information at the right time at the right cost.
- Business Continuity Plan preparation.

b. Objectives for Commercial Services

Within Breckland Council there are four Service Areas with the Asset Management Team coming under Commercial Services which also includes Housing, Development, Environmental Planning and Economic Development. The Asset Management Team comprises Building Services Management, Project Management and Commercial Property Management the latter being responsible for the management of Breckland Council's property assets and the production of this plan.

The corporate plans and strategies that inform the aims and targets for all services are:

- Race Equality Scheme
- Equalities Strategy
- Data Quality Policy
- Breckland Council Business Plan
- Best Value Performance Plan
- Annual Delivery Plan

The aims for Commercial Services are:

- Provide suitable accommodation for employment
- Develop Council assets in an environmentally sympathetic way
- Maintain flexible lease terms
- Dispose of agreed miscellaneous land
- Investigate the development of housing for the private lettings market
- Maintain maximum income from the investment properties to minimise council tax
- Provide adequate car parking and public conveniences
- Review the safety of the Council's car parks and public conveniences

The specific challenges faced by the Asset Management Team are:

- The development of a criteria against which every asset will be assessed and also outline priorities for action.
- Production of a procedure for scheduling maintenance work required on the property portfolio.
- During the second half of the year to commence financial appraisals on all sites and aim to have completed 70% of these by the end of the financial year.
- To actively search for opportunities to diversify the Councils investment property portfolio through a range of new investment opportunities in accordance with the Procurement Strategy.

c. How the Asset Management Team Contributes to the Objectives

Property assets have a key role to play in the delivery of six of the nine corporate objectives and in particular that of ensuring organisational effectiveness. How the objectives for the Asset Management Team support those of the Council are shown in Appendix 1.

Summarised below are how the actions of the Asset Management Team will contribute to the achievement of the corporate objectives. Detail on the performance against the targets and programs can be found in the section on Performance Measures below and in Sections 4 and 5 of this plan.

Objective 1: A balanced housing market

- Explore the availability of Breckland miscellaneous land suitable for residential development.

Objective 3: Vibrant, sustainable and inclusive communities

- Provide suitable accommodation for employment.
- Provide adequate car parking and public conveniences.

Objective 4: Enhancing Breckland's rural character

- Develop the Council's assets in an environmentally sympathetic way.

Objective 5: Contributing to safer communities

- Review the safety of the Council's Car Parks and Public Conveniences.

Objective 8: Encouraging local businesses to flourish

- Maintain flexible lease terms on variable sized industrial units and office accommodation.

Objective 9: Ensuring organisational effectiveness

- Maintain maximum income from the investment properties that in turn minimise Council Tax.

Equalities issues

- Ensuring that all buildings with public access are DDA compliant.
- Tenants within the investment portfolio include individuals of differing race and gender.

d. Performance Measures

During 2006/07 there have been a number of Asset Management successes that have increased external income and diversified the investment portfolio. The key successes have been:

- Investment in Barnham Broom Golf and Country Club

In August 2006 Breckland Council used £11.5M of its capital reserves to purchase the freehold interest in Barnham Broom Hotel and Leisure Complex.

- Reorganisation of Breckland Council's operational offices

Following Breckland Council's relocation to new office accommodation its former offices were retained as investments and produce an annual income of about £160,000 and £190,000 respectively.

- Successful instigation of negotiations with the PCT to locate to the Elizabeth House site Dereham

This would have released capital to the authority and strengthened the economy of the town but in mid 2007 an option appraisal produced a preferred alternative for the PCT.

- Maintaining 98% occupancy of commercial property portfolio

Further detail on these is contained in the performance section and elsewhere in section 3.

The challenges for 2007/08 are:

- Strategic Partnership
- Maintaining occupation levels and income
- Implementing the Asset Management Plan.

And the objectives and targets for the Team are:

- Reduce outstanding maintenance of council Properties by 10%.
- Maintain the asset register.
- 5% of surplus land to be offered to Registered Social Landlords.
- 15% of surplus land disposed of on the open market.
- Maintain a minimum occupancy rate for the Council's Commercial Property Portfolio of 90%.
- Maintain a minimum occupancy rate of 75% at the Breckland Business Centre in Thetford.
- Maintain a minimum occupancy rate of 95% at the Breckland Business Centre in Dereham.
- Maintain rent arrears at less than 3% on all debts 90 days and over.

These are set out in Appendix 1, and performances and actions against these are contained in Sections 3 and 4.

e. Property Strategy

A property strategy has been developed based on the above which is to maximise, and reduce the risk of, returns from the investment primarily by investment and disinvestment that will produce a balanced portfolio, increase rental and capital values, improve demand, reduce maintenance backlog and identify and dispose of surplus assets.

3. Existing Portfolio and Performance

a. Existing Portfolio

Breckland Council's property portfolio comprises operational assets, together with a

substantial investment portfolio, and some surplus assets.

The major operational asset is the main corporate office, Elizabeth House in Dereham. Other operational assets include car parks and public toilets. (It is proposed that the public toilets will be transferred to parish and town councils by the end of March 2008).

The investment portfolio comprises primarily commercially let industrial units and offices, but also includes amenity land on housing estates, and the Barnham Broom Hotel complex. The investment portfolio has a total asset value of £POUNDS comprising NUMBER industrial units, NUMBER offices, Barnham Broom Hotel and development land in Dereham Town centre.

A summary of the assets in the portfolio is set out in the following tables:

Operational Assets	Number of Assets	Floor Area (GIA m ²)	Value of Assets (£)
Elizabeth House, Dereham	1		
Car Parks			
Public Toilets			
Total			

Breckland Council retained, following the stock transfer of council housing to Peddars Way Housing Association, the amenity land which is described in the geographic information system.

Other assets that are usually held by authorities similar to Breckland Council would include leisure centres, and these are currently provided under a PFI contract with Parkwood Leisure Limited.

Non Operational Assets	Number of Assets	Floor Area (GIA m ²)	Value of Assets (£)
Industrial Units Attleborough Dereham Swaffham Thetford Watton			
Office Units			
Breckland Business Centre, Dereham			
Breckland Business Centre, Thetford			
Total			

Surplus Assets	Number of Assets	Floor Area (GIA m ²)	Value of Assets (£)
Total			

b. Data Management

The Asset Management Team is responsible for all of Breckland Council's land and building assets that are identified on an electronic geographic information system that is regularly updated by the database manager.

The geographic information system records the extent and type of ownership but does not detail the terms of any occupation.

Details for each of Breckland Council's built property assets are held by the Asset Management Team electronically and as hard copies in a folder called the "Asset Management Plan". The details include the headline data for each building including asset value, area, an assessment of the level of maintenance required and tenure details. Updates are reported to the database manager who is responsible for the schedule.

Information from the "Asset Management Plan" is used to produce a monthly Code Book that is used as a management tool to determine amongst other things when rent reviews and lease renewals are due. The Asset Management Team determines when instructions are to be issued to the legal team.

Property assets are currently clearly identified by their address and a unique property reference that is also used by the finance team. However, work is underway to develop a unique referencing approach linked to the National Land and Property Gazetteer which will be used once information goes onto the new database (see below).

Breckland Council is proposing to acquire an electronic database in the near future to enable the core asset data to be recorded on an accessible system that will enable more consistent cross referencing with other records.

Funding for an asset management database was agreed two years ago, subject to the production of a business case, and the approval of the IT section to ensure compatibility with other systems.

c. Performance

Performance management is monitored using the TEN performance manager which is used to produce monthly monitoring reports, presented to the meetings of the Commercial Services Portfolio, and are included at the end of the year in the Council's Business Plan.

Performance indicators and the ongoing targets for the Asset Management Service are contained in the individual Service Team Plan, and have been summarised in Section 2. The following section provides more detail of achievements against each of the targets, and identifies future actions and targets.

- Reduce outstanding maintenance of council Properties by 10%.

Maintenance backlog has been identified from a comprehensive survey of the estate, undertaken in 2004. Updates to these surveys are done as part of a programme of regular visits to the properties (such as at rent reviews or lease expiries).

The Asset Management Team is developing a prioritisation mechanism such that maintenance expenditure on property will be prioritised in the future, details of which are

set out further in Section 4. The implementation of this process will be facilitated by the acquisition of a new database which has been detailed above. Other factors will be taken into account to inform the prioritisation of expenditure, including health and safety, investment return, market demand, suitability and satisfaction.

- Maintain the asset register.

The Council's Asset Register is currently maintained by the Finance team, and is reliant upon cross referencing between the finance register and the Asset Management Team, to inform of any changes to the portfolio and ensure consistency.

Asset values are assessed by the District Valuer and are used in Breckland Council's balance sheet. There is a rolling programme to update these figures on a five yearly cycle.

The proposal to acquire a new property database will enable further improvement in the correlation between the two records and has been detailed above.

- 5% of surplus land to be offered to Registered Social Landlords, and 15% to be disposed of on the open market

A review of amenity land by the Council's Scrutiny Panel in 2005 identified 75 sites for potential residential development and members have been asked to consider feasibility studies on 11 of these sites this year.

- Maintain a minimum occupancy rate for the Council's Commercial Property Portfolio of 90% (this includes specific minimum rates for the two Breckland Business Centres).

In 2005/06 Breckland Council's commercial property portfolio had an average occupancy of 95% and generated an income of £1.95M. In 2006/07 the respective figures were PERCENTAGE% and £POUNDSM. The income is used to support the Council's budget and reserves helping to keep Council Tax low.

The majority of industrial units are let on easy in easy out terms and over 98% occupancy is currently being achieved.

Occupancy rates are reported monthly in Breckland Council's performance management system, and to the Commercial Services Portfolio Group. Separate indicators are monitored and reported for the two Breckland Business Centres in Dereham and Thetford. Details of these occupancy rates are detailed in the Asset Management Team objectives which are set out section 2.

As part of the monitoring process, any problems identified with tenants ceasing to trade can be referred through the Economic Development division, to identify opportunities to provide support and so contribute to the corporate objective to encourage and attract businesses.

- Maintain rent arrears at less than 3% on all debts 90 days and over

Rental payments are monitored on a regular basis and managed proactively which accounts for bad debts being only 1%. Debts, income and voids are reported monthly to the Commercial Services Portfolio Group.

In addition to these existing defined targets set out in Section 2, the following key

performance areas will be monitored to enable further measurement of the support provided by the property portfolio to the corporate objectives:

- Investment return

One of Breckland Council's policies is to use the interest on investments to support the council tax. In 2006/07 the estimated gross receipt from the Asset Management Account is £1,538,325 which equates to 9.7% of Breckland Council's net operational expenditure of £15,809,880. It is estimated that for 2012/13 the gross receipt from the Asset Management Account will be £2,065,795 and this will equate to 12.7% of Breckland Council's net operational expenditure estimated at £16,259,399.

Breckland is keen to diversify its investment portfolio into new sectors which has recently included hotels, retail and offices. The basic policy on consideration of an investment is that the return must be 2% greater than the return from a bank deposit.

Supporting this will be the development of an Investment Strategy which will include consideration of the balance of the portfolio, risk and development of an option appraisal to include hard factors such as returns and soft ones such as supporting the local economy and regeneration.

Breckland Council has tried to benchmark its return on the investment properties with other public sector organisations, but it has to date not identified any organisations with a comparable portfolio. This is an area the Asset Management Team is developing, such that they will review the performance of the investments internally by type and location which can then inform investment decisions and be used for possible benchmarking in the future.

- Disabled Access to Public Buildings (BVPI 156)

Ensuring that all buildings with public access are DDA compliant is reported under Best Value Indicator 156 and this is reported as a corporate indicator.

All of Breckland Council's publicly accessible buildings meet this indicator and therefore its application is considered in any new situations.

d. Corporate Office Review

In support of the principles of efficiency, the Council undertook a rationalisation of its corporate office portfolio, resulting in a radical reduction of the operational portfolio and a move to new head office facilities in Elizabeth House, Dereham.

The Council formerly occupied offices in both Dereham and Thetford and in DATE a Best Value Review was carried out to consider ways of improving the effectiveness and efficiency of the services delivered.

The outcome of this review was the decision to build a new single headquarters office at Walpole Loke in Dereham to replace its offices at the Guildhall in Dereham and at Breckland House in Thetford. The former offices were retained as investments and now produce an annual income of about £160,000 and £190,000 respectively.

The review identified that working practices would be improved and produce annual savings in energy consumption as well as financially of between £500,000 and £750,000. By bringing all departments under one roof there would be a better use of space and improved internal communications. The financial return on the decision was secondary to the efficiencies to be gained in working practices by having all staff under one roof.

A post project review is currently being carried out to assess performance against its objectives of revenue savings, better space utilisation, improved internal communication, and energy consumption.

e. Service Performance

As well as the objectives that relate directly to the performance of the property portfolio, there are a number of supporting property service delivery objectives:

- To issue notices for rent reviews and lease renewals no later than six months before the due date (SS02).
- To issue an Annual Commercial and Industrial Directory (SS03).
- To issue a quarterly newsletter to tenants (SS04).
- To respond to serious maintenance issues within 24 hours.

These objectives all support the property objectives, such as through ensuring rental income is maximised, and occupancy levels are maintained through promotion of facilities, and supporting the tenants to maintain successful businesses.

4. Improvement Programme

Within this section are described the experiences and future actions to develop the management of Breckland Council's property assets which are summarised in the Action Plan.

a. Maintenance

Condition surveys were carried out three years ago and these have been reviewed in the intervening period with no property having maintenance information which is more than three years old. A total assessment of the required maintenance was presented to Cabinet on 24th April 2007 and a policy for a rolling programme of capitalised works for industrial units was agreed. The purpose is to ensure the quality and fabric of the portfolio does not deteriorate and the risk of reduction in rents is minimised. A sum of £100,000 was approved for the annual programme to be included in the capital budget for the current and future years.

The first £100,000 made available for maintenance backlog is to be used for reroofing premises in Thetford. With the new database to be up and running early in the next financial year maintenance will be prioritised which will inform future spending.

Tenants occupying the commercial units are responsible for all repairs and insurance. The vast majority of these leases are short term which causes problems when major external repairs are required. It has been decided that new lettings will still be on the same terms but with a sinking fund payment of £0.20/ft² to cover external repairs. This is gradually being implemented on existing tenancies by agreement at lease renewals, rent reviews or by agreement.

Total backlog since YEAR has changed from £POUNDS to £POUNDS with the money spent on maintenance being £POUNDS there is a net shortfall of £POUNDS. The total amount available for maintenance is £POUNDS which is the money available from the capital programme and that from the sinking fund.

A maintenance strategy will be developed to inform a future maintenance expenditure based on the prioritisation of the maintenance backlog, suitability of the accommodation and the return on the investment.

b. Investment

Breckland Council understands the risks of property investment and attempts to mitigate this by undertaking a policy of spreading its investment.

The Asset Management Team actively explores opportunities to maximise income with other public sector organisations for example to consider the relocation of the Norfolk PCT to land adjacent to Breckland Council's Head Quarters in Dereham. This would have released capital to the authority and strengthened the economy of the town, but in mid 2007 an option appraisal produced a preferred alternative for the PCT. Barnham Broom was acquired by Breckland Council approximately one year ago and it is now proposed to invest £1M in the facility to provide a 50 bedroom extension which will increase the income to Breckland Council.

During the year the Asset Management Team will continue to maximise returns by reviewing the assets as well as to search for and explore opportunities as they arise to diversify the Councils investment portfolio. This will include investigating the provision of residential units let at open market rents. With each opportunity a business case will be produced to assess the viability of each opportunity.

The Asset Management Team is developing a future Investment Strategy supported by a five yearly cycle of reviews based on the main market towns. This will include consideration of the rental values, actual income and changes in capital value, return and yield, risk and the balance of the portfolio. As part of the review the demand and supply of properties will also be considered involving the Economic Development Team within the Service Portfolio.

c. Developer Contributions

Proposed developments place additional pressures on the services provided by Breckland Council so a proactive approach is taken to ensure that developer contributions are obtained to provide resources required to meet these demands.

Asset requirements are reviewed when planning applications are received and Breckland Council works with the relevant town or parish council to determine these. Breckland Council acts as the lead body on negotiations with developers on section 106 agreements for social housing allocations and open space provision.

In the case of open space, Breckland Council adopts the land with or without the play equipment, and also receives a commuted sum from the developer under a section 106 agreement which is held on the balance sheet, and the interest earned is transferred to the revenue account to offset maintenance costs.

Breckland Council is aware of, and is considering how, the proposed Community Infrastructure Levy will be used in the future.

d. Partnership

In the case of land and financial provision for open space the section 106 compensation is made to Breckland Council and this is simultaneously transferred to the relevant town or parish council. Also Breckland Council has a policy to return the management of existing play areas and open spaces to town and parish councils and earmarks a commuted sum for this to compensate them for the costs of maintenance.

The Council owned offices at Thetford provide a contact point for customers, but

the majority of the building is leased to The Anglia Revenues and Benefits Partnership that provides the revenue services for Breckland Council as well as Forest Heath District Council.

Through the Council's Star Chamber, local priorities and the needs of residents are identified, with partnership working used to deliver on these which includes investment and disinvestment and the use of property resources.

e. Surplus and Underused

The Asset Management Team constantly reviews the property holding to identify any surplus property. The current list of surplus properties have been identified in a review by the Council's Scrutiny Panel in 2005 of amenity land that was retained by Breckland Council following the transfer of the housing stock. The 75 sites identified are currently being considered for disposal or transfer to Registered Social Landlords, which will support the objectives to dispose of surplus land, as well as to encourage the provision of affordable housing.

A proposal has been put forward to members for 11 of these sites to be considered for development to provide low cost housing whilst being retained by Breckland Council. Those that are of no strategic significance to Breckland Council will be offered to the town or parish council in which the site is located, having first carried out any agreed works.

The Council will ensure that any disposal of surplus land complies with the Local Development Framework, Affordable/Social Housing Need, Planning and Building Control Regulations. It will also ensure that any Economic, Cultural, Environmental and Social well-being opportunities are not compromised.

The report on options for vacant land on 12 February 2008 identifies the council's objective for a well-planned place to live that encourages vibrant communities.

In addition to these larger sites the Council receives a number of requests from local residents to purchase pieces of amenity land for garden extensions. This provides the Council with a further source of revenue and also relieves it of ongoing maintenance liabilities.

Proceeds from the disposals of assets in excess of £10,000 are determined as capital receipts. Sales under this figure are considered as revenue income. Rules governing the disposal of assets are contained in the Constitution.

f. Management

The Asset Management Team is aware of the requirement to produce Energy Performance Certificates between April and October 2008 on its commercial investment portfolio as well as a Display Energy Certificate by October 2008 on its operational office. It is currently considering the terms for the preparation of a tender to seek an external contractor to undertake this work.

5. Asset Programme

The Capital Strategy was approved on DATE. Bids for capital funding must be supported

by a business plan and project appraisal, and investment proposals must show a minimum return of 2% above bank investment rate.

The constitution allows for special delegated authority to allow such investments to be made swiftly up to £10M, subject to an appraisal that includes an assessment of the risks. Breckland Council is prepared to consider all reasonable proposals for investment provided they meet its objectives in particular the return on the investment and spreading of the risk. This is evidenced in the acquisition of Barnham Broom Hotel, the sale of land in Dereham Town Centre for retail development and consideration of private residential developments.

Capital schemes that require on-going revenue funding are carefully considered in the context of the Business Plan. The Capital Strategy refers to the project evaluation process and project management guidance using an option appraisal with a list of matters to be considered.

Breckland Council has agreed the sale of a portfolio of industrial units to the Iceni Partnership to secure the future for this community trust and ensure the provision of flexible accommodation for new and existing local businesses. The capital receipt from the sale is being earmarked to invest in alternative property investments which produce a greater return and / or increase and improve the diversity of the portfolio.

Breckland Council has been considering a programme to develop some of its amenity sites to provide affordable housing to let under the project heading of "Mud to Houses" (formerly Build to Let). Approval was given by Cabinet on DATE for feasibility studies to be carried out on 11 preferred sites.

6. Programme of Actions

At the beginning of the financial year a database will have been acquired.

By the end of the first quarter data will have been input into the new database and verified.

Maintenance expenditure will be informed by a maintenance strategy that will have been developed and agreed to coincide with the required maintenance information having been prioritised and entered on to the new database by the end of September.

By the end of December the first review of assets will have been carried out focusing on one of the main towns.

Throughout the year surplus properties will be identified and reported in March of next year.