

BRECKLAND COUNCIL

Corporate Asset
Management Strategy

2012 - 20



a better place, a brighter future
Breckland
COUNCIL

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INTRODUCTION

1



Introduction

Public services are invariably delivered directly or indirectly from land and buildings, collectively called property. The property portfolio of public organisations have to be right for both staff and customers and for the processes necessary to deliver products and services for that organisation.

Purpose

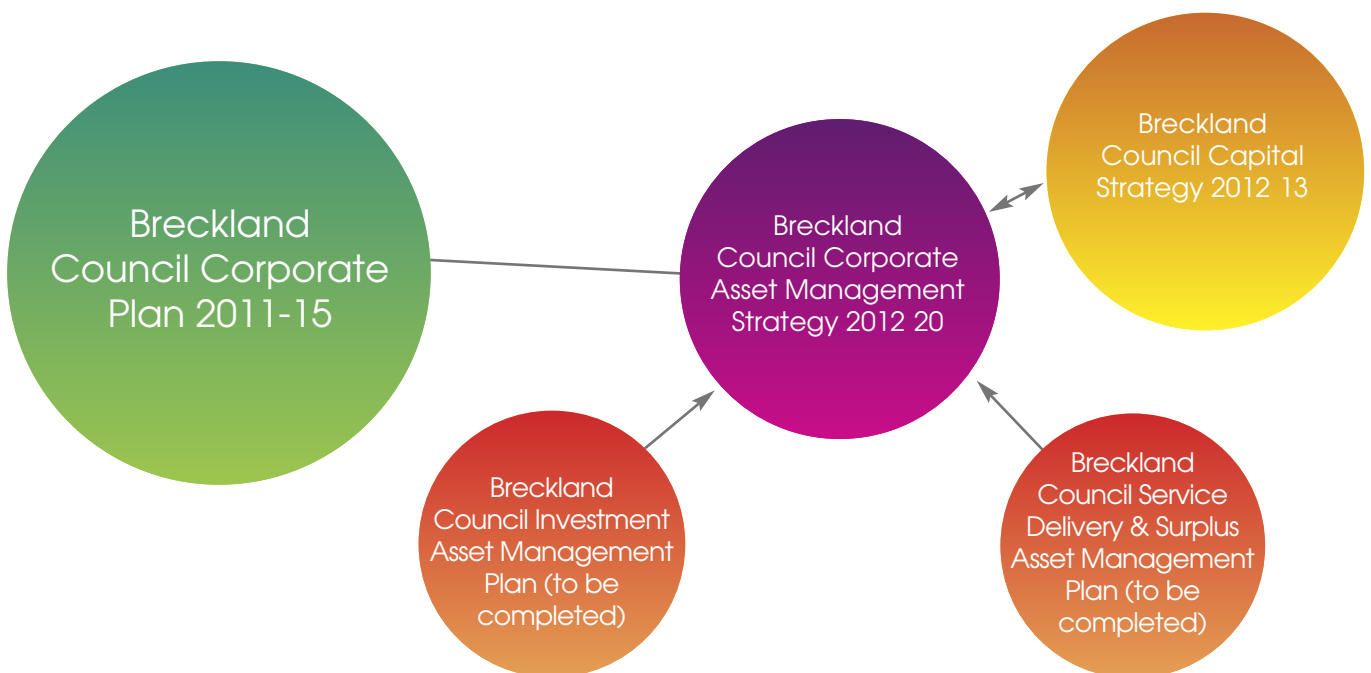
Breckland Council has produced this strategy which is linked to the vision and priorities of the Council to provide a blueprint for the effective and efficient use of the Council's property assets for the benefit of the residents of Breckland.

This Corporate Asset Management Strategy is a high level summary of the Council's overall approach to the strategic management of its land and building assets. It is driven by Breckland Council's Corporate Plan 2011-15 which takes account of local priorities that are established through effective consultation with residents and our partners. It is developed in consultation between the Senior Officers and Members of the Council. Implementation of this strategy will ensure that our land and property assets are used in the most effective and efficient way to support the corporate objectives and therefore the delivery of the Breckland Council Corporate Business Plan.

Scope

This is a strategy and therefore it does not address detailed issues concerning individual assets. It provides a framework within which those types of issues can be considered at a strategic level. It is supported by two operational Asset Management Plans, one for the investment assets and one for the service delivery and surplus assets (see below).

CHART 1A: Strategic Location of Corporate Asset Management Strategy





This strategy forms part of the Council's policy framework, covers a period of eight years and will be reviewed and updated every four years with a full refresh in 2020.

The context of this strategy has been produced having regard to the latest guidelines on strategic asset management and local authority asset management best practice issued by the Royal Institute of Chartered Surveyors in 2009.

In 2010 the Council engaged the services of CIPFA Property to undertake a 'health check' to review and report on the current asset management arrangements at the Council. The subsequent report from this commission has guided the development of this strategy. The recommendations from that 'health check' are in Appendix 6. This strategy forms part of the recommendations under priority 1 with the other recommendations being incorporated into the Action Plan (See section 6).

Outlook for Breckland Council

The political climate has changed dramatically following the formation of the coalition government. Reduced government funding is impacting on already limited financial resources making this strategy essential for the Council to focus on ensuring it continues to obtain the best performance from its asset base to deliver the maximum benefit to council tax payers in the district. Central government believes unlocking the potential value in the local government estate makes sense and is a logical extension to outsourcing services otherwise the delivery of front line services is at risk.

The new Localism Act brings some necessary statutory duties on local authorities. The Community Right to Bid and the Community Right to Challenge may well have an impact on the future management of the Council's assets and the Council will need to be aware of these changes as they manifest themselves.

Breckland Council is facing an extremely difficult challenge to sustain front line services with drastically reduced budgets. Therefore in the current format it is now more important than ever that the Council reassesses how its asset base can help deliver the resources to support the needs of local people in the services we provide.

OUR ASSETS

2



Our Assets

Breckland Council owns a large and varied portfolio of building and land holdings totalling 436 assets with a total gross book value of £56,149,724 (as at 01 April 2012). It comprises of a substantial investment portfolio together with service delivery (operational) assets and surplus assets.

The register of assets is held in the Council's Fixed Asset Register (Integra Fixed Asset Module (FAM)). The Council uses this register to manage the gross and net book values of the assets. The assets are re-valued on a cyclical basis in line with CIPFA accounting requirements.

For the purposes of this strategy the Council's property assets are grouped as Investment Assets, Service Delivery Assets and Surplus Assets. The following section outlines the number and value of assets held in each category and the percentage mix of use and value of those assets. The information in this section has been extracted from the Council's Fixed Asset Register (Integra Fixed Asset Module (FAM)) as at 01 April 2012.

2



Investment Assets

These assets are held for the purpose of generating rental income and/or capital appreciation. The IFRS (International Financial Reporting Standards) equivalent category is Investment Assets. The investment portfolio comprises primarily of commercially let industrial units, offices, retail units and individual larger single assets such as the Barnham Broom Golf and Country Club and Minstergate.

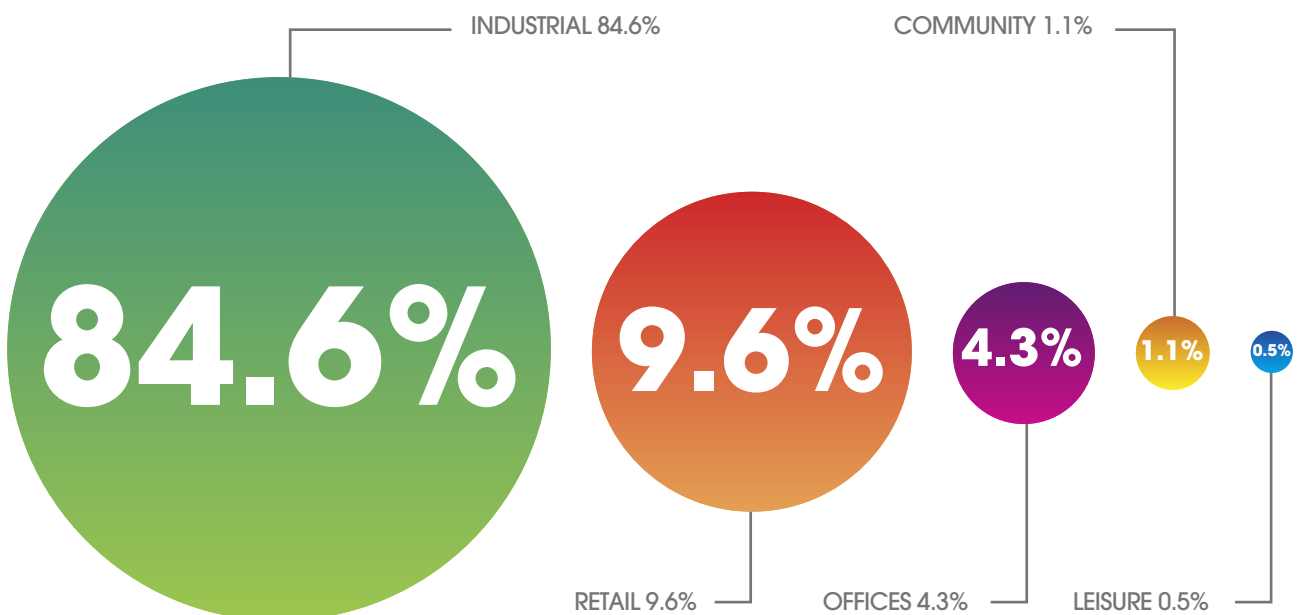
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TABLE 2A: Investment Assets

USE	NUMBER OF ASSETS	GROSS BOOK VALUE £
Community	1	75,000
Industrial	159	13,200,706
Offices	8	6,672,649
Retail	18	4,271,170
	186	24,219,525
Finance Leases*		
Leisure	1	6,500,000
Community	1	39,998
	2	6,539,998
TOTAL	188	30,759,523

*These are also assets where Breckland Council holds the freehold interest. Finance leases are off balance sheet and this is the fair value of the leasehold interest as at 01 April 2012. Fair value is the amount that would be paid for the asset in its existing use and therefore is the most comparable to gross book value.

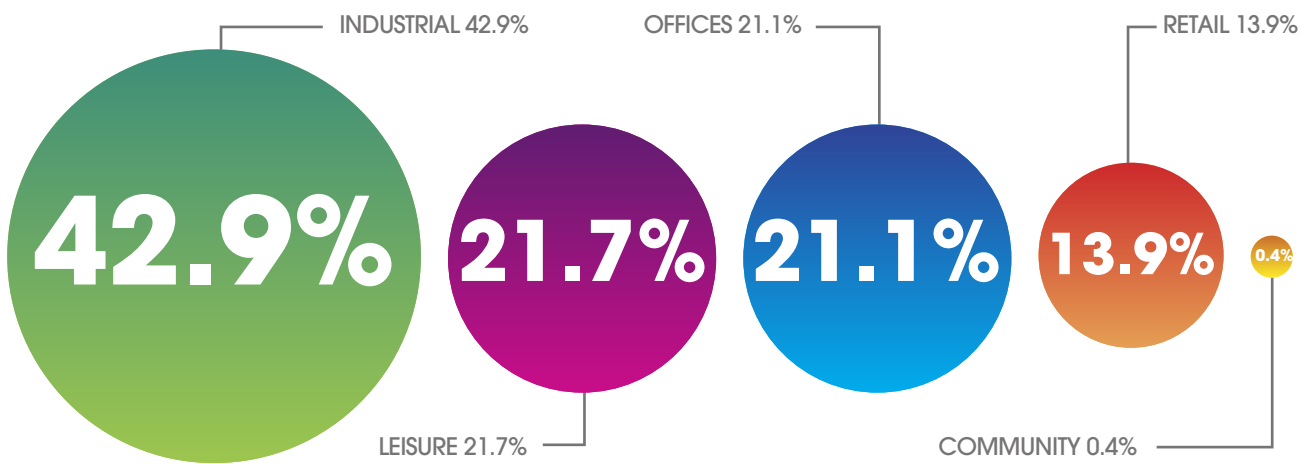
CHART 2A: % Use of Investment Assets





2

CHART 2B: % Value Investment Assets



The mix of investment assets is heavily weighted both in number of assets and value in industrial property reflecting the Council’s ambitions to use income from this group of assets to support wider corporate delivery. However in terms of use there is then a more even spread of value across Office, Retail and Leisure.

2

Service Delivery Assets

Alternatively known as operational assets, these are held, occupied, used or contracted to be used on behalf of the authority in the direct delivery of the services for which it has a responsibility, whether statutory or discretionary or for the service of the strategic objectives of the authority. They may be occupied by the Council for the delivery of the Council's services i.e. direct service delivery assets or occupied by a third party for the delivery of the Council's services i.e. indirect service delivery assets. They are not solely held for income purposes although they may be used for that purpose. The IFRS equivalent category is Property, Plant and Equipment. The scope for this strategy is property only.

TABLE 2B: Service Delivery Assets

USE	NUMBER OF ASSETS	GROSS BOOK VALUE £
Offices	1	3,345,000
Public Conveniences	1	49,000
Car Parks	30	3,356,750
Hostels	2	943,800
Sports Centres	2	11,887,630
Community Centres	1	25,000
Heritage / Museums	2	390,000
TOTAL	39	19,997,180



CHART 2C: % Use of Service Delivery Assets

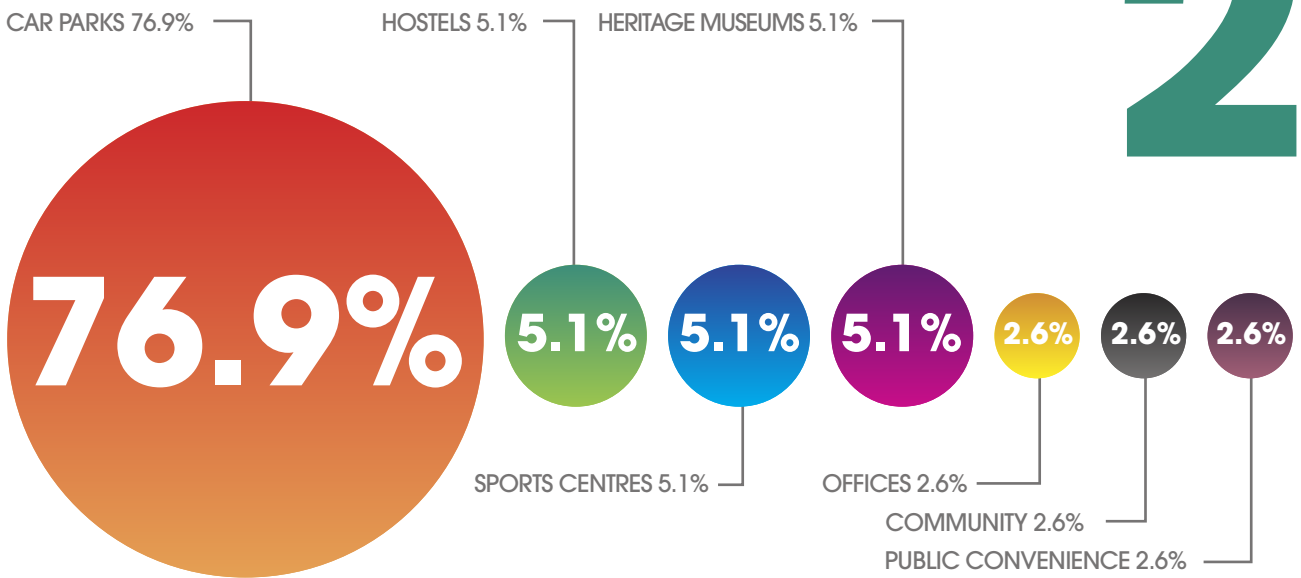
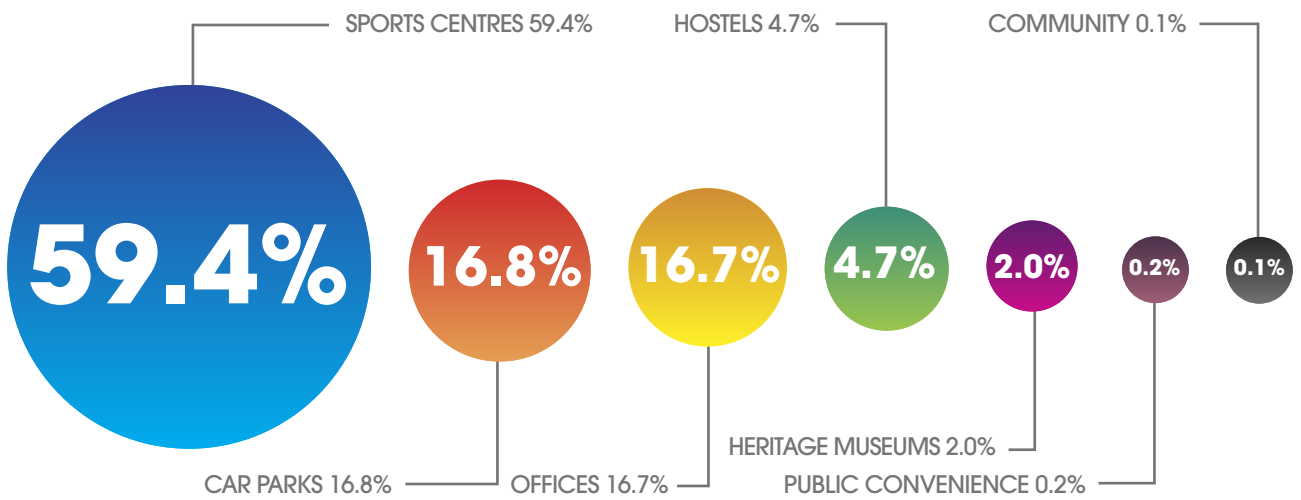


CHART 2D: % Value of Service Delivery Assets



2

Surplus Assets

These assets are not being used to deliver services. At the point at which they are disposed they would transfer to being an asset held for sale. At the point they are put to alternative use they would either become an investment asset or service delivery asset. Following the council housing stock transfer 30 March 1993, Breckland Council retained the associated amenity land which makes up a substantial portfolio of these property assets. The IFRS equivalent category is Property Plant & Equipment - Surplus.

TABLE 2C: Surplus Assets

USE	NUMBER OF ASSETS	GROSS BOOK VALUE £
Surplus (Land)	209	5,393,021
TOTAL	209	5,393,021

The Council may well own a number of additional land assets. 209 are accounted for via the Council's Fixed Asset Register. Identification of the remaining land assets continues and is an objective for the forthcoming Service Delivery & Surplus Asset Management Plan.

Whilst the above figure of £5,391,201 may be considered significant the average site value in this group is £25,795. Of the total number of sites 138 or 66% of the sites are valued up to £5,000 and only 14 sites are valued over £100k. The values represented in the Fixed Asset Register are historic and are considered approximate due to the current use or potential use that these assets could be used for. The Council's Active Land Management programme is systematically reviewing these sites to obtain best value on disposal.

Total Assets

The following table summarises the above breakdown and totals the number of property assets held and the value.

TABLE 2D: Total Assets

USE	NUMBER OF ASSETS	GROSS BOOK VALUE \$
Investment	188	30,759,523
Service Delivery	39	19,997,180
Surplus (Land)	209	5,393,021
TOTAL	436	56,149,724

CHART 2E: Overall % Use of Assets

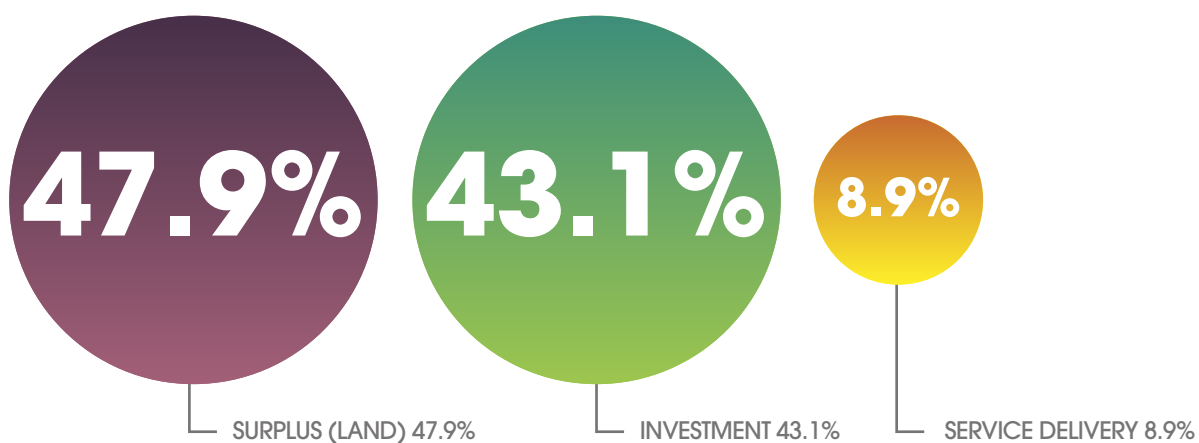
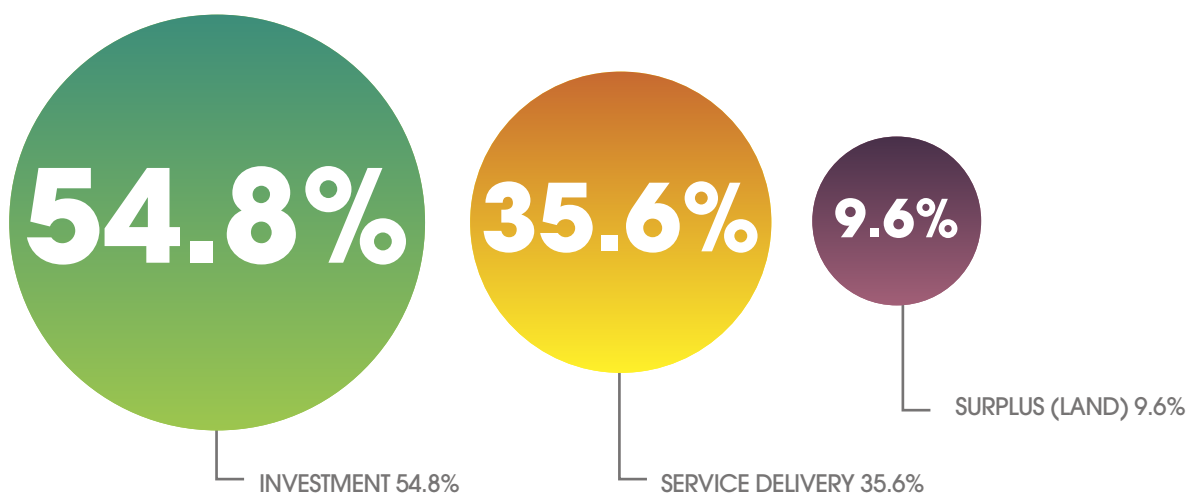


CHART 2F: Overall % Value of Assets



Why Assets are important to us

Property assets are inextricably linked to the delivery of the vision and priorities of the Council and the way that we manage our land and property assets has a direct impact on the quality of services delivered to the public. It is therefore crucial that efficient and effective use is made of these assets to support corporate objectives.

Asset Management is a structured process that seeks to ensure best value from property assets in serving the needs of the Council and therefore the community.

Three features of property assets place primacy on their management are:

1. They are high value (c.£56m) in terms of their capital cost / value and annual cost to retain and manage.
2. They need to be carefully managed over their lifetime to ensure best value.
3. It takes time to determine, plan and execute new property needs and decisions and to procure and provide for them.

Breckland Council holds and consequently acquires and disposes of property assets to continually support the Council's aims and objectives and consequently public service delivery

Asset Management Definition

"Strategic asset management for land and buildings is the activity that ensures the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned. It seeks to align the asset base with the organisation's corporate goals and objectives...It does not seek to respond solely to the requirements of any particular operating part of the organisation but rather it seeks to take all requirements into account and to deliver the optimal solution in terms of the organisation's overall operational and financial goals and objectives...It is a corporate, that is, whole organisation activity..."

(Royal Institute of Chartered Surveyors (2008) Public Sector Asset management Guidelines: A Guide to Best Practice).

The Council's land and property assets are held as a support to the main business of the Council, which is to provide services. First and foremost the property resources must be used to maximise benefit to services in the most efficient and effective manner. The current strategic direction of travel for Breckland Council in this regard is to maximise financial return from the held assets and to subsequently use that income for improvement to overall service delivery.

Strategic asset management for our land and buildings is:

- Linked and focused on our business, corporate and organisational objectives.
- Systematic and coordinated.
- Concerned with both non-financial and financial matters.
- An activity that sees property as a key strategic resource to the Council.
- Ensuring these assets make a positive contribution to regeneration of the district.
- A corporate activity and not solely the province of property professionals.
- Planning on a medium/long term basis.
- Ensuring the portfolio is developed, maintained and used in a sustainable way and having due consideration to the impact on the environment.
- Being concerned with whole life costs and benefits.

Why is Asset Management important?

2

CHART 2E

Source: Improvement & Efficiency South East

Asset Management is a key link between property assets held by the local authority and the delivery of local government services, and can be summarised as:



CHART 2F

Source: Improvement & Efficiency South East

The link between organisational performance and asset management can be summarised as:



POLICY CONTEXT

3



POLICY CONTEXT

Fit with Breckland Council Corporate Plan

The Breckland Council Corporate Plan 2011-15 is a guiding strategic document for the period of 2011 to 2015. The document sets out the Council's vision, values, priorities and aims that have informed the production of this strategy.

The vision is:

*a better place,
a brighter future*

Supporting the vision are five key priority areas, each with its own aims and particular focus areas for the current year.

For each theme there are Priorities which Asset Management has a significant part to play in supporting a number of these. The following table outlines the how Asset Management directly contributes to the appropriate Priorities.



VISION	PRIORITY	AIMS	HOW DOES ASSET MANAGEMENT CONTRIBUTE?
A Better Place A Brighter Future	To Support Our Local Economy	Support business development and skills training	<ul style="list-style-type: none"> • Providing suitable accommodation for employment. • Maintaining flexible lease terms. • Provision of income to support service provision in Economic Development. • Undertake property development. • Improve on the availability and use of employment land. • Leader in legislative changes for property management particularly health and safety and environmental benefits. • Managing and developing Council assets in an environmentally sensitive way.
		Encourage creation of quality jobs	
		Develop environmental awareness in businesses	
		Work in partnership to regenerate areas of our district	
	To Be An Entrepreneurial Council	Maximise trading opportunities	<ul style="list-style-type: none"> • Developing new ways of working via Finders Fee and Property Management contracts to create greater income opportunities. • Bringing forward new models of property management such as tax incremental financing and local asset backed vehicles. • Levering in private sector funds wherever appropriate.
		Optimise the value of property assets owned by the Council	<ul style="list-style-type: none"> • Be the main provider of income generation. • Ensure occupancy levels in let properties is maintained above 90%. • Improve income generation wherever possible. • Improving the asset value by changing the use. • Undertaking considered disposals depending on market conditions. • Undertaking considered acquisitions which meet specific return and yield criteria. • Investing in property assets to pro-long economic life expectancy and therefore income provision.
		Improve productivity to deliver Value for Money	<ul style="list-style-type: none"> • High quality contract management for property repair and maintenance. • Careful budget control and management. • Clarify asset ownership to determine liability.
		Develop new models for service delivery to generate sustainable efficiency savings	<ul style="list-style-type: none"> • Bringing forward new models of property management such as tax incremental financing and local asset backed vehicles. • Maintaining and maximise income from the investment portfolio to minimise Council tax increase • Reducing Council liability through the reduction in surplus assets. • Transferring assets to local communities to ensure localised need are met. • Disposal of surplus miscellaneous land.

TABLED CONTINUED >

VISION	PRIORITY	AIMS	HOW DOES ASSET MANAGEMENT CONTRIBUTE?
A Better Place A Brighter Future	To Be An Entrepreneurial Council	Manage our carbon reduction	<ul style="list-style-type: none"> • Monitor utility contract providers and seek best value in the market and change where necessary. • Seek highest level of environmental benefit during maintenance and construction processes. • Bring forward environmental initiatives forward such as energy saving devices.
	To Have Pride In Breckland	Build on the successes of our Pride in Breckland Programme	<ul style="list-style-type: none"> • Actively manage adoption of open spaces and recreational facilities from developments. • Actively transfer adopted open spaces and recreational facilities to more local organisations such as town and parish councils to ensure local needs are met. • Maintain public accessible assets to a satisfactory condition. • Ensure streetlights are managed and maintained by the relevant partners and organisations. • Transferring assets to local communities where applicable for local management. • Ensure agreements for the maintenance and provision of public assets are upheld. • Consult with ward members, parish and town councils on property transactions and projects and where appropriate other community groups.
		Promote street cleanliness, waste minimisation and recycling	
		Work with ward members to develop their roles as community champions	
		Ensure communities are developed in a sensitive and sustainable way to protect our environment	
	Engage with communities about the delivery of local facilities and recreational spaces		
	To Develop Stronger Communities	Work in partnership to combat crime, anti-social behaviour (including fly-tipping) and support vulnerable people	<ul style="list-style-type: none"> • Proactively manage publicly accessible assets such as roads, footpaths, open spaces and streetlights to support crime reduction and anti-social behaviour incidences. • Provide fit for purpose leisure centres and open spaces throughout the district for public use to improve health.
Improve health, wellbeing and standards of living			

Links to Other Strategies

In addition to the Corporate Plan 2011-15 the Council has a number of corporate strategies and policies and/or is a partner in other strategies and policies which inform this strategy.

Capital Strategy

This strategy is closely linked to the Capital Strategy for the Council, the relevant stated aims for this strategy are:

- Physical assets are efficiently and effectively used to support the Breckland Council's Business Plan.
- Issues related to property and other assets are fully reflected in the Council's planning, specifically adequate funds for maintenance are available.
- Review of the asset management plans to identify surplus assets which can move through to a disposal process to generate new capital resources.

The link to the Capital Strategy is important because this Strategy can help prioritise capital investment (for property assets) whether that is re-investment or refurbishment and it can also return funds into the Capital reserve via disposals. The Capital Strategy responds by prioritising affordability for both the requirements from the property portfolio but also wider capital requirements in accordance with the corporate priorities.



The other linked policies strategies of the Council that this strategy needs to consider are:

- Local Development Framework
- Treasury Management and Investment Strategy
- Medium Term Financial Strategy
- Procurement Strategy
- Risk Management Strategy
- Value for Money/Efficiency Strategy
- Housing Strategy
- Contaminated Land Strategy
- Environment Strategy 2008-2012
- Economic Development Prosperity Strategy
- Growth Point Plan

ASSET MANAGEMENT STRATEGIC VISION, AIMS & OBJECTIVES

3

Vision

The Vision for Asset Management to meet the required corporate priorities is:

Vision

To manage the Council's property assets effectively to:

- *Provide sustainable properties that are fit for purpose, providing access for all which meet service needs.*
- *Generate growth and sustained income to underpin the corporate priorities.*
- *Support economic and environmental regeneration of our district.*

Strategic Aims

This is what we want to achieve as a result of our actions:

Aims

1. *Sustain £2m revenue income per annum.*
2. *Support the capital programme through the generation of capital receipts.*
3. *Generate a greater return from property investments than from equivalent cash deposit investments.*
4. *Optimise the value of the assets to their best use and capacity for service benefits and financial return.*
5. *High quality, utilised, safe, accessible assets.*

Strategic Objectives

These are the activities we will undertake to meet our aims:

Objectives

1. *Generate maximum income from property management and investment.*
2. *Seek appropriate opportunities for trading and charging for services.*
3. *Diligently invest in new assets with good returns and existing assets for sustainability of income*
4. *Diligently dispose of under-performing and surplus property assets.*
5. *Continually review best value and best use of all property assets.*
6. *Seek opportunities to diversify the portfolio and increase the value of assets through change of use.*
7. *Maintain and renew as appropriate all publicly accessible assets.*
8. *Ensure property assets make the optimum contribution to the Council's priorities and objectives.*
9. *Pursue best value in property management activities.*
10. *Strategically manage a balanced portfolio of use.*

Fit with Corporate Values

The following table demonstrates the Asset Management commitment to the Council's values:

3

TABLE 3B: Asset Management Commitment to Corporate Values

BRECKLAND COUNCIL VALUE	ASSET MANAGEMENT COMMITMENT
Our Citizens	<ul style="list-style-type: none"> • We will consult our building users to determine satisfaction levels with the condition and sustainability of buildings and their facilities. • We will use customer feedback to deliver improvements in our asset portfolio. • We will continue to be proactive in consulting our communities with regards to land and property in their areas. • We will produce and maintain a Corporate Asset Management Strategy to demonstrate what we do and why we do it.
Our Customers	
Honesty and Integrity	<ul style="list-style-type: none"> • We will rationalise our assets where this is in the interest of the Council and our communities. • The investment of new assets will be planned on a 'whole life' basis following professional property standards. • We will continue to work with our partners to ensure that the shared use of assets is explored and optimised wherever possible where a joined up approach to service delivery will improve outcomes for our communities.
The environment in which we live	<ul style="list-style-type: none"> • We will use property assets to improve the quality of the environment in the district. • We will seek to optimise the use of our assets in the communities they serve. • We will consider opportunities to transfer assets to our communities where this approach will best serve our communities needs. • Our public buildings will be accessible and welcoming to all sections of the community and located in the right place, to the right standards and appropriately branded. • We will provide energy and water consumption data of our buildings to enable reduction of use. • Regular reviews of our assets will be undertaken to ensure that they are being used appropriately. • We will consider options for the use of sustainable materials and components in the design, construction and maintenance of our buildings.
Our staff and elected members	<ul style="list-style-type: none"> • We will continue to be proactive in consulting our communities with regards to land and property in their areas. • We will provide accurate information regarding our assets.
Giving value for money	<ul style="list-style-type: none"> • We will review our land and property assets to ensure they are delivering best value and are being used efficiently.

OUR APPROACH TO ASSET MANAGEMENT

4

Our Approach to Asset Management

Within Breckland Council there are two portfolio areas (Place & Governance and Commissioning). Asset Management forms part of the Commissioning Portfolio.



Asset Management is the functional service in the Council that undertakes the operational requirements to ensure this strategy is delivered. It will strive to achieve the strategic aims and will undertake activities in accordance with the strategic objectives. This function has specific property related expertise and knowledge in:

- Construction and maintenance
- Quantity surveying
- Building surveying
- Valuation
- Property management
- Property development
- Property investment and disposal
- Project management
- Legal property matters
- Land Registration
- Civil engineering & Mapping
- Finance
- Facilities Management
- Construction & Maintenance Procurement and contract management

The Asset Management function manages and maintains this strategy and the other asset management related policies to guide operational activity in line with the Asset Management vision, aims and objectives.

A majority of the Council's property assets are managed by the Asset Management function which comprises of the following areas:

- Building Services Management
- Estate Management
- Public Asset Management (e.g. car parks)
- Facilities Management
- Project Management
- Land Management
- Commercial Property Management
- Property Investment & Disposal
- Commercial Developments

Some functions of the Asset Management service are discretionary such as commercial property management and some functions are mandatory such as public asset management.

Acquisitions & Disposals

A Property Reinvestment Strategy has been developed to reduce risk and maximise returns from the investment properties primarily by investment and disinvestment that will produce a balanced portfolio, increase rental and capital values, reduce maintenance backlog and identify and dispose of surplus assets.

Please see Appendix 2 for the Property Reinvestment Strategy and Appendix 3 for the Property Disposal Protocol.

Decision Making

There is a need to ensure there are structures in place through which decisions are taken regarding management of the Council's assets. The Council has adopted a Cabinet structure with delegated decisions being provided to Cabinet and the Executive Member for each service area of the Council.

The Constitution of the Council sets out the rules under which the Council operates. The key parts of the Constitution in regard to the decision making process are contained in Part 3 (Delegations) and Part 4 (Standing Orders, including Contracts Standing Orders and Financial Regulations and Financial Procedure Rules).

In a majority of cases decision making regarding Asset Management will follow the standard procedures from the Council's constitution. The following table sets out where/how decisions are taken which are relevant to the Asset Management function:

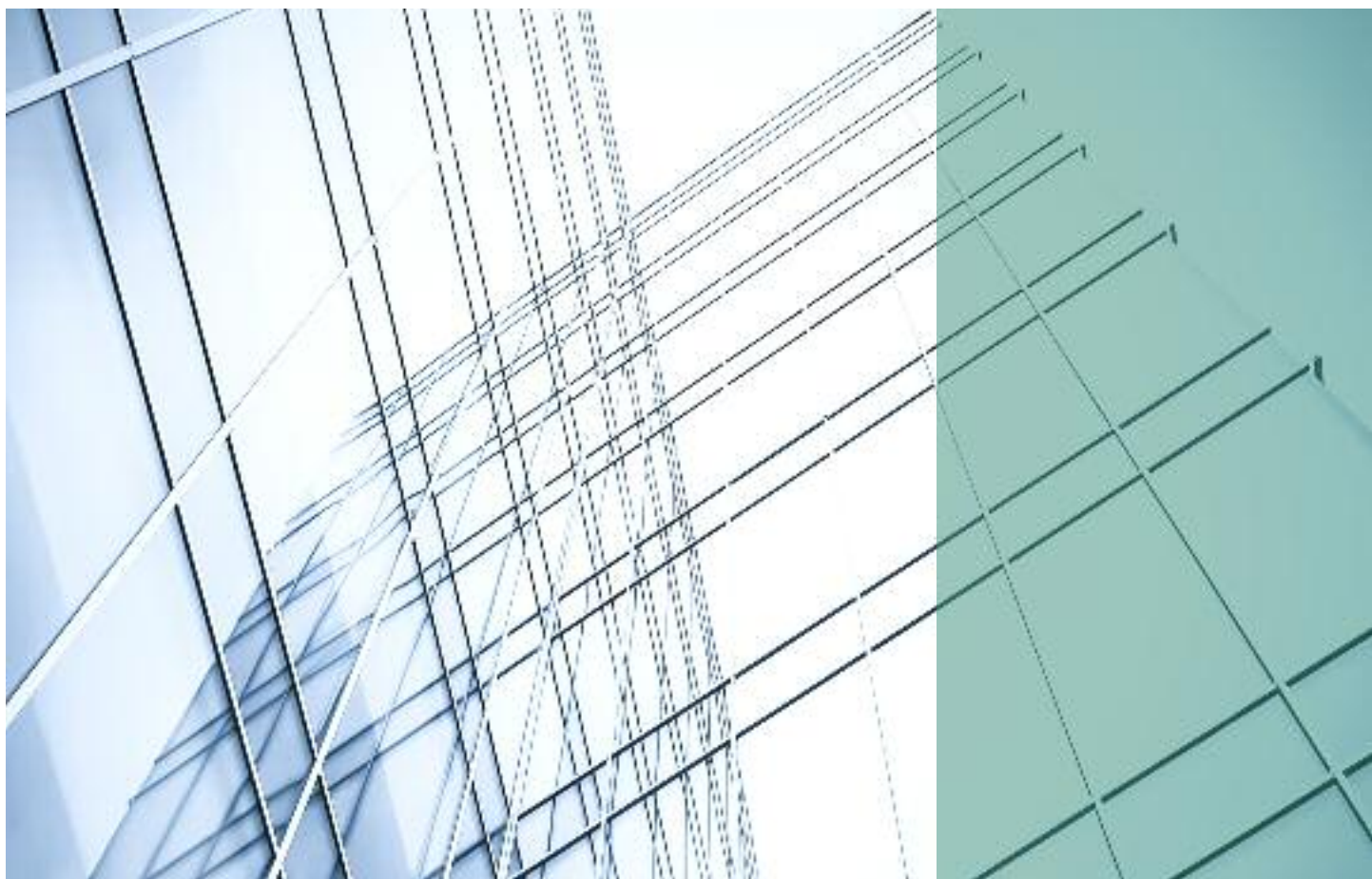


TABLE 4A: Asset Management Governance

*The Chief Officer has the power to authorise staff within their control to carry out powers delegated to them.

EXAMPLE DECISION	DELEGATION	CONSTITUTION REFERENCE
Member Delegations		
Adoption of the Corporate Asset Management Strategy and any associated documents	Delegation to Executive Function - Cabinet	Part 3 Delegations. C3 para 3.c
Adoption of other policies i.e. Active Land Management Framework	Delegation to Executive Function – Cabinet	Part 3 Delegations. C3 para 3.c
Capital expenditure (in budget)	Delegation to Executive Function - Cabinet	Part 3 Delegations. C3 para 18
Authorise acquisition (within agreed budget) or disposal of land or an interest in land held for that purpose	Delegated to Executive Function - Executive Member	Part 3 Delegations. C4 para 3
Non-Executive Delegations		
Adoption of Lease Car Scheme policy	Delegated to Non-Executive Function – General Purposes Committee	Part 3 Delegations B2 2
Officer Delegations		
Invest in Commercial Property up to £10 million	Delegated to the Chief Executive in consultation with the Leader	Part 4 Standing Orders 4C C2 V1 iii
Authorisation to obtain up to £50,000 additional to operational budgets	Delegated to the Corporate Management Team subject to the prior approval by or on behalf of the S.151 Officer	Part 4 Standing Orders 4C C2 V1 1 delete i
Receive and spend grants up to £50,000	Delegated to Chief Officer* subject to prior approval by or on behalf of S.151 Officer	Part 4 Standing Orders 4C C2 V2
Authorisation to enter into a property agreement i.e. a lease, licence, management agreement	Delegated to Chief Officer*	Part 3 Delegations E4 A1
Arrears	Delegated to Chief Officer	Part 3 Delegations E4 A1
Disposal of vehicles	Delegated to Chief Officer*	Part 3 Delegations E1 para 9b
Strategic Management and Control of the premises and assets which he is responsible	Delegated to Chief Officer*	Part 3 Delegations E1 para 9a
Enter onto land for purpose of statute	Delegated to Chief Officer*	Part 3 Delegations E1 para 9f
Serving of formal notices for interests in land	Delegated to Chief Officer*	Part 3 Delegations E1 para 9h
Make planning applications	Delegated to Chief Officer*	Part 3 Delegations E1 para 9j
Writing off debts	Delegated to Head of Finance	Part 3 Delegations E6 para 8
Recovery of debts	Delegated to Head of Finance	Part 3 Delegations E6 para 10
Disposal of obsolete equipment	Delegated to Head of Finance	Part 3 Delegations E6 para 8
Sale of repossessed property	Delegated to Head of Legal Services	Part 3 Delegations E7 para 4
Applications to sub-let property in mortgage to the Council	Delegated to Head of Legal Services	Part 3 Delegations E7 para 5
Approve applications to sell land forming part of properties in mortgage to the Council	Delegated to Head of Legal Services	Part 3 Delegations E7 para 6
Institute or defend any civil or criminal proceedings to safeguard the Council's assets	Delegated to Head of Legal Services	Part 3 Delegations E7 para 7
Authorisation to vire funds between cost centres up to £20,000	Delegated to Head of Service on behalf of S.151 Officer	Part 4 Standing Orders 4C C2 II. 1

KEY ROLES & RESPONSIBILITIES

Chief Officer & Executive Member

The Council sub-divides its functions into portfolios and for each portfolio allocates an officer responsibility to a Chief Officer (who is a member of the senior management team) and political responsibility to an Executive Member.

Asset Management is part of the Commissioning portfolio and the current responsible Chief Officer for this portfolio is Maxine O'Mahony, Director of Commissioning and the responsible Executive Member is Mark Kiddle-Morris.

The responsible Chief Officer reports to the Chief Executive and is a member of the senior management team and has overall strategic responsibility for the Asset Management function ensuring that its activities continue to support the Council's aims and priorities.

The Executive Member is a member of the Cabinet committee and has delegated responsibility to authorise decisions for the Asset Management service in support of the Council's aims and priorities.

The Executive Member attends the Executive Board meetings (weekly), Cabinet committee meetings (monthly) and Full Council committee meetings (monthly).

Corporate Property Officer

The Corporate Property Officer is a generic local government designation that is held by the most senior officer that is totally responsible for the Asset Management function in the Council. At Breckland Council this designation is currently held by the Head of Asset Management post supported by rest of the Asset Management team.

The introduction of this designation and the reasons for referencing this designation is new for the Council and is recommended to be adopted when this document is adopted. This may require the movement of resources and budgets within the Council and a shift in culture.

Definition

Management of all property is centralised under the responsibility of one officer (or one department i.e. Asset Management). Management means holding overall responsibility for the property on behalf of the Council to maintain the Council's best value in the asset. It does not necessarily include the day to day management or liaison with the occupier or any contractual service arrangements that occupier may have with the Council. These responsibilities shall be maintained by the department that is most relevant to the property use.

The Corporate Property Officer is the initial point of contact for all corporate property management matters, providing advice on standards and procedures to ensure accordance with accepted industry best practice.



4

Reasons

The main reasons for maintaining a Corporate Property Officer designation are:

- Central control by specialised property expertise which might not be available in separate service areas.
- Minimisation of costs on property and maximisation of usage.
- Economies of scale for maintenance and service contracts and procurement.
- The true cost of the Council's land and property assets will be clear if property management is centrally managed.
- Obtaining the best use and value for an asset may not be maximised if information about all assets are not managed within one area. Likewise the advantages or benefits of property disposal/acquisition are not clear if property management is fragmented.

Responsibilities

1. Maintain an asset register and identify all the Council's land and property holdings.
2. Prepare and monitor the Council's Asset Management Strategy ensuring it complies with all other strategic plans/policies of the Council.
3. Contribute to the Council's Capital Strategy and Capital Programme.
4. Monitor the fitness of land and buildings for the Council's purposes and take remedial action for unfitness.
5. Identify and dispose of redundant assets from the Council's ownership.
6. Identify and acquire assets that are required to support the Council's corporate aims and objectives.
7. Chair the Capital Asset Management & Working Group.
8. Represent the Asset Management service and report information as required to members and committees.
9. Actively promote a corporate approach to Asset Management by establishing links with service areas and projects which have property related matters.
10. Review and take action on the property implications arising out of audit reports, Council strategies/policies and other statutory reviews.
11. Implement national and local performance indicators and use benchmarking accordingly.
12. Implement a continuous programme of condition surveys to reduce maintenance backlog.

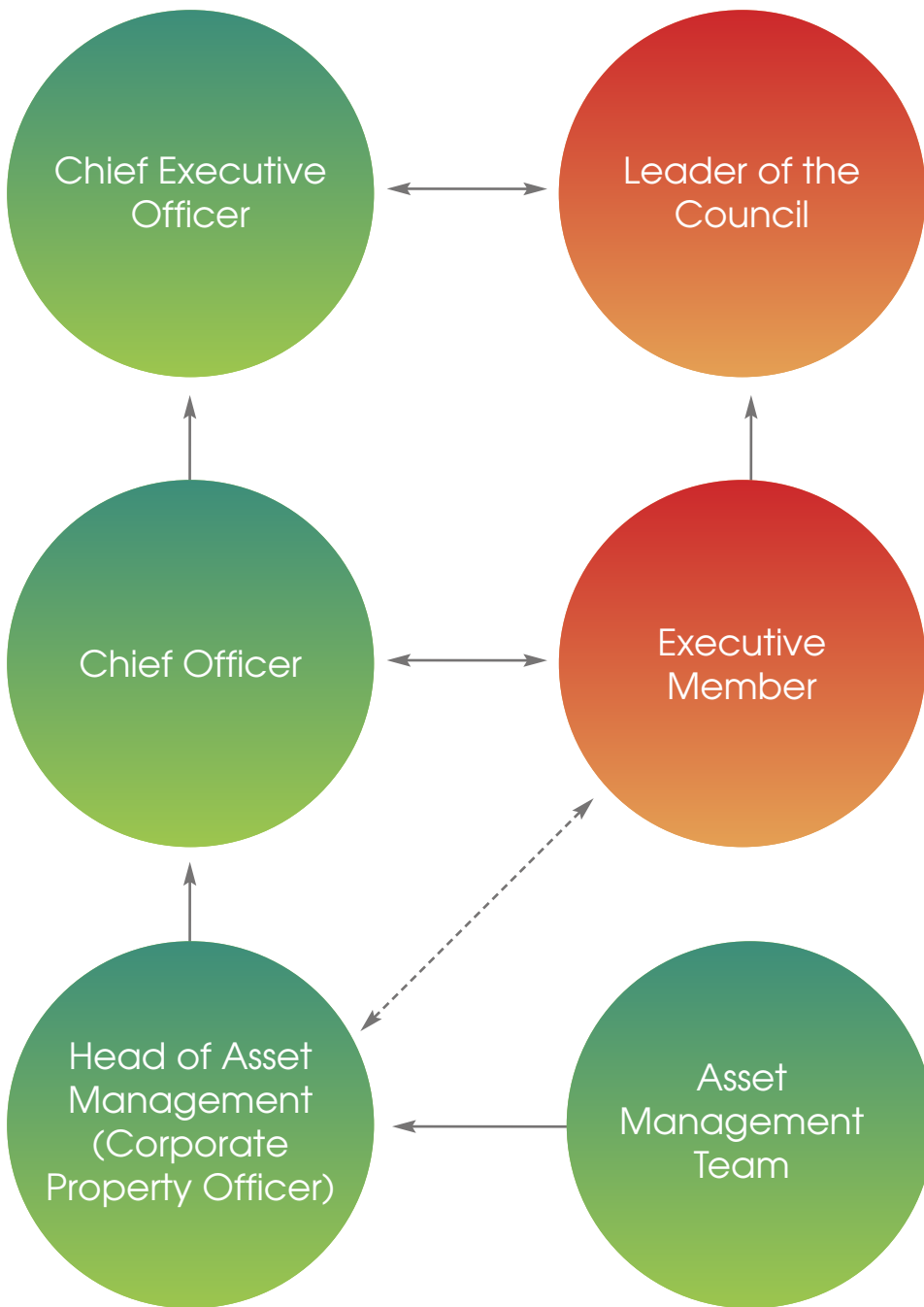
Asset Management Team

The Asset Management service currently consists of 15 members of staff which equates to 13.7 full time equivalents. The operational manager of the service is currently known as the Head of Asset Management who is supported in delivering the service with three principal officers and ten other officers. The Asset Management team are responsible for delivering the operational requirements of the service to meet this strategy's aims and objectives.

The following chart sets out the information flow and governance for the personnel involved in Asset Management.

CHART 4A: Asset Management Personnel Governance

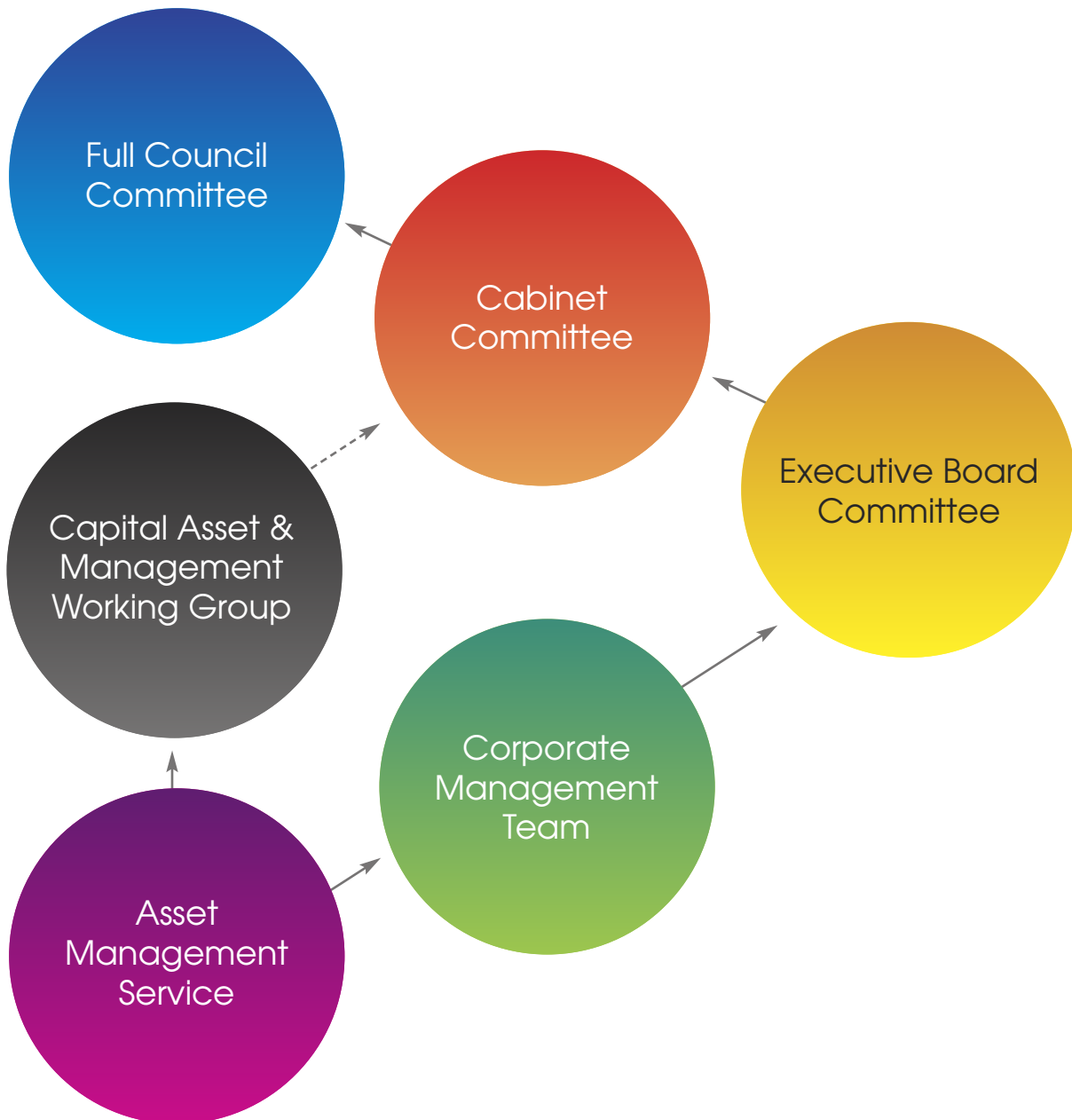
4



Governance

The following chart outlines the reporting structure for information, issues, decisions and accountability regarding property assets and any activity undertaken by the Asset Management service and this strategy.

CHART 4B: Asset Management Personnel Governance



Asset Management Service

Information is reported through the channels indicated above depending on the subject matter. Decisions that are outside of the Head of Service's delegations are undertaken in this way.

Capital Asset & Management Working Group

This group meets monthly and its main responsibility is to review, consider and be consulted on information received from the Council's Active Land Management framework. This policy is currently reviewing the miscellaneous land (Surplus Assets) remaining from the housing stock transfer and bring it into better use through development or disposal. This is an officer only group comprising of officers from Finance, Environmental Services, Housing and Asset Management. The group is serviced by Committee Services and is facilitated and chaired by the Land Management Officer from the Asset Management service. It has its own Terms of Reference which are in Appendix 4. Currently this Group does not make any recommendations to any other committee for approval which is the reasons for the dashed line in the above diagram. This matter will be reviewed in 2013/14 with the anticipation of making this group form a more direct link in the governance of the Asset Management function.

Senior Management Team

This group comprises of all the chief officers of the Council including the Chief Executive. Its meets weekly to review all operational and strategic matters that need further review or authorisation from a member committee. This group authorises reports that are required for Cabinet decision-making.

Cabinet Committee (incorporating Executive Board)

Breckland Council has adopted the Cabinet structure for its governance arrangements. The Cabinet committee which comprises of Executive Members each with a responsibility for specific service areas of the Council take delegated decisions on behalf of Full Council committee about policy and services. The Cabinet committee meets monthly to undertake Cabinet decisions; however the Member's of this committee also meet weekly in the form of the Executive Board to discuss matters in more detail.



4

Scrutiny & Overview Commission

The Scrutiny and Overview Commission takes an active role in challenging and identifying opportunities around the property portfolio and guiding policy. It also calls in decisions made by the Cabinet committee to review further and make recommendations.

The operating culture of the Council involves strong and hands on management by elected members which cultivates close working relationships and quick two way transfer of knowledge and policy direction.

Contract Management

Due to the function and nature of Asset Management it requires several contracts which vary in size according to value and scope. The following extract from the Constitution governs how Asset Management controls value for money:

TABLE 4B: Contract Management Requirements

CONTRACT SIZE	REQUIREMENT	CONSTITUTION REFERENCE
Contracts up to £5,000	At least one quote Must be in writing	Part 4 Standing Orders. 4B Part B Para 5
Contracts £5,000 to £75,000	Three or more quotations Must be in writing. Signed by Chief Officer or officer delegated by them	Part 4 Standing Orders 4B Part B Para 6
Contracts over £75,000	Tenders invited Must be sealed	Part 4 Standing Orders 4B Part C Para 8 onwards

Consultation & Engagement

Consultation is carried out by the Council regularly on corporate priorities and annually for budget setting purposes. It is also carried out for the preparation of the Corporate Plan. This strategy is specifically set in the context of the Corporate Plan to ensure that all the extensive consultation carried out is reflected.

Statutory Consultation Requirement

All significant individual asset decisions or changes in process or changes in policy require statutory authorisation according to the constitution of the Council by a specific group or committee. One of the main purposes of this corporate requirement is to ensure that asset related changes and decisions are consulted on by stakeholders and stakeholder groups. Consequently the constitution provides for reports to be consulted with internal stakeholders i.e. other Council service areas and for reports to follow a specific committee process to ensure a wide audience reviews the change/decision and has the time to provide comment. This engagement allows chief officers, other executive members and ward representatives to reflect on the impact of the decision in relation to the wider Council priorities, other Council services and any local community issues.

The current constitution also allows for the intervention of the Overview and Scrutiny Commission to call in decisions made by the Cabinet committee for further review and thus consultation.

Capital Asset & Management Working Group

The terms of reference for the Capital Asset & Management Working Group and adopted Active Land Management framework currently have specific consultation requirements. The consultation consists of technical consultation with internal stakeholders across the Council followed by consultation with the member ward representatives and then the relevant parish or town councils. There is also final consultation with the community to which the subject asset relates. All parts of the consultation process have specific periods for responses allowing enough time to incorporate the stakeholder's own internal processes.

It is noted that at this point in time the Capital Asset Management Working Group is due for review. The review of this Group needs to consider its terms of reference, purpose, and ability to provide additional governance and internal consultation across wider Asset Management decisions, transactions and issues. This is a key action for this strategy to adopt. This will ensure a consistent approach across all asset management functions and ensure there are links to service planning and development at a more strategic level.

Corporate Asset Management Strategy & related Asset Management Plans

Whilst there is no direct requirement for consultation by a local authority on this strategy and its associated asset management plans, it will be adopted by the Council and thereby become a public document. Consequently consultation will be undertaken on this strategy and any sub-strategies or plans to ensure they reflect the needs and requirements of identified stakeholders.



Data Management

The Council acknowledges that accurate and accessible data is essential to an effective system of asset management. Without accurate information it is impossible to assess the current health of the portfolio.

4

Asset data is currently held in a number of locations throughout the Council as described in this table:

TABLE 4C: Data Locations

SYSTEM	LOCATION / OWNER	DESCRIPTION OF DATA	SYSTEM TYPE	HOW USED FOR ASSET MANAGEMENT
Estateman	Asset Management service	Asset and property interest	Electronic bespoke windows based software	Property management
Geographic Information System & Local Land and Property Gazetteer	System managed by Capita. Overlay data owned by relevant departments.	Council land ownership and other civil engineering / rights of way	Oracle based SDE Server	Land ownership and responsibility designation
Fixed Asset Register (Integra)	Financial services	List of all the assets owned by the Council and book value	Electronic bespoke windows based software	Cross-reference asset ownership and values
Purchase & Sales Ledger (Integra)	Financial services	Revenue and capital finance and treasury management	Electronic bespoke windows based software	Operational budget for income and expenditure / invoiced sales
Terrier	Legal Services	Hand drawn maps which summarize land acquisition and disposals	Paper based mapping	Obtain deed packet numbers, view basic land sale info and current BDC ownership
Property Services Responsibilities	Asset Management service	Responsibility plans drawn by hand from original agreements and conveyance records.	Paper based mapping	Checking BDC ownership and that of others e.g. Peddars Way and NCC Highways
Deed Store	Democratic Services	Property deeds and other property related legal documentation	Paper based file store	Property management and transactions
Property Document Files / Health & Safety Files	Asset Management service	Individual property and asset files with hard copy documentation and survey information	Paper based file store	Asset management purposes
Performance System	Performance	Data on performance indicators and milestone data for project progressions	Electronic bespoke windows based software	Record performance data and monitor progress to report at quarterly clinic

4

Local Data Storage

The Council also has several file servers used to store local data for specific service areas. The Council has an ICT Security Policy which recommends that all electronic data is stored on the network file servers to ensure the data is backed up. Although staff can store data on their local IT drives they have to ensure it is regularly backed up. Currently there is duplication of data held and an incoherent file storage structure.

The E-government agenda continues to impact on service delivery although the Council has not formally adopted a paperless-office environment or electronic document management system it recognises the need to do so.

Title Deeds

In Part 4 of the Council's adopted Constitution under 4C Financial Regulation & Financial Procedure Rules it states the following regarding property deeds:

C1 Financial Regulations

8 (1) The Head of Legal Services will maintain a terrier of properties owned by the Council, recording the holding Committee, purpose for which they are held, location, extent and plan reference, purchase details, particulars of nature of interest and rents payable and particulars of tenancies granted.

8 (2) The Head of Legal Services will keep all title deeds securely.

Estateman

The Council has recently procured the Estateman software to assist in the management of its property data. Property and occupier data for the investment portfolio has been uploaded and the system is now live. To date this system only captures the investment asset data. Additional data will be added for the Council's other assets according to priority. The system incorporates the ability to link with the Council's finance system; Integra which will be explored in future phases. The system also enables the attachment of documents such as asbestos and condition surveys and this will be adopted when a file store review is undertaken. Estateman will enable the Asset Management service to function more efficiently and effectively through the use of regular reporting to help inform performance indicators as well as overall portfolio health.



MANAGING ASSET PERFORMANCE

5

5

Managing Asset Performance

The Council has a corporate approach to performance management which feeds performance targets and indicators from individual Service area Business Plans into the Council's Business Plan. Regular monthly performance monitoring takes place via meetings with the Performance Officer and quarterly performance reports are required on an exception basis. The process identifies under performance and seeks to support performance improvement and share learning from successes.

There are clear and strong performance targets and corporate guidelines for the investment asset portfolio in terms of new revenue contribution, occupancy rates and levels of rental arrears. The Council has identified the need to review the environmental sustainability of the portfolio to ensure its assets are as energy efficient as possible and further work needs to be undertaken on the performance indicators that can be adopted and relevant data that can be captured to monitor this.

Historic Performance Indicators

Historically the Asset Management function has been performance managed on mainly the investment assets. The investment assets have been fundamental in providing income to the Council to meet corporate delivery and priorities. To date the following performance indicators have been adopted:

Current Asset Management Key Performance Indicators:

1. Maintain occupancy level at or above 90% on the commercial property portfolio.
2. Generate income from commercial property and trading.
3. Maintain arrears at or below 3% at 90+ days and over.

Current Asset Management Local Performance Indicators:

1. Produce lease plans within 24 hours of being instructed.
2. Respond to all health and safety issue within 24 hours.
3. Achieve capital receipts income.
4. Maintain occupancy levels at or above 80% in the Breckland Business Centre (Dereham).
5. Maintain occupancy levels at or above 80% in the Breckland Business Centre (Thetford).

Historic Performance Analysis

The following table sets out the historic analysis of three of the previously used Performance Indicators

TABLE 4D: Historic Performance Analysis

PERFORMANCE INDICATOR	QUARTER	2007/8 TARGET	2007/8 ACTUAL	2008/9 TARGET	2008/9 ACTUAL	2009/10 TARGET	2009/10 ACTUAL	2010/11 TARGET	2010/11 ACTUAL	2011/12 TARGET	2011/12 ACTUAL
Maintain occupancy levels above 90% on the Council's Commercial Property Portfolio	Q1	90%	98.0%	90%	90.0%	90.0%	91.0%	90.0%	85.0%	90.0%	95.0%
	Q2	90%	97.0%	90%	92.0%	90.0%	88.0%	90.0%	93.0%	90.0%	97.0%
	Q3	90%	97.5%	90%	94.0%	90.0%	89.0%	90.0%	96.0%	90.0%	93.0%
	Q4	90%	93.0%	90%	93.0%	90.0%	85.0%	90.0%	95.0%	90.0%	92.0%
Maintain occupancy levels in the Breckland Business Centre (Dereham)	Q1	95.0%	99.5%	90.0%	78.0%	80.0%	73.4%	80.0%	95.1%	80.0%	91.0%
	Q2	95.0%	93.0%	90.0%	77.0%	80.0%	80.0%	80.0%	93.7%	80.0%	91.2%
	Q3	95.0%	79.8%	90.0%	90.0%	80.0%	85.7%	80.0%	93.3%	80.0%	79.1%
	Q4	95.0%	79.4%	90.0%	81.5%	80.0%	88.6%	80.0%	95.0%	80.0%	79.5%
Maintain occupancy level in the Breckland Business Centre (Thetford)	Q1	80.0%	86.9%	75.0%	80.0%	80.0%	89.0%	80.0%	92.2%	80.0%	92.0%
	Q2	80.0%	87.0%	75.0%	75.0%	80.0%	96.6%	80.0%	95.2%	80.0%	86.5%
	Q3	80.0%	83.8%	75.0%	84.0%	80.0%	96.5%	80.0%	95.2%	80.0%	84.3%
	Q4	80.0%	76.0%	75.0%	88.7%	80.0%	95.9%	80.0%	91.5%	80.0%	84.3%

The above demonstrates that in mid-2009/10 the performance of the commercial portfolio dipped below the target. This was due to the economic recession. As can be seen however that with further interventions the portfolio has performed well against the target in the following years. Overall this performance demonstrates a healthy approach to maintaining an outturn that is critical to the Council's requirements. With achievement at or just over the target this demonstrates that the target is correct and should remain.

The other two key performance indicators above have fluctuated over the period analysed and the target has been adjusted accordingly. Similarly these two properties have been affected by the economic recession. At achievement close to the target this demonstrates that the target is correct and should remain.

Recommended Performance Indicators

There are several different methods of adopting performance management and indicators to assess asset management performance.

5

The National Property Performance Management Initiative (NaPPMI) Performance Indicators are an accepted industry standard for Asset Management and further recommended by the Department of Communities and Local Government. Some 150 authorities are signed up to NaPPMI. The seven recommended performance areas are:

1. Condition of asset and required maintenance
2. Environmental property issues
3. Suitability surveys
4. Building accessibility surveys
5. Sufficiency (capacity and utilisation)
6. Revenue (spend on property, energy, cleaning and rents payable)
7. Capital (accuracy of forecasts of estimates and timing of works)

It is good practice for every organisation to choose indicators that are relevant to that organisation adopting best practice wherever possible.

Appendix 5 outlines a full list of potential indicators that could be adopted. However relevance and priority needs to be considered in using indicators that will directly monitor the Council's asset base and indicate improvements required.

The following table outlines the recommended indicators that should be adopted and where they are adopted, along with the recommended action for implementing them if they are new.



TABLE 4E: Recommended Performance Indicators

NO	INDICATOR	WHICH ASSET MANAGEMENT AIM IS SUPPORTED?	HOW OFTEN DATA RECORDED & MONITORED	WHERE DATA HELD	RECOMMENDED ACTION
Key 1.	Generate income from commercial property	1. Sustain £2m revenue income per annum	Quarterly	Investment Asset Management Plan	Continue monitoring and collect trend data
Key 2.	Expend allocated £100k to reduce backlog of maintenance	1. Sustain £2m revenue income per annum.	Yearly	Investment Asset Management Plan	Report first outturn 12/13
Key 3.	Occupancy costs per m ² for HQ	4. Optimise the value of the assets to their best use and capacity for service benefits and financial return	Annually	Service Delivery & Surplus Asset Management Plan	Set benchmark and target when Service Delivery & Surplus Asset Management Plan drafted
Local 4.	Maintain occupancy levels above 90% on the Council's Commercial Property Portfolio	1. Sustain £2m revenue income per annum	Monthly	Investment Asset Management Plan	Continue monitoring and collect trend data
Local 5.	Maintain occupancy levels in the Breckland Business Centre (Dereham)	1. Sustain £2m revenue income per annum	Monthly	Investment Asset Management Plan	Continue monitoring and collect trend data
Local 6.	Maintain occupancy level in the Breckland Business Centre (Thetford)	1. Sustain £2m revenue income per annum	Monthly	Investment Asset Management Plan	Continue monitoring and collect trend data
Local 7.	Respond to all Health & Safety Issues within 24 hours	5. High quality, utilised, safe, accessible assets	Monthly	Service Delivery & Surplus Asset Management Plan	Continue monitoring and collect trend data
Local 8.	Achieve Capital Receipts Income	2. Underpin the capital programme through the generation of capital receipts	Annually	Investment Asset Management Plan	Continue monitoring and collect trend data
Local 9.	Generate income from Breckland Business Centre (Dereham)	1. Sustain £2m revenue income per annum	Quarterly	Investment Asset Management Plan	Continue monitoring and collect trend data
Local 10.	Generate income from Breckland Business Centre (Thetford)	1. Sustain £2m revenue income per annum	Quarterly	Investment Asset Management Plan	Continue monitoring and collect trend data
Local 11.	Gross internal floor space in condition category C (poor) and D (bad) (investment assets only)	4. Optimise the value of the assets to their best use and capacity for service benefits and financial return	Annually	Investment Asset Management Plan	Set benchmark and target when Investment Asset Management Plan drafted

TABLED CONTINUED >

TABLE 4E: Recommended Performance Indicators *CONTINUED*

NO	INDICATOR	WHICH ASSET MANAGEMENT AIM IS SUPPORTED?	HOW OFTEN DATA RECORDED & MONITORED	WHERE DATA HELD	RECOMMENDED ACTION
Local 12.	Required maintenance costs (to category B (satisfactory) as percentage of total net book value (investment assets only)	1. Sustain £2m revenue income per annum	Annually	Investment Asset Management Plan	Set benchmark and target when Investment Asset Management Plan drafted
Local 13.	Energy (gas and electricity) consumption costs per m ² (service delivery assets only)	4. Optimise the value of the assets to their best use and capacity for service benefits and financial return	Annually	Service Delivery & Surplus Asset Management Plan	Set benchmark and target when Service Delivery & Surplus Asset Management Plan drafted
Local 14	Average Internal Rate of Return for assets groups (retail, industrial etc)	3. Generate a greater return from property investments than from cash deposit investments	Annually	Investment Asset Management Plan	Set benchmark and target when Investment Asset Management Plan drafted

It is noted that some of the Performance Indicators above are already been established and some require further benchmark and establishment.

Rationale for Performance Indicators

The above Performance Indicators have been selected following taking into consideration the following:

1. Best practice against the recommended NaPPMI indicator areas.
2. What is relevant to the Council's property portfolio.
3. What can reasonably and realistically be collected.
4. Gaps in the current range of Performance Indicators.
5. Expectation of indicating performance in delivery of the Asset Management key strategic aims.

Benchmarking

Currently the Council does not undertake benchmarking of its Asset Management indicators. It is recommended that this should be considered to allow the Council to consider how well its assets are performing with peer authorities. This could be achieved through enlarging the Council's current membership to CIPFA.

Monitoring, Review & Challenge

The Council has adopted a new performance management system called Performance Plus. This system is currently in implementation. Data is submitted to Performance Plus for regular monitoring of project milestones and outturns against indicators and targets.

Regular monthly performance monitoring takes place via meetings with the Performance Officer and quarterly performance reports are required on an exception basis to be submitted to the Leader of the Council and the Chief Executive. This process identifies under performance and seeks to support performance improvement and share learning from successes. The Head of Asset Management and the Executive Member for Asset Management attend performance meetings to present exception reports for scrutiny.

5



ACTION PLAN

6





Actions

The following are the actions that are required to deliver this Corporate Asset Management Strategy. These actions should be incorporated into the Asset Management Business Plan according to the year. To achieve these actions the Asset Management service must be maintained at the current complement of 13.7 FTE. If this is reduced the actions are at risk of completion.

2012/13

1. Adopt Corporate Asset Management Plan 2012-2020 December 2012
Including adoption of Reinvestment Strategy and Disposal Protocol

2. Review of car parks for best value use (including charging feasibility) January 2013

3. Establish further performance indicators and targets on March 2013
investment and surplus / service delivery assets

4. Create Investment AMP March 2013
 - Prepare property maintenance programme
 - Property reviews and asset management plans
 - Identify under performing assets (disposal programme)
 - Refresh the Reinvestment Strategy

2013/14

1. Review alternative delivery vehicles and financing structures June 2013

2. Review of street lighting provision June 2013

3. Review of CAMWAG – consistency / wider AM transactions / September 2013
matters / delegations / information flow.

4. Consider benchmarking performance indicators September 2013

5. Consider benefits of a system of changing charges for Service October 2013
Delivery asset accommodation to raise and maintain awareness of costs

6. Identify a series of energy reductions projects that will combine December 2013
quick wins, high impact, CO2 savings and direct cost savings

7. Consolidate property data December 2013
 - Consistent electronic location / file storage structure
 - Reconciliation of Estateman & Fixed Asset Register
 - Upload further data onto Estateman (Service Delivery & Surplus assets)



2013/14 *CONTINUED*

- | | |
|--|------------|
| 8. Create Service Delivery and Surplus AMP <ul style="list-style-type: none">• Prepare a sustainable construction policy | March 2014 |
| <hr/> | |
| 9. Prepare an energy policy | March 2014 |
| <hr/> | |
| 10. Consider a Transfer of Community Assets policy | March 2014 |

2015/16

- | | |
|--|------------|
| 1. Review Corporate Asset Management Strategy, following publication of revised Corporate Plan and refresh if required | March 2016 |
|--|------------|

2019/20

- | | |
|--|------------|
| 1. Refresh Corporate Asset Management Strategy in 2020 | March 2020 |
|--|------------|



APPENDICES



Appendix 1

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APPENDIX 2 – PROPERTY REINVESTMENT STRATEGY APRIL 2010

1. Introduction

An investment strategy forms part of the Asset Management Plan (AMP) in describing how the portfolio is strategically managed in getting it from its current position to a future position, which matches and delivers corporate future goals set out in the Corporate Plan.

The AMP is programmed to be formulated in Q2 (following re-alignment of the STP), hence any investment strategy produced in Q1 must be subject to review and revision following AMP formulation.

This strategy is produced in this context to address a need to enable reinvestment of capital receipts in Q1-Q2, to take advantage of favourable market conditions for acquisition of assets at the bottom of the cycle at favourable prices, and to reinstate rental income lost as a result of sales (broadly reduction of £½ m p.a. down from £2.0 m. p.a.).

Any strategy needs to be interpreted in a flexible way, and matched to some extent by an opportunistic approach to opportunities that will be identified going forward. The strategy is not intended to be comprehensive and to cover all situations and opportunities, and individual propositions brought forward may need to be considered on their own merit.

2. Background

2.1 Market Conditions

The property market continues at the bottom of the cycle with depressed capital values having fallen around 40% from the peak to the trough. In line with the economic cycle there remains relatively weak occupation with demand resulting from high levels of unemployment nationally, with downward pressures and falling rents. Following the credit crunch there has been a prolonged and continued absence of bank lending into the property market having huge impact on demand for property. Also much of this cheap debt taken up in 2006-07 which fuelled much of the growth up to the peak comes up to maturity over the next few years meaning that the properties upon which this debt is secured will need refinancing. Recovery in the market will be influenced by the way that the Banks choose to manage their loan books and assets.

A recovery is surfacing with expected volatility ahead, and a probable longish road to economic recovery. The upturn may be prolonged and relatively low in gradient over the next 12 months.

Against this background opportunistic and entrepreneurial property investors have recognised fair value in the pricing of some assets and have re-entered the market over the last 6 months or so. This has resulted in yields being driven down marginally from those levels seen following the aftermath of the credit crunch.

The properties that have remained popular and in demand are at the prime end and the better quality secondary properties providing good quality rental income on longer unexpired lease terms, with a strong covenant.

A recent survey published in the property press reported the results of some 460 'phone interviews with financial decision makers from the corporate real estates market conducted February/March. It is published by Lloyds and called the Commercial Property Confidence Monitor and seeks to gauge sentiment and optimism in the market from asset and property fund managers nationally. This shows that although the market remains cautious, property professionals are expecting a slow and steady recovery against a background of improving economic stability. Six times more professionals are expecting values to improve rather than deteriorate over the next 3 – 6 months.

2.2 Yields

Following the credit crunch and recession there has been a considerable step change in yields across all property sectors, as investors adjusted to the changed market conditions. Outward movement in yields occurred across the board ranging from around 3 – 4% increase on prime and 5% plus on secondary properties. This outward yield movement produced the 30- 40% drop in capital values since the peak.

Over the last twelve months there has been inward movement in yields as purchasers have recognised that assets are fairly priced at these marked down prices. According to the Investment Property Databank (IPD) all property initial yields fell by 10 basis points to 6.7%, (April 10) completing nine consecutive months of yield compression. Yields on properties sold at auction show a similar picture. Average spot yields fell by 3 basis points from 6.85% in the fourth quarter of last year to 6.75% in the first quarter of this year.

Sector yields on property sold at auction has been as follows (Jones Lang Lasalles Auction Analysis system (ARAS)).

SECTOR	Q1 2010
All property	6.76%
Retail	6.64%
Office	7.82%
Industrial	8.27%
Lowest	5.22%
Highest	8.31%

In the auction rooms as is often the case following a period of uncertainty, appetite is strongest for the prime or better secondary investments. Buyers are wanting good quality rental income with good covenants and long unexpired lease times. Shops, banks and A3 assets have been popular which tend to offer longer leases.

At the prime and institutional end of the market retail warehouses have been popular together with retail parks. The Cushman and Wakefield monthly yields analysis (March 10) showed retail warehouses at 5.25%, and 6.25% for parks and stand alone units.

This index shows prime yields as follows:

		FEB10 (%)
Shops	Strong market towns	5.75
	Smaller market towns	6.50
	Secondary and parades	7.50
Offices	Secondary cities	6.25
	Regional out of town	7.75
Industrial	Distribution warehouse	6.25
	Industrial estates regional	7.25

2.3 Outlook

The total return on property is the result of rental growth and capital growth. It should be noted that BC may see rental growth as being more important than capital growth relatively speaking, and provided capital growth is solid the objective is to maximise rental growth to assist revenue contribution.

The Investors Property Forum (IPF) in May 2010 predict total returns for 2010 as being 15.3%, followed by a dip in 2011 to 6%, with recovery in 2012 to 9.5%.

Sector forecasts showing rental and capital value growth expectations are as follows:

	RENTAL VALUE GROWTH				CAPITAL VALUE GROWTH				TOTAL RETURN			
	2010	2011	2012	2010-14	2010	2011	2012	2010-14	2010	2011	2012	2010-14
Office	0.7	4.1	5.1	3.5	9.6	0.7	4.0	3.6	17.0	7.5	10.8	10.5
Industrial	-2.3	0.0	1.5	0.7	5.5	-1.3	1.4	1.8	13.7	6.4	9.1	9.6
Standard shops	-3.1	-0.6	1.1	0.5	5.9	-2.4	1.1	1.7	12.5	3.8	7.4	8.0
Shopping centres	-2.5	0.2	1.8	1.2	7.2	-1.4	2.0	2.7	14.6	5.4	8.9	9.6
Retail warehouses	-1.6	0.7	2.4	1.6	8.2	-1.4	2.3	2.8	15.5	4.9	8.9	9.4
All-property	-1.6	1.4	2.9	1.8	7.9	-0.9	2.6	2.8	15.3	6.0	9.5	9.8

In summary, the all property rental value growth predictions show around 2% pa **increase** over the next four years.

2.5 What other investors are doing

At auction, retail property has accounted for two thirds of lots sold by the top seven auction houses in the first quarter. Banks were the most popular selling at average yields of 5.58%.

Institutional investors have purchased retail parks and retail warehousing.

Aviva Investors has set up a £250 m. fund to capitalise on investment opportunities in the improving market. The Aviva Investors UK Real Estate Recovery fund is a five year fund targeting an 8% annual return. The fund is targeting retail warehousing, hotels, well located high street retail and provincial offices.

Schroder's have launched a £500m.UK property fund. It is a 5 year fund targeting shops and retail parks, London offices, and multi-let industrial estates. It aims for annual returns of 15%.

Woking Borough Council has purchased a shopping centre in Woking for £68m. reflecting a yield of 8.2%. It previously owned the freehold and a stake in the leasehold. It confirmed that the purchase was intended to strengthen the economic vitality of the borough through improving job opportunities and enhancing the shopping, cultural and entertainment facilities for residents and visitors.

3. Existing Portfolio

The existing Breckland portfolio comprises mainly industrial, with a single major asset being Barnham Broom Golf, Leisure and Hotel. In addition there are two multi-let office business centres.

The investment strategy should have 3 objectives:

1. replace rental income
2. implement the change in getting the portfolio from its current position to a planned future position
3. diversify risk

Formulation of the AMP in Q2 will need to consider the strengths and weaknesses of the existing portfolio, how the portfolio is expected to contribute to the corporate plan (in say 12 months time and going forward), and hence how the investment strategy moves and reshapes the portfolio over the period. In essence the investment strategy will get the portfolio from its existing position to its planned future position.

Until the AMP is done it is impossible to predict outcomes, although possible issues that may arise include:-

- industrial bias of the existing portfolio
- ageing stock – maintenance costs, diminishing returns
- locational distribution and bias
- Diversification by use
- Income quality (covenants and lease lengths)
- Flagship property and risk profile

Analysis of the existing portfolio will be undertaken as part of the AMP review in Q2. Consequently to some extent, this reinvestment strategy can only provide preliminary guidance pending results of the AMP review.

For example, the existing portfolio has a heavy industrial weighting in Thetford (Attleborough total lettable 90,000 sq.ft; Dereham 82,000 sq.ft; Swaffham 39,000 sq.ft; Watton 43,000 sq.ft; Thetford 234,000 sq.ft). Is it appropriate to add to this weighting, to maintain it, or reduce it?

Regarding rents achieved from the existing portfolio the highest is in Thetford at £3.50 per sq. ft. (Attleborough £3.10, Dereham £3.05, Watton £1.22).

Advice from the District valuer shows a similar picture, although Dereham emerges as a frontrunner for smaller units (1-2,500 sq. ft. and 2500 sq. ft. – 5,000 sq. ft.). See appendix.

Breckland Asset Management is experienced in the management of industrial units in particular and knows this market place well. Breckland AM are also experienced in managing multi let office properties.

Such questions therefore arise now whether for example, prior to the AMP review and conclusions, what type of property we should acquire (industrial/retail/office) and what the target locations should be.

4. Proposals

Based on the information available it is considered that investment of capital receipts in the short term (i.e. prior to the AMP) should have the following attributes:

1. Ready made investments with immediate good quality rental income (not development land with long lead in periods) in order to replace revenue resulting from capital receipts following sales
2. Industrial preferable, but retail or offices considered (Industrial unit size not to exceed 5,000 sq. ft. unless sub divisible)
3. Long lease lengths/unexpired terms (essential 5 – 7 years; preferable 7+)
4. Rent reviews 5 yearly maximum, 3 yearly preferable (preferable indexation)
5. Full repairing and insuring lease terms
6. Initial yield 6.5% minimum
7. Specification – modern
8. Condition – good
9. Covenant strength – good
10. Location - Breckland area and immediate environs (Thetford and Attleborough preferred but locations considered on merit)
11. Single property, multi-let, or portfolio purchase
12. Fully let no current voids preferable
13. Modern lease terms
14. Lot size maximum £1m.
15. Good growth prospects (rental in particular)

8.1 Capital Receipts

Capital receipts achieved and in the pipeline total £1.9m, which is assumed to be available for reinvestment to replace rental income foregone. See table:

PROPERTY	LOST ANNUAL RENT	REASON FOR SALE	CAPITAL RECEIPTS	COMPLETION
Dereham Band – Land Lease	Nil	Community - Benefit	£25,000	June 09
Pit Lane	£12,737	Future Maintenance	£127,000	May 10
51 Brunel Way	Nil	H & S Liability	£80,000	Aug 09
2.33 acres, EcoTech	Nil	Development Lane	£256,300	Outstanding Legal Instructed
17 Maurice Gaymer Road	£22,000 NBS £60,000 possibility	Vacant Liability	£620,000	Outstanding Legal Instructed
Victory Park	Nil	Development Lane	£800,000 approx.	Potentially
			£1,908,300	

There have been no purchases since March 2009.

Capital Receipts are unable to be ring-fenced currently for future investment. If an investment opportunity arose, this would need to be independently assessed on a case by case basis.

It is also of considerable importance that any investment acquisition is subject to a Lease which is classified as an "operating Lease", following accounting rule changes with effect from April 2010. Currently all of our Leases are classed as operating Leases and therefore all of the income collected from the rentals is credited to commercial property Revenue income, and therefore contributes towards the Commercial property surplus at the end of the financial year and reduces the Councils budget requirement. If a lease is classed as a finance Lease then income collected will not all be credited to Commercial Property revenue income, and will therefore not all contribute towards the CP surplus instead the majority will be credited to capital receipts. Any finance Lease has to be treated as capital and not revenue, and therefore will not assist with the Council Tax.

The AMP will have regard to planning intelligence and this should inform and influence the investment strategy. For example BC's adopted Core Strategy envisages significant employment growth along the A11 corridor; Thetford will continue to develop as a key strategic centre; Attleborough will develop as a location for substantial growth of housing and employment growth; balanced growth of housing, employment, services and facilities will be delivered in Dereham, Swaffham and Watton. In Thetford there are 6,500 new allocations envisaged of housing units, and 4000 in Attleborough, Dereham 600, over the plan period to 2026. Whilst property investment performance, and rental growth is dependent on supply and demand such projected growth in housing numbers are strong indicators for preferred locations, in the long term.

5. Delivery

It is intended that this strategy will be delivered through:

- 1 communication with agents of requirements (both on-market and off-market opportunities involving reasonable introductory fees)
- 2 communication with property owners and developers (e.g. local/regional property companies with existing portfolios)
- 3 relationships with property owners (e.g. through Economic Development and Asset Management relationships– possible sale and leasebacks)
- 4 whilst noting lead in periods can be more prolonged than ready made investments)

6. Process

Investment opportunities will be targeted as per the details in the 'Delivery' section above. Opportunities will therefore arise on an 'as and when' basis as no planning can be undertaken to bring forward opportunities on a structured basis.

When opportunities arise they will be appraised against the set of parameters outlined above. Assessment of opportunities will endeavour to be undertaken in comparison to other opportunities at the time, however as stated opportunities may not arise at the same time and therefore predominantly opportunities will be appraised individually.

The above parameters contain the minimum criteria that each parameter should obtain to enable the opportunity to be progressed further. Once an opportunity has been appraised against the above set of parameters and is considered viable for progression an independent valuation and investment report will be sought from an external professional surveyor to confirm the investment is sound.

An investment report on the specific opportunity will be presented to the relevant committee as per the Council standing orders according to the size of the investment. It should be noted that timing to take a decision may hamper investment acquisitions being advanced and completed.

7. Review

To ensure this strategy continues to meet its purpose and to enable any changes to the parameters if opportunities have been too few or too many this strategy will be reviewed initially every six months by the Head of Asset Management. Any proposed changes will be presented to the Executive Member for consideration.

APPENDIX 3 – DISPOSAL PROTOCOL JANUARY 2011

1. Introduction

Any asset that becomes surplus to requirements due to its underperformance or it becoming surplus will be considered for disposal and will be expected to include a suitability assessment and ensure that alternative uses by all the Services have been considered as well as any possible community use.

The Council will seek to ensure best value for all disposals, which may result in assets being retained by the Council and put to alternative uses, or assets may be used for community improvement projects.

Once a sale has been identified and any specific conditions have been developed the sale will need to be approved by the Head of Asset Management and any other required Council processes. Disposals will be at the best price available in the open market or ensuring appropriate agreed community returns.

Disposal consideration will include potential liabilities associated with the asset, alternative use and the required investment returns and future service needs of the Council.

The underlying principle of disposals will be that any value enhancement will be carried out prior to the disposal process e.g. for vacant land outline planning consent may be sought.

Proceeds will be returned for distribution corporately, subject to the Council's bid processes, unless the disposal has been identified and approved specifically to support other transactions.

2. Protocol

Authorisation for disposal of surplus property will be undertaken by Cabinet or in accordance with delegated powers.

Any asset that becomes surplus to requirements due to its underperformance or it becoming surplus will be considered for disposal and will be expected to include a suitability assessment to ensure alternative uses by all services has been considered as well as possible community use.

In all dealings with property matters it is essential that the highest levels of probity and confidentiality are maintained to ensure that best consideration is achieved under the Council's statutory duty.

Members have a fiduciary duty to the residents of the district to obtain best consideration.

2.1 Review Questions

1. What is the age and condition of the property?
2. What is the nature of the tenancy agreement? What are the tenant repair, maintenance and renewal liabilities?
3. What are the landlord repair, maintenance and renewal liabilities?
4. What are the landlord other ongoing liabilities i.e. empty business rates?
5. Is there any depreciation fund (service charge) which could be applied?
6. What are the potential alternative uses for the property and do they meet any corporate needs?
7. Are there any environmental problems?
8. Are there any strategic matters affecting the property, i.e. it is the only starter unit in that town?
9. What will be the impact on the balance sheet?
10. How quickly can the property be disposed of?
11. What is the current state of the property market?

2.3 Methods of Disposal

The Head of Asset Management will determine the most appropriate method by which surplus property should be disposed of. This method should require the open invitation of competitive bids (either by auction or advertisement) unless an alternative method of disposal would be appropriate. Examples include:

- Sale to a sitting tenant
- Sale of an access which would enable a purchase to release development value.
- Sale to an adjoining owner or sale of part interest in a property where amalgamation of interests could enable substantial 'marriage value' to be realised.
- Sale to a public body i.e. a Housing Association at less than market value where other benefits are offered to the Council, i.e. housing allocation.

These examples are given on the basis that the Head of Asset Management considers that negotiations with one party would produce a higher figure, or other non-financial consideration such as economic, social or environmental benefits for the wellbeing of residents of the District.

In all such cases where the value of the property to be disposed of is of £50,000 a RICS Red Book valuation must be obtained.

APPENDIX 4 - TERMS OF REFERENCE FOR THE CAPITAL AND ASSET MANAGEMENT WORKING GROUP ADOPTED FEBRUARY 2010

- 1.1 This document sets out the roles and responsibilities of the Capital and Asset Management Working Group (CAMWG)
- 1.2 CAMWG reports to the Regeneration and Policy Portfolio Group. Its principal roles are to drive forward the Active Land Management framework and evaluate miscellaneous land issues.
- 1.3 Active Land Management framework – its function include:
 - considering the consultant(s) options appraisal(s) for sites identified.
 - receive and evaluate CAMWG member responses.
 - appraise sites and assess any constraints.
 - collectively suggest potential future use(s) for sites.
- 1.4 Miscellaneous Land – its functions include considering, evaluating and recommending the determination of:
 - Proposed land sales.
 - Release of restrictive covenants.
 - Wayleave agreements.
 - Easements.
- 1.5 The CAMWG will meet on a bi-monthly basis. If a Member is unable to attend, a deputy is to attend in his/her absence.
- 1.6 The Membership of the Group is:
 - Zoe Footer (Chair) – Land Management Officer
 - Gilbert Addison – Tree and Countryside Officer
 - Kay Wilcox – Contaminated Land Officer
 - Darryl Smith – Principal Housing Officer
 - Simon Dade – Environmental Services Officer
 - Margaret Bailey – Senior Accountant
- 1.7 Other participants to be invited, appropriate to the agenda, will include:
 - Economic Development representative
 - Sustainable Communities representative
- 1.8 CAMWG Member responsibilities:
 - Attend meetings (if unable to attend, deputy to attend in his/her absence).
 - Read agendas and accompanying documents and draft comments in preparation for meetings.
 - Follow-up any actions arising from meetings.

APPENDIX 5 – POTENTIAL PERFORMANCE INDICATORS MARCH 2012

The following table outlines a potential list of performance indicators that could be used.

NAPPMI INDICATOR AREA	ASSET GROUPS	PERFORMANCE INDICATOR
Condition of asset and required maintenance	All property assets	Percentage gross internal floor space in condition categories A-D (A=Good, B=Satisfactory, C=Poor, D=Bad) <i>Requires total floor space for investment portfolio and service deliver/surplus portfolio and then the condition for each space as a % of the totals in each group</i>
		Required maintenance costs expressed as percentage of total book value <i>Requires total maintenance costs for investment portfolio and service delivery/surplus portfolio and then the equivalent properties book value.</i>
		Required maintenance costs expressed as percentage of priority levels 1-4 (1=Urgent work immediate, 2=Essential work within 2 years, 3=Desirable work 3 to 5 years, 4=Future work over 5 years) <i>Requires total maintenance costs for investment portfolio and service delivery/surplus portfolio and then the total maintenance costs for each priority.</i>
		Total required maintenance (i.e. C to D and 1 to 2) as a percentage of total book value
		Total required maintenance (i.e. C to D and 1 to 2) per Gross Internal Area
		Total maintenance spend
Environmental property issues	Service Delivery Assets Only	% spend split between planned and responsive maintenance
		Energy (gas and electricity) costs per m ² GIA
		Energy and utility consumption Kwh per m ² GIA
		Water costs per m ² GIA
		Water consumption cubic volume per m ² GIA
		CO2 emissions in tonnes of carbon dioxide per m ² GIA
		Percentage reduction in energy consumption
		Percentage reduction in CO2 emissions
Sufficiency (capacity and utilisation)	Service Delivery Assets Only	Percentage of staff satisfied with the standard of service delivery office accommodation
		Percentage of space per person per m ²
		Number of users of service delivery assets
Revenue	Investment assets only	Average Internal Rate of Return for assets groups (retail, industrial etc)
		Total net income
		Rent arrears as percentage of to total rent role as short term (0-89 days i.e. under 3 months)
		Rent arrears as percentage of total rent role as medium term (90+ days i.e. 3 months+)
		Total annual management costs per m ² GIA
		Total forecasted income against budget
		Property empty for more than 6 months
Rent renewals and rent reviews not served		

APPENDIX 6

RECOMMENDATIONS FROM REPORT ON ASSET MANAGEMENT HEALTH CHECK FOR BRECKLAND DISTRICT COUNCIL AUGUST 2010

Priority 1

1. Develop a Corporate Asset Management Strategy for the composite portfolio setting out how the portfolio as a whole will be used in furtherance of the Council's strategic aims.
2. Within the Corporate Asset Management Strategy, define a strategy for the investment portfolio and deliver an Investment Portfolio AMP.
3. Approve and implement the investment element of the corporate asset strategy which defines the preferred 'market placement' for the investment portfolio, the target portfolio mix and the route map to transform the portfolio.
4. Mandate the Asset Management team to assume corporate responsibility for the strategic management of all property assets, and ensure this is adequately resourced.
5. Define how the property portfolio can contribute to the Council's published priorities.
6. Complete the validation of data on Estateman and actively use to deliver effective management of the investment portfolio.
7. Review and reconcile all the property related data held within the organisation
8. Review revaluation cycle for balance sheet valuations against published CIPFA regulations and guidance.
9. Review Council policy on the procurement and commissioning of all external valuation services and undertake a cost / benefit analysis of bringing these activities in house.

Priority 2

1. Formalise links between the Asset Management teams and other service areas to develop a wider understanding of service priorities and how the asset management team can support their delivery.
2. Determine and promote the capabilities of the Estateman system, and develop a programme to populate more comprehensively.
3. Develop a robust process to review and challenge the retention of the car parks, including an analysis of utilisation levels, and potential contribution to wider corporate objectives.
4. Develop a property maintenance strategy and plan setting out the maintenance and component replacement cycle.
5. At next revision of the Asset Management Service Plan, review and strengthen links between organisational objectives and the team's key operational activities.

Priority 3

1. Review the delegated powers in respect of land transactions to reflect the agreed level of risk.
2. Review and update the Council's Standing Orders to reflect the current organisational structure and delegations, and any changes in data management
3. Develop a policy on interest charges on late payment of rent, along with other charges (such as landlord's consent, fees for condition surveys, copies of leases etc).
4. Identify non-core activities undertaken by the Asset Management team and maximise the focus on the management of the property portfolio.



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