



Cabinet **9 July 2013**

Asset Management Plan and Capital Management Strategy: Performance Management and Implementation Plans (Jul13/01)

1. Summary and reasons for recommendations

- 1.1 This is the annual report on performance of the Asset Management Plan (AMP) for 2012/2013 and proposals for implementation in 2013/2014.
- 1.2 The AMP will facilitate the Council to achieve its strategic aims by working towards an ideal and sustainable property portfolio to meet service delivery needs.
- 1.3 The Council's approach to asset management is very much outcomes and output based, evidenced through the active implementation programmes and the annual AMP Action Plan, which are the basis of this annual report. Asset management is a major driver for achieving corporate objectives, particularly in view of the emerging Localism agenda and financial constraints and at a time when real cost savings through the efficient use of property is essential. It is also important for asset management to be widely recognised by Members and senior managers for its practical application in achieving the aspirations of the Council's partners and broader community involvement.
- 1.4 Reporting to Members on performance and agreeing the AMP Action Plan and programmes are integral parts of asset management planning and reflect the corporate and priority goals of the Council.
- 1.5 Of particular importance for 2013/2014 is agreeing common processes and implementation plans for effective asset management of assets across West Suffolk. Achieving efficiencies for service delivery through property asset reviews and implementation will continue to play an important role for both councils in future years.
- 1.5 Members are asked to note the outcomes and performance of the AMP Implementation Programmes 2012/2013 and to approve the Implementation Programmes 2013/2014 and to approve the Asset Management Plan Action Plan 2013 as shown at Appendix 1 attached.

2. Recommendations

2.1 It is **RECOMMENDED** that:

- (1) the outcomes and performance of the Asset Management Plan and the Implementation Programmes 2012/2013, as detailed throughout Section 4 of Report E57, be noted;
- (2) the Implementation Programmes 2013/2014, as detailed in Section 4.4 of Report E57, be approved; and
- (3) the Asset Management Plan Action Plan 2013, as detailed in Appendix 1 to Report E57, be approved.

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3. Corporate priorities

3.1 The recommendations meet the following, as contained within the Corporate Plan:

- (a) Corporate Priority 3: *'working together for an efficient council'*

4. Key issues

4.1 This report includes an analysis of performance on Implementation Programmes for 2012/2013 and targets for Implementation Programmes for the current year, and proposals for the AMP Action Plan 2013.

4.2 The Implementation Programmes are:

- (a) Disposal Programme;
(b) Estates Management Programme;
(c) Planned Maintenance Programme; and
(d) Acquisitions Programme.

4.3 **Key messages** are:

- (a) The Council exceeded its disposal target for 2012/2013. A total of £4.484 million of land and buildings was sold, which was 18% above the target. The cumulative total for property sales from 2003 to 2012 is £32.7 million, which is equivalent to £3.63 million a year. However, after 2012/2013, very little capital will be achieved through disposals, unless future AMP reviews can realise more efficient use of assets and identify surplus assets.
- (b) Economic conditions are now affecting lettings of the Council's shops and industrial units and this trend looks set to continue. Overall, the total rental income from the leased portfolio was sustained, largely assisted by the new lease of the upper floor of the Corn Exchange in Bury St Edmunds. With rents unlikely to rise in the short to medium term, the strategy has been to keep premises occupied and achieve economic development aims, than face tenant failures, empty rates and maintenance liabilities.
- (c) The Council spent £1.120 million in 2012/2013 on planned maintenance for the properties in the Borough Council's portfolio.
- (d) There were no acquisitions of income producing properties in the last Financial Year, although the Council continues to monitor any opportunities which would deliver against the Council's Corporate Priorities.

4.4 Implementation Programmes: Performance and targets

4.4.1 (a) Disposal Programme performance

Disposal Programme	Target 2012/2013	Actual 2012/2013	Target 2013/2014
	£3,810,000	£4,484,000	£607,000

This programme estimates capital receipts from properties declared surplus through the AMP processes. Exempt Appendix 2 is all sales completed between 1 April 2012 and 31 March 2013. Key facts:

- (a) The adjusted target for 2012/2013 was £3.81 million;
- (b) actual disposals were £4.484 million, which was 18% above the target; and
- (c) the Council will continued its programme of disposal by sales at auction of freehold land subject to ground leases.

4.4.2 Disposals Programme targets 2013/2014 to 2015/2016

	Estimated annual sales
2013/2014	£50,000
2014/2015	£100,000
2015/2016	£180,000

Whilst disposal receipts exceeded the target in 2012/2013 from now on, limited capital receipts will be achieved through disposals, unless future AMP reviews identify surplus assets. All options need to be investigated, if capital receipts are to be seen as a source of funding future capital programmes and in supporting the Council's overall finances. The Council's Property Section has previously identified a possible significant disposal relating to the development of Ram Meadow, Bury St Edmunds in 2014/2015 following the relocation of Bury Town Football Club upon which it is dependent. This is still not certain and therefore the figures have been adjusted accordingly.

4.4.3 Estates Management Programme performance

Estates Management Programme	Target 2012/2013	Actual 2012/2013	Target 2013/2014
New sustained income	-£25,000	-£2,000	-£69,000

This programme estimates rental income and is updated annually, as part of the budget setting process. The income helps support overall revenue expenditure. The non-operational portfolio assists in economic development and service delivery for community needs. Exempt Appendix 3 is a summary of all actual lease transactions completed between 1 April 2012 and 31 March 2013. Key facts:

- (a) In terms of the transactions shown in Exempt Appendix 3, it is shown that there was actually a net decline in rental income in light of generally neutral rent reviews and a lack of new leases occurring through the year, whilst a number of tenants have surrendered their leases.
- (b) Activity in the portfolio, as previously, has been somewhat muted for the year - a continuing reflection of challenging economic conditions. This is particularly pertinent in Bunting Road, Bury St Edmunds where the Council has six empty units and is further displayed to some extent in Risbygate Street, where one empty unit remains although, Property

Services have let three of the four previously vacant retail premises in Risbygate Street. The reasoning behind such voids would appear to be a cumulative effect of the poor market conditions that we are experiencing combined with property running costs of rates, energy and fitting out of units. The Lambert Smith Hampton 'Yield and Void Matrix: Q1 2013' would appear to corroborate such views displayed through their published void periods of 24 months within 'regional and suburban' secondary industrial locations with rent free periods of a further 18 months, whilst a period of 20 months void for 'high street retail (secondary)' with rent free periods again of 18 months is shown.

- (c) As with the previous year, it was anticipated that for the portfolio as a whole, there would be longer periods of vacancy when leases terminated and rents were unlikely to increase at renewal. This has proven to be the case. It is perhaps apt therefore to utilise 'Stepped Rent' incentives in a bid to get tenants in, helping to relieve the Local Authority empty rates liability. (Industrial units that remain empty for more than six months will now be used for the storage of Council materials to benefit from Business Rates relief.) At the same time it is vital not to upset existing tenants on 'higher level' rents by offering vastly reduced rents that could set future precedents.
- (d) Of 13 lease renewals and new leases, 11 (85%) saw no rent increases.
- (e) Dealing with all lease transactions save for surrenders, average net annual change in rents (assuming five year rent reviews) was -1.7%. As a comparison, the CBRE Prime Rent and Yield Monitor for 2012/2013 recorded for all UK retail and industrial property, rental value increases of 0.2%. For the Eastern region, the comparative figure for all retail and industrial property is -1.5%. Overall, therefore, the Council's industrial and retail portfolio reflects this regional negative trend in rental growth despite very minor rental growth being displayed nationally.

4.4.4 Estates Management Programme targets 2013/2014

The following key points are:

- (a) The Investment Property Forum (IPF) forecast for UK all property rents in 2013 has remained stable at 0.2% although IPF recognises itself that *'this disguises the weakness of the Standard Retail, Shopping Centres and Industrial sectors, all being predicted to deliver negative growth'*. It is therefore suggested that whilst the target is to maintain the Council's rental income we should accept that a neutral position should be viewed as a positive if we maintain its current level through new lettings and rent reviews. We should continue to work with existing tenants to avoid company failures in light of the the continuing difficult market.
- (b) In particular, the Council is being proactive in its approach to letting vacant premises at Risbygate Street shops by offering flexible terms such as stepped rents which start at a low level, to allow the prospective tenants to build up trade, whilst some properties have been refurbished. This strategy has appeared to have been effective, with three lettings achieved from four vacant units within this period. Target rates of growth however are likely to follow market forces. Although it will be up to individual negotiations, it is more important to keep premises occupied and achieve economic development aims, than face empty rates and

maintenance liabilities. It is in light of this that market incentives should be considered at both Bunting Road in Bury St Edmunds and Hollands Road in Haverhill, to include if necessary and where practical rent free periods which have never been offered previously but are an industry norm.

4.4.5 Planned Maintenance Programme performance

Planned Maintenance Programme	Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
	£1,049,000	£1,120,311	£1,034,650

Maintenance works continue to be funded from the contribution made to the Building Repairs Reserve. Key facts:

- (a) Various refurbishment projects have been undertaken at Bunting Road in Bury St Edmunds including that of unit 2, whilst other maintenance works have included modernisation of units 19 and 13 Hollands Road in Haverhill. Similar to above, further refurbishment works are scheduled on units 6, 10 and 11 Bunting Road, allowing the units to be able to be marketed in a fully lettable state. Likewise in Haverhill, refurbishment is planned to unit 38 Hollands Road and roof repairs to unit 2, whilst planned repair work is scheduled to the stone steps to the Corn Exchange and general repairs planned for Market Cross. Elsewhere, external decorations have taken place at 90 Risbygate Street and at 59 Cornhill – the larger scale internal works being completed here, recoverable from the former tenant under the dilapidations procedure. Close by in medieval Bury St Edmunds, annual ongoing repair works and decorations continue at the West Front and Abbey Gardens. Refurbishment works were completed to the Westbury Community Centre, including external cladding, window replacement to south and east elevations and insulation works throughout.
- (b) There have been fewer major projects of this nature in the Borough than in previous years as capital provision has reduced. However, one major project that started in 2011/2012 and was completed in June 2012 has been the major refurbishment of Haverhill Council Offices. This has been jointly funded by St Edmundsbury Borough and Suffolk County Councils and £630,000 (shared jointly) was allocated specifically to this refurbishment. The works have included major rewiring, installation of a new more efficient heating system, reducing internal walls to make the upper floor more open plan, and general redecorations throughout. The works were completed in June 2012 and relocation of all staff from the Camps Road office took place in early July. All four voluntary organisations have been relocated into improved ground floor offices, where their services complement the range of services provided by both councils, making the newly named Haverhill House a useful customer focus. Elsewhere in Haverhill, scheduled works at Strasbourg Square are due to include external safety works to hardstanding, lighting and walls during 2013/2014.

4.4.6 Planned Maintenance Programme targets 2013/2014

- (a) Other major projects in which staff resources are being concentrated are in the recladding of the northern elevation, refurbishment of flumes and installation of new main entrance lobby at Bury St Edmunds Leisure Centre, and the possible enlargement of the family Gypsy and Traveller site at Kelly's Meadow, Depden using a Government grant. Planned projects for community uses include the provision of the Jubilee Allotments in Haverhill on the former Clements Primary School and the replacement of existing timber Skate Park in Bury St Edmunds with more robust concrete alternatives.

4.4.7 Acquisitions Programme performance

Acquisition Programme	Target 2012/2013	Actual 2012/2013	Target 2013/2014
	£500,000	£0	£500,000*

* Note: £500,000 is allocated in the Capital Programme for the opportunity purchase of property assets

The Council may also acquire properties in order to fulfil corporate aims and objectives, including outcomes from AMP reviews. Key facts:

- (a) Target spend on acquisitions 2012/2013 was £500,000, using the ring fenced fund to enable the purchase of key strategic or investment property. It was not used in 2012/2013.

4.4.8 Acquisition Programme targets 2013/2014

The £500,000 property fund remains unspent in the Capital Programme. Officers continue to investigate properties which are available on the market within either Bury St Edmunds or Haverhill, which would help fulfil Corporate Priorities.

4.5 **The AMP Action Plan 2013**

- 4.5.1 The AMP Action Plan, attached at Appendix 1 to this report, is based on a rolling five year plan, which will reflect changes in service delivery needs. It is a live document which is updated annually to meet new priorities of the Council. The processes adopted are an integral part of the Council's capital and revenue budget setting and prioritisation of spending, in accordance with prudential borrowing, Dynamic Business Innovation, Value and Enterprise (DR-IVE) and the Government's spending reviews. Increasingly more stringent financial controls are being imposed to meet national aspirations of reduced borrowing and cost savings. This is reflected in the AMP review programme.
- 4.5.2 Of particular importance for 2013/2014 is agreeing common processes and implementation plans for effective asset management of assets across West Suffolk. Achieving efficiencies for service delivery through property asset reviews, where assessment, options appraisal and implementation will continue to play an important role for both councils in future years. Opportunities should be taken to include assets from both councils in any future planned AMP reviews.

4.5.3 The most important elements of the AMP Action Plan are to take forward AMP reviews of operational and non-operational properties. Key proposals for 2013/2014:

- (a) Create a common software system for all assets in the Forest Heath District Council (FHDC) and SEBC portfolios, to enable all officers in West Suffolk Property Services to access and use data for efficient property management and maintenance and performance measurement.
- (b) Operational properties: the main component is the systematic implementation proposals for each community centre.
- (c) Non-operational properties: review of shops on housing estates, possibly extending this review to include shops in Forest Heath; assessment and review of remaining tenanted properties in St Edmundsbury; review of industrial starter units in Forest Heath; revised options appraisal of a terrace of vacant houses in Newmarket.

5. Other options considered

5.1 Asset management planning is based on considering options for holding the Council's property portfolio.

5.2 The Council has adopted assessment processes for its operational and non-operational portfolios. The models of assessment and options appraisal are being applied to all Council assets, in accordance with the AMP Action Plan.

5.3 Decisions on all reviewed properties will be incorporated into AMP implementation programmes, such as the Planned Maintenance and the Disposals Programmes.

6. Community impact

6.1 **Crime and disorder impact** *(including Section 17 of the Crime and Disorder Act 1998)*

6.1.1 Community impact is part of the assessment process and options appraisal for individual properties. The involvement of community organisations, in accordance with the Government's emerging Localism agenda, has been adopted as part of the AMP review process.

6.1.2 The AMP Action Plan is based on access for all.

6.2 **Diversity and equality impact** *(including the findings of the Equality Impact Assessment)*

6.2.1 The AMP processes are inclusive of all.

6.3 **Sustainability impact** *(including completing a Sustainability Impact Assessment)*

7.1 The AMP assessments and option appraisals take into account the most sustainable outcomes.

6.4 **Other impact** *(any other impacts affecting this report)*

6.4.1 None.

7. **Consultation** *(what consultation has been undertaken, and what were the outcomes?)*

7.1 Consultation is part of the assessment process and options appraisal for individual properties. It may be broadened, in line with government aspirations.

8. **Financial and resource implications** *(including asset management implications)*

8.1 Resource implications will be considered in detail as part of the AMP reviews for individual assets.

8.2 The financial returns from property, help achieve the Council's key strategies and vision.

8.3 The planned disposals in the current and future years – with adjustments as estimates are updated – are fed into the Council's Five Year Financial Model in order to estimate income from investments after the effect of financing the capital has been deducted. Therefore for future planning, the revenue effects of the Disposal Programme contained in paragraph 4.4.2 are taken into account in revisions to the Medium Term Financial Strategy. Any revisions to the Programme, along with slippage in the Capital Programme, are included as amendments to the Financial Model.

9. **Risk/opportunity assessment** *(potential hazards or opportunities affecting corporate, service or project objectives)*

9.1 Risk assessment is built into options appraisal for individual properties.

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	High/Medium/Low		High/Medium/Low
Failure to achieve the AMP Disposal Programme as detailed in this report could have an impact on the Five Year Model	Medium	Timely treatment of preparing properties for disposal, including using project management tools; rescheduling of disposals in line with market changes	Low
Difficulty in maintaining a satisfactory income flow from commercial portfolio	Medium	Proper resourcing of estates management service and investment in portfolio to retain attractiveness; early discussions with tenants in difficulties	Low

10. **Legal and policy implications**

10.1 The Implementation Programmes and Action Plan are part of the Corporate Asset Management Plan and Capital Management Strategy. The AMP processes will be guided by corporate aspirations.

10.2 Property Services ensures that any implementation under the Estates Management and Disposal Programmes complies with Section 123 of the Local Government Act 1972.

11. Wards affected

11.1 All.

12. Background papers

12.1 None.

13. Documents attached

13.1 Appendix 1 : Asset Management Plan Action Plan 2013
Exempt Appendix 2: Disposals Performance in 2012/2013
Exempt Appendix 3: Estates Management Programme Performance in
2012/2013

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ASSET MANAGEMENT PLAN

APPENDIX 1

ACTION PLAN 2013

	Improvement	Action Required	Resource Implications	Key/Target Date(s)	Outcome Measure	Achieved
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A. CORPORATE PLANNING CONTEXT						
1	Identify ideal and sustainable portfolio to meet service delivery needs through the Corporate Plan 2012-16 and Vision 2031	Implement property review programme (see details below)	Long-term revenue reductions	Annual	Positive effects for the Financial Model & service delivery	Continuing
B. STATEMENT OF CURRENT PORTFOLIO						
1	Create common format for data for all assets in St Edmundsbury and Forest Heath portfolios	Invest in common software solution	Included in West Suffolk Property Services approved business plan	2013	Accessible and comprehensive property terrier	
C. KEY AREAS FOR CHANGE						
1	Identify changes in external environment, internal services & poor performance in property	Reflect service changes in property requirements due to national changes	Details for individual reviews	Annual	Changes applied through property review	Annual
D. PROCESS						
1	Ensure property implications of service reviews are integrated; achieve through AMP Action Plan & Implementation Programmes	Agree property options with service managers & Members	More efficient use of property assets	Annual	To ensure property assets are fit for purpose & meet corporate aims	Continuing
E. OVERVIEW OF PROPERTY AIMS, OBJECTIVES AND STRATEGIES						

ASSET MANAGEMENT PLAN

APPENDIX 1

ACTION PLAN 2013

	Improvement	Action Required	Resource Implications	Key/Target Date(s)	Outcome Measure	Achieved
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F. PREFERRED OPTIONS FOR KEY AREAS

1	Consider corporate priorities & available resources; apply options appraisal for capital & revenue effects & for service delivery changes; adopt common agreed processes across West Suffolk	Undertake asset management in accordance with corporate planning & budgeting; include option of community management and ownership	More efficient use of assets to generate savings or improve community use	Annual	Changes in asset base & planned expenditure; input into service planning & implementation programmes	Continuing
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G. IMPLEMENTATION PROGRAMMES

1	Prepare & implement property implementation programmes	Prepare Planned Maintenance, Estate Management, Disposal & Acquisition Programmes	More efficient use of assets to generate savings	Annual	Annual approval of programmes by Cabinet	Annual report
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H. PERFORMANCE AND REVIEW

1	Current performance & targets	Report on performance for previous year & set targets for current year	Within budgets	Annual	Annual performance statement to Members	Annual reports and summary
2	Benchmarking	Benchmark (National Property Performance Management Initiative). Monitor suite of PIs with other districts	Within budgets	Annual	To demonstrate effectiveness	Annual report not achieved

I. REVIEW OF OPERATIONAL ASSETS – DETAILS

ASSET MANAGEMENT PLAN

APPENDIX 1

ACTION PLAN 2013

	Improvement	Action Required	Resource Implications	Key/Target Date(s)	Outcome Measure	Achieved
1	AMP Review Timetable	Undertake agreed assessment & options appraisal for each asset	Reviews part of officer workloads	Rolling programme	Formal decisions made on preferred option	
2	Operational properties subject to AMP assessment					
(a)	Reviews completed since 2010: Corn Exchange (2010) Cattle Market (2010) Haverhill Offices (re-assessment) (2011) Beetons Cottages (2010) AMP Review of Leisure assets (2011) Southgate Community Centre (2011)					2010 onwards
(b)	Eastgate Nursery area	Consider options appraisal	Review part of officer workloads	2013	Achieve capital & revenue savings	
	Community Centres (rolling programme of individual centres)	Work in partnership for community transfer	" "	2015	Achieve capital & revenue savings	

ASSET MANAGEMENT PLAN

APPENDIX 1

ACTION PLAN 2013

	Improvement	Action Required	Resource Implications	Key/Target Date(s)	Outcome Measure	Achieved
	Any reviews arising from managing operational assets at Forest Heath	Undertake agreed processes for AMP reviews	Increased revenue or capital receipts; or investment	2016 to complete	Options agreed	
(c)	Other operational assets: cemeteries; car parks; public toilets; transportation assets; changing rooms; other service buildings	Undertake agreed assessment & options appraisal for each asset, including consultation with key stakeholders	Appraisals part of officer workloads	Complete by 2015	Formal decisions made on preferred option for each asset	
3	Performance targets: To establish a set of performance indicators across West Suffolk, which are relevant and linked to corporate priorities	West Suffolk Property Services to propose a set of performance indicators which are fit for purpose	Part of officer workloads	2014	Reduced running costs; to ensure buildings are fit for purpose; continuous improvement	
J. REVIEW OF NON-OPERATIONAL ASSETS – DETAILS						
1	Options Appraisal Timetable	Undertake agreed assessment & options appraisal for each asset	Appraisals parts of officer workloads	Complete by 2014	Formal decisions made on preferred option for each asset	

ASSET MANAGEMENT PLAN

APPENDIX 1

ACTION PLAN 2013

	Improvement	Action Required	Resource Implications	Key/Target Date(s)	Outcome Measure	Achieved
	Non-operational properties subject to AMP assessment:					
(a)	Reviews completed since 2010: Bury St Edmunds Rugby Club (2010) Ground lease shopping centres (2010) Victory Ground (re-assessment) 2011					2010 onwards
(b)	Shops on housing estates	Assess contribution to financial & service objectives & appraise options	Possible investment	2013	Options agreed	
	Miscellaneous properties (remaining non-operational portfolio)	Reconsider stock, following successful auctions	Increased revenue or capital receipts; or investment	2015 to complete	Options agreed	
	Any reviews arising from managing non-operational assets	Undertake agreed processes for AMP reviews	Increased revenue or	2016 to complete	Options agreed	

ASSET MANAGEMENT PLAN

APPENDIX 1

ACTION PLAN 2013

	Improvement	Action Required	Resource Implications	Key/Target Date(s)	Outcome Measure	Achieved
	at Forest Heath		capital receipts; or investment			
2	Performance targets: To establish a set of performance indicators for West Suffolk, which are relevant and linked to corporate priorities	West Suffolk Property Services to propose a set of performance indicators which are fit for purpose	Part of officer workloads	2014	Continuous improvement of assets for financial return and service return	
K. PROPERTY SERVICES						
1	Assist other public sector agencies by the spread of the Council's good practice models	Develop relationships with other providers of public sector services, including co-location opportunities in line with government priorities	Within officer workloads	Ongoing	Evidence of assistance	Ongoing