

# Bedford Borough Council

## Corporate Asset Plan 2017 – 2022



**Borough Hall**

# Corporate Asset Plan 2017 – 2022

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## 1.0 Introduction

This is Bedford Borough Council's Corporate Asset Plan (CAP) for the period 2017 - 2022. It is the successor to the CAP 2012 – 2017 dated March 2012, previously prepared and adopted by the Council.

The purpose of this document is to identify Council property objectives and asset management strategy for its directly elected Mayor, Councillors (Elected Members), Officers and the Community.

It is proposed that this CAP will cover the period April 2017 to March 2022. Annual revisions and progress on achieving CAP targets will be submitted to the Mayor each year.

The Council presently faces unprecedented funding reductions and is required to make revenue savings of approx. £27M in the period 2017 – 2021. The Council has resolved to transform its services through a 'Digital Operating Model' ('DOM') which will drive efficiencies. The Corporate Plan has been amended to enable the implementation of this model and a refreshed Medium Term Financial Strategy and Capital Programme have been prepared accordingly.

In response, this CAP focuses on how The Council will continue to improve efficiency in use of all of its operational assets, and how it will use its non-operational assets to:

- Raise significant capital receipts,
- Significantly increase commercial rental returns, and
- Support economic development within the Borough.

Furthermore, having regard to Central Government Spending Reviews, The Localism Act 2011, and guidance from Department for Communities and Local Government 2016, this CAP also details specific property lead initiatives designed to:

- Re-generate targeted areas of The Borough,
- Directly increase housing provision, and
- Collaborate with local public sector partners to achieve collective property efficiency goals.

The Action Plan attached to this document, at **Appendix 1**, details specific policies that will be undertaken during the life of this document.

This CAP concentrates primarily on properties owned, occupied, or scheduled to be purchased by The Borough and its affiliates and partners.

## 1.1 Corporate Plan 2017 – 2021

This CAP is derived from The Borough's Corporate Plan 2017 – 2021, to be found at:

[http://www.bedford.gov.uk/council\\_and\\_democracy/idoc.ashx?docid=822171c9-144f-4034-8f33-d5ccd548ce38&version=-1](http://www.bedford.gov.uk/council_and_democracy/idoc.ashx?docid=822171c9-144f-4034-8f33-d5ccd548ce38&version=-1)

The Corporate Plan proposes the following goals:

- To Support People;
- To Enhance Places ;
- To Create Wealth; and
- To Empower Communities.

This CAP indicates how The Council's properties will be employed to meet these objectives within the framework of The Council's other relevant published Strategies.

## 1.2 Financial Strategies and Asset Management Planning

Central funding to Councils will be further reduced by 2020. There will be significant changes to Local Taxation retention to support this initiative. Returns from Local Authority property portfolios will be expected to make substantial contributions to revenue budgets where possible.

The Council has approved corporate policies which, in addition to the Corporate Plan and CAP, act as a cornerstone of the Financial Management of its Assets. A number of policies are being amended in response to the implementation of the DOM. The latest policies include:

- **Value for Money Strategy –**  
<http://apps.bedford.gov.uk/ExecDecisions/Files/D419466037562153.pdf>
- **Medium Term Financial Strategy (MTFS) –**  
[http://www.bedford.gov.uk/council\\_and\\_democracy/council\\_budgets\\_and\\_spending/idoc.ashx?docid=1c08a07b-b0b2-4e0d-a69d-bbf8a4fb7340&version=-1](http://www.bedford.gov.uk/council_and_democracy/council_budgets_and_spending/idoc.ashx?docid=1c08a07b-b0b2-4e0d-a69d-bbf8a4fb7340&version=-1)
- **Capital Investment Strategy 2017 to 2022**  
<http://www.councillorsupport.bedford.gov.uk/documents/g4174/Public%20reports%20pack%2001st-Feb-2017%2018.30%20Full%20Council.pdf?T=10>  
[http://www.bedford.gov.uk/council\\_and\\_democracy/council\\_budgets\\_and\\_spending/idoc.ashx?docid=5912dfc4-5de3-4ce0-850e-618327988529&version=-1](http://www.bedford.gov.uk/council_and_democracy/council_budgets_and_spending/idoc.ashx?docid=5912dfc4-5de3-4ce0-850e-618327988529&version=-1)
- **Procurement Strategy –**  
<http://www.bedford.gov.uk/business/idoc.ashx?docid=9a135615-61db-4a44-a11a-69e41f91b4ef&version=-1>

- **Risk Management Strategy**  
<http://bb-mgov01/documents/s34867/Item%2010%20Risk%20Management%20Strategy.pdf>

This Corporate Asset Plan (CAP) seeks to ensure these policies are met by adopting the approach outlined below:

- To hold such land and property as is appropriate to ensure that the Council's statutory and key priority services can be delivered effectively in a manner that is sustainable.
- To support economic development objectives by maintaining and creating employment opportunities and offering a quality service to business through the provision of a significant commercial estate.
- To sustain and fund a planned maintenance programme of all Council property to ensure it remains fit for purpose and meets statutory requirements.
- To continuously review the optimisation of Council property and to identify opportunities for better utilisation and/or potential disposal of surplus assets.
- To continuously review current and future needs and to identify new property investment opportunities for capital investment bids (in line with the Capital Investment Strategy).
- To maximise the annual net income to the Council from its commercial property.
- To identify and plan for the Council's future property services requirements and to make best use of the resources and opportunities available to meet future needs.
- To continue to develop sound and effective corporate asset management planning.
- To identify surplus land assets available for development or re-investment. In the event of sales, disposal prices (capital receipts) will provide significant direct funding for the Council's capital investment programme. In the event of re-investment and letting, rental income will be received, providing valuable annual returns.
- To ensure that all bids for property related funding are approved by the Chief Officer for Economic Development and Property..
- To consider the provision of alternative, unaffected property for the delivery of key services, in the event of catastrophic failure of existing properties.

By adopting a strategy for the effective management of its property the Council is in a position to ensure that:

- (i) The provision of property for service delivery is sufficient for the approved service level and that properties are suitable for their purpose.
- (ii) The Council continues to receive the required level of rental income to support the revenue budget.
- (iii) Properties are identified for disposal to provide an ongoing flow of capital receipts and reduce running costs to support the approved capital programme.

The Council acknowledges the extent to which the effective management of its corporate assets (whether day to day or strategic) has a direct impact on achieving its corporate goals and objectives and consequently value for money.

### 1.3 Existing Estate

As part of The Government's Transparency Agenda, The Borough has published details of its estate. This can be found at –

[http://www.bedford.gov.uk/council\\_and\\_democracy/transparency/local\\_authority\\_land.aspx](http://www.bedford.gov.uk/council_and_democracy/transparency/local_authority_land.aspx)

**Appendix 2** contains two plans showing the location of all Council properties within the Borough, categorised by use. The estate is broadly split into:

- **The operational estate**, being premises used principally to deliver a council service, such as head offices, residential homes, leisure premises, schools, depots etc.; and
- **The non-operational estate**, being premises used primarily to provide income or capital receipts in the future, such as factories, shops, offices, and development land.

The **Operational Estate**, excluding Community Assets (mainly parks, allotments, and historic monuments), and Highways Assets, but including grant maintained and community schools, was assessed as having an existing use value (equivalent replacement cost assessment) for accounts purposes, of approx. **£340 million** as at 01/04/2015.

The **Non-operational Estate**, including agricultural holdings, income producing commercial premises, and land for disposal, was assessed for accounts purposes as having a market value of approx. **£92 million** as at 01/04/2015.

(Anticipated re-valuations, investments, disposals and acquisitions since the above valuation date will inevitably alter these figures).

## 1.4 Asset Management Links to other Borough Policies

This CAP should be considered in conjunction with, and has been guided as appropriate, by the following published Borough policies:

### **Health and Safety Policy -**

<http://spintranet/departments/enviromserv/regulatory/corpsafety/Documents/Health%20and%20Safety%20Strategies/Corporate%20Safety%20Policy%20May%202009.pdf>

### **Carbon Management Plan**

[http://www.bedford.gov.uk/environment\\_and\\_planning/sustainability/what\\_is\\_the\\_council\\_doing/carbon\\_management\\_programme.aspx](http://www.bedford.gov.uk/environment_and_planning/sustainability/what_is_the_council_doing/carbon_management_programme.aspx)

A new Policy is presently being prepared

### **Green Space Strategy –**

[http://www.bedford.gov.uk/leisure\\_and\\_culture/idoc.ashx?docid=3b559100-576d-4387-a8a9-abc6c9542404&version=-1](http://www.bedford.gov.uk/leisure_and_culture/idoc.ashx?docid=3b559100-576d-4387-a8a9-abc6c9542404&version=-1)

### **Transport Infrastructure Policy –**

[http://www.bedford.gov.uk/transport\\_and\\_streets/transport\\_policy.aspx](http://www.bedford.gov.uk/transport_and_streets/transport_policy.aspx)

A new Transport Plan is due for publication in 2018

### **Parking Strategy –**

[http://www.bedford.gov.uk/transport\\_and\\_streets/idoc.ashx?docid=3f1a2261-9bfb-4e3b-8d4f-f057c3a401e4&version=-1](http://www.bedford.gov.uk/transport_and_streets/idoc.ashx?docid=3f1a2261-9bfb-4e3b-8d4f-f057c3a401e4&version=-1)

### **Sports Development Strategy –**

[http://www.bedford.gov.uk/leisure\\_and\\_culture/idoc.ashx?docid=96adf9d1-4d5c-45f3-93e8-19b157b0bf97&version=-1](http://www.bedford.gov.uk/leisure_and_culture/idoc.ashx?docid=96adf9d1-4d5c-45f3-93e8-19b157b0bf97&version=-1)

### **Economic Development Strategy-**

[http://www.bedford.gov.uk/business/economic\\_plans\\_and\\_research/strategies\\_plans\\_and\\_research/economic\\_development\\_strategy.aspx](http://www.bedford.gov.uk/business/economic_plans_and_research/strategies_plans_and_research/economic_development_strategy.aspx)

### **Bedford Growth Plan –**

[http://www.bedford.gov.uk/business/economic\\_plans\\_and\\_research/strategies\\_plans\\_and\\_research/bedford\\_growth\\_plan.aspx](http://www.bedford.gov.uk/business/economic_plans_and_research/strategies_plans_and_research/bedford_growth_plan.aspx)

A new strategy is presently being prepared.

### **Housing Strategy –**

[http://www.bedford.gov.uk/housing/housing\\_development\\_and\\_policy.aspx](http://www.bedford.gov.uk/housing/housing_development_and_policy.aspx)

## 1.5 Asset Management Systems

The delivery of the strategic aims of this CAP will be overseen by the Corporate Capital Strategy and Asset Management Group (CCAMG), a group chaired by the Chief Officer for Economic Development and Property or his/her nominee. . The composition of the Group includes representatives from all Directorates. The terms of reference of the Group is shown in **Appendix 9**.

The key plans impacting upon property service delivery in descending order of strategic relevance are:

- **Corporate Plan 2017-2021**
- **This CAP (incorporating an approved Action Plan)**
- **Directorate Service Plans**
- **Economic Development and Property Service Work Programme.**

## 1.6 Statutory / Regulatory Framework

Statutory requirements, not covered in the above Borough Policies, having a significant influence on the CAP include:

### **Accounting Rules**

In common with all Local Authorities, the Council is required to prepare accounts at year end in accordance with the Code of Practice on Local Authority Accounting in The United Kingdom which refers to The International Financial Reporting Standards (IFRS).

The value of all fixed assets (including landed properties) is included within year end accounts in accordance with these standards.

Changes scheduled to the accounting regime for Highways Assets from 2018, will result in Highways assets being re-valued on an equivalent replacement basis rather than historic cost basis. The work will bring the reported figures of such assets in line with other published capital accounting data.

### **Localism Act 2011**

The General Power of Competence, introduced in this act, gives all Councils the power to do anything an individual may do, unless specifically prohibited. In relation to property assets this gives Councils more opportunities to be innovative and flexible.

Councils may acquire new properties as investments, where there is also an alternative corporate justification. Should Councils wish to acquire property for Investment alone, they are permitted to do so, but may be required to set up a separate trading company.

The Act also requires Councils to establish a list of 'Community Assets'. The Borough list, commenced in 2011 is referred to in **Appendix 1**, The Action Plan. Community right to challenge also emanates from this legislation.

As part of the Transparency agenda, data on all land assets held by Public Bodies must be available for examination by local people. Required data on all Borough properties is held on the Government's electronic property Information management System (e PIMS). The data is also available on the Borough's web site at –

[http://www.bedford.gov.uk/council\\_and\\_democracy/transparency/local\\_authority\\_land.aspx](http://www.bedford.gov.uk/council_and_democracy/transparency/local_authority_land.aspx)

## **Disposal Guidance of Local Authority Assets (DCLG – 2016)**

Issued in March 2016 this guidance note seeks to advise and assist Local Authorities to provide land for housing both by disposing of their own surplus land and also by collaborating with other public bodies. It is directly relevant to this CAP.

The guidance note recognises that, in some cases, Local Authorities may choose to retain land and take a more direct role in housing delivery. Where provision does not include social and affordable housing, Local Authorities may deliver homes outside of their Housing Revenue Accounts. Possible delivery models include:

- Wholly –owned companies to act as vehicles for housing development.
- Joint Ventures with other public bodies
- Joint Ventures with private sector partners
- Other models eg Build to Rent

The Borough's strategy and policies for direct housing delivery are detailed in 6.2.

Key Disposal themes within the guidance note include:

- Every disposal is to have a clear objective from the outset.
- Strategic disposals are to be linked to Local Policy.
- Early and meaningful engagement with other public bodies is to be undertaken during the disposal process.
- The appropriate level of investment should be determined prior to disposal.

The Council's disposal strategy and policies are detailed at 4.0 including reference to the Council's Disposal protocol.

The guidance note also details Central Government support for Local Authorities denoted 'The Government's Offer'. This comprises:

- One Public Estate. This programme, delivered jointly by Cabinet Office and Local Government Association channels funding and practical support through Local Authorities to deliver collaborative property focused projects with Central Government and others across the public sector.

The Borough Council has identified significant projects and has been awarded the maximum grant available in round three and a further substantial grant in January 2017 to meet this challenge and re-generate specific areas within Bedford – See 6.1.

- Starter Homes – Central government is offering a market discount of 20% on new home purchases to young first time buyers. Local authorities are expected to facilitate production through the planning process.

- Flexibility in the use of assets – Local Authorities may now re-invest the proceeds of asset sales in services that will allow them to deliver more for less
- HCA Support – Where needed HCA can assist Local Authorities in the sale and development process.
- Garden Villages towns and cities – Support is provided for Local Authorities who propose garden villages for 1,500 – 10,000 and 10,000 + homes.

## **2.0 The Operational Estate**

### **2.1 Strategy**

*The Council will support service delivery through the sustainable and efficient use of suitable premises and land.*

*Existing uses will be subject to regular challenge to ensure that property resources are being used corporately and efficiently.*

*The Council's estate and functions will be considered in conjunction with the other public sector organisations in Bedfordshire to achieve greater efficiencies for the wider public purse.*

*New property investments will be subject to opportunity cost analysis to ensure maximum efficiency.*

### **2.2 Policies**

- All Operational Council owned land and property is a Corporate asset and will be managed accordingly unless required otherwise by statute (e.g. for certain categories of schools).
- The Council will hold such land and property as is appropriate to ensure its statutory and key priority services can be delivered effectively and in a manner that is sustainable.
- The Council will sustain and fund a planned maintenance programme for all Council property to ensure it remains fit for purpose and meets statutory requirements.
- In order to protect Council assets and limit future liability, all work to operational properties (except schools) will be managed and delivered by the Design and Building Works Teams within Property Services. These teams will ensure that energy saving and carbon reduction opportunities are identified and fully considered.
- The Council will continuously review its properties and will identify opportunities for better utilisation and/or potential disposal of surplus assets.

- The Council will continuously review current and future needs and focus capital investment in line with priorities.
- The Council will identify surplus land assets available for Investment, development or disposal. Capital receipts from sales can provide funding for the Council's capital investment programme. Rental income can provide funding for future service provision.
- All occupations by third parties on Council land will be formally documented. Council occupation of other premises will be formally documented. Where rents at less than full market rent are received on Borough freehold premises, the Council will show that the occupation or letting contributes to its service requirement and meets its value for money criteria.
- Operational property will be held freehold, wherever possible. The principal justification for this approach is the revenue cost of retaining properties on a leasehold basis. The Council's revenue strategy is geared towards reducing the revenue impact of service delivery. Whilst freehold ownership is capital intensive, the Council retains the option of disposing of the asset when no longer required, thus releasing the funds for other service delivery.

## 2.3 Property Review

The Council will ensure that its operational assets are used effectively, support its corporate objectives, provide value for money, and that any wastage is eliminated.

In response to these challenges, the Council has undertaken a factual and efficiency review of its principal operational properties, excluding schools. The results, reproduced in **Appendix 3**, include individual property running costs per sq m, for the first time, and a service assessment of the suitability and sufficiency of each property.

The data will be reviewed and updated annually by the Chief Officer for Economic Regeneration and Property and will enable benchmarks to be made between similar uses. The data will identify expenditure anomalies, enabling corrective action to be undertaken.

Using the data in **Appendix 3**, Asset use will be challenged regularly by Service Directors and Property Services officers to ensure that services use property assets efficiently with regard to value for money principles.

Where appropriate, premises will be vacated, buildings shared, and surplus property sold or transferred to the Commercial Estate for rental generation.

The Council will also examine property use in the context of overall public sector land ownership and requirements within the wider geographical area of Bedfordshire. This is detailed at 5.1.

## **2.4 Maintaining the Estate**

The Council will sustain and fund a planned maintenance programme of its operational properties to ensure they remain fit for purpose and meet statutory requirements.

The maintenance programme and level of funding will be considered in light of service reviews, with a view to completing the transfer of maintenance management to the corporate landlord, Economic Development and Property Services.

The Council will ensure that all its public facilities are compliant with Equality Act requirements.

The Council will achieve and maintain the Decent Homes Standard for its residential properties (except where they are included in a commercial letting).

The Council will ensure that its energy management goals are incorporated into its maintenance and replacement regime in accordance with the carbon management plan

## **2.5 Statutory Responsibilities, External influences**

Increasingly, the management of property is affected by statutory responsibilities. Additional (and changing) legal requirements and responsibilities apply in respect of Local Authority owned properties.

The Council will provide sufficient funding and resources to ensure compliance with all statutory health and safety requirements.

The Council will provide sufficient funding and resources to enable effective responses to be made to foreseen and unforeseen external property challenges, such as:

- Local property taxation
- Legal challenges e.g. chancery repair claims
- One off compensation claims
- Requirements imposed by new Acts of Parliament
- Accounting changes/requirements.
- Land transfers of School sites required as part of school category changes.

## **2.6 Capital and Revenue Planning**

All proposed capital programme schemes affecting the Council's Operational properties are considered by The Corporate Capital Strategy and Asset Management Group of Officers as part of the evaluation process.

All major funding by The Council will be allocated through the capital bids process, requiring a robust business case to be prepared by the sponsor. Property related expenditure, including new acquisitions, will be vetted by The

Chief Officer for Economic Regeneration and Property who will consider suitable alternative property options on a risk based cost analysis.

The Action Plan in **Appendix 1** details projected major property projects and includes the source of the resources required.

The management of the Council's property portfolio influences the MTFS projections in the following manner:

- The estimated change in property income and outgoings, due to the sale and acquisition of premises as well as the effect of rent reviews given current market trends.
- The effect of property non-rental income e.g. fees and charges.
- The revenue impact of the proposed Capital Programme; and
- Planned Maintenance costs annual contributions.

## **2.7 Property Investment**

The Council recognises the value of providing adequate investment into its operational properties and ensuring that new needs are met. To provide funding for property investment needs, identified through the asset management process or responding to opportunities as they arise, the following sources of funding are available:

- Annual revenue funding is provided to finance a robust planned maintenance programme to achieve a portfolio that is fit for purpose and compliant with statutory requirements.
- Access to the capital investment programme is available for: large scale property repairs above the funding limit of the planned maintenance programme; for major refurbishment; for the construction of new facilities; and for the acquisition of new premises.

To better develop this aspect of property maintenance, the Council has agreed to the principle of establishing a Strategic Maintenance Programme.

## **2.8 Occupations by Third Parties**

Increasingly, third parties occupy Borough owned operational premises to provide or supplement service delivery or to share occupation costs. Such occupations may arise from provisions within The Localism Act 2011 (community right to challenge), from competitive tendering, or from public sector property collaboration. In such circumstances, the occupation will be appropriately documented by way of leases or licences to ensure that all parties are fully aware of their property responsibilities. All such documents will be authorised by The Chief Officer for Economic Regeneration and Property.

Where rents are paid at less than market rent, The Council will show how its value for money principles are being complied with; ie how its property is being utilised for maximum benefit in furtherance of its objectives.

## 2.9 Education Establishments

The Education and Inspections Act 2006 places a duty on local authorities to act as commissioners, rather than as providers, of school places. Local authorities are under a statutory duty to:

- Ensure there are sufficient school places in their area
- Promote diversity in provision
- Expand popular and successful schools

The provision of education within The Borough is provided by a number of different bodies, eg Faith Organisations, Academies, Foundation Trusts and independent providers as well as The Council.

The Council, as Local Education Authority, will continue to maintain required educational premises that are not maintained by other organisations, and where appropriate funds have been received from The Education Funding Agency.

The Council will co-ordinate the provision of new and existing properties for educational needs, within existing legislative parameters, to ensure that educational capacity is available within The Borough.

Section 6.3 details the Council's School's Building programme. Amongst other goals, this programme will support the Council's flagship educational goal of a two tier education system.

## 3.0 The Existing Commercial and Agricultural Estate

### 3.1 Strategy

*The Council will own and manage its existing commercial and agricultural Investment estate in line with the Borough's Property Investment Strategy 2017 – 2022 (**Appendix 4**). In doing so it will adopt the principles of good estate management policy, with a view to:*

- *Maximising the financial return from the estate.*
- *Supporting the Council's Economic Development Initiatives.*
- *Contributing towards the delivery of the Council's wider priorities*

### 3.2 Policies

The Council will charge open market rentals for all lettings of its non-operational property. Not only is this consistent with the principles of S123 of the 1972 Local Government Act and the recommendations of the Audit Commission, but it is also consistent with our financial strategy

- The Council will regularly review financial rates of return from all properties within the commercial portfolio to ensure that it receives a satisfactory return on capital, benchmarked against property industry norms, and low risk financial returns. Where returns are poor, The Council will identify ways to improve financial performance or will consider

property disposal and use the proceeds for reinvestment in the commercial portfolio.

- A number of Council properties are let to non-commercial organisations such as charities and sports clubs etc. The contribution that each makes to the community is valued. However, there are many other similar organisations that do not occupy Council premises and the Council is of the view that all organisations should have the same opportunity to apply for financial assistance. Consequently, the Council does not consider that those organisations that occupy Council property should be given priority assistance through reduced or concessionary rents. In accordance with this policy the Council will signpost the non-commercial organisations to external bodies from which they may be able to seek funding.
- The Council manages its non-operational estate on commercial principles. This includes all lettings irrespective of the nature of the occupant. In addition to making certain that market rents are obtained, the Council seeks to ensure that the other lease terms are those that would be expected from a commercial landlord and that liability in terms of repairs and day to day management are minimised.
- The Council will continue to undertake regular tenant surveys to assess the quality of service offered and consult with tenants concerning any significant proposals that may have an impact on them.
- Although the CLAS (Commercial Landlord's Accreditation Scheme) accreditation scheme is no longer in operation, the Council will continue to apply the principles of the scheme in letting and managing the commercial estate, including compliance with the Commercial Lease Code.
- The Council will continue to adopt the Service Charge Code released by the Royal Institution of Chartered Surveyors and endorsed by other national bodies.
- To ensure a balanced range of services is offered to the public, the Council will seek to (as far as it is legally possible) limit competing trades within its neighbourhood shopping centres.
- The Council has relatively few repairing liabilities on the commercial estate. The Council will seek to let all premises on a fully repairing basis, thus easing pressure on the revenue budget. The exceptions are premises in multiple occupation where there is little choice but to retain this liability. Where possible the cost of these repairs is recovered via service charges.
- The Council will continue to invest in its commercial estate to at least maintain the real level of income received.

### 3.3 Details

The Property Investment Strategy (**Appendix 4**) details the following highlights from the commercial estate. Note that this excludes agricultural properties, development properties and surplus properties pending disposal;

- Capital Value as at 01/04/2016 - £44,790,000
- Gross Annual Income (2015/16) - £3,400,000
- Average vacancy rate (2015/16) – 5%
- Income – Capital Return (2015/16) - 6.9%
- Total Return (income return and capital growth) 2015/16 – 13.82% P.A

Proportioned by income, the portfolio comprises:

- Retail (town centre & local parades) - 44%
- Industrial – 24%
- Offices – 2%
- Other (inc long leases) – 30%

By capital value, the portfolio comprises

- Retail – 39%
- Industrial – 21%
- Offices – 2%
- Other - 38%

### 3.4 Agricultural Holdings

The Council's agricultural estate covers approximately 700 hectares (1700 acres) of farmland, and includes smallholdings, allotments, woodland, and agricultural land.

The Estate forms part of the Council's investment property portfolio and provides:

- Income for the Council through payments and rents.
- Capital receipts from sales of surplus land and buildings.
- Opportunities for individuals to farm for themselves.
- Improved public access through woodland and over farmland.

Management of the estate was outsourced to specialist rural management consultants following the retirement of the in-house specialist in 2012.

The majority of the properties have been submitted into the Planning 'Call for Sites' process, which will determine development target areas up to 2032. Any Council owned sites that are selected for growth will be worked up in line with Planning Policy Documents and will be subject to the disposal / development policies detailed within 4.0 herein.

### 3.5 Future Investment Estate

Future proposals for the estate are detailed within 5.0 and **Appendix 4**.

## 4.0 Surplus Property, Sales, Transfers, and Strategic Acquisitions

### 4.1 Strategy

*The Council will identify surplus land and property assets and will explore whether each surplus asset should be:*

- 1) *Put to alternative operational use by another service department, or in partnership with other public service providers;*
- 2) *Transferred to the Borough's housing company, Benedict Bedford Ltd (BBL);*
- 3) *Transferred to the Borough's commercial estate;*
- 4) *Sold for best consideration;*
- 5) *Declared a 'Surplus Property' and managed accordingly.*

*Where assets are to be sold for best consideration, The Council will take appropriate steps to maximise capital receipts or rental income.*

*The Council may also undertake strategic land acquisitions in furtherance of its objectives.*

### 4.2 Policies

- The Council will continuously review its land holdings and will challenge existing uses with a view to identifying under-utilised assets and assets that could become surplus to existing requirements through active asset management.
- Under-utilised and surplus assets will be analysed to determine the most advantageous alternative use for that asset, having regard to Borough policies, in particular to The Borough's commitment to Value for Money.
- The Council will seek open market value for all disposals, unless the disposal complies with the Protocol for Disposals at less than best consideration (General Disposal Consent 2003) – reproduced at **Appendix 5**.
- The Council will ensure that Council owned assets that are also identified in the planning policy framework, are brought forward for development at the appropriate time.
- The Council will assess the timing of disposals not only with regard to the Council's internal requirements, but also with regard to the state of the property market at the relevant time.
- The Council will seek to maximise the value of surplus property by promoting appropriate properties through the planning process prior to

disposal. If necessary, this will be carried out in conjunction with land owning partners, subject to a satisfactory legal agreement.

- Where the Council has a duty to promote certain forms of development or disposal, eg Self-build, action to promote disposals may refer to such opportunities, but the overriding principle of all disposals is as stated above.
- Should suitable opportunities for strategic land acquisitions arise in pursuance of The Council's objectives, eg for housing development to be undertaken by the Borough's Housing Company, BBL, The Council will evaluate these opportunities and will proceed with such acquisitions that are deemed appropriate, having regard to a relevant business/financial case, and the availability of funding.

#### 4.3 Capital Receipts projections

In its revised Capital Strategy Programme, approved on 1<sup>st</sup> February 2017, The Council projected capital receipts from property sales for 2016/17 to 2019/20 as follows:

- **2016/17 - £9.074 M (Approx. 16% of total projected capital spending).**
- **2017/18 - £12.086 M (Approx. 18% of total projected capital spending).**
- **2018/19 - £7.687 M (Approx. 24% of total projected capital spending).**
- **2019/20 - £6.353 M (Approx. 49 % of total projected capital spending).**

These figures assume:

- Land and Buildings are released for disposal as expected and within predicted timescales.
- Planning is granted in line with expectations and in a timely manner.
- The market for properties remains relatively constant over the three year period.
- No unexpected constraints on development are encountered.

Additional sites for disposal may come forward as a result of the policies proposed herein, which may affect the projections above.

The Council will continue to maintain a rolling 5 year capital receipts monitor updated on a quarterly basis. Projected figures will be amended as existing schemes progress and as decisions are taken to dispose of other surplus properties.

The Council has submitted significant numbers of sites into The Planning 'Call for Sites' process that will help shape the Local Plan development process up to 2035. Should any Borough owned sites receive development allocations, capital receipt projections will be amended accordingly and the sites will be worked up as development sites using in-house development expertise to maximise value.

Capital receipts are used to resource the Council's capital programme, which provides direct investment for improved service delivery.

#### **4.4 Review of Current Land - holdings**

The Council will continuously review all significant under-utilised land with a view to identifying alternative uses that will benefit the community, reduce maintenance costs, and potentially contribute to future capital receipts or revenue income. In doing so, the Council will work with adjacent public sector land owners to identify joint opportunities that would otherwise not be there if each estate were considered in isolation.

#### **4.5 Protocol on Requests to Purchase Vacant Land (Appendix 6).**

All requests to purchase open space will be directed to the Chief Officer for Economic Development and Property who will determine the matter in accordance with the protocol reproduced in **Appendix 6**.

#### **4.6 Transfer to The Commercial Estate**

All sites identified as surplus will be appraised for their suitability to be transferred to the commercial estate using the Development Opportunities flow chart set out in **Appendix 8** prior to being selected for disposal.

#### **4.7 Transfer to The Borough Housing Company – see 6.2 herein.**

The Council has formed a wholly owned company, BBL, to deliver homes within The Borough.

Any land and premises transferred to the Company will be transferred at market value. Any sites chosen will be selected using the Development Opportunities flow chart – **Appendix 8**

#### **4.8 Transfer of Community Assets Policy (Appendix 7)**

The Council will consider a transfer to community organisations who provide a service to the whole community where the use of the facility will continue to be available to all residents within the Borough. This will not preclude the casual hiring of facilities to the public, clubs etc.

The Council has established a number of criteria that set out the basis of the interest in assets that will be transferred to third parties. The policy was refreshed in 2012, following the publication of the Localism Act 2011, and the revised version is set out in **Appendix 7**.

#### **4.9 Surplus Property**

The Council retains a 'Surplus Property Budget' for management of properties that have been declared surplus but cannot immediately be disposed of or transferred to the commercial estate.

Assets in this category will be managed from this budget with a view to minimising expenditure, and disposing or investing in the asset as soon as reasonably practical.

Examples of assets in this category include:

- Vacant schools that the Council is not permitted to dispose of by DFE
- Land with negative value eg contaminated land
- Land held for future development on which planning is being sought, or will be sought in the future.

#### **4.10 Empty Homes – Purchases and Subsequent Sales**

The Council has a duty to bring empty homes within The Borough back into occupation.

Where privately owned homes are identified as having been substantially vacant for a significant period, The Council will take action to ensure that owners promote re-occupation and use within a reasonable time period.

In some circumstances, The Council will acquire the premises by direct treaty with the owner or will acquire premises through compulsory purchase. Having acquired the premises, the property will be advertised and sold with an obligation on the purchaser to bring the premises into habitable condition within 12 months.

#### **4.11 Strategic Land Acquisitions**

The Council will maintain the capacity to acquire such land and premises required to fulfil its objectives, either as Operational Property, Investment Property, or for other purposes.

In undertaking such acquisitions the Council will ensure that:

- The underlying reason for the acquisition meets a stated objective;
- The acquisition expenditure is justified with reference to a robust business case; and
- Funding is available and such funding will not adversely impact on other key Council objectives.

The Council may undertake such acquisitions by private treaty or by the use of compulsory purchase powers, if justified by reference to relevant enabling legislation.

Opportunities for such purposes may arise on an 'ad-hoc' basis, if at all. It is important that the Council has the capacity to respond to market opportunities quickly as and when they arise.

## 5.0 Investment and Development in Commercial Premises (Appendix 4)

### 5.1 Strategy

*The Council will continue to proactively manage its existing commercial property portfolio.*

*It will re-structure its existing portfolio, increasing the proportion of higher yielding assets with manageable risk profiles, and disposing of a number of lower yielding investments.*

*It will seek to increase income from commercial property through strategic acquisition and development of land within its ownership.*

The Council has undertaken a comprehensive review of its non-operational and commercial property requirements, termed the 'Investment Development Strategy 2017 – 2022'. The document forms a significant part of this CAP, and is reproduced at **Appendix 4**.

Guaranteed future income from The Borough's Investment portfolio will play a vital role in funding Council activities in years to come.

### 5.2 Policies

- **Proactive management of existing portfolio**

The proactive management of the estate will ensure that opportunities are identified and progressed. The key elements under this heading will be:

- Continue to apply the existing principles for and a proactive approach to the management of the commercial estate
- Undertake a detailed analysis of the commercial portfolio against the investment criteria below and complete SWOT analyses for each asset in order to identify investment, development and divestment opportunities. This will include assessing the current assets against the investment criteria set out below.
- Ensure that security and maximisation of income are given equal priority e.g. ensuring that the process of granting leases is simplified, that tenancies at will and business builder leases are phased out and ensuring that tenant viability is not sacrificed.

- **Delivering further additional income through strategic acquisition, disposal and development in Bedford Borough**

The combination of Bedford Borough's geographic location, the Council's land ownership and the ability of local authorities to borrow at very low interest rates presents a unique opportunity to both trigger economic regeneration and generate additional revenue. Realisation of these opportunities will require a business case to be made for resources to be allocated to commercial property investment and development. The main elements will be:

- Developing the business case for an investment fund that will enable the Council to expand the portfolio and make a contribution towards the Council's projected budget deficit and enabling economic growth/regeneration within the Borough.
- Disposal of lower yielding investments and reinvesting the proceeds in higher yielding assets with manageable risk profiles in order to produce additional income.
- Disposal or redevelopment of high risk, management intensive properties. Receipts from disposals will be recycled into the purchase of lower risk properties that yield optimal rental growth and stable income.
- Proactively seeking investment acquisitions through building links within the local property market.
- Realising development opportunities within existing portfolio and development sites such as Marston Vale Business Park and Fairhill. This will give some opportunity to meet demand identified from existing enquiries and the Growth Plan.
- Working in partnership with Benedict Bedford Limited (BBL) to realise residential investment opportunities identified within the portfolio.
- Development of smaller schemes identified through the review of the existing investment and operational estates.
- Working in partnership with other public sector organisations and the private sector to deliver the projects identified through OPE.
- Seeking Joint Venture arrangements with local businesses and other property owners to progress strategic acquisitions and development opportunities whilst reducing the Council's risk exposure.

The above initiatives will improve the balance of the portfolio and produce the highest yields possible, whilst carrying an acceptable level of risk. The activities that will be involved in delivering these strategic objectives will be reviewed annually, but the initial programme of work is outlined in the Action Plan at the end of this document. Implementation of the strategy will require clear and stringent investment Criteria

- **Delivering further additional income through strategic acquisition, disposal and development in outside of Bedford Borough**

Many local authorities are investing in commercial property outside of their administrative areas for financial return. The Council's first priority will be to invest within Bedford Borough as the opportunities exist and there are additional benefits to be realised; however, the possibility of purchasing commercial investments outside of the Borough should not be entirely ruled out. Accordingly, the Council will review the business case for additional investment outside of its administrative area, this will involve:

- Reviewing the opportunities that are likely to be available within the UK investment market.
- Reviewing the risks associated with wider investment and determining whether these can be managed and/or mitigated
- Establishing clear investment criteria that include geographical limits and investment management considerations that reflect the on-going resource constraints faced by the Council.

## 6.0 Significant Property Based Projects

During the life of this CAP a number of significant property based projects are scheduled to continue or commence. These include:

### 6.1 One Public Estate and Local Public Sector Collaboration

Clause 1.5 above refers to the 2016 DCLG circular on disposals of public sector assets. This circular details the government's 'offer' to Local Authorities and other public sector bodies. This offer includes 'One Public Estate'.

Under the 'One Public Estate Programme', central government will award grants to collaborations of public sector bodies who promote and subsequently project manage re-generation schemes within their areas. The required outcomes are:

- The release of land for housing development,
- Employment creation,
- Capital receipts,
- Efficiency savings,

In conjunction with Central Bedfordshire Council the Council has formed the 'Transforming Bedfordshire Partnership', chaired by the Mayor of Bedford. The partners include , the Bedfordshire Police & Crime Commissioner, Bedford Hospital Trust, Bedfordshire Clinical Commissioning Group (and other health bodies), Bedfordshire Fire and Rescue Service, the Local Enterprise Partnership and Network Rail

The Partnership has submitted development and re-generation proposals to central government and has been awarded the maximum grant available in stage three and a further grant in stage four to work up and project manage a number of property based projects within Bedfordshire.

During the life of this CAP, and in conjunction with its partners, The Council will use the grant monies to evaluate, and, if viable, to project manage all schemes proposed. The schemes proposed within Bedford Borough shown on the plan in **Appendix 10** are based on three themes:

- i. Town Centre Regeneration
- ii. Health and Care Integration
- iii. Blue Light Services

The projected outputs for the schemes across the whole of Bedfordshire are:

- Capital receipts - £9,250,000
- Reduced Running Costs - £ 8,080,000 over a period of 5 years
- New jobs to be created – 1483
- New residential units to be built – 2399.

The Council will bid for funds to assist with bringing forward further schemes. It will also support, as lead authority, bids from the Police, Central

Bedfordshire and the NHS. The funds available from Central Government are currently accessible through bids made bi-annually.

## **6.2 The Council's Housing Company.**

Clause 1.5 above details the 2016 DCLG circular on the disposal of public assets. The circular recognises that Local Authorities are permitted to (and are) directly delivering homes outside of their housing revenue account.

Studies have been undertaken into the function of Bedford's mainly private sector led housing development market over the past 5 years. These studies have identified structural anomalies that have contributed to increasing levels of homelessness, and a miss-match between housing need and supply, namely;

- The delivery of sites in the urban area is delayed by low values. There has been a particular failure to bring forward 'brownfield' urban sites.
- Business models of the larger house-builders have focused on large acquisitions and 'land-banking' in the most economically advantageous areas for them ie urban fringe and rural areas, 'greenfield sites'.
- The larger house-builders have tended to build larger houses in cyclically advantageous periods and in numbers designed to sustain high purchase prices.
- There has been a contraction in numbers of house-builders able to compete for sites.
- There is a lack of institutional landlords willing to acquire private rented developments. This has led to a lack of choice of tenure, specifically a lack of suitable private rented options.

There have been insufficient lower value homes built in urban areas to satisfy latent need, contributing (amongst other factors), to homelessness in urban areas of The Borough. However values of such homes have increased significantly recently, and the Borough has identified an opportunity to intervene to increase supply, utilising its own land and resources.

Using its 'general power of competence' under the Localism Act 2011, the Council has therefore set up its own housing company, named 'Benedict Bedford Ltd' (BBL). The Company will function on commercial lines to produce satisfactory returns. It will develop Council land in the urban area, refurbish existing under-utilised Council owned houses for beneficial use, and will forge links with other land – holding public organisations, through The Council's partnership forums. The Company could be a significant participant in the 'One Public Estate Programme' for Bedford.

Specific areas for BBL to focus on are:

- To own private rented sector stock enabling The Council to participate in rising values in the sector.
- To carry out housing developments in its own right or through joint ventures.
- To support mixed-use developments by enabling the residential component.

- To enable the Council to promote the development of its own land where land assembly and other problems have hampered development.

BBL will not hold Social Rented or Affordable Housing units. Should such units be built as a result of any planning requirement, they will be transferred to a Registered Provider at the earliest opportunity.

Within the primary objective of achieving commercial return, the BBL will deliver a number of secondary benefits that will contribute towards achieving the Council's wider objectives. These will vary across projects, but will include:

- Providing intermediate tenure products that will assist in attracting key workers required for the local economy;
- Address other strategic housing issues such as housing such as homelessness;
- Interventions to address perceived market failure; and
- Make a positive contribution to wider place-shaping and regeneration.

BBL will have the benefit of access to Council owned sites, although these must be transferred at market value. The Council continues to review sites within its ownership and this will yield development opportunities for the Company. A priority for this CAP will be to identify a 'pipeline' of sites that provide viable development opportunities for the Company.

### **6.3 The Council's School Buildings Programme.**

It is The Council's policy to move from a three tier education system (lower, middle and upper schools) to a two tier system (primary and secondary schools), where supported by local school clusters; and to replace all temporary classrooms on community and grant maintained schools with permanent buildings. This will require significant building works on existing school sites.

The Council will also work with central government, developers, and education partners to facilitate the provision of required new schools within growth areas of The Borough.

The Council has budgeted funds of over £48,000,000, allocated from various sources for this building programme, including: its own capital programme; monies from Section 106 funds; basic needs funds; specific bidding funding; and devolved formula capital grants.

Over the life of this CAP, The Council is committed to:

- Enabling the construction of at least three new primary schools and one new secondary school.
- Replacing all temporary classrooms on all community and grant maintained schools.
- Expanding 29 lower / existing primaries to form new primaries.
- Expanding /adapting 4 upper schools to form secondary schools.
- Converting 7 existing middle schools to primary schools.

All current temporary classrooms will be removed from school sites by September 2020.

As at July 2017:

- 19 lower schools have had works completed to enable them to convert to primary status.
- 1 upper school has had works completed to enable them to convert to secondary status.
- 3 middle schools have had works completed to enable them to convert to primary status.
- Contractors are on site at 11 schools.
- All remaining works in the programme will be completed prior to September 2018

#### **6.4 The Carbon Management (Reduction) Plan.**

The Council has set an aspirational target to reduce the carbon emissions from its estate by 40% within the Council's Carbon Management (Reduction) Plan. Following implementation of a programme of retrofit carbon efficient measures, the Council has secured financial savings identified in the Medium Term Financial Strategy and reduced carbon emissions by 36% since 2009/10.

The Council remains committed to becoming a more environmentally efficient and resilient organisation, whilst aiming to enhance financial efficiency of its buildings. The Council is currently reviewing options to continue with a second tranche of energy conservation measures to drive further savings and is currently updating the Carbon Management Reduction Plan to reflect these proposals.

#### **6.5 Modernisation and Refurbishment of Elderly Persons Homes**

The Council owns and runs 5 Care Homes, which provide care for 169 elderly people. The homes have been managed by the Council since 2014 when the contract with the last care provider terminated.

All of the homes were built in the 1960s and 1970s. Whilst compliant with latest regulatory requirements, residents feel the homes would benefit from upgrading, and re-decorating.

The Council is undertaking a comprehensive refurbishment programme of all five homes that is due to be completed in 2019, for which it has budgeted £3,500,000 from its capital programme.

The budgeted works will ensure that all homes will be refurbished to a good standard, specifically;

- The homes will be re-decorated throughout;
- All sanitary-ware will be replaced;
- Washroom facilities will be over-hauled to provide wet rooms in place of existing bathrooms;
- Existing lifts will be refurbished;

- An additional lift will be installed into each home;
- New furniture will be provided;
- Heating will be converted to gas from oil and all oil boilers replaced by gas boilers;
- All roofs and windows will be repaired or replaced.

## 6.6 Marston Vale (Bedford) Business Park

Marston Vale (Bedford) Business Park is situated to the east of Wootton and adjoins the A421. The Council owned 28.46 ha (70.34 acres) site has received a Planning Allocation for employment use.

Following an extensive marketing exercise, The Council has selected a national developer to deliver a major commercial scheme. The developer has applied for planning permission to build approximately 80,147 sq m (862,695 sq ft) of commercial space, including warehouses, modern offices, and incubator workshop industrial units. In addition to generating a large capital receipt for the Council, the development will promote economic growth within The Borough. The Council has retained the option to re-acquire completed and pre-let units on the site for its commercial estate.

The Council has also received funding from the Local Enterprise Partnership for the construction of 12 innovation workshops and associated infra-structure on approx. 0.8 ha (approx. 2 acres) of the site. These workshops will be constructed by the developer and will subsequently be owned and managed by The Council as part of its growth strategy.

## 7.0 Performance, Resources and Action Plan

- The Action Plan at **Appendix 1** details all property initiatives scheduled over the life of this CAP. It identifies the Leading Officer, timescales for delivery, and the resources required for each Action. The Action Plan is updated annually and a monitoring report prepared by the Mayor. The Corporate Asset Management and Capital Programme working Group (CAMCPWG) review progress of The Action Plan quarterly.
- The Property Review Plan at **Appendix 3** monitors the efficiency in use and operating costs for each operational property. This Plan will be reviewed annually by the Head of Property Services and approved at The CAMCPWG. Reviews will reflect changing plans and strategies.
- A performance report benchmarked with industry norms is prepared annually on returns from the commercial estate. Underperforming assets are identified, and improvement action is identified. (See **Appendix 4**)
- Budgeted capital receipts from disposals of surplus assets, updated at least annually, are compared to actual receipts (See 4.3 herein). A monitoring report is prepared to explain variances.

- Annual returns emanating from the property review process (**Appendix 3**) will set targets for delivering transformational change of operational assets. These targets will be incorporated into the updated Action Plan.
- Performance will be monitored through annual updates. Improvements in service delivery as well as financial efficiencies are used as targets for individual projects.