

ASSET MANAGEMENT STRATEGY (2019-2023)

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INTRODUCTION

The Asset Management Strategy for East Suffolk Council (ESC) sets out the high-level strategic framework for managing our non-residential property portfolio effectively over the next four years. It will guide our future strategic property decisions to ensure we manage our property portfolio sustainably and efficiently.

Since the last Asset Management Plan adopted in 2007, the environment in which the Council operates has changed considerably. This presents both a number of challenges and opportunities, to drive change in how we deliver our services and the infrastructure needed to support this.

Our property assets are an important part of supporting and enabling us to transform the way we deliver public services and it is therefore essential that we have an innovative and forward thinking strategy in place. This plan will provide a decision-making framework for staff, external stakeholders and customers giving information about the direction of change for the property portfolio.

BACKGROUND

East Suffolk Council (ESC) came into being on 1 April 2019 when the two former district councils of Waveney (WDC) and Suffolk Coastal (SCDC) were dissolved. The political governance of the ESC was determined on 2 May 2019 when the 55 Members of it were elected. At the first meeting of the ESC on 22 May 2019, a new Leader of the Council, Cllr Gallant, was elected and he appointed a Cabinet on the same day.

WDC and SCDC had worked in partnership for several years, and operated a number of shared services, since 2010. Each was a separate, sovereign body, but their shared history is relevant to understanding some of the challenges that are faced in developing a coherent and deliverable Asset Management Strategy, as the new era of ESC opens.

Until 2016, the commercial property estate for WDC and SCDC was managed separately, with differing strategic objectives, governance, operating models, property characteristics and data systems. Whilst a lot of work has been done to align these once separate functions, there is still further work to be done to create an optimal Asset Management function in terms of its governance, processes and procedures, operating model and quality of data.

CORPORATE VISION

East Suffolk Council's key business goals and objectives are set out in the East Suffolk Business Plan which covers the 8 year period 2015 to 2023.

The East Suffolk Business Plan sets out the vision for the delivery of services to communities across East Suffolk. The Plan outlines the long-term ambitions for East Suffolk, summarised in the corporate vision to:-

“Maintain and sustainably improve the quality of life for everyone growing up in, living in, working in and visiting East Suffolk”

The corporate vision for East Suffolk therefore aims to significantly improve the economic, social and environmental wellbeing of East Suffolk, to safeguard the prospects of current and future generations and improve everyone's quality of life.

The Business Plan identifies 3 core strategic areas of focus for delivering on the vision, which are summarised as:-

1. Enabling Communities

This involves working closely with local communities in an 'asset based' approach to better deliver improvements in services and personal wellbeing. It recognises that actively involved and engaged communities are more resilient than those that rely wholly on local authority intervention and support.

2. Economic Growth

This recognises the importance of a strong local economy to both the welfare of the residents of the District and also to the Council's ability to provide effective services in line with its statutory obligations. The council supports economic growth in particular through the work of its Economic Development and Regeneration teams and through its Planning Policy team which sets the planning policy framework for the District as a whole.

3. Financial Self-Sufficiency

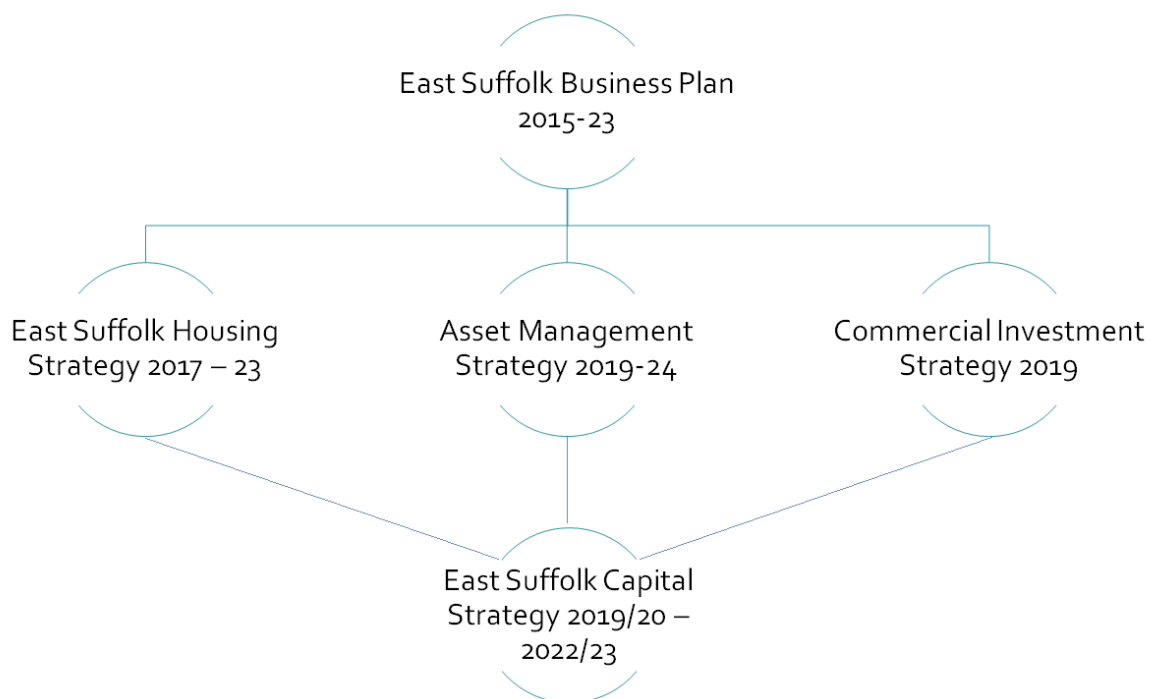
This recognises the need for the Council to balance its books in an increasingly challenging local government funding environment. With cost savings of circa £16m achieved since 2010 as a result of the merging and streamlining of service lines across the two councils, much of the 'low hanging' fruit has now been taken. The strategy acknowledges the need to find ever more innovative ways to achieve cost

savings and increase revenue, in order to bridge the funding gap created by the reduction in the Central Government grant.

The Business Plan defines 10 critical success factors by which its success in delivering its vision will be judged and details a number of target projects/activities to be completed within the Plan period.

The Asset Management Strategy for ESC has been designed to align the Council's property strategy as closely as possible to the objectives of the Corporate Business Plan. It should be recognised, however, that in certain cases, where the Council's property assets are concerned, conflict may exist between different corporate objectives (e.g. commercial vs community) and decisions will need to be prioritised according to the specific circumstances.

In addition to the Corporate Business Plan, there has been regard for existing strategies within the Council together with the East Suffolk Capital Strategy. A diagram showing how the Asset Management Strategy fits into the overall structure is shown below:



FINANCIAL CONTEXT

Understanding the current financial position of an organisation and any known material projected changes to that position, is essential to effective business and strategic planning. At the time of writing, ESC's financial position is set out in its Medium Term Financial Strategy (MTFS) 2019/2020 to 2022/2023.

As at February 2019, the combined ESC's financial position is reflected in the table below, showing the shortfall in income to cover the planned expenditure of the Council.

MTFS Forecast - East Suffolk	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
February 2018	3,592	3,933	3,914	3,914
October 2018	4,172	4,402	4,381	4,379
November 2018	3,246	3,472	3,446	3,439
January 2019	0	4,112	4,414	4,538
February 2019	0	3,841	3,849	3,872

As indicated, on the basis of income and expenditure projections as at February 2019, the MTFS is showing a balance budget for 2019/2020, but this is after using £3m of reserves. The budget gap rises to circa £3.9m in the following three years to 2022/23. The financial backdrop to the Council's Corporate Business Plan and its Asset Management Strategy is therefore challenging (reflective of the wider UK position).

The MTFS details no specific means by which the Council will seek to reduce the projected deficit as it will be for the new Cabinet to implement an Efficiency Plan that addresses the funding gap. It is anticipated however that it will be through a mixture of cost saving and revenue generating initiatives and it is expected that the Asset Management Strategy will play a key role in achieving this objective.

ASSET MANAGEMENT OVERVIEW

What is the role of Asset Management?

“Strategic Property Asset Management is the process which aligns business and property asset strategies, ensuring the optimisation of an organisation’s property assets in a way which best supports its key business goals and objectives”

RICS Public Sector Asset Management Guidelines 2nd Edition

The Asset Management Team at ESC is responsible for the management of a non-residential, mixed property portfolio. The purpose of the team is to ensure all assets are fit for the business purpose for which they are procured and held, and that they are managed optimally in terms of their capital/revenue cost and return to the business.

The Existing ESC Property Portfolio

The ESC property portfolio is confined within the administrative boundary of the Council. The ESC administrative area stretches from Felixstowe in the south to Lowestoft in the north with a coastal and largely rural hinterland in between. As with many local authorities, the land and properties that it owns have been accumulated over a period of many years and whilst some are still held for the purpose of service provision, many are legacy ownerships that are no longer involved in direct provision of services.

The ESC portfolio is extremely varied in its composition. It comprises both operational property (assets held for the delivery of services) and non-operational (investment/surplus) properties. The portfolio includes large areas of coastline, a variety of leisure assets linked to tourism, community assets including public conveniences and playing fields, as well as more conventional office, retail and industrial assets. As at February 2019, the ESC balance sheet records 1,500 General Fund owned property assets with a combined value of circa £100M (this value is an accounting valuation and doesn’t therefore reflect the open market value of the estate).

The Existing Asset Management Operating Model

The Council’s Asset Management Team sits within the Operations service area and is overseen by the Head of Operations. The team itself is led by the Asset and Investment Manager and is split into three functional areas; estate management, building services and

development. In addition, there is a Service Level Agreement with SC Norse to provide building maintenance services for properties within the former area of SCDC.

The responsibilities within the Asset Management Team can be sub-divided as follows:

Estates Management

- Management of the Council's property lease and licence agreements
- Optimisation of the Council's commercial tenancy income
- Valuation of the Council's property assets under a 5 year rolling programme
- Provision of Right To Buy valuations to Housing Tenancy Services
- Negotiation of land and property acquisitions and disposals
- Handling of all internal and external property related enquiries
- Identification of value add initiatives within the surplus estate and support to the AM development function
- Professional support to corporate projects relating to assets
- Identification of property investment opportunities to support the Council's Commercial Investment Strategy
- Maintenance of the Council's property data and management information
- Provision of development management expertise to extract value from assets and support the Council's strategic development and regeneration projects

Building Services

- Preparation of condition surveys and maintenance of a planned preventative maintenance programme
- Procurement and project management of ongoing maintenance and major capital works projects
- Ensuring compliance with all relevant statutory legislation including health and safety, asbestos, legionella, electrical testing etc
- Support to the AM development function with design, costing and project management input

Development

- Identification of new development and redevelopment opportunities within the District
- Development appraisals of potential commercial, leisure and residential schemes
- Project management of developments from conception to delivery

Portfolio Objectives & Current Pressures

Improvements to the way in which property assets are managed will be an important priority for ESC, providing greater assurance that they are safe and comply with statutory requirements as well as introducing a more commercial outlook for the portfolio. The foundations of this process must include more robust data and process, increased capacity and stronger governance and decision-making.

ESC continues to face budget pressures and therefore must consider a range of options to reduce the cost of maintaining, repairing and operating its property portfolio. This will include a more commercial approach to asset management, increasing income generation, rationalisation of the portfolio, redevelopment, disposals and considering alternative income streams as well as considering opportunities for shared space. This will require a more focused and strategic approach across the council's assets.

A number of issues have been recognised with the current status and management arrangements for the portfolio. These need to be addressed with an appropriate response defined through the strategy. These challenges and pressures include:-

1. The portfolio includes a number of assets held for community purposes which are retained by ESC for community benefit at a net cost to the authority;
2. The portfolio includes a number of assets which are underperforming and/or are surplus;
3. A lack of data to support and inform decisions relating to the portfolio;
4. A lack of policies and procedures relating to the active management of the portfolio;
5. Further investment in information systems to assist the day to day management of the portfolio is required; and
6. The long term nature of property as an asset class.

Creation of an Asset Management Strategy

As part of the process to create an effective Asset Management Strategy, guidance has been provided through the RICS Public Sector Property Asset Management Guidelines (2nd Edition). These guidelines seek to provide direction and assistance to property professionals within the Public Sector and also to provide insight into the benefits of reduced operating costs, better quality accommodation, more productive staff and satisfied customers. The guidance aims to assist with the formulation of corporate business strategies through to implementing specific management plans. This Asset Strategy seeks to provide both high level strategies relating to the portfolio as well as an asset plan to achieving specific targets.

ASSET MANAGEMENT – THE FUTURE STRATEGY

Mission Statement

The overarching objective of the asset management strategy can be summarised in the following Mission statement:-

In the 4 year period April 2019 to March 2023, the Council will thoroughly validate its property data, develop a best in class asset management operating model with the right governance, skills, technology and processes to implement the strategy, identify and execute a clear action plan for each and every property asset and establish a successful commercial property investment and development capability.

The future asset base aims to have a balance between community assets, operational buildings and properties which provide a financial return. The future portfolio will be required to subsidise non-income assets as well as providing an income for the Council to assist with the overall financial deficit.

The Asset Management team will continuously review the portfolio and work with services to identify opportunities to reduce the portfolio or increase efficiencies.

This section of the Asset Management Strategy sets out the priorities for delivering on this agenda, which cover a wide range of activities and work strands, some in progress and some to be delivered over the coming years. Although this work represents a complex set of inter-related projects, the objectives driving delivery can be simply stated as:

- Administrative Improvements
- Compliance & Sustainability
- A strategic approach to assets
- Reducing expenditure and increasing income

Administrative Improvements

Capacity

There has been recent investment in staff resources to help create a team structure to address issues relating to capacity within the Asset Management team. There is a commitment to invest in staff training and the recruitment of qualified staff to ensure professional advice is provided at all times. Where workload exceeds staff capacity or specialist advice is required, we will look to use external professional consultants to advise ESC.

Backlog

Due to historic reasons, changes within the Council, staff changes and the Asset Management function being brought back in house, the ICT systems and capacity within Asset Management has not met demands on the service and this resulted in a backlog of case work and administrative functions that built up over some time. This backlog of work includes:

- Rent reviews
- New leases and licences
- Disposals
- Maintenance and renewal

The timescales to implement the Asset Management Strategy are mindful to include periods of day to day work to help reduce this backlog.

Property Data & Management Information

Data is one of the most important tools to proactively manage a property portfolio. We are aware the portfolio comprises over 23,000 deeds of which 75% are land / property related, the other 25% being contracts, apprenticeship agreements, tree preservation orders, stage play licences etc. On average there is 1 new land / property transaction per week (e.g. sale, compulsory purchase order) plus various other changes (section 106, licence changes).

The effective management of ESC's property assets is a key objective of the proposed East Suffolk Commercial Investment Strategy and accurate and accessible information on East Suffolk owned and leased land and property assets is critical to effective management.

To address an historic issue relating to up to date property data, a comprehensive review of all assets was undertaken in 2018/19. Following this exercise, the data was validated and uploaded onto ESC's property database, Uniform, where it will be maintained going forwards.

This data validation exercise is an essential prerequisite to ensuring ESC is able to execute and maintain its asset management strategy effectively going forwards. Uniform is intended to:

- Maintain a complete and accurate property asset register;
- Provide a single corporate resource for managing assets;
- Support the continuous management and maintenance of the property asset base through the use of alerts and reminders for specific tasks ie. Lease renewals, rent reviews;
- Enable ESC to satisfy statutory and other reporting and compliance requirements;
- Enable the implementation of performance across the asset portfolio; and
- Enable accuracy and timeliness in property assets reviews, appraisal, decision-making and planning.


There is a commitment to invest in ICT to ensure data is able to be updated, amended, extracted and analysed. Investment has already been made to purchase software for valuation and to assist investment decisions however further investment is required to improve functions within the building services team. Software to work alongside Uniform is required to record condition surveys, legionella reports, maintenance budgets etc. Any investment in software to assist functions within the building services team will be considered alongside ICT used by partners to ensure sharing of data is achievable.

Member engagement

To ensure Member engagement is an effective process, the District has been divided into geographic areas for which specific members of the team are responsible for enquiries and keeping the relevant Members up to date. This aims to ensure local issues and ideas are captured as part of a two-way process. Members will be formally consulted on decisions being presented to Cabinet or Committees to ensure their views are known when property decisions are due to be made within their ward with particular reference to disposals, acquisitions and developments.

Processes and Procedures

To ensure the Asset Management team is able to efficiently manage the portfolio it is necessary to put in place a number of standard processes and procedures to assist with the day to day management of the portfolio. This includes the introduction of a suite of documents to ensure consistent reporting and standardised documentation to tenants and prospective occupiers.

 <p>Report & Valuation</p> <p>Title (Property Portfolio)</p> <p>Date</p>	<p style="text-align: center;">Property Inspection Form</p> <table border="1"> <tr> <td>Inspection Date</td> <td colspan="2">Inspected by</td> </tr> <tr> <td>Property Address</td> <td colspan="2">Postcode</td> </tr> <tr> <td>Use</td> <td colspan="2"></td> </tr> <tr> <td>Station / Location</td> <td colspan="2"></td> </tr> <tr> <td>Description</td> <td colspan="2"></td> </tr> <tr> <td>Site Boundaries</td> <td colspan="2"></td> </tr> <tr> <td></td> <td>E.g. Building Name</td> <td>Measurement 1</td> </tr> <tr> <td></td> <td></td> <td>Measurement 2</td> </tr> <tr> <td></td> <td></td> <td>sqm Sub Total</td> </tr> <tr> <td>Building Measurements (see fig)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>Parking</td> <td></td> <td></td> </tr> <tr> <td>Location / Office</td> <td></td> <td></td> </tr> </table>	Inspection Date	Inspected by		Property Address	Postcode		Use			Station / Location			Description			Site Boundaries				E.g. Building Name	Measurement 1			Measurement 2			sqm Sub Total	Building Measurements (see fig)						Parking			Location / Office			<p>DATED _____ 2007</p> <p>SUFFOLK COASTAL DISTRICT COUNCIL</p> <p>- and -</p> <p>LICENCE</p> <p>Relating to Garage No. _____ Address</p> <p>Mrs G Hart Asset Manager NPS Property Consultants Ltd Council Offices Mellon Hill Woodbridge Suffolk IP12 1AU Tel: 01394 444 E-mail: gary.hart@nps.co.uk Consultant for Suffolk Coastal District Council</p>
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In addition, in order to improve our customer service there is also a need to better document the services provided by Asset Management internally and externally.

A number of our external enquiries are for temporary agreements relating to concessions, scaffolding, metal detecting and use of land for amenity use. Therefore, in order to reduce the number of telephone enquiries and to set out clear procedures for standard enquiries, it is proposed that the East Suffolk website is used to channel these requests through a formal application processes. This will form part of the digital transformation of the service to improve day to day management of the portfolio.

Compliance & Sustainability

ESC is committed to ensure all property assets comply with all legal agreements to minimise exposure to risk as a result of environmental, social, financial and economic change. The recent Asset Review undertaken to inspect, document and classify each asset as well as review each lease should help contribute to reducing ESC's exposure to risk. However it will be necessary to put in place through the use of ICT software such as Uniform a process to flag reminders for lease renewals, Health & Safety related inspections etc.

Health & Safety

The basis of British health and safety law is the Health and Safety at Work Act 1974 (HSWA) and associated supplementary Regulations and Codes of Practice. Section 3 of the Act imposes a clear duty on local authorities to conduct their undertakings in such a way as to ensure, so far as is reasonably practicable the safety of the public using premises.

The primary statutory instruments driving statutory compliance for property assets are:

- The Health & Safety at Work etc. Act 1974
- Managing Health & Safety at Work Regulation 1999
- The Regulatory Reform (Fire Safety) Order 2005
- The Building Regulations 2000 (as amended)
- The Control of Substances Hazardous to Health COSHH Regulations 2002 & Amendment 2003
- The Control of Asbestos Regulation 2012
- The Health and Safety Executive Approved Code of Practice (ACoP) Guidance on Legionnaires Disease, the Control of Bacteria in Water Systems L8.
- Consumer Insurance (Disclosure and Representations) Act 2012

In order to comply with legislation, the Asset Management team will need to ensure all ESC owned properties have risk assessments for statutory compliance and where relevant an identified program of recommended remedial works is agreed and resourced. This will need to include boundary walls, external areas and structures in addition to buildings.

Third Party Management of Assets

ESC's portfolio of assets includes sites that are directly managed by third parties. Where an external organisation has operational control of premises or responsible for maintenance, it is essential the Council understands and addresses the residual financial, legal and reputational risks that remain.

Energy Performance Certificates

From April 2018, proposed legislative changes would make it unlawful to let residential or commercial properties with an Energy Performance Certificate (EPC) Rating of F or G (i.e. the lowest 2 grades of energy efficiency). Assets that fail this standard need to be identified and this information fed into investment decision-making. It is proposed the Council aims for all existing property assets to have EPC ratings of D or higher in order to comply and exceed the standard.

A Strategic Approach to Asset Management

Much of the estate is redundant and surplus to strategic requirements. The portfolio could be radically rationalised to reduce future maintenance, repair and operating costs. The proceeds from the disposal of the sites released as a result could assist improving the remaining estate and to invest in properties that produce a beneficial yield. Apart from these capital investment benefits, a rationalised estate would also reduce risk and help deliver revenue budget savings.

In refreshing the asset management register it is intended to reclassify our assets as either operational, community or investment with unclassified assets automatically being subject to a review for potential disposal. This should eliminate uncertainty about use, ensure adequate compliance with statutory obligations and allocate resource according to the value of its use. It should be noted that these categorisations are not the same as accounting categorisations.

Portfolio – Operational

This portfolio comprises assets which are used to deliver services. The key objectives of this portfolio are:

- Provide adequate and appropriate space for the service (Including maintenance and running)
- Optimise occupancy
- Ensure statutory compliance
- Minimise expenditure

Operational property should be continually reviewed in line with the service delivery requirements to ensure the building is fit for purpose. Any surplus property should be identified and managed appropriately to achieve rationalisation.

Examples of the types of property in this portfolio include: Administration and frontline offices, depots, waste management sites, leisure facilities and car parks.

It is difficult to judge the performance of operational properties however the key objectives of the portfolio are detailed overleaf.

To mitigate the holding cost	To annually evaluate the operational need and suitability of the asset
To review and identify any potential sharing functions of the asset with external partners / uses	To annually review any suitable alternative premises within the relevant locality
To annually review the usage of the asset and optimise occupancy	To ensure statutory compliance
To minimise the expenditure and annually review the overall cost of the asset to the council in property and non-property terms	To maximise the efficient running of the asset

Portfolio – Community Benefit

This portfolio comprises all assets which perform a community function or where the asset has been transferred under statute under a peppercorn, retaining its “public use”. The key objectives of the portfolio are to ensure the asset complies with all statutory obligations and that correct management is in place with an emphasis for mitigation of holding costs. In line with the East Suffolk Business Plan, where there is a desire for communities to take over responsibility for assets within their areas ESC will support the transfer of assets through divestment.

Examples of this type of asset include long leaseholds, services commissioned with leases or another type of occupational arrangement, public open space and playgrounds.

The key objectives of the portfolio are:

To mitigate the holding cost	To annually review the usage of the asset and optimise occupancy
To ensure the terms of any tenancy arrangement is being fulfilled	To assess the suitability for a community asset transfer
To ensure statutory compliance	To ensure management of the asset is appropriate depending upon the occupier / usage

Linked with this portfolio are assets purchased for regeneration purposes. The East Suffolk Growth Plan 2018-23 notes major economic assets and opportunities in the district(s) (“amongst the most significant anywhere in the UK”), with the four most significant being the Port of Felixstowe, Adastral Park (Martlesham), Offshore and Renewable Energy (predominantly Lowestoft), and Sizewell B. In addition, “Cefas” (Lowestoft), with its expertise in marine science and technology, is now becoming of national significance.

Alongside these national assets, there are a limited number of other medium and large scale businesses, and over 9,000 – highly diverse – micro and small businesses.

The Council's assets play a vital role in enabling regeneration to deliver housing, jobs, economic sustainability and improved leisure to sustain a long term balanced economy aligned to the Council's aims and corporate objectives. The Asset Management team aim to offer support and professional advice to the Economic Development and Regeneration Team for the acquisition or development of regeneration assets.

Portfolio – Investment Property

This portfolio comprises of assets which are being held by ESC solely for the purposes of income generation, future development from which it may derive a return. The objectives are essentially to increase and optimise income, optimise capital value and development return, maintain and improve the assets to increase value, mitigate any holding costs, enforce the terms of the tenancy agreements and ensure a well balanced, income producing portfolio.

The principle of commercial investment for ESC is to build a balanced, low-medium risk, long term income stream through a property investment programme.

It is proposed that commercial property investment be undertaken in-house/directly (rather than through a separate company or alternative structure) within the boundaries of the East Suffolk district.

The in-house commercial property investment portfolio will however be ring-fenced from properties within the existing portfolio that are held for operational or community purposes. The purpose of this is to both enable the council to analyse the performance of the portfolio and also to ensure compliance with Section 1, Localism Act 2011 and Section 120, Local Government Act 1972.

Asset Management Group

The risk associated with commercial property investment requires the activity to be delivered within a strong decision-making framework. RICS guidance suggests the formation of a corporate property asset management group. It is therefore proposed for all investment decisions, specifically acquisitions and disposals, to be fed through a central, internal property group known as the Asset Management Group (AMG). This group is proposed to be made up of Heads of Service who have an overview of all departments and

able to develop a corporate approach to capital planning, expenditure and the use of assets. Terms of Reference for the AMG are shown at **Appendix 2**.

Types of Commercial Property Investment

Commercial property can be described as office buildings, industrial and retail units. The age, condition, location and specification are key factors which differentiate properties from being classified as “prime”, “good secondary”, “secondary” and “tertiary” premises. As well as the key physical property fundamentals, investment factors also include tenant covenant, title, planning use, environmental factors, energy and rating issues.

Nationally, at the time of writing this strategy the commercial market reflects a mixed picture. The industrial sector is significantly outperforming both the office and retail sectors. Industrial space is in demand with rents anticipated to continue rising with prime rents in Felixstowe (£5.50 per sq ft as at 2019 using Carter Jonas data). The investment market in East Suffolk has historically tracked the national market however due to the geographic and economic structure of the region, it is considered to be less volatile than in regions where there are larger towns and cities.

In East Suffolk there is a general lack of “prime” investment property and therefore any commercial property investment within the region would be targeting largely secondary property. Industry benchmarks suggest yields ranging between 5%-7% for “good secondary” office accommodation and between 6% - 9% for “prime and good secondary” industrial units.

Investment properties purchased by ESC should therefore be in good quality and with reasonable or good environmental credentials and good tenure. The asset should not require substantial capital investment beyond the purchase costs in the short-medium term. The lease(s) must provide for a good income stream for a minimum of five years from good covenant tenants on commercial leases. In addition, there should be good prospects for future rental and capital growth.

Properties should be attractive in the market and capable of assignment, re-letting or sale without difficulty. All investment properties considered for purchase should be stress-tested to inform decision making. Investments should be actively sought inside the District and assessed on their merits before being presented to the central AMG.

Revenue generated from the investments can support meeting the Council's Revenue Budget gap.

It may be necessary to consider borrowing options to finance the purchase of investment properties. Options for borrowing will be carefully reviewed as part of the investment decision to ensure the net rental return exceeds the borrowing cost plus the standard investment rate and that the yield appropriately reflects the risk.

In order to achieve the best possible return it will be necessary to undertake the following actions:

- At the time of any lease renewals, assignments, break clauses or end dates, it will be necessary to ensure tenant covenants have been complied with and enforced.
- On agreeing new leases, where appropriate, simple review mechanisms such as index linking should be considered to reduce the time and cost of dealing with market value disputes.
- Where the level of work required is disproportionate to the likely outcome, cases should be de-prioritised or alternative solutions considered, including disposal. Eg. Access licences, garden licences, low value lease renewals etc.
- Opportunities for lease re-gearing, extension, surrender and renewal should be actively explored to improve income security.
- Where income is disproportionately low to high capital values of an asset and there is little strategic benefit to retaining ownership, disposal and reinvestment should be considered.
- Where tenants breach the tenancy agreement, with particular reference to failure to pay rent, action must be taken quickly to remedy the situation. This may include bailiff action or repossession. Payment plans should be avoided.

The following criteria should be used to evaluate the asset:

To mitigate the holding cost	To identify the development or alternative use value of the asset
To increase and optimise income	To enforce the terms of the tenancy arrangement in accordance with the lease
To optimise capital value and development return within risk parameters	To identify the maintenance liabilities associated with the asset

Reducing Expenditure & Increasing Income

Required Maintenance

Required Maintenance is the cost of bringing a building from its current state up to a condition that fully meets statutory and regulatory compliance obligations and provides a safe and efficient base for service delivery. Required Maintenance liabilities can only be established by regular costed condition surveys. The aspiration should be to move to a cyclical maintenance programme where maintenance is around 70% planned and 30% reactive. In order to ensure this is achievable, rationalisation of the property portfolio will be necessary so the amount of property to be maintained is kept to a minimum.

Under the CIPFA model, costs are prioritised as 1 (urgent works), 2 (essential works within years 1 and 2), 3 (desirable works required within years 3 to 5) or 4, (desirable works carried out 5 years +). The total of priority 1 to 4 works for each operational building provides us with a total Required Maintenance figure for the following five years. This prioritised assessment of Required Maintenance should in principle inform both the revenue and capital budget setting process.

The aim is to ensure that the most urgent works are identified, with the greatest priority being given to those elements in the worst condition in the most strategically important buildings. The council faces a huge backlog in Required Maintenance and in a fiscally constrained environment we need to ensure the best use of resources, provide value for money and ensure that funding is properly prioritised.

Building condition is characterised as A (Good) B (Satisfactory) C (Poor) D (Bad).

The strategy should be to opt for B3 (i.e. satisfactory condition / desirable works required within years 3 to 5) as the target status for strategic properties with investment being targeted accordingly. Non-operational properties falling within categories C2 or worse should be subject to an options appraisal for alternative uses / disposal.

A comprehensive condition survey will need to be carried out to inform decisions on capital and revenue expenditure on assets, their classification, their disposal, retention or redevelopment potential.

In principle, properties within the lower condition categories should have only essential work undertaken on them in order to maintain their operational capability, this effectively being critical health and safety works and work that would continue to keep the property ‘wind and water tight’, until the future of the property has been reviewed. This is to avoid wasted expenditure.

In addition to condition and maintenance data, other factors need to be considered such as location, utilisation, operating costs, fitness for purpose, accessibility, capacity, contribution to current service delivery and the property’s ability to support future service delivery.

A building in poor condition may still represent a suitable building to the service department, so a decision made on the basis of either condition or suitability in isolation may not necessarily be correct. It may sometimes be beneficial to undertake a more in-depth survey and assessment before key estate rationalisation decisions are made.

All service and utility contracts will be reviewed to ensure that they continue to provide value for money.

Acquisitions

Assets are purchased for a variety of purposes including investment purposes, regeneration, to improve services or in order to fulfil a duty or Council objective. Given the costs and risks involved in holding assets, any decision to acquire assets the Council should consider whether it is necessary to own the property concerned, or whether some other arrangement would perform the function more appropriately eg. Leases, licences or ‘option’ agreements. However, these also have risks and costs so each case is considered on its merits.

Any acquisition should follow the Acquisition Process for Land and Property at **Appendix 4**.

Disposals

The Council maintains a general preference to retain property assets where there is a strategic purpose or where there is an opportunity for long term income generation. However, it will be necessary to rationalise the portfolio to reduce the number of surplus assets, reduce maintenance and management costs and where assets are part of Community Asset Transfers.

It will be necessary to consider whether the cost managing and maintaining the asset outweighs the financial benefit. Furthermore, disposals offer a means of generating capital

to reinvest in the portfolio or to improve the residual stock without incurring borrowing costs.

Any disposal of land needs to comply with the S123(1) of the Local Government Act 1972 which empowers a principal council to dispose of land held by them in any manner they wish subject to an obligation to achieve the best consideration that can reasonably be obtained. In addition, all disposals of property are required to be approved by Cabinet as stated within the Constitution (Page 107, para 5.5.9 of the Financial Procedure Rules).

All assets for disposal should follow the 'Process for Disposals of Land and Property' attached at **Appendix 5**.

Surplus Properties

An asset shall be deemed to be surplus to the Council's requirements if one or more of the following apply:

- (a) It makes no contribution to the delivery of the Council's services,
- (b) It has no potential with regard to the delivery of the Council's Business Plan and is not categorised within one of the following strategy of the Council:
 - Enabling Communities
 - Economic Growth
 - Financial Self-Sufficiency

(c) An alternative and more cost effective service delivery site has been identified.

A site is deemed to be under-used if:

- (a) The income it generates is below that which could be achieved from one or more of:
 - (i) An alternative use
 - (ii) Disposing of the site and investing the income
 - (iii) Intensifying the existing use, mindful of the viability of doing so
- (b) A significant part of the site is vacant and is likely to remain so for the foreseeable future and has no potential with regard to the delivery of the Council's Priorities.
- (c) The cost of retaining the asset outweighs its likely income generation.

Vacant Property Strategy

At any point in time the Council will own and manage a number of vacant properties, land and buildings, which are not in operational use or leased out to third parties. Asset Management has a focused approach to managing these properties with a view to disposing, leasing or reusing as many assets as possible and aiming to keep vacancy rates to a minimum. The most significant costs in holding vacant property are business rates or council tax, security and building maintenance.

In managing vacant properties Asset Management aims to:

1. Have properties in vacant management for a minimal time prior to reuse, disposal or letting
2. Tailor the management of a vacant property having regard to location, vulnerability, property type, future use, existing condition etc.
3. Maximise income generating opportunities where possible and minimise liabilities.

A specification is developed from the outset as to how a property will be managed, involving a number of activities focusing on security, maintenance, compliance, utilities, insurance, taxation and inspections.

Community Asset Transfers

The Council considers disposals of property to community groups (“community asset transfers”) if there is, on balance, an advantage to the Council’s policy objectives in doing so and there is a genuine business case from the community group to do so. That is, the Council would need to have confidence in the ability of the community group to sustain both the building and their own operations by which the policy benefit is achieved. The Council will carefully consider the most appropriate type of disposal; this will depend on the nature and experience of each group and all other relevant factors.

The procedure for Community Asset Transfers is detailed within the Disposal Policy at **Appendix 4**.

Appendix 1 - Key Performance Indicators

The Key Performance Indicators (KPIs) will measure the performance associated with all areas of Asset Management. The KPI's are intended to be assets by the end of the plan period in 2023.

Category	Objective	Indicator	Performance Target
Administrative Improvements	Ensure all properties are up to date on Uniform	What percentage of properties have the following information detailed on Uniform: <ul style="list-style-type: none"> • Address • Asset No. • Unique Property Reference Number (UPRN) • Tenant • Current Rent 	100%
	To decrease the number of telephone and web enquiries to the department	Is there a dedicated Asset Management web-page on the East Suffolk website directing enquiries through the use of E-Forms. If Yes, how many enquiries are received per month via the website through a specific E-form?	5
Premises	To ensure all properties are compliant with statutory legislation	What percentage of buildings have an up to date EPC?	100%
		What percentage of buildings have an up to date risk assessment?	100%
		What percentage of buildings have an up to date asbestos survey?	100%
		Where an external organization has maintenance responsibilities, what percentage of properties do we have all Condition Surveys?	100%
	Repairs	What percentage of properties have a Condition Survey undertaken within the previous 5 years?	100%
	Maintenance	What percentage of repairs undertaken in the previous 12 months are planned maintenance?	70%
		What percentage of repairs undertaken in the previous 12 months are reactive?	30%
		What percentage of properties within the portfolio have been assessed on a £/sq m	50%

		in relation to the maintenance cost of the asset.	
Income	Increase rent collection across portfolio	What percentage of investment properties are let a Market Rent?	100%
Letting	To ensure all properties are occupied	Percentage of properties let within the investment portfolio	100%
		On average, how many days did it take for us to re-let a Council property in the previous 12 months?	40
Disposal	To rationalize the portfolio	What percentage of properties identified for disposal have been sold within the last 12 months?	30%
Acquisition	To improve the investment portfolio	What number of properties have been purchased for investment purposes within the last 12 months?	5
Surplus Properties	To minimize the number of surplus properties	What percentage of properties within the portfolio are identified as surplus?	5%
		How many months have individual assets been identified as surplus?	12 months

Appendix 2 – Asset Management Group Terms of Reference

Overview

RICS guidance suggests the formation of a corporate property asset management group. This group will have overall responsibility for developing a corporate approach to capital planning, expenditure, use of assets and would manage the implementation of the agreed property asset management plans and strategy.

The group is intended to be a sounding board for all purchases, disposals or strategic decisions. Recommendations from the group would be reported directly to senior decision makers and politicians as appropriate.

Main Aims & Objectives

- Direct and oversee the implementation of the East Suffolk Asset Management Strategy (ESAMS)
- Regularly review strategic priorities in the context of the overall district property economy
- Regularly review the performance of the commercial investments held by East Suffolk Councils
- Regularly review disposals and acquisition opportunities
- To ensure the joined up objectives for regeneration opportunities across the district
- Promote and communicate the outcomes and achievements of the ESAMS and delivery plan

Asset Management Group Structure & Management

The Group will consist of:

- Head of Service for Legal Services or Senior Representative
- Head of Service for Financial Services or Senior Representative
- Head of Service for Housing Services or Senior Representative
- Head of Service for Economic Development or Senior Representative
- Head of Service for Planning or Senior Representative
- Head of Service for Operations
- Strategic Director

The Group will meet quarterly with additional meetings when required. The venue for meetings will alternate between SCDC's and WDC's offices.

Changes to the Terms of Reference need to be agreed by at least half the members. A record of the meeting and decisions shall be recorded.

Appendix 3 – Categorised Asset Strategies

Asset Type	Strategy
Allotments	Provision will continue and subdivision of vacant and underutilised plots will help to increase supply.
Bandstands	All bandstands will need to be kept in good condition for continued community use.
Beach Huts	To meet the significant demand for beach huts within the district it is proposed within the East Suffolk Business Plan to increase the number of beach huts provided in the District by 10%.
Bus Shelters	All bus shelters will need to be kept in good condition for continued community use.
Car Parks	Car parks facilitate access to the city centre, generate income, support the Local Transport Strategy and support the local economy.
Caravan Sites	All sites will be required to be operated as efficiently as possible to ensure long term financial income.
Cemeteries	The remaining life of the cemeteries needs to be assessed. It is anticipated that this will identify the remaining life of each cemetery. In the medium to longer term the council will have to consider the provision of new sites or directing to an alternative provider.
Concessions	A review of concessions will be required to ascertain the demand, condition and usage of existing and new sites.
Depots	All operational depots will continue to be used however a review of the site will be necessary as part of a potential relocation of the Housing Depot.
Investment Properties	The Council owns a mix of office, industrial and other commercial properties that produce a revenue income. The portfolio has been established for a number of years without rationale for acquisition or holding the assets. This is being reviewed following a comprehensive review of all assets and proposals for disposal / retention are being assessed.
Leisure Facilities & Sports Grounds	<p>The Council own 6 leisure centres of various sizes and currently have two operators, Places Leisure in the south of the district and Sentinel Leisure Trust in the north. The Council also has grass pitches, mainly in the Felixstowe Area and one in Lowestoft.</p> <p>The East Suffolk Business plan has a strategy to provide quality, financially sustainable facilities that increase participation annually. The Council has a development partner, Pulse Design and Build, who are</p>

	<p>working in partnership with the Council to redevelop the leisure facilities, providing quality facilities that have plans in place to ensure they remain in that way for at least 20 years.</p> <p>The Council are to update the Build Facility Strategy, Playing Pitch strategy and the overall Leisure Strategy working with Sport England and also reviewing the operation specifications of all sites.</p>
Miscellaneous Land	All land held will be assessed for its strategic purpose and either retained for community use, regeneration purposes or considered for disposal.
Offices	The office estate is predominantly freehold providing 'fixed' office facilities for most staff. A review of the office requirement across the District is necessary as part of the need for Housing to have fit for purpose accommodation.
Open Spaces, Parks & Play Areas	<p>The Open Space Strategy states "By the year 2020 we will have a diverse network of safe, accessible, clean and attractive open spaces that are well managed and maintained, through community participation, to enhance the quality of life, well-being and learning opportunities of all sections of the community".</p> <p>The council has a large number of opens spaces, parks and play areas. The council needs to put in place a review of equipment and put in place a rolling programme for the improvement and upgrade of the extensive portfolio of play facilities. Divestment of open spaces, parks and play areas should be encouraged to help empower local communities.</p>
Public Conveniences	Public conveniences are not a statutory service however a review needs to be undertaken to consolidate the service where there is underuse. A standard specification for public conveniences is required across the District and all used public conveniences upgraded to this specification.
Public Shelters	All shelters will be required to be kept in good condition for continued public use.
Regeneration Holdings	Land purchased or held for regeneration purposes should be the subject of a specific project group looking to promote the land for alternative uses.

Appendix 4 – Acquisition Procedure for Land and Property

Executive Summary

This policy is concerned with the acquisition of land and property related assets such as buildings, land, infrastructure, community facilities etc. This policy is the prime reference document to the acquisition of land and property; it aims to provide guidance and direction to officers. The policy is split into four sections setting out general principles, the acquisition process, additional considerations and a review of the purchase.

Section 1: General Principles

1. Background

1.1 The decision to acquire property should be part of an overall strategic plan for the Councils' needs in conjunction with the East Suffolk Business Plan and Asset Management Strategy. To ensure there is consistency of approach, the purpose of the acquisition and future responsibility for the asset should be categorised within one or more of the following:

- Enabling Communities
- Economic Growth
- Financial Self-Sufficiency

1.2 One of the core principles of an estate strategy is to hold assets that are fit for purpose, sustainable and compliant with all relevant legislation. It is important however that each land and property acquisition is treated on its own merits and nothing within this policy document will bind the Councils to a particular course of action in respect of the acquisition.

2. Definition of an Acquisition

2.1 This policy will apply to all acquisitions of land and property and for the purposes of this document; an acquisition is defined as the taking of a freehold, leasehold, licence or option agreement over/in land and property.

3. Statutory Powers

- 3.1 The Councils are empowered to acquire, hold, appropriate and dispose of land for statutory purposes, by a variety of statutes. There is no one statutory power which provides for the Councils to acquire land, however, under the Local Government Act 1972 the organisation has powers to acquire any property or rights which facilitates, or is conducive or incidental to, the discharge of any of its functions.
- 3.2 Section 12 of the Local Government Act 2003 provides a general power for local authorities to invest (a) for any purpose relevant to its functions under any enactment or (b) for the purposes of the prudent management of its financial affairs.
- 3.3 In addition to the statutory powers, there remains the Councils' fiduciary requirement as set out within the respective Constitutions of Suffolk Coastal and Waveney District Council.
- 3.4 All transactions must be undertaken using the appropriate authorisation for that acquisition and has regard to all legal requirements, including statutory guidance.

4. Acquisition Team

- 4.1 An officer proposing to purchase any land or property asset will be required to work with the Asset Management team in respect of proposals to acquire land or properties. It is essential to check if there are any suitable surplus properties available within the ownership or occupation of Suffolk Coastal and Waveney District Councils before seeking the acquisition of third party assets.
- 4.2 It will also be necessary to liaise closely with Financial Services, the relevant Heads of Service, Strategic Director, Portfolio Holder, Legal Services and external consultants.

Section 2: Acquisition Process

1. Notification of Financial Services & Asset Management

- 1.1 Land and property acquisitions will normally be undertaken through private treaty sales, open marketing or auction. An officer expressing interest in the property should firstly notify Financial Services to ensure there is sufficient capital budget for the acquisition and simultaneously notify Asset Management to commence initial

enquiries with the agent or vendor. There should be regard as to the relevant financial thresholds and the relevant approvals which would be determined by the purchase price of the asset.

2. Due Diligence & Appraisal

2.1 Asset Management are required to undertake the following due diligence:

- a) Obtain a copy of the Land Registry Title and any third party rights of access / restrictive covenants and to send to Legal Services for a Report on Title
- b) Review of the tenure and any existing lease or licence documentation
- c) Review of access to public highway
- d) Produce plan showing site areas (ha) and building areas (GEA)
- e) Investigation of connection to services to include water, electricity, heating and sewerage
- f) Review of flood risk data
- g) Review of ecology / consultant reports
- h) Overview of planning policy relating to the property
- i) Review of the planning history including any documents/surveys submitted as part of previous applications
- j) Calculation of current Council Tax / Business Rates
- k) Confirmation of whether the property is VAT elected
- l) Review of compliance issues including EPC rating
- m) Investigation into previous sales history
- n) Analysis of the risks of the purchase

2.2 An initial appraisal must be undertaken to examine the total costs and benefits of the acquisition. The methodology behind the desktop appraisal should reflect the current, proposed and alternative uses.

2.3 All inputs into the appraisal should be based on available information at the date of the appraisal and reasonable assumptions. It should be noted however that as more detailed information is obtained during negotiations, the appraisal should be updated and refined to ensure provisional decisions remain valid.

3. Outline Business Case

3.1 Asset Management is required to set out the draft business case. This is designed to enable a wide range of alternative options to be considered including the requirement for the acquisition, a review of the location, alternative types of

properties available and the relevant tenure. The business case should consider the following:

- a) The underlying objective e.g. financial self-sufficiency, enabling communities, economic growth
- b) The intended date of occupation taking into consideration any redevelopment proposals.
- c) Any potential breaks or variations in the requirement for the asset

3.2 A Report on Title must be obtained from Legal Services at this stage.

4. Asset Management Group Approval

4.1 The officer who has identified the property to purchase is required to provide the relevant Head of Service and Strategic Director with a copy of the draft business case in addition, the draft business case needs to be presented to the Asset Management Group. The draft business case must be approved prior to proceeding with negotiations for acquisition. Any delegated powers, as per the Constitution should be taken into consideration.

5. Briefing to Portfolio Holder

5.1 Asset Management is required to provide the relevant Portfolio Holder(s) with a copy of the draft business case. The draft business case must be approved prior to proceeding with negotiations for acquisition.

6. Agree Heads of Terms or Alternative Agreement

6.1 Asset Management will progress negotiations to agree suitable Heads of Terms subject to Cabinet approval for purchase via mechanisms such as an Option Agreement, Exclusivity Agreement or Conditional Contract. The mechanism for purchase should be discussed with Legal Services prior to any discussion with agents or landowners.

7. Forward Plan

7.1 Asset Management will add the acquisition to the forward plan.

8. Building Surveys and Red Book Valuation

8.1 Asset Management will instruct relevant pre-purchase surveys of the property or land. These may include structural surveys, ground condition surveys, asbestos reports, contamination reports, archaeological survey, habitat surveys etc. The scale and type of surveys will be dependant upon the type, condition, tenure and use of

the asset. Problems identified may require further investigation. These are outlined further at **Appendix A**.

- 8.2 Where the property to be acquired has been recently constructed, Asset Management is required to review all warranties issued by the building contractor architect or others associated with its construction.
- 8.3 Where a property is being purchased leasehold, a Schedule of Condition must be prepared by a Building Surveyor and agreed by both the Landlord and the Tenant prior to occupation. This will record the condition and state of repair and decoration and assist with any dilapidations claims at the end of the tenancy agreement.
- 8.4 The information generated by any surveys and reports should be fed into the desktop appraisal to ensure any hidden costs are properly taken into account.
- 8.5 The purchase price of the asset will be open to scrutiny and it is therefore vital that Asset Management instruct an independent RICS Red Book valuation of the asset, if the value is likely to exceed £100,000. Any results of surveys undertaken should be provided to the valuer to ensure any costs are properly taken into account. The valuation should set out the market value of the asset together with the market value subject to any Special Assumptions made for any conditions relating to the purchase. Acquisition in excess of the valuation should be supported by a full report showing the option represents best value for money.

9. Legal

- 9.1 Legal Services are required to progress the relevant title searches and conveyancing.

10. Full Business Case

- 10.1 Asset Management is required to complete the full business case. This will expand upon the considerations set out within the draft business case to include the terms of the acquisition, purchase price, results of all site specific surveys and reports, title searches and the Red Book valuation.

11. Review

- 11.1 The officer who has identified the property for purchase is required to complete the Acquisitions Checklist at **Appendix A** and review the project with Finance Services, Legal Services, relevant Heads of Service, the Strategic Director and Portfolio Holder.

12. Cabinet Report

- 12.1 Asset Management is required to draft a Cabinet Report outlining the acquisition process for Cabinet.

13. Cabinet Approval

- 13.1 Cabinet approval is required prior to the acquisition of the asset being finalised.

14. Finalise Contract

- 14.1 Legal Services are required to finalise the contract with the vendor or landlord. Any final negotiations relating to the purchase should be channelled through Asset Management for comment.

Section 3: Additional Considerations

1.1 Auctions

- 1.2 In the event the property is being sold via auction, the authorised officer can bid up to a pre-arranged limit as agreed by the Cabinet / Property Sub-Committee. As any bid accepted is binding, all investigations must have been completed prior to the auction and sufficient time must be allowed for this to be done.

1.3 Grant Funding

- 1.4 The purchase of a property and/or its development or ongoing management may qualify for grant funding or other finance schemes within the Council. The acquiring officer should check all sources of funding within the Council prior to finalising the acquisition.

Section 4: Review

1. Review of Acquisition

- 1.1 Following the acquisition the asset is to be allocated to a specific team for the ongoing management of the property. The acquisition file together with the land and property purchase checklist (Appendix A) is to be handed over to the relevant team to upload onto the management system.
- 1.2 A review of the acquisition is required to ensure the process is refined and where necessary improved.

Appendix A – Land & Property Purchase Checklist

This checklist is to be completed and initialled by the various services areas throughout the acquisition. There will be areas that are not relevant and these should be indicated as such.

GENERAL

G1	Address		
G2	Site Area (Ha / Acres)		
G3	Building Area (Gross External / Net Internal)		
G4	Method of Sale	<i>Private Treaty, Auction etc.</i>	
G5	Proposed Development Type	<i>Housing, Retail etc.</i>	
G6	Vendor		
G7	Agent		
G8	Price		
G9	Overage Applicable?	<i>Yes / No</i>	

		<i>Details</i>	
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PLANNING

P1	Local Authority	<i>E.g. ESC</i>	
P2	Current Planning Use Class	<i>E.g. Residential C3 Use</i>	
P3	Current Planning Application & Approval Expiry Date	<i>Ref: XXX/XXXXXX/XXXX</i> <i>3 years from XX/XX/XX</i>	
P4	Planning Conditions / Outstanding S106 Obligations		
P5	Listing Status	<i>E.g Grade II Listed</i>	
P6	Local Plan Designation & Relevant Policies	<i>E.g. residential area, within the development boundary of XXX</i>	
P7	Planning History	<i>E.g.</i> <i>1. (Ref: XXX/XXX) Conversion from retail unit to residential (Permitted – xx/xx/xx)</i> <i>2. (Ref: XXX/XXX) Demolition of retail unit (Refused – xx/xx/xx)</i>	
P8	Proposed Use / Mix / Density	<i>Residential development for three open market units.</i>	
P9	Archaeology	<i>Details of survey and recommendations</i>	
P10	Transport & Highways	<i>Details of searches, extent of public</i>	

		<i>highway</i>	
P11	Tree Preservation Orders	<i>Yes / No</i>	
P12	Conservation Area	<i>Yes / No</i>	
P13	Japanese Knotweed	<i>Yes / No</i>	
P14	Bats	<i>Yes / No</i>	
P15	Badgers	<i>Yes / No</i>	
P16	Reptiles / Newts	<i>Yes / No</i>	
P17	Owls / Birds	<i>Yes / No</i>	
P18	Other Ecological Matters	<i>Yes / No</i>	
P19	EIA / Scoping Report	<i>Not Required / Results of Report</i>	
P20	Planning Meetings / Pre-Application Enquiries		
P21	Planning Strategy		

TECHNICAL

T1	Existing Use		
T2	Historical Uses		
T3	Topography	<i>E.g Falling west to east</i>	
T4	Topographical Survey Available	<i>Yes / No</i>	

T5	Boundaries		
T6	Ground Report		
T7	Envirocheck / Landmark Report		
T8	Foundations		
T9	Contamination		
T10	Asbestos		
T11	Existing Underground Structures		
T12	Existing Ponds, Ditches, Public Footpaths		
T13	Demolition Quotes (incl. Asbestos Removal)		
T14	Existing Services (incl. Overhead) On Site		
T15	Redevelopment / Refurbishment Quotes		
T16	Existing Service / Access Easements (inspection)		
T17	Photographs		
T18	Vision Splays		
T19	Trees / Landscaping		
T20	FW Sewer (who/where/how much)		
T21	SW Sewer		

	(who/where/how much)		
T22	Drainage via Gravity		
T23	Water		
T24	BT		
T25	Electric		
T26	Gas		
T27	Virgin Media / Other Cable Companies		
T28	Pipelines		
T29	Transport Assessment		
T30	Acoustic Survey		
T31	Vibration Survey		
T32	PI Warranties		
T33	Code for Sustainable Homes		
T34	Valuation Report		
T35	Schedule of Condition (if Leasehold)		
T36	Other Technical Matters		

LEGAL

L1	Solicitor		
L2	Payment Timing		

L3	Deposit Status		
L4	Conditionality		
L5	Contract Period / Long Stop Date		
L6	Provision for Contract Extension		
L7	Trigger Dates / Important Definitions		
L8	Tenure		
L9	VAT Payable		
L10	Deductibles		
L11	Title (Registered?)		
L12	Abuts Adopted Highway		
L13	Encroachment		
L14	Gates		
L15	Boundary Ownership		
L16	Boundary Works		
L17	Existing Rights Of Way		
L18	Existing Services Rights		
L19	Restrictive Covenants		
L20	Footpath / Road Stopping Up / Diversion		
L21	Vendor's Obligations		
L22	Vendors to enter into Legal		

	Agreements		
L23	Reservations over Other Land		
L24	Easements for Services over Other land		
L25	Rights of Support		
L26	Scaffolding Licence		
L27	Rights to Overhang (permanently)		
L28	Rights for On-Going Maintenance		
L29	Right of Light		
L30	Party Wall Act		
L31	Vendors Reserved Rights		
L32	Planning Valid		
L33	Planning Expiry Date		
L34	Planning Conditions that need 3 rd Party		
L35	Prior to Commencement Conditions		
L36	Prior to Occupation Conditions		
L37	S106		
L38	Other Legal / Planning Agreements requiring		

	provision in contract		
L39	Title Plan checked		
L40	Vendor indemnities regarding previous contamination		
L41	Streams / Watercourses affecting property		
L42	EA Approval required?		
L43	Drainage Discharge Licence required?		
L44	Local Authority Search		
L45	Neighbouring Properties Title Search		
L46	Replies to Enquiries		
L47	Commons Search		
L48	Planning Overage		
L49	Sales Overage		
L50	Further Payment		
L51	Side Agreements / General Matters		

Appendix 5 - Disposal Procedure for Land and Property

Executive Summary

This policy is concerned with the disposal of land and property related assets such as buildings, land, infrastructure, community facilities etc. This policy is the prime reference document to the disposal of land and property; it aims to provide guidance and direction to officers. The policy is split into three sections setting out general principles, the disposal process and additional considerations.

Section 1: General Principles

1. Background

- 1.1 The decision to dispose of property should be part of an overall strategic plan for the Councils' needs and in conjunction with the East Suffolk Business Plan and Asset Management Strategy. To ensure there is consistency of approach, one of the core principles of an estate strategy is to hold assets that are fit for purpose, sustainable and compliant with all relevant legislation. Therefore assets may be identified as surplus or underused and may be considered for disposal.
- 1.2 This strategy has been formed referencing guidance from the Department of Communities and Local Government 'Local Authority Assets – Disposal Guidance' (2016). In addition, all disposals of property are required to be approved by Cabinet as stated within the Constitution (Page 107, para 5.5.9 of the Financial Procedure Rules).

2. Definitions

Definition of Disposals

- 2.1 This policy will apply to all disposals of land and property and for the purposes of this document; a disposal is defined as the selling of a freehold or leasehold interest in land and property.

Definition of Surplus / Under-used

- 2.2 A site / asset shall be deemed to be surplus to the Council's requirements if one or more of the following apply:

- (a) It makes no contribution to the delivery of the Council's services,
- (b) It has no potential with regard to the delivery of the Council's Business Plan and is not categorised within one of the following strategy of the Council:
 - Enabling Communities
 - Economic Growth
 - Financial Self-Sufficiency
- (c) An alternative and more cost effective service delivery site has been identified.
- (d) A Community Asset Transfer request is received, accepted and disposal via that means is approved by Cabinet. (Refer to Community Asset Transfer Policy)

A site is deemed to be under-used if:

- (a) The income it generates is below that which could be achieved from one or more of:
 - (i) An alternative use
 - (ii) Disposing of the site and investing the income
 - (iii) Intensifying the existing use, mindful of the viability of doing so
- (b) A significant part of the site is vacant and is likely to remain so for the foreseeable future and has no potential with regard to the delivery of the Council's Priorities.
- (c) The cost of retaining the asset outweighs its likely income generation.

3. Statutory Powers

- 3.1 Local authorities are generally given powers under the 1972 Act to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease, and the granting of easements. The only constraint is that a disposal must be for the best consideration reasonably obtainable (except in the case of short tenancies, see footnote 3, paragraph 1 of the Consent), unless the Secretary of State consents to the disposal.
- 3.2 However, it is recognised that there may be circumstances where an authority considers it appropriate to dispose of land at an undervalue. Authorities should

clearly not divest themselves of valuable public assets unless they are satisfied that the circumstances warrant such action.

Procedural requirements

- 3.3 It is the responsibility of Officers to undertake any further procedures which may be necessary to enable it to dispose of any particular area of land. For example, sections 123(2A) and 127(3) of the Local Government Act 1972 and section 233(4) of the Town and Country Planning Act 1990 ("the 1990 Act") require a local authority wishing to dispose of open space under those powers to advertise its intentions in a local newspaper for two consecutive weeks and to consider objections. Authorities should carry out these procedures before making any final decisions about disposal as the public response to the notices may be material to any such decision.

State Aid

- 3.4 All disposals need to comply with the European Commission's State aid rules. The Commission's Communication on State aid elements in sales of land and buildings by public authorities (97/C 209/03) provides general guidance on this issue. When disposing of land at less than best consideration authorities are providing a subsidy to the owner, developer and/or the occupier of the land and property, depending on the nature of the development. Where this occurs the Council must ensure that the nature and amount of subsidy complies with the State aid rules, particularly if there is no element of competition in the sale process. Failure to comply with the rules means that the aid is unlawful, and may result in the benefit being recovered with interest from the recipient.
- 3.5 All disposals must be undertaken using the appropriate powers of the Council with reference to all legal requirements, including statutory guidance.

Section 2: Disposal Process

15. Site Identification

- 15.1 Sites for possible disposal may be identified in the following ways:
- (a) Through review work undertaken by Asset Management
 - (b) Through service departments declaring sites as being surplus to requirements
 - (c) By Area Committees or local Members

- (d) Through identifying previously unidentified surplus land from the Land Terriers
- (e) Asset transfer requests from third parties (including Community Asset Transfer – see Section 4)
- (f) Through a combination of the above

15.2 The service department currently utilising the site/asset and declaring it surplus to their need, must liaise with Asset Management from the initial stage of site identification to ensure the site is disposed of correctly.

15.3 An officer within Asset Management is allocated the disposal for the co-ordination of the sale. Any disposal will require compliance with the disposal checklist attached at **Appendix A**.

16. Asset Management Group (AMG)

16.1 The AMG should be made aware of potential disposal sites at the earliest opportunity and their views sought. An update on the disposal of any sites is then to be provided to the AMG for recommendation prior to an onward report to Cabinet or request for delegated approval. These actions may be achieved via an AMG meeting or by direct contact.

16.2 Officers should be aware of guidance from DCLG relating to disposals and comply with the following guidance:

16.2.1 **Every disposal having clear objectives from the outset.** These should establish the key objectives and targets for land disposal – for example, this could be to maximise housing capacity, receipt or employment floorspace, or to reduce costs through divestment.

16.2.2 **Disposals rooted in local plans.** Land disposals should help deliver local planning objectives, addressing matters such as the requirement for a five year land supply, or the assessed need for housing and employment land.

16.2.3 **Early and meaningful engagement with other public bodies and the market.** Early engagement with other public bodies will ensure that the views of all authorities with an interest can be taken into account, so that land is used as efficiently as possible. Early market engagement, such as discussions with agents etc. should

inform the disposal strategy and brief, and ensure the opportunity is attractive to the market.

- 16.2.4 **The appropriate level of investment determined prior to disposal.** To ensure the best possible return, in many cases it may be appropriate to invest in a site before disposal, for example by obtaining planning permission or providing infrastructure. The appropriate type and scale of investment will depend on the individual circumstances of the site, and understanding these early will ensure the best outcome for authorities.

17. Notification of Financial Services and Legal Services by Asset Management

- 17.1 Asset Management is required to notify Financial Services and Legal Services by email to commence the procedure for sale, and provide detailed instructions to legal to support the proposed sale.

18. Due Diligence & Appraisal

- 18.1 The Asset Management team will progress the following due diligence:
- a) Review the legal feasibility study with reference to the tenure, occupation or any rights
 - b) Review of access to public highway
 - c) Produce plan showing site areas (ha) and building areas (GEA)
 - d) Investigation of connection to services to include water, electricity, heating and sewerage
 - e) Review of flood risk data
 - f) Review of ecology / consultant reports
 - g) Overview of planning policy and history relating to the property and engage with the planning team if appropriate
 - h) Review of current Council Tax / Business Rates
 - i) Confirmation of whether the property is VAT elected
 - j) Review of compliance issues including EPC rating
 - k) Investigation into previous sales history
 - l) Analysis of the asset in line with the 'Surplus / Underused' criteria.
 - m) Consideration of potential covenants and clawback provisions imposed on transfer

- 18.2 An initial appraisal must be undertaken to examine the value of the asset, sale costs and benefits of the disposal. The methodology behind the desktop appraisal should reflect the current, proposed and alternative uses.
- 18.3 All inputs into the appraisal should be based on available information at the date of the appraisal and reasonable assumptions. It should be noted however that as more detailed information is obtained during negotiations, the appraisal should be updated and refined to ensure provisional decisions remain valid.

19. Outline Business Case

- 19.1 Asset Management will be required to set out the outline business case for the disposal. This is designed to enable a wide range of alternative options to be considered including the surplus or underused requirement for the asset, a review of the location, planning opportunities and the method of sale.

This may be a relatively simple and brief piece of work, and will:

- I. set out the strategic context of the Council's corporate strategic objectives, spatial plans and property asset management plan and how this disposal will achieve these goals and objectives
- II. identify and estimate the value of the benefits, whenever possible in monetary terms, which give rise to the proposed value or less than best consideration disposal
- III. estimate the cash consideration likely to be received from the proposed purchaser in the light of the benefits being sought
- IV. make an initial value for money assessment
- V. identify any legal, auditing and good practice requirement that should be met; and
 - a) achieve agreement to proceed to the detailed business case.
 - b) Include costs of disposal in line with fee scales.

20. Asset Management Group Approval

- 20.1 The officer who has identified the property to dispose of is required to provide the relevant Head of Service and Strategic Director with a copy of the outline business case. In addition, the business case is required to be presented at the Asset Management Group for discussion. The outline business case must be approved

prior to proceeding with negotiations for disposal. Any delegated powers, as per the Constitution should be taken into consideration.

21. Building Surveys, Planning Investigations and Red Book Valuation

- 21.1 To ensure the asset achieves Best Consideration, Asset Management is responsible for investigation into alternative uses. Depending upon the current use of the asset, surveys for contamination, asbestos, ground conditions etc. may not have been previously undertaken. Asset Management may be required to instruct relevant surveys of the property or land, if there is an alternative use which would warrant these investigations. The scale and type of surveys will be dependant upon the type, condition, tenure, proposed and current use of the asset. Problems identified may require further investigation.
- 21.2 Where a property is being disposed leasehold, a Schedule of Condition must be prepared by a Building Surveyor and agreed by both the Landlord and the Tenant prior to occupation. This will record the condition and state of repair and decoration and assist with any dilapidations claims at the end of the tenancy agreement.
- 21.3 The information generated by any surveys and reports should be fed into the desktop appraisal to ensure any hidden costs are properly taken into account.
- 21.4 The sale price of the asset will be open to scrutiny and it is therefore vital that Asset Management instruct an independent RICS Red Book valuation of the asset if the value is likely to exceed £100,000. Any results of surveys undertaken should be provided to the valuer to ensure any costs are properly taken into account. The valuation should set out the market value of the asset together with the market value subject to any Special Assumptions made for any conditions relating to the sale.
- 21.5 Assessments of Market Value may be carried out by Asset Management if the value is likely to be deemed to be under £100,000. Alternatively it is at the discretion of Asset Management as to whether to instruct an independent RICS Red Book valuation of the asset if it is likely to fall below the threshold of £100,000.
- 21.6 Disposal of the asset less than the value stated within the valuation should be supported by a full report showing the option represents best value for money. The

Community Asset Transfer Policy outlines the approach for disposals at less than market value to community based organisations, approval to progress disposal in this manner having first been sought and obtained from the Council's Cabinet.

- 21.7 Land and property disposals will normally be undertaken through private treaty sales, tenders, open marketing or auction. Asset Management will determine the method of disposal in accordance with the Council's Contract Procedure Rules and Financial Procedure Rules.
- 21.8 Any group who has successfully registered an asset/site onto the list of 'Assets of community value' held by the authority, which subsequently comes up for disposal, will be informed of the decision to dispose and given the opportunity to express an interest and consider raising the funds to make a bid to acquire.

22. Briefing to Portfolio Holder

- 22.1 Asset Management is required to provide the Portfolio Holder with a copy of the outline business case. The outline business case must be approved prior to proceeding with negotiations for sale.

23. Forward Plan

- 23.1 Asset Management will add the disposal to the forward plan.

24. Legal

- 24.1 Legal Services are required to progress the relevant documentation for conveyancing.

25. Full Business Case

- 25.1 Asset Management is required to complete the full business case. This will expand upon the considerations set out within the outline business case to include the terms of the disposal, sale price, results of all site specific surveys and reports, title searches and the Red Book valuation.

26. Review

- 26.1 Asset Management is required to complete all due diligence and review the project with Finance Services, Legal Services, relevant Heads of Service, the Strategic Director and Portfolio Holder.

27. Cabinet Report

- 27.1 The officer who has identified the property for disposal is required to draft a Cabinet Report outlining the disposal for Cabinet Briefing.

28. Cabinet Approval

- 28.1 Full Cabinet approval is required prior to the disposal of the asset being finalised.

29. Finalise Contract

- 29.1 Legal Services are required to finalise the contract with the purchaser or tenant. Any final negotiations relating to the disposal should be channelled through Asset Management for comment.

Section 3: Additional Considerations

1. Auctions

In the event the property is being sold via auction, the authorised officer is required to agree a Reserve Price is in accordance with the Cabinet / Property Sub-Committee decision. As any bid accepted is binding, all investigations must have been completed prior to the auction and sufficient time must be allowed for this to be done.

2. Grant Funding

The sale of a property and/or its development may have previously received grant funding or other finance schemes within the Council. The disposing officer should make best endeavours to check all sources of funding within the Council prior to finalising the disposal.

3. Open Space

It may be necessary for land designated as Public Open Space to be disposed by the Council. “Open Space” is defined by the Town & Country Planning Act 1990 s.336 as any land laid out as a public garden or used for the purposes of public recreation or land which is a disused burial ground.

Legislation

The legislation (Local Government Act 1972 Section 123(2A)) applies on any freehold disposal of Public Open Space. There is no minimum size or lease term.

Decision Making

Once terms are agreed in principle for a disposal of Public Open Space, the relevant officers will need to brief the Portfolio Holder and the relevant ward member in addition to the standard disposal policy.

The Council is obliged to comply with s.123 LGA as follows:

- I. It must give notice of the intention to dispose of the land for two consecutive weeks in a newspaper circulating in the area in which the land is situated. The Council will also place the consultation documentation on its website and place a notice on-site. Objectors have 28 days from the date of the first advertisement to raise any objections in writing. This will usually run alongside the planning process so that all the information is in the public domain at the same time to give context; and
- II. Following the consultation period, the Council must consider the number and nature of objections and have regard to the nature of the case and decide whether objections should be considered by the Portfolio Holder or by Cabinet and the case presented and determined accordingly.
- III. The parties identified in connection with II. above will be briefed again following the consultation
- IV. The decision will be made either:
 - In the case of no, or very limited objections by the Head of Operations in consultation with the portfolio holder for Resources using Standing Order 46 to record the decision which can then be actioned by completing the proposed transaction.
 - In the case of a significant number or any substantive objection, by the Cabinet and Scrutiny Process.

Costs

As a general rule, the party requesting or requiring the disposal will meet the costs. This would usually be the tenant or purchaser.

Likely cost elements will include:

- Advertising costs and disbursements
- Officer time incurred in dealing with the process including dealing with any objections; and
- Officer time, costs and disbursements in dealing with the actual disposal

An estimate of costs will usually be provided for the work involved on each specific case.

Section 4. Community Asset Transfer and Disposal of land and property at Less than Best consideration Policy

Under section 123 of the Local Government Act 1972, the Council has an obligation to obtain the best consideration possible in respect of the disposal of any asset.

There are however occasions when, in particular circumstances, the Council may consider leasing or selling certain premises on terms representing less than the best value achievable where the project offers substantial benefits in terms of the social, economic or environmental wellbeing of the area and these benefits can be evidenced.

The General Disposal Consent (England) 2003 enables such disposals to take place in certain circumstances and provides delegations for Council's to work outside the Local Government Act 1972 requirement to obtain best value.

In order that the Council can evidence an equitable and auditable approach to the consideration of applications for community projects, interested parties must complete a business case and supply evidence where possible.

Adding Value Through Community Partnership

The Council will look, through its ownership of property, at ways and means of achieving community and corporate objectives, recognising that 'best consideration' in terms of asset use and disposal is not necessarily always measured simply in financial terms.

Disposals at Less Than Best Consideration

Using discretionary powers the Council may, where appropriate in scale and degree, and where compatible with statute and the General Disposal Consent (England) 2003 be prepared to consider disposals of surplus assets at less than best consideration where such a disposal is likely to contribute to the promotion or improvement of the, economic, social or environmental well-being of its area and in particular where

- a community partnership can be entered into based on public access to and use of an asset
- the promoting local body, voluntary group or association is properly constituted and managed and is prepared to enter into an appropriate agreement with the Council; and
- where the difference between the unrestricted value of the property to be disposed of and the consideration for the disposal does not exceed two million pounds.

The Council may, where appropriate, be prepared to enter into agreements with registered community groups, charities or not for profit organisations on such terms. These will be assessed on a case by case basis with the terms of the transaction being balanced against the outputs delivered/enabled: the value of the lease or transfer will be set out as part of the consideration and the outputs and planned investments will be considered in reaching a conclusion on the disposal terms.

Administrative Arrangements and Decision Making

In every case the applicant shall explain and the Council shall certify whether and how the proposed disposal is likely to contribute to the promotion or improvement of the social, economic or environmental well-being of the Council's area.

In every case the Council will certify the opportunity cost. This will be the unrestricted value of the property being disposed of less the actual receipt. The General Disposal Consent requires these values to be expressed in capital terms. If the Council feels that independent valuation or other professional services are required then the costs may be on-charged to the applicant at the Council's discretion.

In the case of any disposal of any land or property at an undervalue, the Strategic Director and Head of Finance and Resources (s.151 Officer) must approve the proposed terms of the disposal, and Cabinet will be asked to consider recommendations.

For consideration of any disposal with an undervalue in excess of £10,000 (capitalised) a report and business case shall be presented to the AMG an Cabinet for a decision on whether or not to make the grant and at what level.

All other grants, or applications for grants, must be declared in the application process and will be taken into account. Failure to disclose other grants will invalidate the application.

Private Treaty Arrangements

The Council may be prepared to enter into private treaty arrangements to secure appropriate community-based initiatives (rather than testing the market) provided the process set out in this policy is followed and all relevant information is provided in a timely and well-presented manner.

Time limits will usually be set because property cannot be held indefinitely.

Management / Service Agreements

In circumstances where the Council is minded to grant agreements at undervalue, this will usually be paired with a requirement to enter into an appropriate form of agreement to set out the expected benefits, outcomes, requirements, project objectives etc. and this will be linked directly to the lease agreement to enable the arrangements to be terminated and the property to revert to the Council in the event that the requirements are not met or the property ceases to be used for the agreed purpose.

It must be appreciated that whilst no money may change hands, the value or rental income is exchanged for the delivery of predetermined outputs in respect of the social, economic and environmental benefit, and for the delivery or support of the Council's objectives and the Council reserves the right to receive reports on these outputs when requested.

Council's Professional Fees

The Council reserves the right to charge professional legal and valuation fees for these arrangements at its discretion.

State Aid

State Aid implications will need to be assessed and managed on a case by case basis.

Leases, Land and Development Covenants

Where land or buildings may ultimately have development value the Council will include clauses and/or covenants to safeguard its interests as appropriate. This may include break clauses, clawback or overage provisions, restrictive covenants, a combination of these or alternative safeguards as may be appropriate to the case.

Any lease or transfer agreements will contain clear break or hand-back provisions linked to the delivery of the agreed objectives. The intention being that in the event that the arrangement ceases to work or the objectives of the community group alter, the Council will reserve the right to amend or terminate the management agreement and therefore the lease.

Appendix A – Disposal Checklist

Action	Applicable (Y/N)	Officer Responsible	Date Completed
Site identified as surplus in accordance with criteria			
Approval from Asset Management Group			
Completion of Due Diligence			
Outline Business Case			
Instructions for Surveys			
Planning Investigations			
Instruction for Red Book Valuation (if value estimated to be over £100,000)			
Standard Clawback to Apply? (If "no" File Note reason)			
Method of Sale			
Final Report to AMG			
Briefing to Portfolio Holder			
Cabinet Approval			
Instruct Agent (if applicable)			
Sales Particulars Approved (if applicable) by Head of Asset & Investment Management			
Sales Particulars Sent to Local Member/Interested Parties			
Website*/Board*/Advert*/Democratic Services			

Price Achieved			
Funds Available			
Amendments to Sale Terms? (If “yes” File Note reason)			
Contracts Sent			
Exchanged			
Completion and Transfer Documents			
Amendments to Database			
Final Costs all Invoices to Finance			
File Closed/Audit			