



Public Document Pack  
**FINANCE AND RESOURCES  
OVERVIEW AND SCRUTINY  
AGENDA**

*Scrutiny making a positive difference: Member led and independent, Overview & Scrutiny Committees promote service improvements, influence policy development & hold Executive to account for the benefit of the Community of Dacorum.*

**WEDNESDAY 13 JANUARY 2016 AT 7.30 PM**

**DBC BULBOURNE ROOM - CIVIC CENTRE**

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Herbert Chapman (Chair)	Councillor E Collins
Councillor Douris (Vice-Chairman)	Councillor Imarni
Councillor Ashbourn	Councillor Fethney
Councillor Barnes	Councillor Mills
Councillor Birnie	Councillor Silwal
Councillor Clark	Councillor Taylor

Substitute Members:

Councillors Anderson, Brown, Guest, Link, Matthews, Ransley and W Wyatt-Lowe

For further information, please contact Louise Collins 01442 228633

**AGENDA**

- 1. MINUTES** (Pages 3 - 7)  
To confirm the minutes from the previous meeting
- 2. APOLOGIES FOR ABSENCE**  
To receive any apologies for absence
- 3. DECLARATIONS OF INTEREST**

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

- (ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

#### **4. PUBLIC PARTICIPATION**

None.

#### **5. CONSIDERATION OF ANY MATTER REFERRED TO THE COMMITTEE IN RELATION TO CALL-IN**

None

#### **6. ACTION POINTS FROM PREVIOUS MEETING (Pages 8 - 9)**

#### **7. ASSET MANAGEMENT STRATEGY (Pages 10 - 49)**

#### **8. EXCLUSION OF THE PUBLIC**

To consider passing a resolution in the following terms: That, under s.100A (4) of the Local Government Act 1972 Schedule 12A Part 1, as amended by the Local Government (Access to Information) (Variation) Order 2006, the public be excluded during the items in Part II of the Agenda for this meeting, because it is likely, in view of the nature of the business to be transacted, that if members of the public were present during these items there would be disclosure to them of exempt information relating to:

#### **9. APPENDIX A - WORK PROGRAMME FOR 2015/16 (Pages 50 - 51)**

## MINUTES

### **FINANCE & RESOURCES JOINT OVERVIEW AND SCRUTINY COMMITTEE**

**04 FEBRUARY 2015**

**Present:**

Cllr Barnes	Cllr Mills
Cllr Birnie	Cllr Taylor
Cllr B Chapman (Chairman)	Cllr Tindall
Cllr Clark	
Cllr Douris ( Vice – Chairman)	

Councillor Elliot attended as Portfolio Holder for Finance & Resources.  
Councillor Harden attended as Portfolio Holder for Residents and Regulatory Services.

The Leader of the Council and Councillor Brown were also in attendance.

**Officers:**

S Marshall	Chief Executive
S Baker	Assistant Director – Chief Executive’s Unit (MO)
J Deane	Director (Finance & Operations)
R Smyth	Assistant Director (Performance & Projects)
C Baker	Group Manager – Revenues, Benefits & Fraud
B Trueman	Group Manager – Information, Communication & Technology
B Hosier	Group Manager – Procurement
N Brown	Group Manager – Property and People
M Rawdon	Group Manager – People
M Brookes	Group Manager – Legal Governance
C Souto	Financial Planning & Analysis Team Leader
J Doyle	Group Manager – Democratic Services
L Collins	Member Support Officer (Minutes)

Following a Joint meeting of the OSC’s where a budget presentation was given, the Finance and Resources OSC meeting began at 8.25pm.

**OS/277/15 MINUTES**

The minutes of the Finance & Resources OSC meeting held on 4<sup>th</sup> November 2015 were confirmed by the Members present and signed by the Chairman.

**OS/288/15 APOLOGIES FOR ABSENCE**

Apologies for absence were received on behalf of Councillor’s Imarni and Silwal. Councillor E Collins and Fethney were absent.

**OS/289/15 DECLARATIONS OF INTEREST**

None.

## **OS/290/15 BUDGET PREPARATION 2016/17**

Having received a presentation from the Director of Finance & Operations, the committee were open to discuss the budgets in their remits.

The Chairman asked Members if they had any questions surrounding the Draft Budget proposals 2016/17.

The Portfolio Holder for Finance and Resources and Residents and Regulatory Services said that they were both pleased with the Budget preparation 2016/17.

Councillor Douris asked the Officers and the Portfolio Holder if they could give the new Members of the Committee an explanation of what the recharges are.

The Director of Finance and Operations explained that within the local authority the Council is required to collect all their costs and attribute them all to front line services. There is no impact on the bottom line of the budget other than the Support Services.

Councillor Tindall mentioned that a trend was occurring within the budget papers on Support Services, Supplies and Services and Third Parties (page 16). He asked if there could be an explanation given on how 20-30% of savings had been obtained within the budget.

The Director of Finance and Operations explained that the £40k related to the Woodhall Farm Community Centre previous employees being moved over to third party expenditure. In terms of the Supplies and Services, he added that the department is relatively constant with staffing side of things so you would expect the larger variations to come on the Supplies and Services side.

Councillor Tindall referred to page 21 of the report and a reduction of 34% in Support Services.

The Director of Finance and Operations explained that there had been a recharge error and an update had been provided to show this. He added that budgets need to be approved at these levels in order to make sure that there are controls in place.

Councillor Birnie asked if there was a way of defining Support Services.

The Director of Finance and Operations explained to Members that it's anything that not front line services.

Councillor Harden asked if it would be possible to give a brief description to Members for what would be covered under each service.

The Director of Finance and Operations explained to Members the different groups:

### **Employees**

This group includes the cost of employee expenses, both direct and indirect.

### **Premises**

This group includes expenses directly related to the running of premises and land.

### **Transport**

This group includes all costs associated with the hire or use of transport, including travel allowances.

### **Third Party Payments**

Third Party Payments - These are contracts with external providers for the provision of a specific service. Examples for the Council include the Call Centre, Payroll Services, and Parking Enforcement.

### **Supplies & Services**

This group includes all direct supplies and service expenses to the authority.

### **Capital Charges**

These statutory accounting adjustments reflect a notional charge to the service for the use of a Council's asset. For example, Cupid Depot, for which a charge is made to Waste Services, for as long as the service uses the asset. These charges are reversed out centrally and do not impact on Council Tax.

### **Transfer Payments**

This includes the cost of payments to individuals for which no goods or services are received. For the Council this only relates to Housing Benefit payments.

### **Income**

This group includes all income received by the service from external users or by way of Charge.

### **Grants and Contributions**

This group includes all income received by the service from external bodies.

Councillor Tindall referred to page 5, item 9 and asked what the officer to explain which charges had been increased.

The Director of Finance and Operations mentioned that all of the charges are listed in Appendix B where they are explained in more detail. The biggest charge is the increase to garage fees of £155k. There is £87k from the review of waste service charges, increased cost for the collection of bulky goods. Another big charge is the planning fees where it is anticipated that there will be an increase in planning applications that are received next year which contributes to another £75k to the overall total.

Councillor Barnes made a presentational point on page 8 of the report in that he was unable to see a breakdown of the charge of £21450 within the report.

The Director of Finance and Operations added that the figures are highlighted within Appendix B of the report.

Councillor Harden added that it would be helpful to Members if there was additional information supplied next to the figures within the report to explain how these figures were obtained.

The Director of Finance and Operations said that moving forward they will look into these points raised by Members.

The Chair added that it would be helpful to have references to go from one point to another within the report.

Councillor Taylor asked the officer to clarify if there will be a 1% reduction in rents.

The Director of Finance and Operations mentioned that the Council has had imposed on them through government legislation a 1% reduction per year for the next 4 years on every property. Overall they have anticipated a 1% reduction across the board.

Councillor Birnie asked how the Council can fund a savings initiative.

The Director of Finance and Operations said that this example related to Planning doing a full review of their systems and they can streamline them in line with them purchasing some additional IT equipment.

R Smyth, Assistant Director (Performance & Projects) explained that there has been some additional funding to enable the department to become more efficient and complete the planning applications quicker.

Councillor Douris referred to the additional cost of £900k and asked if this had anything to do with the triennial review or if it had anything to do with the stock exchange.

The Director of Finance and Operations mentioned that there is a 3 yearly review. The £900k was funded from a pension reserve that was set up for 1.8 million in total and it's broadly in line with what was paid when the triannual review came out 2 years ago.

Councillor Birnie referred to page 23 and asked the officer to define what an investment property was.

N Brown, Group Manager (Property and People), replied that an investment property is a commercial property that the Council holds such as shops, retails units etc. that produce an income.

The Chairman thanked all of the Officers and Members for their input in the report.

### **Outcome**

The Finance & Resources OSC Committee reviewed and noted the draft budget proposals for 2015/16.

**OS/291/15 WORK PROGRAMME 2015/16**

Members were all in agreement to add the item “Asset Management Strategy” to the work programme for 13 January 2016.

The meeting ended at 9pm

**AGENDA ITEM 6 – ACTION POINT FEEDBACK FROM PREVIOUS MEETING**

<b>Date of Meeting</b>	<b>Action Point</b>	<b>Responsible Officer</b>	<b>Completed?</b>	<b>Update on Action Point</b>
04/11/15	D Skinner to provide Members with details as to why there was £1m underspend on the Heart of the Maylands Project.	D Skinner	Completed	Information included in Cabinet Report 20/10/15
04/11/15	D Skinner to provide Members with the details of the 3 Car Parks that fall under the Car Park Refurbishment project.	D Skinner	Completed	The Nap, Queensway and Park Road
04/11/15	M Brookes to provide Members with a balance of legal costs for the end of the year of which the Council claims.	M Brookes	Outstanding	Figures to be provided by the end of the financial year 31 <sup>st</sup> March 2016.
04/11/15	B Hosier to report back to the committee with regards to the call back facility in the CSU and if this is still in place.	B Hosier	Completed	e mail update sent to members on 9/12/15



**AGENDA ITEM 6 – ACTION POINT FEEDBACK FROM PREVIOUS MEETING**

<b>Date of Meeting</b>	<b>Action Point</b>	<b>Responsible Officer</b>	<b>Completed?</b>	<b>Update on Action Point</b>
04/11/15	D Skinner to provide Members with information on the income received on penalty charge notices issued from car parking.	D Skinner	Completed	2015/16 Budget figures for PCN income are as follows: On street £240k Off street £115k As at month 6 we are projecting to be on budget.
04/11/15	M Rawdon to provide Members with figures of Short and Long term sickness figures	M Rawdon	Outstanding	

# Agenda Item 7



## AGENDA ITEM: 7

### SUMMARY

Report for:	Finance and Resources Overview & Scrutiny Committee
Date of meeting:	13 <sup>th</sup> January 2016
PART:	1
If Part II, reason:	

Title of report:	<b>Asset Management Strategy</b>
Contact:	Cllr Graeme Elliott, Portfolio Holder Finance & Resources James Deane, Corporate Director (Finance & Operations) Authors: David Skinner, Assistant Director (Finance & Resources) Nicholas Brown, Group Manager (Commercial Assets and Property Development)
Purpose of report:	To provide Committee with the opportunity to review the proposed Asset Management Strategy, to be considered by Cabinet on 9 February 2016.
Recommendations	That Committee consider the Strategy and provide feedback.
Corporate objectives:	Dacorum Delivers Efficient management of the Council's assets is essential for the effective delivery of all corporate objectives.
Implications:	<u>Financial</u> The Council has a significant and varied portfolio of assets which is crucial to the delivery of the Council's corporate objectives. The implementation of this Asset Management Strategy will

	provide improved structure to asset governance, maintenance and performance management, which in turn will improve the quality of evidence available to support the Council's decision-making.
Risk Implications	A robust Asset Management Strategy mitigates the risk of the Council not being able to deliver the benefits described above.
Equalities Implications	None
Health And Safety Implications	None
Consultees:	CMT
Background papers:	Cabinet Report 21 January 2014
Historical background <i>(please give a brief background to this report to enable it to be considered in the right context).</i>	Update to original Asset Management Strategy approved by Cabinet January 2014
Key Terms, Definitions & Acronyms	

1. The attached Asset Management Strategy was originally produced by the property consultants EC Harris in consultation with senior officers across the Council and submitted to Cabinet on 21 January 2014. This has subsequently been updated by officers in response to the changing value of the asset profile of the Council, the creation of a Property Management Board and the presentation of a specific Disposal Strategy for assets. The objective of the Strategy is to assist the Council to manage the performance of its assets as efficiently as possible in support of its corporate priorities.
2. The Strategy, as amended, will be considered by Cabinet on 9th February 2016. Committee are asked to consider the report and feedback to officers any proposed amendments.
3. An Executive Summary is included on the first three pages of the Strategy to assist Members to focus their attention on particular areas of interest.

# **Dacorum Borough Council**

# **Asset Management Strategy**



**Version 2  
January 2016**

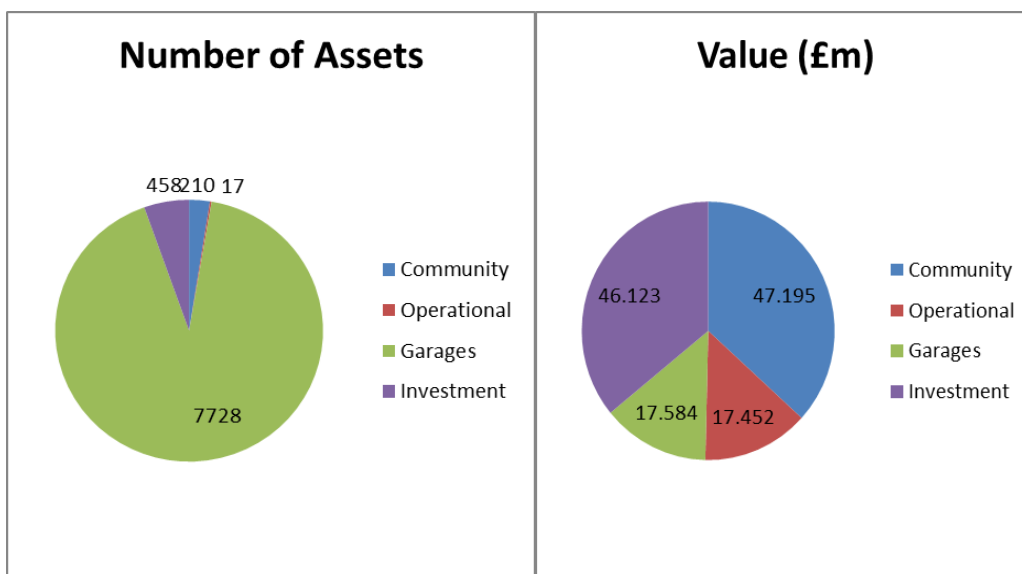
**Version 1 approved January 14**

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## Executive Summary

1. This strategy sets out how Dacorum Borough Council intends to use its property portfolio to support the priorities identified in its *Corporate Plan*, and how it plans to improve the performance of its assets. The strategy also informs and supports the Council's Medium Term Financial Strategy. The Council's social housing stock is covered separately under the *Housing Strategy*.
2. The Council holds a substantial property portfolio with an estimated market value of over £128m as at March 2015<sup>1</sup>. Its assets include:
  - Operational assets – required to deliver Council services
  - Community assets – supporting community well-being
  - Garages – nearly 8,000 units in total for rent
  - Investment assets – delivering an annual revenue stream for the Council

**Figure 1: Dacorum's Assets by Number and Value**



3. This strategy is set out in four distinct sections, which cover the key areas the Council must consider in order to manage its asset portfolio effectively:

### Part 1 – Property and corporate priorities

4. This section sets out how the Council is aligning its property portfolio to the services it delivers and its corporate priorities. Economic growth is a key priority, as set out in the *Dacorum Look No Further* strategy, as is delivering affordable housing. The Council is using its assets to support these goals by:

<sup>1</sup> The Council's housing stock is separately valued at £733M

- Reducing the public sector footprint in Hemel Hempstead town centre, including property owned by the Council, and using surplus land to support regeneration;
- Using Council land in Maylands to support business growth and economic development;
- Freeing up garage sites and other under-utilized brownfield sites for potential housing or other development.

## **Part 2 – Performance of the current portfolio**

5. This section assesses the current performance of the property portfolio. Over half the portfolio value is in community assets and garages, reflecting the importance the Council places on community well-being. Investment properties, held to generate revenue, account for a further third and deliver an annual net income of around £2.7M. Altogether, the property portfolio accounts for £3.4M of annual expenditure, it generates £8.9M of annual revenue and net income of around £5.5M. Equivalent to 45% of income from Council Tax payments, it is vital for the Council's financial position.

## **Part 3 – Realizing improved financial performance**

6. This section covers the Council's plans for a more efficient and commercially aware approach to holding property. It covers plans to reduce costs by:
  - taking a more proactive approach to maintenance;
  - maximizing cost recovery from service charges, dilapidation settlements and Full Repair and Insurance leases where appropriate;
  - maximizing commercial leverage when procuring services, potentially in cooperation with other organizations;
  - adopting more efficient energy and waste consumption strategies where opportunities exist;
  - engaging in dialogue with community partners to explore where they may be better placed to run assets.
7. Reductions in central government funding have put greater onus on local authority revenue generation to protect services. The Council is fortunate to have an investment portfolio which delivers a significant annual return, but it will aim to protect revenue for services by:
  - proactively using rent reviews to address its poorest rental returns by the continued application of the higher of CPI or market rental values;
  - considering the disposal of assets that do not contribute an acceptable return;

- using operational and community assets to support its partners so the investment portfolio is focused on income generation;
  - increasing income from Business Rate Retention and Council Tax receipts through economic and housing growth.
8. Where appropriate, the Council will also look to maximize value from changing the use of assets, including garage sites and redundant buildings. It will scrutinize asset utilization to generate a forward programme of opportunities for generating capital receipts or revenue benefits.

#### **Part 4 – Creating the framework for long-term success**

9. Delivering long-term performance excellence requires a management framework which enables the organization to monitor performance and make the right decisions. The Council is well served by its small property team but the Council will aim to better support their work by:
- Improving the property management structure to ensure clearer delineation of responsibility and appropriate capacity and capabilities to support delivery of this asset management strategy;
  - A new Property Management Board to improve governance, maximise returns and focus decision-making on priorities;
  - Improving collection and use of management information so decision-makers have the right information and performance data provided in a timely manner;
  - Collaborative working with other public sector organizations where the net benefit is greater than Dacorum can achieve on its own.
10. This strategy will form a key reference point for the new Property Management Board, and it will be reviewed annually as a minimum. The strategy is accompanied by a delivery plan at Annex A which will be used by the Property Management Board to drive improved performance.
11. **The key recommended actions are:**
- **Conduct asset development reviews on under-utilized assets and create a development opportunity pipeline**
  - **Monitor utilization of community assets**
  - **Sustain a proactive maintenance regime**
  - **Adopt a consistent approach to below market rents for the public and 3<sup>rd</sup> sector**
  - **Review the property operating model to deliver better performance and decision-making**
  - **Review management information collation and performance reporting so the right information is given to decision-makers**



## Part 1- Property and Corporate Priorities

### Introduction

- 1.1 It is vital for the Council to understand how its property assets support the delivery of services and priority outcomes to ensure that it only uses those assets it really requires, and that the assets it uses are fit for purpose.

### Council Services

- 1.2 Local service delivery in Dacorum is split between the Borough Council and Hertfordshire County Council. This has a significant bearing on how the Borough Council's administrative and operational property portfolio is used in particular, as the County Council is responsible for adult social care, schools and early year providers, children protection services, highways, fire and rescue and trading standards. Dacorum Borough Council is responsible for the following services:

- Providing social housing
- Administration of Housing Benefit and Council Tax
- Maintaining parks and open spaces
- Waste and recycling collection
- Environmental health
- Community engagement and addressing anti-social behaviour
- Children and youth services
- Arts and entertainment
- Development Management and Planning Services
- Car parks
- Cemeteries
- Support to democratic processes

### Vision and Priorities

- 1.3 It is important that the Council's property assets support its wider corporate vision and five priorities areas detailed on [www.dacorum.gov.uk](http://www.dacorum.gov.uk). Affordable homes, regeneration and the local economy are a particular focus. The *Corporate Plan* builds on the priorities by setting out key aims in each area, and this asset management strategy identifies where the Council's property assets are being used to support their delivery. This alignment should continue to improve once the proposed changes to the Council's property operating model, set out in paragraph 4.3, are completed.

**Figure 2: Dacorum's Vision and Priorities  
[TBC Once Updated Corporate plan Approved]**

**Current Alignment of the Property Portfolio to the Corporate Priorities**

**Affordable Housing**

- 1.4 The Council adopted the Local Planning Framework *Core Strategy* in September 2013, which sets out overall planned housing development to meet expected housing demand in the period out to 2031. Over 10,750 homes are expected to be built from 2006-2031, averaging 430 new dwellings per annum. A number of sites owned by the Council are earmarked for development, including both brownfield and greenfield sites. Examples include land at Cherry Bounce and Piccotts End which together might deliver over 380 new dwellings. As a result, the Council will need to plan the release of identified sites to ensure timely development in line with expected demand.
- 1.5 Under its *Housing Strategy*, the Council has a major housing programme underway which includes:
- Plans to deliver over 1,000 new affordable homes in partnership with housing associations over the next five years;
  - Its own new-build programme for over 300 new homes by 2019/20;
  - A significant increase in the level of investment in the Council's housing stock;
- 1.6 The Council's property portfolio is supporting the Council's housing plans where it is identified that assets are no longer required for their current use and may be converted for development. For instance:
- The Council holds in excess of 1,800 void (empty) garages and it is currently reviewing how they might be consolidated to free up land for housing development.
  - The property team in conjunction with the Strategic Housing team has purchased an alternative site for the Tring depot with a view to enabling housing development on the current Tring site.
- 1.7 Supporting affordable housing is a key priority for the Council. However, any evaluation of the development potential of sites must include consideration of lost income where assets currently provide a revenue stream.

**Regeneration**

- 1.8 The Council's *Dacorum Look No Further* strategy sets out its approach to making the Borough more attractive to investors and visitors to boost the local economy, create jobs and increase prosperity.

- 1.9 The Council acknowledges that it cannot on its own deliver significant regenerative effect and that it must encourage significant private sector investment in the Borough. It aims to act as a catalyst for regeneration and growth by maximizing use of its own assets, including supporting master plans for the priority areas of Hemel Hempstead Town Centre and Maylands Business Park. Specific measures include:
- i. Maylands Business Centre: Set up and owned by the Council, the Centre supports local small business start-ups. It is now self-funding and is very successful, achieving near full-occupancy and a number of businesses have already moved on to bigger premises. Plans are currently under way to extend this facility.
  - ii. Land at Maylands/Woodwells: the Council is aiming to develop surplus land it holds at Maylands to support business growth there.
  - iii. Hemel Hempstead Old Town: To help make the Old Town a more attractive destination for visitors, the Council has upgraded the Old Town Hall to make it more accessible for visitors.
  - iv. Hemel Hempstead Public Sector Quarter and Market Square: The Council is seeking a development partner to help transform the Market Square by creating a new bus terminal in the centre of the town and developing the Market Square to provide restaurants and leisure facilities. It is also looking to replace existing public sector buildings on The Marlowes with a purpose-built Public Sector Quarter and release land to support housing development.
  - v. Jarmans Park: The Council is working with private sector partners to enhance the leisure and retail offer with improved connectivity, including making improved use of the Council's land holdings.
- 1.10 Stimulating regeneration and growth will also potentially improve the Council's revenue position as a result of business rate retention but the Council will need to weigh up the benefits carefully where new projects risk the loss of current income. Getting the balance right between future economic growth and the protection and enhancement of revenue income is a key issue for asset management planning.

### **Safe and Clean Environment**

- 1.11 The Council is working to deliver a clean, safe and sustainable environment for its citizens, and its assets make a considerable contribution to supporting community well-being. Extensive open spaces are provided to the community including numerous parks, woodland, outdoor sports pitches and facilities, and allotments. Three of the Borough's parks - Canal Fields, Chipperfield Common and Tring Memorial Gardens - have achieved the coveted Green Flag Award national standard for parks and green spaces.

- 1.12 Providing safe sporting environments and areas for children to play are also priorities. The Council works with the Sportspace to provide a range of sports facilities for the community including sports centres at Hemel Hempstead, Berkhamsted, Tring and Longdean, Nash Mills recreation centre, the Little Hay golf course, and Dacorum's athletic track. It also invests in children's playgrounds across the Borough and the four adventure playgrounds it runs receive over 70,000 visits a year.

**Figure 3: Sports and Outdoor Facilities**

Asset Type	Number
Adventure Playgrounds	4
Allotments	18
Parks/Open Spaces	53
Sports Centres	4
Sports Ground & Pavilions	20
Woodlands	23

- 1.13 The Council aims to provide a cleaner environment by managing its estate in a sustainable way, and it is one of the few local authorities to have achieved the internationally recognized ISO 14001 standard for environmental management; Cupid Green was the first local authority waste depot to achieve accreditation for its waste service operations in 2004. The Council has measurements and performance targets in place to improve performance on its use of electricity, gas, water and paper, and the amount of landfill waste it produces from its operational estate, with figures reported quarterly.

### Community Capacity

- 1.14 Dacorum has a vibrant sense of community which the Council is keen to support. It works with a wide range of local independent and voluntary organizations which help provide many services in the community, or otherwise support community cohesion. The Council aims to support the community by ensuring there are suitable assets available to support civic participation and assets to support vulnerable and deprived groups in the community. It provides a range of community assets, some of which are leased out and others which can be used on an ad hoc basis, including community centres, civic halls and facilities for youth groups.

**Figure 4: Community Buildings**

Asset Type	Number
Care centre	1
Civic Halls	3
Communal Rooms	9
Community Centres/Halls	16
Scout huts	5
Youth Clubs	6

## Dacorum Delivers

- 1.15 The Council recognizes the importance of running its own operations efficiently, including the utilization and effective management of the property portfolio. An efficient and cost-effective property portfolio is vital because the Council owns assets valued at over £131m, with annual costs of over £3.4m and income of over £8.8m as at March 2015.. It is also a crucial enabler for around 700 Full Time Equivalent (FTE) staff the Council employs, because providing the right environment for staff is important to enhancing staff effectiveness and service delivery.
- 1.16 The Council has a number of strands of work already underway to improve the cost-effectiveness of its estate including:
- i. The Forum: The Council will be moving into a new purpose-built Forum by 2017. By working with other public sector partners, the Council intends to bring library, health, voluntary and Council services together in one new cost- effective and energy-efficient building in the heart of the town. The project will significantly rationalize the public sector footprint and release land for regeneration. The Council plans to vacate the Civic Centre in 2017
  - ii. Maintenance contracts: A contract for the provision of FM services to the new Forum building will be tendered during 2016.
- 1.17 Improving the performance of the operational estate is being co-ordinated with wider efficiency initiatives including:
- Online Service delivery Increasing online service delivery should improve customer experiences while reducing staff requirements and the need for operational estate.
  - Flexible working The *Dacorum Anywhere* initiative is driving modernization of working practices by providing staff access to IT systems wherever they are, and putting in place new flexible working arrangements which enable staff to work efficiently from remote locations, enhancing productivity and saving on building maintenance costs.
- 1.18 The following sections of the strategy provide an analysis of the current performance of the property portfolio and identify further measures which might be taken to support corporate priorities.

## Section 2 – Performance of the Current Portfolio

### Introduction

- 2.1 An understanding of current performance is vital if the Council is to improve the property portfolio's support to corporate priorities and enhance the Council's financial stability.

### Asset Groups

- 2.2 The Council groups its 8,669 property assets according to their purpose to support performance analysis, as different types of assets have different performance drivers. The Council uses four high-level groupings to describe its assets:

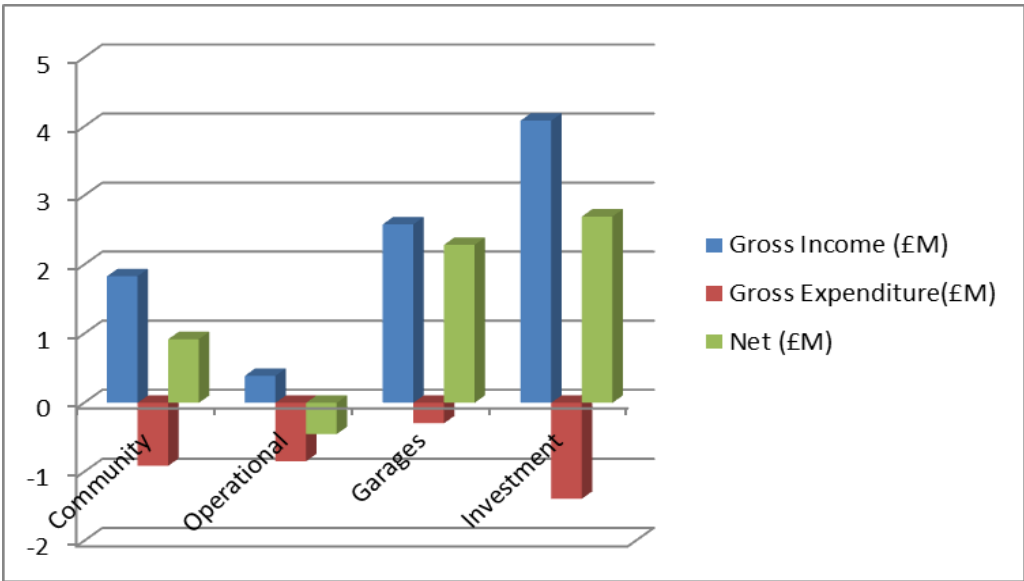
**Figure 6: Definition of asset groups**

<b>Operational</b>	Assets the Council holds to support directly the delivery of Council services.	Includes civic centres, Environmental Services depots
<b>Community and Infrastructure</b>	Assets the Council holds to support Community well-being, beyond the direct delivery of Council services	Includes parks, bridges, cemeteries and crematoria, heritage assets, land, off-street car parks, adventure playgrounds, community centres, communal rooms, youth clubs, scout huts
<b>Garages</b>	Assets the Council holds to ensure the availability to local residents of garages (originally linked to the provision of social housing stock)	Includes garages
<b>Investment Portfolio</b>	Assets the Council holds to deliver annual income or appreciation in value in support of the Council's wider corporate objectives	Includes shops, maisonettes, industrial units, storage units, offices, filling stations, public houses, surgeries, workshops, houses, museum, nurseries, land

### Overall Portfolio Performance

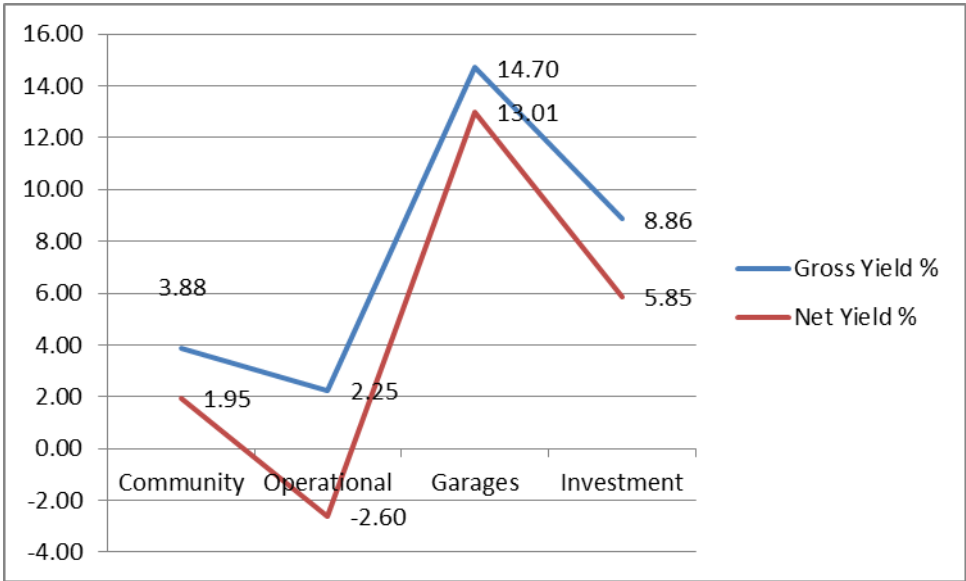
- 2.3 Community assets and garages comprise over 50% of the market value of the Council's property portfolio, with a further third in the investment portfolio. Community assets, garages and the investment portfolio all generate significant income, and if the net income delivered by car parking is discounted, community assets are a significant annual cost. Nevertheless, operational assets are the costliest asset group to provide, mainly because they have limited scope to offset costs through income generation.

Figure 7: Income by asset group as at March 2015 (£M)



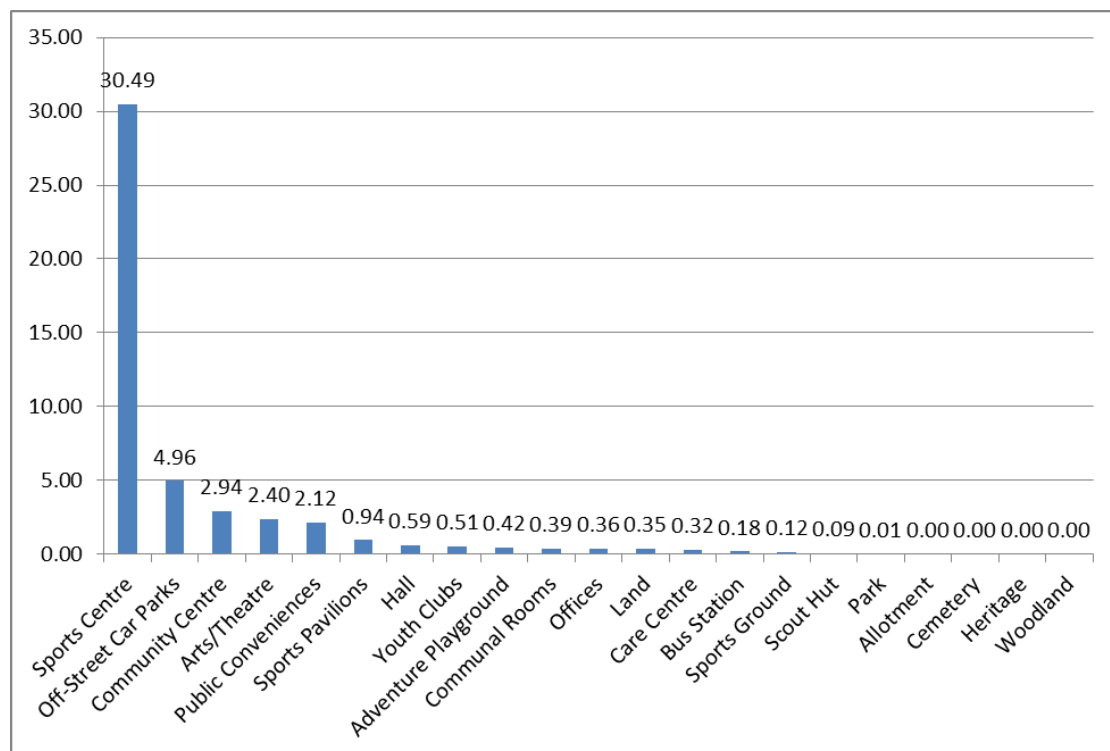
2.4 Figure 8 highlights that garages and the investment portfolio deliver the highest annual returns on investment. The investment portfolio’s primary purpose is to generate income so strong returns are expected, but the significantly higher return delivered by the garage portfolio demonstrates it is also important for revenue generation. Nevertheless, the net cost (before depreciation) of the garage stock means its net yield reduces considerably bringing it much closer to that of the investment portfolio, because the latter has comparatively lower running costs. The operational and community portfolios deliver far lower annual returns, which is consistent with neither of them having the primary purpose of revenue delivery.

Figure 8: Yield by Asset Group % As at March 2015



- 2.5 The vast majority of the Council’s assets are concentrated in the borough’s major urban centre, Hemel Hempstead, which has a bearing on its ability to use its assets to support its priorities.
- 2.6 Within the four asset groups, the Council holds a broad range of different asset categories, as indicated at figure 10. The majority of value is concentrated in a handful of asset categories with the top five representing over 60% of the market value of the entire property portfolio.

**Figure 10: Community categories by value as at March 2015(£M)**



- 2.7 Annual income is also concentrated on a small number of asset categories. Figure 11 highlights that garages, retail units, off-street car parks, industrial units and dwellings collectively account for 53% of the portfolio value but deliver 94% of annual income. The Council must sustain or improve its income from these assets, while looking to deliver additional income from the rest of the asset base.



**Figure 11: Income by Asset Type as at March 2015**

	Total Number	Total Value (£M)	Income (£M)	Total Income %	Gross Yield %
Garages	7,728	17.584	2.584	29.0	14.70
Investment	458	46.123	4.086	45.9	8.86
Off-street Car Parks	27	4.959	1.697	19.1	34.22
<b>Sub Total</b>	<b>8,206</b>	<b>68.666</b>	<b>8.367</b>	<b>94.0</b>	<b>12.20</b>
<b>The Rest</b>	<b>207</b>	<b>59.688</b>	<b>0.528</b>	<b>6.0</b>	<b>0.88</b>
<b>Grand Total</b>	<b>8,413</b>	<b>128.354</b>	<b>8.895</b>	<b>100</b>	<b>6.93</b>

2.8 The remainder of this section provides analysis of the individual asset groups.

### Operational Assets

2.9 The Council delivers its services from a small number of administrative and operational properties. It also retains a small number of serviced tenancy properties.

- i. Administrative offices (7): Around 600 employees operate from Hemel Hempstead Civic Centre, and the Council also runs the Maylands Business Centre which is used to support small businesses. Berkhamsted Civic Centre and The Bury are also retained as administrative buildings although neither is used to deliver Council services; they are used to accommodate other public sector organizations and provide community facilities.
- ii. Operational Depots (4): The Council operates depots from which around 150 employees deliver Environmental Services, and some elements of Residential and Regulatory Services; the main depot is at Cupid Green in Hemel Hempstead with three further depots at Berkhamsted, Tring and Kimps Way, Hemel Hempstead. Berkhamsted Depot is largely leased to partner organizations and is not vital to operational delivery.
- iii. Service Tenancies (7): These are properties which have historically been tied to a specific role, such as cemetery caretakers.

2.10 The Council's operational assets are currently valued at £17.452m, although the new Forum will increase the total value invested in operational assets once it is built.

**Figure 12: Cost of the operational estate as at March 2015 (£M)**

Asset Category	Number	Value (£M)	Income (£M)	Cost (£M)	Net Cost (£M)
Offices	4	7.870	0.101	0.512	0.411
Depots	5	3.651	0	0.234	0.234

Service Tenancies	4	1.63	NA	NA	NA
Other	4	4.301	0.289	0.099	-0.190
Total	17	17.452	0.390	0.845	0.455

- 2.11 Operational assets represent the largest net annual running costs of the asset groups. The Council has a number of initiatives underway to transform the operational portfolio so that it is fit-for-purpose, efficient and sustainable, as well as releasing capital value and supporting regeneration:
- i. Replacing the Civic Centre at Hemel Hempstead. The new Public Sector Quarter (the Forum) will improve service delivery and reduce annual running costs.
  - ii. Cupid Green Upgrade. This facility has already undergone significant capital investment, including recycling facilities and more modern, sustainable energy plant. The Council has relocated the CCTV control room to an upgraded suite at Cupid Green.
  - iii. Relocation of Tring Depot. The Council has purchased a fit-for-purpose site from Hertfordshire County Council for a new depot. It has released the current site for housing development and has provided more capacity to alleviate space constraints at Cupid Green.
- 2.12 The Council has mature plans to improve the effectiveness of its operational estate but it will be important to monitor delivery of forecast benefits from initiatives in hand. It will also plan carefully to minimise the running costs relating to surplus administrative and operational assets.

## Community and Infrastructure Assets

Figure 13: Community and Infrastructure Assets by Number and Value

Asset Type	Number	Market Value (£M)
Sports Centre	4	30.49
Off-Street Car Parks	20	4.96
Community Centre	14	2.94
Arts/Theatre	1	2.40
Public Conveniences	19	2.12
Sports Pavilions	11	0.94
Hall	5	0.59
Youth Clubs	6	0.51
Adventure Playground	4	0.42
Communal Rooms	9	0.39
Offices	3	0.36
Land	49	0.35
Care Centre	1	0.32
Bus Station	1	0.18
Sports Ground	8	0.12
Scout Hut	5	0.09
Park	5	0.01
Allotment	18	0.00
Cemetery	3	0.00
Heritage	1	0.00
Woodland	23	0.00
<b>Total</b>	<b>210</b>	<b>47.2</b>

- 2.14 Community and infrastructure assets are provided primarily to support community well-being and as such it is difficult to undertake a meaningful assessment of their cost-effectiveness without a clear measurement of the benefit they provide to the community. It is clear, however, that barring off-street car parking, provision of community assets is delivered at a net cost to the Council of £0.4m per annum (see figure 14). This is largely because they produce limited income.

Figure 14: Cost of community assets as at March 2015 (£M)

	No of assets	Income (£M)	Cost (£M)	Net income (£)
Off-street car parks	20	1.697	0.350	1.347 <sup>2</sup>
Other assets	190	0.136	0.562	-0.426
Total	210	1.833	0.912	0.921

- 2.15 The Council's new Property Management Board needs to establish a clear mechanism for monitoring usage of assets to validate their contribution to community well-being. The Council needs to consider how it might improve the cost-effectiveness of some asset types including community centres and public conveniences and to examine opportunities to increase income, reduce costs and examine potential development, transfer or disposal options. This work has commenced through the 2016/17 budget setting process.

<sup>2</sup> This is before non-controllable costs are deducted

**Figure 15: Cost Impact of Community Centres and Public Conveniences 2015**

Asset Type	Value (£)	2014/15 Cost (£)	2012/13 Income (£)
Community Centres	2,939,413	291,714	3,934
Public Conveniences <sup>3</sup>	2,117,602	148,897	150

## Garages

2.16 The Council owns 7728 garages across the Borough with a capital value of £17.6m. They delivered £2.459m of billed income in 2014/15 for the Council against costs of £1.2m, so they are an important source of revenue. However, a condition survey carried out in 2009<sup>4</sup> indicated that there was a £15M maintenance backlog on the garage portfolio over the next ten years, which has the potential to significantly affect future net income.

**Figure 16: The Financial Impact of Void Garages**

Total Number	Void	Void %	2014/15 Lost Income (£M)	Value of Void Assets (£M)
7728	1947	25.1	0.818	4.430

- 2.17 Since 2014, the number of void garages has stabilised at circa 25%. This impacts income and the Council needs to improve its understanding of the causes so it can forecast the impact on future revenue and take action to arrest the trend.
- 2.18 The large number of void garages presents an opportunity to consolidate voids in order to vacate garage sites, enabling the Council to secure new income of potentially several million pounds from redevelopment of surplus stock. This could help to offset the costs of maintaining the core garage stock in the medium term.
- 2.19 Since September 2014 the Council has been actively pursuing a policy of garage disposals. The initial 97 sites have been reduced to an initial 19 sites that have been chosen for their suitability and potential receipt. This programme has led to the marketing of the first site in Adeyfield East and other will be marketed over the next eighteen months. Sale has been agreed for the first site subject to completion of the legal process.

## Investment Portfolio

2.20 The Investment Portfolio of 458 assets is valued at over £46m and its primary purpose is to deliver annual income to the Council. In 2014/15 it provided £4.09m of income at a cost of £1.39m, delivering a net income of £2.70m. The overall gross yield was 8.9% with net yield of

<sup>3</sup> These assets are redundant, having been closed under previous cost saving measures

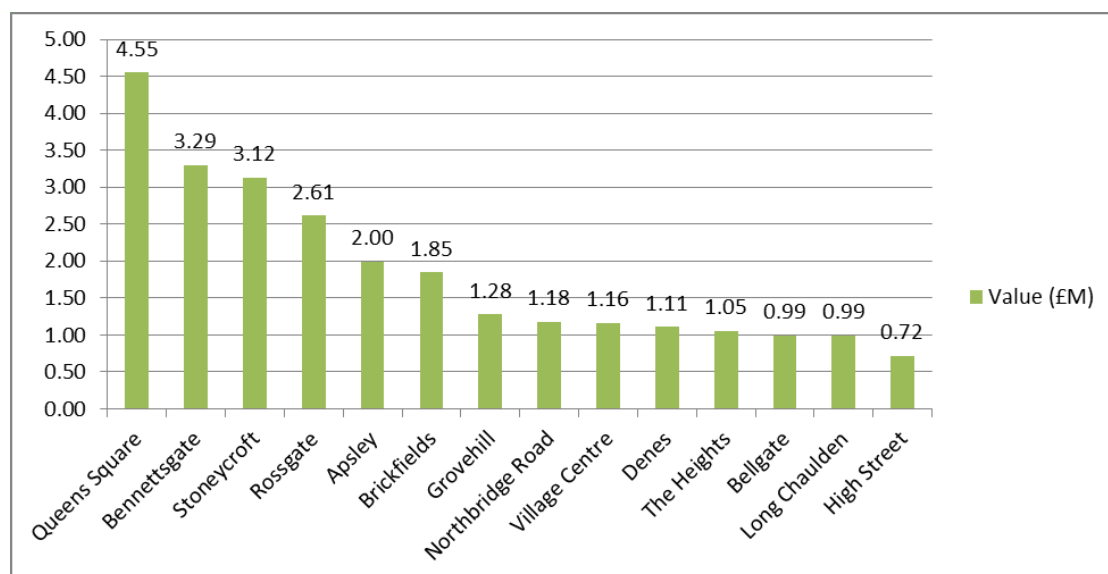
<sup>4</sup> Carried out by Tibbalds

5.9%. The net yield has reduced since the original strategy but this is to be expected given the historic under investment in the portfolio and demonstrates the willingness of the Council to invest in maintaining the quality of stock and sustainability of a vital income stream.

2.21 The portfolio is largely concentrated in a small number of locations and on particular asset types:

- 56% of the investment portfolio's value is concentrated in 14 locations (12 shopping centres and two industrial estates) which mainly constitute a mix of retail units, dwellings and industrial units;
- these sites deliver 66% of the total income derived from the portfolio

**Figure 17: Market value of the 14 major sites as at March 2015 (£M)**



2.22 Figure 18 highlights the importance of the 14 key sites in terms of income and net yield. The low cost of these locations improves the net yield but also reflects a risk that under-investment in these assets could lead to increased maintenance costs in the future or loss of income. Conversely, the remainder of the portfolio delivers a low net yield, reducing the overall effectiveness of the portfolio but delivers security.

**Figure 18: Performance of the Investment Portfolio 2014/15**

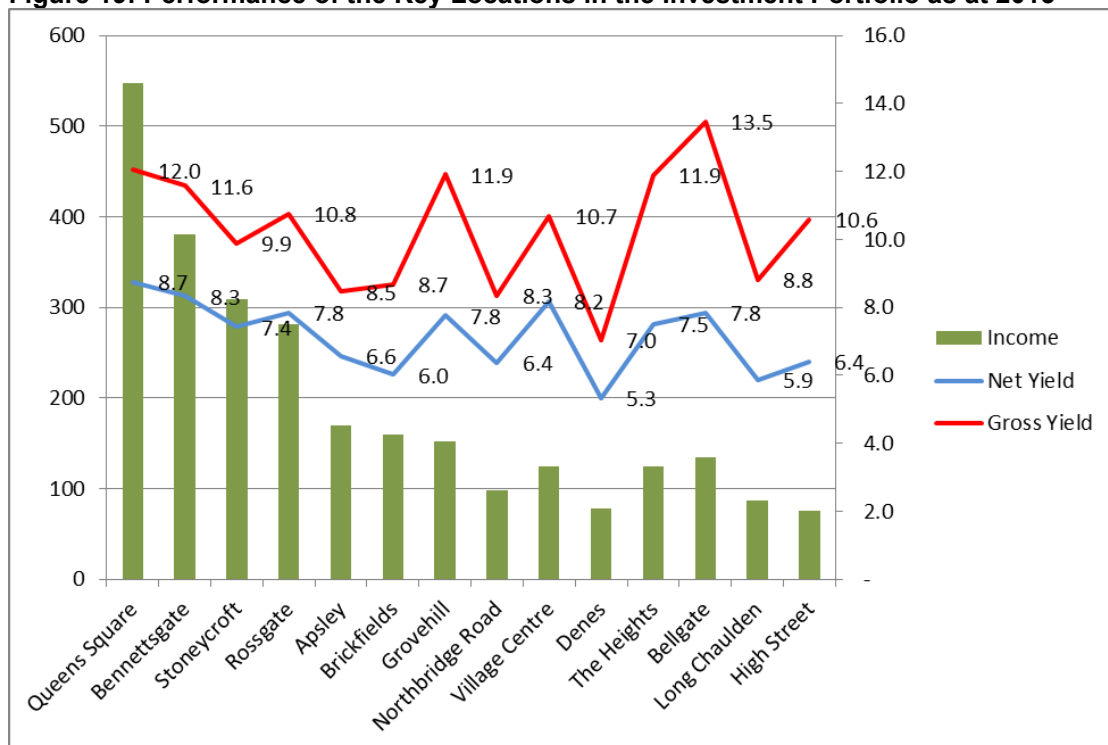
	Number	Value (£M)	Income (£M)	Gross Yield %	Cost (£M)	Net Income (£M)	Net Yield %
14 Key Sites	294	25.890	2.722	10.5	0.782	1.940	7.5
The Rest	164	20.234	1.367	6.8	0.608	0.759	3.8
Total	458	46.124	4.089	8.9	1.390	2.699	5.9

2.23 Historically, the portfolio has performed well for the Council, with low void rates (under 2%) and a reliable annual income stream. Net income has been relatively strong in part because of low levels of investment in maintenance and obsolescence removal. This financial model, however, presents a long-term risk for the reasons set out above.

The Council will undertake a condition survey within the next two years to understand the impact of the present stock condition on the sustainability of future rental income and investment returns.

2.24 The primary purpose of the investment portfolio is to deliver income, so yield analysis is a key measure. Figure 19 shows the yield performance of the 14 major investment locations. Figure 20 shows the gross yield for the major property categories in the portfolio against the benchmark<sup>5</sup>.

**Figure 19: Performance of the Key Locations in the Investment Portfolio as at 2015**



2.25 While local conditions will affect rental income, figure 19 indicates there is scope for the Council to address anomalies in returns between sites which have a similar balance of asset types. Market benchmarking also indicates there is scope for improved performance from the investment portfolio with focus required on:

- Most of the shopping centres do not perform as well as the market indicators for secondary/tertiary retail yields of 10-11.5%, with

particular focus required on The Denes, Bennettsgate, Rossgate, The Heights, and Long Chaulden.

- Performance of retail and industrial units, which comprise around half the portfolio, are lower than market levels, which are 10-11.5% for retail and over 10% for industrial units.

- 2.26 The Council has taken decisions about the type of occupier/tenant mix in some of the neighbourhood centres to sustain local services and meet community needs. The Property Management Board will review the objectives of this type of facility going forward and determine clear criteria to monitor performance.

### Section 3 – Improving Financial Performance

#### Introduction

- 3.1 There are opportunities to improve the overall cost-effectiveness of the property portfolio and deliver improved financial performance for the taxpayer through:
- identifying surplus assets or scope for increased asset utilisation;
  - cost reduction;
  - increased income;
  - maximising value from assets which are no longer fit for purpose.
- 3.2 This strategy will be monitored via the Property Management Board, Departmental Management Team meetings and developing key performance indicator in these areas. As part of the budget setting for 2016/17 and onwards then there has been increased scrutiny of expenditure and income opportunities and 5% savings have been offered from maintenance budgets.

#### Asset Utilisation

- 3.3 Operational. The new Forum at Hemel Hempstead, will release other assets for alternative use, such as The Bury, and the co-location of some other public and third sector organisations will free up other assets they currently use. There is also scope to seek an improved return from the Berkhamsted Civic Centre/Depot location which offers limited operational value and is under-utilised.
- 3.4 Community Assets. Utilisation of community assets is hard to measure because of the absence of readily available usage data. The Council will implement an action plan to monitor usage in future, potentially in coordination with other public sector and third sector organisations (see paragraph 4.12), to determine whether it may be possible to deliver the same community benefits from a reduced asset pool.
- 3.5 Garages. As set out at paragraphs 2.17-2.18, the large number of void garages presents a considerable opportunity to rationalise the number

of garage assets to release garage sites for development. Disposal of selected garage sites has already started.

- 3.6 Investment. The investment portfolio currently achieves a high occupancy rate in the region of 98%, so the key issue is to achieve improved returns and to sustain income levels.

### **Maximising Value through Alternative Use/Disposal**

- 3.7 Where there is no requirement for an asset to continue in its current form, there may be opportunities to change its use or else dispose of it, delivering a one off receipt in the case of a sale or a combination of lump sum payment and annual income where the freehold is retained.
- 3.8 Asset Development and Disposal Programme. The Council has already earmarked some assets for disposal, such as Hemel Hempstead Civic Centre, and the Market Square
- 3.9 Where other assets are not cost-effective to maintain in their current form, or else which present an opportunity to achieve an alternative community benefit or financial return, the Council will conduct Asset Development Reviews (ADRs) to identify scope to improve the utility of the asset or an intelligent approach to disposal.
- 3.10 Garages. The significant number of surplus garages identified at paragraph 2.17 present an opportunity for the Council to pursue redevelopment of the sites. A disposal programme of selected sites has already commenced.
- 3.11 Greenfield Development. The Council has focused on utilisation of brownfield sites to support targets for housing, but to deliver its target of 10,750 new homes by 2031 it recognises the need to undertake selective development of greenfield sites. Some of those are owned by the Council, and their development could be brought forward to ensure annual housing targets are met and provide an early financial return for the Council. A further option is to develop smaller packets of open brownfield land it owns in and around urban areas. A prerequisite to achieve this is the clear identification of these sites on the Council's GIS mapping system. The Council will complete this exercise and undertake an action plan to examine its property holdings and identify a pipeline of opportunities for site development.
- 3.12 Balance between Capital and Revenue. The Council has a number of opportunities to realise capital receipts through asset disposal. While these would help to support the capital programme, the Council will also weigh up the benefits of alternative approaches whereby it retains some share of the future revenue benefit delivered by the asset. On a case-by-case basis it will carefully consider the merits of retaining some equity to support long term revenue generation.



## Cost Management

- 3.13 Asset Maintenance: The Council will focus on reducing its long-term asset maintenance costs through:
- i. Proactive Maintenance Scheduling. The Council carried out a full stock condition survey in 2011 enabling it to plan a proactive maintenance schedule, which is key to addressing obsolescence, and sustaining the quality and condition of its properties. This is currently held on Asset Manager The survey enables more accurate forecasting of future budget requirements and should in time help reduce the level of reactive maintenance, which tends to be more expensive. It also reduces the risk that under-investment will lead to a spike in maintenance costs in due course or a loss of income should assets no longer be deemed fit for purpose.
  - ii. Better Cost Recovery. The Council is currently reviewing its cost recovery process through improved service charging of tenants, and dilapidation settlements, and potentially through changing lease terms:
    - a. Service Charges. Many investment portfolio leases include terms for service charging, but they have not historically been enforced as well as they could be, leaving the Council to bear maintenance charges. The Council will work to ensure that future costs are recovered from tenants and has put that in place for 2015/16.
    - b. Dilapidations. The Council does not have a high turnover of tenants, but where assets are vacated it will ensure costs are recovered for bringing assets back up to standard after use. This has been implemented in 2015/16.
    - c. Full Repairing and Insuring Leases. The Council employs Internal Repair terms on many investment and community asset leases, and the Council will review what additional cost benefit it might derive from Full Repair and Insuring Leases, beyond the benefits delivered from a more effective service charge regime. For community assets, the impact of these additional costs will need to be considered against other priorities for those assets.
- 3.14 Contract procurement: Joining with partner organisations to articulate common requirements enables increased commercial leverage with suppliers. The procurement of a new housing maintenance contract with Osbornes from July 2014 allows for building services to utilise the contractor to support its assets, which delivers greater economy of scale for the Property Portfolio in particular. More widely, the Council

will ensure that the scope for partnering in maintenance contract procurement, whether within the Council or with wider partner organisations, is considered as part of all future procurement processes.

- 3.15 Transfer of Community Assets: The maintenance of some of the Council's community assets results in a significant net cost to the Council, notably the Community Centres. In 2014/15, the net cost to the Council was £0.262m, as a result of peppercorn rents and the expense of internal repairs. While effort is being made to raise rents in a modest way and to transfer the terms of leases to Full Repair and Insuring leases, this is unlikely to address fully the level of cost currently sustained, and it might prove more cost-effective in the long-term to explore the transfer of the assets to local community associations if they are willing to take them on.
- 3.16 Improved Energy Management. The Council has already taken steps, primarily on its operational estate, to capture performance information on energy, water and paper consumption, and has undertaken some limited projects as at Cupid Green to install more energy-effective technology. The Council will set up and implement an action plan to enable a wider programme of energy efficiency for those assets for which it currently pays the utility charges, where there is a clear business case to do so.

### **Increasing Income**

- 3.17 Increasing income is the other key lever to improve financial performance. The Council is pursuing a number of routes to do this:
- 3.19 Rent Reviews. The Council has made good recent progress in using rent reviews to secure an increase in yields on the investment portfolio but the analysis at paragraphs 2.25-2.26 indicates there is scope for further improved returns in a number of locations and against some asset types. The Council will take a proactive approach to its rent reviews to address discrepancies in yields, recognising that local conditions and the Council's own role in the community will have a bearing on the extent to which additional income is secured. The Estates team will look to ensure that rents on investment assets are linked to the higher of current market rates or CPI increases. We will set an action plan for these to be incorporated into the Estates workload on a regular and planned basis.
- 3.20 Below market rent. The Council currently offers below market rent on some of its investment portfolio assets to a range of public sector and 3<sup>rd</sup> sector organisations which collectively amount to approximately £0.1m of annual income as at March 2015.

The approach to third sector rents has not been consistent over the years and some bodies receive preferential terms and others pay market rates. We will look to move to a situation where all third sector tenants pay market rents which will be balanced by the receipt of non-cash grant aid from DBC. This will reveal the full costs of property occupation.

- 3.21 Business Rates and Council Tax. Converting assets to support economic growth or housing development will increase income if the expected business rate retention or Council Tax returns outweigh any loss in revenue.
- 3.22 Fees. The Council has taken a deliberate decision to keep the level of car parking charges amongst the lowest in Hertfordshire, and more generally aims to encourage use of facilities through its fees policy. Nevertheless, the Council will review its fees structure for use of its facilities against market rates and the annual asset costs to ensure they are appropriate.
- 3.23 Car Parks. Evidence suggests that there is a shortage of car parking space in Berkhamsted which the Council is well-placed to address through development of its Lower Kings Road site. The Council has allocated funding within its capital programme to develop a multi-storey car park on this site and is currently working toward planning submission in early 2016.
- 3.24 The measures proposed here will impact on financial performance but further work is required to establish the precise financial benefit and timing. This work will support future iterations of the Medium Term Financial Strategy. Annex A sets out a delivery plan for these actions and others covered in Part Four.

## Section 4 - Creating the Framework for Long Term Success

### Introduction

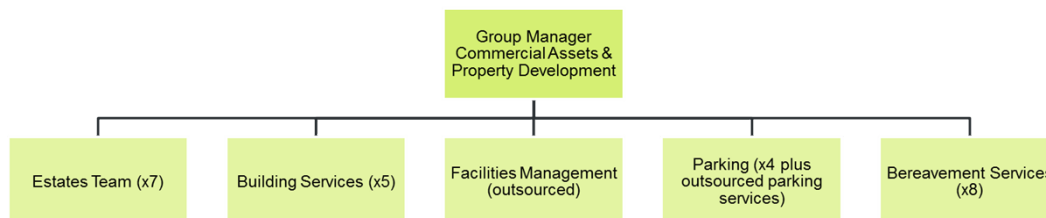
4.1 If the Council is to deliver sustained improvement in the management of its property portfolio it must create the right enablers for long-term success including:

- A fit-for-purpose operating model for property
- Improved governance
- Delivery of appropriate management information and performance reporting
- A more deliberate approach to partnering

### Property Operating Model

4.2 The Council currently retains direct responsibility for management of the whole of its property portfolio. Day to day management, other than for garage stock which is managed by the housing team, is the responsibility of a small team which sits under the Group Manager (Commercial Assets and Property Development).

Figure 21: The Current Property Team Structure



4.3. The Council plans to undertake a review of its property operating model to address a number of areas in which it seeks improvements to the management of its portfolio:

- Clear Role. There is currently limited clarity over internal ownership of community and operational assets, with no clear responsibilities set out for articulating the property requirements needed to support service delivery and the achievement of corporate priorities and objectives. In many instances, the Group Manager Commercial Assets lacks a clear internal asset owner with whom he can discuss relative prioritisation of future plans and resourcing. The Council will review the existing structure and arrangements for the delivery of Property Services and examine the internal relationships and dynamics to ensure there is clarity of roles, responsibilities, prioritisation and clear systems of work. The Council will also clarify responsibilities where different services interface, such as between

Environmental Services and the property team over parks and open spaces.

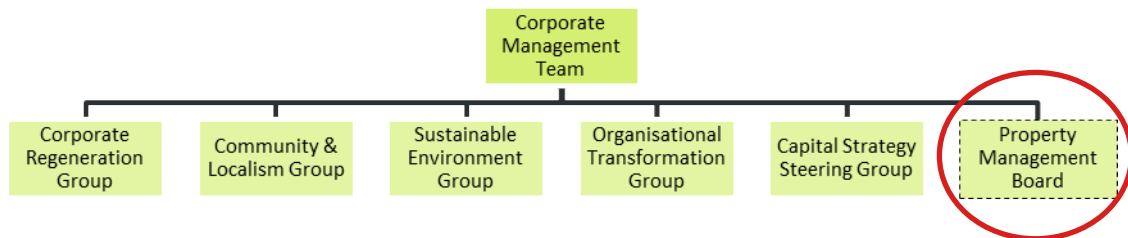
- b. Internal Coordination. The Council employs separate teams to run its property portfolio and its housing stock, with separate annual financial reporting for each portfolio. The Council will continue with this model but will look to make better use of synergies, expertise and best practice between the two areas where this will enable the Council to improve its commercial approach. The Council will review the capabilities, capacities and interfaces between the teams to ensure it has a clear understanding of future opportunities for closer collaboration, such as more effective deployment of niche expertise, sharing resource to address peak workloads, and shared approaches to contracting.
- c. Business as Usual/Project Balance. The current operating model makes no distinction between management of 'business as usual' operations and discrete, time-bound projects which can be of strategic importance to the Council. It relies on the property team to balance the priorities. Sections One and Three of this strategy set out a growing pipeline of project-based work for the property team to support Council priorities objectives, which must be achieved while addressing areas for improvement in the day-to-day management of the property portfolio. The Council will review the current approach, because failing to achieve the right balance can lead to:
  - slippage in the capital programme
  - failure to carry out planned maintenance
  - loss of income
  - delays to key project activity
  - inappropriate staff work loads
- d. Use of External Expertise. The Council already makes significant use of external resource to meet building service requirements and is exploring the use of private sector partners to deliver its plans for Hemel Hempstead town centre and to develop surplus garage sites. As part of the review of the operating model, the Council will look to identify the skills and capabilities it should provide in-house in the future and those which it should aim to procure from outside. The property team provides a very good service to the Council, but given its size it cannot be expected to resource all the capabilities required and there may also be a need to provide short-term resourcing to augment the delivery of projects.
- e. Online Services. The review will also explore scope for the Council to explore making better use of online services to support the property team. Improving online access to book facilities such as allotments, sports pitches, caravan pitches could enhance service delivery to the public while enabling scarce resource to be

prioritised onto other property management tasks. Research indicates that online transactions can be 20 times cheaper than by phone, 30 times cheaper than face-to-face and up to 50 times cheaper than by post.

## Governance

- 4.4 The performance of the property portfolio is important to both the financial position of the Council and achievement of strategic priorities. Under the Council's current management structure there is a dedicated forum for discussion of property-related matters. Specific investment proposals are raised to the Budget Review Group, and decisions affecting Dacorum's property assets are raised at the Property Management Board (see figure 22, below)

**Figure 22: Incorporating a Property Management Board into the Current Corporate Group Structure**



- 4.5 The Council has put in place a Property Management Board, which meets regularly and involves key senior stakeholders (see figure 23 for membership). Its role includes:
- Establishing clear property objectives and targets to underpin long-term improvement in the performance of the property portfolio;
  - Monitoring performance reporting;
  - Holding individuals to account for delivery against responsibilities;
  - Identifying strategic opportunities to use assets to support corporate priorities;
  - Ensuring evidence-based value for money decision-making where property is concerned;
  - Identifying how to improve the long-term financial management of the portfolio;
  - Identifying and recommending surplus assets for disposal.
- 4.6 Terms of reference have been established to support the work of the Board. It is expected to report its key findings and recommendations to the Corporate Management Team, and update Cabinet on performance and key issues. The Board co-ordinates its activity and decision-making with other key corporate decision-making forums such as the Regeneration and Affordable Housing Group to ensure the Council is able to maintain a coherent approach.

**Figure 23: Membership of the Property Management Board**

Position	Role
Corporate Director (Finance and Operations)	Chair and S151 Officer
Corporate Director (Housing & Regeneration)	Advice on overall housing , planning and regeneration considerations.
Assistant Director (Finance and Resources)	Advice on finance and resource impact and relative financial priority of projects
Assistant Director (Neighbourhood Delivery)	Support to Clean and Safe Environment and Community Capacity priorities
Group Manager (Strategic Planning and Regeneration)	Advice on Regeneration priorities
Team Leader (Estates and Valuation)	Support to estates functions
Assistant Director (Performance and Projects)	Performance reporting and coherence with other project themes
Assistant Director (Housing)	Support to Housing priorities and internal coordination of asset management
Assistant Director (Planning, Development and Regeneration)	Asset support to regeneration priorities
Group Manager (Commercial Assets and Property Development)	Day to day management of property assets and asset-focused projects

## Management Information and Performance Reporting

- 4.7 Good governance is underpinned by complete and reliable management information, which is a fundamental pre-requisite for effective asset planning and management. It enables an understanding of the performance of the portfolio and where there are opportunities to improve, and facilitates sound decision-making. It also allows benchmarking of performance against public and private sector standards and transparent reporting of performance.
- 4.8 The Council currently employs four information systems (see figure 24) to support asset management decision-making, which store large amounts of data. Nevertheless, there are gaps in the information held and extracting management information can be difficult. The systems are also not configured to deliver appropriate performance information such as yield analysis for the investment portfolio, and performance reporting more generally is limited.

**Figure 24: Property Management Information Systems**

System	Purpose
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<b>Agresso</b>	Records financial performance information to support budget preparation, in-year financial management and balance sheet preparation.
<b>Asset Net</b>	A CIPFA system which records specific property data for property portfolio (including garages), expected rental income, and future plans for asset maintenance
<b>Orchard</b>	Records specific property data for garages and housing stock
<b>GGP GIS</b>	Geographical information mapping

- 4.9 There are a number of improvements that the Council will focus on to improve the management information used to support property asset management:
- a. Management Information Requirements. The Council holds a wide range of assets with different performance drivers, but there is no clear requirement setting out what information needs to be collected to support effective decision-making for each. The Property team and Finance team will work together to establish baseline information requirements against which current systems and information collation processes can be validated.
  - b. Information Reports. The second key challenge is to present information in a way that is useful to property managers. Providing managers with easy access to day to day reports helps focus on issues and exceptions. Examples include debt arrears, rent review schedules, yield reports, and maintenance spend versus budget. The Council will explore the scope to improve the reporting available to property managers.
  - c. Performance Targets/KPIs. The Property team reports voids and debt arrears against the investment portfolio as part of the corporate performance reporting regime, but is not required to report any other performance information.

Reporting needs to be extended to cover the performance of the whole property portfolio. This should be synthesised into the Corvu reporting system which can be used by the property team and the Property Management Board to monitor delivery against key targets. Further work is required to develop the precise performance reporting criteria, which needs to be simple to maintain and focused on key deliverables.

- d. Property Costs. While information can be transferred from Agresso to Asset Net, it remains difficult to establish property cost information for categories of assets or individual assets, and to fuse financial property information. Further work is required to scope how to improve the alignment between Agresso and Asset Net to



provide property managers with better drill-down information capability.

- e. Single source for all asset information. Property managers require accurate and consistent information. The use of numerous information systems creates the risk that different users input different information on different systems at different times. For instance, Orchard and Asset Net indicate different figures for the garage inventory. It is also important to ensure that information is updated in a timely manner. The Council will look to remove inconsistencies through improved information management processes.
- f. Geographical Mapping. Many of the Council's assets are mapped on the Council's geographical information system but there are some land assets which are not. Understanding the totality of the assets the Council owns is important if it is to identify opportunities to release sites for development. The Council will ensure all assets are added to the system as a first step in identifying opportunities.

### **Working with Partners**

- 4.10 With increasing pressure on budgets across the public sector, there is growing interest in collaboration across organisations to find efficiencies and deliver more effective ways of working.
- 4.11 The Council is already working with other public sector organisations on the Hertfordshire Property Steering Group (HPSG), which is chaired by the County Council, to support opportunities for more effective collaboration. Initiatives it is engaged in include:
  - i. Engaging in the Group's initiative to geo-map public sector organisations' properties across the County as a prerequisite for identifying the scope for rationalisation and more joined up public sector working, albeit this process does not enable sharing of broader property management information;
  - ii. Participation in cross public-sector locality reviews in Berkhamsted and Tring;
  - iii. The Council's own plans for The Forum involve the County Council, and a number of third sector organisations. The County Council views it as an excellent example of the cooperation the HPSG is trying to engender.
- 4.12 There may be further opportunities for more effective working with public sector partners:
  - i. Further Sharing of Estate: Increasingly organisations are looking to provide more integrated service delivery. There may be

opportunities for the Council to work more closely with partner organisations, including those in the 3<sup>rd</sup> sector, to achieve better outcomes or else reduce the associated overheads. One clear benefit might be the improved use of space to support multiple organisations thereby freeing other assets for alternative use or disposal. The Council will look to apply particular focus where assets are maintained at a significant net expense or else poorly utilised. The result may be more intense use of Council assets with benefit being delivered elsewhere in the public or 3<sup>rd</sup> sector and local discussions would be required on how such benefits are distributed.

- ii. Shares services or expertise: The sharing of services could mean the joining up of property management functions across organisations to achieve economies of scale. Alternatively, it could mean the provision of more discrete specialist services by one organisation on behalf of another, or the joined up provision of such a service. An example might be the running of a common cross-Hertfordshire property management information system.
- iii. Joined up procurement<sup>6</sup>: A joined up approach to procurement of professional real estate and Facilities Management services might deliver economies of scale that are not achievable where organisations work on their own. The Council is exploring more joined service procurement across its own property and housing portfolios. In future, it will ensure that options to collaborate with other public sector partners are considered as part of the procurement process.

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<sup>6</sup> Hertfordshire Police has saved several million pounds since 2007 through collaborative procurement

## Annex A – Delivery Plan

No.	Project	Action	Owner	Timescale	Benefit Measurement	Priority Affected
<b>Asset Utilisation and Value Maximization</b>						
1	<b>The forum and Market Square</b>	<ul style="list-style-type: none"> <li>Creation of a modern public service quarter in Hemel Hempstead town centre, release of surplus public sector land at civic centre and Market Square for economic regeneration and housing</li> </ul>	Mark Gaynor/ Nicholas Brown	2017	<ul style="list-style-type: none"> <li>Reduced space usage</li> <li>Reduced running cost</li> <li>Additional capital receipts/revenue</li> <li>New housing</li> <li>New economic space and jobs</li> <li>Customer satisfaction with service delivery</li> </ul>	Affordable Housing, Regeneration, Dacorum Delivers
2	<b>Land at Maylands</b>	<ul style="list-style-type: none"> <li>Marketing of Council land at Maylands to support business development</li> </ul>	James Deane/ Nicholas Brown	2016	<ul style="list-style-type: none"> <li>Additional capital receipt/revenue</li> <li>New economic space and jobs</li> </ul>	Regeneration, Dacorum Delivers
3	<b>Garage Portfolio Review</b>	<ul style="list-style-type: none"> <li>Review garage sites to determine scope to consolidate sites</li> <li>Identify impact on garage maintenance costs, and identify preferred mode of maintenance delivery</li> <li>Sale of selected garage sites</li> </ul>	David Skinner/ Nicholas Brown	Current	<ul style="list-style-type: none"> <li>Reduced voids</li> <li>Additional affordable housing</li> <li>Reduced garage maintenance costs</li> <li>Additional capital receipts/revenue</li> </ul>	Affordable Housing, Dacorum Delivers

4	<b>The Bury</b>	<ul style="list-style-type: none"> <li>Prepare The Bury for change of use, ensuring Council liabilities are minimized</li> </ul>	Nicholas Brown	2016	<ul style="list-style-type: none"> <li>Reduced running costs</li> <li>Revenue</li> <li>Improved utilisation</li> </ul>	Community capacity
6	<b>Community Asset Usage</b>	<ul style="list-style-type: none"> <li>Establish community asset utilization monitoring</li> <li>Liaise with other public sector organizations to determine scope for shared asset use</li> </ul>	Julie Still/Nicholas Brown	Set up monitoring regime by end 2016	<ul style="list-style-type: none"> <li>Community usage</li> <li>Potential to reduce Dacorum and wider public sector costs</li> </ul>	Community Capacity, Dacorum Delivers
7	<b>Conduct asset development reviews on under utilised assets</b>	<ul style="list-style-type: none"> <li>Create database of all DBC assets. (linked to section 11 below). Definition of utilisation to be agreed by PMB.</li> </ul>	Nicholas Brown	March 2017	<ul style="list-style-type: none"> <li>Additional capital receipts/revenue</li> <li>Reduced voids</li> <li>Improved utilisation</li> </ul>	
8	<b>Sustainable and proactive maintenance regime</b>	<ul style="list-style-type: none"> <li>Undertake full condition survey</li> </ul>	Tony Moore	March 2017	<ul style="list-style-type: none"> <li>Strengthen sustainable income</li> <li>Sustainable maintenance planning</li> <li>Increase building lives</li> </ul>	
<b>Increasing Income</b>						
9	<b>Below market rents</b>	<ul style="list-style-type: none"> <li>Establish a clear and consistent Council policy to supporting public and 3rd sector organisations</li> <li>Identify opportunities to move public/3rd sector partners from investment portfolio assets to use</li> </ul>	David Skinner/ Nicholas Brown	Dec 2016	<ul style="list-style-type: none"> <li>Increase revenue</li> </ul>	Dacorum Delivers

		community/operational assets				
	<b>Property Investment fund</b>	<ul style="list-style-type: none"> <li>To increase revenue from existing properties and capital receipts from the sale of properties</li> </ul>	David Skinner /Nicholas Brown	March 2017	<ul style="list-style-type: none"> <li>Increase Revenue</li> </ul>	Dacorum Delivers
<b>Governance</b>						
10	<b>Property Management Board</b>	<ul style="list-style-type: none"> <li>Establish terms of reference</li> <li>Agree programme of work</li> <li>Establish performance reporting mechanisms</li> </ul>	James Deane	Done 2015	<ul style="list-style-type: none"> <li>Improved visibility</li> <li>Improved performance</li> </ul>	Dacorum Delivers
<b>Management Information</b>						
11	<b>Undertake a management. information review</b>	<ul style="list-style-type: none"> <li>Establish clear MI collation and reporting requirements</li> <li>Establish improved performance reporting regime</li> <li>Identify actions to improve management. information system support and process improvements</li> <li>Implement the introduction of GIS mapping system to map DBC landholding</li> </ul>	Nicholas Brown	By March 2017		Dacorum Delivers

## Annexe B Disposals Strategy

### Introduction

The aim of the Council is to ensure the most efficient use of its property assets in line with the requirements of the Asset Management Plan. This will involve the disposal of assets deemed surplus to requirements to ensure the continuing efficient operation of the Estate.

Surplus assets may be present in all four categories of property that the Council holds, namely operational, community, garages or investment assets.

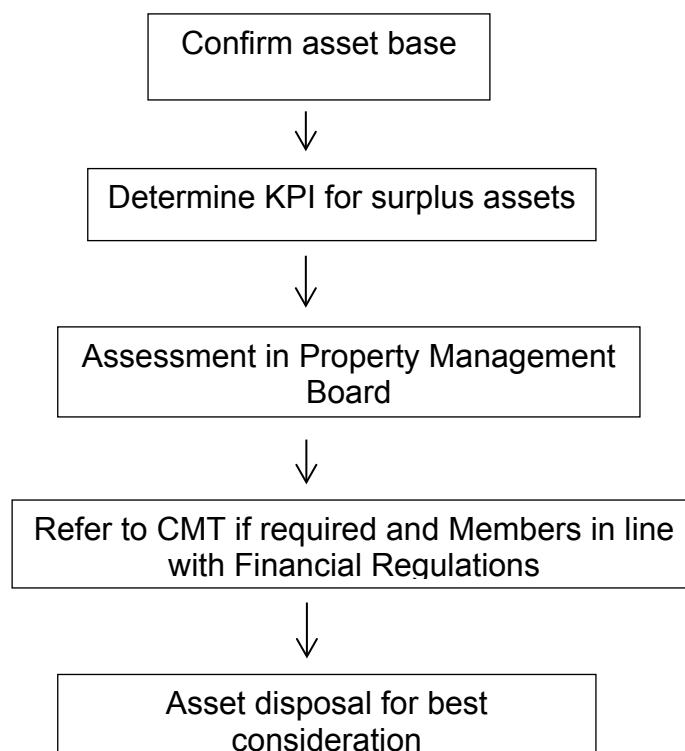
A surplus asset can be defined as “an asset that is no longer required by the owning body as a result of the implementation of the Asset Management Plan”. It may be either whole or part of a property.

Determination of which assets are to be deemed surplus is to be made by the Property Management Board (PMB). This decision will then be referred to CMT for review and confirmation and ultimately Members in line with Financial Regulations.

All introductions concerning assets for disposal are to be notified to the Property Management Board as soon as practicable.

### Disposal Strategy

The steps in the disposal Strategy can be defined as follows:-



## **Base Information**

Currently within the asset base of the Council there are a number of land parcels where ownership is not individually defined. These may include road verges, plots of land left by developers and sundry land parcels. These may be included under an overall category or grouped within the asset register.

It is considered that undefined assets will relate to land plots as opposed to buildings.

An exercise to complete the mapping of the DBC Estate onto individual asset numbers will be undertaken during 2016. It is estimated that this work will take in the region of 12 months to complete.

Current valuation levels also need review. Whilst these assets are revalued annually in accordance with statutory requirements, it is clear that some of the asset classes, for example Garages, may have a higher alternative use value which is not reflected in current data.

A reassessment of open market value may further inform the disposal strategy.

## **KPI's and Disposal Assessment**

For an asset to be disposed, the realisation, less costs should be deployed in a way that provides a positive benefit to the Council that is greater than holding the asset in its existing form.

The term "disposal" should include the sale of the asset on the open market, the leasing out of the asset and also its transfer to other bodies within DBC or other public sector bodies for due consideration.

The PMB in line with CMT will review the DBC landholding to determine whether assets are to be considered surplus. This will affect all classes of asset. A set of KPI's will be determined by the PMB for each class of asset to determine whether an asset in that class is surplus. The KPI will include consideration of the function of the asset, utilisation, cost of operation and revenue return. It will consider both the present and future potential use of the asset.

In addition, if the likely sums realised by the disposal of the asset are greater than the sum needed to acquire another asset to perform a similar function, then the asset will also be considered for disposal.

It is recognised that some assets are rented out to the voluntary or community sector. For assets that are leased for a term of less than 20 years, the consideration of the ability of the social sector to fund a rental payment will be considered. We would also look to move these assets to full repairing lease terms wherever possible.

For the garage portfolio and investment stock, KPI's should, in addition, relate to the norm for the return of the varying asset classes within the locality. Gross and net yields should be considered as well as any other latent risks, namely poor payment histories and debt levels. The rental and capital growth potential of the assets should also be considered.

Any consideration of sale will only be undertaken once due diligence has been undertaken by the Commercial Assets and Property Development team. This will consider the financial strength of the potential purchaser/leaseholder to determine if they have the appropriate financial covenants.

### **Assets Currently Considered For Disposal**

Current assets under consideration for disposal at this time are investment sites and selected garages. Community and operational assets will be assessed during 2016.

Under the Local Government Act 1972 Section 123 disposals of all assets will be for the best consideration that can reasonably be obtained. Disposal will take place within a timeframe and using a method to achieve maximum realisation from the sale of the asset.

### **Action Plan Timeline**

Currently a large portion of DBC assets are already recorded. These can be assessed by the PMB and CMT to consider whether they are surplus during the first half of 2016.

Assets deemed fit for disposal under this scheme after assessment by the PMB and CMT will be forwarded for disposal during 2016/17. The timing of disposal will depend on the nature of the asset, its occupancy, existing leases and likely demand.

The remainder of the asset base of the Borough will be clarified during an asset mapping in 2016. These assets in turn will come to the PMB and CMT and members as per Financial Regulations for potential disposal during 2016/17.

### **Disposal for Best Consideration**

It is assumed that property assets will be disposed of in the open market by informal tender or auction by a specialist agent who is a member of the Royal Institution of Chartered Surveyors. Disposal could either be by way of sale, granting a lease, lease assignment or subletting.

Any variation of this method, such as entering closed negotiations with third parties will only occur if approved by the PMB and CMT. Approval will follow



the understanding of a clearly defined benefit from this process as opposed to disposal in the open market.

### **Use of Receipt**

The receipt from an asset sale can be used either to fund borrowing for a new capital programme, to reinvest in the current portfolio to improve operational efficiency or to set up a property investment fund. This could be either within DBC, Hertfordshire or elsewhere in the locality. The proportion of the receipts used for the different purposes will be determined by the Senior Officers, PMB and CMT and members. Officers are currently looking to broaden the investment portfolio to support the provision of General Fund services in the future.

APPENDIX A

**FINANCE AND RESOURCES: Overview & Scrutiny Committees: Work Programmes 2015/16**

*Scrutiny making a positive difference: Member led and independent, Overview & Scrutiny Committee promote service improvements, influence policy development & hold Executive to account for the benefit of the Community of Dacorum.*

Date:	Report Deadline	Items:	Type:	Contact details:	Background information
Date:	Report Deadline	Items:	Type:	Contact details:	Background information
02 Feb 2016 (Joint OSC)	28 Jan 2016	Budget 2016 -17  <i>Ideally no further items to be added</i>	SC	J Deane, Assistant Director Finance & Resources	
		Action Points from previous meetings	SC	All Members to discuss	
Date:	Report Deadline	Items:	Type:	Contact details:	Background information
08 March 2016	23 Feb 2016	Q3 Performance & Operational Risk Register Reports	PM	S Baker, Assistant Director – Chief Executive’s Unit R Smythe, Assistant Director – Performance & Projects D Skinner, Assistant Director, Finance & Resources	
		Q3 Forecast Financial Outturn Report 2015/16	PM	R Baker, Group Manager	

		Action Points from previous meetings	SC	All Members to discuss	
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