

Dudley Metropolitan Borough Council

Property Performance Report 2005/06

**A Report of the Director of Law and Property
November 2006**



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1 Introduction

- 1.1 The Council recognises that its property is used to deliver services, as an investment or for socio-economic reasons; it is not held for its own sake. It follows therefore that there are a number of ways in which property may help or hinder service delivery. From its state of repair to its cost to run and from its suitability for modern office working to ease of accessibility for its customers, property assets play an important role in determining whether Council services are delivered as effectively and efficiently as they could be. It is therefore important that performance of property is evaluated in order that its contribution to the performance of wider service delivery can be measured.
- 1.2 This report represents the first Annual Property Performance Report and will highlight how well the Council has done in the last twelve months, (2005/06). It is expected that, as access to data improves, future reports will reflect increasingly greater proportions of the whole portfolio. This report will provide:
 - an overview of the performance of the portfolio generally,
 - a review of the performance of those operational offices that form the main campus within Dudley Town Centre,
 - a review of the performance of the non-operational portfolio
 - a review of repairs and maintenance over the last year.
- 1.3 As important as highlighting our past performance, it will highlight areas that may require further action.

2 Asset Management at Dudley Council

2.1 How we do things at Dudley Council

2.1.1 All Council property is owned by the Council corporately. Dudley Council like many Councils, has a substantial property portfolio that has been acquired over many years. Part of the portfolio is operational and part is commercial or non-operational.

2.1.2 Property is classed as non-operational if it stimulates socio-economic regeneration of local areas and/or provides a revenue stream. Typical non-operational assets include industrial estates/workshops, individual shops or those as part of parades or centres and telecommunications. Operational properties are defined as those retained for direct delivery of Council services and typically include offices, care homes, schools and libraries.

2.2 The Corporate Property Policy 2005 – 2009

2.2.1 The Corporate Property Policy pulls together the Council's various objectives for property and its impact on the wider role of the Council into a coherent framework of policy principles. The policy informs and is informed by other Council policies such as the Council Plan and each Directorate's Asset Plan. The Council's main objectives for property are:

- Ensuring a balanced portfolio to meet its present and future needs,
- Ensuring environmentally friendly ownership of its property,
- An efficient and effective commercial estate,
- To secure titles to its property,
- To reduce the size of its minor interests portfolio,
- Ensuring a consistent approach to property planning,
- The adoption and management of property performance,
- To establish property holding accounts,
- To attribute property related costs to individual properties,
- To establish space charging throughout its operational portfolio.

2.2.2 Following advice from Central Government's consultant, York Consulting, the Policy is being updated and a revised draft will be submitted to the December 2006 meeting of the Cabinet.

3 How is the portfolio performing?

3.1 Overview of the Portfolio Generally

a) Financial/Budgetary Issues:

- 3.1.1 Property is the Council's most important non-people resource and its costs are the second largest after staff. With the exception of schools and housing, costs attributable to the running of operational properties, (offices, halls, leisure centres, depots etc) and their associated sites were around £12 million in 2005/06. However, it is currently almost impossible for individual property costs to be ascertained. This is due to the way running costs are captured, collated and accounted. Extensive work has been undertaken to provide an in depth examination of those costs attributable to buildings forming the office campus within Dudley Town Centre and this is provided later in the report. It therefore remains a key objective within the Corporate Property Policy to ensure that future costs can be attributed to individual properties across the whole portfolio and work is in progress with Finance to ensure this happens over the next two years. Without this it will not be possible to achieve a score of 3 for the Key Lines of Enquiry in the Use of Resources annual CPA audit.
- 3.1.2 The Council is continuing to make considerable investment in its property assets. Along with a sound acquisitions and disposals strategy and a prudent property management regime, a significant impact on the repairs backlog is being made. Recent investment and improvement initiatives include:
- Dudley Council Plus – innovative service delivery in the High Street
 - Devolved school capital – direct grants helping with local investment
 - Delegated schools budgets – enabling local control
 - Building schools for the future – opportunities for new schools
 - Sure-Start Children Centres programme – establishing new accommodation for children of pre-school age
 - NNDR funding – investing in leisure provision e.g. Dudley Leisure Centre pool refurbishment
 - Energy management proposals – reviewing the Council's energy consumption
 - Combined Heat & Power Scheme – innovative energy management e.g. new combined heat and power unit at the Crystal Leisure Centre in Stourbridge
 - Disability access improvements – improving access to public buildings
- 3.1.3 In order to assess the financial situation of the non-operational, (commercial) portfolio it is necessary to consider property in its wider context, as property is only one of the ways to invest and in the market overall, property has to compete for funds with all other forms of investment.

3.1.4 Current property market trends and developments within the local and regional market also have an impact on overall property performance. Regional demand and supply within each of the categories will also impact differently on performance.

b) Good Practice:

3.1.5 Dudley has a good track record in asset management. From its “good” formal Asset Management Plans and excellent feedback from Government Office between 1998/9 and 2001/2 to the encouraging feedback from the Government’s consultants, York Consulting in September 2005. Over that period, we have worked with and learned from the best private and public sector organisations:

- Working with Donaldsons Consulting as market leaders in office accommodation strategy work and DTZ Pineda Consulting on addressing our office accommodation pressures,
- Working with Public Sector Plc in regenerating Dudley Town Centre and developing the main civic complex as part of a pathfinder project,
- Attending Beacon learning events with elected members including the Cabinet Member for Law and Property, such as those run by Hertfordshire County Council, (Hertfordshire have also agreed to talk to our Management Forum later in the year),
- Networking with other Council practitioners and incorporating good practices, such as moving from “peppercorn” leases for Community/Voluntary Sector tenants to explicit market rents with a “grant” linked to service outcomes.

3.1.6 As well as learning from others the Council is developing its own innovations:

- The development of operational level property performance indicators as part of the Corporate Land and Property Review. This helps to identify additional assets for potential disposal,
- The appointment of a new Facilities Supervisor for the main office campus in Dudley Town Centre. This has considerably eased the amount of time and effort services have to expend on addressing premises related issues, allowing them to concentrate on customers.

- Establishing new and long-term procurement arrangements for its repairs and maintenance services – a partnership with Kendrick Construction Limited for fabric repairs and a partnership with E&M Services (part of the Environmental Management Division of the Directorate of the Urban Environment) for electrical and mechanical work.
- Expanding the use of its Corporate Land and Property Information System to link all repair and maintenance data to individual buildings along with Disability Access Audits, Asbestos Survey Registers and other hazard/survey data.
- Working with the Carbon Trust to improve its energy management systems and to reduce energy consumption.
- Establishing a Corporate Health and Safety Advisory Group to provide strategic direction and senior management for the Council's Health and Safety responsibilities.

c) Policy Coherence:

3.1.7 It is important that the estate supports the delivery of wider Council policies in terms of value for money, quality of service, job creation, regeneration and the needs of the capital programme. Examples of this support are:

- Making our services accessible to the public. Re-engineering service streams into Dudley Council Plus will see the release of space such as the banking hall which can be used by other services or be disposed of as part of wider regeneration work.
- The Council works hard in addressing disability discrimination ensuring staff and customers can access its services. The Council is required to measure its progress on the number of public buildings deemed accessible, (BVPI 156). Since 2003/04 the percentage has doubled to 22% and is planned to double again to 40% by 2007/08. In making this progress, the Council has spent in the region of £500,000 on a wide range of projects, (excluding £750,000 spent on Schools Access Initiative, Youth Service, Adult and Community Learning and Neighbourhood Learning in deprived areas). Examples include targeted work such as the stair lift outside the Council Chamber, automated doors to Ednam House and 3 St. James's Road an upgrade of disabled WC facilities to Dudley Museum.

- The contributions to the Area Development Frameworks particularly in Dudley Town Centre have seen acquisitions of properties to enable wider and more comprehensive redevelopment to take place. The Council works closely with developers to unlock potential and release otherwise surplus Council owned land to bring it back into beneficial use.
- The management of the Council's industrial units focuses on encouraging new business start ups and local businesses to expand and keep investment within the borough with commercial rents at affordable levels.

d) Stakeholders:

3.1.8 Consultation with key stakeholders is a fundamental requisite of strategic asset management. The ability to gather, analyse, and act on consultation information received is paramount to achieve effective service that can prioritise how the Council's estate can positively support service delivery. Examples of where the Council has successfully consulted with key stakeholders include:

- Work with Beacon and Castle Primary Care Trust towards establishing a community pharmacy within the Wrens Nest ward meeting the expressed needs of the local community.
- Working with stakeholders to ensure that the needs of patients and the local community are balanced in relocating patients in advance of the closure of the Ridge Hill Hospital.
- The relocation and expansion of doctors' surgeries at Withymoor Village and Eve Hill/Salop Street are further examples of the Council consulting with stakeholders to secure successful developments.
- Work with Public Sector Plc and their subsequent wider consultation with other public sector organisations such as PCT and the Police Service in relation to the regeneration of Dudley Town Centre and the campus development
- Maintaining a strong dialogue with representatives of people with disabilities in addressing disability discrimination through channels such as the Equality and Diversity Advisory Group and the Community Representatives Panel.

e) Scope for Improvement and Future Targets:

3.1.9 There is always room for further improvement and the Strategic Work Plan attached as Appendix 1 identifies several areas in which work is being carried out. Perhaps the most pressing include:

- The regeneration of Dudley Town Centre including the redevelopment of the main office complex with our external partner, Public Sector Plc. Following the initial exploration stage of their work a way forward has been identified in principle and is the subject of a separate report elsewhere on the agenda. Subject to further examination of the detail, Cabinet will be asked to approve progression of that project into the next phase. If that project does not prove viable we will revisit the proposals made by DTZ Pidea Consulting in 2005 to address the most pressing of our accommodation needs.
- Work in relation to identifying, collating and accessing accurate individual property costs via the Corporate Land and Property Management System is being progressed with Finance. This will ensure that decisions made in relation to capital investment and disposal are as well informed as possible.

3.2 Performance of the Council's Offices in 2005/06

3.2.1 There are some 80 offices within the Council's operational portfolio. However, due to the difficulties in obtaining operational running cost data, this report has focused upon properties within the main office complex, Dudley Town Centre. Costs for these offices are captured and collated by Corporate Estate Services on an ongoing basis. The properties are listed with the Services that currently occupy them in Table i at Appendix 2. They are:

- 2 St James's and Ednam House, 3/5 St James's, 6 St James, 15/17 St. James's and 23/25 St James's,
- 4 Ednam and 8 Ednam,
- the Council House, Old Police Buildings and Court, Priory Court and Castle Court (5-7 The Broadway),
- Westox House

3.2.2 As the ability to attribute running costs to individual properties improves, future reports will expand to not only include the remaining offices, but will review all operational properties within the Council's portfolio. Tables highlighting the comparative performance of individual properties have been included as Appendix 2 and should be considered in conjunction with the narrative.

3.2.3 Quantative Assessment

3.2.4 The offices were evaluated in several categories, such as physical condition, backlog maintenance, occupancy and cost to run. It was found that 6 St. James's had 51p of backlog for every £1 of asset value; or viewed another way, the equivalent of £179 of maintenance was required for every square metre of its floor area. The best performing properties in this category, such as 3/5 St James's and Westox House, had only £10 backlog for every square metre equating to 2p maintenance in every £1 for 3/5 St James's Road. Westox House, being leased, is not valued as part of the Council's operational portfolio.

3.2.5 The offices were also evaluated as to how "full" they are. The Office Accommodation Strategy 2003 expressed the Council's intention to reduce the amount of space to 11m² (net internal area). However, recent work in developing the central complex has set a more ambitious target of 9m² per person which reflects those targets being achieved by Beacon Councils such as Hertfordshire and Rotherham. The best Councils have not only set a corporate space standard of between 8 and 10m²/person but have also set a ratio standard in terms of only having 7 desks per 10 full time equivalent members of staff through the adoption of flexible working practices such as remote working and hot desking.

- 3.2.6 In terms of space alone, much of the central complex could be used more efficiently by addressing the cellular layout of the offices. An example of this being put into practice can be seen on the third floor of 3 St. James's where Corporate Estate Services has reduced its total floor area, whilst incorporating a higher number of workstations in a better working environment, finding enough space to create an informal break-out space and an additional office which is used as a dedicated dining room for Law and Property and DUE staff working in 3 St. James's Road.
- 3.2.7 In 2005/06 maintenance represented the highest proportion of total operational running cost. 33% of all operational running costs went towards making sure the buildings were in an adequate condition to use. This is largely explained by the age of the buildings, their intensive use and by the higher standard of maintenance required for these significant and public facing assets. Planned maintenance expenditure was proportionally lower than reactive maintenance simply because no major works were undertaken on these buildings during the year, (typically expenditure would be expected to be 1/3 reactive and 2/3 planned).
- 3.2.8 National Non-Domestic Rates are payable by businesses and others who occupy non-domestic property. For 2005/06 this equated to 24% of costs for this group of buildings. Energy and water represented 26%, whilst cleaning, rent, insurance made up the remaining 17%.
- 3.2.9 It is notoriously difficult to compare running costs with other organisations due to the difficulty in accessing accurate data, the different mix, age and condition of buildings and the fact that "overall" costs comprise different components. It should be noted that Beacon Councils find this area of performance monitoring equally taxing. Despite this difficulty, it is important to monitor running costs. Doing so enables the Council to identify anomalies in costs and consumption which should later inform the targeting of capital and/or revenue expenditure towards those parts of the portfolio that will make a difference to customers.
- 3.2.10 In this report for 2005/06, running costs over £75/m² has been considered "poor". The properties at 2, 6, 23 and 25 St James's and Westox House have all fallen into this category. No. 4 Ednam has not been included as its cost/m² also includes gas and electricity for the Council House. It should be noted that the current cost for Westox House includes annual rent which accounts for 55% of the total annual running cost. Further work will establish corporate standards to enable "benchmarking" within specific property categories in future years.

3.2.11 Qualitative Assessment

3.2.12 Corporate Estate Services also captures feedback in relation to the general suitability of its offices from occupiers. This covers four main areas:

- Location – proximity to public transport and local amenities and possibilities for co-location etc.
- Fitness for purpose – staff amenities, layout and car parking,
- Capacity – sufficiency and layout of working space and meeting rooms etc.
- Compliance – in terms of fire risk assessment, asbestos register and Disability Discrimination Act issues etc.

3.2.13 Each of the responses has been weighted to provide an overall score for the property. This enables the property to be ranked within its category. The results are shown in Table 6 attached at Appendix 2.

3.2.14 Whilst no property in particular was perceived by its occupiers as having a significantly detrimental effect upon service delivery, several specific problems were identified and have been summarised below.

- At 6 St. James's Road occupiers rated their accommodation "very poor" in relation to layout of floor space in the context of their service, staff amenities, (i.e. dining, rest and toilet facilities) and car parking for both staff and customers. More importantly, it identified the fact that no asbestos register was being maintained.
- At Westox House, a property leased by the Council, occupiers scored its suitability "very poor", especially so in relation to customer/staff amenities and layout. In terms of capacity, a particular problem appears to be its lack of meeting rooms.
- Within the Council House complex, occupiers responded by reporting that there was insufficient staff and customer parking and that they were unaware of either an asbestos register being maintained or fire risk assessments being undertaken.
- At Castle Court, (5-7 The Broadway) a property purchased by the Council in 1996, the service now in occupation believed that whilst its location was perfect, the office layout was wholly inappropriate for their needs. They also reported that meeting rooms and car parking for its staff and customers was inadequate.
- Points similar to Castle Court were also made in relation to Priory Court. However, here they also noted that no Disability Discrimination Act audit

had been carried out.

- 3.2.15 Overall comments made in relation to accommodation and staff welfare were unsurprising and issues such as car parking are usually high on any accommodation “wish list”. However, this process also identified specific building management issues, such as DDA audits and asbestos records that have now been addressed by the most appropriate service. The feedback also provided substantiation to views often held but that have never been able to be quantified.
- 3.2.16 The majority of properties considered require targeted maintenance. Two, however, 23/25 St James’s and 6 St James’s Road require significant capital investment. A robust challenge to their future should be made before targeting any capital expenditure at bringing them up to good condition. 6 St James’s, particularly, falls on the verge of being considered surplus and very careful evaluation of its long term future should be made before spending money on it.
- 3.2.17 When the qualitative and financial assessments are combined, the final “league table” is created. This shows quite clearly that 6 St James’s does not warrant retention whilst Westox House and 23/25 St James’s Road do not fare much better. As expected, the best building is the youngest in the campus, 3/5 St James’s Road, but surprisingly, 4 Ednam, similar in layout and age features less prominently.

3.3.1 Performance of the Council’s Non-Operational Portfolio in 2005/06

3.3.2 Summary of overall performance and key issues

- Industrial Estates

3.3.3 There are 6 estates with a capital value of £1.865 million; 95% of the value being in the excellent or good category. The Council has interests in 2 estates which will be coming to an end in the short term. There may be dilapidations claims to address which may result in the need for capital expenditure. The estates generally require high levels of management to maintain occupancy levels and deal with tenant’s issues. Future reports will include a note in relation to the internal rate of return as a specific performance indicator has now been added to the suite of indicators to be reported upon from 2007.

- Industrial workshops

3.3.4 There are 8 sites with a capital value of £755,000; 95% of the value being in the excellent or good category. Opportunities exist to sell the freehold or ground lease to tenants. There is potential to exploit these underused sites

for a capital receipt.

- Shopping Parades and Centres

3.3.5 There are 8 centres incorporating 43 shop units with a capital value of £2.732million; 98% of the value being in the excellent or good category. Several of the sites have complex tenure arrangements with potential for re-development, bringing with it town centre regeneration opportunities and re-gearing of the financial structures.

- Shops on Housing Estates

3.3.6 Comprising 18 sites with 47 shop units equating to a capital value of £1.373 million; 79% in good and 21% in the poor category. These shops are historically connected to the housing estate, combined with years of under investment and without a coherent strategy backed up with resources there is no immediate prospect of bringing these properties into the excellent category.

- Stand alone town centre shops

3.3.7 Comprising 8 shops across the borough with a capital value of £1,111,000. 12% are excellent, 79% are good, 7% are fair and 2% are in the poor category. With two required for BHSAN, re-development opportunities exist with potential for disposal to generate a capital receipt.

- Leisure and Recreation

3.3.8 These comprise 4 properties with capital value of £1,430,000; 34% excellent, 45% good and 21% are fair. This category is made up of 3 golf courses and an animal sanctuary. The strategic justification for holding these properties should be re-examined.

- Telecommunications

3.3.9 There are 21 sites with capital value of £1,196 million. Although opinions differ with regard to mobile telephone technology and safety concerns, the market for sites is under pressure. 3G technology upgrades with mobile phone operators mean that the income is secure and there are opportunities to exploit the sites we currently have to bring in a greater return.

4 Conclusions

4.1 Operational Portfolio

- 4.1.1 In order that further progress is made in relation to analysing the performance of property, it is imperative that current and accurate running cost data is made available via the Corporate Land and Property IT System.
- 4.1.2 The Council, through its Corporate Property Group, needs to identify realistically achievable corporate space standards that reflect the objectives laid down within the Accommodation Strategy. These standards should then be used to benchmark future performance.
- 4.1.3 Council offices that make up the civic campus in Dudley Town Centre require a significant amount of work to be undertaken to bring them up to an acceptable, modern standard of between 8 and 10 square metres per person. Irrespective of whether Public Sector Plc identify a viable long term solution or not, the Council needs to establish a process by which problems identified within this and subsequent Property Performance Reports are objectively addressed. The most appropriate forum for this is the Corporate Property Group, chaired by the Director of Law and Property. Specific areas for consideration as identified in Table 7 at Appendix 2 are:
- The future of 6 St. James's Road. This is a property not valued by its users, (Children Social Care of the Children's Services Directorate) which cost £79/m² to run in 2005/06 and has £179/m² of backlog maintenance. Its continued retention within the portfolio must be evaluated against the qualitative and financial scoring criteria and a report brought to Corporate Property Group.
 - The future of Westox House in Trinity Road. With the future rent for Westox House expected to increase the value for money aspect of this should be explored in the light of the property's unsuitability. Improved service delivery could be realised for similar financial outlay if delivered from alternative but more suitable accommodation. Its continued retention within the portfolio must be evaluated against the qualitative and financial scoring criteria and a report brought to Corporate Property Group.
 - The future of 23/25 St. James's Road; a property that has £91/m² of backlog maintenance, cost £83/m² to run in 2005/06 but is valued by its users, (Dudley North 1 Assessment Team of the Children's Services Directorate). Before any long term commitment of targeted finance is made to address physical defects, its continued retention

within the portfolio must be evaluated against the qualitative and financial scoring criteria and a report brought to Corporate Property Group.

- 4.1.4 It is recognised that addressing these issues may form part of a wider “*decant process*” of any project implemented as a result of Public Sector Plc’s work. However, the Council should be prepared to address these properties through an objective “*strategic challenge*” process should the work by Public Sector Plc not move forward.

4.2 Non-operational Portfolio

- 4.2.1 92%, by value, of the non-operational portfolio is considered to be “Excellent” and “Good”. This represents an improvement on 2004/05 when 67% was evaluated by Donaldson’s as being in the same two categories. The improvement comes as a result of work undertaken by Corporate Estate Services surveyors to bring more certainty of income into the portfolio. This has been achieved by undertaking lease renewals and rent reviews, the introduction of a more robust property management regime, applying a more rigorous tenant selection process for vacant property and closer financial monitoring of income streams.

- 4.2.2 In order to protect the property in the “Excellent” and “Good” categories and improve the “Fair”, it is important that the quality of the portfolio is not allowed to deteriorate. This can be achieved by investing in targeted repairs, maintenance and improvement items. In accordance with the Corporate Property Policy, this work should be funded by monies generated from the disposal of assets within the overall non-operational portfolio.

Management Recommendations for those properties classed as ‘Poor’ are:

- 4.2.3
- Industrial Estates: The Wallows Industrial Estate is classed as “Poor”. The Council has a lease hold interest in this site, which will end on 23rd June 2009. Terminal dilapidations have potential to be an issue requiring capital expenditure. Early discussions with the landlord should continue so as to minimise the costs to the Council, whilst exploring other redevelopment possibilities.
 - Industrial workshops: The two sites within the “Poor” category are premises at Cinder Road and Land off Stourbridge Road, Halesowen. Both are significantly underused, have potential for more intensive use and could generate a capital receipt. Three other sites are small pieces of land. The strategic reason for holding all five of these sites is now unclear and should be revisited. Following consultation with the Directorate of the Urban Environment, recommendations should be made that sees a decision to either retain providing there are good reasons for doing so, undertake further work in relation to redevelopment, or seek disposal.

- Shops on Housing Estates: With 21% of value assessed in the “Poor” category, combined with poor location, weak covenant strength, (*i.e. the type of tenant represents a higher than average risk to guaranteed income as their business has a higher than average possibility of failure*) and lack of investment, these 16 shops could be considered more of a liability than an asset. Options to bring these properties out of the “Poor” category are limited, as is the market for disposal on the investment market. Further work with DACHS to split out the residential elements from the commercial, along with any potential to sell to the sitting tenant should be considered as a way of making these assets perform better, or generating a capital receipt.
- Stand alone town centre shops: Only 2% by value is in the “poor” category, comprising one ground lease. The strategic and financial reason for holding this property should be re-examined and, providing significant improvement is considered unlikely, the property should be brought forward for disposal.

APPENDIX 1: Corporate Property Policy Strategic Work Plan

Objective	Activity	By When	By Whom
<p>A Establish a property holding account system whereby each property is categorised into either operational or general fund Investment accounts (Refer to Policy Paragraph 9.0)</p>	<ul style="list-style-type: none"> • Produce and review clear statements defining the distinction between “<i>landlord and tenant</i>” responsibilities for all operational buildings • Establish draft “<i>landlord/tenant</i>” occupancy agreements for consultation • Establish a draft “<i>accounting framework</i>” for wider consultation 	<p>Mid 2006</p> <p>Mid 2006</p> <p>End 2006</p>	<p>M Cox</p> <p>M Cox</p> <p>Corporate Estate Services</p>
<p>Position at date of Report: Work in progress. A series of internal meetings within Corporate Estate Services, (CES) has taken place culminating in a draft spreadsheet. Working on behalf of the Office of the Deputy Prime Minister, York Consulting advised CES that only Dorset County Council have already successfully implemented this kind of accounting framework. Initial discussions have been held with Dorset CC and a site visit was made in April 2006.</p>			
<p>B Ensure that titles to properties within the corporate portfolio are secure (Refer to Policy Paragraph 13.0)</p>	<ul style="list-style-type: none"> • Develop resource and implementation plan following meetings with HM Land Registry 	<p>End 2006</p>	<p>M Cox</p>
<p>Position at date of Report: Work currently in progress. Land Registry staff working with Law and Property officers in accordance with agreed programme.</p>			

APPENDIX 1: Corporate Property Policy Strategic Work Plan

Objective	Activity	By When	By Whom
<p>C Ensure that the corporate portfolio is owned and occupied in an environmentally friendly way (Refer to Policy Paragraph 17.0)</p>	<ul style="list-style-type: none"> • Undertake consultation with key stakeholders with regard to BREEAM methodology. 	<p>End 2006</p>	<p>S Cooper</p>
<p>Position at date of Report: C1.1 Work in progress. Consultation has commenced with designers with regard to considering the issue of green/sustainable design and development. C1.2 Completed as part of the new operational performance indicators; refer also to comments in relation to Objective D.</p>			
<p>D Ensure the Council has a balanced portfolio that supports its vision, priorities and the present and anticipated needs of its service providers (Refer to Policy Paragraph 14.0)</p>	<ul style="list-style-type: none"> • Implement recommendations of Review • DUE surplus land report to Corporate Property Officer • Finance to ensure that Agresso compatible with use of Corporate Property References. 	<p>April 2006 and ongoing End July 06 Mid/End 2006</p>	<p>S Cooper J. Peterson T. Maher</p>
<p>Position at date of Report: Work in progress. This report reflects recommendations made following the review. Work is also in progress with the Directorate of Urban Environment. Looking at surplus land. A Project Plan has been compiled and work is in progress to gain access to accurate cost and consumption data for utilities and other facilities related services.</p>			

APPENDIX 1: Corporate Property Policy Strategic Work Plan

Objective	Activity	By When	By Whom
<p>E Promote the efficient management and enhancement of the Council's commercial assets (Refer to Policy Paragraph 20.0)</p>	<ul style="list-style-type: none"> Establish a commercial letting policy consistent with the efficient management, maintenance and enhancement of asset values. 	<p>End 2006</p>	<p>M Cox -</p>
<p>Position at date of Report: Work in progress. "Selection of New Tenants" questionnaire revised following advice from Debt Recovery Working Group and experience from London Borough of Newham who seek better quality of tenant who is less likely to default. Also makes debt recovery more effective. New E1.2 and E1.3 supersede IRR measures which were national KPIs and are no longer required for submission. The commercial portfolio is also monitored through quarterly meetings with Director of Law and Property and Finance. Trading accounts are calculated using a mixture of LAFIS and Agresso. Until the latter is fully implemented the accounts will not fully reflect the actual position. Overview of performance included as part of this report.</p>			
<p>F The Council will aim to reduce the size of the minor interests portfolio (Refer to Policy Paragraph 23.0)</p>	<ul style="list-style-type: none"> Establish phased implementation plan for reviewing minor interests portfolio. 	<p>May 05 and ongoing</p>	<p>M Cox</p>
<p>Position at date of Report: Work in progress – first phase approach to MEB to consider first tranche of lease renewal and rent reviews, establish a consistent valuation approach and consider some standard documentation.</p>			

APPENDIX 1: Corporate Property Policy Strategic Work Plan

Objective	Activity	By When	By Whom
<p>G Ensure consistent property planning throughout the Council (Refer to Policy Paragraphs 11.0 and 18.0)</p>	<ul style="list-style-type: none"> Office Accommodation Strategy to be reviewed/updated. Commercial Property Strategy to be reviewed/updated. 	<p>April annually April annually</p>	<p>S Cooper M Cox</p>
<p>Position at date of Report: Review/update of Office Accommodation Strategy held pending completion of Public Sector Plc Phase 2. Work is in progress in relation to updating the Commercial Property Strategy.</p>			
<p>H Ensure that property costs can be attributed to individual properties across the whole portfolio (Refer to Policy Paragraph 8.0)</p>	<ul style="list-style-type: none"> Establish consultation process with regard to the mechanics of attributing costs to individual properties to include defining, capturing and collating property costs. Develop implementation plan. 	<p>End 2006 To be determined</p>	<p>Corporate Estate Services and Finance</p>
<p>Position at date of Report: Work in progress. Meeting with Finance's Agresso Implementation team has considered the problems surrounding the use of corporate property references when completing orders. Agreed to make the use of the corporate property reference mandatory as part of the first phase of updates to the system.</p>			
<p>I Establish space charging within the Council's operational portfolio (Refer to Policy Paragraph 8.0)</p>	<ul style="list-style-type: none"> Establish draft space charging model for consultation. Establish implementation plan 	<p>January 07 To be determined</p>	<p>I Kite/M Cox/ S Cooper</p>
<p>Position at Date of Report: Work is in progress.</p>			

APPENDIX 1: Corporate Property Policy Strategic Work Plan

Objective	Activity	By When	By Whom
<p>J Incorporate a strategic challenge element to capital investment, development and disposal decision making process. (Asset Management Improvement Plan Item 1 - September 2006)</p>	<ul style="list-style-type: none"> • Cabinet and Shadow Elected Members for Law and Property invited to quarterly Corporate Property Group meetings. • Annual Property Performance Report to Corporate Board and Cabinet. • Criteria outlining the process of strategic challenge to be circulated to Corporate Property Group. 	<p>January 07 and ongoing November 06 December 06</p>	<p>J. Polychronakis J. Polychronakis S.Cooper/M. Cox</p>
<p>Position at date of Report: Work in progress. First annual report to November 2006 meeting of the Cabinet.</p>			
<p>K Incorporate and embed the use of whole life costing techniques into capital investment, development and disposal decision making process. (Asset Management Improvement Plan Item 1 - September 2006)</p>	<ul style="list-style-type: none"> • Criteria and framework for incorporating whole life costing into capital decision making process to be drafted and circulated to Corporate Property Group. 	<p>Early 2007</p>	<p>S.Cooper Dudley Property Consultancy</p>
<p>Position at date of Report: Work in progress. Meeting held with Assistant Director of DPC and criteria being drafted in conjunction with similar work being undertaken by DPC/Audit.</p>			

APPENDIX 1: Corporate Property Policy Strategic Work Plan

Objective	Activity	By When	By Whom
<p>L Embed the Corporate Landlord initiative in which property is accepted by all Directorates as a Corporate resource. (Asset Management Improvement Plan Item 2 - September 2006)</p>	<ul style="list-style-type: none"> Elected Member involvement in Corporate Property Group. Formalised Corporate Landlord budget to address problems that have traditionally fallen between Directorates' responsibilities. Reinforcement of "corporately owned assets" at Corporate Board/Cabinet level. Restrict view of "acquisition layer" on AXIS Digitise current occupation and ensure screen available through AXIS All disputes in relation to appropriations to be reported to Corporate Property Group. 	<p>January 2007 and ongoing To be determined</p> <p>Sept/Nov 06 and ongoing October 2006</p> <p>October 2006</p> <p>Ongoing</p>	<p>J. Polychronakis S. Cooper/M. Cox</p> <p>J. Polychronakis T. Reilly</p> <p>T. Reilly</p> <p>M. Cox</p>
<p>Position at date of Report: Elected Members have been included on circulation list for Corporate Property Group minutes. Initial landlord budget has been identified from existing resources. Work in progress in relation to AXIS layer amendments.</p>			
<p>M Embed collaborative Directorate Asset Planning between Directorates and Corporate Estate Services to improve forward planning. (Asset Management Improvement Plan Item 3 - September 2006)</p>	<ul style="list-style-type: none"> Annual review of Directorate Asset Plans between Cabinet Members/Directors and Cabinet Member/Corporate Estate Services. 	<p>February 2007 and annually</p>	<p>Cabinet Member L&P and S. Cooper</p>
<p>Position at date of Report: Due to commence in new year.</p>			

APPENDIX 1: Corporate Property Policy Strategic Work Plan

Objective	Activity	By When	By Whom
<p>N That all data held on the Corporate Land and Property IT System is accurate and current. (Asset Management Improvement Plan Item 4 - September 2006)</p>	<ul style="list-style-type: none"> • Condition survey backlog to be updated by external consultant. • Corporate Estate Services to review requirement and capacity for a dedicated Building Surveyor. 	<p>End March 2007 January 2007</p>	<p>S. Cooper T. Reilly/S. Cooper</p>
<p>Position at date of Report: Work in progress - external consultant appointed to update survey backlog. Dudley Property Consultancy committed to maintain accuracy of condition data over a five year cycle of re-surveys.</p>			
<p>P To increase the accessibility of accurate land current data held in the Corporate Land and Property IT System, (CLPMS). (Asset Management Improvement Plan Item 5 - September 2006)</p>	<ul style="list-style-type: none"> • Dudley Property Consultancy to contribute project related information to the existing CLPMS. • Re-write of the CLPMS to enable access to wider Council user base. 	<p>To be determined. Complete by mid 2008</p>	<p>S. Cooper/DPC S. Cooper</p>
<p>Position at date of Report: Work in progress. Initial meeting held with Assistant Director DPC. Facility to share commercially sensitive data with users over a secure portal already exists. Re-write of IT system will enhance the facility.</p>			
<p>Q To optimise the value of the Council's commercial, (non-operational) portfolio. (Asset Management Improvement Plan Item 6 - September 2006)</p>	<ul style="list-style-type: none"> • Commercial portfolio to be considered as part of the Annual Property Performance Report. • Corporate Property Policy to be adhered to in that sales from commercial portfolio to be reinvested in that portfolio. 	<p>Nov 2006 and annually Ongoing</p>	<p>J. Polychronakis M. Cox M. Cox</p>
<p>Position at date of Report: Work in progress.</p>			

Operational Property

The table below highlights those properties considered complete with the Directorates currently in occupation.

Table i – Properties Considered within the Property Performance Report 2006


Corp Ref.	Address	Directorate	No. of Staff
00240	3-5 St James's Road	DACHS Housing Law and Property DUE	45 125 118
00235/236	15/17 St James's Road	DACHS Housing	49
00279	Council House	Finance CEX Democratic Services	145 47 12
00513	Priory Court	DACHS Social DCS	5 15
00232	4 Ednam Road	Finance benefits Finance CEX Personnel	142 35 62
00337	Castle Court 5-7 Broadway	DACHS Mental Health Health Authority	8 10
00231	Ednam House & 2 St James's Road	DCS DACHS DACHS	35 122 64
00238	8 Ednam Road	DCS DACHS Social	11 19
00304	23-25 St James's Road	DCS	38
00230	6 St James's Road	DCS DACHS Social	11 19


Key:

DACHS Directorate of Adult, Community and Housing Services
DCS Directorate of Children's Services
DUE Directorate of the Urban Environment
CEX Chief Executive's Directorate

Operational Property Performance

Corporate Estate Services uses a traffic light system to provide an overall assessment of the state of the property used to deliver Council services.

 Red indicates that a property is generally **inappropriate** to deliver Council services. It may be inappropriate because of its physical condition, its suitability or sufficiency in relation to the service being provided, its cost to run or its impact upon the local environment. These properties require either significant investment and/or serious consideration as to an alternative use or subsequent disposal.

 Amber indicates that a property is **generally fit for purpose**. These properties require some investment to avoid slipping into the red category.


 Green indicates that property is **appropriate** for delivering Council services. These properties require only normal investment in terms of planned maintenance.

Table 1: Ratio of Asset Value to Maintenance Backlog





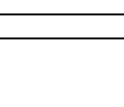

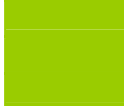
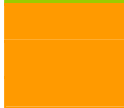



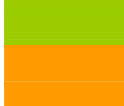


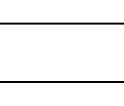

<u>Ref</u>	<u>Address</u>	<u>Ratio</u>	<u>Rank</u>	<u>Signal</u>
00240	3 and 5 St James's	1:02	1	
00279	Council House, Police Bldgs & Court	1:04	2	
00231	2 St James's & Ednam Hse	1:06	3	
00232	4 Ednam	1:08	4	
00235	15 and 17 St James's	1:11	5	
00337	Castle Court 5-7 Broadway	1:11	5	
00513	Priory Court	1:11	5	
00238	8 Ednam	1:25	6	
00304	23-25 St James's	1:46	7	
00230	6 St James's	1:51	8	
00305	Westox House (leased property)	N/a	N/a	

Table 2: Cost of Bringing up to Good Condition per Square Metre

<u>Ref</u>	<u>Address</u>	<u>Cost/m2</u>	<u>Rank</u>	<u>Signal</u>
00240	3 and 5 St James's	£10/m2	1	
00305	Westox House	£10/m2	1	
00279	Council House, Police Bldgs & Court	£17/m2	2	
00232	4 Ednam	£19/m2	3	
00235	15 and 17 St James's	£50/m2	4	
00231	2 St James's & Ednam House	£54/m2	5	
00513	Priory Court	£55/m2	6	
00238	8 Ednam	£76/m2	7	
00337	Castle Court 5-7 Broadway	£83/m2	8	
00304	23-25 St James's	£91/m2	9	
00230	6 St James's	£179/m2	10	

APPENDIX 2: Performance Tables

Table 3: Amount of Space per Staff Member

Ref	Address	Occupancy	Rank	Signal
00231	2 St James's & Ednam House	6m2/head	1	
00235	15 St James's	10m2/head	2	
00305	Westox House, (leased property)	10m2/head	2	
00236	17 St James's (inc with 15 St James's)	-	Na	
00513	Priory Court	12m2/head	3	
00230	6 St James's	16m2/head	4	
00240	3 St James's	16m2/head	4	
00240	5 St James (inc with 3 St James's)	-	Na	
00238	8 Ednam	19m2/head	5	
00304	23-25 St James's	20m2/head	6	
00232	4 Ednam	20m2/head	6	
00279	Council House, Police Bldgs & Court	27m2/head	7	
00337	Castle Court 5-7 Broadway	36m2/head	8	

Table 4: Total Operational Running Costs

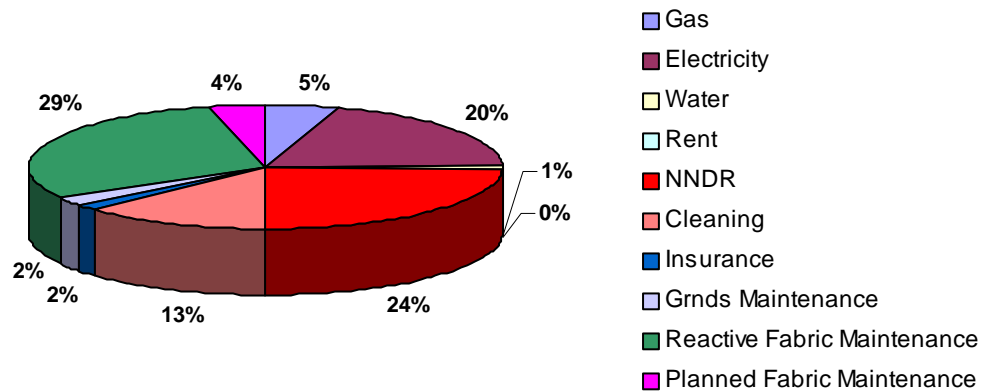


Table 5: Operational Running Costs per Square

Ref	Address	Cost/m2	Rank	Signal
00337	Castle Court 5-7 Broadway	£35/m2	1	
00235	15 St James's	£38/m2	2	
00236	17 St James's (inc with 15 St James's)	-	Na	
00279	Council House, Police Bldgs & Court	£41/m2	3	
00513	Priory Court	£47/m2	4	
00238	8 Ednam	£51/m2	5	
00240	3 St James's	£54/m2	6	
00240	5 St James (inc with 3 St James's)	-	Na	
00232	4 Ednam	£74/m2	7	
00230	6 St James's	£79/m2	8	
00304	23-25 St James's	£83/m2	9	
00231	2 St James's & Ednam House	£109/m2	10	
00305	Westox House, (leased property)	£111/m2	11	

Table 6: Suitability Results captured from Property Users

Corporate Property Reference	Property Address	LOCATION Weighted Score	SUITABILITY Weighted Score	CAPACITY Weighted Score	COMPLIANCE Weighted Score	TOTAL SCORE	OVERALL RANKING	SIGNAL
00240	3 St James's Road	18.67	21.67	20.00	28.00	88.33	1	Appropriate
00240	5 St James's Road inc above	-	-	-	-	-	Na	Appropriate
00232	4 Ednam Road	18.67	16.67	20.00	24.00	79.33	2	Appropriate
00304	23-25 St James's	13.33	10.00	18.33	30.00	71.67	3	Generally fit for purpose
00238	8 Ednam Road	16.00	5.00	21.67	28.00	70.67	4	Generally fit for purpose
00235	15 St James's Road	17.33	13.33	21.67	18.00	70.33	5	Generally fit for purpose
00235	17 St James's Road inc above	-	-	-	-	-	Na	Generally fit for purpose
00231	2 St James's & Ednam House	10.67	11.67	15.00	30.00	67.33	6	Generally fit for purpose
00513	Priory Court	20.00	6.67	16.67	22.00	65.33	7	Generally fit for purpose
00337	Castle Court 5-7 Broadway	20.00	6.67	13.33	24.00	64.00	8	Generally fit for purpose
00279	Council House, Police & Court	20.00	15.00	16.67	12.00	63.67	9	Generally fit for purpose
00305	Westox House	16.00	6.50	13.50	25.80	61.80	10	Generally fit for purpose
00230	6 St James's	16.00	6.67	15.00	22.00	59.67	11	Generally fit for purpose

To provide an overall ranking for each property within this category, the scores for qualitative and quantitative assessments were weighted then added together. Table 8 below indicates which properties, are considered **appropriate**, **generally fit for purpose** and **inappropriate** based upon those combined scores. Future reports will see this approach applied to larger numbers and wider categories of operational property across the whole portfolio.

Table 7 over the page incorporates each property within the category and places it into a matrix which can be used to consider how the property should be used in the future.

A **high financial score/high qualitative score** indicates that the property is generally in good condition and appropriate for the service currently being delivered from it. Therefore it should simply be maintained.

A **high financial score/low qualitative score** indicates that whilst the property is generally in good condition its inappropriate for the service currently being delivered from it. Therefore could another service make better use of it?

APPENDIX 2: Performance Tables

A **high qualitative score/low financial score** indicates that the property may well be in poor condition but is valued by its users in terms of its suitability to their service. Therefore, should the Council spend money on it?

A **low qualitative score/low financial score** indicates that the property is in poor condition and is not valued by its user either. Therefore, should the property could be considered for disposal.

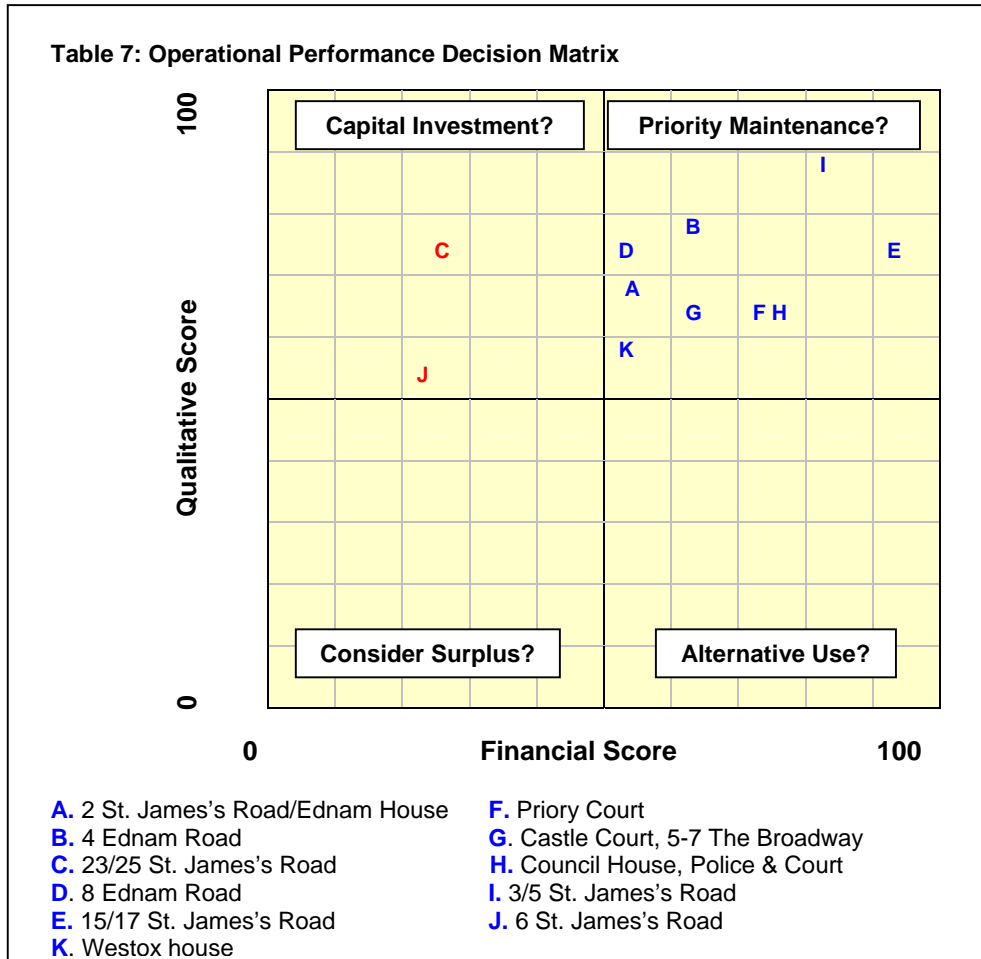


Table 8: Final Weighted Rankings

Ref	Address	Weighted Score	Weighted Ranking	Signal
00240	3 St James's	83	1	Signal
00240	5 St James (inc with 3 St James's)	Na	-	
00235	15 St James's	82	2	
00236	17 St James's (inc with 15 St James's)	Na	-	
00279	Council House, Police Bldgs & Court	69	3	
00513	Priory Court	68	4	
00232	4 Ednam	68	5	
00337	Castle Court 5-7 Broadway	64	6	
00231	2 St James's & Ednam House	62	7	
00238	8 Ednam	60	8	
00305	Westox House	59	9	
00304	23-25 St James's	47	10	
00230	6 St James's	38	11	

Non-Operational Property Performance

Table 9 over the page is a summary of the current state of the Council's non-operational portfolio. This part of the Council's portfolio has been assessed and put into one of four colour coded categories.

Corporate Estate Services uses a colour-coded system to provide an overall assessment of the state of its non-operational/commercial portfolio. Using both a judgement of the strategic reason for holding a property and a simple financial justification to describe the security of the income and how desirable the investment is. It puts each site into one of the 4 performance categories described below.



Red indicates that a property is performing poorly. These properties should be seriously considered for disposal.



Pink indicates that the property is fair. The Council should retain them but the financial return needs to be justified.



Amber indicates that a property is good. The Council should retain whilst it remains financially beneficial to do so.



Green indicates that property is performing in the excellent category as measured against both the strategic and financial criteria. These properties should be retained.

Table 9: Summary of Non-Operational Performance

ASSET CATEGORY	No. of Sites	PERFORMANCE				Rental income	Capital Value (% of total value)
		Excellent	Good	Fair	Poor		
○ Industrial Estates (no. of plots/units)	6 (106)	£ 950,000	£ 835,000	£ 1	£ 80,000	£ 519,350	£ 1,865,000 (17.8%)
○ Industrial workshops/ individual units	8	£ 512,000	£ 208,500	zero	£ 34,500	£ 107,839	£ 755,000 (7.2%)
○ Shopping Parades and Centres (no. of shop units/blocks)	8 (43)	£ 1,100,000	£ 1,570,000	£ 62,000	zero	£ 1,044,815	£ 2,732,000 (26.1%)
○ Shops on Housing Estates (no. of shop units)	18 (47)	zero	£ 1,080,650	zero	£ 292,500	£ 124,750	£ 1,373,150 (13.1%)
○ Stand alone Town Centre Shops	8	£ 137,000	£ 877,000	£ 78,000	£ 19,000	£ 89,600	£ 1,111,000 (10.6%)
○ Leisure and Recreation	4	£ 480,000	£ 650,000	£ 300,000	zero	£ 33,250	£ 1,430,000 (13.7%)
○ Telecommunications	21	£ 1,196,000	zero	zero	zero	£ 95,750	£ 1,196,000 (11.5%)
GRAND TOTAL (% of total value)		£ 4,375,000 (41.8%)	£ 5,221,150 (49.9%)	£ 440,000 (4.2%)	£ 426,000 (4.1%)	£ 2,015,354	£ 10,462,150 (100%)